

Q3 2012 Earnings Call - Jindal Saw

Dt-9 Feb'12

Operator

Ladies and gentlemen, good day, and welcome to the Jindal Saw Limited Q3 FY12 Conference Call hosted by MF Global Sify Securities India Private Limited. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kapil Bagaria of MF Global. Thank you and over to you, sir.

Kapil Bagaria

Thank you, Vrinda. Good evening, everyone. On behalf of MF Global, I welcome you all to the Q3 FY12 earnings conference call of Jindal Saw Limited.

To discuss the results we have with us today Mr. Indresh Batra and Mr. Vinay Gupta from the company. I would first like to hand over the floor to Mr. Batra to give some initial remarks, and then we can proceed to have a question-and-answer session. Over to you, sir.

Indresh Batra, Managing Director

Thanks, Kapil. Good afternoon to all of you. Thanks a lot for sparing time to get on this call to discuss our quarter three results for this financial year. These are okay sets of number, nothing spectacular. But in terms of EPC, how the micro situation and our peer group has performed, I think these results continue to prove the point that Jindal Saw with its diversified product portfolio within the pipe segments, thus provide certain element of earning stability.

We have certain segments within our pipe business, which aren't performing as well but there are certain segment which are performing rather extremely well. Our turnover was about 1,100 odd crores for this quarter, which was in the We had a very large shipment of an HHI order going to Australia which was delayed because these pipes were sold FOB basis. So, we had no control as to how this logistics will play out. So, the shifts couldn't be. The majority of that portion has been dispatched in January. So, they would start reflecting in the month in January to March quarter.

We expect because one half of this quarter is over, we expect that our next quarter would have a substantial rise from where it is today in terms of the top-line.

Our business on the Large Diameter side has still some tail-end production of the GAIL order which was a very not a profitable order which is over now. And in case of our Ductile Iron Pipe segment, this was amongst the tougher quarter, where both iron ore and coal prices which were bought in the month of July to September, for production in October to December, what are at record high, there were disruptions in terms of the supply of the iron ore because of the mining issues around Bellary, which was our primary source of supply. There was an excessive supply in the market but lot of that has got rationalized. We expect that the next quarter for ductile should be substantially better.

Our average pricing for that quarter for which we have reported the numbers on the ductile side was about Rs. 41,000 to Rs. 42,000 per tonne. Our current order book is in excess of Rs. 46. So we expect that should start reflecting part of it in the current quarter and most of it in next quarter.

Our Seamless Pipe has been very strong. We have had very rapid margin shares. That business continues to perform very well, as it continue to see the exploratory activity in most part of the world plus the shale gas has substantial upswing left and we should be able to participate in it.

Our Drill Pipe unit in America has been stabilized. We have an order book which is already there. We have started with a production for first 5,000 tonnes. This is a very high value segment and also a very high profit margin segment. So, this segment is continuing to perform well for us.

Our order book which is close to about 3,600 crores. This time, the L Saw segment which has been traditionally more profitable for us, is much larger, it is about twice the size of our helical Saw.

We are getting orders from geographies where L Saw segment is preferred and probably in some cases, the only choice. And we think that we should be able to very effectively participate in it, take majority of those orders if not substantial. Our DI pipe would get tremendous boost when our mining beneficiation of our iron ore starts feeding into our ductile pipe operation.

We had given an earlier estimate that in January and March quarter we should be able to operationalize this beneficiation. There is one month--there is about a three months delay, one quarter delay, which is only on account of the lack of the availability of power for our plant.

We are substantially ready. We could have started this production in about four to six weeks. But we expect that the power which is a best of our judgment now tells us should be available by May or June. We expect that we should be in June be able to ship out our first shipment for beneficiated iron ore for our plant.

Our Abu Dhabi plant is under first line, there are three lines in Abu Dhabi for total of 300,000 tonnes. The first line is under active commissioning. We expect that by February and March, we are able to produce pipes out of that depending on the market condition. But the demand for ductile iron pipe in that geography and in rest of the geographies also is very, very strong.

Our expansion of ductile iron pipe with a co-covenant of blast furnace also should start commence in operation in about the fourth quarter of next financial year. So, the next financial year, after the fourth quarter, we expect that this volume expansion, the integration to the iron ore are mix of L Saw and H Saw, in favor of L Saw segment should increase the profitability back to what our baseline of a higher EBITDA number is.

We had a higher raw material cost led to decrease in the EBITDA. But our blended EBITDA per tonne this quarter was the period to what it was last, just that our quantity which is close to about Rs. 9,000. And so there's an improvement in It should continuously improve with a lesser of H Saw and a lower price order and a price discipline and pricing power coming to ductile and our seamless also with our drill pipe unit. So, these should be substantial moves of profitability as we go along.

