



“Jindal Saw Limited Q3 FY-22 Post Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Jindal Saw Q3 FY22 Post Results Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen only mode, there will be an opportunity for you to ask questions after the presentation concludes, should you need assistance during the conference, please signal an operator by pressing “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Singh from PhillipCapital. Thank you and over to you, sir.

Vikash Singh: Good afternoon everyone. On behalf of PhillipCapital, we would like to thank Jindal Saw management for giving us the opportunity to host this concall. And without taking any much time, I would like to hand over the conference to Jindal Saw management for the opening remarks. Neeraj sir over to you.

Neeraj Kumar: Hi, good afternoon to all my friends, investors, stakeholders, and people on the call. We had our board meeting on 31st January, 2022, then in between we had the annual budget of the Government of India. And therefore now, we are here to present to you the quarterly results, which is the third quarter results for this year. And also, to give you a sense of how this budget is going to impact Jindal Saw Limited.

First, turning to the results. Q3 we achieved a turnover of ~ 2851 Cr which is quarter-on-quarter 11% higher and corresponding period last year 28% higher. EBITDA 202 Cr, which is quarter-on-quarter 47% lower and comparative last year 31% lower. And the rest pretty much follows the trend. However, one important aspect that we have to highlight is the financial expenses. So, at present, we would like to focus on these three particular numbers because prima facie at the face of it, it would cause concern to any stakeholder who has any interest in Jindal Saw. So, I repeat a top line of ~ 2851 Cr, which is higher than both the previous trailing quarter as well as the comparative last quarter, and



EBITDA of 202 Cr which is lower than, again both the comparative quarter as well as the trailing last quarter and the financial expenses.

The financial expenses, let's address that upfront have shown a marginal improvement, which is an effort of the working capital management and the reduction in the loans etc., that we have done. So, that is pretty much going on the trend on which we are following and we have followed. So, that's the result of that. Now let's look at the turnover as well as the EBITDA and also the percentage of EBITDA to the turnover which is 7% for this quarter.

Friends typically, Jindal Saw EBITDA percentage, a percentage of EBITDA to the sales remains in the vicinity of 15%. Under difficult situations, it would be less than 15 . In a very good scenario, when we are doing business and things are okay, it can go up to 16, 17. That's the range of EBITDA that Jindal Saw has always been. Here in Q3 of FY 22 we are at an EBITDA of 7% with a healthy top line growth, what does this indicate. This indicates we are executing the projects well. We have the ability to complete, execute and supply the products to our clients on time which we have done. A lower EBITDA and a margin of 7% indicates there is some serious aberration in the cost structure and therefore, to all my stakeholders let me repeat please take comfort from the reduction in financial charges, please take comfort from the growth in top line because in this environment I must tell you, we have no notices, we have no litigations, we don't have any serious complaints from any of our customers for non-supply. So, on the top line, customer satisfaction, contractual obligations we are absolutely on dot. So, these are things that should comfort all our stakeholders that we are not into any litigation, no government action is threatened against us in terms of non-supply, blacklisting, show cause, none of those are there because we took particular interest to satisfy those and keep that alive in the interests of the organization. So, I must tell you, we have fulfilled our contractual obligations, especially to the government agencies, not



keeping a very myopic and a quarter into view, it is based on a larger view of relationship, customer satisfaction and all of those, but the EBITDA percentage almost coming to less than half I would say. Something is there in the cost structure. And for that, let me draw your attention to our basic raw material that we have been using.

During this relevant period, which is Jan 21 to Jan 22, I'm taking that as an average just to give you a trend that here the HR steel prices have moved from \$700 to \$900. Coal has moved from \$100 to \$400, domestic iron ore from \$80 to \$140 and imported from \$180 to \$250. So, we all have seen the kind of one-sided movement in the raw material prices starting from Jan 21. Now, when you have this kind of an aberration, then this is an extraordinary situation where no hedging strategy would work. Every supplier would find a way to get out of any of your hedging strategies. So, this would not work, all I wish is to draw attention of all my stakeholders that this is not an ordinary situation. We have been facing an unprecedented volatility in the raw material market. And this quarter is a direct result of the impact of the spike in the raw material prices where whatever hedging strategies that we had ; it was not effective enough for this kind of a movement.

We did not want to again get into litigation into, when the coal goes from 100 to 400 no supplier is going to honor his commitment of 100. He will find a way, or else you will have to litigate, go to courts for this, that, whatever. So, please appreciate all I am requesting all of you to appreciate that this is no ordinary situation. This is not a business volatility that we are talking of, this is an extra ordinary, unprecedented situation. And in that situation Jindal Saw Limited, the company that we have kept up with our promises with our clients. Delivered everything as we do not want any litigation either side, either from the suppliers or from our clients. And we have managed to escape through in terms of that, yes margins came down from +14 to around seven. So, margins have halved, but still we have managed to survive in terms of with our



head high. And now this is where we need to look at it and there could be different ways of looking at it, there could be different interpretations of this conduct and behavior of Jindal Saw in this quarter.

