



JINDAL SAW LTD.
TOTAL PIPE SOLUTIONS



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“Jindal Saw Limited Q1 FY 2025 Earnings Conference Call”

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MANAGEMENT: **MR. NEERAJ KUMAR – GROUP CHIEF EXECUTIVE OFFICER & WHOLE-TIME DIRECTOR, JINDAL SAW LIMITED**
MR. VINAY KUMAR GUPTA – PRESIDENT & HEAD TREASURY, JINDAL SAW LIMITED
MR. NARENDRA MANTRI – PRESIDENT (HEAD COMMERCIAL) & CHIEF FINANCIAL OFFICER, JINDAL SAW LIMITED
MR. RAJEEV GOYAL – VICE PRESIDENT, GROUP CORPORATE FINANCE & TREASURY, JINDAL SAW LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to Jindal Saw Limited Q1 FY '25 conference call hosted by PhillipCapital (India) Private Limited.

As the opportunity, 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, sir.

Vikash Singh: Good afternoon, everyone. I warmly welcome everyone on Jindal Saw Q1 FY '25 Results con-call. From the Management side today, we have with us Mr. Neeraj Kumar – Group CEO and Whole-Time Director; Mr. Vinay Kumar Gupta – President and Head (Treasury); Mr. Narendra Mantri – President, Head (Commercial) and CFO; and Mr. Rajeev Goyal – Vice President, Group Corporate Finance & Treasury.

Without taking any more time, I will hand over the Call to Mr. Neeraj Kumar for his opening remarks. Over to you, sir.

Neeraj Kumar: Thank you, investors. Today, what I propose to do is probably I will keep my initial introduction a little short and would take more questions.

My only request to all the participants is, please keep all your granular level questions for the side that may not be relevant to the entire audience because where I would like all my stakeholders, all the people who are on the call, who are taking interest in Jindal Saw, to look at the broader picture on where we came, or where we arrived, 31st March, '24, and what is the journey now we have set ourselves up for. And therefore, after my initial observations or comments on the 1st Quarter, I would like to spend some time giving you that broader picture, and then I will stop to take some questions.

Also, I would request the moderator that it is 4:40 now, let us have a hard stop at 5:15, because today we also had the General Hunting Board meeting, and the Chairman, Hunting Global Chairman, is down here from U.S., and therefore I need to spend some time with him. So, 5:15 we will put a hard stop for today's discussion. But obviously, we will be available, we can always exchange mails, have another round of discussions with others.

So, with that, this quarter, standalone, we ended up with a topline of Rs. 4,417 crores, an increase of 15%. Straight away I am jumping down to EBITDA, Rs. 842 crores, as compared to Rs. 614 crores, 37%. PAT, Rs. 446 crores, as compared to Rs. 279 crores, 60%. Look at the trend; topline, 15%; EBITDA, 37%; profit, 60%.

Together, let's look at the consolidated:

Rs. 4,985 crores as compared to Rs. 447 crores, 12%. EBITDA, Rs. 885 crores as compared to Rs. 645 crores, 37%; PAT, Rs. 416 crores as compared to Rs. 245 crores, 70%. So, the trend is similar at both places.

And if you see the cascading, something that I have been mentioning many a times, that the company is consciously moving towards value-add, that's beginning to show up. And we are consistent in showing this up. As I said, 31st March, '24, was best ever after a best ever. So, the previous year was the best ever, then we achieved the best ever. It looks like now we are in line to do it three times in a row, this should be, again the best ever, one more benchmark that we will set for ourselves. Plus, if you see the EBITDA-to-sales ratio has also moved, improved upwards. So, this is on the performance.

The other important aspect that also I would like to point the attention of my stakeholders, shareholders, to the debt on a standalone basis, June 30th, March 31st, Rs. 3,200 crore has gone up to Rs. 3,900 crores, primarily because the term loan has come down from Rs. 1,760 crores to Rs. 1,400 crores, but the working capital has gone up from Rs. 1,500 crores to Rs. 2,500 crores, primarily because now we are building momentum, we are preparing for a better execution throughout the year, we are making sure that the commodity prices are moving within a reasonable range, so we lock it. And therefore, there is a reasonable indication, the way it is looking, we can see in the 1st Quarter itself that this year is likely to be, again, probably a new benchmark for best ever.