Our balance sheet continues to be--there's a working capital intensity which we're focused on. I mean to a specific question might also reply that we expect that this should substantially be reduced by 31st March, which is primarily in the inventory. This is not the most spectacular quarter for us we agree but I think we have been able to do better than our peer group.

We continue to do what we think are going to be the big drivers of profitability growth for the company, and we definitely are a quarter delayed here or there. And this to best of our efforts have been sometimes beyond our control. We operate in challenging environment, some time the policy issues.

But on the ground, fundamentally where choice remains that we have a great asset in our iron ore mines which is a very good value creator, very substantial value creator. We have operationalized a large part of our beneficiation plant. The power issues have suddenly come from the bolt, the power situation is know probably to all who are tracking this or generally.

Our Abu Dhabi plant continues to reinforce the fact that there is a large unsatiated demand, there is a large investment in the water infrastructure as on the anvil in Middle East, we should be at substantially beneficiary of that.

Our seamless pipe continues to do well. Our pallet plant, Vinay correct me if I'm wrong but a substantial part of the equipments were ordered, this is online. By December 2012, that is January to March fourth quarter next calendar year, we should operationalize. That is also going to be a very large substantial profit generator.

Jindal Saw over last 18 in quarter has done better than most of the estimates were in terms of our EBITDA margins and the kind of balance sheet which we run. This quarter has been amongst the most challenging one since we have been talking and meeting.

We think that going forward, we should be seeing much better time.

And with this, I would maybe end my comments. Thanks a lot.

Operator

Thank you very much. So, should we start with the question-and-answer session now?

Indresh Batra, Managing Director

Yes.

Questions And Answers

Operator

Thank you very much. We will now begin with the question-and-answer session. [Operator Instructions]. Our first question is from the line of Ruchi Vora from UBS. Please go ahead.

Ruchi Vora Indresh Batra, Managing Director

Sure, Ruchi, hi. In the L Saw segment, which is longitudinally submerged arc welded, we had an EBITDA Rs. 10,529 per metric tonne.

Ruchi Vora

Yeah.

Indresh Batra, Managing Director

In the Helical Saw business, we had EBITDA margin of Rs. 2,661. In the Seamless business, we had an EBITDA of Rs. 19,312. In the Ductile iron segment, we had an EBITDA of Rs. 2,443.

Ruchi Vora

Okay. And sir, what is the sense in terms of the competitive scenario in the ductile iron business, given that the margins were significantly lower. I do understand a part of it is attributable to higher raw material cost. But what's our current perspective on the industry?

Indresh Batra, Managing Director

Sure, see. I mean we have made substantial profits in DI pipes in last four years. We have seen times and we have produced Rs. 15,000.

There were two things which happened in last 12 months. One was that the competitive intensity actually went up, which primarily means that there were lot of new capacities which came online and those capacities because of your fixed cost being already spent, you start rising the product, I mean just to gain market share, which is harmful to most of those who follow this strategy but also decremental those who exist in the markets.

A substantial part of the reduction in EBITDA is actually because of the mining scenario and cost of the raw material, primarily the coking coal. Now, our prognosis for next nine months is that we are seeing a much higher average realization for the sale which we're doing. As I said, we're about Rs. 6,000 in addition to what we saw the lowest in the market in terms of realization.

We've also seen the moderation in terms of the both iron ore and coal prices. Within nine months, we should be in a unique position to have a complete integration. So, I can also talk about us vis-à-vis how we see the competitive scenario. A lot of players which are competing, in my sense their published result tell us that they are in far more distress than Jindal Saw has been amongst the lowest cost producer of this product, and we carry a little bit of a premium in the market.

Our location on the western region also allows us to opportunistically export the product. Our Abu Dhabi plant would allow us to mix and match the sizes to offer a complete customer value for our Middle East customer. My sense is next nine months, this should be better than what last nine months were. This is about the lowest profitability we have seen in ductile iron. But where we stand today, we feel reasonably confident about that this probably was the worst which we have seen.

Have we started taking orders for our DI capacity in Abu Dhabi, or we would only do this post the commissioning?

Indresh Batra, Managing Director

The Water Works Association won't give you an order in advance of what a non-commissioned capacity would be. We expect that our first order flow should start happening by March.

Ruchi Vora

Okay. And my last question is really on the outlook for FY13. Given that our order book is meaningfully grown, what's are sense in terms of the overall volume outlook for FY13?

Indresh Batra, Managing Director

We expect that we should do about 1.1 million tonnes of pipes which we expect 900,000 now. So, that's about 20% to 22% growth in terms of volume. We expect that our pricing in all the three segments should see a movement of 10% to 12%. So, we're talking about a 30% revenue growth on a nominal basis.

Our EBITDA growth could be larger than the trend which because of the iron ore and our geographical expansion in terms of Abu Dhabi, where the competitive intensity and the price realization both are reasonably high. So, FY2013, 30% in terms of top line and...