The first one obviously comes to our mind and everybody is entitled to that view as well that this is a weak performance. The second is, this is actually a strong performance, because the kind of storm that we have seen in the volatility, the kind of volatility that we have seen, the kind of storm that we have seen, this organization has still stood tall and fulfilled all its obligations to its customers, the turnover has gone up. So, at least during this storm, the organization had stayed strong, and has absolutely taken it on its chin. And based on its robust business model, financial strength, they have been able to tide the storm, obviously there was impact and that is in front of us. So, there are two interpretations, and I would request our stakeholders to really analyze a little deeper, do this over a quarter-to-quarter and see that it is actually the fundamental strength of Jindal Saw that has helped us perform the way we did in the third quarter.

Now, the second question or the immediate question that comes to our mind, is this going to be business as usual or are we off the valley now or are we in the valley still. I must give you again the comfort that the raw material prices continue to be erratic. The coal continues to be in the 400 plus range, the HR coils have shown some softening, but it is nowhere close to the 700 that we used to see. So, the raw material prices continue to behave erratic at an elevated level. But how it's going to impact Jindal Saw in the immediate quarter, which is the last quarter, which is in front of us and the subsequent quarters at least in the near to medium term. This is where I would like to now draw your attention, you would have noticed that during this quarter, the borrowings have also gone up. Significant part of that is towards working capital which includes coal inventory which we had for more than 2 months as at 31st Dec 2021. Most of the critical long delivery raw material that is required,



which will sail us through the Q4 has been purchased . On one side, this is now a fact so at least for the next three to four months, we are now insulated on any further volatility in the raw material prices.

Second, during this quarter, since we have maintained our relationships, we have kept our customers satisfied. We have been successful in spite of being a firm price contract in many cases, except for the government, the EPC, all private cases, all EPC cases, we have been able to get a price increase because of our conduct and behavior during this quarter, because they all appreciate that yes, this is a genuine issue , so we have been able to achieve a price increase in most of our contracts except the government contracts. In a lot of cases, we have also been able to convince the government that we need a price variation clause which is linked to and raw material index. And they are also we have made good progress. So, a combination of these three, that we have received an increase in price in most contracts except the government contracts, we have been able to convince them for a price increase, but the impact of that is not going to come in this immediate quarter because tenders next round of tenders or any further tenders would have a price variation clause. So, that would insulate us from the volatility in the raw material prices in the subsequent quarters, maybe in the coming year is when you will get the positive impact. And in the short term, if you see our increased working capital requirement is all locked in for the purchase of raw material.

So, we have now a three month inventory of raw material, we have price increase on our side. And we negotiating to get the price variation clause included in the PSU or the government contracts. And that trend has continued to work, we will work with every government agency to include this going forward gives us enough confidence that the worst is behind us for this kind of volatility in the market. As the progress, we have some visibility of our one month performance based on that we have the confidence that Q4 would definitely be better than Q3. How



much better, probably we'll have to see a few weeks more in terms of the trend of how the demand is picking up, how things are happening. But we are confident that it is an now upward trend. So, in terms of we were in a valley, we have come out of the valley, we are trending towards normalcy, where we get encouragement is the national budget which was presented. So, the recovery would be very steep, the trend would be steep trajectory is based on the announcements, the investments and the kind of plan that the government of India has rolled out. And this time, what was a pleasant surprise that government has not just given a very global or a big picture, they have actually gone down to the thing that it is the government which will be spending directly on the project. So, many projects would be done in a period of two to three years. So, basically, the government has actually committed a calendar and well thought out expenditures in infrastructure, which is going to propel the economy. So, it's an expenditure led growth in the economy. It's again, no subsidy, it is no tax break, it is not one of those usual SOPs. So, it is something like the government has committed to the country, chosen the path that yes, we will work, we will make you work. And then over a period of time, this will lead to growth and happiness for all. That is very encouraging, because linking of rivers, six rivers are being linked. Jal Nal Mission, water to the doorstep, water to the home. All of those are very good news for us. And therefore now the combined impact of the budgetary announcements. Plus the stage that I told you Jindal Saw is in, in terms of how to deal with raw material prices gives us enough confidence that we are going to see a very good next year. The fourth quarter also would be better than the third quarter

Turning our attention to the order book, you would have seen that there is an apparent reduction in the order book. Our comfort zone is somewhere around 900 million to a billion dollars, currently we are around 700. Again, prima facie, it may cause some concern, I wish to assure all of you, this is something that we are very conscious and it is



out of choice. Because of these volatility, we were shying away from taking contracts, unless we get a price variation clause or unless we get the right price. And therefore, it is by choice that we have stayed a little away from taking orders, even the government side, even the EPC guys have deferred booking the supply of pipes, because again they also have suffered or are suffering the movement in the steel and coal prices. So, this is again nothing to get too concerned about. We also expect now the pent up demand that is getting released. And I'm absolutely certain with these budgetary announcements, infrastructure expenditure is going to go up. So, even though our order book at this point of time is lower than our comfort zone, it is not a matter of concern. It is a matter of choice and a matter of comfort, because now whatever orders will be booked will be booked at the prices which will be comfortable prices. So, that's what I wish to mention as far as the trend and the future is concerned demand is going to be very robust. So, fundamentals over the next three to five years is very, very comfortable in fact is very positive and very encouraging.