Now, look at the larger picture:

Continuity in governance is there, even though this is not an absolute majority government, but nothing is showing the government or indicating that the government is becoming weak, that the government has become compromising. Obviously, they are doing a few things that they need to do to keep everybody happy, but slowdown or weakness or getting pulled in different directions is not indicated. Look at the capital spent for allocation for the budget, Rs. 11 lakh-odd crores. That's music for us. A lot of things that the budget has indicated is all music for us, and we are also seeing all of those translate into ground. So, the first big picture, continuity and continued focus on infrastructure.

Second, important, our entry in premium segment, we are absolutely running full capacity. I would be very happy to let all of you know I just attended the 1st Quarter Board meeting of the JHESL joint ventures. They are profitable in Q1 itself, operating at a capacity of more than 80%, 85%. In fact, this time the Board was interested in even looking at what else we can do to cater to the market. So, this JV may have, the Board has assigned the responsibility to a small team constituted, the Board may have to look at some proposals and there could be some announcements. So, a team has been constituted to look at it.

Because see, the order book is pretty full for the rest of the year, productivity is good, projection has come down to less than 2%. So, on all parameters, all boxes are beginning to get ticked. Likewise, in stainless, we have started instrumentation tube, huge high value, good market and we

are beginning to do that. We are also looking at a few other value-add. So, those businesses are beginning to provide value to the company.

Sathavahana again has turned profitable, very high capacity. We are doing de-bottlenecking, where the capacity is going to go up by 10%, 20% at least. We are creating a special niche for lower diameter, which has a very high demand and high value. Also the export unit is being looked at, because they have some special requirement of quoting, etc. So, all these new areas, where the company has gone in, are all beginning to do well, or they have already started doing well.

Our traditional business, we continue to do a good job in terms of quality, delivery, service. Demand is already there. We have a very healthy order book. If you see at this point of time, the order book continues to grow. Whatever we had for quarter, we have added something more to it and the execution is also healthy.

So, on all fronts Jindal Saw is doing reasonably well as is expected and we are committed, we will continue to stay focused.

So, with this, let me thank all of you for your interest. I keep on saying this, all of you had to be a lot patient. But now we are happy that we are doing well and also we are being seen as doing well, which is reflected in the market cap. The rating agencies, the banks, everybody is with us and they are appreciative of all our great effort that we have had, the whole team has done over the last one year.

So, let me stop here. Thank you very much. Let me take a few questions.

Moderator: Thank you. We will now begin the question-and-answer session. Our first question is from the line of Deepak from Unifi Capital. Please go ahead, sir.

Deepak: Sir, congratulations on a good set of numbers. Sir, my first question is on the business split between water and oil and gas, both for India and the UAE subsidiary.

Neeraj Kumar: Sorry, could you repeat your question, please?

Deepak: Sir, I would want the business split between oil and gas and water in our Indian business.

Neeraj Kumar: Business split between oil and gas and water, just give me a second. This is the order book. Order book, I would say, oil and gas is about 30%, 35%, water is rest. The industrial sector is a very small. So, 70% is water, 5% is others, and the rest is oil and gas.

Deepak: And what would be the split in the UAE subsidiary between oil and gas and water?

Neeraj Kumar: Again, probably you are not very audible. What is the split between?

Deepak: In the UAE subsidiary, what will be the oil and gas and water split?

Neeraj Kumar: No, UAE is only water. It is only a DI facility. UAE is 100% DI, only water. And they are also doing well. This year they should hit a good capacity, more than 2 lakh tons for sure.

Deepak: Sure, understood. Sir, I had a broad question on the water infrastructure today. So, we understand that Jal Jeevan is doing well for our DI pipes capacity, but the SAW pipes, which is at lower utilization today for your company and the entire industry. And it's a state affair where we cater to irrigation projects, to smaller river-linking projects. So, is the dynamic there on the demand side changing significantly, which is giving us some sense of secularity in these order books? So, just needed some input from your side on the SAW pipe demand for water.

Neeraj Kumar: Okay. Is SAW pipe demand getting sluggish? No. Are we worried that it is having a hard landing? No. Sometimes there are some spacing that happens in between tenders, and therefore you may have some small bumps, but definitely it is not a trend and at least we are hopeful. The way I see it, at present we have more than 6.5 lakh tons of order for large diameter pipes, and it does not show that we are going for typical.

Deepak: Sir, has anything changed on the macro side which is giving you this confidence that nothing will go bad? From the state governments, I mean, is there an understanding that the infrastructure has to be built up? Is there any sort of color that you can give on this?

