



“Jindal Saw Limited
Q2 FY2021 Results Call”

November 10, 2020



ANALYST: **MR. ANAS DADARKAR - EMKAY GLOBAL FINANCIAL SERVICES**

MANAGEMENT: **MR. NEERAJ KUMAR - GROUP CHIEF EXECUTIVE OFFICER & WHOLE
TIME DIRECTOR - JINDAL SAW LIMITED
MR. VINAY GUPTA - GLOBAL HEAD TREASURY - JINDAL SAW LIMITED
MR. NARENDRA MANTRI - HEAD COMMERCIAL & CHIEF FINANCIAL
OFFICER - JINDAL SAW LIMITED**

Moderator: Ladies and gentlemen, good morning and welcome to the Q2 FY2021 Results Call of Jindal Saw Limited hosted by Emkay Global Financial Services. We have with us today on the call Mr. Neeraj Kumar, Group CEO and Whole Time Director, Mr. Vinay Gupta, Global Head Treasury and Mr. Narendra Mantri, Head Commercial and 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 at the end of today's presentation. 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. Anas Dadarkar. Thank you and over to you Sir!

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

Neeraj Kumar: Good morning investors. Good morning friends. I hope all of you are doing well and keeping healthy. This pandemic still seems to continue it is coming in waves. As you may know in Delhi, now we are witnessing a new high around 7000, but luckily all of us are safe. All the plants of Jindal Saw are working, all our offices are functioning, so the strict protocol that we have put in place has helped Jindal Saw as a multi-location, multi-division multiproduct organization to work to the best at its ability in the given scenario. I am happy to report that none of our plants have lost or have had any major interruptions due to this pandemic, so that is something which is good for us. We feel happy about it and we would request all the

Jindal Saw Limited
November 10, 2020

investors to take note of it. Yesterday, we had our board meeting and we have declared our quarterly results, which is the second quarter.

Now I am going to highlight a few things and then also give you one or two very significant developments on the consolidated results because it does show a trend there has been reversal and we will talk about it. So, this quarter we had a gross income i.e. topline of Rs.2021 Crores as opposed to Rs.1400 Crores in the first quarter of FY 21, so the businesses have started picking up. The EBITDA number for this quarter is Rs.295 Crores, PBT Rs.112 Crores and PAT Rs.74 Crores. Important to note as we have said we have cleaned up our balance sheet, so we do not expect any exceptional items to come during this year in our standalone balance sheet.

Now important to note is if you look at the consolidated results. Topline 2446, EBITDA 349, so that is something which I would like to draw the attention of all our investors in that standalone EBITDA 295 and consolidated EBITDA of 349, so there is over Rs.50 Crores of EBITDA which has been added by the subsidiaries and Jindal Saw group companies largely on account of now Abu Dhabi unit or Abu Dhabi DI unit beginning to do well. In fact the hope is that the Abu Dhabi unit should perform the best ever for Abu Dhabi, so it is beginning to do well, we have a healthy order book, the productions have stabilized, the dispatches are happening and things are beginning to look good for Abu Dhabi unit. The US unit because of the elections, sluggish economy and oil and gas demand or the prices is not as good as it is used to be, but overall, the EBITDA figure has consolidated EBITDA has an addition of over Rs.50 Crores largely from Abu Dhabi.

Even at the PAT level if you see there is a increase from 74 to 80, so this is something that is for our investors to note that now at all levels whether it is at the topline EBITDA, PBT or PAT levels, other businesses or other subsidiaries, associates of Jindal Saw which are included in the consolidated results have started contributing positively and we hope and expect that this trend will continue. That is about the results. A few things that I wish to also highlight you would see there has been a reduction in the overall debt scenario there has been a reduction on the financial charges scenario so the balance sheet continues to remain strong. Good thing that I wish to highlight again that even during this pandemic scenario our receivables have stayed under control. We have been collecting our money and the old outstanding dues have also been collected so the receivables continued to be under control. The inventory continued to remain under control. There is no major capex that we are incurring, there is no major projects that is under consideration , so that should give you the sense that on the balance sheet side also there is a status quo, standstill and also improvement in the working capital management for the company.

