



JINDAL SAW LTD.
TOTAL PIPE SOLUTIONS



PhillipCapital

“ Jindal Saw Limited's Q2 FY'23 Earnings Conference Call”

November 14, 2022



JINDAL SAW LTD.
TOTAL PIPE SOLUTIONS



PhillipCapital

MANAGEMENT: MR. NEERAJ KUMAR – GROUP CHIEF EXECUTIVE OFFICER & WHOLE-TIME DIRECTOR, JINDAL SAW LIMITED

MR. VINAY GUPTA – PRESIDENT & HEAD, TREASURY, JINDAL SAW LIMITED

MR. NARENDRA MANTRI – PRESIDENT, COMMERCIAL & CHIEF FINANCIAL OFFICER, JINDAL SAW LIMITED

MR. RAJEEV GOYAL, JINDAL SAW LIMITED

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



Moderator: Ladies and gentlemen, good day and welcome to Jindal Saw Limited Q2 FY'23 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Singh from PhillipCapital. Thank you. And over to you, Mr. Singh.

Vikash Singh: Good evening, everyone. I welcome you on behalf of PhillipCapital for Jindal Saw's Q2 FY'23 Conference Call.

From management side, today, we have with us Mr. Neeraj Kumar – Group CEO & Whole-Time Director; Mr. Vinay Gupta – President & Head, Treasury; and Mr. Narendra Mantri – President, Commercial & CFO.

Without taking any much time, I would hand over the call to Mr. Neeraj Kumar for Opening Remarks. Over to you, sir.

Neeraj Kumar: Good afternoon, friends. On Friday, we have finished our board meeting for the half yearly results. As all of you would have seen on the numbers, just to reiterate some of the high level numbers. Top line for the quarter was Rs.3,367 crores as compared to Rs.3,019 crores in the Q1 and Rs.2,571 crores in the Q2 last year, which is essentially a 12% growth on trailing and 31% growth on year-to-year. EBITDA was Rs.301 crores as opposed to Rs.255 crores for Q1 and Rs.380 crores for Q2 last year. Going down, PBT was Rs.81 crores as opposed to Rs.37 crores which was Rs.196 crores for Q2 last year.

Let me just also give you some highlights of the consolidated numbers: Q2 consolidated numbers was Rs.4,067 crores as compared to Rs.3,510 crores in Q1, Rs.3,005 crores in last year Q2. EBITDA was Rs.355 crores as compared to Rs.271 crores as compared to Rs.410 crores for Q2 last year. PBT was Rs.89 crores as compared to Rs.1 crore for Q1 and Rs.179 crores for Q2.

Now, if you just look at just these numbers, what does this indicate? A), Top line has begun to grow and looks like we are entering a phase of very good business, which gets corroborated by the order book which is at an all-time high of Rs.1.3 billion.

So, the business is now growing. Our raw material consumption, then the high cost inventory that we had on our books, has more or less finished. Now, we have the benefit of good business and my inventory would be more moderately priced. And therefore, we are entering a phase where my H2 should be better than H1. And based on the visibility that we have on our order book, geopolitics, the demand/supply, probably the next 12-18-months should be very-very good for us.



Looking at one or two other numbers, finance cost was Rs.126 crores as opposed to Rs.131 crores in Q2 and Rs.89 crores in last year Q2. Out of this Rs.126 crores, the contribution of the foreign exchange fluctuation, as you know, of late, the rupee has become very volatile and at one point of time, it even touched Rs.83 to a dollar. The impact is almost Rs.25, 26 crores out of this Rs.126 crores is only on account of foreign exchange fluctuation. Part of it is crystallized and the part of it I would say is more of a mark-to-market and therefore, as now rupee is recovering, we may have an opportunity to recoup some of these losses that we have presented in this Rs.126 crores.

