"Jindal SAW Limited Q4 FY-20 Earnings Conference Call"

**June 29, 2020**

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| **MANAGEMENT:** | **MR. NEERAJ KUMAR – GROUP CEO & WHOLE TIME DIRECTOR, JINDAL SAW LIMITED.**<br>**MR. VINAY KUMAR GUPTA – PRESIDENT & HEAD (TREASURY), JINDAL SAW LIMITED**<br>**MR. NARENDRA MANTRI – PRESIDENT & HEAD (COMMERCIAL), JINDAL SAW LIMITED.** |
| **MODERATORS:** | **MR. ANAS DADARKA – EMKAY GLOBAL FINANCIAL SERVICES.** |

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY20 Earnings Conference Call of Jindal SAW Limited, hosted by Emkay Global Financial Services. We have with us today Mr. Neeraj Kumar – Group CEO and Whole Time Director, Mr. Vinay Kumar Gupta – President and Head (Treasury) and Mr. Narendra Mantri – President and Head (Commercial). As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anas Dadarka from Emkay Global. Thank you and over to you sir.

**Anas Dadarka:** Good afternoon, everyone. I would like to welcome the management and thank them for giving us this opportunity. I would now handover the call to the management for the opening remarks, over to you sir.

**Management:** Good afternoon friends. I hope all of you are keeping healthy and safe. As you all know, this Saturday we had our board meeting to declare our annual results. But before we go to the results, let me address the impact of COVID and the pandemic situation for the Jindal SAW and the larger PR Jindal Group. You would be very happy to note that in the entire Jindal SAW company which is a standalone company having more than 10 manufacturing locations and a corporate office in Delhi with regional offices. There has been zero, mark my words that has been zero reported COVID cases in any of our factories and all the units are running near normal, because we have put a very strong protocol and we have made adequate preparation in terms of self-quarantine tie with hospital, keeping our self-quarantine facilities completely ready to accept any quarantine people and also we have other protocols in terms of restricted movement of employees, social distancing etc. If you go to our website, you would be able to get some glimpse of these measures. You will be glad to knowthat we have zero reported cases of COVID in any of our units, in our head office we have as you know, Delhi we have two offices. One of the offices have reported a few cases. But the good news is they all have successfully come out of it and we call them COVID warriors in fact that team is now even stronger because they have developed that immunity. So, in short Jindal SAW is taking all the precautions. So far it is showing results and we have had minimal negative impact due to COVID on our current operations when the government of India announced a lockdown in the last week of March till April end in fact, from May 4th, we started opening up after requisite approvals, but during this period the operations were impacted due to the national level lockdown. So, we lost about last two weeks of March, which is reflected in the current financial results. Because as you know there are two weeks but they are significant, because typically our fourth quarter and that too towards March, the business really spikes because of the government budget ending period and the push to complete everything. So it did impact our financial results that we are going to discuss today for two weeks and the month of April was impacted in terms of operations going down to the minimal level that was permitted by the government. But we were among the first to get all approvals from the authorities to open up and that's how we created all these facilities to give the confidence to the authorities and since then, our operations have ramped up and now we are almost operating to near normal so that's a good effort, resulting in a very satisfactory result. Going forward, we will see how the COVID is going to have an impact on our future business. Now turning our attention to the results. I would like to divide this into simple modules because it's important for all of you to understand the results in the correct perspective, the first impact of COVID in last two weeks of March, it did impact to the extent that at least we lost about 75 to 100 crore of EBITDA in the financial year ending 31st March 2020 on account of this sudden severe lockdown, because there were a few export consignments which were large which we could not send due to the lockdown. So in our estimate, we lost about 75 to 100 crore of EBITDA due to the lockdown resulting out of COVID in the financial year which we are discussing now. Be as it may still if you see, we did manage to keep our top line flat, in fact as opposed to 10,051 crore this year we close at 10,327 crore. That happened with a lot of effort to make sure that all our accounts invoicing, everything happened even though we were facing the lockdown situation in the last two weeks. In terms of EBITDA it was again a similar situation. I'm now not counting of what we lost or opportunity lost because of the lockdown. As opposed to 1517 crore of EBITDA last year we did manage this year 1552. Now, this is where I need to draw the attention of all our friends, that look at now the fundamental strength of Jindal SAW as a pipe manufacturing and selling unit, as we have always been saying that we have made or we have got a business model now which is very resilient. We have got a business model, which is very robust and this result again is a testimony to that effect that at an operating level now Jindal SAW has become fundamentally very strong. If you see the percentage wise also EBITDA percentages and all other percentage. They are all in a similar range of what we have been showing over the last few years. Now turning our attention to the extraordinary item you have seen an exceptional write off of 134 crores. Now, this again please look at it in the perspective over the last few years we have been in the process of cleaning up all the legacy issues taking it on our chin but making sure that one after the other we completely insulate or ring fence Jindal SAW from all these legacy issues. So in this 134 crore of write off, which constitutes 102 crore towards our Italy operations, 14 crore for Jindal fittings and 19 crore for Algeria operations. Please note now Jindal SAW is completely free and when I say completely free we are 100% insulated from all the three write offs that we have had means going forward now, there is no possibility of any write off on account of Italy, any write off on account of Algeria and any write off on account of JFL because now the structure of JFL and for Italy and Algeria, we have just cleaned our balance sheet 100%. We took this opportunity this year to do it primarily because we do not know the uncertainties that this pandemic is going to build, especially in Italy situation where anyway we wanted to scale down our operations from finishing just now to trading for a small presence in Europe which we need and the rest it was becoming very uncertain. So we thought it's now prudent to at least get the investors, stakeholders, a clear message that now Jindal SAW is completely insulated from the Italy operations. Likewise, in Algeria we have again taken a complete write-off and all these at this point of time are by way of provisions. So, there is no possibility of any further negative impact but we have all kept it as provisions for now, because there could be some more collections that we have in Algeria, if that happens or there could be some improvements in Italy operations. So, any of these happening may and I emphasize may result in some write-back but definitely there is no possibility of any more write off on account of Italy operations and Algeria operations, because everything has been provided for in these accounts. Coming to JFL. As you know this fitting unit is a part and parcel of our DI pipes. It gives us a lot of significant advantages, because it makes us among the few players in the country who has pipe manufacturing as well as fittings. You would have seen that now government is coming out with some tenders where we do get significant advantage over only few manufacturers, suppliers. So this unit strategically is very important. On a standalone basis, there were some losses which were being incurred. So now under our operations, management and maintenance arrangement, this unit at an operating level has been fully integrated with our DI plant and therefore all these possibilities of any more losses occurring on JFL has been completely ruled out because now it operates as an integrated unit with JSAW. So, therefore now there is 135 crore of provisioning, it did impact our current year results, but going forward this is the end that is no more possibility of any more provisioning in Jindal SAW, on account of these three accounts. Now that leaves Jindal SAW with the following meaningful subsidiaries when we look at our consolidated result besides Jindal SAW because we all have seen how robust now Jindal SAW has become so among the other subsidiaries is our Abu Dhabi operations. This year our Abu Dhabi operations also did get impacted by the

