

“Jindal Saw Limited
Q2 FY ‘24 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to Jindal Saw Limited Q2 FY24 Earnings Conference Call hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Vikash Singh: Good evening everyone. On behalf of PhillipCapital, I welcome everyone on Jindal Saw Q2 FY24 con call. From the management side, we have with us Mr. Neeraj Kumar, Group CEO and Whole-Time Director, Mr. Vinay Gupta, President and Head, Treasury, Mr. Narendra Mantri, President, Head, Commercial and CFO and Mr. Rajeev Goyal. Without taking any much time,

I would hand over the dais to Mr. Neeraj Kumar for the opening remarks. Over to you, sir.

Neeraj Kumar: Good afternoon. Good afternoon, friends, a very warm welcome to all our stakeholders. Yesterday, we had our board meeting and the results are all in front of you. First, I would like to just take you through some of the numbers just to build a context. Then I would address some of the points which we believe would be most of the people would want to know and then I would be there, happy to answer any more questions if we have not covered those aspects as well.

So, first highlight of the results. The second quarter, 23, top line INR4,611 crores, EBITDA 751, PBT 474 and PAT 348. Now, that is respective if you look at the trailing quarter, it is 37% growth on top line, no 20% growth on top line, 22% growth on the EBITDA, 26% and 25% respectively on PBT.

On the year on year, the growth appears to be much more significant because as we have been saying, now Jindal Saw platform or Jindal Saw performance has gone to a completely different platform altogether and as we have indicated in some of our earlier calls that this year is the breakaway year where we see that last year was the best ever. This year is likely to be better than that as well. So, it is a best over a best and it will put Jindal Saw on a different platform of performance.

If you look at the consolidated numbers, a similar pattern is emerging. Gross income 5400, EBITDA 827, PBT 496, PAT 356. Now, this again you would see that the subsidiaries all around the world have started contributing and that trend is likely to continue.

So, if you look at the quarter result, both consolidated as well as standalone, this is probably one of the best quarters at both levels. When you see such a quarter result, a natural question that would come in everybody's mind and let me answer that upfront for you, is this a flash in the pan or this performance can be sustainable and for how long? So, a simple answer, we are at the mid of the year.

This year, there is a complete visibility of the performance sustaining or even bettering. The demand is such that at least for the next 12, 18, 24 months, the trend should be similar. We may not see a similar rate of growth or the steepness of curve, but the results will show an upward trend, will maintain and sustain.

We already have a visibility for the next two, three quarters and enough demand, enough factors to suggest that we have indeed arrived at a completely different level of fundamental strength. And we will talk about that fundamental strength in a bit. A few important other highlights, order book of 1.4. If you see, our sweet spot used to be about 1. During the commodities volatility time, we had deliberately bought it down to around 700, 600. Now, we are hovering around 1.4 and we wish to maintain it around 1.4, because we do not want to bloat the order book and expose ourselves to a very long term delivery. Because then the issue of raw material prices, other prices, inflation, customer satisfaction, many things come in.

So, 1.4 or around 1.4 is the new sweet spot that we have found after or in the new business model for Jindal Saw. As we have always been maintaining and emphasizing that we have a very strong discipline and is being maintained. Please look at the trend.

Turnover goes up, business goes up, working capital requirement goes up, but overall debt is under control and is showing a trend. Again, it's not a flash in the pan. It's showing a downward trend, which is sustaining, which is a testimony of that, yes, we do have an active treasury. We do have a disciplined financial management system and we do care, monitor and work towards keeping the debt under check.

I'm sure all of you would have noticed. The rating agencies have also upgraded us. Now we are at AA with a stable outlook, which is good enough. We are among the best rated among our peers and this is where we always belonged and very soon we have found our home position even from our rating agencies. Banks, financial institutions, we maintain a very good relationship.

So resources has never been a concern for us and in the near future, we don't see resources ever coming in the way of our performance. We have enough resources, whether it be financial or other resources at our command. The company's fundamentals are very strong.