The second important thing that I would like you to look at is my consolidated numbers. As we have been saying that the company is very focused, the group is focused on our realignment, restructuring plan, where now it is Jindal Saw Limited. At present, we have one subsidiary, JITF, which we want to see how we can take that forward, and then we have the stream of Abu Dhabi plus a stream for US. But those two also have started contributing positively. Primarily, I would request your attention on the Abu Dhabi facility which has started contributing to a positive EBITDA. You all know, now, it is a 100% subsidiary and therefore it's fully consolidated and the contribution is good, the outlook is encouraging. So, in this year result, we are hopeful in terms of tonnage, would be better than last year, maybe on the EBITDA, there would be a slight here and there, because of the raw material price fluctuation. But otherwise, going forward, we have a very healthy order book, and therefore, the consolidated results as well gives a very good trend and a good trajectory looking forward in 18-24 months.

Let's now look at the other important factor which has been a concern for many, for many years, our debt position. On a turnover, profit of all that we have indicated, our long-term debt today stands at a little less or around Rs.1,200 crores. Working capital is Rs.3,00 crores. So, the total debt on the books of Jindal Saw is Rs.4,100 crores. Looking at consolidated debt, it comes to about Rs.5,500 crores.

Now, if we look at all performance parameters and look at these debt numbers, it will very clearly tell you how well the treasury is managing our debt position. Let me reiterate, working capital, trade finance is very much ingrained in my business cycle. And therefore, sometimes the working capital seems a little high, but it just tracks business. If you see always my working capital would track the top line. It would also track if there is a fluctuation in the raw material prices. So, we would see the working capital as a percentage or a parameter towards the end of the year should be far superior to what it was at the beginning of the year and what it is indicated even during this result of H1. Because, going forward, we expect the raw material prices to be stable and therefore, the usage of raw material to get my top line should improve. That's about the debt position.

An important indication on my order book is Rs.1.3 billion. As we have always been saying we had deliberately kept it down in a very volatile raw material price market. Now, it has almost doubled.



Another important aspect is almost 40% of my order book today is exports, which is a good news from overall demand/supply perspective and in a scenario where rupee is continuously weakening, there is again something that we can expect in terms of getting some more for every dollar that we earn into our top line.

The treasury is active. It is looking at all of these very carefully and they are evolving hedging mechanism so that with the fluctuation in rupee/dollar wherever we can gain something we will. Let me reiterate, as a policy, we do not take a speculative position. But, wherever there is an underlying trade, then the treasury does look at foreign exchange, does look at how it's behaving and then uses simple statements,, simple instruments to try and gain something wherever we can. So, the numbers are very healthy. The pipeline is very healthy.

The group companies all over the place, if you see, it looks like after a gap of maybe 2-2.5 years, where we have managed to keep our head low and survive through without any major disruption, without any major issues. Now, it appears we have a good time ahead in terms of the next 18-24-months.

Now, let me turn my attention on a few other important aspects. Let's look at the outlook. The oil and gas, even though there seems to be some uncertainty on account of the geopolitics, on account of the looming recession, but still, our assessment is that international oil prices would stay at least at a level that it would justify investments in pipelines.

In Europe, even if there is a recession, we believe there is likely to be investment, because now Europe is firmly moving in the direction of becoming self-reliant or becoming reliant on sources of energy other than Russian, and therefore, it is necessary that they would need pipelines, because so far, they were so heavily reliant on the Russian gas through Russian pipelines. That even for the alternate sources, whether it is for oil or for gas or for LNG terminals, they will have to do some pipeline, and therefore, we are very bullish that Europe, the investment in pipelines would increase even if there is a recessionary situation, because it appears that Europe would follow the policy of not falling back on Russia on any gas or any oil even if things improve.

The other business which is showing a lot of traction is the seamless and stainless business, primarily because both Russia and Ukraine, where the suppliers are to a very large extent on these two pipes and tubes. Now, with the war, the entire Ukraine supply chain has been disrupted, and going forward, the way Russia has isolated itself, even if the war were to end, unlikely that any of those market would ever go to Russia anytime soon. And therefore, what we are seeing in our stainless and seamless business, that the demand is becoming very healthy.

On the supply side or on the internal side, we have moved now these stainless business into a very stable environment and we are entering into value added segments like we are beginning to manufacture now higher grades of stainless steel, we are beginning to manufacture the



instrumentation tubes which are very high value. Obviously, in terms of tonnage, in terms of volume, they are low, but they would give this business a very strong fillip. So, the seamless, stainless business because of Russia, Ukraine, overall demand is likely to give a very good fillip.

