

- **Jindal Saw Earnings Conference Call**

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- **Moderator**

- Ladies and gentlemen, good day and welcome to Jindal Saw Earnings Conference call hosted Prabhudas Lilladher Private Limited. As a reminder all participant lines would be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call please signal an operator by pressing star and 0 on your touch tone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Amit Khimesra of Prabhudas Lilladher Private Limited. Thank you, and over to you, sir.

- **Mr. Amit Khimesra – Prabhudas Lilladher Private Limited**

- Thank you. On behalf of Prabhudas Lilladher I welcome you all to the Jindal Saw Q2 FY 19 post earning conference call. I thank the management for this opportunity. Today we have with us Mr. Neeraj Kumar, Group CEO and Whole time Director, Mr. Vinay Gupta, Global Head of Treasury, and Mr. Narendra Mantri, Head of Commercial and CFO. I now hand over the call to Mr. Neeraj Kumar for his opening remarks followed by interactive Q&A session. Over to you, sir.

- **Mr. Neeraj Kumar – Group CEO and Whole time Director, Jindal Saw Limited**

- Good morning, friends. Yesterday we had our board meeting and we have announced the results for Q2 which is the first half results as well. The board was happy to see our results and we have circulated a detailed note with analysis on our performance for the first half. As we received the feedback from some of the participants that they need some time at least to go through the results, we have now decided to hold the investor call on the next day of the board meeting and I hope this is something which is acceptable and all the participants, investors and analysts they would find this format to be useful. So going forward we would always hold the investors' call a day later than the board meeting. Second important aspect that we wish to mention that we are indeed thankful to Prabhudas Lilladher for really holding us through and through this period in terms of being the intermediary between the investors, analysts and the company for the last few years. Now we believe that the company has reached a stage plus we also have received feedback from investors that maybe we need to do a bit more in terms of information, dissemination, in terms of reaching out to the investors and therefore I am happy to let you know that now we have Citigate Dewe Rogerson (CDR India) , a Mumbai based

investor relations firm, also associated with us. So I welcome them to the team. Going forward Prabhudas Lilladher and CDR would continue to now help us with our overall management of flow of information as well as investor relations with the shareholders' community and other stakeholders at large. So going forward if you have any query you can even contact CDR on this. So that was I just thought as an opening remark, thank you, P&L, and welcome, CDR, to the team.

- Turning our attention to the results. If you see our first half results, some of the trends that we have been talking about in the last few quarters are now turning into firm growth line or firm indicators towards how Jindal Saw as a company is moving forward. We have completed all our reorganization, etc. We have got the balance sheet under control we have put in a concerted and a lot of effort to get a robust business model in place. And now we are getting to see the results. So this second quarter or the first half performance is a robust performance comparable to first half last year or whichever parameters that you would choose, you would see that now Jindal Saw has gained momentum in terms of its performance. Our effort now is on sustainability and stability of performance. Looking at our order book at this point in time which is in excess of a billion dollars, a well balanced revenue pie, and a stable market condition, we hope that we would be able to sustain this momentum for the foreseeable future that we can see which is few quarters for sure. So with those general comments, let me request Vinay to maybe just walk you through, all of you have received all the numbers, etc., but I would request Vinay to walk you through some of the highlights like the EBITDA and also a comment about the control that we have got over our overall debt position.

- **Mr. Vinay Gupta – Global Head of Treasury, Jindal Saw Limited**

- Thanks, sir. Very happy belated Diwali to all the participants on this call.