Ruchi Vora

Sir, I just wanted to clarify on your FY2012 target. You are seeing it's about 0.9 million tonnes. We have only done 5-sorry 0.58 till the nine month. So, what is the inventory we are carrying and what's our outlook in terms of execution for Q4? That's my last question.

Indresh Batra, Managing Director

Sure. Just to give you a precise number, I will put you on hold for a second, yeah?

Ruchi Vora

Yes.

Indresh Batra, Managing Director

Yeah, we have done about 600,000 tonne, we expect that our sales should be about for a projection purposes as because one and a half of the quarter is gone, should be about 860. And we expect that this should be about 1.1 million, 530.

Ruchi Vora

Okay, sorry, what is the inventory we are carrying in terms of tonnage because of the delay in shipment, in December? Inventory should be like we have increased the inventory by almost Rs. 1,500 crore. Okay, the inventory for all that, for especially longitudinal and helical, it's in the vicinity of 200,000 tonne for major projects.

Ruchi Vora

So this is as on December..

Indresh Batra, Managing Director

Yeah, this is December.

Ruchi Vora

Okay, great. Thanks and all the best.

Indresh Batra, Managing Director

Thanks.

Operator

Thank you very much. Ladies and gentlemen in order to ensure as the management is able to address questions from all participants in the conference, please limit your questions to two per participants. Our next question is from the line Ram Modi from Dolat Capital. Please go ahead.

Ram Modi

Hello. Good evening, sir.

Indresh Batra, Managing Director

Hi, good evening, Ram.

Ram Modi

Sir, just wanted to have a sense of either water pipeline now commencing our iron ore beneficiation plant or...?

Indresh Batra, Managing Director

Say that again, sorry I...

Ram Modi Indresh Batra, Managing Director

It's about because Jindal Water is doing that, it's about 85% complete. We won't be delayed for that reason. As I said, if electricity was available, we should be able to commission in six weeks time.

Ram Modi

Okay.

Indresh Batra, Managing Director

Does that answer your question, Ram?

Ram Modi

Yeah. And just wanted to take a sense how much power is actually required for our beneficiation plant?

Vinay Gupta, Vice President-finance

I think pallet plus beneficiation is close to 16 to 18 megawatt.

Indresh Batra, Managing Director

18?

Vinay Gupta, Vice President-finance

Yeah.

Indresh Batra, Managing Director

About 18 megawatt.

Ram Modi

About 18 megawatt of power is required.

Indresh Batra, Managing Director

Right.

Ram Modi Indresh Batra, Managing Director

See, Ram, it's not on account of either lack of demand or lack of production capacity, it was the lack of the price which we were getting. We on any day would never like to incur losses on what we ship out, that has been very standard with us. I mean we can't promise that forever but by choice, we would not. We had purposely deferred some sales and expectation of a better return for those products which

we are seeing currently.

Ram Modi

Okay. So, can we expect 60,000 tonnes-65,000 tonnes run rate coming back to the DI pipe business?

Vinay Gupta, Vice President-finance

Yes. I mean, on the current capacity, starting from April, you would see 60,000-65,000 tonne. And if you see on the order book also, we purposely had not booked significant amount of order in anticipation of uptick in the prices. So, it's a marketing strategy which the entire team which, we cannot discuss on call. But you would see the results of this.

Ram Modi

Okay. And sir just wanted your, the target for which you've given for FY12, just implies that you would be shipping around 250-260 kind of volume next quarter, this quarter?

Vinay Gupta, Vice President-finance

Yes. I mean this is our target is basically this is, like in this business you can predict to a very large extent the shipments. Only thing means that now we're executing, we're doing projects for a couple of the new customers. For example, when we're doing execution for the Saudi or for the Iraqis, then we knew the customers. These are the projects whether it is--Hyundai, or CNPC which are new customers. And the task is for the approvals and some time they have to put the ship and all.

We have shipping schedule available broadly up to 31st March and we are reasonably confident that 250,000 tonne plus, minus would be the let's say the shipments for all the three products put together.

Ram Modi

That's encouraging. And just last question on your ForEx loss. Sir, I believe large part would of ECB loans, loss on ECB loans would have been adjusted to our balance sheet. So, what is this 32 crores which is actually coming out now?

Vinay Gupta, Vice President-finance

Okay, Ram, if you see the note also, this is reinstatement value of the current asset and current liability, primarily current liabilities, because the creditor create first then the debtors. So, this is only an accounting entry and it's a difference between creditor and debtor, foreign exchange creditor and foreign exchange debtor.

We have seen that on cash basis, we have not incurred any loss on account of foreign exchange. These are only counting entry which with a time lag, because it's the time which is involved, with a time lag it gets adjusted automatically.

Ram Modi

Okay.