Looking forward. If you see we have during the quarter added a lot to our order book. In fact the order book during this quarter has gone up in spite of the supplying goods worth Rs.2000 Crores so that again gives us an indication that the economy is beginning to open up, the demand is beginning to come- among them the significant once for us are stainless seamless business because stainless seamless business as you know is a new business but we have received a few important certifications, accreditation, the first order that we and Hunting got together for supply of 13 Chrome pipes is under execution and we are happy to let you know we would execute

Jindal Saw Limited
November 10, 2020

the same within time and meeting all quality specifications. So on the seamless business, we do see and we are hopeful that things should begin to improve as we go forward.

Water segment is an important segment for us, because we have products like large dia spiral pipes, DI pipes as well as HDPE Pipes. DI business continues to perform stronger as most of the states are coming out with their own water grid system which has given rise to demand both for our spiral pipes as well as for DI pipes. In oil and gas sector, in spite of the fluctuation of the international oil prices, at least in India, the demand for pipes for oil and gas continues to stay stable. In fact now we are also working on within city gas pipeline, this is one area where we have not focused our attention as yet, now we are beginning to look at catering to this sector as well because as you know from our Nasik plant, we can make seamless pipes up to 16 inches in diameter. So, the IGL gas pipelines within the city, if all within that range, we will try and address that segment as well.

Pellet has done well as and expect to do well, In fact the average contribution from pellet business has shown improvement in this quarter and we expect this improved performance would continue. The average EBITDA on the pipe is marginally lower than what it used to be because the oil and gas and water business with water as main segment. The water segment supply has been higher than the oil and gas and therefore there is a marginal lowering of the EBITDA, but overall, we are maintaining the EBITDA above 14.5% of the topline within the quarter as well. For the next two quarters we are confident that our strong performance will continue wherein we would be able to maintain a very healthy order book, we will be able to maintain all our banking relationships, you would be happy to

note that our credit rating of AA has been reaffirmed by CARE. So, with these initial comments let me stop here and invite you to ask some clarifications, questions or whatever that you may have. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Good morning Sir and thank you for the opportunity. Hope all well Sir as you have already elaborated. Firstly, we did felt the impact of monsoon for this quarter in the LSAW and the DI pipe segment, how are the deliverables going to look for H2 Sir and can the December quarter on a likewise comparable basis with last year December quarter number?

Neeraj Kumar: This quarter we were just coming out of the first quarter which was near washout because of the lockdown etc. The second quarter on one side there was a positive thing on coming out of that but did have a dampening effect because of the monsoon. Third quarter should be comparable to the third quarter of last year which may be marginally on the lower side, but we are confident that the fourth quarter for this year should be a typical fourth quarter for Jindal Saw as you know that the fourth quarter businesses are always the best or the highest because of the budgets, because of the government push to complete whatever projects are under implementation etc. so we expect Q3 to definitely improve and come close to the Q3 last year, Q4 we expected to be a normal quarter for this year for Jindal Saw.

Saket Kapoor: What reason you mention Sir, why Q3 will be lower than last year Q3?

Neeraj Kumar: Because we are still on the ascending curve, if you see second quarter was better than first quarter significantly and we continue to build up, we continued to grow, so we expected to come very close to the third quarter of last year, but may be it will be a little marginally lower, but it should be very close.

Saket Kapoor: We have seen raw material prices especially the HR coil prices moving up, how would this impact our business going forward?

Neeraj Kumar: Two things. A) most of the time the moment we get project we try and block our entire raw material essentially to hedge ourselves against the situations, but still if there are some open positions, there would be marginal squeeze in our EBITDA, but very soon all this will get passed on to the customer, so there is a movement in steel prices which on one hand is helping our pellets prices to go up and has already shown the contribution and we are taking steps to minimize its impact on our large diameter business where we use coils and plates as a raw material most of them already has if you look at our working capital utilization, we have placed orders, we have opened letter of credits, so we should be able to hedge ourselves on the raw material prices.

