



“Jindal Saw Limited
Q3 FY2020 Earnings Conference Call”

February 05, 2020



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MANAGEMENT: MR. NEERAJ KUMAR - GROUP CEO & WHOLE TIME DIRECTOR – JINDAL SAW LIMITED
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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2020 Results Call of Jindal Saw Limited, hosted by Emkay Global Financial Services.

We have with us today Mr. Neeraj Kumar - Group CEO & Whole Time Director, Mr. Vinay Gupta - Global Head Treasury, and Mr. Narendra Mantri - Head Commercial & CFO.

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 would now like to hand the conference over to Mr. Anas Dadarkar of Emkay Global. Thank you and over to you.

Anas Dadarkar: Good morning everyone, I would like to welcome the management and thank them for giving us the opportunity. I would now hand over the call to the management for opening remarks. Over to you Sir.

Neeraj Kumar: Good morning friends, analysts, stakeholders, as you know yesterday, we had our board meeting where we declared the third quarter results for this year. As you would have seen there has been an improvement on expected lines, Q3 as you know has got this typically always better than our Q2 results. So, we had our topline of 2748 Crores with an EBITDA of 414, PBT 211 and PAT 120.

This should give you an indication that we are on target for our annual performance, we expect that we will be closing the year based on expected lines and we also have a good visibility for the next three quarters at least based on our order book, based on our business in the pipeline, we see that we should be able to do well and the next year we are hopeful of a little better performance because now we have seen that the Government of India emphasis on the infrastructure development, particularly in the water

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sector that has always been there, but now it is beginning to trickle down to the level of tenders and some business coming on ground. So based on that we are hopeful of a good outlook and a good business over the next three quarters for sure.

Now just looking at the results, a few things that all of you would have noticed, there is an exceptional item where we have made a provision for approximately 34 to 35 Crores, this is largely on account of our scaling down of the Italy business as you know Jindal Saw had a subsidiary in Italy where we were doing finishing of Ductile Iron Pipes. Now we wish to completely shutdown all the manufacturing or the finishing activity and just have a presence in Italy through stock and trade. So in the curtailed business scenario we expect that, business should make profit, because we would be supplying all the pipes now either from India or from Abu Dhabi because it did not make sense to continue with that business in Italy specifically looking at the regulatory environment that the entire European Union has come up with. So, the exceptional item is largely on account of scaling down of the Italy business this is our best estimate.

Currently we are engaged with the trade union, the authority and everybody to shut it down. We expect that we would be able to contain the losses, or we would be able to cut down on the expenses, but some of the loose ends have to be tied yet and there could be some more that we may have to provide, but it would not be very significant and specially looking at the performance of the company, we feel confident that we would be able to easily absorb that. So that would then make going forward Italy the business would be only for stocking and trading.

If you compare our finance cost for this quarter compared to Q3 of last year, 128 Crores for this year 82 Crores last year appears a big gap, but that is largely on account of last year we had the benefit of foreign exchange fluctuation going the positive way. So otherwise the interest cost on a trailing quarter is more or less consistent, the debt is beginning to

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showdown in fact now there has been further reduction of debt in January as we speak so what debt figure of 4100 Crores of total debt that you are seeing, today it stands at less than 4000 actually it is around 3900 Crores and we expect further reduction as we close the year on the debt portion.

EBITDA margin for us has been stable above 15% and we have maintained that now for few quarters, that is the nature of our business, as we have always maintain that Jindal Saw business model is very robust, we have a mix of LSAW, HSAW, DI, now stainless, seamless, HDPLs has been added and pallets, so that gives us a very stable and a robust business model, but it also then sobers down the spikes that you may get if there is a sudden boost in any one sector. So there is a balancing effect where both the downside as well as the upside gets sober down when you look at the business plan or the business model of Jindal Saw, that is one of our strength.

One more thing that I wish to address upfront is you might have seen in our notes as well as people may have read the reports we have received a further Rs.500 Crores released through the High Court in the NTPC arbitration which is continuing. Based on this now probably the High Court would speed up the hearing and we expect that in the next quarter or so at least we should be able to cross the High Court stage. Now this money that we have received 500 Crores out of which approximately 200 Crores have come up to Jindal Saw which has largely gone to address the loans and advances that we Jindal Saw had given to JITF and that money has been used again to reduce Jindal Saw debt that is how I mentioned that today the debt of Jindal Saw stands less than 4000 Crores, it is 3900 Crores. The balance 300 Crores that has been received has gone to satisfy the liabilities and the holding group companies from where the bank guarantee was given because as you know this money while the case is on, while the judicial process is on all these moneys are getting released by against a bank guarantee. So we have to provide a bank guarantee to the High Court, the bank which provided the bank guarantee under the structure this 300

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Crores had to go towards their security, their satisfaction on certain outstanding etc.