Vinay Gupta, Vice President-finance

If you see my note on the Seamless division, the EBITDA margin of Rs. 19,000 per metric tonne is actually not only purely on account of the steel price. This is to some extent there is realization gain on account of foreign exchange also.

Ram Modi

Okay.

Vinay Gupta, Vice President-finance

Okay, so if I remove something the actual EBITDA margin might be lower by 1,500 to 2,000. But effectively, it's like every quarter this adjustment is coming primarily because of heavy volatility into dollar-rupee.

Ram Modi

Yeah.

Vinay Gupta, Vice President-finance

And this is purely a restatement, it's not a cash entry.

Ram Modi

Okay, I will join back in the queue.

Operator

Thank you very much. Our next question is from the line of Mihir Jhaveri from Religare Capital Markets. Please go ahead.

Mihir Jhaveri

Yeah. Good evening, sir. Sir, my question is with regards to iron ore benefit. Now probably we are having a one quarter delay and in that earlier you had given the guidance at probably the contribution to EBITDA was closer to 2,975 million, 292 crores to 300 crores for next year. So just wanted to understand I mean how things have changed and what kind of guidance you are giving for that? That's my first question.

Vinay Gupta, Vice President-finance

Okay. Let me start with the last question first. The debt level is, we got the relief, we already have a debt level given on the page number three which says that we have a total debt of approximately Rs. 2,600 crore, which includes bios credit of 1,100 crore which is typically sundry creditor. But nowadays for last three quarters, we are adding the bios side in the debt. This includes long-term, this include short-term, which is working capital raised to bios credit. And incidentally as on 31st January, we have given this number also, basically realization and we are doing active follow-up. This number of Rs. 2,600 crore or Rs. 26,000 million has come down to Rs. 24,000 million. So, this is the debt number.

Mihir Jhaveri

What will be the long-term debt?

Vinay Gupta, Vice President-finance

Long-term debt out of this is effectively close to let's say Rs. 800 crore to Rs. 850 crore. So, out of 2,600 crore, long-term is only Rs. 850 crore.

Mihir Jhaveri

Okay.

Vinay Gupta, Vice President-finance

Okay, this is the net debt. So we don't have cash on the book because as of now, we are a borrower.

Mihir Jhaveri

Okay.

Vinay Gupta, Vice President-finance

The second question about the lesser benefit of iron ore. See the company is doing its best in terms of let's say operationalizing the beneficiation plant for the iron ore. And we are also not very happy that the situation has got deferred by additional one quarter, but it's a question let's say availability of the power at the site, because the power has to come from the grid and lot of job has been completed in the last couple of months. But we don't want to give let's say we want to give as good picture as it is on the ground, so that there is no confusion in the system.

Mihir Jhaveri

But we should be able to realize about 150 crores of that EBITDA margin.

Right. Let's say we are very hopeful that by end June, we start the plant. So, at least we should have the operations for the three quarters. Three quarters would mean close to 400,000 tonnes. And 400,000 tonne into let's say 3,500 would still be close to Rs. 140 crores to Rs. 150 crores.

Mihir Jhaveri

Okay.

Vinay Gupta, Vice President-finance

Yes.

Mihir Jhaveri

So, probably from 260 probably will move 150 crore..

Vinay Gupta, Vice President-finance

260 I think--in the last two quarter, we are seeing that it would be 500,000 tonne which you can achieve, which would be eventually mean 175.

Mihir Jhaveri

Okay. Okay, sir. And...

Vinay Gupta, Vice President-finance

But these are the long-term asset. So, initial hiccups can always be there in these projects. Once they starts and stabilizes, then the operations could let's say increase significantly.

Mihir Jhaveri

Okay. Okay, sir. Sir, I will come back in queue if I have another question. Thank you.

Vinay Gupta, Vice President-finance

Okay.

Operator

Thank you very much. Our next question is from the line of Rohit Sanghvi from Prime Securities. Please go ahead.

Rohit Sanghvi Indresh Batra, Managing Director

There are three constituents to what we see, what our sense is. We had seen the selling price increase by about Rs. 5 to Rs. 6. So that's Rs. 5,000 to Rs. 6,000 extra as an EBITDA. Second is in terms of we see the commodity prices moving up, we don't expect that that would be -- then we have substantial movement down. But we expect that that should give us purely on account of iron ore and coal, a Rs. 1,000.

We expect that our iron ore prices should give us about a 150 crore extra EBITDA. So if I were to distribute that over a production of 3 lakh tonnes of ductile iron, it gives me a substantial benefit.

On a steady state, by not taking the profit which I would or the EBITDA savings or EBITDA generation I accrued from the iron mine, we think that the this business is about Rs.7,000 to Rs. 8,000 EBITDA.

Rohit Sanghvi

7,000 to 8,000. And by what time do you expect it to reach there?

Indresh Batra, Managing Director

I think from April to June quarter, we should be in that range.

