

“Jindal Saw Limited
Q1 FY ‘24 Earnings Conference Call”
August 14, 2023

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MODERATOR: **MR. VIKASH SINGH – PHILLIPCAPITAL INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '23 Earnings Conference Call of Jindal Saw Limited hosted by PhillipCapital (India) Private Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal a Moderator: 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, Mr. Singh.

Vikash Singh: Thank you Michelle. Good morning everyone. A very warm welcome for the Jindal Saw results con call. Today we have with us from the management side Mr. Neeraj Kumar:, Group CEO and Whole Time Director; Mr. Vinay Gupta, President & Head Treasury; Mr. Narendra Mantri, President, CFO & Head Commercial. Without taking any time, I will hand over the dais to Mr. Neeraj Kumar: for the opening remarks. Over to you, sir.

Neeraj Kumar: Good morning, friends. This is a Monday bright -- Monday morning on the eve of Independence Day. So the first, let me take this opportunity to wish all my fellow Indians and if there are some participants from abroad greeting for the season on the eve of our Independence Day. India is definitely making these strides in the right direction. And as it appears, India would assume a space or a place of prominence in every field, which are important to the world.

Likewise, we have some happy news for you from Jindal Saw as well. Now, finally, we are seeing the -- some budding some flowering on Jindal Saw Limited. This is the culmination of a lot of effort in the last few years where there was a very clear strategy of working on a 3-pronged attack corporate reorganization and restructuring, dealing with the legacy issues, and addressing the operational matters. On all three fronts, as we have been talking, over the period, every quarter, there was a clear road map, and we kept on achieving milestones as we move forward. Now we are beginning to see our result, which is a culmination of all the three. And, it is also a clear indication that this is a beginning of a new phase for Jindal Saw.

So with these, let me very quickly run you through the quarter numbers that we have taken up in the Board. The Board has approved it. It has also been announced to the stock exchange. The top line INR3,831 crores as opposed to INR4,676 crores of the trailing quarter and INR3,019 crores of the comparable quarter last year. EBITDA, INR615 crores as opposed to INR673 crores in the trailing quarter and INR255 crores in the comparable quarter. However, let me point out to all our listeners the INR673 crores has a book entry which has been explained in my last call of INR84 crores in Q4 for the full year, about INR197 crores, which was essentially because of the accounting treatment of the change in the terms of the RPS with JITF.

So if you give that impact of INR673 crores, minus INR84 crores, you will see that it will follow through right till the PAT level. And then there is a pattern which is emerging that not only for the comparable quarters, Q1 last year but -- and Q1 this year, even on the trailing quarter basis, the businesses are beginning to show significant improvement. For the benefit of all the viewers and the listeners, Jindal Saw traditionally has always shown a cyclical nature, where Q1, Q2 is usually subdued, Q4 is the peak.

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So therefore, by the indication that we are getting in our Q1, it appears that this time also, as we did last time, Q4, we are likely to scale a new peak. That should give all of us an indication and a comfort that as an organization, we are confident that we are well poised for the next 12 months to 18 months. And this confidence is coming from various aspects of the business. I will get into the details as we move along, but healthy order book, good product segmentation, good value addition. So, a lot of things are going along, which is improving the fundamental strength of the company, and therefore, we expect that this momentum, this growth trajectory should continue.

So, let me just complete the full financial highlights. Financial expenses, INR130 crores to INR134 crores, which is more or less exactly the same from trailing quarter. Depreciation, INR108 crores versus INR99 crores. This is primarily because of the Sathavahana acquisition because now the Sathavahana assets have been added to the balance sheet, and therefore, this depreciation is largely on account of that. As I said, if you normalize the last quarter of last year, which is FY '23 results, then you would see that even on a trailing basis, the Q1 results are comparable or better in many fashion than the last quarter, which is usually the best quarter -- last quarter is always the best quarter for Jindal Saw.

Now before I move forward, let me also -- let our listeners, stakeholders, everybody knows that in our now presentation to the Board, in our annual reports and on our investment call, we are making a change because as things were progressing, we were getting a lot of feedback, ourselves also, we were feeling that the investors or the stakeholders are finding, analysing our results a little complex.