Two more important announcements that has been there. One is Sathavahana as we have said we are among the few participants. We are very hopeful and if we are successful, this would be a unique advantage to us. We would have a very strong foothold in South India as well. At this point of time the whole matter is sub-judice in terms of the NCLT and CIRP, it will take a few months before any final result is announced. And therefore, we are constrained by the laws to disclose or discuss anything further except that we are hopeful we are working hard at having Sathavahana with us.

The second very important and significant announcement is the joint venture with Hunting. This will put our Nashik plant on the global map This is the only plant or this will be the only unit which along with the JV where the entry into the plant would be billets and the final product that would be supplied to the customer would be a wide range from the



smallest of diameter at 2-7/8 and the higher end of the diameter is 36 inches. But to give this kind of a range of products for the OCTG market is unique in the world. It will put us in an exclusive club of few who dominate these products in the world. The JV facility shall be a next door co located with our Nashik Plant with a ready market for +50,000 MT because again we have to adjust for yield. So, +50,000 MT we have a ready market available for the products from Nashik. So, to that extent, the Nashik plant would be a lot more stable, it would have been a lot more predictable and would be able to perform really well. So, this Hunting joint venture is going to completely change us, it would be completely changing the OCTG business landscape in India, because this is completely aligned to the Atmanirbhar scheme, Atmanirbhar initiative of Government of India. Henceforth, all these products would be available in India from us thus far they have all been imported.

So, the Hunting joint ventures is going to really be, or put this business of our seamless market at a very different pedestal and very, very difficult for anybody else to emulate. The reason why I say so, is there are only a few players in the world who have this kind of technology or product, which is patented. And for those few to choose a partner like Jindal with whom they could replicate a structure like this is not going to be simple. Because this joint venture is actually a collaboration or coming together of two very, very strong players with complementary skills, where in our right we have a position in the world, in their right they have a position in the world and then we have come together where we don't have to step on each other's toes, but both will complement each other's skill and we will attain a different level. In fact, we all committed to make this Nashik unit a center of excellence as per the international standards.

So, we are very encouraged about the Hunting joint venture, encouraged about the DI, hopefully we will be working towards a win. In Large Dia, enough headroom is available in terms of capacity. Pellet plant is stable,



they have acted as a very good counterbalance to this volatility in the raw material market. Jindal Saw has been very robust, one of the contributors has been this pellet plant. The rest, as I say market outlook looks good, market outlook looks robust. So, with all of these, the way we look at it is that yes, we did go through a difficult quarter. But we have put effective strategy in place. And now we are out of it, hopefully, fourth quarter you will see some very good results so that we will close this year at a reasonable place and definitely we look forward to the next year where we expect to do really well because of the demand and our readiness. So, with this, I have addressed your most of the issues I believe in the results. So, let me stop and take a few questions.

Moderator:

Thank you very much, sir. Ladies and gentlemen will now begin the question-and-answer session. The first question is from the line of the Pratiksha Daftary from AEQUITAS Investment. Please go ahead.

Pratiksha Daftary:

So, my first question was, in terms of realizations, what we had understood as per your previous commentary is that H2 would be where our newly priced orders would start kicking in. And we have started factoring in our, the high iron prices in our order booking in the first half. So, this is the high, the revised prices orders would have come in. So, is it fair to assume that this EBITDA margin is after factoring both orders, or is there anything else?

Neeraj Kumar:

No, these are EBITDA three quarter is essentially where the raw material we did factor in, but let me just tell you, we never estimated that \$100 coal will go to \$400. We never estimated that a 700 HR will go to +900. So, those kinds of neither estimations were there, nor any of the strategy which was there to put in long term delivery contracts could work in this kind of storm. So, this quarter result is essentially because of the volatility of the raw material, which is the prime factor and now, we are at elevated levels. Good part is, the raw material continues to be chirpy, the top line is likely to be a lot more elevated because of as I told



you, we have taken price increase and some of the orders which are at the new prices would be now getting executed. So, to that extent, we would be able to restore the margin of EBITDA which is from seven percent it will move upwards for sure.

Pratiksha Daftary: Okay. Sir if I look at the order book, remember that has been given as part of commentary this quarter, it looks to me that at least for LSAW pipes, and DI pipes, the realization for the new orders is lower than what there in the previous quarter. So, how does that fit in?

Neeraj Kumar: No, I don't think probably there is a miss, realization in large dia. and DI if you are saying that realization per tonne for Large dia. or DI in Q3 was less than the realization that was there in Q2, probably there is a miss. I would request you that please get in touch with Mr. Goyal. We would like to clarify I don't have those numbers, but prima facie that may not be the case.

Pratiksha Daftary: Okay. So, is it fair to say that between two quarters we have definitely booked the new orders, orders that were booked in this quarter Q3 are at a higher price as compared to?

