

“Jindal Saw Limited Q4 FY22 Earnings Conference Call”

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MANAGEMENT: MR. NEERAJ KUMAR – GROUP CHIEF EXECUTIVE OFFICER AND WHOLE-TIME DIRECTOR, JINDAL SAW LIMITED
MR. VINAY GUPTA – PRESIDENT AND HEAD TREASURY, JINDAL SAW LIMITED
MR. NARENDRA MANTRI – PRESIDENT AND HEAD COMMERCIAL AND CHIEF FINANCIAL OFFICER, JINDAL SAW LIMITED

MODERATOR: MR. VIKASH SINGH – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Jindal Saw Limited Post Result Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Singh from PhillipCapital (India) Private Limited. Thank you, and over to you, Mr. Vikash.

Vikash Singh: I welcome you all on Jindal Saw 4Q FY22 Earnings Conference Call. Today, we have with us the senior management of Jindal Saw, Mr. Neeraj Kumar – Group CEO and Whole Time Director; Mr. Vinay Gupta – President and Head Treasury; and Mr. Narendra Mantri – President and Head Commercial and also CFO. So, without taking much time, I'd just like to tell Mr. Neeraj Kumar to start with the opening remarks. Over to you, sir.

Neeraj Kumar: Good afternoon to all our friends, stakeholders, listeners. Thank you very much for taking some time to join us. I know this is a midweek. This is a busy day for all of you, but we just finished our Board meeting on 31st, and this was the earliest window that we got, and we thought it's important that we talk to all of you, and we make sure that all of you understand our perspective on the results and some pointers and guideline on how do we see the times coming ahead of us. So, let's look at now first the results. Top line Rs. 11,243 crore as compared to Rs. 8,900 crore last year. EBITDA Rs. 1,385 crore as compared to Rs. 1,257 crore. Financial expenses Rs. 369 crore versus Rs. 404 crore. Depreciation Rs. 372 crore, Rs. 346 crore. PBT of Rs. 637 crore and PAT of Rs. 405 crore. Now if we look at these results and compare it with the last year's results, a, it gives comfort that we are indeed now coming out of the value and on top line, on business, we are approaching pre-COVID levels. And in fact, on many parameters, we have pierced through that. So, that's the first top line comfort that we all need to take that, as an organization, multiple factors contributing, we are approaching in many factors we have pierced the pre-COVID level. Look at in EBITDA, still gives us something to think about and we all know how the basic commodity prices have behaved in the last -- particularly 6 months, whether it is coal, whether it is iron ore, how their behavior has been. And if we normalize our EBITDA margin, you would all be able to see, it will give you a very definite confirmation that, as Jindal Saw, we are ahead of the curve. So, the only concern that we have in these results is the raw material prices, which have been moving in the commodity market. Now what are we doing about it, what we have done about it so far?

The first thing that I would like to point to our stakeholders, people who take interest and follow us. For the last few quarters, consistently, we have kept our order book low. We have the sweet spot on the comfort zone used to be around 1 billion. And we have been in and around \$600 million to \$700 million for the last few quarters, and we have always emphasized that this is by choice. And I would draw your attention that now when there is a volatility in the market so much, we have absolutely adjusted ourselves, and we are performing very well with this new

normal of an order book in the range of \$600 million. This gives us an opportunity to adjust our contract values. This gives us a protection against how much inventory we would have and how much we are exposed to the spot price movement in our raw materials. And since it's a deliberate attempt to keep it at that level, please note we are not letting the top line get impacted. So, the execution, we have been able to now create an operating efficiency, where the execution of the contract and the filling of the order book is getting so well calibrated that our turnover has gone from Rs. 8,900 crore to Rs. 11,200 crore without disturbing the order book. And therefore, this is something that, as an organization, we have consciously taken that as a strategy to hedge or to partially give comfort from the very volatile commodity market.

Second, you would also see that particularly in the DI segment, the order book is low. Again, that is by choice because we are working with the government. We are trying to impress upon them that a PVC, as we call, a price variation clause, is an essential part for supply of pipes. So, where there are item rate contract, where the government buys the pipes directly from us, we have been able to succeed in many states to get the price variation clause included in the tender document, where they go through the EPC model, where again we are impressing upon the government that please include this and make it such that the movement, because at this point of time it is a benefit. But when the price moves the other way, we will have to adjust. The price variation is passed on to the suppliers even in an EPC model. Since we are working with the various agencies, various government, it is best that we have kept our order book low. So, our fixed price order book is deliberately kept low. And since it is by choice, we look at our execution for the month or the quarter.