Neeraj Kumar: Government of India has come up with, I would say, a balanced scheme, where most of these projects of great importance, they participate, but their funds get released only if states bring in their contribution. Now that, in a way, forces the state to match the contribution, otherwise they run the risk of losing that budget allocation. And that is making sure that the projects are on track, the investment is on track. Only state government projects are not very many. And therefore, our focus is largely on projects which are funded by multilateral agencies and projects, which are either center or center-state partnership. Because there we are seeing the progress, the allocation, everything is better than just solely state-managed projects. But some states, again, are doing well there as well.

Deepak: Sir, in our export business, what is driving that, is it oil or is it water? And if you can explain which geographies and what is the macros in the export division?

Neeraj Kumar: See, export at this point of time, we are maintaining almost 70:30 ratio, which is a good, sweet spot for us. Export, largely water sector goes to Middle East; oil and gas, we do across the globe. Because water sector, the pipes are of very large diameter, so there is freight kind of limits the distance that we can take those pipes. In DI, we do not export much because we have our Abu Dhabi facility. And exports are largely my LSAW and HSAW, HSAW primarily towards Middle East; LSAW, oil and gas all over the world.

Deepak: And sir, since you are getting good orders and there is some bit of visibility, which is better than the past, any CAPEX that you seem to be requiring for the business? At least in the DI pipes where we are running at 100% utilization any big CAPEX apart from the debottlenecking?

Neeraj Kumar: No, we have not announced any project as yet. See, when the company starts doing well, and we are at this point of time conserving capital within the company, therefore the dividend distribution, we have improved, but still probably people would have expected more, primarily because we are trying to conserve money, building reserves, and keeping ready. So, we are exploring possibilities, but no project has been announced as yet.

Deepak: Sir, one last question from my side, you mentioned that the loans have gone up and the debt you have taken to lock in raw material prices. So, how many months of coking coal or steel have you locked in for our project requirement?

Neeraj Kumar: See, coking coal, we normally get four shipments a year. And we like to keep one ship on the sea, more than one and a half ships in the yard, so that we do not have any disruption. And as far as the steel is concerned, we do not block steel like this. We keep steel which is project wise. So, steel manufacturing or steel storage raw material is project wise, we try and lock in for the entire project because a lot of our project revenues are fixed revenues. Therefore, not to get into the trap of a moving commodity price, we try and book for the project. Coal, as I told you, or bulk, sometimes iron ore or coal, whenever we import, we try and maintain a cycle, one ship in the sea, at least one ship in the yard, that's how it works.

Deepak: Understood, sir. I have more questions to ask, but I will just join back in the queue. Thank you, sir. Look forward to meeting you. Thank you.

Moderator: Thank you. Our next question is from the line of Radha from B&K Securities. Please go ahead.

Radha Agarwalla: Thank you for the opportunity and congratulations on very good results. Sir, my first question was on the stainless-steel side. So, two years back we had estimated that on the stainless-steel front we could do an EBITDA of Rs. 300 crores. So, where are we in terms of stainless-steel now? And when can we reach our full potential?

Neeraj Kumar: Madam, probably you are new to our call, we never discuss segmental EBITDA on any investor call. We have only two business segments, one is pipes, which is the entire range of pipes and pellets. But that, again, is only for the purpose of tonnages. EBITDA, segmental EBITDA, we do not discuss as a matter of principle for the company.

Radha Agarwalla: Sir, actually, we stopped bifurcating from 1Q FY '24. So, I was talking prior to that --

Neeraj Kumar: Madam, please appreciate, I know not having a segmental EBITDA, sometimes the analyst may find it a little difficult. But please appreciate, since you are interested in this company, if I am giving you a 19% EBITDA-to-sales margin, please understand, as a stakeholder I am protecting your interest. And this is a USP which we have, which helps us do many things in the business in terms of pricing entry that others are not able to do. And therefore, allow us to maintain this USP that we have, so that we continue to create value for our stakeholders.

Radha Agarwalla: Okay. Sir, if we can understand at least in terms of the capacity size, how much of the 30,000 metric ton would be welded and how much would be stainless? And previously, you had also mentioned that we have both hot extrusion as well as piercing.

Neeraj Kumar: Hold, madam. Let me just be with you on the number. You mentioned 30,000, where? Where is 30,000?

Radha Agarwalla: Stainless steel, metric ton capacity, capacity, sir.

Neeraj Kumar: Capacity of SS, where did you get this 30,000?

Radha Agarwalla: From the annual report, sir, historical annual report.