- In terms of the numbers this quarter we have achieved a top line to Rupees 2400 crore which is almost 20% higher than the Q2 FY18 numbers which were Rupees 1374 crore. In terms of the total revenues for H1, we have achieved total number of 4747 crores as compared to 2886 crores in H1 for FY18. This is a significant amount of improvement not only in terms of the value, but there is a good amount of sale of pipes and the percentage increase in the sale of pipes. At the EBITDA level, the EBITDA for Q2 was reported as 362 crores rupees as compared to 273 crore rupees in Q2 of FY18. For H1 the EBITDA reported is 714 crore rupees as compared to 505 crores rupees in H1 FY18, which is also significantly, which is also good amount of improvement on the profitability side. So eventually there is an all-round improvement in the top line as well as the EBITDA. The finance cost reported at 145 crore rupees in Q2 of FY 19 as against 116 crore rupees for Q2 of FY18. And primarily the difference is on account of the accounting treatment of various asset and liabilities and expenses denominated in foreign currency.

But as we always mentioned in our press release and as we have explained earlier on various calls, the company follows a natural hedge policy. These are accounting treatment matters limited to marked to market reporting. The effect gets reflected in various heads in the financial accounts which is not only finance cost but other expenses, other income and all. So the net impact on FX is very, very negligible and because of natural hedging policy we do not have any cash loss on this account. The profits before tax has moved in Q2 to 148 crore rupees as compared to Rs. 87 crore rupees in Q2 FY18, and the PAT has moved to above 100 crore rupees and it is at 102 crore rupees as compared to 60 crores in Q2 FY18. So we believe that the current order book as mentioned in our press release which is in excess of a billion dollars gives a good amount of visibility of our operations in next couple of quarters. And we expect the performance to improve from here. Normally the Q3 and Q4 of Jindal Saw are comparatively higher than Q1 and Q2 in general which we have seen in the last two years also. In terms of our debt, the debt for 31st March 2018 was 4412 crore rupees, a mix of long term debt and working capital, which has come down to 3800 crores rupees on 30th September 2018, and the long term debt is being repaid as per the schedule of repayment and the working capital debt is linked to the operations., Also please note that after the embargo on the letter of undertakings and LUTs which were imposed by Reserve Bank of India, the company has worked out different structures to purchase the imported goods. If you see the unaudited balance sheet as at 30th September 2018, acceptances and suppliers' credit have moved to almost 1300 crore rupees as compared to 300 crore rupees in FY18, which shows that net working capital has improved on overall basis. So with this, we can open the floor for questions and answers.

- **Moderator**

- Thank you very much, sir. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on the touch tone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are requested to limit their questions to one question per participant. If time permits you may rejoin the question queue for any follow up. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

- The first question is from the line of Saurabh Poddar from Lucky Investment Managers, please go ahead.

- **Mr. Saurabh Poddar – Lucky Investment Managers**

- I just want to congratulate on a good set of numbers despite I think a hike in raw material prices, YonY we have been able to sustain our margins. So at the end, Vinay, I

think you made a comment on improvement in our net working capital and we see our creditors increase from 369 to trade payable. So is this improvement sustainable or is it a one-off, that's my first question to you.

- **Mr. Vinay Gupta – Global Head of Treasury, Jindal Saw Limited**

- No, so this is a model eventually where we are negotiating with the suppliers instead of taking the buyer's credit..We believe that in the near future this is sustainable.

- **Mr. Saurabh Poddar – Lucky Investment Managers**

- Okay, great. And also just regarding other income I wanted to understand what constitutes other income in our scenario, and what's the breakup between interest, maybe non-operating income and what are the investments made to generate the income, I am just trying to figure out the other income part.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- We have clarified this before as well, the other income is strictly following the accounting guidelines, but what you would see the other income it is sustainable, it is repeated everywhere because it is actually a part and parcel of continuing business because there are some scrap sales, there are some incomes which are ancillary and which are inherent to the continuing business. So the classification is as per the accounting standard, but the nature of other income is that it is not something one time or extraordinary. So all the other incomes that you see, is something which you will be continuing with the operation as well.