So very briefly, having covered the financials, just to give you a perspective, I'm sure all of you have the much more detailed results in front of you and you would have got a chance to look at it. Let's first talk about now some of the qualitative aspects which gives us confidence that indeed

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our performance is robust, sustainable and is a result of a lot of hard work that has gone over the last few years.

So business model, one of the most diversified product portfolio in the world, in the pipe and tube industry, covering varied segments like water, oil and gas industry. In industry also, many segments, power, sugar, refinery, automobiles and such a large product portfolio. In every segment, we have a sizable amount of capacity and therefore we maintain a very, very good market share standing with our clients.

We also have some value-added products, value-added segments like Hunting JV. In others also, we have everywhere few things like double chamber pipe in DI, 1.2 meters of DI pipe in India, which gives us a unique positioning and is a barrier for our other peers. So our positioning among the clients is very different than what our peers have. So this backed up by the quality assurance, quality control system that we have, by the financial resources that we have, the management bandwidth that we have, the technology that we have developed home grown, the systems and processes like single slab platform across the world.

So all of these elements put together make our business model very robust. The demand is there, is likely to sustain. In fact, few sectors, oil and gas sector is showing encouragement from our investment in the pipe or the transportation of oil and gas because of the geopolitical factors which are there.

So even though the oil market per se appears to be volatile based on the outcome of all the geopolitical events, but since the average or mean level of oil price is beyond a certain threshold, investments in pipelines are showing a good trend, which is very good news for us. Jal Jeevan Mission and the unfinished products, projects in Jal Jeevan Mission is very good news. India becoming a manufacturing hub, defense, space, nuclear, all these are excellent good news because we have all the tubular products to serve all these markets.

And the way the industry is panning out, this is going to sustain in the foreseeable future unless there is a complete collapse disaster like a third world war. Because Indian economy has again enough resilience and strength. RBI is doing a very good job of preserving and protecting India.

Political stability seems to be very strong even though we are entering the election year, but the results, the probabilities and the predictability is very high. So all put together, it all suggests that we indeed are in a sweet spot and all the saplings that were grown have grown and are beginning to blossom their fruit at the right time. So a good environment and we are absolutely there, ready to take advantage of all the opportunities that are being thrown open at us.

And please remember this is just the second quarter. Usually the third and the fourth quarter, because of the government budgetary allocation, shows a little upward trend that has been the traditional case primarily because most of our clients are government who rely on the budgetary support. So we are in the right direction and we are hopeful that this year we will show a very good performance.

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Now exports, because of the quick execution, mixture at 37 has come down to 34-35, but this is a very small corridor. The export as a basket would remain above 30 for sure and unlikely to go beyond 40. Because we would like to keep a proper balance between the domestic and the export market. So exports will remain between 30% and 40% of my order book and my revenue. That is what we look at. This many of you would have seen.

We had a soft launch or a proper launch of the JV. It's operational. We are just waiting for the API license. This year we become operational and if we become operational as planned, means if we get the API license in calendar year '23, in the last quarter by itself, the JV would break even. The total investment from Jindal Saw is \$2 million. The rest is all debt, stand-alone for the joint venture.

And first our effort would be to reach the capacity before we look at any investment cycle. So there is no more investment planned in the Hunting JV at present. As all of you would see, if the profits are going up, the company would have a cash generation. But we are at this point of time not looking at any M&A or any major capex. A few things are being thought about, but they are very much still on the drawing board. We will come back to you whenever we have seen that there is some traction on it.

So at present, the cash generated would be conserved in the company, shared with the shareholders and will be used to repay debt, surplus bring down working capital loan, which if you see has been the case and that is why the working capital utilization has not grown in the same proportion as the top line. We have talked about the demand scenario. We have talked about the oil and gas.

Okay, one important or rather two important factors I just want to touch upon before I stop and take questions. The geopolitical scenario in Middle East, MENA region. Till the time the war is limited to Gaza, Israel and maybe a part of Syria, Hezbollah and all that, it has got zero impact.