Turning our attention to Abu Dhabi. as you know that region has seen lot of political instability, but the good news is that at present now things are all beginning to settle down, our export to Iraq has resumed as we speak we have confirmed letter of credits of approximately \$100 million and therefore now Abu Dhabi business is also giving us a good visibility of next few quarters and also it may be important for me to emphasize that the letter of credit that we have received from Iraq has been confirmed by a European bank and therefore we have taken effective steps to mitigate that political or a sovereign risk that maybe there whatever little that maybe there because while this LC was being negotiated or the LC was being issued at that point of time the conflict in that region was at high and therefore we thought it is prudent to get it confirmed through an European bank which already is in place. The LC is operative the dispatches have started and this order should see us in good stead for the next few quarters in Abu Dhabi business as well.

Sorry for this interruption so probably I just repeat the last part where we were discussing about the Jindal Saw USA LLC business as I mentioned it is coating facility which is not very capital intensive we do job work that business has got impacted because of the new trade barriers that US has created for itself where the import of their pipes have significantly reduced.

So that broadly covers all the aspects of Jindal Saw standalone and consolidated, we continue to maintain a healthy order book. Now this is where if you see in the last few quarters the order book has been hovering around \$1 billion plus.

Now that again should give comfort and that should give a very positive strength to the company and for all of you that whatever we are filling by way of order book at the same time our execution rate has been good and we are executing it. Specially looking at the delivery expectations that the

customer has, and the capacity that we have in our different businesses with pallet business being sold on cash \$1 billion plus or a \$1 to \$1.2 billion is a good order book that we would like to have because an order book of more than this would either indicate that our execution rate has slowed down or then we get into a space where we may not be able to deliver everything on time to our customers.

So this around \$1 billion order book is a healthy order book for the business consideration, we have enough visibility, but I must also give you comfort that there are lot of good projects in the pipeline both in the domestic sector as well as in the export market, in fact the exports have inched up a little bit and we expect that a few big orders may come under execution very soon in the export market.

So with these opening remarks let me stop and I would welcome any questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Jay Balaji, an individual investor. Please go ahead.

Jay Balaji: Sir first question is one observation on after going through our company's data expenditure report at press release, that is on consolidated basis our turnover is 2987.97 Crores whereas on standalone basis our turnover is 2702.05 Crores for December quarter 2019. Sir the turnover on consolidated basis is greater by 285.92 Crores on the contrary, profit before tax exceptional items that the bottom line reduces from 210.87 Crores to 146.92 Crores that is there is negative difference loss of 64 Crores approximately. Sir kindly state what is the key reasons at the activity level to such deflation in bottom-line profit Sir what is the key reason Sir. Please throw some light on it?

Neeraj Kumar: Yes, as I already explained that the dip it is not only just at the PBT level if you see even at the EBITDA there is a slight dip those are all primarily on

account of the coating business in US. In JITF where we now do not have much of operations there are certain interest cost etc., which still get booked without corresponding revenue because now most of the revenues that we will get in JITF is on account of the arbitration etc., coming in. There are substantial expenses that is being incurred to fight the cases in JITF which get consolidated as an expense in a consolidated result.

So primarily the dip in the profit is on account of US JITF and a bit on account of Abu Dhabi because Abu Dhabi again this quarter now the LCs etc., have been received now. So the business is picking up in the last quarter, third quarter the Abu Dhabi business was a little lower than expected on account of delay in receipt of LCs.

Jay Balaji:

Sir second question is regarding our press release. So on page #3 or #5 that is under financing and liquidity it has been mentioned that under the hedge financing and liquidity long-term debt of our company is 1788.5 Crores approximately. So can you please throw some light that what is the asset which have been backed by it and what is the purpose of such a big long-term debt so if you can throw some light on it?

Neeraj Kumar:

Today if you see our asset base these are all kind of term loans which have been there on the balance sheet for long, they are not new term loans and the term loans have been on the reducing size, in fact it has consistently been coming down as per the repayment schedule. Today the company has an asset base of more than 6000 Crores. So fixed asset base is more than 6000 Crores against which now the loan that is left is about 1700, 1800 Crores.