The topping on the ice for this is the JV. We are now coming very close to the soft launch of the Hunting joint venture, is likely to happen definitely in the second half. If everything goes well, maybe by December, January, the soft launch would happen and we would be servicing the market with premium brand. As already indicated, we have also been able to rope OSI, another US major who have agreed to transfer the technology for connectors. That again is going to make this joint venture a center of excellence only of its kind in this part of the world with a size range starting from 2, 7, 8 inches going right up to 36. This would be the only facility of this nature and this kind in this part of the world. So, by and large, this would give the stainless and seamless business a good outlook in the near-term.

Jal Jeevan Mission is now in its very mature state. General elections are around the corner. So the next 18-24-months, we believe would see a lot of emphasis on Jal Jeevan Mission on the water grid, and that's good news for DI business.

So, most of the business segments that we are looking at is showing us a very healthy demand and we are absolutely ready to take benefit out of that.

On pellet, definitely, as raw material prices stabilize, the margins, the top line, everything from last year has moderated a little bit, but that's absolutely fine for us, because that has been more than compensated by the improvement in the pipe business which is a larger pie for us in the whole scenario.

Turning our attention, all of you would have seen, it has also been reported in the newspaper, we are the highest bidder for Sathavahana. We have been talking about this that we are likely a contender, we are a very serious player. We are now awaiting the final nod from NCLT which we hope is a few weeks away and then Sathavahana would become a part of Jindal Saw. Once that happens, the South India business of DI market, Jal Jeevan Mission, would give us a very, very strong positioning and a good pricing to add that. We definitely expect that in the second half before the year end, there should be a contribution that the Sathavahana business should make to Jindal Saw in the second half, that is what our expectations are.

With all of these happening, we expect that the margins that we had pre-COVID and pre this economic turmoil and all of those, I think we should be returning to that by last quarter of this year or definitely in first quarter of next year, the margins should go back to those old days prior to all of these, and maybe even higher because now we would be entering a lot more value added segments.

If you would have seen our consolidated results, you would have seen an exceptional item of Rs.25 crores as an expense. Now, that is the last shift that we had which was the transloader used



for this. We sold that the moment we got an opportunity because now the NTPC contract period is over. So, even though we are under litigation, as you all know, in the high court for the arbitration award, but since the contract period is over, we are under no obligation to maintain those assets and therefore we have sold that asset where we had to book and loss of Rs.25 crores, because that was the difference between the WDV and what we received, but it definitely added to the liquidity of the company, and therefore, the company thought or we thought it was a sensible thing to do rather than spending money maintaining on it. And again, we are very clear that going forward, this is not what our business model would include, and therefore, we have sold it and we have booked the loss which is a one-time loss of Rs.25 crores is showing in that account.

I must make a mention that in Saudi Arabia, we have a very significant win. We have got water project contract for the new city that the prince of Saudi Arabia is building. We would be the supplier of the entire water pipeline. It's a very large project which will be more than \$300 million. We would be supplying the pipes over the next 18-24-months. So, it's a very short contract, high value contract, is going to help our large diameter pipe business in a major way, because it would give us a continuous campaign and we are building a very robust supply chain, raw material purchase, so that should be one good news which is going to stabilize our large diameter market as well.

So, with these, let me stop here and take some questions.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Pratiksha Daftari from Aequitas Investments. Please go ahead.

Pratiksha Daftari: My first question is regarding the order book. If you could give us the visibility in terms of execution period for each of the segments?

Neeraj Kumar: As I told you, is largely because of the Saudi Arabia project, we will execute it over the next 18-24-months. Seamless pipes typically 12-weeks to 16-weeks. Ductile iron pipes typically 9-months to 12-months. Pellets is always on cash basis, means, hardly 15-days.

Pratiksha Daftari: How do we see the profitability going ahead in the DI segment considering that we have no incremental supply coming in from either west and east region, how do we expect the margins going ahead and also volume growth?

Neeraj Kumar: DI margin should improve because the raw material prices are becoming very stable in terms of coal, in terms of iron ore. So the margin should definitely improve. But I missed out, you put a caveat in your question about DI. Would you please repeat your question?