- **Mr. Saurabh Poddar – Lucky Investment Managers**

- I just wanted to get the breakup of it, I know you have clarified the sustainability of this before. And, sir, if you can just give a macro view of this industry in terms of you know especially India are there any bids being opened by GAIL and other organizations and what the macro situation is domestically and forward as well, in the international market as well.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Yes, macro view when you look at Jindal Saw as an organization is kind of a mini view of the economy in this part of the world because we have such a robust business model, such a diversified product portfolio that we cater to a very large variety of segments and therefore let me just walk you through each of the industry segments that we address. But the broad guideline or the broad sense that we are getting is that we have the tailwind of the economy now supporting us in our particular industry segment. In particular the

water segment, whether it is irrigation or long distance transmission with the river linking project and the irrigation projects now coming on the anvil, is showing a very robust demand. Oil and gas is doing well. Industrial segment, power segment where our seamless and stainless is there, there has been a supply-demand correction., but also is sustaining demand. MENA region is picking up. A few things which is really now helping us is in DI are that we have upgraded our facilities where in India now we can go upto 1200 mm diameter, earlier we were at 1000. Not many people do that, so that's one important aspect in DI which is going to help us and open up new markets for us. We have also developed double chamber pipes. So there are some significant data points which indicate that DI position in the DI market now we clearly have the pole position. Seamless very soon definitely before this year end, we would commission the facility for large dia seamless pipes, that would make us a full product range in terms of dimensions where we will go upto 14 inches. That would be a significant change, earlier we were in the range of 8 inches, we will go to 14. And with an expanded capacity as you know we have taken under us structured arrangement, the Nagothane Mahalaxmi Seamless, there again we are upgrading the facility. So in seamless we have created product diversification, we have created additional capacity, we have improved our capability, today we are the number one suppliers to the bearings industry which is a high value added industry. Stainless business which is operated through a subsidiary of Jindal Saw is doing well, the carbon- stainless seamless combination becomes a formidable combination because at present we are the only ones in the country who have this combination and both address, they have a lot to overlap in the market segments. So there is synergy that we need to draw from there. So all in all we find ourselves in a sweet spot when it comes to industry, opportunity and as I said the efforts that have been put in the last few years are now coming to fruition, it is beginning to show results. Export also is showing a healthy growth, especially reconstruction of Iraq, MENA region is picking up, we have seen signs of investment picking up in Saudi and a few other markets. Qatar remains a little kind of an enigma, we don't know how Qatar is going to pan out, but there is enough to compensate for what we have kind of either lost or something that has been put on hold in Qatar. Thank you.

- **Moderator**

- Thank you, Mr. Poddar, you may join the question queue for any follow up. The next question is from the line of Ritika Garg from Equitas Investment. Please go ahead.

- **Ms. Ritika Garg – Equitas Investment**

- Hello, sir, could you throw some light on the subsidiaries performance for H1 of FY19?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Subsidiaries, there are not many left. JOLS or Jindal ITF as you know the operations have been cut down to a bare minimum where we are just keeping our current effects busy and it is more or less at a cash neutral situation at a much reduced level of activity. The other subsidiary that we have is Jindal Tubular in India which is a part of our large dia helical market and business which is operating at capacity which is doing well. Abu Dhabi has shown kind of marked improvement, we have almost doubled our performance from last year, we have turned EBITDA positive and we are hoping by the year end we should be close to breakeven, but Abu Dhabi has also started picking up as we see a robust demand plus there has been some efforts on Abu Dhabi cross reduction, etc., which has helped. Italy we had a problem which is now getting addressed, the supplies to Iraq is being made from Italy. But on Italy we are internally discussing and we are hoping that we will have to take corporate action to bring that under control. So that pretty much covers our spectrum of subsidiaries, as I mentioned now there are not very many which are left, most of them have been either de-subsidized or completely delinked from Jindal Saw.

- **Ms. Ritika Garg – Equitas Investment**

- And what is the status of the NTPC award?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- NTPC award as we see the hearing etc., everything is complete and we expect the award to come any time, I am hopeful because you know judicial processes it is really difficult to put a strict timeline to it, but I am hopeful that before we have the next call that means in the intervening three months we must have the award because as far as the process is concerned everything is complete, hearing is over, it is all done, now the Tribunal has to just award, in terms of write the award and announce.