Jay Balaji:

What is our debt reduction policy if any on our board have any debt reduction per se if you can throw some light on it?

Neeraj Kumar:

Yes, the debt reduction policy there are two aspects to it, so at this point of time Jindal Saw does not have any major expansion plan. So any new large debt is not planned to be taken and the treasury department has been

working hard and has received a good result in terms of getting the debt elongated. So whatever is the repayment schedule at this point of time it is roughly 300 Crores of repayment per annum is broadly the repayment schedule. So the intension is we would maintain those repayment schedule, the debt would continue to come down if there is additional liquidity which gets created either by way of an improved collection which happened in January or by way of inflows like NTPC etc., would be used to augment long-term working capital. So the term loan will run its life reduction of approximately 300 Crores per annum and working capital would get reduced by collections as well as these inflows that we are getting from other sources and working capital would largely depend on the level of operations that we have because as you know in Jindal Saw we always hedge our positions with respect to raw material and we have receivables which are all either government receivables or all backed up by a proper security of a letter of credit or a bank guarantee.

Jay Balaji:

Sir one question regarding cash flow. Sir what has been cash accrual during the nine months that is the nine months which has gone behind and if utilization, could you throw some light on the cash flow aspect of our company during this tenure of nine months?

Neeraj Kumar:

See the cash flows have largely gone towards the normal Capex that the company has which is in the region of about 200 Crores per annum and reduction of debt plus augmentation of working capital. In the cash there is no extraordinary use either by way of investment or by way of any new Capex etc., so it has all gone into the normal course of business in terms of normal repayment schedule for term loan, augmenting long-term capital and funding all the operations in normal Capex.

Jay Balaji:

Sir like I have gone through your presentation, just one suggestion I want to make, as an investor presentation Sir please refer other companies also like Welspun Corp if you can go through it that in details we have explained that the presentation should be self explanation I know it is a

conference call of Jindal Saw, but my request is they have beautifully articulated who are their clients what are their prospects and all. So I would request you to include in your further conference press releases the manner in which Welspun Corp has given presentation in yesterday kindly follow that looking that high level of standard that they are maintaining although our press release is very good but if we can raise our standard it will be better for our investors to understand more elaborately, so this was my one suggestion to our honorable board. thank you Sir.

Neeraj Kumar: We will look into it and we would definitely adopt some more explanation etc., to help you understand better.

Jay Balaji: Thank you Sir.

Moderator: Thank you. The next question is from the line of Nalin Shah from NVS Brokerage. Please go ahead.

Nalin Shah: At the outset I think I would like to say that good set of numbers. A few observations I would like to make it, one is that there is a continuous, I would say that pressure on the profitability on the cash flow from I would say that most of the subsidiary companies which are there in the fold of our company and there is a very difficult situation to apprehend what will be on a console basis our position as far as the performance is concerned. So can you not windup or merge these subsidiaries and present one picture so it becomes much easier for us as a shareholder to appreciate that what is the correct position of the company like the impairment you have done. Now so many subsidiaries are there, when some other impairments will come up and what will happen to the profitability in which quarter we are unable to estimate anything correctly.

Neeraj Kumar: We really appreciate your concern and that has been the concern for us as well and therefore if you see over the last three, four, five years, there has been a constant endeavor to make Jindal Saw a company which is focused on its core products which is pipes and tubes and therefore we have gone

through two rounds of demergers where all the noncore businesses have been separated. Now within our core business, which is pipes and tubes, also there has been an effort to constantly look at all businesses and take an objective appropriate action and that is how we have shutdown Algeria as you would know we have shutdown Spain and as you would look at our past results and now the last subsidiary which we plan to shutdown or we plan to cut down is Italy. So Italy we are not shutting down it completely, we are removing the entire manufacturing and finishing activity in Italy and we are bringing it down to only now stocking and trading. So with this gone as Jindal Saw in terms of material subsidiary you are left with Abu Dhabi, which is essentially a core business of Jindal Saw DI pipes and you are left with the coating facility in US. So these are the two material subsidiaries, which are continuing and we plan to continue because it belongs to the core business of Jindal Saw. One more subsidiary, which is JITF where this NTPC entire legal process is going on, we have to maintain that for the reason of continuity of the legal process to get finished. Once the legal process gets finished then we will take JITF also out of the Jindal Saw fold. So then what going forward on one side I do appreciate your concern and I wish to give you that comfort that as management we have been working in that direction over a period of time because yes, at one point of time Jindal Saw had a structure of a very large conglomerate with core, noncore and all kinds of businesses, but now very soon you would see a pretty clean set of numbers where there would be consistency and visibility, because now even for the console basis we are giving results as required by law on a quarter-to-quarter basis. So going forward you have to only look at Jindal Saw standalone Abu Dhabi and the US coating facility, these are the only ones that you have to look at, all other business has been either removed or have shutdown.