COVID, but still our this year performance has been better than last year's performance and currently, we have a very robust order book. In fact, this month, we are likely to do far better than what we have been doing. And you have JITF, JITF as you all know, there are hardly any operations. So whatever cash flows that we earn is more or less sufficient to keep the operations going. So it's a very small scale cash neutral transaction. The big thing in JITF is this litigation with NTPC, which this year, we did get an additional 500 crore. So, to put it in perspective, out of our total award of about 1800 an odd crore of principle, plus till the date of the award it all added up to about 2200 crore we have received 500 crore this year plus 356 crore earlier so, that makes total of 856 crore has been received this year, up to this year. And now as the Courts begin to open we hope this NTPC appeal or the judicial process to reach its conclusion. So, receiving this 500 crore also adds #A to our liquidity. #B, it adds to our confidence that yes, everything is moving in the right direction and we are most likely to get the entire award that gives us that additional bit of confidence.

The third subsidiary is JFL, which we have already spoken about that it is operated and integration has happened. Likewise, now on Jindal Quality Tubular, as you know we had this joint ventures or a 66% subsidiary of Jindal SAW where through Jindal Quality Tubular we entered the stainless steel pipes and tubes market. Now, we have integrated our carbon steel, alloy steel, stainless steel, tubes and welded pipes market that has put us significantly ahead of competition because there are players who are in the stainless segment and there are players who are in the seamless segment we are the only one who have the entire range and it has begun showing results. The other significant thing that has happened in the segment in an integrated manner is that we have got this exclusive strategic alliance with Hunting, which gives us again a significant advantage in being able to go for value added products in being able to give the premium connections and in this area, there is a significant push from the government side to take this Atmanirbhar

Bharat forward. Already a whole lot of products that were imported so far by organizations like ONGC, etchave been taken out from the import list and put it in the India list. And, all of you would be happy to note on most of those products whether it is 13 chrome ordrill pipes we have received developmental orders already. We have tied up all the raw materials domestically and we are well on our way to execute these contracts on time. So, the moment that happens, it would give us a unique position to then take over most of the domestic market share, which will give us the necessary track record to address the global market of these value added segments, where it is at this point of time dominated by few players. But with Jindal -Hunting combined, we are confident of being able to break into this high value added segments of carbon alloy and stainless steel tubes and welded pipes market.