Neeraj Kumar: Yes, much higher price.

Pratiksha Daftary: Okay. And sir, would it be possible to give execution period for our order book for each of the segments?

Neeraj Kumar: Yes. Let me just say DI because of the frame, etc., typically can go up to 12 months. Large dia. is usually six to seven, eight months.

Pratiksha Daftary: Currently it is about six to eight months?

Neeraj Kumar: Large dia.

Pratiksha Daftary: In the current order book is six to eight months execution?



Neeraj Kumar: Yes. And the seamless and stainless would be 12 to 16 weeks, which is three and a half to four months is where our order book or the CDD as we call it, a contractual delivery date would span. So, this is a kind of time horizon over which our contracts in different segments pellet, we have a realization or the entire receivable cycle will be less than a month because usually the pellet works on the spot market.

Pratiksha Daftary: Okay. Alright and if you can elaborate on the profitability and outlook for the Abu Dhabi subsidiary?

Neeraj Kumar: Abu Dhabi this year we are likely to do better than last year in terms of top line and tonnage. Again, as far as the EBITDA is concerned, the same raw material prices have hit there, we can expect some moderation but in aggregate, definitely we should do better, but in terms of percentages, in terms of EBITDA per tonne we will have to see the impact of the raw material, but on top line, on aggregate we are definitely going to beat the last year's performance.

Pratiksha Daftary: Alright. And last question you mentioned about the increase in borrowing a part of that is because we have booked a large shipment of coal. So, I understand that between September and December our short term loans have increased by about Rs. 900 crores. So, how much would be because of this coal shipment?

Neeraj Kumar: Mostly coal, because we got one large ship, coal we get it from so, it always comes in a bulk so, there is one shipment which has come. So, primarily it would be coal, some would be steel and iron ore. Which is going to see us most of this fourth quarter. So, now if there is any major moment in the raw material prices in the fourth quarter, it would have minimal impact because majority of it is already in our inventory.

Pratiksha Daftary: Alright. And sir any update on arbitration with NTPC?



Neeraj Kumar: The next hearing is in March, because again, the Solicitor General has taken a date. See, it's very simple, it has come out now it's out in open you can go to the website and see the judgment. NTPC and the government they are playing the procrastination strategy. So, the next hearing is on 15th March. Hopefully, judge has said that now I will begin to hear the 34 objection, now they would want to hear on merit. That is what the judge has said, committed. So, we are hopeful that now the discussion on merit would start.

Pratiksha Daftary: Okay. And how much of our current order book would be exports?

Neeraj Kumar: Between 15-20 %, but that's likely to change because one good thing that has happened is, the oil prices in the international market have started firming up, which is good news for large dia., especially LSAW market.

Moderator: Thank you. Our next question is from the line of Hari Verma from PMS Group. Please go ahead.

Hari Verma: Sir, though the results were not as per our expectation and in line, but being a part of metal industry and associated with this, I know that the raw metal prices were very erratic, on the unforeseen level, not envisaged by anybody and we are getting some inventory also. So, because of that sector results are somewhere at the bottom of the cycle only. So, I hope for a better future in the coming quarters definitely, it will be the raw material prices have softened out, you have also mentioned that. So, I won't ask a couple of question on this part, let the other participants should ask. I will draw your attention on some other factor, other point which is reflected in your press release also. As you have mentioned here in the briefing also about Sathavahana part. Sir, let me let me congratulate you for Sathavahana for the efforts of getting Sathavahana to our fold, because it is our DI pipe business which was saturated. And I believe that DI pipe had proved savior for us actually



for our company, it has contributed largely and it has also set off some lower realization in other part also so, and you also said that it's technically it is very good and you just mentioned that it is an unique advantage to us. Sir, I have visited this plant many times, the DI plant is very good. It is one of the best plants in India that has been claimed by the technical people or ex-Jindal people who have worked there. And because of the bad management and the policy of management this company is where it is today. Otherwise this company was very good. The Piramals were trying to take this company into their fold. Thereafter Kejriwal was also trying, Tata's were also trying. Jindal Saw first came into contact with the promoter of this company in December 2017. At that point of time, the share price of this company was Rs.70. Then after we entered into OMMA in August 19. The same day concall on 2nd August you announced the Hunting joint venture and you also announced the OMMA with Sathavahana and we were very happy that because of the management, we being the newest in DI pipe, DI pipe industry in Sathavahana as well as in Jindal Saw in PMS account, we were very happy that this management of Sathavahana is going to change and Jindal is coming and everybody was very optimistic, very encouraged.