Saket Kapoor: Now just putting forward to page number 7 Sir, Jindal Saw growth strategy wherein you have very well articulated that the company is making conscious effort to move towards value added products and penetrate new market and increased production and productivity and also about this investment have been judiciously be increased in higher ROC segment whilst de-subsidiarizing loss making entities in its fold. Sir, if you could give some more understanding, what is going to be followed ahead Sir and just a continued point to it, if I

Jindal Saw Limited
November 10, 2020

am not wrong, this exercise Neeraj Sir, you started sometime way back into 2016- 2017 if I am not wrong, at that time you did pushed investors like that these loss making subsidiaries are going to get de-subsidized in a phased manner and you have walked the talk, but to the hardship of investors and shareholders, we have found that post this process of de-subsidiarization of loss making subsidiaries, the investors which used to have the confidence and had made investment in Jindal Saw I am talking about the mutual funds namely Life Insurance Corporation, Reliance and other people everybody has exited and as on today Sir, if I am not wrong in the public domain September quarter shareholding pattern is there, even after all the efforts made by the management team where is this disconnect Sir, this is turning out to be a very frustrating point for investor communities, investors like us who have definitely put the trust and the confidence on you, you are working for your stakeholders, your customers, your bankers, your employees and your shareholders, your bankers are happy, your rating agencies are happy, your customers are happy, your suppliers are happy, what about the shareholder Sir. The shareholders are getting a dividend payout of Rs.2 after a period of 18 months other than that there is neither any share appreciation, there is no interest at all, neither any mutual funds nor foreign institution, nor anchor investor, never participate in the growth story even after promoters of Jindal category holding 63% stake in the company, this is a very big dilemma and this is putting questions on the creditability of the professional team run by you itself, this is my observation Sir, this is nothing to point out or to be any sarcastic, but this is what the real picture in front of you Sir?

Neeraj Kumar: Very long question let me just take it one by one as you have highlighted a few things. First, you talked about reorganization, yes, we had laid out a plan and we have moved on it where the desubsidiarization process is more or less complete on the loss making subsidiaries all the non-related businesses except for the JITF which has been kept there only for the strategic reason where the contract requires Jindal Saw to remain as a majority shareholder otherwise and that is why in JITF 51%, rest all the non-related businesses, all the loss making subsidiaries, have been moved out - the last one being Italian operations. So that is one part which we had laid out a plan and we have completed that. Second, if you see there has been an improvement in the EBITDA margins and also at the topline as well where we have steadily progressed towards an EBITDA in the range of Rs.1500 Crores to Rs.1600 Crores on a normal year basis. Third, there has been a steady reduction and control on the debt of the company, so on all these parameters where meet my professional team and the entire Jindal Saw have been working, we have shown a consistent positive progress . Now coming to your question about we are having four or five stakeholders where the banks seemed to be okay with us, the rating agency seemed to be okay with us, the clients seemed to be okay with us, the supplier seemed to be okay with us, but as you rightly pointed out, the shareholders at present are not seeing the value in this organization and that can be seen straight if you see the net worth versus market cap difference that does give indication that the shareholders do not see the value that has been created. Now the question is why- that is the question that we are also beginning to focus on and we are getting concerned because everything that needs to be done as an organization is being done -this is may be there are still legacy issues where probably now shareholders are waiting for

the subsidiaries to start do well probably the shareholders are waiting for some consistent performance of the subsidiaries -before they start seeing value, so I share your concern and I have the same empathy and we will be working on it, we will try and reach out to all stakeholders as things begin to open up as our performance becomes more stable especially from the subsidiary and we expect that there is a delay, but we expect the shareholders to begin to see some fundamental strength that has been created in the company and we hope it should happen sooner than later, so I do share you and I empathise with you because this is something that we are also now beginning to focus on and getting some feedback from the investor community on where is the gap between the real fundamental strength of the company which has been created versus what has been perceived in the shareholder community.

Saket Kapoor: Thank you.

Moderator: The next question is from the line of Parthiv from NVS Brokerage. Please go ahead.

Parthiv: Good morning Sir. I actually missed a couple of minutes in the starting, but I just wanted to ask is your order book around Rs.700 Crores I believe when you convert to INR times right?