So, having got that operations, all integrated, they are again through an OMMA arrangement we have made sure that JQTL also integrates well with Jindal SAW. So therefore now what you are left with are these four subsidiaries of Jindal SAW, Abu Dhabi which we discussed, JITF that we discussed, Jindal Quality Tubular and Jindal Fittings both have been integrated with Jindal SAW with the OMMA arrangement, so now looking at this whole picture going forward from a balance sheet from a consolidation purposes. Jindal SAW is a now completely focused on five business which is its core business but for JITF where this arbitration award is there. Every revenue, every penny that comes from its core business, which is largely now under the direct control of Jindal SAW except for the DI facility in Abu Dhabi, which is in the subsidiary and that also as I said is improving year-on-year, but we would have liked to see a better in fact at this pandemic which has not happened maybe we would have seen a better result. So, that is how now you would see Jindal SAW moving forward both on a standalone and consolidated basis. Currently, you look at our order book we are in a very healthy position where we have 11,50,000 tonne of orders in hand. Already mentioned that all our operating units are, all the factories are working near normal.

So this gives us a lot of confidence that this year starting now is definitely going to be a normal month normal year for sure. Unless there is only caveat this pandemic again forces an unusual circumstance of another lockdown, etc etc . Otherwise, we are absolutely confident of a normal year going forward. May we did good business as we ramped up and did much better than all our peers. April, the business was low because of national lockdown. So that's how we see the year panning out, beyond that if you want to look at what happens so if this year we are almost having a near normal 10 month years. Beyond that we see a lot of good news for us. Essentially, as I mentioned to you the Atmanirbhar initiative of Government of India, import substitution, less reliance on China. All are absolutely fantastic news for us. Second, the Jal Jeevan Mission and all the other initiatives that G of India is taking in terms of infrastructure, rural infrastructure and other infrastructures development. All are good news for us. ONGC Oil India, the oil and gas majors in India, again we have not seen any slowing down because of the oil prices, etc . So, we do see a very, very strong domestic market which is very, very encouraging for us. Export market also now with the oil prices going back to the 40s, low 40s. We have seen some traction on the projects which were held up, opened up but anyway our reliance on export is not that much and now with Atmanirbhar Bharat gaining momentum, we expect that export as a percentage of total top line may decline a little bit more. So we definitely see very good future for us. Beyond that 12 months period that we are talking of which is the next year scenario. We are fully ready, we are fully geared and our systems and process all are in place to take care of all of these situations. Turning ourselves to how we dealt with the pandemic situation one very important aspect that I would like to bring to the notice of all of you. During this period, Jindal SAW, the whole PR Jindal Group, we managed our liquidity position very, very well, to the extent that we always had enough resources with headroom available. We have not delayed any payment to any vendors. We have not resorted to any salary deferments or salary cuts. We have not looked at any of those retrograde steps that we had to take because of the liquidity crunch. As we speak, we still maintain a very good financial position to the extent that the first moratorium which was announced by RBI. Since we were in the middle of the whole pandemic, we did not have there was uncertainties. We did avail the first round of moratorium which was for first three months on our principal and interest repayment. But the second round of moratorium that has been announced by the RBI and the banks, etc are there, our Treasury team is evaluating it. And there is a good possibility that we may or may not even take it. So, this point to maintaining our financial discipline, liquidity position. I'm also happy to let you know that the rating agencies have reaffirmed our double AA stable as well as the A1+ ratings, we are in the market now even to get some commercial paper because our ratings permits that. So, on the liquidity financial management and treasury management, the company has relatively become even more stronger. All our accounts have been reviewed again post pandemic by the rating agency and we have not received any formal information, but we were also told that we should feel satisfied and happy because wherever they have found anything they have already communicated. So, the sense I repeat, we have not got any written confirmation from the rating agencies, but the way we understand no news is good news because they have already reaffirmed our rating. So, the status quo is maintained. So, that is where our rating agencies stand. If you look at our debt position on our total debt 4000 crore, 4,061 crore last year, this year we close to 3500. So, there has been an overall reduction. If you look at this term loan, it has now come down where our debt to term loan EBITDA ratio if you see it puts us into a very, very healthy position. The rest is all working capital, I keep on repeating this, that working capital loan for Jindal SAW where we have zero write off inventory and zero write offs on or near zero write offs on receivables should always be taken as a self-liquidating perpetual loan and therefore, it does should not cause any concern to any of our stakeholders. So, we do see ourselves even on a console basis, if you see from 5600 to it has come down to 5000 crore. So, overall debt position has improved, will continue to improve our liquidity position is very strong. We do have some transactions in the pipeline where we would be able to further improve our liability profile, bring our cost of debt down and in the whole process, we wanted to also make sure that we give or reaffirm our faith in our operations in the robustness of our entire financial results and therefore, even during such a year we have maintained a 100% distribution of dividends. Going forward we only expect that these things are going to improve and improve further. So, let me end by giving all of you confidence.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Sir you spoke about the JV we did with Hunting. Have you spoken about the update on the Satavahana part sir, what is the, currently the status on Satavahana Ispat?

**Management:** Satavahana Ispat it should suffice to say that at this point of time we are having very meaningful discussions. And maybe we should be in a position to give you some firm announcements in the near future.

**Saket Kapoor:** Maybe the next quarter sir?

**Management:** Sorry?

**Saket Kapoor:** In the next quarter itself sir?

**Management:** Yes, in all probability we should be able to give you some news in our next investor call that we have maybe after the quarter.

**Saket Kapoor:** Right sir. Sir about this exceptional item part of 135 crore all these are related to be non-cash items, there is no cash?

**Management:** Yes, they are all related to non-cash items #A. #B, they are all related to a complete cleanup. So now it's gone all non-cash, prior legacy issues which we have just cleaned up our balance sheet 100% from these issues.

**Saket Kapoor:** Sir you have been harping on the point on improving confidence in investor community through your initiatives and the endeavor always been, but that is somehow not translating into the market cap for the organization and the wait for these investors has been too long, if we compare us being a pioneer and a leader in the sector, having a diversified portfolio with other peers of yours, they are commanding higher PE with a better investor profile. So, with all the good work which you are doing and will do going forward, where is the disconnect between investors, I'm talking about mutual funds, I am talking about high networth investors, none of the people are buying your story, although it is very well articulated in your numbers reflected in the cash flow statement, but there is a disconnect sir and some introspection needs to be done, why is this?

**Management:** I take your point fully and we do on one side, assume full responsibility that yes, we have not been able to position ourselves the way the fundamentals of Jindal SAW reflect but, we also believe that it's not a disconnect probably there is a time lag because maybe the investors are or the stakeholders are just taking some time to get fully convinced about the whole story. So, we do take responsibility and I agree with your point that a book value of over Rs.200 shares trading at whatever it is trading at. It is definitely not what it should be because we know the fundamentals, we know the performance, we also have been walking very sincerely in the path of reorganization, cleanup everything that we have said but we are confident that investors would soon get the confidence they would get that serenity that is they need to be able to see the path that lies ahead for Jindal SAW. And very soon we should see a catch up and a true reflection of our market cap as a shareholder value or a stakeholder value. So, I agree with you and as I said, we do take responsibility on this. We are doing our best, I must tell you, we do our best to answer all questions in all sincerity to make all the representations to make. One thing that we don't do is yes, we don't do we have not launched a massive PR exercise or we have not launched a massive exercise to, put all of those that we have not done because at this point of time, we would rather like to focus our attention, energy and everything on building the fundamentals of the organization, because we that there is a time lag on this and stakeholders would definitely give us the attention that we deserve very soon.

**Saket Kapoor:** Sir, what is your take on the dividend distribution policy and the ESOP policy?

**Management:** As I mentioned to you the ESOP policy is already in place and we are going for a situation where now depending on the things, the way things move the ESOP policy is very much in place the company has set up, it has got a corpus of funds, and it is going ahead with his entire plan, where the economic benefit of the movement in the share prices would definitely be shared with the select group of people, which is the senior management to start with and slowly we have our intention to percolate it down to operating level and then we see how far we can go about it.

**Saket Kapoor:** You mean to say exercise options for the employees or what is the thought process, what is exactly we are going to do?

**Management:** We have set up an employee welfare trust, they are going to be an independent trust and they would have a corpus of money which would be investing essentially in Jindal SAW shares and all the selected employees, first senior management, second tier strategic people then take it to the unit heads and the operating people they would all get the economic benefit of the entire capital appreciation or markets appreciation. So we are going for the SAR model rather than giving them a right to buy etc. Because then we don't want to get into a situation where the employees have to make initial investments and get into those issues. So it's a simple structure where all the selected group of people within the system would get the appreciation the economic appreciation, which is the SAR model.

**Saket Kapoor:** Right sir. And coming to the tax dispute, we were finding a lot of assessment, pending assessment with the tax authorities. So with Vivad se Vishwas scheme under implementation what is our understanding out of the number of the amount that has been ascertained by the auditor, what should be the figure we should be offering going forward, have you done any internal assessment on the same sir?