Pratiksha Daftari: I just wanted to understand that since we will have incremental supply in the industry because new capacity has come in for both west and eastern region, so, how would that impact us?



- Neeraj Kumar:** No, the demand completely outweighs the incremental supply and therefore, in fact, we expect the prices to go up a little bit.
- Pratiksha Daftari:** How much of our current order book would have price escalation clauses?
- Neeraj Kumar:** Most of the orders now coming out of the major states have a price variation clause. So, still, we have some way to go, but now as a matter of policy, with private sector, all the EPC, we sign contract with the PVC, which is the price variation clause, and most of the major states have also accepted now PVC as a norm, because we wanted to make sure that going forward, we don't get into a situation that we were a few years back.
- Pratiksha Daftari:** You mentioned something in the press release about import duty for goods in Saudi Arabia from UAE. So, if you could elaborate on that?
- Neeraj Kumar:** They have come up with Emirati Law. If you do not appoint a certain number of Emiratis, then they levy a tax in Saudi Arabia for one form or the other. That we have taken care of. Now, we have created a manpower supply company where most of the manpower would be stationed and there, we would be employing minimum number of Emirati people of the relevant category so that they become useful to us, and we would have that sorted out. So, that issue which we told you last time about our Abu Dhabi business, that would get sorted out.
- Pratiksha Daftari:** On demand front in UAE and Abu Dhabi, do we expect to come back to see 60,000 tons quarterly kind of volume trajectory sometime soon?
- Neeraj Kumar:** You said 60 means quarterly 60. Yes definitely, this will perhaps we will reach there. You understand that under any circumstances, we will be above Rs. 2 lakh. But we a reading some new capacity, some large dia pipes are beginning. So, we would be in that vicinity only.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.
- Saket Kapoor:** What is the intake of this big order in the GCC region of \$335 million... what is corresponding to this order of \$335million?
- Neeraj Kumar:** You want tonnage?
- Saket Kapoor:** Yes, the big order which we have got...and this would be shipped entirely from the Saudi Arabian unit only?
- Neeraj Kumar:** Is it is Saudi what?
- Saket Kapoor:** Will this whole order be executed from Saudi?



- Neeraj Kumar:** This contract from Saudi Arabia which will execute HSAW India Samaghogha. It is over 2 lakh tons.
- Saket Kapoor:** Sir, we have also seen that there is a significant fall in the ocean freight prices. So, how is that going to impact us? I think earlier that had a negative impact. So, the margins would be boosted because of this, how is that going to shape up?
- Neeraj Kumar:** No, the ocean freight has fallen, but again it is likely to stabilize. What is going to happen that Americans are now making distinction that you can import Russian oil, but don't use western services, means don't use western maritime, don't use western insurance. The impact of that is the sharp fall we have seen in shipping prices that would stabilize don't take that benefit as a huge benefit for a company like Jindal Saw. We definitely are in a stable position whatever our order book is on export front, we would not have a negative impact because of the sea freight. But, will it give us a major fillip? Maybe a few basis points or a half per cent, not beyond that at an EBITDA level.
- Saket Kapoor:** When you are mentioning that our H2 would be better than H1 in terms of the PBT numbers and also the EBITDA post the second wave impact, our H2 EBITDA numbers were in the vicinity of Rs.690-700 crores. So, taking into account the deliverables which we are planning to shift for H2, what should be the likely trajectory of the EBITDA for H2?
- Neeraj Kumar:** No, I am prevented from giving you a number guidelines for future. It's definitely will be better. See we will do more tonnage, raw material has been stabilized and I have a very healthy order book. Beyond that, these guys say, I can't give you any more number guidelines.
- Saket Kapoor:** Coming to this consolidation part, sir, today commendable that, earlier in consolidation we used to bleed, and now it has started reporting positively, but if you could share the mix of the consolidated revenue, that of the Rs.727 crores, what is net-net mix between USA and the other parts out of this Rs.700 crores increase in revenue when we look from standalone to consolidated?
- Neeraj Kumar:** See, major contributor is the gulf now. So, all the incremental number on EBITDA, you are talking about top-line or EBITDA?
- Saket Kapoor:** Sir I am talking about top-line from our top-line increase from Rs. 700 crores, it is going from Rs. 3316 to Rs. 4443 crores, it is increasing from Rs. 727 crores so what is the major component of Rs. 27 crores.
- Neeraj Kumar:** Major component be again gulf; more than 50% or 60% comes from gulf, the balance gets distributed to USA, UP and all that. So, the major component is gulf, even in the EBITDA more than 50% of the incremental EBITDA comes from Abu Dhabi, which is likely to stay and which may improve, because we have taken some additional land also in our Abu Dhabi facility. So there is a scope that we may expand. Geopolitical situation in Iraq seem to be stable. Now,