Rohit Sanghvi

Okay. The other question I had was in terms of your sales and EBITDA guidance on your ITF business for FY12 and FY13?

Indresh Batra, Managing Director

Yeah. FY13, we expect top-line of about 1,100 crores on ITF business and EBITDA margin of 240 crores that's our anvil operating plant. For the FY12, our top-line would be about 450 crores with an EBITDA of close to 50 crores.

Rohit Sanghvi

Okay. Alright. Thanks very much.

Indresh Batra, Managing Director

Thank you.

Operator

Thank you very much. Our next question is from the line of Falguni Datta from Jet Age Securities. Please go ahead. Hello.

Indresh Batra, Managing Director

Hi, Falguni.

Analyst

Yeah. Good evening, sir. Sir, I have two questions firstly on the seamless. I was just going through Maharashtra Seamless' number. So, their realization, the seamless pipe has been quite low at 63,000 per tonne and EBITDA at just about 12,200. So, what explains the difference between their and our numbers which is like quite stack?

Vinay Gupta, Vice President-finance

What is the realization, sorry, you mentioned?

Analyst

63,000.

Vinay Gupta, Vice President-finance

63,000, okay.

Indresh Batra, Managing Director

You know, there are essentially two differences between what as a product profile we do and what Maharashtra Seamless does. Our majority of sales comes from North America, which is traditionally a very strong high-end product market.

We do heat retaining and B-110 kind of products, which are primarily used for drilling.

Analyst

Okay.

Indresh Batra, Managing Director

While, Maharashtra Seamless has a more commoditized product portfolio. And they also have a large sale in at least as the percentage of total volumes they do, because they are much larger to us in seamless business, coming out of ONGC and gathering line.

And second is that our linkages with the drilled pipe, and going forward that would continue to become larger, should be giving us a higher realization and a higher EBITDA number.

Okay. So essentially other than the exchange part it is because of the product type.

Indresh Batra, Managing Director

Exchange part, Falguni It begins is about 1,000 bucks. So it's not a very large number.

Analyst

Yeah, it's not a lot, but so mostly it's account of the product type.

Indresh Batra, Managing Director

Yeah our product portfolio, we sell our primary of the production is for high-end seamless application.

Analyst

Okay. And sir secondly these top-line and EBITDA numbers, could you just break-up for ITF into your broad businesses for FY12 and '13?

Corporate Participant

For FY12, we will be doing about a revenue of 200 odd crores in our water business. And we would be doing about 225 crores out of our Waterways business. We would be doing about 10 crores from our rail business and about 15 crores is from our waste business.

For FY13, we have about 350 crores coming out of our water business. Waterways should do including the NTPC project about 330 crores. We have about 200 crores coming from rail. Actually the Waterways business would be 330 plus 79 crores out of our NTPC business. So, that will be about 420 of 110 and we would have about 100 crores coming out of our waste business.

Analyst

Okay. And sir, in terms of EBITDA?

Indresh Batra, Managing Director

I mean I don't have a handy figure in terms of individual EBITDA, but our water business does about 10% EBITDA. Our Waterways should do about 22 to 23. Our waste business is about 60% EBITDA and our rail...

Analyst

Sir just I missed on waste.

Indresh Batra, Managing Director Analyst

Yes, that would be how much?

Indresh Batra, Managing Director

About 60% EBITDA.

Analyst

Okay.

Indresh Batra, Managing Director

And our business out of rail is about 14% EBITDA.

Analyst

14?

Indresh Batra, Managing Director

Yes 14.

Analyst

Yes. That's all, sir. Thank you.

Indresh Batra, Managing Director

Thanks.

Operator

Thank you very much. Our next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati

Yeah. Thanks for taking my question. First of all, I wanted to understand the break-up of ForEx in terms of how much has ECB contributed and how much has bios side contributed?

Vinay Gupta, Vice President-finance Puneet Gulati

Okay.

Vinay Gupta, Vice President-finance

But otherwise it is approximately Rs. 30.5 crore.

Puneet Gulati

30.5 crore.

Vinay Gupta, Vice President-finance

Yeah. So what we have done that effective from 1st April up to 31st December, approximately we did the back calculation close to Rs.73 crore has been taken out from P&L up to 31st December and to the capital account.

Puneet Gulati

Sorry. I couldn't hear this very well.

Vinay Gupta, Vice President-finance

I am saying we have from 1st April to 31st of December, we calculated total amount of Rs. 73 crore which has been capitalized.

Puneet Gulati

Okay.

Vinay Gupta, Vice President-finance

Okay. So the December quarter does not have the impact of the amount which has been capitalized obviously.

Now, in terms of the bios side which is the creditor, the net impact of debit and credit for restatement is reflected in this statement which is exceptional nature item.

Puneet Gulati

Okay. So, 324 million is diluted on that net impact?