Neeraj Kumar: Correct.

Parthiv: What is the timeline, and this would be executed like what is the timeframe, what the company is looking out to execute this entire order book?

Neeraj Kumar: It is different for different products as you know large diameter pipes and DI pipes the order book can stretch up to nine months and in the seamless business typically the order book stretches up to two months to two-and-a-half-months of delivery. Pellets, the order book is more or less delivery against cash, so we do not have a very large order book on pellet at any point of time.

Parthiv: How has company seen any kind of increase in order book receivable orders in recent months or recent days I would say?

Neeraj Kumar: If you see the trend second quarter, the order book and if you compare it with the what we have executed there has been a net addition to the order book and we expect that in the third quarter also that trend should continue.

Parthiv: When you told you have maintained 14.5% EBITDA margins and Q3, Q4 would be on the same line that of last year, you just give a quick back of the envelope calculation, the company looks very attractive, when you just look at the valuation, but just humble request of the shareholder and is to carry forward Mr. Kapoor's point ahead, please declare a certain amount of dividend which is way about the thing what investments are getting as on date that would actually build a lot of confidence with the company?

Neeraj Kumar: We take note of your points and definitely towards the end of the year when the question of dividend comes, we shall definitely deliberate upon it and we will do whatever ...

Parthiv: Either dividend or buyback whatever is comfortable at that point of time, please do have a look for the investors at large.

Neeraj Kumar: Okay, we will do.

Parthiv: Thank you and best of luck Sir.

Moderator: Thank you. The next question is from the line of Vikas Singh from PhillipCapital. Please go ahead.

Vikas Singh: Good morning Sir. My first questions pertains to our volume execution this year, so basically if I remember correctly at the start we wanted to do almost similar or slightly higher volume, what we have done in FY2020, so considering with second half how do you see that in terms of delivery, how do you see the volumes moving up?

Neeraj Kumar: If you just make an adjustment in the first quarter and second quarter a little bit because of the lockdown and the impact of pandemic, we are on track so Q3, Q4 there would be a catchup and providing for the adjustment for Q1 and Q2- we should be on track.

Vikas Singh: So, should we maintain that can guidance of almost flattish volume year-on-year or would be slightly higher?

Neeraj Kumar: No I would request you to look at more like a flattish performance because as I said there is a catchup that we have to do Q1 has more or less been a washout so I would indicate more towards the flattish performance.

Vikas Singh: Sir, my second question pertains to our order book addition in the competitive intensity, considering that it is now steel has been very volatile I understand that we do back to back booking, but just a tell time lag of 15 days or a month before we do so, would that can be safely assume because of such a high volatility there is a margin

compression in terms of the new addition of order books, which is basically contributed by both higher steel prices as well as the higher competitive intensity or more or less we are good in that account also?

Neeraj Kumar: I have already addressed this to some extent that we within Jindal Saw there is a compensatory effect whenever the steel prices are the basic raw material prices and steel go up, our pellet division continues to do well, so the net impact we do not see much - because a) we have a hedging strategy, b) there is a natural compensatory mechanism available within Jindal Saw, so we do not see much impact of the higher steel prices on the rise in raw material prices; however, one thing that you also must notice the breakup between supply for pipes to oil and gas sector versus supply of pipes to the water sector. The water sector typically gives a little less EBITDA margin than the oil and gas, but to put all of these in perspective for Jindal Saw, we expect stable EBITDA margin performance.

Vikas Singh: Just lastly your targeted debt reduction, if you could share with us?

Neeraj Kumar: The debt reduction will follow its path in terms of reduction of long term debt as per the repayment schedule and we definitely expect the debt for the year end to even go down further. It is important for me to highlight here that now the term debt on the company's balance sheet anyway is on a lower side in terms of it is less than 2000, it is somewhere around Rs.1600 Crores to Rs.1700 Crores. Regarding working capital as I have always reiterated- trade finance is a part and parcel for our operations, so the working capital utilization will fluctuate as the operations go up or as the operations ramp up but regarding term debt- we are absolutely confident that it is under control. We may however have to do some profile correction in

terms of trying to lengthen our repayment of the term debt, so some profile correction is definitely looking at, we are looking at in terms of lengthening our repayment schedule, we are also looking at further reduction in our cost of capital on account of the credit rating that we have received. So all of you can expect some improvement in our cost of capital and a lengthening of the profile which would further ease the liquidity pressure on the company, but overall as I said you should see a stable and reducing debt trend for the company during the year.