**Management:** Some of these small issues, yes we are resolving through Vivad to Vishwas and all of those. But we also see that some of the assessments that we have got whether within the just Jindal SAW or some of our group companies, we very strongly believe that the first order or the working order assessments, they have gone beyond the reasonable limits maybe because they have their own pressure of meeting targets or whatever. And we are not going to relent on that, we are going to fight that and fight that well, because we are very, very confident of our position. So, our entire income tax, we are going to divide it into all, we have put it into two buckets, one which are marginal small and not, or insignificant or maybe not having too much impact. We will in the, we have done our cost benefit effort analysis. So, we will go and settle it under that Vishwas another scheme, but there would definitely be few that we are going to, we are already contesting and we will contest and we are hopeful of a win you will see those results soon.

**Saket Kapoor:** Right sir. A very small point and I'll join the queue sir, for the investor presentation part, they need to be serious work done on presenting our numbers with more elaborate discussion in the print form itself. That is a bit of lack, if some more work could be done and suggestions offline can be taken from investor at last. Thank you.

**Management:** Thank you very much.

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

**Parthiv Jhonsa:** Sir, I've got a couple of questions. Can I just know the production numbers for FY, this current FY20?

**Management:** The production numbers you are talking about the tonnages?

**Parthiv Jhonsa:** Yes, the tonnages.

**Management:** Okay, I'll give it to you. With those at 1259.

**Parthiv Jhonsa:** That is a sale figure?

**Management:** I have a sale figure in front of me.

**Parthiv Jhonsa:** No, issues that also works fine for me.

**Management:** 1259.

**Parthiv Jhonsa:** Okay. Sir, I was just going through your results and I think in the note number one itself you have mentioned that under one of your subsidiary you have won some order of about 1800 and 90 odd crore plus interest in all out of which we have already received 850 crore so about 1000 crore plus spending. So any timeline on that, that when you'll receive those 1000 crore?

**Management:** This is that NTPC that we talked about, I gave you the detail. So the moment the High Court opens we would go through this whole process and we expect that the matter they should take again, it's very difficult to take call on the judicial process, but not more than 12 to 15 months further because we have moved in this a lot and we already have received.

**Parthiv Jhonsa:** Yes, I've seen a delay from quite some time that is the reason.

**Management:** Yes, so maybe another 12 to 15 months, we should be able to get through this.

**Parthiv Jhonsa:** Okay. Sir any plan on the debt reduction not the working capital, but the other kind of debt reduction any plan on that going forward?

**Management:** Debt reduction will happen as this the thing happens because**.**

**Parthiv Jhonsa:** Any guideline for this year that what kind of debt reduction can be planned for FY2021?

**Management:** Maybe as per the repayment schedule we have about 300 crore of reduction. So, that would bring the debt to less than the EBITDA that we would be earning for this year.

**Moderator:** Thank you, Parthiv we would request you to please come back in the queue as we have several participants waiting for their turn. The next question is from the line of Vikash Singh from Phillip Capital. Please go ahead.

**Vikash Singh:** So, I just want to understand our debt reduction of closed to 500 crore if I look at the balance sheet and the EBITDA which we have done a lot of working capital has also been released. If I look at the inventory figures and the debtor figures has also come down, so it seems a little bit disconnect in terms of our cash debt reduction. So what I'm missing, if you can just explain?

**Management:** Okay, don't take it as a disconnect, and I told you the last two weeks in terms of our dispatches, in terms of our revenue booking, did get impacted due to this COVID for which I already mentioned that we did lose amount of EBITDA that we had estimated, but our effort to dispatch, our effort to collect did not slow down. And therefore, as it is during the last quarter, we do run a very deliberate and very determined campaign to collect our money to liquidate our inventory and that effort continue which resulted in the reduction of working capital. That happens year-on-year in terms of now we do have a very focused effort both on our inventory as well as on our receivables.

**Vikash Singh:** No, sir actually what I was just looking at the roughly , 500 crore of a total reduction in working capital plus we got this NTPC money also right, 500 for this year, against and we have done this wonderful EBITDA of on a consolidated level of above 1500?

**Management:** Yes, so let me just hold you that, that entire 500 crore that came under NTPC did not come in Jindal SAW parse it came down to subsidiary of JITF and then it had to be distributed a little bit here and there in terms of we had to give a bank guarantees or something went to the group company so that entire 500 which shows up in the consolidated balance sheet will not show up in the Jindal SAW balance sheet because not all 500 came in Jindal SAW from JITF.

**Vikash Singh:** Understood sir. And sir second question in terms of the market so is it understandably that last two months the order booking might not have been that strong, but what is your sense in terms of your order booking in India as well as the exports market and how do you been seen out of this 1.1 million tonne of order book is any question which is the customer has told you that they are getting is delayed or cancelled, if you could explain these two points?

**Management:** In fact it's the other way round we are getting we have a, this is what we have given you is our current order book means contract in hand, again let me clarify different people choose different parameters to define this but when we say 11.5 lakh tonne of order book means these are the contracts that we have in hand, which we are going to execute. Plus, if you look at our sales funnel, sales funnel as in orders in pipelines where either we have participated in tenders, or we are in active discussions, or we see that those projects are almost on horizon, we feel very confident we have a very, very healthy order book. Plus we have a very healthy sales funnel as well. So, in fact at this point of time our assessment is that if there is no major disruption because of this pandemic, then our year closing order book should be even higher than what we have at this point of time. So we would be doing good business during this year where we will complete all of these orders, and we would also be booking some very good orders. So my 31st March 2021 order book should be healthier than what we have currently.

**Moderator:** Thank you, Vikash we would request you to please come back in the queue as we have several participants waiting for their turn. The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.

**Manish Bhandari:** Going by the split of two questions. My first is I'm missing your commentary on the UAE about what should be the future of UAE and what kind of profitability one should with this division in next and with the subsidiary for next year or so, that's my first question.

**Management:** UAE as you know, in terms of business it's a DI business which is a part of our core business. Second, even during this situation where we ended the year with a pandemic, this year's performance on 31st March performance was better than the last year's performance. At present, we do have an order book and a visibility which is very, very healthy probably in the last 24 months. At this point of time, what we are sitting at as an order book is very good, as I mentioned that during this month, the kind of dispatch that we are looking at probably it would be among the highest over the last six months that we did. So, all indications Manish are towards positive trajectory for our UAE operations and therefore, we do have confidence that during this year hopefully we should be able to turn**.**

**Manish Bhandari:** Sure. My second question is regarding your Nashik and Nagothane plant as well as the stainless steel piping business so what kind of revenue and some broad contours of profitability one could expect out of this division?

**Management:** Okay, now it's not just Nashik and Nagothane, Manish as I said now we have integrated our stainless, seamless business which is alloy steel, carbon steel and stainless steel, seamless pipes and tubes as well as welded pipes and tubes. So that is distributed over four locations Nashik does the carbon and alloy seamless business, Nagothane has an extrusion as well as a hot facility. Now this extrusion facility is we are among the two or three players in the country where we have this extrusion facility and our extrusion facility has the maximum diameter capacity. So, in terms of the kind of diameters that we can extrude nobody else in the country can do. So, this exclusion we can do both for carbon alloy as well as stainless steel. Then we have our Samsonova facility which is into large dia stainless steel pipes, we can go up to 14 inches diameter pipes there now and then we have our Kosi facility which is into smaller diameter welded as well as seamless stainless steel facility. So, now you should look at all these four together and as I mentioned, a lot is happening on this front in terms of our Hunting relationship in terms of Atmanirbhar in terms of ONGC in terms of our entering into new market. So this, in fact is an area whereas Jindal SAW and JQTL now combined through OMMA, we should be seeing a lot of activity and traction. Now, in terms of numbers, this again maybe we should be able to cross all put together 2 to 2.5 lakh tonnes is what we should be looking at crossing this year from all these four facilities combined, our effort is to move into high value added segment you will be very happy to note that we are executing a 13 Chrome order for ONGC which has just been taken away from the import list and given to us. Likewise we are also doing 13 Chrome, 958 plus, drill pipe developmental order so, lot is happening there Manish we should, which gives us a lot of cheer, happiness as well as both.

**Moderator:** Thank you. Manish we would request you to please come back in the queue as we have several participants waiting for their turn. The next question is from the line of Himanshu Lakhani from JM Financial. Please go ahead.

**Himanshu Lakhani:** I had just one question which is slightly about the product part. Is there a 304 part of your product profile stainless steel?

**Management:** Yes, 304 is the base kit, 304, 304L, 316L these are all based categories. Now we are wanting to move right up to six cities and maybe seven, eight cities. So we want to now actually get into all of those exotic grades. So yes, 304 and 316 and 304 and 316L both are one of our base products that our stable product, but as I said the effort is to keep on moving up the chain for four cities and six cities and then eight cities.

**Himanshu Lakhani:** So, basically the reason I was asking about this was that I've been given to understand by so many stainless steel articles, utensil kind of articles manufacturers, that there is an acute shortage of 304 in India, the manufacturers are not able to supply in time. This was with reference to a major export inquiry from United States in terms of large number of containers and not the sheet. It was basically a manufactured final product, but their procurement sources in India were very limited and they say only China was the only player now, it was being imported from China all the time for them now?

**Management:** So now they have a very viable alternative and we have created sufficient capacity and that's what during my previous answer to Manish, I did mention that we are all very hopeful, excited and happy about all of these coming up, you are absolutely on the dot when you say that this segment largely was being important and that took from China and now government is very focused on all of these to move away under the Atmanirbhar if there are Indian players who are there to take advantage of this opportunity and who are there to fill the gap. And we are very much in that space.

**Moderator:** Thank you. Himanshu we would request you to please come back in the queue. The next question is from the line of Sailesh Raja from B&K Securities. Please go ahead.

**Sailesh Raja:** Sir could you please update us about stainless steel division, how we performed in FY20 in terms of both volumes and profitability. And also could you please tell us about the sourcing of raw material investigation and how much is imported and what is the range we have and do we have integration facility for distribution and how much volumes we are targeting in the next two, three years?

**Management:** Okay, your question is largely on stainless steel, first most important we are trying to work with some very high quality vendors and we are trying to develop them so that we are able to get everything domestically because looking at the current scenario, we need to and we must, and we are working towards it and so far the vendors have supported that initiative that we must insulate ourselves from imports when it comes to even raw material for our stainless steel business. So there are very good quality players in the country who are capable of and we have started trial production with them so that we make it completely indigenized or Indian product, which will also help us in strengthening our supply chain because then so much less reliance on the shipment, et cetera. Going in terms of the tonnage, since we are in the process of ramping up all of these, maybe next fall which is after three months or so, we would be in a much better position to give you a guidance of the tonnages, et cetera that we are looking at over two to three year period. But at this point of time, as I said on a full year basis all put together we are looking at a business of 2 to 2.5 lakh tonne for this integrated business. Stainless, as I said since we are just in the process of ramping up, we would go for a rapid increase and maybe next call that we have we should be able to give you a better handle on the stainless steel demand, et cetera, the way it progresses.

**Sailesh Raja:** Okay. Sir could you please update us on feedback you are getting from EPC contractors for the water based projects with lower liquidity with both state and central government. So, any expectations of delay in working capital cycle for the current year?

**Management:** There we are seeing a mixed reaction in terms of some of these states where we have this project there is enough liquidity some of the states are definitely facing some liquidity but as far as we are concerned, as you would see our practice has always been to do most of our businesses on an LC basis. So, if the project gets delayed, the whole sale process would get delayed. But definitely because of this liquidity issues, there are no receivable issue that we are creating within our system that we know for sure. But now we are seeing the demand come back. In fact most of the supplies that were there in our current order book. We are beginning to see that there is enough traction we are just on the verge of closing this month and we have seen a good dispatch happening during this month also.

**Moderator:** Thank you. Sailesh, I would request you to please come back in the queue for any follow ups as we have several participants waiting for their turn. The next question is from the line of Deepika Gupta from Aequitas Investment. Please go ahead.

**Deepika Gupta:** Sir I wanted to know, what were the numbers in terms of revenue as well as profitability for FY20, for the Abu Dhabi division?

**Management:** Abu Dhabi, in consolidated okay. Just hold, revenue from operations in Abu Dhabi in terms of rupees crore, we got 756 crore. S.

**Deepika Gupta:** Sir and what about EBITDA?

**Management:** so about 750 crore of top line, 100 crore of EBITDA. So to that extent as I said there is some hope, which is there on our Abu Dhabi operations.

**Deepika Gupta:** Sure. And sir what will be the order book in Abu Dhabi?

**Management:** At this point of time it is about 1,50,000 tonne plus.

**Moderator:** Thank you, Deepika we would request you to please come back in the question queue for any follow ups. The next question is from the line of Urvija Shah from Isha Securities Limited. Please go ahead. As the current participant has kept the line on mute. We move to the next question which is from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead.

**Parthiv Jhonsa:** Sir, with regards to the very first question, which gentleman asked, just wanted to check on with you, though we are paying a 100% dividend that is Rs.2 on Rs.2, right?

**Management:** Yes.

**Parthiv Jhonsa:** But when you see there is as a percentage of the profitability there is not a major payout. What the company gives any reason for that because, as the first gentleman rightly pointed out a lot of these things eventually translates into investors having confidence in the company. Though you might, though your opening speech was absolutely perfect and amazing you gave a lot of insight into the company. But eventually on a broader scale you need to give a higher dividend payout so that at least something left on investors plate basically eventually. So any plan on giving a higher payout in future or maybe say a couple of interim payouts during the year because on a like about almost 500 odd crore of profitability only give like 65, 70 odd crore of dividend?

**Management:** We definitely appreciate what you're saying and at this point of time, at least for this year and at the moment where we are, we have to do a very careful balance of paying out at the same time making sure that we have good liquidity as I mentioned to you, we pay a lot of focus on the treasury and financial management. So, let me answer it this way. Had this pandemic's not hit us, you would have expected something different in terms of the dividend payoutfor sure, so going forward, yes you can expect in a normal year, but these are not normal times, we wish to make sure that we keep enough reserves for a rainy day. We wish to make sure that we have enough cash to run things very, very smoothly. As I mentioned to you and I'm reiterating, we never had to resort to any step, which was other than normal in terms of deferment and salary cut, vendor not payment, re-schedulement. We did not do any one of those as we sailed through this process. So you are right and we are conscious of the investor expectations and I'm sure in good days. We will share more.

**Moderator:** Thank you. The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.

**Manish Bhandari:** I have one observation to make in cut off in the process, many of the as the first participant shared and it's my observation also, if you can give the in your press release or maybe in your investor presentation, the operating ratios and the balance sheet ratios had the 1800 crore worth of NTPC payment would have come to us, how the balance sheet would have looked like including the return on capital employed, that would have solved many problems for the investors like us in terms of deconstructing the balance sheet, so if you could share that, that will be a great from the investor's point of view.

**Management:** Manish why don't I request and I again, I appreciate and I take your point absolutely spot on. So, my request would be, I would request my colleagues to maybe be in touch with you today, tomorrow so that the note that we usually circulate, the note that we circulate for the next call, we are definitely better prepared and we definitely give you all the information that will give all of you the confidence and the basic information that you need. However, only one thing that I would request, all of you to be sensitive to is please do not request for different segmental EBITDA numbers. Because please appreciate it is not that we don't want to share it. But please understand that is the USP of this organization, which has made the business model so robust and it is a very competitive sensitive information. So, it completely derives strength our entire pricing strategy derives strength from not reporting the or reporting only the consolidated dividend numbers. So, to that extent, I would request each one of you to be sensitive to it, because that is of utmost importance from a strategic pricing, perspective, rest everything that you are looking at, I would request my colleagues to be in touch with you. Please give us the format the kind of things that you would like to look at in terms of the kind of ratios that you would like to look at, in terms of the kind of adjustments that you want us to make and give you those Performa views. We would be happy to comply with to the extent that we can, keeping the regulation and other things in mind because I'm also always reminded by our legal and compliance team that how much of forward looking statement that we make, there is a certain constraint. So within that Manish, I take your point and we will be more than happy to update our note, make sure that next time onwards, all of you and this is not just to Manish, all people on the call. If you have any suggestions for us to share more information the way you want us to share, keep those a few sensitivities that I've already disclosed or explained to you in detail with the reasons please make sure that our colleagues are aware of it. We shall modify our investor note to give you all those information that you need.

**Moderator:** Thank you. Due to time constraints, the last question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

**Dhananjay Mishra:** Sir you mentioned10 normal month for this year. So assuming there won't be any provisions related to subsidy this year. So can we expect profitability will be slightly better or maybe equal to FY20 on control basis this year, if there is no further escalation in terms of COVID and?

**Management:** Yes. See, the thing is please don't ask me to put a number to the forward looking profit as I said, I'm not sure should we do that, but yes you should not see any major extraordinary write off, provisioning for next year that much I can tell you for sure. Because now all we have is all I have explained to you and if we have a 10 month normal period, plus May is also not a total washout. In fact, April was also not a total washout for us. We did do some business and we did collect some money. So the way April has moved, the way we have mapped up, ramped up in May and the way we are looking at June, we are confident that we should be able to give you a near normal and 10 month result for the current financial year.

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

**Management:** Closing comments are, I have to thank all of you for I know you have been with us for long and there has been a long way, other long way and therefore, as I said people who are with us, I'm sure it is because of the interest that you have in us. You see the fundamentals, you have kept us watch carefully and we are very conscious of the differential of the book value and the market cap let me say that and any help from any one of you is always welcome to somehow make sure that we are disseminating the right kind of information to the right kind of people, obviously in the most appropriate and proper manner. And I'm absolutely now happy to work with all of you to make sure that this bridge of market cap versus book value per share or book value is bridged as quickly as possible because we are now coming out of all of our legacy issues. And all of you have seen the robust or the fundamental strength of Jindal SAW how it has evolved over the last few years. So with that, let me wish all of you safe and healthy next quarter. We would come back to you definitely with more good news when we connect after the three months to discuss our first quarter results. Thank you very much.

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