Accordingly, we just keep on filling the order book. And therefore, even with a lower level of around Rs. 600,000 to Rs. 700,000 order book, the execution is not getting impacted and we are able to create hedge in terms of a better correlation between the pricing as well as the raw material, the pricing of the product as well as the raw material side. And we are working actively with government to have the price variation clause included in their contract, either through the EPC model or through the direct price model. So, this, we believe, would give us in the coming year a lot of comfort, a lot of practical business kind of a hedge. We will not be able to obtain a perfect hedge, but we would definitely have a significant amount of hedge which is available. And why I say not a perfect hedge because even if the price variation clauses are there, there is always a formula where there is an indexation. Also, if you see the coal prices, there are some monthly averages, which keep in. So, penny to penny hedging practically is not possible.

So, that is something which I thought it's important to spell it out. It's important to let our friends know on how we are seeing this and how we are dealing with this in the coming fall. This gives us the comfort that the EBITDA margin will not only get preserved, but now I would focus my attention on a few other things, which will take the EBITDA margin above those percentages of 14% and 15% in the coming year. We hope that it will move.

The second important thing that Jindal Saw has benefited, and it's important to again point it out, is our robust business model. Whatever we have kind of get impacted by the raw material

movement in terms of iron ore, coal, it has had a compensatory effect because of the pellets because they all are correlated. Now with the new export policy on these products in place, and the softening, even though it is a little bumpy, but still there is a softening in the coal and iron ore prices, we expect that there would be some easing out on the NSR of pellets, but simultaneously, it would have a compensatory effect on our other product lines, namely the Large Dia, which is the LSAW, HSAW and DI. So, this robust business model in Jindal Saw gives us a very effective and a solid protection, especially in a volatile situation. We do understand that we don't have the spikes that some people may have when you're on the right side of the curve. But as an organization, we have chosen to have built a robust safety, and therefore, the performance of Jindal Saw has been consistent over the years. And I'm sure you - all of you would be analyzing it. So, the robust business model is important.

Now, working capital, if you see the interest cost, even though the inventory has gone up because of the depreciation of rupee, the inventory value has gone up because of the commodity prices going up. Still, if you see the weighted average cost of capital has come down largely because of a more efficient treasury management. Continuously, the treasury team is working at getting the most optimum resources in terms of cost, in terms of tenure, and that's why if you see the Large Dia, the long-term funding has also come down. Working capital has gone up primarily because of the depreciating rupee, primarily because of the commodity prices going up, but nothing to be worried, nothing to be concerned because as I told you, the working capital cycle in terms of order book, execution, inventory, everything is being very closely monitored and we are seeing the impact of that.

Therefore, the financial charges have also come down. Consequently, now the PBT, PAT, they are all a direct consequence of all these efforts, and PAT has gone up. So, this is where, I would say, a high-level analysis of how we see the results. I'm absolutely sure a lot of you are analysts would be doing your modeling. My request would be, use this opportunity to discuss much larger issues. If you have specific questions, Mr. Rajeev Goel is sitting here. He is listening to my entire conversation. Number level questions, please forward it to him by mail so that he can answer you by mail. And therefore, that would avoid any confusion. Details to everything that you need for your financial modeling in terms of numbers, my sincere request, please send a mail, we will definitely respond.

Turning my attention to the consolidated results. If we see the top line Rs. 13,451 crore as opposed to Rs. 10,870 crore, Rs. 1,555 crore. The rest follows. This indicates that now the other subsidiaries are beginning to do well. Particularly, we need to talk about Abu Dhabi. Abu Dhabi DI facility, this year has again broken the last year's record, which by itself was a record. So, we have broken 2-year record in a row. We are performing well. EBITDA margins are good. It did get impacted because of the pig iron prices a little bit. But the business plan is now very robust and it is continuing to do well. The prognosis we see is very good for DI business. One more significant development on the Abu Dhabi facility, I must mention that UAE, Abu Dhabi, has recently allowed 100% foreign ownership. Jindal Saw is among the few, the first large investments, large organizations, large establishment in Abu Dhabi to get a 100% foreign

ownership. And therefore, now this year onwards, Abu Dhabi would be 100% consolidated subsidiary of Jindal Saw. So, just to give you a sense, last year means the year which has just gone by, 31st March 2022, the order of magnitude of top line in our Abu Dhabi facility was upward of \$200 million. EBITDA was in the vicinity of \$17 million, \$18 million. So, now being a consolidated subsidiary of Jindal Saw.