Neeraj Kumar: Historical annual report, madam, I do not remember. And since I do not remember, I would not like to speculate and give you a speculative answer, because stainless-steel, okay, let me at least give you a sense of what our stainless-steel business is. Our stainless-steel business is distributed in three locations and that's why I am surprised where did you get this capacity from. It has got three locations, Nagothane is extrusion. Samaghogha is welded, large dia going up to 70 inches in diameter and pilgering for large diameters. Kosi is the sophisticated small diameter welded as well as seamless.

Now, if you look at my large diameter, the 70-inch stainless-steel pipe that I can make, if you talk about the capacity, it has a huge capacity. But there is no point in talking about that capacity because that kind of utilization, at least at this point of time or in the near future, we do not even expect. Also, whatever gets extruded in Nagothane can either be sold directly into the market or can come to Samaghogha and Kosi for further processing.

So, again, the extrusion capacity and the capacities at Samaghogha and Kosi, would you treat it as one integrated or are they separate capacities? Because Nagothane also has a market and also supplies to these. See, there is a reason why we do not declare all this, reason we do not put it out in the market. Because eventually as an analyst I would be putting you on the wrong path, because you will not have these finer points and therefore you will go wrong. See, Nagothane can feed both Kosi as well as Samaghogha and it can also straight away hot finish goes into the market. So, any indication about any of the equipment capacity, this absolutely will mislead you for the capacity of my entire SS business. You get my point?

Radha Agarwalla: Yes, sir. Okay, understood. Sir, next question is on the --

Neeraj Kumar: But hold. Largely what we are going to achieve in our stainless-steel this year would be somewhere around between 20,000 and 25,000 metric tons of stainless-steel welded and seamless would be in the market or would be sold in the market. That much at least I can tell you, which will be a combination of all these capacities that I have at all over the place.

Radha Agarwalla: Okay, sir. That's very helpful. Thank you, sir. Second question was on the Hunting front. So, the press release mentions that we have 70,000 capacity. And I understand that this is an import

substitute product, so could you mention what is the industry opportunity size in India and our expansion plans, if any, on this?

Neeraj Kumar: Roughly, OCTG annually \$200 million are getting imported per year, putting ONGC, Oil India, Reliance, Vedanta, all put together \$200 million. At this point of time, our facility, as I already said, is more than 85% plus utilization. We are catering to a few segments of ONGC, 100%, especially the casing, etc. Tubing, they still have more, plus on the east coast there is some import, which is happening still. But we are likely to prepare ourselves such that we make India aatmanirbhar in OCTG market is something that we have discussed in the Board and we would work towards it. Let us see this committee of experts, once they come up with a report, what does it say.

Radha Agarwalla: Sir, what is the current realization from these products, average?

Neeraj Kumar: Average realization of what?

Radha Agarwalla: Of the product that will come from Hunting.

Neeraj Kumar: Again see, the kind of question that you are asking, I do not want to mislead you. The grades that I supply to ONGC is Rs. 13 crores, Rs. 13 crores is Rs. 6 lakh a ton. I supply Q1 '25, which is probably Rs. 3 lakh a ton. And we also do some P110, and we also do some other lower grades, which will be in the range of Rs. 2 lakhs. So, tell me what NSR should I give you?

Radha Agarwalla: Sir, on the basis of sales that we have booked this quarter, so just wanted to understand average realization of what it would be, the product, which depend on that.

Neeraj Kumar: I gave you the range and, again, if I do not want to, because these are all getting recorded. Suppose this is all tender-based business, I give you my last quarter average at a certain, because it is a combination of these three in a certain proportion. Next quarter the proportion changes because the tender changes. Next quarter if you ask me the same question, I will have to give you a separate, different answer. And then you will say, okay, why there is a disconnect between these two? Because my product mix has changed. See, today what Jindal Saw is focusing on, a full range. In fact, today we were talking about Super 13 Chrome, which is Rs. 15 crores, because now we are successfully Rs. 13 crores, so we want to go to Rs. 15 crores and we also do the basic carbon sales

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Moderator: Yes, sir. Riya ma'am, please go ahead.

Riya: Thank you for giving me the opportunity. Sir, in Sathavahana we are seeing huge demand coming in and we had also said that a new CAPEX will be coming in next year, so when around next year we will see this coming?

Neeraj Kumar: What? Coming what?

Riya: Sathavahana, incremental.

Neeraj Kumar: Sathavahana, ma'am, we already have a very healthy demand, we are operating at 80-80 plus, this year probably we will cross 2 lakh tons of supply for sure. We are now de-bottlenecking there by just making sure that all the balancing equipment is there. We are trying to maximize everything around the hot metal, because we have a blast furnace which has a certain capacity.