Nalin Shah:

Can we have some idea as to what more you know in terms of the impairments we could expect, the last quarter as well as I mean the year going forward from any of these subsidiaries or associate companies?

Neeraj Kumar: Impairment on account of cutting down the business which will be more like settlement of the trade unions, employees expenses are that whatever would come now only from Italy. We wish to continue with our Abu Dhabi business as well as with our US coating business, otherwise you do not expect any impairment on account of any disruption in business, they would continue and hopefully both businesses should give you a positive EBITDA going forward is what we expect. So in terms of curtailment in EBITDA we do not expect anything to come going forward unless there is a major disruption in business, because as you know at least Abu Dhabi sometimes the political scenario that way if you see in the gulf has been embroiled in one kind or the other kind of an instability. So but for that you should see a stable performance for Jindal Saw even at a consolidated basis going forward.

Nalin Shah: I think a few minutes back you mentioned that our asset base is roughly about 6000 Crores plus?

Neeraj Kumar: Yes.

Nalin Shah: Now what is the maximum you feel that the topline could emerge from this 6000 Crores asset base is it that currently we are more or less at the top level I mean at something like 80%, 100% capacity, I just want to understand input, output ratio kind of a thing that what is the asset turnover could be in terms of, whether this asset base will generate 10000 Crores kind of a topline at a maximum or 7000 Crores or what is the present level?

Neeraj Kumar: Our present level run rate for topline is in the vicinity of 12000 Crores on a standalone basis, and we definitely have headroom to go, because there are if you see in the last few years there has been some Capex on the stainless steel, alloy steel and carbon steel, seamless pipes and tubes business, that business is now yet to fructify or yet to mature. So there is a definite headroom available in the seamless carbon and alloy steel pipes and tubes business. So there is enough scope for us to go beyond this current run rate

of about 11000 to 12000 Crores of topline without any incremental Capex. Likewise, we do have capacities left in the LSAW and HSAW business because LSAW, HSAW business again as you would realize are largely project driven business, but sometimes the sequencing of projects can be such where there is a scope for the turnover going up. Next on DI business we would say we are close to 80%, 85% at this point of time which should give us some scope for headroom and on the pellet business we are more or less producing at capacity, the capacity is 1.5 we are producing and selling 1.4 plus so we are producing at capacity, but on the pellet business we expect an upward movement of both turnover as well as EBITDA on account of re-auction of all the iron ore mines. If you see the way the iron ore mines which have all come for the re-auction, the way they are being bid we expect a definite upward movement in the raw material prices. So if that happens then the pellet prices rises or it actually rise the lump cost. So we expect some headroom there, so to answer your question are we completely kept out on the turnover without any incremental Capex? the answer is no, we do have headroom and we expect our turnover as well as EBITDA to improve in the coming years based on the aspect that I have already mentioned.

Nalin Shah:

My last is, I would say suggestion is that we have a small capital base so which is very attractive from the equity investors point of view, but you are able to declare only about 100% dividend which is 63 Crores when our profitability is in the range of 500 Crores plus which means we are hardly giving out only 12%, 13% of our profitability, I think management should consider I would say that market cap has remain very static for a very long, long period of time and this could be also one of the factor in terms of I think the sort of a reward to the investors and that could probably enable the company also to have a better market cap and the better wealth creation.

Neeraj Kumar:

Yes, your point is very well taken as you know last few years we have been engaged in trying to conserve cash for various reasons, but going

forward as the company throws more cash we do take your point and we would definitely consider towards the year end when we hold the next board meeting.

Nalin Shah: Thank you very much and all the best to you.

Moderator: Thank you. The next question is from the line of Vikram Sharma from Meraki Wealth Management. Please go ahead.

Vikram Sharma: Sir my question is that, what is status of our operation and maintenance agreement with Sathavahana Ispat and our recent tie-up with Hunting Energy Services.