So, A, the effort was to as far as possible, simplify it for our stakeholders, investors, bank people so that they can have a better understanding of the results; B, align it in such a manner that the projections again get better aligned to the market dynamics; C, we also take care of all the strategic concerns that we had for Jindal Saw or we have been having for Jindal Saw. So, we have now come up with a new approach. If you all recall, we have always been saying that for Jindal Saw Limited, the USP the strategic advantage that we have is this is a multidivisional organization. By design, all these products have been kept in one legal --

Moderator:

Sorry, sir, please continue.

Neeraj Kumar:

So, as I'm saying, so by design, we have kept all these different product segments, etcetera, into one legal entity so that we have a very robust business model. So this was something that we wanted to preserve and we wanted to build on. Second, we are seeing now a very clear-cut emergence of 3 market segments, and all of them now are showing very clear-cut market dynamics. The third, since we are adding new products every day, but on our core competency, which is the pipe and tube segment.

The product segmentation was becoming very complex because there are complementing, supplementing, and overlapping products, same product being used for different segments, different products being used in the same segment and therefore, to put all these three to rest.

Now, we would be reporting our revenue broken up into industry segments. We have chosen three important buckets, water, which we believe is going to be now the driver for Jindal Saw for some time to come. Second important is oil and gas. Again, what we have seen an emerging trend that in oil and gas, there is a very strong international element. In water segment, on the other hand, there is a strong domestic element. And therefore, we thought it's important that we report these two segments separately.

And we also report that domestic versus export mix. The third segment, which is the market is for others, which includes our power and other things. So now, we would be reporting the results or revenue broken up into others, into oil and gas, into water segment, because these market segments are well defined and can always have more robust outlook projection stable. One simple question I just want to ask, where do we will be reporting the Pellets?

Management:

It will be a separate line.

Neeraj Kumar:

So, the pipe would be these three segments, the entire pipe segment. The Pellets would be a separate segment because that by itself is a segment by itself. It's an iron steel industry. And third, then there would be another segment also, which will have power, etcetera. So, Pipe would be divided into 3 segments. Pellet would be a separate segment. And the other small businesses like other income, etcetera, would be a third segment. That is how now we will be reporting all our results going forward.

So now keeping that in mind, let's move forward. If we see the consolidated results, I'm sure all of you are having the numbers in front. The consolidated results, there are only two important aspects that I want to make and then move on to more important aspects of Jindal Saw, which is the consolidated results of the -- consolidated other subsidiaries, associates are contributing to between 10% and 15%.

And therefore, we don't consider that to be so significant that we discussed that in too much detail in this call because there are very important other things about Jindal Saw that we want to talk, because Jindal Saw per se has become very large. So relatively, the consolidated segments contribute between 10% and 15% of Jindal Saw.

Second, all the segments, all the subsidiaries are positive, means they are adding to the EBITDA, they are adding to the top line. And therefore, with that, let me skip and as I said, for both consolidated as well as the stand-alone, the revenues would be shown and would be split in the industry-wise segment, as we have said, as we have not been doing in the past, for strategic reasons, we will not be presenting the EBITDA figures separately because that, as I said, is of strategic importance to us.

Turning our attention to the profitability and EBITDA. If you see, it has shown a significant improvement from a 12% to 14% range this time, first time EBITDA percentage to sales has gone to 16 range. Now, for the year-end, we definitely expect there is going to be an improvement, but this momentum should continue. But whether we still remain at 16% and above or a shade below, say, 16, maybe 15.9% or whatever it is.

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That would depend on the -- how the market dynamics are and how the shipments take place because this time in the order book, we also have some very large contracts and different contracts have different profitability segments, our profitability projections. So, based on how many shipments we are able to capture in one quarter and if there is any last spill over, there could be a slight fluctuation, but the indication, the trend of the EBITDA staying in and around 16 shall remain. A PAT of INR277. Again, we are very encouraged by the results.