- **Ms. Ritika Garg – Equitas Investment**

- Okay, what would be the quantum of the award?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- I can't guess that, that is left to the Tribunal, all that we can tell you is we find our arguments to be robust, you have seen we have two interim awards in our favour which is to the full amount that we had asked for. But beyond that I am not in a position to second guess what the arbitration award is going to be like.

- **Ms. Ritika Garg – Equitas Investment**

- Okay, and how is the US subsidiary performing.
- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**
- US subsidiary, okay, now one clarification, Jindal Tubular USA is no longer a subsidiary of Jindal Saw, but the other subsidiary which we have which is a small facility which is a coating plant which does only job work is doing well and will continue to do well, in fact it would add to the bottom line at the consolidated level in a reasonable manner.
- **Moderator**
- Thank you, Ms. Garg, may we request you to join the question queue, as we have other participants waiting for their turn. The next question is from the line of Vikram Sharma from Niveshaay, please go ahead.
- **Mr. Vikram Sharma - Niveshaay**
- Sir, what is our mix of import and export in total business?
- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**
- At present the export basket would constitute approximately 30%.
- **Mr. Vikram Sharma - Niveshaay**
- 30%.
- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**
- At present, at moves between, see in our, skewed if you look at the extremities, it will be anywhere between 20 and 40, but at present we are in the middle we would be around 30% at present.
- **Mr. Vikram Sharma - Niveshaay**
- And, sir, import.
- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**
- Sorry.
- **Mr. Vikram Sharma - Niveshaay**
- Import of raw materials.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Import of raw material would be about 25% of the total raw materials requirement. That is where as I said we do have a natural hedge and that's why even if we have seen a very volatile foreign currency situation in the last quarter, in terms of the net impact on our P&L, it has been marginal, it has been in fact close to nothing if you really net out the imports and the exports, so we do follow a natural hedge policy as far as possible

- **Mr. Vikram Sharma - Niveshaay**

- What is the total interest cost in this quarter?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Interest cost in this quarter in terms of outflows to the banks and others would be close to 100 crores.

- **Mr. Vikram Sharma – Niveshaay**

- And, sir, our EBITDA margin come to 15% as compared to 20% in last year second quarter and reason for that can go further 20% in upcoming 2-3 quarters.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Yes, okay, the reason why at this point of time or for this quarter the EBITDA margin shows a little depression is primarily because of the movement in the raw material prices. If you see the steel industry has been very much buoyant. And second for this quarter our product despite our residue pie has a larger proportion of helical which is the water business H saw pipes, typically has more volume, more tonnage but in terms of percentage margins it is a little lower than what we get in oil and gas. So it is two parts to this answer, (a) buoyancy in raw material prices, (b) larger proportion of helical business in this quarter. Going forward we expect this EBITDA margin to improve definitely because now the market seems to be, the raw material price seems to be stabilizing.

- **Moderator**

- Thank you. The next question is from the line from Bajrang Bafna from Sunidhi Securities. Please go ahead.

- **Mr. Bajrang Bafna – Sunidhi Securities**

- Congratulations for a good set of numbers, sir. Just one question, in the last quarter when you guided that the EBITDA for the year would be somewhere around 1400 crores, post that there is one development the pellet prices have moved up from around 6500 to

almost 8500 plus, and even you might have got 9000 in the export market. So would you be revising the guidance which has been given last quarter, considering the fact that the pellet has done pretty well in the last three months and probably in the future also, looks likely that will be much higher than what we anticipated in the beginning of the year.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- No, we are not changing the number guidelines but definitely there is a high level of confidence that we would be able to beat that number for sure. But we are not putting a revised number guideline in the public domain.

- **Mr. Bajrang Bafna – Sunidhi Securities**

- Okay, thank you, sir

- **Moderator**

- Thank you. The next question from the line of Heer Goklani from Isha Securities. Please go ahead.