Neeraj Kumar: With Sathavahana Ispat as you know the OMMA has been signed but it is at this point of time just getting through the banking system, because the banks also have to come on board we have had a few rounds of meeting with the banks and we expect that we should be able to resolve that soon.

Vikram Sharma: And our tie-up with Hunting Energy Services.

Neeraj Kumar: Hunting is all done. Hunting in fact now we should actually start seeing the result on ground because the Hunting strategic arrangement was signed all the necessary equipments which we are required to start doing premium connections in India have been brought they are more or less commissioned and tested, the Hunting people have come and qualified us the license has been issued for the interim so the Hunting business should now carry momentum and you would start seeing those results very soon.

Vikram Sharma: Sir my next question what is total opportunity size in volumes from recent announcement from government on gas grid expansion.

Neeraj Kumar: See government policies gives us hope and therefore we are a lot very, very hopeful on this Jal Shakti Mission and the oil and gas grid plus the enhanced activity of companies like ONGC etc. So those are all very good positive signs pointing in the right direction, but as you know we are all

tender driven, project driven these are all tender driven and project driven opportunities. So between the announcement by the government and tender coming out there is a lag of a few months. But on the water sector we are seeing some traction so that has happened. Oil and gas we did execute one or two very good orders and we are hopeful of getting some more in the pipeline.

Vikram Sharma: Any total opportunity size in volumes like government, if they are expanding from 16000 kilometers to 27000 kilometers.

Neeraj Kumar: Yes, those have not come at the tender stage as yet. So those are as I told you we also are hopeful that all of those will come to the tender stage and will be bid out sooner than what we all expect to happen, we are all ready to just grab those opportunities.

Vikram Sharma: Sir any estimate what ton required for 1 kilometer pipeline in there.

Neeraj Kumar: A kilometer pipelines it all depends on the size of the pipe, the size and the thickness. So to do a tonne conversion from a kilometer conversion I would in fact request you that as an analyst you should not hazard that unless you are willing to go to the level of detail where you decide to go to the thickness as well as the diameter of the pipe. Otherwise you can go wrong because each pipe can be as low as less than a tonne and we have also manufactured pipes, which are upward of 10 tonnes depending on the size and the thickness. So there I would just request you to exercise caution, unless as I said you want to go to that level of granular detail of size and the thickness of the pipe.

Vikram Sharma: Sir last question, what was the sale revenue from stainless steel price during the quarter.

Neeraj Kumar: Stainless steel we have just begun to see the market, so far probably this year we would have done a few hundred Crores which is likely to now pickup significantly.

- Vikram Sharma:** Thanks.
- Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.
- Sunil Jain:** Congratulations on good numbers. Sir my question relates to first of all the consolidate debt on the book.
- Neeraj Kumar:** Consolidated debt on the books is 5600 Crores.
- Sunil Jain:** During last nine months it has come down by how much, around 500, 600 Crores?
- Neeraj Kumar:** Last nine months it would have come down by at least 400 to 500 Crores.
- Sunil Jain:** Sir second thing you said that NTPC you got some interim 500 Crores in that 300 Crores has been used for arranging bank guarantee and all.
- Neeraj Kumar:** We have the liabilities in JITF as well.
- Sunil Jain:** So that money whether we will be getting at least interest on that money 300 Crores?
- Neeraj Kumar:** Yes, because see whenever you give a litigation guarantee the banks always want to have some security, but we would be earning interest on that for sure and all this money would get released once we have gone through this court process and all the bank guarantees also have been released.
- Sunil Jain:** So any more money is expected in that?
- Neeraj Kumar:** We are going to push for some more because the way you need to look at if you read the notes to the accounts that has been the total award is about 1891 Crores plus interest plus GST and we are progressively pushing the courts and everyone to release as much as possible. So the way I would

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request all of you to look at is whenever a court insist on releasing some more funds it should just give you an indication of how the case appears to the judiciary and what is the trend or where we are heading towards and our effort is always to get as much liquidity as possible so in the next hearing we would be pushing for release of some more funds because there is some headroom available and there is possibility that we can get some more.

Sunil Jain: Sir how much is the export sales in this quarter or maybe nine months.

Neeraj Kumar: We are around 30%.

Sunil Jain: Sir if I see your order booking in tonnes we are seeing continuous reduction in the order booking, order book outstanding, so if I compare as compared to the year before it is substantially down so how you see the outlook from here now? Are we seeing some revival in that or the situation is still like that?