Vinay Gupta, Vice President-finance

That's right.

Puneet Gulati

Okay. And what is the capital commitment to GIT business now?

Indresh Batra, Managing Director

There's a 475 crore equity from Jindal Saw. We have a CCD outstanding of 200 crores. This is the capital commitment in terms of equity or cause our equity.

Puneet Gulati

Okay. Is that all, so that's about 675 crores?

Indresh Batra, Managing Director

That's right.

Puneet Gulati

I thought the previous number was more or like 835 cores?

Indresh Batra, Managing Director

No, you're talking about the total balance sheet size or?

Puneet Gulati

Yeah, the debt also, right.

Indresh Batra, Managing Director

Yeah. Our total balance sheet size is about 1,250 crores.

Puneet Gulati

Okay. 1,250 cores. And also is it possible to share the order book break-up in tonnage terms?

Indresh Batra, Managing Director

Sure.

Vinay Gupta, Vice President-finance

The Jindal Saw?

Puneet Gulati

Yeah.

Indresh Batra, Managing Director

We have 250,000 tonnes from longitudinally submerged arc welded.

Puneet Gulati

Okay.

Indresh Batra, Managing Director

Our Helical Saw is about 130,000 tonnes.

Puneet Gulati

Okay.

Indresh Batra, Managing Director

Our DI is about 150,000 tonnes.

Puneet Gulati

Okay.

Indresh Batra, Managing Director

And our seamless is 28,000 tonnes.

Puneet Gulati

Okay. That's great. Thank you so much.

Indresh Batra, Managing Director

Thank you.

Operator

Thank you very much. Our next question is a follow-up question from the line of Ruchi Vora from UBS. Please go ahead.

Indresh Batra, Managing Director

Hi, Ruchi.

Operator

Ms. Ruchi Vora. Please go ahead.

Ruchi Vora

Yeah, hi. I am sorry. Could you highlight the CapEx for FY12 and '13 across your pipes business giving details and also in Jindal ITF giving details across the various segment?

Indresh Batra, Managing Director

Ruchi, the CapEx numbers, we won't be able to let's say provide right now. We are not sitting with those but we can inform off line, maybe tomorrow or day after.

Ruchi Vora

Okay, that will be...

Indresh Batra, Managing Director

I mean for '12. '13 we have because '12 is about to end Ruchi, that's what we spend.

Vinay Gupta, Vice President-finance

Yeah.

Ruchi Vora

Okay.

Indresh Batra, Managing Director

So, these would have to be at sure.

Ruchi Vora

Okay. So, at least could you share the '13 outlook sir?

Vinay Gupta, Vice President-finance

Absolutely. Yes, okay, in case of pipe business, the total capital expenditure which are likely to incur let's say henceforth from '13, maybe some of the portion might go for 2014, that would be in the vicinity of close to Rs. 750 crore to Rs. 800 crore, which is primarily pellet plus part on the beneficiation which has to be capitalized and spent, plus some portion on account of new capacity of DIs power and coal which is going to operational in the coming year, and some normal capital expenditure.

Finally, put together all these things would be close to Rs. 750 crore to Rs. 800 crore, this is India, okay?

Now in Abu Dhabi, the total CapEx is around, now the revised CapEx is around \$70 million \$75 million, we are ending at some thing like there. And we would--50% of debt has been spent, 50% would be spent in by June.

Ruchi Vora

Okay.

Vinay Gupta, Vice President-finance

That's broadly the CapEx and equity requirements.

Ruchi Vora

And sir Jindal ITF?

Indresh Batra, Managing Director

The Jindal ITF are primary spending would be in our Waterways business as well as our urban infrastructure business. In Waterways as I had said in earlier calls, we had got the contract for moving 3 million tonnes of thermal coal for NTPC Farakka plant, which involves an investment of 640 crores, which includes a transhipper of fleet of 25 vessels and jetty.

Out of that transhipper has been signed with someone who will provide his own transhipper and the operating services. So about 225 crore of what we thought we would spend we won't. So Waterways net CapEx is 400 crores. In waste business, we are going to commission three more facilities. And that would be about 350 crores. In rail business, it would be about 50. The total is about 800 crores.

Ruchi Vora

Okay. And my next question is basically, sir, how much dollar debt do we have?

Vinay Gupta, Vice President-finance

We have precisely \$95 million on account of long-term, both are ECB.

Ruchi Vora

Okay. And sir, could you refresh this a bit in terms of what is the drill pipe capacity how do we expect that particular plant to ramp up. And what are the typical kind of margins for the specialized pipes?

Our current capacity at Baytown, Texas is close to 50,000 tonnes. This is a notional capacity, it can go up, it can be down. But it should be about 50,000 tonnes. The market for this is that North America consumes about 300,000 tonnes to 400,000 tonnes of such pipes. They have primarily come out of Japanese, one of the Japanese mill which is Sumitomo and another one is the Sanco, German company. These are the two companies, which have a 100% market share.