Oil and gas prices is likely to go up. So that's a positive news for us, even though it is at the cost of humanitarian crisis. Obviously, we are all sad about it. But if the war spills into something much larger, much bigger, which we don't believe will happen, the MENA region should continue to remain stable is what our assessment is.

We have a very large facility in Abu Dhabi and there also the exports, which is largely products are exported to about 33 countries all over the world, including all MENA region. We have not seen any slowdown. We have not seen any problem there. So, as long as this is localized, we are fine and we hope and believe that it will remain localized.

Because every side, the cost of escalation or spread is very high and I don't think anybody is prepared to take a plunge. Ukraine, Russia, now it looks like that industry and everybody has more or less settled and moved on. It has been fully factored in. But it has had a, again, any war has a humanitarian crisis. It has got cost. But speaking purely from a demand business

perspective, a narrow perspective, if you take, it has had a positive impact because Ukraine was a large supplier of seamless, stainless pipes and tubes to Europe.

So Europe has now started looking at India as a possible supplier, which is good news for us, for our products. And therefore, even though on a geopolitical worldwide economy recession, things seem to be a bit concerned. But from a very limited tunneled window of Jindal Saw, demands seem to be sustaining. Demand seems to be growing and the acceptance of India is getting better in Europe, in MENA.

Many places we were seeing that China and India were hyphenated. But now in some markets, we also see that separation is happening. We don't have to or we no longer have to sit with the Chinese as our competitor and negotiate, which is again a welcome news for us. So with these words, let me conclude. We have entered a phase of performance at a new platform level. It will sustain, it will grow from here on. So I thank all of you for the trust and now things are beginning to show the result. So let me stop here.

Thank you very much and take a few questions.

Moderator:

Thank you very much. First question is from the Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra:

Thanks for the opportunity, sir. So, congratulations on consistent good operating performance for last three quarters, four quarters and your initial remark, I'm hopeful that many more quarters, years will have a similar good performance. Just wanted to know in terms of, as you have given demand outlook perspective, so if you give product-wise, where we have seen in more demand, whether it is saw pipe or DI pipe or maybe stainless steel, different product categories. So where do you see more demand in terms of, and we have been witnessing, so if you give more color on that.

And secondly, about this joint venture we talked about, so what kind of potential in terms of revenue we can have, because we just started the commercial operation? So, just two questions from my side.

Neeraj Kumar:

Lovely. To your first question, in my last call I had spent a lot of time deliberating upon that now we are taking a more customer-centric approach in our performance, in our measurement, because that reflects the ground reality much better. Because now, we have got such a large product portfolio and some of the products are competing among themselves.

So, I have given you an industry-wise outlook in terms of water looks very strong, oil and gas looks good, and the industrial sector like power, sugar, defence, they are all looking very good. So, the demand is good for all our products. And in order not to confuse many people, we do not now talk about the different product segments, which at one point of time, when we had some limited number of products, we used to talk about.

Now, coming to JV, investment is complete. We are not in commercial production as yet. We have started trials. We are waiting for the API license. The potential of this is 50,000 pieces to 70,000 pieces in metric tons in one year. And let the Board approve the business plan, then I would be able to talk about the financial business plan of the joint venture.

But it is a very high margin business and it is a profitable business because it caters to the premium segment. The number guidance, probably when we talk next time, hopefully the Board by then would have approved the business plan and we can talk about it. Thank you very much.

Dhananjay Mishra: And lastly, one more question in terms of domestic market. If you could talk about more in water segment, which states are investing more, we are getting orders and which states are ready to invest in water. And if you have any data on that?

Neeraj Kumar: The water segment, the important states for us are starting from top, Rajasthan, Himachal Pradesh, Uttar Pradesh, Gujarat, Maharashtra, Telangana, Andhra, Odisha. So, these areas that we are seeing and now with Sathavahana coming and being, we would also try and penetrate into Tamil Nadu further south. So, with these two plants and the capacities, but for the east and northeast and but for the extreme north, where like Jammu Kashmir, we are more or less very strong in all these central parts of India.