Vikas Singh: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Sahil Sanghavi from Monarch Network Capital. Please go ahead.

Sahil Sanghavi: Good morning Sir. My first question is can you give me the current utilization level of the DI plant Sir?

Neeraj Kumar: DI plant we are operating upward of 80%. I would like to mention that in the pipe business, percentage capacity utilization is always with a lot of caveats because it is how many times you are making change over, how many times you are making adjustments for the different sizes, so DI plant is operating upward of 80% will continue to operate very good in terms of now we are even expecting some orders in the export segment, because as you would have seen the oil prices are beginning to harden we hope that it continues and it crosses \$60, because then the Middle East becomes very attractive because those economies are all driven by the petroleum prices, so then we expect the DI to even start getting exported, so DI business we are very, very confident that will continue to do well during the year.

Sahil Sanghavi: My second question, Mr. Mantri could also answer this, we have been constantly seeing an increase in the order book for DI pipe I think two quarters back probably that number was around 5 lakh and we have seen that going to 580 lakh, 579 lakh so can you throw some light on where are these orders coming from which states and probably are you getting any kind of demand from the Jal Jeevan Mission or these states specific orders?

Neeraj Kumar: Jal Jeevan Mission is being implemented through the water grids in the state so the states where we have got some recent good orders are Maharashtra we have got some very good win in Uttar Pradesh, because all these states are beginning to put a water grid which is a part of the Jal Jeevan Mission. So definitely the Jal Jeevan Mission has begun to translate into states coming out with orders for pipes for the water sector and definitely we are benefitting out of it.

Sahil Sanghavi: Any pressure you are seeing on the receivable front from these water projects, be at saw or DI pipes?

Neeraj Kumar: I have already addressed that in Jindal Saw in fact our receivables in terms of overall aggregate receivables in terms of overdues, in terms of DSOs everywhere in the last six months, lot of effort has been put and there has been an improvement on all these fronts, we do not see any significant write-off or significant receivable getting stuck, because it is also important for you to note that a lot of our business we do it against a letter of predict, so receivable has actually never been an issue with Jindal Saw, we continue to have a very strong credit control system into our company.

Sahil Sanghavi: And one last question was regarding our market share in the DI pipe segment, so lot of our competitors are increasing their capacities and

even some of them in our region, so do we see any risk of losing market share in the DI segment?

Neeraj Kumar: In DI segment we are confident that the market is growing and the market is growing such that it would be able to accommodate all these as we are able to absorb all these capacity expansion etc, what we are confident of is that year-on-year we will continue to have our Samaghogha plant manufacture and supply close to upward of 5 lakh tonnes per annum that has been the trend and that would continue.

Sahil Sanghavi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ritika Gupta from Equitas Investments. Please go ahead.

Ritika Gupta: Good morning. Sir, I wanted to know considering that most of our orders are now from the water sector, how do we see our EBITDA per tonne trending?

Neeraj Kumar: As I have already mentioned that the EBITDA per tonne for the consolidated and for the entire pipe segment has already come down marginally which has been compensated by the increased in EBITDA in our pellet segment, so overall EBITDA margin of 14.5 is something that we are confident that we should be able to maintain.

Ritika Gupta: Okay, you mentioned that this is going to be the best year for your Abu Dhabi plant, do we expect this run rate of Rs.50 Crores EBITDA per quarter to continue or do we expected to increase?

Neeraj Kumar: When you say Rs.50 Crores EBITDA which has been added is during this quarter, we expect this trend to continue in terms of the

year end again it could not be appropriate for me to give you the guidance from the exact numbers, but we are hopeful that the improved performance should continue for our Abu Dhabi facility as well.

Ritika Gupta: You think that is going to improve some this level as well?