We have got our first order of 5,000 tonnes. This is at a value of close to \$5,000 per tonne. One who is integrated to producing the shell of I mean we start like in our seamless business in Nasik, the margins at the EBITDA level are about 50%. And in terms of ramping up, this product is a technical product. We will have to take the first set of pipes under the ground.

We think that in the current year, we should be able to do about 15,000 tonnes of those pipes FY13. We would need to continue to earn the respect and credentials of our customers. My sense is that this product currently in North American market is available at 6,000. Our pricing is competitive.

Our integration to our complete raw material will be pretty handy as how we're able to control the production schedule. We think over next three years, we should be able to achieve the capacity of about 50,000 tonnes.

Ruchi Vora

Okay. And just my last question on the balance sheet adjustment on...

Indresh Batra, Managing Director

You have to promise this is last.

Ruchi Vora

Okay. This is the last question. The balance sheet adjustment on account of the de-merger, could you highlight what is your current investments standalone and consol?

Vinay Gupta, Vice President-finance

See I mean effectively Hexa Tradex has been de-merged effective 1st January, 2011.

Ruchi Vora

And what is the book value?

Vinay Gupta, Vice President-finance

Sorry book value obviously, okay, because the shareholders of both the companies are identical, they are minute shareholders.

Ruchi Vora Vinay Gupta, Vice President-finance

Right. And I think the exact financial details are available in the offered document which is on the site also. And it's a public document, the investment in Jindal Saw were of Hexa Securities which were at Rs. 25.5 crore. Then since we had to de-merge Hexa Securities out of Jindal Saw. The respective advance in everything had move to Hexa Securities along with the Hexa Securities.

I think the total amount of advances, investments and everything is in the vicinity of 200 crore or 210 crore. I don't remember the exact figure but this always at the site, which has been reduced out of the net worth of the company as per the accounting standards, because there is no exchange of cash.

Ruchi Vora

Okay.

Vinay Gupta, Vice President-finance

If you have the copy of the offered document, I think there is balance sheet available for pre-merger and post merger.

Ruchi Vora

Okay, sir. I will just check it out. Thank you for taking so many questions.

Indresh Batra, Managing Director

No, no. Thank you.

Operator

Thank you very much. Our next question is from the line of Bhavin Chedda from Enam Holdings. Please go ahead.

Analyst

Yeah. Good evening, sir. Sir, couple of questions. One thing you said the one of the orders got shifted to this quarter and even in the DI pipe business, we had a substantial fall in the margins because of the overall price scenario as well as the increase in raw material cost mainly on the coke side. So, how the things are shaping out now from quarter four onwards, is margin moving towards of an historic levels of Rs. 12,000 tonne, or when would this 9,000 margin move towards 12,000 which we used to do in FY11 and '10?

Indresh Batra, Managing Director

We did to try to address the same question in terms of our outlook on what we think in ductile iron but I will repeat it. We expect that the margin should come to 6,000 to 7,000 level not to the level of 12,000. I believe that 12,000 margin is not easily available, so we would not project that. Our iron ore mine integration should allow us to have as Vinay mentioned about a 150 odd crores of EBITDA, which is on account of our ductile iron.

So, we reached that level but that margin comes back on the strength of what we could call an integration to the raw material. So, I mean as an ongoing business, I think from quarter four, we should be much better than the margin we have set about Rs. 6,000 to Rs. 7,000 or Rs. 7,000 to Rs. 8,000 we said beginning April, we should start seeing that EBITDA number on our ductile iron pipe business.

Analyst

Okay. And sir on the H Saw side also, we had 2,661 mainly because of the low margin gain order which is now complete. So, what can we expect on the H Saw, how the margins are shaping up now?

Indresh Batra, Managing Director

We have this H Saw is primarily export and we have an EBITDA margin on this of \$75 to \$80. So that's about Rs. 4,000.

Analyst

4,000. So this should also improve going forward from...

Indresh Batra, Managing Director

Absolutely, but H Saw is a low margin business that much is reasonably clear. So clearly commoditized business.

Vinay Gupta, Vice President-finance

And Bhavin, if you see this quarter also, we mentioned that we executed close to I think 13,000 tonnage of the GAIL order.

Analyst

Right.

Vinay Gupta, Vice President-finance

Right. And we have executed close to 25,000 tonne of helical.

Analyst

Right.

Vinay Gupta, Vice President-finance

And the margin is 2,600 odd rupees.

Right.

Vinay Gupta, Vice President-finance

So it means if I exclude, because the 50% is GAIL so if I exclude that GAIL which was negative Rs. 1,800 or Rs. 2,000 last quarter also, actually it is a \$75, \$80.

Indresh Batra, Managing Director

See that is about Rs. 4,000 per tonne business.