suddenly it appears to be unstable. Otherwise, in Iraq, we were eyeing some very good business. Abu Dhabi, now with the Emirati problem solved, looks like a good business. In Europe, again, we are beginning to see some traction. There is a little bit problem on the geopolitical side, but we have taken some additional land and we are very bullish now on our Abu Dhabi facility.

Saket Kapoor: But, when we look at the bottom line, 1% margin is there. Why is the cost structure problem that even posting revenues of Rs.700 crores, the bottom-line impact for PBT is only to the tune of Rs.8-9 crores? What steps are taken to correct this or -?

Neeraj Kumar: This first half because of the raw material prices and again the foreign exchange fluctuation, interest cost, this and that, whatever, is giving you a very skewed figure. That's why when you reach to the PBT level, it doesn't really give you a very stable picture or it doesn't give you a very-very representative figure because it is when you are coming out of a valley. So, second half your results will be stable to the right at the bottom level.

Saket Kapoor: Last two points. On the sale of ship, what is the gross amount we have received? Where will we approve loss of this Rs.25 crores?

Neeraj Kumar: We have received more than Rs.75 crores.

Saket Kapoor: Lastly, when did we receive this order of \$335 million, after the board meeting date?

Neeraj Kumar: No, no, everything has been finalized. We have received the signed contract in the last one week.

Saket Kapoor: In customary, what we find is company is giving orders whether it is in the LODR norms or not, I am completely privy to it -?

Neeraj Kumar: It is not the norm and we do not have this policy of selective announcing, because some companies announce the wins, but they never announce the losses. So, we don't have this selective reporting which we believe is in a way doesn't give the holistic picture and therefore we do it on a quarter-to-quarter basis, because that's a part of our business, getting a big order, losing a big order, both of them are a part of our normal business. So, we don't do that and therefore you would not see such announcements from the PR Jindal group in the stock exchange as a general practice. So unless, there is a significant or extraordinary information that we must share with our stakeholders, something which is a part of my everyday business, we do not do it as a matter of practice.

Moderator: The next question is from the line of Anand from PhillipCapital. Please go ahead.

Anand: What is your sense you are getting from the Indian government's point of view given that our product portfolio caters to the pipes which are very much focused towards Nal se Jal, the pet project of the government, any color on that front, is there any traction you are seeing?



- Neeraj Kumar:** See, Jal Jeevan Mission is now running for this term of the government in the last two years. There is a major emphasis. So, on the demand side, we are very bullish. With hopefully, Sathavahana now, we are just one step away coming to our fold. We would enhance our supply side both in terms of capacity, it will significantly go up and our reach. Because now we would have a very strong foothold in South India where there is very little competition and there is very large demand. So, DI business, in fact, in the next six-to-24-months should be a major contributor to us in terms of top line, profitability, everything. DI business is actually a significant business for us now. With this acquisition now coming our way, I just said, we are one step away, NCLT has to give its final nod.
- Anand:** Any timeline that you are expecting -- in the coming quarter itself or -?
- Neeraj Kumar:** I can't second guess the court process, but what we are confident that once it is with us, all preparatory work has been done, once we have the NCLT order in our favor, we should be in the market in the next maximum 30-45-days.
- Moderator:** The next question is from the line of Neha Jain from Brickwork Ratings. Please go ahead.
- Neha Jain:** Sir, you said, your inventory cost would be coming down. As on 30th September 2022, we still have inventory holding of Rs.3,759-odd crores. So, how much of this would be the raw material cost and other things, if you could give a break up for that?
- Neeraj Kumar:** I would not have the exact breakup in front of me, but even if the raw materials are there, the high-cost raw material which we had purchased during those very volatile, coke and iron ore prices, they have mostly been consumed. So, we would have raw material but they would be moderately valued and therefore going forward my EBITDA margin would get restored.
- Neha Jain:** If you can please quantify in terms of price movements for coking coal?
- Neeraj Kumar:** See, Rajeev is here. Since I don't have the exact number in front of me, I would not like to second guess. Rajeev is taking notes. He will reach out to you and will give you a complete breakup of the inventory.
- Neha Jain:** Not an issue, sir. My third question would be with respect to the Sathavahana project. So far as per my knowledge on the public domain, we have bidden for Rs.530 crores, right, sir?
- Neeraj Kumar:** Let the entire order come. Again, let's not talk numbers, because it is in NCLT and NCLT has asked a few questions about government dues, this or that, whatever, the final number may change a little bit. But, whatever has been reported in the Economic Times is a ballpark figure, I think, you should be taking it for the purpose of investment, etc.,
- Neha Jain:** What would be the sources of finance? I understand there is no complete figure with us as of now.