Neeraj Kumar: As I said I would not like to talk about numbers. The trends that we are showing will continue and let me also give you one more guidance which should help you. The H1 numbers for Abu Dhabi and when you compare it with the H2 numbers of Abu Dhabi and I am mixing or I am adding Q1, Q2 of Abu Dhabi which is behind us and the Q3, Q4 of Abu Dhabi which is ahead of us. The H2 number should be better than the H1 number that much guidance I can give you with a lot of confidence.

Ritika Gupta: My last question is regarding return on capital employed, I understand that we have completed the re-organization plan to a large extent, do we have a target ROC that we plan to achieve and by when do we plan to achieve us?

Neeraj Kumar: There I would request all the analysts and investors, please divide this analysis into two parts. Go back to 2015-2016 when the process of reorganization etc started look at the incremental investment, look at the incremental capital employed, look at those incremental additions to the balance sheet and the incremental improvement in the P&L or EBITDA or the margins, so once you do that then you will get a sense that in the last four or five years how the incremental capital employed has resulted in what kind of margins, that is one analysis which is very important for all of you to do it because that would give you the current situation and the current trend, but as you

also know Jindal Saw has a certain legacy even though we have desubsidiarized even though we have moved all of those for the current P&L, but having a legacy it has balance sheet size etc because of the legacy issue which also we are making all effort to correct. The pandemic has delayed some of those correction initiatives that have been taken, but we are hopeful that all this should result into positive results very soon and the legacy issues on the return on capital employed should also get arrested or should also get corrected very soon, so that is how I would request all the analyst to look at 2016 as a watershed year. We are dealing with legacy issues for future we have already dealt with for the past whatever is there, there are definitive efforts to yield with that as I said and I repeat because of the pandemic some of those initiatives have been delayed a little bit, but we hope we will be able to catch up soon.

Moderator: Thank you. The next question is from the line of Navneet Bhaiya an Investor. Please go ahead.

Navneet Bhaiya: My question is related to what the previous participant who is asking if I look at your fixed asset block of about Rs.6000 Crores at the standalone level and the turnover that you achieve with this asset block, the sales to fixed asset a lot lower than a lot of your competitors which I believe is the main reason for the return on capital to get reduced I am looking only at the standalone level, I am not looking at the consolidated level, so can you give reasons as to why the fixed asset is much higher whereas the biggest competitor does the same turnover with roughly the same with the much lower fixed asset base?

Neeraj Kumar: I have already that in the previous question that but to repeat some of the balance sheet size is legacy that we are trying to correct that is point one. Point two, when you are comparing us with our competitors again you have to be a little cautious and careful about finding a competitor which has as widespread product range as we have so if you just choose a competitor who is in one segment of our business, the comparison may not be very accurate, but as I said, we are making efforts to correct this and we should be able to correct it within define timeline, it all depends on how the pandemic etc starts opening up. ROC is something that we are definitely focused on.

Navneet Bhaiya: Just to understand it correctly, the legacy issues are there in the standalone fixed asset base as well apart from what is there in the consolidated, there are some in the standalone books?

Neeraj Kumar: A) capacities are there, for example, large diameters, helical pipe we have a lot headroom so to that extent if you see all our helical business is it operating at an optimal level so that it can all the capital are throwing returns, the answer is not yet, so there are headroom issues, for example in oil and gas also for our L-SAW do we have capacity can we do better, the answer is yes. So when I say there are legacy issues means there are capacities which at this point of time are not getting fully utilized and they are not throwing enough returns to justify those capital and therefore definitely there is a headroom for improvement in the EBITDA margin etc., if we are able to operate at a higher capacity utilization or if we are able to keep all our plants busy all the year round.

Navneet Bhaiya: Okay understand and second question is you mentioned to the volume guidance, so are we saying in FY2021, the overall volume should be flattish as compared to FY2020 as including Q1, Q2?

Neeraj Kumar: When you are talking about the FY2021, you were talking about March 2021 is what I presume. As I mentioned that the guidance you should look at a flattish performance, but adjusted for the loss of business in Q1 and a marginal loss of business in Q2 because of the lockdown.