Analyst

Okay. And sir, my last question on the Abu Dhabi, how much volume the same can contribute in FY13?

Indresh Batra, Managing Director

We are targeting a business volume of about 60,000 tonnes.

Analyst

60,000 tonnes?

Indresh Batra, Managing Director

That's right.

Analyst

Okay. Thanks a lot, sir.

Indresh Batra, Managing Director

Thank you.

Operator

Thank you very much. Our next question is a follow up question from the line of Mr. Mihir Jhaveri from Religare Capital Markets. Please go ahead.

Mihir Jhaveri

My question has been answered. Thank you.

Thank you.

Operator

Thank you very much. Our next question is from the line of Ram Modi from Dolat Capital. Please go ahead.

Ram Modi

Hello.

Indresh Batra, Managing Director

Hi, Ram. Yeah.

Ram Modi

Sir, I just wanted to understand your strategy regarding Jindal ITF, the 640 crores will further need any equity infusion from Jindal Saw with the CapEx which we are envisaging of around 650 crores in the Jindal ITF. So, do we need further equity infusion from Jindal Saw primarily from now on?

Indresh Batra, Managing Director

We have no equity contribution plans from Jindal Saw. Jindal Saw had initially marked a capital of 475 crores. The rest of the financing is being raised from third-party capital providers.

Ram Modi

So, that again can be--so how do you plan to fund this 640 crores sir?

Indresh Batra, Managing Director

Out of 640 for our Waterways about 250 crores for transshipper which is being on weight lease basis and effective investment is 400 crores, which is 300 crore of senior debt from ICICI and about 100 crore is being raised by through CCD.

Ram Modi

And sir just wanted to know this CCDs, what convey option do they have?

Indresh Batra, Managing Director

The second set of CCD is a pure debt on ITF, pledged by ITF cash flow. Okay. So, they do not have an equity conversion option?

Indresh Batra, Managing Director

The way they're structured, they're effectively a debt.

Ram Modi

Both the CCDs, the earlier CCD also? The total...

Indresh Batra, Managing Director

The first CCD of ICICI has a put option through Jindal Saw, which is up in the fifth year.

Ram Modi

Put option on Jindal, okay. The last question is regarding our consolidated accounts. When would you start because I think consolidated account will become more and more important for investors with Jindal ITF getting bigger, Abu Dhabi operations getting and you have in European operations. So when can we expect this?

Indresh Batra, Managing Director

We think that we absolutely realize that ITF and other operations are going to play a larger part. We are fairly cognizant and I think we will take it up in the next Board as to when can we start operation result. But we absolutely hear you that we need to this sooner than later.

Ram Modi

Okay. Thank you.

Indresh Batra, Managing Director

Thanks a lot.

Operator

Thank you very much. [Operator Instructions]. Our next question is from the line of Bhavin Chedda from Enam Holdings. Please go ahead.

Analyst

Sorry, sir. I missed out on these transhipper CapEx and actually what type of contract this is? Yeah. NTPC is importing coal either from Indonesia, Australia or recently South Africa.

Analyst

Yeah.

Indresh Batra, Managing Director

This coal for their power generation plant in Farakka which is upstream--. We have a contract where we are putting of our transhipper which is floating port a--side. Then we will load them into smaller vessels and we also are building up a jetty. This total investment is about 640 crores, out of that about 225 crore odd was a transhipper which is being provided one of the top three companies in the world who do transshipping in Latin America and East Africa. So, we will pay them on a per tonne basis per as we are investing money in creating the fleet of vessels as well as the jetty and the crane and conveying system. The contract is for 90 months, 7.5 years. And this is about the Rs. 1,000 a tonne.

Analyst

Rs. 1,000 a tonne on the coal movement?

Indresh Batra, Managing Director

Coal movement by tonne. Yes.

Analyst

And how much coal you expect to move for the plant?

Indresh Batra, Managing Director

The firm contract is for the minimum quantity of 3 million tonne coal, but it can go up to 6 million tonne. But the minimum take or pay guarantee is at 3 million tonne.

Analyst

But the Rs. 1,000 a tonne is only from moving from the Indian port to the Farakka plant, it is not from the -- importing it from Indonesia and giving them to Farakka?

Indresh Batra, Managing Director

No, it's from the transhipper point, which is in sand heads in near Sagar Island in Calcutta.

Analyst

Okay. Okay, thanks a lot.

Indresh Batra, Managing Director

Thanks.

Operator

Thank you very much. [Operator Instructions]. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Kapil Bagaria from MF Global.

Kapil Bagaria

Thank you, sir. And thank you all the participants for attending the conference call. Thank you.

Operator

Thank you very much. On behalf of MF Global Sify Securities India Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Indresh Batra, Managing Director

Thanks a lot.

Vinay Gupta, Vice President-finance

Thanks a lot to all of you. Thank you.