Going forward, Jindal Saw would have the benefit of 100% consolidation of these numbers. So, they are definitely going to contribute to the results in starting April 1. So, that is one significant change that you would notice. The second thing that you would have also seen that there have been some movements in the noncurrent asset or the loans advances, the category of where it is other than the normal working capital of Jindal Saw. I'm sure all of you would have noticed that.

As you all know, it has been our constant endeavor to clean up Jindal Saw from all perspective and make it a flagship operating company of the PR Jindal Group. These are all a result of that some of the loans, which we have shown there or which was there, have now started showing movement. A lot of loans have been repaid, a lot of loans we have tried to convert so that we can move it out. So, there is a very active now movement on the loans and advances or the other noncurrent assets, which are other than the working capital. And I'm sure during the year, we have a definitive plan to bring this under control, except for the loans that have been given to JITF, which is linked to the litigation in the High Court. So, if you leave that aside, all the others is under attention, is we have a definitive plan. And during this year, we see a definite movement towards a reduction in all of them.

Significant to point out, we have been talking about it, but now we are on a firm path. Jindal Quality Tubular, which is the stainless business, Jindal Fittings, and our LSAW Indore plant, which is Jindal Tubular. All three are getting merged with Jindal Saw. This is going to give Jindal Saw a significant advantage because Fittings and DI, they go together hand-in-hand, absolutely correlated. Stainless steel, alloy steel, carbon steel, now put together makes us a very formidable player because we have done an analysis. Almost 60% of the A-Class customers, the A Class, which I mean, is using the 80-20 principle. So, 60% of the A-Class customers have CS, AS, SS requirement, all put together. So, it gives us a very significant advantage in terms of our product range.

Our stainless-steel business has begun to do very well. I'm very happy to report that even esteemed organizations in the sectors of space, nuclear, now are beginning to look at us. We have started supplying to them, somewhere under trial, somewhere under approval. Another very significant development in that area is the joint venture of Hunting. As you all know, we have announced, I'm happy to let you know that the joint venture company has been incorporated. The work has started. The company, as we speak, is fully capitalized. Both shareholder funds have come in. We did that in anticipation of the Ukraine-Russia war, that if India gets sanctioned, our money should not get stuck. And Hunting also saw the reason, and therefore, we have capitalized the joint venture fully from both partners. And this was done to just rule out that unlikely event of the American sanctions trying to block any investment from an American

company into India. But that has given the joint venture a very solid balance sheet to start with. I'm happy to tell you that the treasury team has been able to organize the term loan. They have now organized the working capital. And therefore, the joint venture is fully now from a finance perspective, ready to carry out its operations, buy all the equipment, pay everything and it's on full force. All the equipments have been ordered. We have gone for the best of class, best in the world. All the equipments are from the best suppliers around the world, mostly Japanese. The intent between the partners is very clear. This joint venture would be a center of excellence.

Now when we talk about the technology feed, a center of excellence has a certain connotation, has a certain meaning. So, the joint venture would be a center of excellence, the only of its kind in this region even from a Hunting perspective. And it would place the Nashik, which is the CS, AS and other businesses, into a very different league because as we all know, Hunting has a lot of patented products which are second to none. So, Jindal Saw will now with this joint venture be able to gain a lot from the Indian Atmanirbhar scheme because all these products so far has been imported. Now we expect that we would be able to supply it in India, from India, from our Nashik plant, which is good news even for the Nashik plant because then that will be the raw material, that would be the input that would go into the Hunting facility, which is co-located in Nashik. And there, again, on the ground, the sheds and everything is absolutely on track.

We are expecting that we will soft launch second half of this year. So, by September, October, we are expecting a soft launch. We are working with potential clients, and we are also attracting a lot of other technologies. Because Hunting being what they are, all their technology partners across the globe, which also adds to the whole product portfolio accessories. They are also getting attracted because they all have a foothold in India, in a joint venture where one of the partners is America. So, that ticks a lot of boxes for a lot of technology partners because having an American partner already in a joint venture, then when it comes to governance, things like those, those boxes are automatically ticked. So, we are attracting a lot. So, Hunting joint venture will be a very, very important step for us to propel this business, which is the carbon steel, alloy steel, stainless steel, tubes, and pipes into high value-added segments. We also have a definitive plan.