Neeraj Kumar:

On finance, we have enough lines. Today, you see the long-term debt on balance sheet of Jindal Saw is Rs.1,200 crores, on a networth of over Rs.6,000 crores, and on a top line of Rs.3,000 crores in one quarter. So, the borrowing capacity of Jindal Saw balance sheet is huge, the internal accruals is huge. So, to fund an acquisition like this, is not very difficult just mere on the basis of Jindal Saw balance sheet.

Moderator:

The next question is from the line of Nikhil Chandak from JM Financial. Please go ahead.

Nikhil Chandak:

My question was actually on debt profile of the company. Whatever I see the long-term debt is roughly Rs.1,600 crores as on September 30. The total consolidated debt relative to the scale of the operation, how is the management intend to bring this down? So, this number is now close to Rs.4,836 crores. Is there any reasonable scope to bring the consolidated debt number of the company down? Second is how much portion of this is foreign currency debt? Because as long as you have foreign currency debt, these quarterly fluctuations on gain or loss on foreign currency loan will keep continuing, some day you may have a loss, some day you may have a gain, that's fair, but this is a recurring trouble point so to say for the company which will keep continuing as long as there is a large amount of foreign currency debt on the books. So, how do you see two points playing out on the debt side?

Neeraj Kumar:

Let's look at now the total debt that you talked about is Rs.1,639 crores. Out of which, Rs.1,195 crores is the net debt on Jindal Saw balance sheet. This has got zero foreign currency debt. The balance Rs.445 crores, again, if you go to the respective countries and currencies, then all of them are domestic. But, if you look at Rs.1,639 crores and look at how much is Indian rupee denominated and foreign currency denominated, then Rs.445 crores would be the foreign currency denominated debt. But please note in their respective countries like US or UAE, they are all domestic currency debt. So, in a manner of practical speaking, there is zero foreign currency debt in Rs.1,639 crores. Now, let's turn our attention to Rs.3,197 crores which is the working capital debt. Rs.2,911 crores is the domestic debt. That has a component of packing credit, foreign currency credit, some LC and some money to finance the foreign currency receivables. To the extent that you have a domestic versus export business, this would fluctuate. And it's a very-very dynamic situation. Now, to answer your overall question that do we have any plans to bring this down? Please appreciate as I have been reiterating, out of which Rs.3,197 crores is actually a working capital debt, is actually an indicator of my business activity. So, if I try to bring down this Rs.3,197 crores, it will be contra or it will be opposite to my trade finance support to my business and therefore that's unlikely. Second, Rs.1,639 crores, in our opinion is already a very reasonable level of debt looking at my other business parameters, but they would get repaid as and when they are due, because if you recall, there was a lot of efforts from the treasury team to correct the maturity profile of my long-term debt to conserve cash, and we continue to follow that policy. We do not want to accelerate these debt payments because we believe conserving cash also is an important aspect of business. So, debt profile, do we want to accelerate any repayments, the answer is no. We believe it's well managed, it's reasonable and it should stay that way. The Treasury also works very minutely to manage our working capital



cost. And that's why this mix of foreign currency versus domestic, working capital loan, use of LC, etc., comes into play, because we always like to keep the weighted average cost of capital as low as possible so that even on this kind of utilization, if you remove the foreign currency fluctuation of Rs.26 crores, the financial expenses for the company would be in the vicinity of Rs.100 crores on a standalone basis.

Nikhil Chandak: So, there won't be any scope even on the working capital debt to reduce this number of broadly Rs.3,200 crores on a consolidated level? IN fact, as the scale of operations of the company go up, as you are saying in the couple of years, the working capital debt number should only increase then, is that right?

Neeraj Kumar: Are you talking about aggregate or are you talking about as a percentage?

Nikhil Chandak: No, as an aggregate –

Neeraj Kumar: I don't understand. As an aggregate if I am telling you that my business is going to grow, then as an aggregate, there could be minor correction because now I would be paying a little less for every ton of raw material. But that's a percentage improvement. But if you are looking at if my raw material consumption going to go up, the answer is yes, because it's pretty linked. So, therefore, as a percentage to my top line, as a percentage to weightage, there would definitely be improvement as there is an improvement in the raw material prices. But, if you are asking me that my turnover will touch Rs.15,000 crores, but would my aggregate debt come below Rs.4,100 crores or Rs.4,400 crores or whatever that it is, the answer is unlikely because then it becomes counter-productive to use trade finance to support my business.

Nikhil Chandak: Maybe I need to compare this number with your peers how efficient or inefficient this number, their scale of operations, how much of that is getting funded through –

Neeraj Kumar: Please do so and I would encourage you share the numbers because if there is any learning for us, we would definitely take it. Rajeev Goyal would be very happy to engage with you on this.

Moderator: Ladies and gentlemen, due to time constraint, we will take the last question from the line of Pankaj Bobade from F1 Asset. Please go ahead.

Pankaj Bobade: Sir, since we are a pipe maker and the whole world is going towards green energy, especially the hydrogen energy, is there any scope for us to come up with some value added products which would both benefit us as a product maker and also where will be participating in this green energy revolution?

Neeraj Kumar: Two things. Value added product, as I told you, that is our constant endeavor. In every business segment, we want to. To answer your specific question on hydrogen, we are working on making sure that our seamless pipes or stainless pipes are capable of transporting hydrogen so that in the short-term, it can be used on those hydrogen containers, for the ships and long-term it can



actually be used for transportation of hydrogen. So, hydrogen is one, transportation is one thing that is very much in our radar and we are working to develop that product in our portfolio asap.

Pankaj Bobade: Given that there are a lot many players in this somewhere in the industry, by when can we see any such products launched from our side?

Neeraj Kumar: Very hard to put a number, because we yet do not have even a good handle on when actually the hydrogen transportation would become a need on a commercial basis. Because at this point of time, hydrogen being used only in cars, etc., after more like an experimental. So, hydrogen and especially green and grey hydrogen to become absolutely commercial commodity, we still are a little further away. But, we are developing those products. Very difficult to give you a precise quarter or a month on it, but, it should happen soon.

Moderator: I now hand the conference over to Mr. Vikash Singh for closing comments.

Vikash Singh: Thanks, everyone. On behalf of PhillipCapital, I would like to thank Jindal Saw management for giving us the opportunity to host them for the concall. Over to you, sir, for any closing comment.

Neeraj Kumar: I need to thank the investors. As we have been saying on the last few quarterly calls that please be patient, our time is likely to come, it looks like now we are on the cusp and from here on we have a visibility where the next 18-24-months for us should be good and it should put us into a different pedestal because by then there are other activities which are taking place in terms of corporate reorganization, M&A activity, capacity expansion, product developments, value addition. So now, for the next 18-24-months, we will get the traction of a good market and we believe that we would transition into a different era for Jindal Saw in terms of all of those or a combined positive impact of all the other activities that we have just listed. So, I need to thank my investors. I really appreciate that they have been patient. The market cap is not reflecting our fundamentals, but we also have a firm belief that it may take some time but now the market should start looking at us in a different manner. Hopefully, we should get this NTPC out of our way soon, because we also understand that is putting a lot of weight on our market cap and then I am sure there would be a lot to cheer for we as a company, investors, and all stakeholders around. So, with that, thank you very much and see you next quarter. Bye.

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