- **Ms. Heer Goklani – Isha Securities**

- Hi, good morning, sir.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Yes, good morning.

- **Ms. Heer Goklani – Isha Securities**

- Yeah, I just wanted to ask that can you throw some light on the average realization on the product and what is the year on year and quarter on quarter increase in that.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- I am sure this would have been circulated in the note, because if you see for a company like ours which has such a diversified product portfolio getting into those kinds of averages may be a bit misleading. But I am sure if you read the note that has been circulated, you have all the tonnages and you have all the revenue numbers, probably you might be able to get some indication.

- **Ms. Heer Goklani – Isha Securities**

- Thank you, sir, and there is one question about the elections which are going to be there in quarter four, I guess. So is there any chance of a dull quarter for you due to that?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- The environment we don't know how we are going to settle, that may be anybody's guess on how the overall economic environment looks like in May 2019 when we go for general elections. However having said that, our order book is very robust, so would the Q4 performance be impacted, answer is very unlikely. How we are going to perform next year, would elections have an impact or the results have an impact, the answer is we will have to wait and see, it all depends on what is the kind of results that you get in the Lok Sabha elections. And depending on the nature of results that you get, it may have an impact on the economy which is likely to maybe have some bearing on our performance going forward, but definitely for next two three quarters we seem to be firmly in the saddle.

- **Moderator**

- Thank you. The next question is from the line of Riddesh Gandhi from Discovery Capital. Please go ahead.

- **Mr. Riddesh Gandhi – Discovery Capital**

- Hi, congratulations on the results. Just a couple of quick questions of follow up to the earlier questions, in terms of the NTPC order how much is our, in terms of our claims.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- The total claims that we have put on them is 2000 crores.

- **Mr. Riddesh Gandhi – Discovery Capital**

- Got it, and that is indicative of the earlier judgment for the....

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Sorry.

- **Mr. Riddesh Gandhi – Discovery Capital**

- The earlier ruling which have come have been for the entire 2000 crores.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- No, I didn't get your question. See, okay, let me explain this probably you will get it. The total claim is for 2000 crores, out of which the first year claim was for 158, in the interim award we got 158. Second year claim was app197 and we got the same . Now beyond that as I said it is best to wait for the judgment to come because now it is just round the corner.

- **Mr. Riddesh Gandhi – Discovery Capital**

- Got it, and the other question is in terms of subsidiaries, if you could give us an indication in terms of FY19 from an EBITDA cash flow and positive perspective, are we expecting to be the positive is it from, is it cash flow perspective that we are expecting to be neutral or positive. Give us some indication on that.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- All subsidiaries put together would definitely be EBITDA positive, would definitely be cash flow positive. And definitely we do not intend providing any cash support from the Jindal Saw to the subsidiary. So, cash would be added on a consol basis, EBITDA etc would be added on a consol basis. Cash could be conserved for Jindal Saw. These 3 are absolutely firm kind of indications that I can give you.

- **Moderator**

- Thank you. The next question is from the line of Vikas Singh from B&K Securities. Please go ahead.

- **Mr. Vikas Singh – B&K Securities**

- Good morning, sir. Hello.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Good morning. Yeah, good morning.

- **Mr. Vikas Singh – B&K Securities**

- Sir, I want to understand in DI segment the cost escalation has been stayed in the last couple of quarters. Sir, how is the realisation panning out, we have been able to pass on the most of the cost escalation to the new orders or we have to absorb some of it.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Initially as you know, while we are in the middle of increasing raw material prices you have to absorb it in the middle but now our both NSR as well as contribution margin in DI has improved and we wish to sustain that.

- **Mr. Vikas Singh – B&K Securities**

- So, sir, in next quarter also we would be able to sustain or better of the margin in DI or it would be little bit lower than this quarter.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- No, it should sustain.

- **Mr. Vikas Singh – B&K Securities**

- Okay. And if I may ask what percent in NSR improvement we have seen of late.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- In DI?