And all of these states have now announced their own water grid. Plus, they are all participating in the Jal Jeevan mission, which is yet to be completed. And therefore, the next two years, three years is going to be busy for the water infrastructure segment. Thank you.

Dhananjay Mishra: Okay, sir. And also it will be really helpful, sir. Thank you. All the best.

Moderator: Thank you. Next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Yes, good afternoon, sir. Overall, good set of numbers. Sir, since you have diverse product segments, probably you don't disclose the breakup of the pipes between different segments. But if you can give some guidance on, how are the margins across different products like Seamless pipe, DI pipes, and your line pipes, in order of preference, like which would be the highest and which would be the lowest. This is one. And that from the current quarter, the South India DI division also you have given the numbers, 44,000 tons was sold from that unit. So, how are the margins on that business vis-a-vis your in-house DI pipes?

Neeraj Kumar: See, again, you are getting into an area which we never discuss and disclose, because that is the USP of Jindal Saw. Putting everything in a conglomerate fashion, in a robust fashion, gives us a unique advantage of pricing our products and entering the market wherever we can. And therefore, the margins are in every segment, dynamic in nature, based on the strategy, demand, and supply, we price our products accordingly.

What I would request all of you to focus on is that, the EBITDA margin about a year back, which was in the 12% and the 13% range, have now come up to 15% and 16%.

Bhavin Chheda: That is a percentage of sales, sir?

Neeraj Kumar: Yes. Today, the EBITDA to sales for this quarter is 16%. That is important. Because you are interested in Jindal Saw and not in a division of Jindal Saw.

Bhavin Chheda: Sure, sir. And you expect, sir, being your order book is very strong and momentum picking up. So, you expect this to be a new normal and this margin to be sustainable going forward? Since you already have a visibility of over 2 million to 3 million...

Neeraj Kumar: Yes, We would like to have told you, we always want to have a sweet spot. So, the order book of \$1.4 billion appears to be a sweet spot for us in the new scenario because we have M&A, we have added capacities, we have expanded capacities, we have done some capacity balancing.

So, \$1.4 billion is and we would like to keep it around this only. Because I told you, the bloating the order book, it is possible because we can keep on winning more contracts. But that then exposes us to a long term, volatility in terms of inflation, price differential and all that. So, \$1.4 billion is sustainable and we would stay around the same.

Bhavin Chheda: Sure. And the last question, if you can highlight now, what exactly is the install capacity or achievable production capacity? Probably if you have pipe wise or whatsoever, you define your install capacity of DI pipes, seamless, LSAW, spiral. What that number have been?

Neeraj Kumar: Yes, I can give you. All the pipes put together is about 2.5 million tons. My pellet is around 1.7 million tons. Those are two segments, which are separate segments. And that is the capacity that we have.

Bhavin Chheda: And 2.5 million tons is including the overseas capacity, right?

Neeraj Kumar: No, I'm talking about domestic.

Bhavin Chheda: Domestic. And Abu Dhabi would be, sir?

Neeraj Kumar: Abu Dhabi is about 3 lakhs tons, 300,000 tons.

Bhavin Chheda: Okay. Thanks a lot and best of luck.

Neeraj Kumar: Thank you.

Moderator: Next question is from the line of Sailesh Raja from B&K Securities. Please go ahead.

Sailesh Raja: Yes, thanks for the opportunity, sir. Congrats for the good set of numbers. Sir, on the volume front, things are very much intact, as you mentioned in the opening remarks. But my question is on the cost side. Now the coking coal prices have gone up sharply in the last two months from

\$230 to \$340. So what is our average inventory cost and how many days' inventory we have on the coking coal side?

And I also wanted to know when this increased coking coal price will start reflecting in our numbers? Because last year, in the first half of FY '23, our performance was impacted because of rising coking coal prices. So what is our mitigation plan for this time?