As you know, we are among the few who have a very heavy extrusion press. We intend to, again, move back into value-added segment. So, duplex, super duplex. These are segments that we are all aiming. Quality systems are being put in place and we hope to move in that segment. So, that would be one of the key drivers which should help us propel the organization into a different league, and it would be a value-added product. Therefore, EBITDA margin is likely to improve. DI, as you all know, we have participated in Sathavahana transactions. The results are awaited in terms of all the valuation, etc., it hasn't happened. There is a small legal hitch, a Dubai-based company has made a representation, and we hope that the courts will take a view on it very quickly. Then let's see if that happens, then Sathavahana would be in our portfolio, a straight 25% increase in the capacity and a foothold in South India.

So, all told, with all these movements this year, we see some significant movement on the Jal Jeevan Mission because '24 is coming close, which is the time when Mr. Prime Minister would like to go for the next general election. We expect a lot of movement in the Jal Jeevan Mission, which translates into LSAW, HSAW, DI pipes for us, HDPE pipes for us. We are completely ready to take on that whatever opportunity comes our way. I think I have covered all of those. As I said, okay, export duty, as we all know government there are indications that the senior government officials, even the PMO has been involved in it. Essentially it is going to have a softening impact on the commodities, which is largely good for us because then our LSAW, HSAW, DI, etc., will improve. It would have a compensatory effect on pellets as we say. So, with all of these high-level remarks, let me stop, take a few questions. My team, Mr. Vinay, who is the Treasurer, Narendra Mantri, CFO; and Mr. Rajiv Goel, who is a part of Vinay's team, we are all here. I repeat, specific questions towards numbers, which you would require for your financial modeling, please send a mail, we would be happy to respond to you on mail because that's within accurate, it's transparent, it is more firm.

But otherwise, any questions, I would welcome to take a few questions, we have some time. Thank you very much.

Moderator: We will now begin the question and answer session. The first question is from the line of Pratiksha Daftari from Aequitas.

Pratiksha Daftari: My first question was on the pellet side. If you could elaborate on what would be the near-term impact of this export duty, especially for the orders that were already booked or in pipeline. And how does the duty play out for those orders?

Neeraj Kumar: Export stuck in pipeline are very small in nature. I'm told that the industry is representing that all of these, which are already either in high seas or orders should get an exemption, and we are hopeful that we will. We will also be able to get that general exemption. Even if it doesn't come, the amount is not significant. There are not many. Because anyway, as you see, our pellet, the catchment area for us, the natural advantageous area for us is Gujarat, our capacity and supply in Gujarat kind of balances very well with each other. So, going forward, yes, we do see a general softening of prices a little bit. But to answer your specific question that are we stuck because of the policy coming in between, the answer is insignificant.

Pratiksha Daftari: And if you could comment on DI outlook given the capacity addition that we happen to see in somewhere Q1, Q2, how does that affect our outlook and basically pricing in our market?

Neeraj Kumar: DI outlook, we see a very good outlook. A, '24 general elections coming close, Jal Jeevan Mission, our top line initiative of Government of India. States following the path, various schemes, Jal se Nal scheme and all that. So, all of those macroeconomic and other factors are supporting healthy tender flow DI business for us. Our Gujarat plant is operating now to capacity. We have added a new finishing line for exports, which is basically focused on exports. As you all know, we have got up to 1,200. Also, it's important for all of you to note there has

been a good development in Europe. We have been able to achieve a patent for our double-chamber pipes. So, now our effort would be to try and get the double-chamber DI pipes into India as well, especially in difficult terrains. If we do that, since we have a patent now in Europe, we'll try and take the advantage of that, get a similar quality or benchmark for only quality products or producers in the DCP market. So, DI, we are very hopeful. On Sathavahana, as I said, which will add up to 2.5 lakh tons of capacity, on Sathavahana, except for the indication that we are very keen, we are very interested. We are in the queue. I wouldn't like to say much because the matter is at this point of time with NCLT. And we hope that it would get sorted out very soon. If we are successful, it would change the landscape of our DI market because we would be a dominant player in South as well.

Pratiksha Daftari: So, basically, we are not seeing any pricing pressure. I mean, we're not envisaging any pricing pressure because of increased capacity? Demand will be strong. Is that what you're saying?