Now finally Jindal is coming. The company is coming into Jindal saw fold and you being professional management, the company will definitely revive, and the interest of the stakeholders will also be revised. But sir, I have heard from my sources, I have information from my sources that in your proposal to NCLT the Jindal Saw has proposed to de-list the shares and write off the share. Sir my humble request, if this is true, my humble request sir, there are the promoters mistakes, because of the promoters mistake the minority shareholders cannot be penalized sir, there are 10 to 12 shareholders families only. Only after promoters equity only 3 crores shares are left. And the company is very good we will get not only DI pipe, there is scope for DI pipe also, expansion of



DI pipe also. I was part of the implementation of this plant, we will be able to have merchant coke in our fold at least 2 lakh tonne, we will be having surplus power which will be generated at least 20, 25 megawatts power which will be generated free of cost from the coke oven plant which is just situated outside the power stations, the raw material and finished goods can be transported by rail movement. We will have merchant pig iron also. My point is very limited on this issue only, instead of asking three, four question I'm concluding. So, Neeraj sir my humble request is, if you are proposing or if you propose to delete or write off the share kindly don't do that it is perception, Tata, Bhushan Steel they revived and they merge it, even Sajjan Jindal Ji took Monnet Ispat and they revived and sometime they will also merge it. So, my humble request is, don't write off, don't delete the shares of equity minority shareholders sir, thank you so much.

Neeraj Kumar:

#A, I must compliment you that your analysis that you have done on Sathavahana is fairly accurate and it definitely reflects that you have all the data points kind of well researched out, you know the logistic advantage, you know the advantage of the plant, you know all of those, but in the briefing itself I had mentioned, that now since everything is with NCLT and thus the whole matter is kind of sub judice. It would not be appropriate and I've been also advised by our lawyers not to discuss the resolution plan at this point of time, so I do take your point, I have heard you. But in terms of what is there in the resolution plan, I am constrained by the lawyers to discuss this any further because everything is now with NCLT.

Hari Verma:

Sir, I fully appreciate and agree with you. And, I don't expect you to say anything on public forum, because this is sub judice matter as you rightly said, but J. C. Flower, Jindal Saw or it's associate have invested in J. C. Flower, behind ARC somebody has to be there, Jindal Saw is there. And there is J. C. Flower is the only COC and RP has been appointed by them. And the other day, the day before yesterday



Sathavahana had its AGM sir. Many shareholders requested sir, to RP to look into their interest part he said I will definitely look into part, but it depends on the resolution applicant first, he has to itself propose and there are lot of benefit and it will be a feather in the cap of Jindal Saw by getting this unit. Mostly it's DI pipe, moreover perception matters today, Vedanta or Anil Agarwal took Electrosteel Bokaro unit, they are slightly devil of everything. He got very heavy criticism, this last week only he said I'm going to donate by 75% over, what is the use of 75% donating sir, if he could have sell out 2000 crore the lakhs of shareholder family would have been survived. So, perception matter and PR Jindal sir, very generous I met him once personally with my Chairman. So, kindly look into it and you are influential, you are the decision makers sir, definitely if you prevail, you will do something very good for the Satavahana Ispat. Thank you so much sir.

Moderator: Thank you Mr. Verma. We will take our next question that's from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Sir out of our DI order book what percentage will be from the government related segments?

Neeraj Kumar: As regards DI order book from government related segments, in fact, the entire DI consumption is with the government related segments, as there are two business models in DI. First, there is a direct purchase which is called the item rate purchase by the government under a tender, the second is where the government appoints the EPC contractor for the water project, which is pipe plus laying and then in turn the EPC buys the pipe from DI suppliers. So, to answer your question, how much of DI goes to the government? The answer is 100%, because there are hardly any private players who buy DI except that some who may be developing say private city, smart city or integrated township but those are all very marginal and then they take it from traders. So, the entire DI goes to the government either through a direct purchase by the



government under the item rate contract or through the EPC. So, the 100% goes to the government now, this breakup is fluctuating and it keeps on going here and there for example states like Haryana and Maharashtra, they follow the item rate contract models, states like Uttar Pradesh, states like Madhya Pradesh and Tamil Nadu they follow the EPC model and depending on which state and which contract you have, you will keep on changing between the item rate as well as the EPC modules. But, again, just to conclude to answer your question 100% of DI or more than 99% of DI goes to the government projects only.

Anurag Patil: So, sir broadly, what percentage will be without escalation clauses that I wanted to understand?

Neeraj Kumar: No, at this point of time. Now, with every EPC that we are working with, #A we have achieved a price increase. #B any new contract with EPC would be with a price variation clause. And we have also been able to successfully work with few state governments, where we are expecting the tender to come out in the next few weeks with price variation clause. So, our effort is to move the entire pipe purchase with price variation clause. It may take a month or two but that we have taken as a strategic view after a lot of consultation that we have to move into a price variation business environment for DI especially when there is a long lead because as I mentioned to you it takes, we can get contracts which are up to nine months to 12 months, because they are firm contracts. So, that will happen and it should happen over a period of maybe next one month or two months with the item rate contract, with EPC it's already happened.

Anurag Patil: Okay, sir. And another question on the Hunting JV, what would be our investment and revenue potential from this project?

Neeraj Kumar: It's a 51:49 joint venture in our favor. So, again, that should give you some sense of the relative strength that Jindal has, even like a global



partner with Hunting, we have managed to get a 51% shareholding in the joint venture. In terms of the revenue potential in India, there is a target market of over \$200 million year-on-year where this OCTG products, etc., are sold. Plus, we have the MENA region and then across the globe. See what you must focus on, in India under the Atmanirbhar we would have this \$200 million plus target market available to us immediately. Once we have a track record then in MENA region, especially in the Gulf and North Africa, we would stand at very, very advantageous position, because of the Mundra port, that's from where six days of shipment and you are going to serve that market. Because of the cost advantage that you have, you can actually become a global player as well, because wherever all the Europeans and all the Americans wherever they are, they are no match to the cost structure that we would have on account of and the Nashik plant is co-located. So, raw material, just in time inventory, inward freight almost negligible, it gives us into a position where today, there is a three step marketing strategy first address the \$200 million India market, expand to the MENA and finally, go to the rest of the world.

Anurag Patil: And sir what would be the CAPEX required from our site for this plant?

Neeraj Kumar: The overall outlay in the first phase would be about \$25 million to set up the project and all of those similar amount \$25 million of working capital, but again because of the relative strength of us and Hunting, the initial equity contribution from both partners would be of a much, much lesser magnitude, because we are in the process of arranging bank financing for both CAPEX as well as working capital. So, for working capital, all the promoters would be required to fund, and it will be the margin and we expect that at least a debt equity of 1:2 is something that might fly with the banks, that's where we are. So, all put together then the contribution from Jindal Saw in the equity would be less than four or less than \$3 million to set up the project..



Moderator: Thank you. Our next question is from the line of Hetal Gada from ITI Mutual Fund. Please go ahead.

Hetal Gada: Firstly, I wanted to ask you about pellet plants, iron ore prices have started rising again in the international market. So, how is the business going and what kind of profitability we are seeing in this plant currently for Q4?

Neeraj Kumar: Pellet plant we are operating almost at capacity, we have a 1.5 million tonne capacity per annum and we are almost operating at capacity, the margins were at one point of time very good in line with the HR prices and all of those because as you know pellet is also used into the steel making. So, this is where whatever we suffered on the raw material side for DI as well as for steel got counterbalanced by the pellet, but now pellets prices have softened from its peak a little bit, which was expected and we are fine with it, as the HRC prices or the iron ore prices are beginning to soften or beginning to come down.

Hetal Gada: But in the last few weeks, prices of iron ore have bounced back \$144 in the international market. So, are we seeing similar pickup in pellet prices as well and what will be timeline.

Neeraj Kumar: Yes, it would. See it would essentially when you see the iron ore lumps, and pellet, they will always be very highly correlated. The only difference would be whether it is pellet of 65 grade or 67 grade, 67 grade will fetch you a premium, maybe a few percentage over the 65 grade, but these prices all three would always be in a range.

Hetal Gada: Okay. So, what from the peak level, sir how much difference or what will be the levels at which the profitability will be right now in the pellet segment. So, obviously we are not at the peak but, what levels can we see the margins currently?



Neeraj Kumar: Madam, if you are wanting to ask me what is the EBITDA margin for pellet segment on a separate basis, that is something that I have said, we don't disclose it's always the blended EBITDA. So, what I can tell you is Jindal Saw generally has a EBITDA range of over around 15%, which is above 15% or below 15% all those currently we are at seven, last quarter you will see a upward trend for sure. Here, we would have, again, an EBITDA margin of close to not exactly 14 or 15. But very close there, we would achieve because we hope that the Q4 results would be better. And in the first two quarters, we have achieved again +14 EBITDA margin. So, year end, would have the impact, the third quarter will have an impact for sure. But it would recover in Q4 for sure.

Hetal Gada: Okay. Sir secondly on your steel business, that you were planning to set up a steel business in Rajasthan, you all had an agreement even with the government for iron ore mine. So, any update on that front?

Neeraj Kumar: At this point of time, the steel plant is definitely not on the anvil, it has been there for some time in the drawing board stage, we stand committed but government has to fulfill certain obligations in terms of land. Now, we are told that few new mines may come up for auction. So, definitely, long term if all goes well, government fulfills all its obligations, gives us the Iron ore mines there, we may look at forward integrating into the steel business. But those are all conditional and those are all contingent upon what government does, how the new mines auction goes so for the purpose of your calculation, if you are looking at a two to three year horizon, then neither the CAPEX nor the iron ore,, etc., or nor the revenue from this should matter to you.

Hetal Gada: Okay, sir sure. And lastly, just wanted to understand regarding your bank guarantees that are still remaining for Jindal ITF, any update there?



Neeraj Kumar: So, bank guarantee they continue to run because they are all tied up to the NTPC, the litigation which is in high court, the bank guarantees are tied up there and it continues to be Status quo .

Moderator: Thank you. Our next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir, firstly just to sum it up in this long conversation, we had an EBITDA of 7% for this quarter, and you are expecting and EBITDA higher of what we had done for the third quarter. Sir, can you give us some understanding with one month execution period over, what kind of ballpark has to be worked out with because anything above 7% is 7.1. So, if you could give us a band with which we are currently working, just putting off the vagaries of the raw material again playing out in the coming quarter?

Neeraj Kumar: Saket forward looking statements, forward looking commitments on EBITDA to give a number will not be possible. What, I have said is that, if you see we have done EBITDA of close to Rs. 1000 crores, now this is for nine months What I am saying this 12.58% for first 9 months is likely to move higher on account of Q4 results.

Saket Kapoor: Okay. So, on a year as a whole we are going to be ahead of 12.58 % this is what you are guiding?

Neeraj Kumar: Should be is what we expect unless again.

Saket Kapoor: Okay. What is the nine months of pipes volume sir, that I will take offline again.

Neeraj Kumar: Saket if you read through the.

Saket Kapoor: This is the nine month figure for us.

Neeraj Kumar: Absolutely exact figures have been circulated for nine months.



Saket Kapoor: Sir again, a very short point sir. Here also when we look at the numbers for the consol. part although.

Neeraj Kumar: Saket 7,65,000 is your nine months total tonnage of pipes.

Saket Kapoor: Of pipes. And you have a comparable number for the last year sir?

Neeraj Kumar: 765 versus 717.

Saket Kapoor: Okay. And looking at the deliverables for the fourth quarter wherein we are tied up for the commitment, so what should be the trajectory closing in terms of the deliverables?

Neeraj Kumar: See, we should end the year more than 10. With about 2, 2.5 lakh, over 2.5 lakhs for the last quarter.

Saket Kapoor: Sir observing the numbers wherein definitely the raw material cost have passed through the P&L, other than that sir even the employee cost or fixed cost has been sir if I use the word being very stubborn and that has risen only, if I take the numbers for the December quarter last year on a consolidated basis the employee cost was Rs. 233 crore here in now, for this quarter it is Rs. 268 crore. So, if we take the volume for the pipes and the business, we have done lesser business than what we did for the last quarter, but the employee cost have gone up by another Rs.10, 15 crores in this tough market. So, what steps are you taking to, take into account these cost that have been ever increasing?

Neeraj Kumar: I don't know where you are seeing that number. Why don't I ask you Saket to have this discussion offline. Let us also hear this, the numbers that you are quoting there seem to be and there is a gap or a misunderstanding, because if you're saying.

Saket Kapoor: I'm looking at the print out sir, Rs. 233 crore was the employee benefit expenses for 31st December 20, and the employee benefit expenses for 31st December 21 is Rs. 268 crores. So, these are the numbers what have



been published by the company. Sir coming to the point when you speak, when your outlook part, you have been very well mentioning that the company's business operations are highly structured offering very focused and specialized solutions across SAW pipes, DI pipe fittings and all those stuffs. Sir when we look at them.

Neeraj Kumar: Mr. Saket, let me just stop you there, because you are saying something which today, we have our audience which is going large. And as I told you, the numbers that you are quoting is not matching. So, please don't continue to just quote, which numbers here I have the numbers in front of me because please understand what you are saying there could be a gap in understanding, but we cannot let you proceed with these numbers because it would have an impact for others who are listening to it. So, now you are saying tell me what the numbers are.

Saket Kapoor: Yes, sir if I look at the column.

Neeraj Kumar: The CFO is here. Please first let me identify these numbers where you are talking about so much of increase in manpower cost.

Saket Kapoor: Yes sir. The employee benefit cost for this quarter sir, what is the employee benefit cost?

Narendra Mantri: It is Rs. 267.9 crore.

Neeraj Kumar: Console, you are talking about consol.?

Narendra Mantri: Yes.

Saket Kapoor: What was the cost for us for 31st December 2020?

Narendra Mantri: Dec 2020 it was Rs. 233 crore, but if you see the September quarter Q2, it was Rs. 257 crore.



Saket Kapoor: Yes, sir it was Rs. 257 crore. Again that has risen on quarter-on-quarter also sir. The short point I'm trying to make the volume of pipe sold by us for the December quarter was 2,83,200 where in the volume for this year is 2,62,000, where in our employee cost has gone up from a figure of Rs. 237 crore to Rs. 268 crore and in a market where we are facing a lot of turbulences in terms of raw material. So, I was just articulating the point that our fixed costs on the employees line item is higher. So, correct me sir where I have given you the wrong information to the large audience listening to us?

Neeraj Kumar: Yes, because #A, probably we need to have the clarity, you are talking about console numbers so far this discussion that we have had. So, far whatever numbers that we have discussed is only on a standalone basis. Now, on console basis, the tonnage all the 7 lakh and 10 lakh that extra that we have given is all on Jindal Saw. So, far, we have discussed all volumes, all numbers, everything on Jindal Saw, which is the standalone basis. Now you are bringing in consol., I don't mind discussing that, but we will have to then first let everybody know that we are moving away from a standalone to a consol. number and then top number. So, till now the 7 lakh and 10 lakh what I said or for that matter, your turnover of Rs. 2800 crore, your EBITDA of Rs. 202 crore they are all standalone numbers.