Navneet Bhaiya: Overall we would be about 10% odd lower than last year in terms of volumes?

Neeraj Kumar: I would not like to comment on numbers please.

Navneet Bhaiya: That is all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Shailesh Raja from B&K Securities. Please go ahead.

Shailesh Raja: Thanks for the opportunity Sir. The total inventory amount Rs.2100 Crores, how much is raw material and finished good inventory there?

Neeraj Kumar: I do not have the exact breakup of inventory on my desk so you can get it from our office, we will give you but what comfort I can give you is you would not find anything but there is some either in raw material inventory or finished goods inventory or receivables, they are all within control that much comfort I can provide.

Shailesh Raja: In the pellet business, how was the stress in Q2 and how it is currently?

Neeraj Kumar: The pellet business is doing well, we are not having any stress in terms of the pellet business is doing well both in terms of capacity we are more or less operating at capacity and we are able to sell most

of our produce and it is also giving us higher margin than it used to in the last year, so pellet business is doing well.

Shailesh Raja: Okay, could you please talk about stainless division Sir, what are the industries we are targeting if 13K capacity is fully stainless seamless pipes, do we have backward integration capacity and what is the market size and market share you are targeting in the next three years?

Neeraj Kumar: Stainless business as you know is the new business that we have entered, we are among the few who have put up a extruder of large capacity of large tonnage and we have also got a few new accreditations namely now EIL has approved our stainless foresee facility that opens up a lot of opportunities for us. We also have created large capacity where we can become among the top two, three players in the country. Over the next two to three years, our effort would be come within the top two or top three in the country in the stainless business, because we do see the synergy and the benefit we would achieve because of our carbon, alloy and stainless business in seamless pipes, seamless tubes, welded pipes in that segment together, because, we are at present the only one who have all the three segments available to us. Because if you see the competition, they are present either in stainless or in carbon and alloy we have the unique distention of being present in all three and we wish to use that to our advantage over the next two to three years.

Shailesh Raja: We are issuing that NCD of Rs.500 Crores, what is the rate of interest Sir?

Neeraj Kumar: I have already mentioned that this is essentially to replace some high cost debt which is going to reduce our cost of capital, so definitely

this is lower than what are some of the high cost debt setting on the balance sheet is, also this is a pretty long term NCD where the repayments are back ended, so I have already mentioned to all of you that it is going to correct our repayment profile give us liquidity conservation opportunity for the next four to five years for sure and would also help us in bringing down our overall cost of capital because this debt is going to replace some of the high cost bank debt that we already have on our balance sheet.

Shailesh Raja: How much bps savings will be there Sir ?

Neeraj Kumar: In terms of savings on Rs.500 Crores we expect definitely close to percent saving, reduction in our cost of capital.

Shailesh Raja: Thanks.

Moderator: Thank you. We move onto the next question that is from the line of Manish Bhandari from Vallum Capital. Please go ahead.

Manish Bhandari: Good morning. My question is regarding what should be the total value-added percentage which you have been defining as a value addition as a turnover and also may be as a part of the margin enhancements in the next two year's timeframe?

Neeraj Kumar: Two year's timeframe is what to look at - if we are able to penetrate the stainless business, the way we are thinking - if we are able to penetrate into a few other initiatives that we have taken - we definitely should see a few percentage points improvement in the EBITDA margin for sure, all and increased topline because we are even expecting a improvement in topline on account of all of those, so on an increased topline we expect a few percentages to be added

to EBITDA over the next two years timeframe as you have asked because we expect to enter in some of these high value added segments.

Manish Bhandari: Are you alluding that other 14%, 14.5% EBITDA margin should move in north of 16% to 17% on overall consolidated basis, is that what you refer to?

Neeraj Kumar: We are hopeful that over the next two to three years, we should be able to --assuming that we are able to successfully penetrate into the stainless and other high value segments that we are entering, the answer is yes, because this Hunting of partnership also should keep us in good strength.

Manish Bhandari: My second question is regarding what should be the consolidated levels cost of debt reduction or may be in absolute level for the interest rate decline which is happened, you are one of the beneficiary, so what should be the decline in absolute debt in the next two years interest rate servicing?