Neeraj Kumar: Yes. At this point of time, the demand is strong. To the extent that a few places we have even seen just to take care of the pipe demand, some governments are even looking at permitting HDPE pipes which was earlier DI pipes. So, they are converting because as I told you, 2024 is coming close. So, there is enough demand to accommodate everybody. And so there's not any pricing pressure.

Pratiksha Daftari: One question on the SAW side, SAW pipe side. So, LSAW order book seemed very strong. So, is it that we are seeing that demand has started picking up strongly in this segment?

Neeraj Kumar: No. All around, as I told you in my opening remarks, now we are seeing the economic activities similar to pre-COVID levels.

Pratiksha Daftari: And what would be the impact of raw material volatility specifically to this segment to this order book that we have?

Neeraj Kumar: I have already elaborated in detail how we are trying to hedge. And wherever we are able to get a price variation clause, then we are largely protected.

Moderator: The next question is from the line of Arijit Dutta from Kotak MF. Please go ahead.

Arijit Dutta: Thank you for your brief explanation of the result. Sir, my question is mainly on the DI pipe as a segment. Now what I understand that in the last 2 years -- before that while I agree that demand is strong, especially we are heading for an election, Jal Jeevan Yojana, but here, there are many players, especially in the East who have minted money, I'm talking about the steel players, who have minted money in the last 2 years, especially the smaller ones. And they are contemplating for growth drivers post this export tax and the infrastructure overhang that we are seeing and the housing overhang. What are the roadblocks they will face or what are the moats we are having in the DI pipes as a segment?

Neeraj Kumar: Yes, I got your question. I've already partially hinted at that. We are constantly moving the quality and the product bar up. And therefore, it would be an uphill task for people who are not used to this segment to catch up. double-chamber pipes, all have been developed, and it's a very, very definitive entry barrier for people who do not understand quality.

Arijit Dutta: But for the basic pipes, only a capacity of, say, only a CAPEX of Rs. 100 crore will suffice them to enter this segment, you think?

Neeraj Kumar: The answer is, no. Why no? Because DI pipe, the manufacturing of DI pipe is, a) capital intensive; b) technologically you need advanced things. For example, your basic route is hot metals. So, you need to have either a blast furnace or an electric arc furnace or an induction furnace. In India, blast furnace, because you have abundant of iron ore, is the most efficient route. And therefore, the shorter route of induction furnace and electric arc furnace is available, but economically, it is not viable. So, by itself, if you have to have a blast furnace, then the Rs. 100 crore investment that we are talking about, is not enough. Then you have to have a centrifugal casting machine, which is also now becoming very, very sophisticated. And because of that sophistication, the quality in terms of the weight, in terms of the dimensions, we are raising it to a different level. Annealing is a must. Annealing furnace is again a huge heavy investment, plus it is energy intensive. You need a source of energy, either you use natural gas. We use the blast furnace gas. So, it makes it cost-effective. And then you need a finishing line. So, to set up a DI plant is among the more difficult as compared to, for example, if I give you a comparison, setting up an LSAW, HSAW plant is far simpler than setting up a DI plant. In DI plant, you start from hot metal where your raw material is either plates or coils. Plus, it doesn't go through the same process of finishing. In DI, the finishing is very, very significant, tedious. You need zinc aluminum, you need the internal cement lining. Then on top of it, you have to have a PU or a coal tar or a tape. So, setting up a DI plant is not easy, plus as an organization, if you are not used to very high quality standards, you will have to go up the learning curve.

Arijit Dutta: Very, very well explained. Sir, if a steel plant is having a blast furnace, say 1 million ton capacity or somewhat 1 million capacity, what would be the approx cost per ton for setting up a DI plant from there, if they already have a blast furnace?

Neeraj Kumar: If they already have a blast furnace, then it all depends what kind of a continuous casting with CCM, what size they want to go. But let me put it this way, to set up a DI facility of that capacity and nature, we have 0.5 million ton in Gujarat. Today, the replacement cost of that would be upward of Rs. 1,000 crore.

Management: No, Rs. 1,000 crore is for 200,000 tons. Since we're 0.5 million, it will be more than Rs. 2,000 crore.

Neeraj Kumar: More than Rs. 2,000 crore. No, but he's saying if you have a blast furnace.

Arijit Dutta: No, I'm saying replacement of 0.5 million ton.