Riya: Yes, sir I was actually talking about the debottlenecking only, and the incremental --

Neeraj Kumar: So, that will be 2.5 lakh tons; it will take the capacity to upward of 2.5 lakh tons. We are currently operating at 2 lakh tons-plus already. It's doing well, so that's the headroom for next year, probably, we will be at 2.5 lakh tons.

Riya: And in terms of the order book, \$1.6 billion, what volumes are there in totality of those all your sites?

Neeraj Kumar: You are talking about what? Tonnage you are talking about.

Riya: Yes, tonnage.

Neeraj Kumar: That's about 16 lakh tons.

Riya: And in UAE, what kind of export geographies are we looking at, is it mainly Middle East and --

Neeraj Kumar: No, in UAE the market is, we have gone right up to Norway, we give them those special planet pipes which is used in very winter conditions. In the West, we go down as far as Brazil, Chile. In the East, we go down and as far as Australia. Because our DI facility in Abu Dhabi is very versatile, it can do double chamber, it can do diameter up to 2.2 meters, which is a unique thing. In India, we can do only 1.2 meters. In Abu Dhabi, we can do 2.2 meters, and therefore we have a very wide -- if I remember correctly, probably over 30 countries for sure, probably we have put our products from Abu Dhabi has gone to at some point of time over 33 countries.

Riya: And in terms of tonnage, how much would be there from UAE, in terms of order book?

Neeraj Kumar: This year we should cross 2 lakh tons for sure.

Riya: Okay. So, the order book has 2 lakh of tonnage?

Neeraj Kumar: The order book is more. I am talking about annual, this year we should do more than 2 lakh tons of dispatch.

Riya: And the order book is \$251 million for how much tonnage?

Neeraj Kumar: That is 2,25,000 tons, order book is \$251 million. We will cross 2 lakh tons this year for sure. So, this year my revenue should go beyond \$200 million for sure.

Riya: Right. And in terms of execution, so basically a lot of water EPC players are saying they are seeing slowdown in the ordering or the execution happening. So, are you seeing similar trends in domestic particularly?

Neeraj Kumar: This is just tender-specific, because budgets have been announced or budgets have happened just now, which should happen in February, but because of the elections. So, many of the state governments or many of the projects are yet to get their budgetary allocation. So, it's a temporary blip. We hope that there will be a catch-up, because we do not see a downward trend in the water infrastructure. But this temporary blip is only because of the budgetary allocation getting delayed by a few months.

Moderator: Our next question is from the line of Hitesh from ULJK Securities. Please go ahead.

Hitesh Chaudhari: Sir, as the business is tender-based business, so what type of benchmarks are taken to set the prices of pipes?

Neeraj Kumar: What kind of, a benchmark means what?

Hitesh Chaudhari: Means to set the prices for tender, so how do you set the prices of pipes.

Neeraj Kumar: Boss, I am really sorry, do you want me to discuss my pricing strategy on an investor call?

Hitesh Chaudhari: No.

Neeraj Kumar: Probably then I can't help. I do not get you. What is the margin? How do I set my prices? What do you expect me to say?

Hitesh Chaudhari: Yes. I mean, what index do you take to consider setting those prices?

Neeraj Kumar: Without giving you any numbers, I will give you the concept. We take raw material price, we build it up to landed price, we add for the time value for money, we add for the minimum profit that we require, and then we add or subtract the strategic value, because as I told you, and that's why we do not discuss EBITDA anywhere. Because suppose if I must win this, then maybe my strategic input could be reducing this a little bit. If I want to scheme, then the strategic input will be adding a little bit. So, once I stack up all this, I get my price. But obviously, do not expect me to discuss my pricing strategy on which tender, how do I fix my price.

Moderator: Thank you.

Neeraj Kumar: Thank you. Moderator, probably the time I had set for this call is up, so would you please thank everybody on my behalf? And I would like to assure all my stakeholders that we will continue to do well, we will continue to create value. We are all the time looking at businesses very carefully, costs very carefully, markets very carefully. So, with this, hope to see you all next week. Thank you all. Thank you very much. Sorry, next quarter. So, hope to see you all next quarter. Obviously,

most of you are free, all of you are free and welcome to connect with Rajeev Goyal and his team for any other specific questions and answers. So, thank you all. Thank you very much. Bye.

Moderator:

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