Neeraj Kumar:

Yes. There's a difference between the last time and this time in the movement in the commodity or the raw material prices. a. The movement is not that sharp and it is unlikely to be that volatile. b. Learning from the past experience, we have, a. tried to hedge, work with the government to have a price variation clause so that there is a benchmark raw material price of these commodities included in the contract and any increase is passed on to the customer. In a lot of contracts, we have succeeded in doing it.

Second, we are also making some technological modifications to the blast furnace, like adding the PCI, pulverized coal injection to the blast furnace, so that the specific cost of coal per unit of liquid production is going to come down significantly. So with technological modifications, price variation clause, and the volatility remaining within a certain range, we are hopeful that the results we would be able to sustain. If at all there is an impact, it will be marginal. It would be nowhere close to what we witnessed in the last year or last time when we went into that commodities pile.

Sailesh Raja:

Sir, can INR5,000 minimum sustain EBITDA per kg in GI pipe? Now it is around INR10, INR11 per kg for the industry. Because of the initiatives we have taken, can we maintain that INR5,000 -- INR5 per kg?

Neeraj Kumar:

Industry average is best that you guys calculate. Let me not talk about industry, let me not talk about my peers. We would maintain in every product segment, we maintain a healthy EBITDA margin. And again, as I said, being a USP of Jindal Saw, we do not discuss the segment-wise EBITDA margin.

Sailesh Raja:

Sir, my second question, could you please talk about opportunities we are seeing in ELSA pipes? In FY '19, we have reported around 2.6 lakh tons volume. And last four years, we have been reporting volumes at sub 2 lakh tons only. So what kind of growth you are expecting in ELSA pipes? And also our capacity utilization is very much underutilized for many years. So 100% we are betting on overseas market only. And till date, opportunities are not big enough to fill our capacities. So what is our strategy here?

Neeraj Kumar:

I have, in a few of my earlier calls emphasise especially in a large segment, capacity utilization is a kind of a miss normal, because each plant is capable of producing, say from each spiral plant could produce anywhere from 20 inches in diameter to 80 inches in diameter. So the boiler plate capacity is based on an ideal size which you never get in the market.

Second, change over time is not. So when you look at a boiler plate capacity versus the actual capacity utilization, across the globe you will see, in large diameter pipe, you would actually be performing to your full capacity if you are going anywhere close to 45, 50, 60. Because of the product mix, because of the thickness, because of the sizes and the changeover, etcetera. So I have always, that's why I have requested my stakeholders, my friends and investors, please move away from those usual benchmarks that are used in other industries. Otherwise, you may get misguided.

So in large diameter, the boiler plate capacity actually does not mean much when it comes to serving the industry. At this point of time, I can tell you, most of our plants are busy and we have headroom for whatever we are doing at present. Probably we could go another 20% more. So that headroom we have. But start looking at from this perspective rather than boiler plate and the capacity utilization. Because in a pipe industry where there is so much of variability in terms of diameter, thickness, you would get misguided.

Sailesh Raja:

Okay. Thanks. So last five years we have been reporting EBITDA above INR1,200 crores per annum and cumulative EBITDA last five years is around INR7,300 crores which is commendable. But debt is still at similar levels of FY '19. So basically we need to understand, what is our capital allocation policy for the next two years? Could you please tell me in percentage terms how much of the total cash generation, how much it will go to capex, when we get repayment and dividend payments?

Neeraj Kumar:

I have already covered in my remarks, no project announced all capex are in the nature of normal maintenance capex, and some modification technological improvements for example, putting that PCI in the three blast furnace that we have. So all capex at this point of time are in the nature of maintenance, normal capex, no projects, no M&A activity on the horizon. We are completed Satwana and for now none of those are there.

The moment we have anything coming closer to fruition, we will definitely come back to you. As a business, we have to continue to look forward, keep on exploring, examining, which is a part of any dynamic organization. We do it, but we don't have anything at this point of time that we can announce.

Sailesh Raja:

So one last question. Do you see any reduction in interest rate because of improvement in credit rating? What is our current...

Neeraj Kumar:

The VAT has come down, but overall impact of financial charges on the entire per unit of production or sale will further go down because the surplus cash generated would also be used to bring down my working capital debt.

Sailesh Raja:

Sir, are we doing any bill discounting?

- Neeraj Kumar:** Between export and domestic, we use all treasury equipments. We have a very active treasury. So we use all of those. One thing that we always emphasize on is the credit worthiness and the quality of receivables. Usually, we avoid giving open credit to private sector.
- Sailesh Raja:** Thank you, sir.
- Moderator:** Thank you. Next question is from the line of Riya Mehta from Equitas Investment Consultancy. Please go ahead.
- Riya Mehta:** Thank you for giving me the opportunity. My first question is in regards to the capacity utilization at Satwana level. And we had excess capacity there. So what are we doing about it?
- Neeraj Kumar:** See, Satwana, currently we are running at a capacity utilization of 60% to 70%. But we are also doing some capacity balancing, adding some balancing equipments. So the capacity by itself is likely to increase by a good 20% to 25%. And by next year, we expect to run almost 80% to 90% capacity.
- Riya Mehta:** Sure. Thank you. My next question is in regards to the -- could you give the order book volume?
- Neeraj Kumar:** I have already told you, 1.4 billion. The breakup probably would be supplied in the notes that have been given. Otherwise, check with Rajeev Goyal, he would be able to give that to you.
- Riya Mehta:** Okay. And in terms of we have INR454 crores of capex in our cash flow. For what would that be?
- Neeraj Kumar:** I don't have that figure in front of me. So those very specific questions, I would encourage you to send a mail to Rajeev Goyal and he will be able to clarify all that to you.
- Riya Mehta:** And in terms of my last question, what is the pipeline from Middle East and Saudi? Could you elaborate on that?
- Neeraj Kumar:** I told you my export portfolio is around 34% at this point of time. Majority of which is from Middle East.
- Riya Mehta:** Thank you.
- Moderator:** Thank you. Next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.
- Abhishek Maheshwari:** Hi. Thank you for taking my question. Just one question. I wanted to understand your order book strategy. Because see today we have our trailing sales of about INR20,000 crores. And if see how do we plan to achieve growth while maintaining our order book at current levels? Are we planning to go for more small sized gestation period orders? Or I just wanted to understand the strategy here?

Neeraj Kumar:

Just one clarification. We don't do trading. All the top-line turnover majority of it has come from sales. Second, maintaining an order book, especially if you have a very healthy sales funnel, does not hamper growth. Because as we grow in our capacity utilization, we keep on taking more orders because the sales funnel is very healthy based on a good demand in the market.

When I say a sweet spot around 1.4, with this, we can still achieve growth because then the rate of replenishing this 1.4 will enhance as we enhance the rate of execution. And that has been the trend in fact for the last few quarters. So that is not an issue at all. We are also consciously moving more towards value-added segments, stainless steel, defence, nuclear and all of those. So that the per ton NSR, as we call it, the net sales utilization per ton, keeps on going up because in those spaces the competition is also less.

The vendor qualification is tough. Not all of our peers easily qualify because of these stringent quality conditions. So that is the strategy. The strategy is to move up the value chain, to go for the elite customers, get into space where there are entry barriers of quality etc. where we believe we can do very well. And therefore, you would be able to have a sustainable business and you don't get into a street fight to get your business.

Abhishek Maheshwari:

Okay. Understood the part regarding the premiumization. Just one small follow-up. From what I am understanding, what you are saying is you want to also focus on faster execution. What I mentioned when I said low gestation period is from the moment you receive an order till the time you supply the product. I mean, since you provide your order book status every quarter three-monthly basis, so is it correct to assume that most of your orders will also be, the timeline of it will be around three months or so only? You get the order and supply the product within three months?

Neeraj Kumar:

No, no, no. Different products have different timelines. Specially I will give you two extreme examples. Pellets is just in time. I have my aranore, you pay me your money, I will give you the pellets tomorrow. On the other hand, large-dia which is Nace, Sour grade, High grade, probably the delivery line would be six to seven months.

Because those special grade steels I will have to import or buy. They will make it from me because Nace grade and X70 and X80 is not available on the shelf. So, I will have to buy, open LC, deliver, manufacture, port and then deliver. So, the delivery time very much depends is very product specificity.

Abhishek Maheshwari:

Okay, I think I understood what you are trying to say and that was helpful. So, just one last thing. So, we should just expect that there should be an order book reset every three, four years maybe. So, ideally it was \$1 billion three, four years ago. So, it's 1.4 now and as the growth increases, we can expect maybe 1.7, 1.8, three, four years down the line, right, sir?

Neeraj Kumar:

I won't put a number three, four years, maybe 2.5 or maybe 3.5 depending on how we continue to grow. But you are right. That's why I used the phrase that now we have achieved a different platform of performance where the baseline has moved up. So, it's like a step function. You

grow, take a step, grow, take a step. So, you are right. It would be reset upwards in the medium term I would say. The time we will have to see how the market dynamic works.

Abhishek Maheshwari: Thank you very much, sir.

Moderator: Thank you. Next question is from the line of Harsh Rajesh Shah from Sanctum Wealth. Please go ahead. We have lost the connection for Mr. Harsh. We will move to the next question from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: Thanks for the opportunity, sir. So, my question is, on the SAW pipe, can you help us to understand the demand supply situation in the domestic market? So, you already highlighted that there is a good demand, strong demand across the oil and gas plus the null-settle. So, how do you foresee the incremental investment from these two segments or two sectors for the next two to three years? And what would be the incremental demand in terms of the tonnage wise can help us to understand versus the capacity in the Indian market? And considering any new capacities coming in, so how do you see the overall demand supply situation for the SAW pipe?

Neeraj Kumar: Let me try and address that for you. Fund allocation to the infrastructure like oil and gas and water, I am sure you will find it in the budgetary allocations because not all of them come to just the pipe. So, those larger picture you can get it from the government budgetary allocation. Two, as far as the pipe industry is concerned, we expect the demand to grow at a healthy rate of maybe 10% to 15% per annum. And therefore, there is space for some new players, new capacities to enter because at present if you see the entire industry is operating at a good capacity utilization.

So, the increment or the growth in the pipe industry is creating space for new players. Anyway, entry of new players in all these segments, they will have to work for at least few years before they become a significant contributor. So, for us, as I told you, next 18 to 24 months is good, will remain good. None of these factors are really going to impact us in the next 18 to 24 months.

Dhavan Shah: Okay. So, our plans are operating at what utilization for the SAW business and you already mentioned that the new players can catch up with the clear?

Neeraj Kumar: At present, if you want to, if you insist, boiler plate capacity, it would be at upward of 60% to 65%.

Moderator: It seems that we have lost the connection from Mr. Dhavan Shah. Ladies and gentlemen, we will take this as the last question for the day. I now hand the conference over to Mr. Vikas Singh for the closing comments.

Vikas Singh: Thank you, Yusuf. On behalf of PhillipCapital, I would like to thank Jindal Saw Management for giving us the opportunity to host a call. I am just forwarding this call to Mr. Neeraj Kumar for any closing remarks. Over to you, sir.

Neeraj Kumar: Thank you, stakeholders. Thank you, shareholders and others, investors, everybody, I have to thank you for showing the confidence in us, for waiting. And now, I am sure all of you would

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be happy that the company fundamental have indeed become strong and the market has also started reacting to it. We believe there is still a lot of headroom.

We believe there is still a lot of potential. So, with these, I assure you that we will do everything to make the organization more valuable and I hope to see you over the next quarterly call with another set of good results. Thank you. Bye.

Moderator:

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