Neeraj Kumar: So, replacement of 0.5 million ton would be close to Rs. 2,000 crore. But if you remove the blast furnace, then as I said, it will be upward of Rs. 1,000 crore.

Moderator: The next question is from the line of Aashav Patel from Molecule Ventures BMS. Please go ahead.

Aashav Patel: Sir, for FY '22, DI pipe segment, what proportion of sales is coming from older, lower-price contracts?

Neeraj Kumar: In the current year, you say?

Aashav Patel: Yes, sir.

Neeraj Kumar: Okay, you have asked 2 questions. What proportion is coming from the older contracts and what proportion is coming from the lower-price, fixed-price contracts? Are you talking historically? Are you talking about my current year?

Aashav Patel: Both, current year in the context of historical years.

Neeraj Kumar: So, current year in the context of historical. So, in current year, the entire order book is spillover, which is about some \$180 million for DI, is all old contracts, which will get spillover into this year. But how much of those are going to remain at the old price or a fixed price contract. Again, I will tell you, it's very insignificant. Even when there are fixed prices, we have approached the EPC guys. And in a lot of places, we have been able to secure price increase. PVC clause is being introduced. We are talking to the central government. We have had discussions that they should do it and give the benefit of the existing contracts as well. So, in the current year, are we started with fixed price, old contracts? The answer is, very low. Because even the existing contracts, we have succeeded in getting a price increase or repricing.

Aashav Patel: Sure. And for FY22, sir, what proportion of sales would be coming from older price contracts, say, FY21 pricing or FY20 prices?

Neeraj Kumar: I think it will be contained in the note. Vinay, can you just? Current year, he wants to know the revenue pie of how much which segment.

Vinay Gupta: What we can tell you right now is that water segment was close to 50% of the total sales. We sold close to 450,000 tons of ductile pipe during FY '22.

Aashav Patel: And sir, kindly, can you please throw some light on expansions done by unlisted players in DI pipe segment? So, there is very limited information available publicly on those. For example, I read somewhere even Rashmi Metaliks is undergoing expansion.

Neeraj Kumar: It would be inappropriate for me to talk about others. I'm sure you would get a chance to talk to Rashmi about Rashmi. My saying about Rashmi would not be appropriate.

Aashav Patel: Sure. And sir, roughly, industry is seeing almost 50% of expansion over the next 2 to 3 years, various players announced CAPEX who were not earlier into DI pipe segment. So, do you see there could be a situation of oversupply 2 to 3 years down the line once the elections and everything is completed and then the ramp-up would be difficult?

Neeraj Kumar: The answer is, once this Jal Jeevan Mission is fully implemented in India, you may see a slowing down of primary demand. But as Jindal Saw, we are moving in a value-added segment. Our main plant is in Gujarat, very close to the port. World over if you see, China has been the biggest supplier of DI pipes to the rest of the world. That is changing. People are not accepting Chinese products, whether it is Europe, or it is Middle East. We already have a port in Abu Dhabi. So, this combination of a port, plant or a closer-to-port-plant in India, Abu Dhabi, at this point of time, I must tell you, we have live contracts from our Abu Dhabi facility. We are supplying to over 30 countries at this point of time. So, the Jindal Saw name is well-known across all the international players. Abu Dhabi facility goes up to 2,000 mm and therefore, there is a significant advantage that Jindal Saw India and Abu Dhabi work in tandem, where Abu Dhabi facility focuses more on the higher above, 1,200. And so that's the advantage that Jindal Saw has, which none of these existing players or none of these new entrants would have. So, we welcome. It's always welcome. New competition, new thing is always welcome because expansion of market is always welcome. But are we concerned? The answer is no. We have USPs, which are very difficult to match.

Aashav Patel: That was very insightful. My last question, except Sathavahana, are we planning to undergo some DI expansion or our existing facility?

Neeraj Kumar: Now since Sathavahana is so close, we are focusing on Sathavahana, let's see. If we turn successful, then we will have one path. If we are not successful, then we will have another path. So, at this point of time, we are focusing on Sathavahana so that we know the outcome, and then we can decide the next phase.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Sir, earlier, maybe 2, 3 calls earlier, you did speak about noncore asset sales, wherein Jindal Saw would be looking to exit. Where are we in terms of finalizing our plans for the noncore assets, sir?