Moderator: Thank you. We will take the next question from the line of Urvi Jha from Asia Securities. Please go ahead.

Urvi Jha: Sir, we have been with the company as a shareholders since last five years. And, you have always been very proactive sir, since last a couple of years you have been always asking that what as management you should do for generating investor, creating investor value. So, you have a very open mind and congratulations on that we have made changes to the presentation and then our reporting standards and IR team. So, one more previous participant alluded to this question. And that is why sir,



as a minority shareholder in Sathavahana Ispat also, I would like to draw your attention. He has already given many examples about good corporate governance, displayed in the previous NCRT cases. IBC cases so sir, belonging to reputed Jindal Group, sir I hope that minority friendliness is continued there as well. Because as said, it all relies with the resolution applicants, there are two or three of them. So, being one of the party, I would urge you and others to definitely consider the minority shareholders there as well. So, coming back to our business, sir what is the capacity utilization in our seamless and seamless tubes. The volumes have gone up this quarter. And, if we have broken even in that segment, if you can give reply to these two questions?

Neeraj Kumar: Yes, if you see the seamless, stainless, alloy steel all put together then definitely, we are above cash breakeven. The stainless as you know is that three places if you look at each one of them, they are close to breakeven. But if you combine the carbon steel, alloy steel, SS business, which is Nashik, Nagothane, Kosi, Samagoga all put together, definitely it is a profitable business.

Urvi Jha: Okay, sir. And I hope as a minority shareholder in Sathavahana, and being one of the resolution applicant sir you will display, the good corporate governance will be continued displaying there as a group.

Neeraj Kumar: We have taken note of your concern, the other participant also, one of our stakeholders have mentioned about the same. So, we have taken note of all of those, but as I said, I'm constrained to talk anything further on that.

Moderator: Thank you. We take next question from the line of Sandeep Raj from Oculus Capital. Please go ahead.

Sandeep Raj: I just have one question, I wanted to know which pipes are use in river linking project that was announced yesterday in the budget and what can we expect from this project for Jindal Saw. Thank you.



Neeraj Kumar: Okay, river linking projects, if you have, can use or mostly will use large diameter pipes, which is helical, because when you are linking the rivers, it would all depend on the kind of water that you are wanting to discharge. It has also been well established that river linking projects, especially if the distances are far, canals cannot be used, because in canals you normally have gravity flow. So, then the depth will be such that it would not be viable. So, linking of rivers over a large distance, helical pipes, large diameter steel pipes, which go up to four meters to five meters in diameter would be the most suitable. And you can use multiple of those if the really flow requirement is very high.

Moderator: Thank you. Due to time constraints, we'll take our last question from the line of Radha from B&K Securities. Please go ahead. There seems to be no response from this line, with that I would like to hand the call back to Mr. Vikash Singh from PhillipCapital for closing comments. Over to you sir.

Vikash Singh: On behalf of PhillipCapital, I again would like to extend my sincere thanks to Jindal Saw management for giving us the opportunity to host this call. Sir, if you have any closing remarks, please you can proceed and post that we will close the call.

Neeraj Kumar: Yes, in fact, I wish to thank all my stakeholders. And I hope that I am able to or I have been able to give a perspective to all our stakeholders that yes, indeed we have gone through some troubled times. And we have come out of it, which has impacted our third quarter results. But, it is that in a difficult circumstance also, we have been able to come out with a minimal impact is actually the robustness of us. The second point is, that we do have a very, very encouraging immediate as well as medium future based on the capabilities based on the robustness, based on our JV announcement and all of those back up by the tailwind that we will get is from the budget and the government initiatives. The third point that I would like to mention is again, this is addressed to Saket and



some of our friends who have been there, that for a large group like this, we would be very happy to answer any of those questions, the whole idea is to answer questions. But sometimes when we are getting into this situation where there is a confusion, we will have to stop. So, I would request Saket, not to take this otherwise, please call us whatever your questions are. We will answer that.

In future I would request all our friends, stakeholders if you have these or such specific questions on some specific numbers, we always circulate the results and everything in advance, you have our email addresses, please send those queries, we will take it and I will make sure that I have all the right numbers in front of us. So, that there is no confusion and therefore, Saket as I said once again, please call us we will get you all the answers. In future, if you want to discuss specific numbers out of the result, which is always circulated. We have circulated even the write up on all of those to explain all of those, please send us a mail so that we are well prepared for this. And we will definitely answer that. So, with that, I wish to thank my entire stakeholder fraternity, I know all of you have a concern, which we share, that why the market cap is not reflecting our fundamental strength. That concern is with us as well. But, we are hopeful that soon it would be as it has been if you'd see, if I see the last few quarters, definitely the market cap has been reflecting our fundamental strength, we are far from it, I must tell you, we are also concerned on how to do, what to do. Whatever is within our control, we are doing everything but, if any of you people have any suggestions, we have been taking on board all the suggestions, please either send us a mail or ask for a call. We would like to do that. So, with all of those comments, let me thank all of you. And hopefully we will have a year end which would bring a smile for all of us. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.