- **Mr. Vikas Singh – B&K Securities**

- Yeah, in DI specifically.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- DI NSR have gone up by 5 to 10%.

- **Mr. Vikas Singh – B&K Securities**

- Okay. 5 to 10%. Sir, secondly if you can give me the consolidated net debt number.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Consolidated net debt number?

- **Mr. Vikas Singh – B&K Securities**

- Yeah.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- 4,800 crores including working capital debt.

- **Mr. Vikas Singh – B&K Securities**

- Okay. So, here we don't see much of the, you know, reduction unlike the standalone. So, have we seen some increase in the number.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Have come down if you recall. Okay, the comparable numbers for March 2018 was 5300 crores which has come down to 4,800 crores. Now going forward, it would definitely show improvement as repayment, etc, come in. However, what you need to take comfort as far as Jindal Saw is concerned their cash could be conserved and would be there only to serve 1900 crores of term capital that we have. Vinay has already explained to you that our working capital management has improved so that takes care of the 1800 crores of working capital debt that we have in Jindal Saw. The 1000 crore debt that is there in subsidiaries could all be taken care by the subsidiaries. So, for a number, yes, you must look out for a number 4800 crores. For the purpose of your analysis, the cash flow of Jindal Saw would be available where we need to serve only about 1900 crores of debt.

- **Moderator**

- Thank you, Mr. Singh. May we request you join the question queue for any follow up as we have several participants waiting for their turn. The next question is from the line of Anmol Das from Stewart & Mackertich. Please go ahead. Anmol Das management is waiting for the question.

- **Mr. Anmol Das – Stewart & Mackertich**

- Hello, congratulation, sir. Sir, I want to ask which subsidiary have you taken off your accounts for this fiscal year, FY'19 since April. And what is the net loss that the company has booked with the sale of those subsidiaries.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- No, all subsidiaries that have been demerged or de-subsidised they all have happened prior to 1st April, 2018. So, during this year there has not been any corporate restructuring as such because all those non-core businesses. De-subsidiarisation or the delinking has been completed.

- **Mr. Anmol Das – Stewart & Mackertich**

- Sir, but I attended your last con call in Q1 and you had told that US Jindal Saw Tubular was in good profit back then and that was linked to your parent company back

then. And this time you are saying that the company is not linked any more. So, have you sold off that?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- See, Jindal Tubular shareholding or Jindal Saw's shareholding in Jindal Tubular has been bought down to less than the subsidiary benchmark last year itself. So that has gone, that's probably more than a year old story

- **Mr. Anmol Das – Stewart & Mackertich**

- Okay. Thank you.

- **Moderator**

- Thank you. The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

- **Mr. Nitin Gandhi – KIFS Trade Capital**

- Thanks for taking my question. What's the plan for using this cash flow which you are generating approximately 1400 crores. Where do you see your debt levels in one or two years going forward?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Debt would be continued to be repaid as per schedule. The surplus cash that we have will be essentially in the nearest term we will use it to bring down our working capital. Then we have some capex plan as I mentioned, which is the residual capex for Nasik Seamless putting up the Large dia seamless facility. There is also some capex which is being incurred or upgradation of the Nagothane facility that we have taken, we are putting up an excluder there. We are putting up a hot mill there. So, those are the some of the capex and then there would be some normal capex 100 to 150crores that we incurred just to up keep and maintain all these facilities and upgrade all the facilities that we have. So, at this point of time that is what is definitely visible and that is what we are likely to do. Any major capex we have not announced yet.

- **Mr. Nitin Gandhi – KIFS Trade Capital**

- For FY'19 second half and FY'20, and are you likely to repay anything more than scheduled.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- No, our debts as you have seen after lot of effort of the treasury team they have achieved a good debt structure where we have an average maturity of more than 5 to 6 years with the door to door maturity of you know, 9 years to start with. So, that has given us a good cash conservation strategy for the near term and we wish to continue with that.

- **Mr. Nitin Gandhi – KIFS Trade Capital**

- Thank you.

- **Moderator**

- Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

- **Mr. Saket Kapoor – Kapoor and Co.**

- Good afternoon, friends, and congratulations on a very steady set of numbers as guided earlier. So, we would put things to rest that, as in last year case our consol picture looked murkier and negative than the standalone part. So, for this year, this is on record that we are not going to get any shocks when our consolidation of accounts takes place post the March'19 number.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Yes, as I have already said we do not see any of the subsidiaries really putting up except for I must say also clarify, Italy is still giving us some problems but we are trying to put a corporate strategy around it. So, besides Italy we don't see any of the other subsidiaries having any significant negative impact in terms of they would all be EBITDA positive, they would cash positive for sure. And anyway, all the investors have to bear with this only for the next two quarters because we are fully geared, our SAP platform has been upgraded from 1st April, 2019 onwards every result that we produce or we publish or we share would have both standalone as well as consolidated numbers. So, you will have to bear with this just for two quarters and we don't expect any negative, major negative shock as you have classified it.

- **Mr. Saket Kapoor – Kapoor and Co.**

- Sir, last time Italy negative was around 30 crores. So, even if we go for restructuring the figure will be exceeding that or in what ballpark, what have you worked out with.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- It would not be possible for me to give you a number guidance of the year end number whether it is for consolidated, you know, subsidiaries or Jindal Saw. But we don't expect what we saw last year.

- **Moderator**

- Thank you. The next question is from the line of Rikita Garg from Equitas Investments. Please go ahead.

- **Ms. Rikita Garg – Equitas Investments**

- Sir, what are the capex plan for FY'19?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- When you say FY'19 that means in the current year. Current year we had said that about 150 to 170. Normally the capex and normal capex just for the maintenance and upkeep is in the vicinity of 125. Since we are adding a few of these large dia and others, this year probably we will close about 170 to 180 crores.

- **Ms. Rikita Garg – Equitas Investments**

- Okay. And my working capital progress shows 225 crores. So, what is that exactly in my balance sheet.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Those would be as I told you in Nasik we are putting up large dia seamless facility. In Nagothane we are putting up an excluder, in Nagothane where we are putting up only a hot facility.

- **Ms. Rikita Garg – Equitas Investments**

- Right.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- And in Bhilwara there would some capex which is for roasting.

- **Ms. Rikita Garg – Equitas Investments**

- So, for my entire seamless division the capex that I am doing what amount would that be.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**
- The exact project by project capex I would not have on top on my mind.
- **Ms. Rikita Garg – Equitas Investments**
- For seamless for Nagothane plus my Nasik seamless expansion.
- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**
- So, there would be about say 70 to 80 crores. All put together is what my guess is but if you really need those details and my request is do a follow up with Mr. Goyal or Mr. Vinay Gupta they will help you with those numbers.
- **Moderator**
- Thank you. The next question is from the line of Saurabh Kapadia from India Nivesh Securities. Please go ahead.
- **Mr. Saurabh Kapadia – India Nivesh Securities**
- Thank you for the opportunity. Sir, first thing you mentioned you will go for corporate action for Italy subsidiaries. So, are we looking at selling it out or may be re-subsidising it.
- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**
- It is discussion in progress. So, let me just come up with some because we have to take various factors into account. So, its discussion in progress. The moment we have firmed up something we would let you know.
- **Mr. Saurabh Kapadia – India Nivesh Securities**
- Sir, in terms of your order book, so, how like, how do we see the mix for L-Saw and H-Saw pipes for next two quarters. Because this time L-Saw was a bit lower. So, if L-Saw pipe mix would be better going ahead so are we looking at better margins.
- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**
- Yes, in fact it is there the notes that has been circulated gives you a breakup of the order book where definitely there is a post or the order book for L-Saw is high and we expect that in the coming two quarters the supply of L-Saw should be higher.
- **Mr. Saurabh Kapadia – India Nivesh Securities**

- Sir, can you give some number to it. So, what portion of order would be....