Neeraj Kumar: I am not sure which number you are looking at, because at this point of time the quantity of the order book that we have is 1240000 tonnes which is the part of the note that has been circulated. In dollar million it translates to app. 1 billion and that is something that we have maintained over the last few quarters and as I mentioned that this is something which we believe is a healthy order book because just accumulating order book and not executing it on time pushes you in the penalty environment, then you tend to either disappoint your customers or then you start getting into deductions on account of liquidity damages etc. So this is a reasonable order book because also please understand pellet business there is no order book we sell only against cash. Seamless business again typically would not have more than 10 weeks, 12 weeks of delivery time. So it is only in large diameter where we have larger projects as well as DI that the order book goes for more than three months or so. So in seamless, stainless you would typically not see an order book of more than 10 weeks, 12 weeks' delivery.

Sunil Jain: Sir any outlook on this seamless pipe where the order book is subdued a bit, you were having over 50000 tonne I think nine months back and right now 28000 so how is the environment over there?

Neeraj Kumar: The seamless pipes now we are beginning to see some improvement because we have also changed our product mix because one sector in the seamless business we did see a slump was auto sector which impacted our order book, but now we have adjusted our product profile and we have integrated our carbon alloy as well as stainless business, so you could expect increase in the order book in the seamless segment in the coming quarters.

Sunil Jain: Is oil and gas is the major customer in this?

Neeraj Kumar: See the way we are structured now in an integrated manner, oil and gas both upstream and downstream, power, industrial applications, and industrial applications, sugar industry, refrigerated industry in power, heat exchanger tubes. So we have actually diversified our product portfolio now to address to multiple segments so that again we are able to create stability there and with Hunting coming in, we would be able to get into 13 chrome we would be able to get into premium connections so all of those would again help us in diversifying our product portfolio as well as stability in the business with higher margins so these are all value added products.

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

Saket Kapoor: Sir just to reiterate the fact you spoke about 12000 Crores is our capacity on a standalone basis, we did 12000 Crores last year on a console level. So that is the maximum utilization we can do at standalone?

Neeraj Kumar: No, as I mentioned that we are in that vicinity but we still have headroom, so this 12000 is not what we are going to get capped at even at a standalone which the capacities and the facilities that we have created, so there is still

headroom to go without any incremental Capex or I would say with just normal Capex that we do on a per annum basis. So there is still some way to go.

Saket Kapoor: Sir just for understanding what have been the utilization level Sir if you could give we have three different verticals in the seamless DI and HSAW, LSAW, so taking into account our nameplate capacity if tonnage wise if you could give just an expectancies depending on the order book how much utilization level?

Neeraj Kumar: Let us go business wise, on pellet we have a capacity of 1.5 we do 1.4 plus so that is more or less is kept out as far as the productivity or tonnage is concerned but as I mentioned we are going to gain on the movement in the prices, when it comes to DI as I told you there is about 15% to 20% headroom still available we have started now DN 1200 earlier we use to do 1000 now we are going 1200 so that adds to the tonnage so we have about 15%, 20% headroom available in DI. In seamless business now in the integrated business there is a lot that we can do when I say a lot you could say that at present, we have a headroom of at least 30% to 40% that we can add both in terms of tonnage and value. In terms of our large Dia Pipe which is HSAW, LSAW as I mentioned we have a very large capacity because boiler plate capacity does not mean much there but we still have a very large capacity and we can go up. We have just commissioned our Indore plant as well, so a new facility has been added in Madhya Pradesh because there a lot of water grid projects are coming. So we could add a few lakh tonnes in the large dia segments with the existing facility.

Saket Kapoor: Large dia what is the capacity Sir, I missed it, currently what is our capacity.

Neeraj Kumar: So the boiler plate capacity would be both put together about 1.5 to 1.6 million tonne and we are doing at this point of time 6 to 7 lakh tonne per annum.

- Saket Kapoor:** You are talking about DI pipes only?
- Neeraj Kumar:** I am talking about LSAW and HSAW.
- Saket Kapoor:** Sir for the pellet part also we were looking for some EC clarification to ramp up the capacity any update on that Sir.
- Neeraj Kumar:** That has happened we were at 1.2, we went to 1.5 we got the EC approval etc., everything done so now the final capacity of pellet is 1.5 we are producing 1.4 plus.
- Saket Kapoor:** Any more upgradation we are looking for or we would first optimize to 1.5 depending upon market or have we gone for further increment on that front?
- Neeraj Kumar:** No, we are not adding any capacity in the pellet.
- Saket Kapoor:** Sir you talk about Sathavahana we reached the deal two quarters earlier and given the update today also. So actually, on ground what is the timeline with which you are working currently Sir where Sathavahana will also start contributing towards the numbers.
- Neeraj Kumar:** Once we signed the OMMA we were expecting that we would be able to commence operations in the next 90 days or so, but as I mentioned to you it is going through their consortium banks, the consortiums have to approve, we have had a few round of meetings with the banks and we are pushing them to give us a go ahead as quickly as possible. So the movement we get a go ahead from the banks, which we expect should happen in this quarter we should be in production maybe over the next 60 to 90 days.
- Moderator:** Thank you. The next question is from the line of Arvind Kothari from Nisvesshay. Please go ahead.

Arvind Kothari: Sir I had a question on the growth of the company going forward, what is the expectation that the management has in terms of which verticals we are going to focus more and in terms of shareholder rewards whether the capital allocation would permit us to free some funds for some buybacks at this equity valuation or we will go through the dividend route, if you could clarify on those fronts when the cash gets accumulated on the books what is the plan of the management?

Neeraj Kumar: As I mentioned see Jindal Saw we have by design created a robust business model where we have four verticals and each vertical are headed by domain experts as far as the operations and marketing expense. Head office we have created a very strong support system where commercial, treasury, legal, internal audit, all of those get located at head office and then they run across all the business divisions so that we are able to give them the highest level of support, governance and all of those. So this kind of a structure actually allows us to give equal or emphasis on every segment based on their potential.

So to first answer your question the management structure is so well designed that there is no dearth of management bandwidth when it comes to giving emphasis on every segment and it is not that if one segment is given any attention the other segment suffers. So management is fully geared to take care of all opportunities in all segments as it comes.

To your second question, I already have taken note of one of the friend's request that maybe we should relook at our dividend policy. Third question you talked about is capital buyback etc., it is not on the cards at least for now, we have not discussed it for now.

Arvind Kothari: The distortion that is happening in terms of our consolidated numbers, if you could clarify on Italy have we taken the complete write off or what is the expectation going forward, how many quarters are we going to divide that expenditure and also on Jindal ITS earlier the losses used to come by selling of some basis. Now I guess all those things have been done so why

we are still seeing some losses if the operations are not there, if you could clarify on these two points?

Neeraj Kumar: In JITF, we have to maintain some of the assets so the losses in JITF has reduced significantly from what it used to be because now it is just maintaining those assets maintaining the infrastructure and legal expenses. So the JITF loan has been reduced and is contained to a very marginal level, which should end soon. For Italy as I mentioned to you already that the major estimate has been accounted for, but still we have not shutdown the whole facility still we are talking to the authority, the trade union their retention benefits etc is being worked out. So there could be some more which should come over the next max one quarter or another quarter that is it, we will try and contain it as much as possible and make it as quick as possible, but Italy also we have to go through a process where if we have to retrench people there are trade unions and all of those things which are there so we will try and contain it and limit it to as much as possible.

Moderator: Thank you. The next question is from the line of Govind Sahoo from IndiaNivesh. Please go ahead.

Govind Sahoo: Sir I have two, three questions one is regarding your pellet EBITDA so what is the pellet EBITDA for the quarter.

Neeraj Kumar: I have repeatedly said that we do not give out segmental EBITDA because we believe that is very important competitor sensitive information that we have within but for your satisfaction it is upward of 2000 as of now and we expect that to increase as the lump over prices go up.

Govind Sahoo: Sir the other question is that during the quarter before the exceptional items we had a subsidiary loss of around 64 Crores on PBT level that is before the exceptional level. So can you give a breakup of this 64 Crores from which subsidiaries is it coming?

Neeraj Kumar: I do not have that number handy in front of me right away but it would be a combination of as I told you US, JITF and Abu Dhabi. The best thing I would request you is please contact our treasury they would give you that breakup I do not have that number handy readily available on me right now.

Moderator: Thank you. The next question is from the line of Aarsh Desai from Vallum Capital. Please go ahead.

Aarsh Desai: My question was with regards to the possible new order that we may get in from GAIL with the expansion of the national grid. So can you talk a little bit about that what potential is out there and also little about the consolidation in the pipe industry that is happening, that is my first question and my second question is when do you actually see a pickup in demand for seamless and we have been in a similar volume in terms of our sales that in current terms for a couple of quarters now, so how do you see that going forward?