And looking at now all of these three, the top line, the EBITDA, the PAT the rates are behaving. On a stand-alone basis, most likely or the year-end, it takes progress, both the way at this point of time, we are able to see. We could reach significant milestones on each front, which would be unprecedented for Jindal Saw. So, our top line, which was they were seen before and EBITDA beyond a certain threshold, which was not seen before. A PAT may be a significant milestone beyond a magical number, which was not seen before. So that's how we see our outlook for the coming year.

Moving our attention to just give you some breakup sales quantity this year -- this quarter, we did 3.68 lakh ton of pipes as opposed to 12.85 lakh tons of pipe. As we said that now we would be giving you the pipe and all put together pellets we did 3.92 [inaudible 0:18:36] lakhs in quarter 1 as opposed to 14.57 lakhs last full year. So that again gives us confidence that these numbers would be breached and would be improved on various accounts. As I told you, I will be giving you the breakup industry wise. So, oil and gas sector is roughly contributing to about 20%-25% of our revenue. The water sector is in around 75%.

The balance industrial sector is between 5% and 8%. If you look at the order book, they are also indicating a similar trend. We had an order book of \$1.44 billion at the beginning of the quarter. Now it stands at 1.39. So that's around 1.4. So a little, a slight deduction, primarily because now the production, etcetera, all have picked up. And we don't see a very significant change, but these are minor fluctuations because of some contracts in the pipeline, a few shipments sent. So again, it will stay in that corridor is what we expect our order book. The composition would continue to be water 70-75, oil 20-25, industrial sectors between 5 and 10. That's how we see our order book. That's how we see our revenue.

Currently, export because of the oil and gas emphasis and emphasis on the NEOM, which is a Saudi project, which is a major project that we have is 35-65 for the entire pipe segment. We hope that the export would remain at least about 30 of the year-end. So that's how we see the revenue composition. I hope, this new reporting, this new segmentation would give ease comfort to all our stakeholders.

Turning our attention to the debt. Last quarter has seen an increase in the long-term debt. This is largely on account of the Sathavahana acquisition funding debt coming on the balance sheet. Now, the long-term debt stands at close to INR2,000 crores, INR1998 crores at the quarter end to be precise, working capital, INR2,399 as opposed to March INR1136 crores to INR2637 crores, so as opposed to INR3733 crores December, INR3,059 crores, march end; the June end number is INR4,396 crores, which is largely because of the Sathavahana acquisition debt coming

on the -- but what is important, the treasury team has worked hard the repayment pressure on Jindal Saw, including subsidiaries also.

This holds true, has been very well balanced and spread over. So, now for stand-alone Jindal Saw, the debt repayment pressure, which puts liquidity under pressure is not more than INR300 crores to INR350 crores in a year. In fact, the way the stand-alone balance sheet stands within the year, 1.5 years, except for the LIC bond that we have, which is a long-term bond, as we have spoken about and the Sathavahana acquisition debt, there would be no other long-term debt. We will repay all of them. But every year, the repayment load will not be more than INR300 crores to INR350 crores. So, therefore, we are very comfortably positioned as far as the liquidity of the company is concerned.

Capex continues to be within control. We are carrying out improvements. We are carrying out capacity additions. We are carrying out modernization, but there is no major projects that has been announced on the horizon. So we expect the capex -- so, if you see the way the cash flows, there would be a lot of free cash flow is what we are expecting to come out of the would be largely used to pay for capex, pay for loan, use it for shareholder distribution. And also, we expect working capital reduction.

So aggregate amount because of the ramp-up of the operations, we don't expect the aggregate working capital loan to come down, but there is definitely going to be an improvement in the percentage of working capital loan to sales. So, that efficiency or that improvement our team is working, and we expect that we will achieve that.

So, more, or less, I think I have given you a good overview of how Jindal Saw is doing and will continue to do forward on how -- what is the outlook. We assure all of you that the management control, the visibility, the diligence that we are exercising or we have been exercising, we'll continue to do that. Let me address now a few other important aspects, which are material to Jindal Saw, even if it is not directly related to the operations.

The first important thing that I would like to mention is about the NTPC. But before that, okay, SIL. So plan, as you know, now is operating as a division of Jindal Saw. And during the first year of operation itself, we expect them to do very good capacity utilization to a sizable tonnage. We have the order book, and they should contribute positively to the EBITDA. Next year, we expect Sathavahana to start performing at its optimal capacity.

So, in the first year itself, and that is, again, a testimony to how the whole transaction was structured. The repairs and maintenance were carried out in the intervening time. First year itself, we are achieving a significant capacity utilization and the operations would turn EBITDA positive in the first year itself. So that's one important thing that I wish to let all of you know.

NTPC seems too apparently, it appears to have a setback, but the answer is yes or no? Yes, because even though the judge had ruled that no more extensions would be granted. But as you know, Mr. Solicitor General is representing NTPC on this. And therefore, he always is busy and has something to tell the court that he is busy with some constitutional bench, some important

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matter of government of India in Supreme Court, and that is how he has been able to get extensions so far. But this time, we just clarified that gives me one more date.

And then Solicitor General himself was there to clarify that, okay, give me two days, I will finish all argument. And this time, I will never come for any extension. If not me, this is the first time that he said in the court, that if not me, then somebody else will represent NTPC. So, that now at least gives us confidence, which is this month end, the next hearing that the hearing should start. He has asked for 2 days that he will finish all this argument. So we'll have to wait, probably when we are having this next quarter call, there would be some announcement that I can make for all of you.

But this is how it has developed in the court. I thought it's important for all of us to be aware of that and be on the same page because over a period of time, the significance of this whole thing has definitely come down because we have survived. We have learned how to have our finances become robust or work around it. But still, it is something that we are keeping an eye on.

The second, on the 2 very important aspect that I would like to point out is, now, we have entered the election year. And we expect that the momentum on infrastructure spend on the oil segment, on the oil & gas or domestic market to remain robust because I'm sure the government has a policy of using development as a major plank for their election strategy. So, we expect that because of the election year, the emphasis on the infrastructure spend on the projects which are nearing completion will continue, and that is good news for us, especially as we are contributing to those very infrastructures.

The second very important thing that we are noting and we are feeling happy about it. The Jindal Saw's shareholder profile is beginning to change. It has shown some significant movement where, as we have seen that now the share prices are reacting or the share prices are responding to the fundamental strength that the organization has built. And, we are seeing that there is a new class of shareholders who are entering the shareholders' list.

We expect that this would make our shareholders base more diversified and more robust. So, with all of these comments, let me end here, I'll leave some time for questions. Wish once again for all of you for a happy Independence Day tomorrow and a good year ahead of us as we move quarter-to-quarter. So, thank you very much. Let me stop here now for questions.

Moderator: Thank you very much Sir. We will take the first question from the line of Radha from B&K Securities.

Radha: Hi, sir, good morning. Many congratulations on very good results. Sir, my first question would be with regards to Sathavahana. Just wanted to understand what is the useful life of the assets in Sathavahana?

Neeraj Kumar: The useful life of the assets of Sathavahana -- see, Sathavahana as an organization, now it stands merged. So, now, as a going concern, Sathavahana has become a division of Jindal Saw. So, then it is as a going concern has the same life as Jindal Saw. Now talking about the equipments

and the assets, all these equipment and assets have gone through a major overhaul before we managed to take it over and finally begin operations. So, this would have a normal life that our new plant and machinery would have.

So, the way we operate that all these major equipment that keep on having a 5-year overhaul a few things get replaced at 10-years. So, it would run as normal operations of other BI facility that we have in Jindal Saw. So, for the purpose of depreciation, we are following company law. For the purpose of income tax, whatever is there provided by the thing we are following. So we don't have a differential depreciation policy for Sathavahana than what we have for our Samaghogha DI plant. It's exactly the same.

Radha: Okay, sir. Just secondly, I wanted to understand from the industry perspective and not particularly for Jindal Saw, but if you could give insight on what could be the average EBITDA per ton that DI players in India and in UAE are muted with the current cost structure and different scenario?

Neeraj Kumar: I don't think it would be appropriate for me to address industry kind of -- because that would be speculative, and this is being a Jindal Saw call, I would not be able to give you any guidance on the industry standard of EBITDA. I'm sure you would be able to check back with some of our other peers who are specific to their product.

Radha: Okay. And sir, lastly, could we get bigger volumes for India?

Neeraj Kumar: Madam, again, I have been trying to refrain from giving the product segment, look at the water segment of the 3,68,000 total pipes that we sold, roughly 75% have been sold in the water segment.

Radha: Okay. Okay, sir. Actually, that part of the call.

Neeraj Kumar: Give you a... Yes, let me just give you the one example so that you would understand why we should not get into that kind of a discussion or that kind of a problem when it comes to Jindal Saw. If you look at in team DI, we manufacture pipes from 100 mm to 1.2 meters in diameter. In the spiral or the LSAW segment, we again manufactured pipes, starting from the 16 inches, 18 inches, which would be around 60 to 70 -- 600 to 700, 600 to 700 mm and goes much higher. So a good 500 mm or 600 mm, there is a complete overlap between DI, spiral and the large diameter pipe, and both could be used for water.

We have actually, we have got this insight because some of our contracts, both domestic, internationally, we are seeing that because of the usage or because of other compulsion, customers are shifting from one product to the other, because both can transport water. And therefore, I would request you to please look at the industry segment, which you would have a much more information in the public domain and would make sure projections a lot more robust.

- Radha:** Okay sir, in the call I got disconnected. So that's had to ask you this question again. But I don't know if you have mentioned, but could you give us the oil, water, and gas breakup for the current order book?
- Neeraj Kumar:** Yes. As I said, oil and gas sector would be around 70, 75 -- sorry, would be around 20, 25 oil and gas, water would be around 70, 75 and others, which includes industrial, etcetera, would be around 5% to 10% in the pipe segment. The Pellet would be reported separately.
- Moderator:** Thank you. We'll take the next question from Riya the line of from Aequitas Investments. Please, go ahead.
- Riya:** My first question is in regards to gross margin on the monthly significantly. So, what part of the margin is attributed to inventory gains and what are the sustainable gross margins for us going forward?
- Neeraj Kumar:** Okay. Because -- just because of the liquidation of inventory, that's not a significant change. I have already covered in my initial remarks that the improved EBITDA margin is likely to now stay range bound in whatever is being reported now. Now, we are reporting 16%. So, it would be range bound around 16%, primarily because, a, the raw material prices have stabilized, quality prices have stabilized. We also have taken some effective steps in getting a price variation clause in the top line, so that there is some hedging and adjustment available.
- See, we have also moved up the value chain so that we have now products which are more value-added, typically having a higher margin. So, we expect our EBITDA margin to stay range bound around 16 a little above, a little below, because still it is down 16.05 based on the order book and the execution that we are able to achieve during our quarter.
- Riya:** Is it fair to assume that with the export mix being at 35% as far you're seeing improved risk margins?
- Neeraj Kumar:** Okay. I'm just thinking here because in the export, we also have a few very high-margin orders. So, yes, currently, the 35% export margin or 35% export component is helping the EBITDA. So it is a combination of, again, both -- that's why if you really see now the Jindal Saw results have become so complex because of the capacity, the size, the industry segment that it is best that we say. But to answer your question, yes.
- Riya:** And would it be possible to the exact margins for the DIA Model? On the main --
- Neeraj Kumar:** I don't -- when we are not able to share the EBITDA margin for the products we are asking for in a specific contract.
- Riya:** That's okay. And in terms of Hunting, when we say that we would be talking in Q3...
- Neeraj Kumar:** Yes, I should have -- I should have addressed one thing in my opening remarks. Okay. Hunting now we are going for our trial run. The final results are coming out very good. We are going for a brand opening where the senior management of Hunting are going to travel to India to make

sure that we have a formal opening during this year. And the grow part is that we still have an order book where, again, hunting as a subsidiary, which you will all get to see may show positive results even during this leftover period of this year.

So, it has entered the market on a very sweet spot. And I repeat, hunting all products would be in the nature of premium connections for oil and gas sector. Starting from the range of INR278 crores going right up to 36 inches, which are called the corrector pipes, pipes and tubes, casing pipes, drill pipes and all pipes and tubes between this size range made from different grades, which includes the CRA grades, the carbon steel, and the stainless steel.

So, a very comprehensive product size range, I repeat, 27 by 8 going up to 36 grades covering CRA, which are 13 chrome, etcetera, carbon typical, the commercial grade, alloy, and the steel. So far, the trial production is successful, is looking all the machines are behaving well, and we are hopeful that by this year-end, which will be 31st March '24, we should have positive results even in that subsidiary.

Riya: And will you be the ramp up completely in this year?

Neeraj Kumar: No. Capacity madam, ramping up would be probably we expect next year because anyway the max that we will get this year would be, say, 5 months to 6 months max. So, it will be less than 6 months. So the capacity expansion is next.

Moderator: Thank you. We'll take the next question from the line of Deepak Poddar from Sapphire Capital. Please, go ahead.

Deepak Poddar: Yes. Sir, my first step, I just wanted to understand now you said 16% EBITDA margin. So are we talking here on the console level or at the stand-alone level?

Neeraj Kumar: Okay. I clarified whatever was I was talking about is on the stand-alone level. Console this time purposely, I have not given the numbers or I have not discussed in detail because anyway, now it is within the 10% to 15% range of the stand-alone. So now the stand-alone has become significant and large. So, it's important that we focus on that. So, all the guidance, all the numbers that we discussed today on the call were largely on the stand-alone basis.

Deepak Poddar: Okay. Understood. Fair enough. Sir, I understood that. But, I mean, in terms of stand-alone, you did say that largely, it should be range-bound around this level. But because of the better performance in subsidiary, can we expect some improvement at the console level margins? Because I think the subsidiaries are doing well, right, for us?

Neeraj Kumar: Correct. But even if as even if the -- even if subsidiaries do very well. The impact overall on the console would be reduced because the entire contribution from subsidiaries are in the 10% to 15% range. And Jindal Saw is on an upward trajectory. So yes, what you are saying is correct, but will it make a significant impact, at least for this year, I don't think so.

- Deepak Poddar:** So, at the console level, also, we do expect this range bound to continue, right, what we did in first quarter largely?
- Neeraj Kumar:** Yes.
- Deepak Poddar:** I Understood. Fair enough. And sir, regarding the -- I mean, the central government capex plan, I mean, do we have -- have you seen any kind of indication or urgency you have seen where you're seeing the government is accelerating the infra capex or the Jal Jeevan scheme spend. So, any kind of indications that we have got as we speak now?
- Neeraj Kumar:** Yes. We definitely see the all the ongoing contracts are definitive pressure on supplies with a view to keep up to the calendar that they have for the project completion, especially for the projects which are likely to get completed over the next 9-months, there's a lot of emphasis to complete those projects so that they can announce the opening of the project.
- Deepak Poddar:** Understood. And in terms of subsidiaries, I mean all our subsidiaries are in green, right? In the first quarter?
- Neeraj Kumar:** Yes.
- Moderator:** Thank you. We'll take the next question from the line of Riya Jain from Pranjal Corporate Services.
- Riya Jain:** So, just a couple of questions, meaning the revenue side. I agree to your comment that you said in Q4 will be definitely have great revenues as compared to Q1 in Q2. But to understand this a little further, I want to know why as such in Q1 and Q2, the revenue has the lower side compared to even if we look at the stand alone. So from 4,500 to 3,700 now. So why is there this dip that has happened?
- Neeraj Kumar:** I have pointed out to you that Jindal Saw typically has quarter-on-quarter cyclicity primarily because a lot of our revenue or a significant portion of our revenue comes from where our counterparty or the client is government. As we all know, there is a huge amount of push in the government sector, whether it is state or centre to use their budgetary allocations and to complete the projects as their budgetary allocations come to a close. And therefore, we have typically seen the Q4 being significantly higher than the Q1.
- Let me just take an example of the last year itself. Q1 top line, INR3,019 crores and Q4 top line, INR4,676 crores. So if you see INR4,676 crores versus INR3,019 crores, it shows almost a 50% jump. So, if you look at the last few years' results, may not be exactly 50%, but the trend of Q4 being significantly higher than the Q1 of any typical financial year stays primarily because our counterparty being government of India and state government and their push to use their budgetary allocations.

- Riya Jain:** I have done this in terms of order book, so if I heard it right, because my line had just dropped in at that point in time. So you said the order book currently Q1-24 has been 3.98 versus the previous year when it was 12.5, was that correct??
- Neeraj Kumar:** No, madam. I was talking about the top line.
- Riya Jain:** Okay. Got it. Sorry. Thanks.
- Moderator:** We'll take the next question from the line of Saket Kapoor from Kapoor Company. Please, go ahead.
- Saket Kapoor:** So even my call dropped 2-3 times. So sorry, finally for early repeated question. What we said a better understanding from the change in inventory that we see for Q1, are the deliverables for Q2 greater than that for Q1 because we see the change in inventory to be team of INR400 crores on the higher side for Q1 end? This is a good understanding that deliverables for Q2 will be higher? Or if you could give some understanding?
- Neeraj Kumar:** If you see the supply in Q2 in terms of our total tonnage would definitely be higher than the supply in Q1. But, how much of that comes to the production and how much comes through the inventory liquidation is a matter of detail, which we will have to work it out because definitely, we are laying a lot of emphasis on liquidating and in the inventory. But the supply is going to definitely be higher. So, we expect the Q2 results to be an improvement over our Q1 results.
- Saket Kapoor:** Sir and coming to the Sathavahana story at now this being a merged entity and Q2 for taking given the credit as you have under given also, what should be the tax advantage on the carry forward docker because I think from a stand-alone, we have not made any tax provision for this quarter, current tax we have kept nil.
- Neeraj Kumar:** The current tax kept nil -- see the accounts team, the accounts and the tax team at this point of time are engaged very intently in discussing all of these with the tax experts, statutory auditors and all of those because another thing that has yet not been from us as yet is the gain or the addition that we are going to have in the capital reserve on account of this takeover. One thing we are very clear that the difference or the acquisition funding is less than the intrinsic value of Sathavahana, that at least has been sorted out, but the exact amount is still being worked out. So, once those things are getting worked out, then probably we will be able to get a handle on how the tax treatment of the same would be done.
- So probably, we would have that more towards the next year -- more towards the next quarter or even after that, because what I'm told is that valuation exercise for this to get a fair value of a concern is a complex excise. The experts are at it as we speak.
- Saket Kapoor:** okay. I got your point, and I understood it. But because of the carry forward losses, there has to be -- the tax incidence would be lower. This is understanding is correct. The fair valuation part would be a book entry, but Sathavahana an entity was having carry forward losses for over many years. That advantage would be entitled to Jindal Saw now because this being a merged entity?

Neeraj Kumar: Okay. Yes. For this year onwards, we would definitely get a tax break. But the quantum of it, a manner of it is being discussed and agreed between the experts and our accounting team.

Saket Kapoor: Correct sir.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Neeraj Kumar: Thank you all. Sorry, Saket, probably they won't take your last question because these conferences are timed and there is a hard stop, but I'm sure you could ask those questions to our team, which is handling the Investor Relations, and you will get all those answers. So sorry, once again, Saket, but must get your answer from the investor team.

I'm happy that now at least we have been able to get some cheer on our shareholders, stakeholders and I have to thank them for their humble wait because I know sometimes and I have gone through -- while they have been with us, they have gone through. We were together in a situation where seemingly, we were doing things right in terms of fundamentals, but somehow, we could not see the results, especially getting reflected in the market cap.

So I'm delighted. I'm happy that now that period is over. The share market is beginning to reflect the fundamental strength that we have been able to build in the organization. As I mentioned, the shareholder profiles are also changing, which is again a good news for us. We continue to do our good work continue on the path of dealing with the legacy issues with the operational issues, corporate issues are more or less taken care of with the latest round of merger, etcetera, announced. So, we'll continue to work on those 3 prongs. And we expect that we will close this year on a very positive note, while we would definitely cross some of the significant milestones.

So, thank you very much. Thank you for being with us. Thank you for your patience, and I hope to see you next quarter. Thank you. Bye.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of PhillipCapital India Private Limited that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.