Neeraj Kumar: Interest rate I have already said because of this Rs.500 Crores of LIC fund coming in NCD coming in which currently we are in the process of drawing down we should definitely see a percentage point reduction in our cost of capital. As far as the reduction in the debt is concerned, I have already indicated that working capital will continue to keep track or will continue to work along with the growth in business growth in topline. On the term loan we will follow the repayment profile, because of the kind of performance that we have, we have also seen the banks, we do not want to get into prepayment penalty or we do not want to get into increasing the cost of repayment of debt, because the banks are very comfortable

with us so we will follow the repayment profile that we have which is roughly about Rs.200 Crores to Rs.300 Crores reduction year-on-year.

Manish Bhandari: What I meant was that may be the outstanding debt also would have seen a reduction in the cost of debt, total outstanding debt?

Neeraj Kumar: Total outstanding debt - break it up into term loan is 1700 crores and working capital is around Rs.2500 Crores in and around between Rs.2000 Crores and Rs.2500 Crores, so we are not talking about the working capital debt which is between Rs.2000 Crores and Rs.2500 Crores because that is going to track the operations, as operations go up they will have to keep in pace there, as we have to book for raw material, we have to hedge for raw material, we have to provide for receivables from the government etc. As far as the term debt is concerned, there would be a correction at this point of time, because of the addition of this NCD of Rs.500 Crores after that it will follow a reduction pattern which is close to Rs.200 Crores to Rs.300 Crores year-on-year and we expect that we will be able to continue that trend at least for the next two to three years.

Manish Bhandari: Thanks a lot.

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

Saket Kapoor: Thank you for the opportunity again. Just to deliberate on the NCD part, what was the coupon rate you have mentioned Sir, I missed it.

Neeraj Kumar: It is less than 8% per annum.

Saket Kapoor: We are already having NCDs of Rs.125 Crores of 10.5%, are we going to made any prepayment on account of that Sir?

Neeraj Kumar: That NCD is there, but we also have as I mentioned to you some higher rate term loan from banks we intend to replace them and get over to this NCD from LIC because there are two, three good points about this NCD, a) it opens up a new source of raising debt for us, because of the rating that we have achieved, so this is a new source. Second, it is 10-year NCD with the backend repayment, the repayment starts only after year seven, so for the first Seven years we would be able to conserve the cash and the rate for this entire duration is going to remain less than 8%, so these are the benefit that we see and that is why we are going for it.

Saket Kapoor: Currently Sir, we are seeing the CP market quoting less than 4% and the way the market are position the money market, it seems that the interest rate are going to hover around lower levels only, so even 8% also looks on the higher side, I am just wanted to understand the thought process, the kind of cash flow which we are generating...

Neeraj Kumar: We also have got all the enabling provisions to mobilize money from the CP market, but please appreciate CP market is volatile and 90 days, this NCD is 10 years, so when you are looking at 10 years at a fixed rate of interest - it provides a different kind of stability to your balance sheet. CP market we have also enabling provisions we would be addressing because now that market also is accessible to Jindal Saw because of the rating that we have received on the short term papers as well. So we would use the CP market, we have use the NCD market both will help us bring down the cost of capital. CP market would essentially be used to support the working capital cost of funds, the NCD would be used to support the term loan funds and

provide cash conservation opportunity for Jindal Saw.- That is the overall or I would say the high level treasury strategy that we will follow, so it is not that CP versus NCD, it is CP as well as LCD to reduce both long term as well as short term profile and create stability in the cash flow.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Neeraj Kumar: Thank you investors as I said it is really great that we see that all of you come on the call every quarter, but I do share your concern that our market cap is not what we all believe it should be, it does not definitely reflect the fundamental strength of the organization that we have been able to build over the last few years and we all hope we emphasized and we expect that this should correct soon, I have take a note of some of the suggestions made in terms of dividend payout and a few other valuable suggestions, given by our investors, so I wish to thank all of you, we would take a note of it and we will try and work on it. Thank you all. Thank you very much.

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