Neeraj Kumar: National grid whether it is for oil and gas or the water grid for different states, Jindal Saw is fully ready and fully geared up to grab any opportunity that comes we are very well placed in terms of our locational advantages etc., So whenever the tenders come out we will definitely take it. We expect the tenders to start coming out first quarter next year. So over the next three months we do expect that although the infrastructure projects that government has announced would actually hit the road and the tenders would start coming out in the national grid and water grid and in water grid we are seeing that every state is coming up with their own water grid project and we are benefiting from that so that would be a continued effort. Oil grid we expect things to come out from next quarter onwards that means Q1 next year.

Aarsh Desai: With regards to a little about the consolidation in the industry and also about the pickup in the seamless pipes.

Neeraj Kumar: Seamless business as I mentioned to you is one of the business which is in Jindal Saw context should show a significant improvement in the next year because there the business model has been integrated, the Hunting impact is going to come in, the stainless business now our extruder has started working well so all of those are going to contribute to the seamless pipes and tubes business which is for carbon alloy as well as stainless steel and we should see that part showing a good improvement in the coming year. As far as the consolidation of industry players are concerned, that is a phenomenon, which is happening because of the financial stress etc. At least on seamless business as you know we have got our Nagothane plant and beyond that at present we are not a participant anymore M&A activity as far as the seamless or the stainless business is concerned.

Aarsh Desai: Okay thank you.

Moderator: Thank you. Ladies and gentlemen due to time constraint we take the last question from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Sir can you tell the debt level or subsidiary level like in JITF what is the debt level on their own balance sheet and debt given by Jindal and also for US subsidiary as well as Abu Dhabi?

Neeraj Kumar: If you are looking at the breakup of debt company wise then again as I said I do not have it here which is about 900 Crores of overall debt that is there in the subsidiary and about 600 Crores is what has been funded by the promoters which also counts as a debt in the case of subsidiaries, but you need company wise breakup again my request would be please talk to the treasury people they would be able to provide that information.

Dhananjay Mishra: 600 Crores is part of 4100 Crores on a standalone book?

Neeraj Kumar: Though the 600 is a part of 5600 Crores which is the console debt.

Dhananjay Mishra: And this is even after considering this 500 Crores received by NTPC arbitration?

Neeraj Kumar: Yes, see what we have given you is 5600 is as of December as of the quarter closing. The 500, which have come has come after that. So that 5600 in fact you should look at is not including of those 500 Crores.

Dhananjay Mishra: So this is 5100 as of now if we reduce this 500 Crores on console level right?

Neeraj Kumar: Yes.

Dhananjay Mishra: Sir I lost the connection when you are giving commentary on US business outlook so can you just repeat that one?

Neeraj Kumar: Okay, US business our focus is limited on the coating job that we do because of the trade barriers that US has created in terms of the high import duties the import of their pipes into US has largely reduced and therefore the coating business which used to do a job work coating for various clients that has also reduced. So that is where it stands but as a investor or as somebody who is looking at Jindal Saw the comfort that you need to take is that the US subsidiary which is Jindal Saw USA, LLC is not that debt heavy, it is not very capital intensive so even if the business is on a slowdown basis, it does show up in the profitability or the EBITDA or the cash flow of the group, but it does not add any extra burden on Jindal Saw standalone in terms of any pressure because of the debt repayment etc., that is one comfort that you must take.

Dhananjay Mishra: What is nine-month revenue and EBTIDA number in US subsidiaries?

Neeraj Kumar: You are looking at just the nine month separate for US?

Dhananjay Mishra: Yes, yes, nine-month revenue.

Neeraj Kumar: Again I do not have those individual subsidiary numbers on the table at this point of time with me.

Dhananjay Mishra: Okay.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments.

Neeraj Kumar: Thank you all for showing interest and continuing to support us. Jindal Saw has been on a stated path and we have covered the journey that we had laid out for us over the last few years and now we believe we are on the last leg of the whole reorganization, restructuring cleaning up program and we see from hereon there should be good improvement in our financial results in our operations because we do see that now the government is also beginning to give a lot of emphasis on the infrastructure development, we expect the Indian economy to improve, we expect the Middle East to settle down so those are all good news based on that we are hopeful of continuing good performance for Jindal Saw and its subsidiaries. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us, and you may now disconnect your lines.