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- The large dia order book currently stands at US\$ 425. The Helical order book stands at about 170. So, the large dia L-Saw order book is more than the double of Helical order book. So, expect that the large dia project should get implemented in the next two quarters.

- **Mr. Saurabh Kapadia – India Nivesh Securities**

- Okay. And sir, what are the volumes for the stainless pipe for this quarter?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Stainless you would not get to see that in this because stainless as you know, the structure that we have is, it is a subsidiary of Jindal Saw. So, you could not find the stainless numbers here however this seamless business gets this synergistic support from stainless business or stainless numbers

- **Moderator**

- Thank you. Next question is from the line of Harsh Desai from Vallum Capital. Please go ahead.

- **Mr. Harsh Desai – Vallum Capital**

- My question actually was on the lookout of stainless seamless tubes and carbon seamless tubes moreover because they are dependent on private sector capex than on government expenditure. So, what is your outlook on, on these tubes per se?

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- Outlook on carbon seamless as well as stainless seamless as an industry is pretty robust. It has definitely helped us and it is robust by way of domestic demand and it is also robust by way of consumption in the MENA region, as I mentioned already that we are now catering to the bearing market, so, we expect we will make a breakthrough in European market as well. So, there is a good market outlook for stainless as well as seamless. Once we commission our facilities that we have spoken about and we are able to get our synergies working between the stainless and seamless we expect our penetration to increase. We expect our performance to be ahead of the curve with respect to other market participants because at present, the other market participants are present either in carbon seamless or stainless seamless business. Where we would have the

unique ability of providing our customers with the entire range of carbon seamless and stainless seamless.

- **Mr. Harsh Desai – Vallum Capital**

- Okay. As I was just looking at your annual report ,your capacity is like I think is quite high, so you think that we are in need for the capacity expansion in the near future and I mean, do you see such sort of demand you know coming forth in the next year or so where we have to go for capacity expansion in L-Saw.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- L-Saw, H-Saw capacity as I have always being saying is a misnomer because it is actually a function of your thickness, diameter and all of those. But to address your question in a slightly different manner, one, the river linking projects or the irrigation projects which require very large diameters, upward of three meters in diameter helical pipes. Once that demand picks up then putting up multiple facilities across the country gives us strategic advantage of phasing on the freight outward as it is these H-Saw businesses are not very high margin businesses because of the kind of capacity and the competition that we have. So we do have plans but those plans are based on how the market pans out, how the demand scenario pans out to put up one or two H-Saw facilities in different parts of the country much closer to the project site. Having said that you should also take comfort that putting up a H-Saw facility to cater to the water segment does not require very significant capex because the requirements are less, you don't have to put a lot of ND testing etc., on this. So with relatively smaller capex one is able to put up the H-Saw facility especially to cater to the water segments, and we do have plans to put up one or two we do have demands and the wins that we make.

- **Moderator**

- Ladies and gentlemen, that was the last question. I would now hand the conference over to the management for closing comments, thank you and over to you.

- **Mr. Neeraj Kumar – Group CEO & Whole time Director, Jindal Saw Limited**

- I wish to thank all the partners, stakeholders, investors, analysts, everybody for supporting Jindal Saw for being with Jindal Saw. As I said concerted, well thought out effort has started yielding results, now those trends are turning to be much deeper in terms of momentum. And going forward we would put in our effort on consistency and stability in our performance. So thank you all, thank you very much and I am sure with now the P&L-CDR combined we would improve upon our interaction with the investor group in

terms of question handling, in terms or information dissemination and we would have a more frequent and meaningful dialog as we go ahead. So thank you very much for this.

- **Moderator**

- Thank you very much, sir. Ladies and gentlemen, on behalf of Prabhudas Lilladher Private Limited that concludes this conference, thank you for joining use and you may now disconnect your lines.

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