Neeraj Kumar: I did cover in my initial presentation, all the noncore assets now, okay. Once we have this merger scheme covered, then what would be Jindal Saw as a corporate entity? Jindal Saw would be a large flagship company of PR Jindal focused on all segments of pipes and tubes in India, starting from carbon steel, alloy steel, stainless steel, STP, DI, LSAW, HSAW, along with fittings and accessories, along with the value-added products. So, this is the Jindal Saw. It would have one subsidiary, JITF, where the arbitration, hopefully, now July, we will have a progress. The other subsidiary would be this Hunting joint venture. We have already spoken about. Then there would be 1 subsidiary, which will take us to the Abu Dhabi, which is now 100%. I have already given

you the details, that it could add at least \$200 million to the top line and approximately \$20 million to the EBITDA. And we have 1 line going to U.S., which is our Jindal Saw, which is the coating facility in U.S. That's all. So, Jindal Saw would become very, very clean. Now let's come to the loans and advances, which are sitting on the balance sheet of Jindal Saw, which is in between it is finance of fixed asset, not the working capital. That, as I have told you, you would see in this time in the balance sheet, there has been a noticeable movement and noticeable movement towards its reduction. During this year, you would see a significant movement where all these loans would be moved out. So, we have a definitive plan, and we will move it out. So, at the end of it, it will be Jindal Saw with the subsidiaries, which I have mentioned, Abu Dhabi, U.S., Hunting primarily. And for the time being, JITF till we get the court orders. That's all. And that should significantly improve the Jindal Saw performance in terms of capital employed and all of those other parameters because then it would be purely an operating marketing company and a truly market leader.

Saket Kapoor: But there were some waste-to-wealth plants also, I think we had some investments. We were planning some sale of around Rs. 200 crore odd, if I remember correctly.

Neeraj Kumar: Waste-to-energy business now by itself, has turned out to be a profitable business for the group where now we are by far the leader in the country. Many plants have become operational. But the linkage to Jindal Saw is only through JUISL where there was a few hundred crore. We have seen some developments. They have started repaying whatever that was owed to Jindal Saw. During this year, we would see a more significant movement in that. So, the small linkage between Jindal Saw and the waste-to-energy business should come to an end during this year because now that business is under another listed entity which is the Jindal Infra. It was demerged. When it was demerged, it was a vertical split. So, it's a listed entity. Under that, that business exists. But the linkage through the loans and advances that we have with Jindal Saw should come to an end, hopefully, during this year, otherwise, definitely next year because the movements have started, the repayments have started.

Saket Kapoor: Sir, a very short point was that out of the existing order book of \$654 million, I think so that the long gestation is the DI pipe. Others are shorter duration order booking, I think so. But when we look at your inventory, they amount to around Rs. 3,755 crore, whereas the order book side as on date is Rs. 5,000 crore. So, just was trying to make the sense of the higher inventory on a Rs. 5,000 crore order book we are maintaining inventory of Rs. 3,800 crore. That was the only point. And also, I take the number game again differently. But only on the holistic part of it, sir, I was just trying to make sense.

Neeraj Kumar: Understood your question. I've already addressed it. I've already addressed that now our working capital processes, we have improved a lot. So, it is not just the order book and the inventory. Our ability to fill the order book is very much there. And therefore, if you notice last few quarters, we have constantly been in the vicinity of \$600 million, executing contracts this year, we executed Rs. 11,000 crore as opposed to Rs. 9,000 crore last year. But the order book was there. So, inventory, yes, because the slightly higher inventory is coal. Coal you know is imported.

Coal has gone from \$100 to \$400. So, now even it touched \$600 for the higher category. So, I understand, but it's not a concern because we have order books in the pipeline. We can get order books whenever we can. We are able to fill our order book as we execute. And we purposely are doing it in a manner so that the pricing of my product is based on the spot of the raw materials.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Vikash for closing comments.

Vikash Singh: Thank you for giving us the opportunity. And sir, if you have any closing comments, please go ahead.

Neeraj Kumar: I thank all my stakeholders, friends, people who are interested in us. Just to conclude, we are coming out of the valley, pre-pandemic levels. We are moving the value segment, adding new technology, new products, but we are remaining now focused on the pipe. So, while we continue to focus on our core competencies, we are moving up the value chain and we are focusing that, that should give us a lot of good results for us as well as our stakeholders, friends and the investors. So, with this, thank you very much. I hope to see you after the quarter with a good result. Thank you. Bye.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines.