

“India’s ERW pipe manufacturing sector is very competitive”

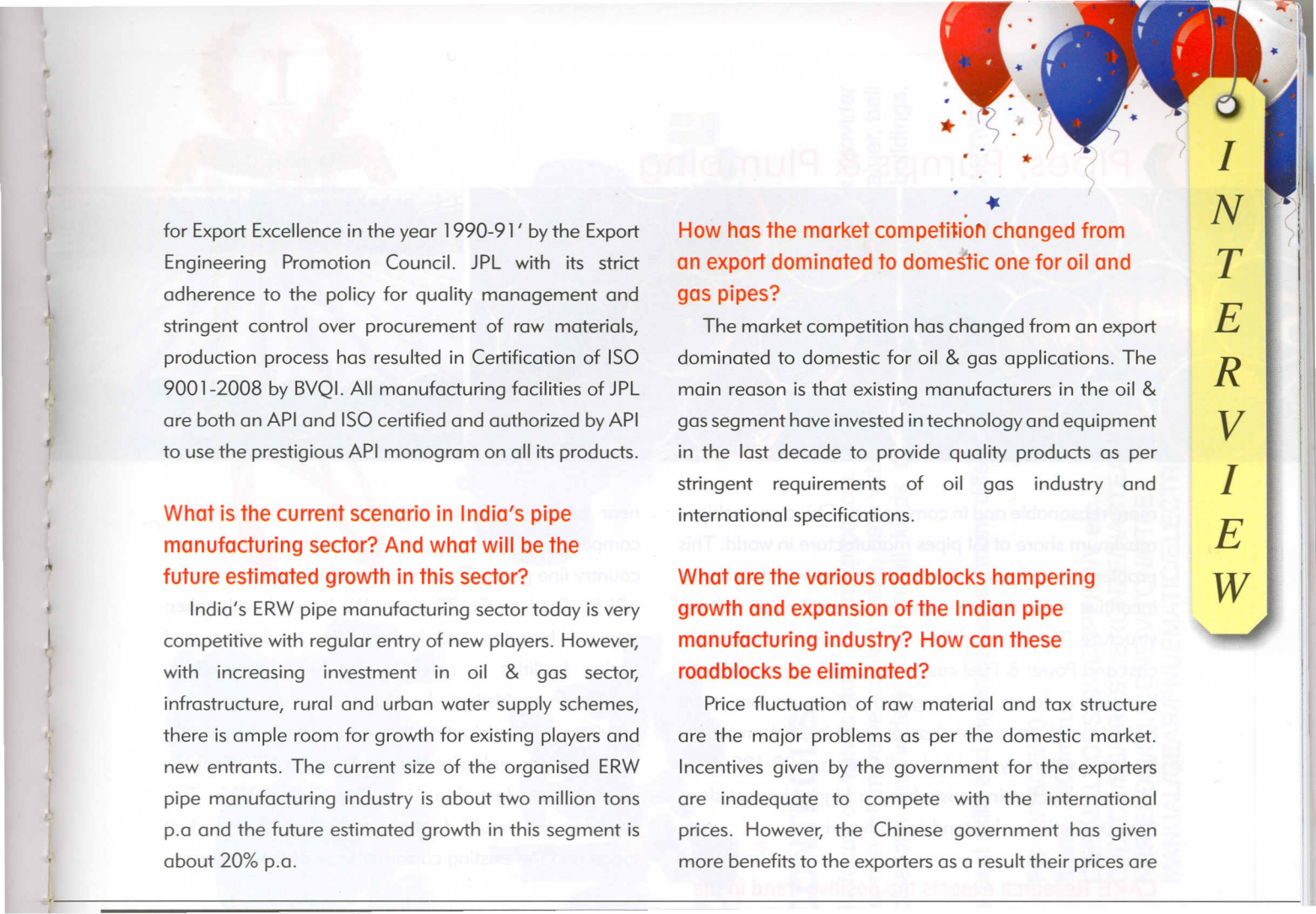
RAGHAV JINDAL, Managing Director, Jindal Pipes Ltd, in conversation with **LOVINA KINNY** depicts the expedition of Jindal Pipes since its inception 40 years back. He also shares with us the plans company has outlined to cash in the budding opportunities

Jindal Pipes have completed 40 years of operations. What has been the journey like?

Jindal Pipes Ltd (JPL), one of the flagship companies of DP Jindal Group headed by DP Jindal, Group Chairman. JPL was incorporated on May 7, 1970 with an installed capacity of 30,000 TPA for manufacture of steel pipes & tubes since then the company has brought phenomenal development in pipe manufacturing process through many innovative measures. Today, it is one of the India’s best and largest manufacturers of ERW, Black and Galvanized steel pipes & tubes in different sizes and thickness with outer diameter ranging from 1/2” to 14” as per specifications of ISI, API and BIS, which confirms to the various international standards. It is presently having an installed capacity of 2,50,000 TPA for manufacturing of ERW steel pipes & tubes. Induction of sophisticated state-of-the-art technical knowledge and highly motivated & skilled work force have made possible for the company to augment its production capacity to 2, 50,000 TPA. Today, it has annual turnover of approx Rs700 crore.

JPL, a recipient of ‘Regional Special Shield’ for export performance during the year 1977-78 and regularly from 1984-88 and was awarded the ‘Certificate





for Export Excellence in the year 1990-91' by the Export Engineering Promotion Council. JPL with its strict adherence to the policy for quality management and stringent control over procurement of raw materials, production process has resulted in Certification of ISO 9001-2008 by BVQI. All manufacturing facilities of JPL are both an API and ISO certified and authorized by API to use the prestigious API monogram on all its products.

What is the current scenario in India's pipe manufacturing sector? And what will be the future estimated growth in this sector?


India's ERW pipe manufacturing sector today is very competitive with regular entry of new players. However, with increasing investment in oil & gas sector, infrastructure, rural and urban water supply schemes, there is ample room for growth for existing players and new entrants. The current size of the organised ERW pipe manufacturing industry is about two million tons p.a and the future estimated growth in this segment is about 20% p.a.

How has the market competition changed from an export dominated to domestic one for oil and gas pipes?

The market competition has changed from an export dominated to domestic for oil & gas applications. The main reason is that existing manufacturers in the oil & gas segment have invested in technology and equipment in the last decade to provide quality products as per stringent requirements of oil gas industry and international specifications.

What are the various roadblocks hampering growth and expansion of the Indian pipe manufacturing industry? How can these roadblocks be eliminated?

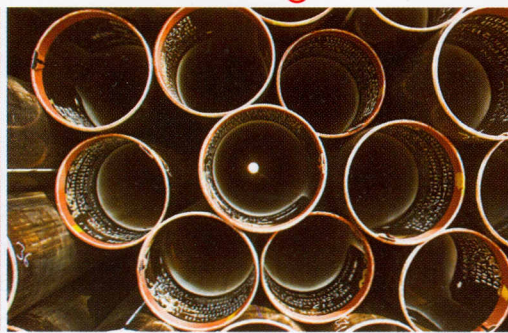
Price fluctuation of raw material and tax structure are the major problems as per the domestic market. Incentives given by the government for the exporters are inadequate to compete with the international prices. However, the Chinese government has given more benefits to the exporters as a result their prices are



**I
N
T
E
R
V
I
E
W**



Pipes, Pumps & Plumbing



more reasonable and in coming time China can achieve maximum share of GI pipes manufacture in world. This problem can be resolved by enhancing the export incentive and domestically by simplification of tax structure. The growing Raw Material (RM) cost, Freight cost and Power & Fuel cost have a direct impact on the business in terms of giving firm prices on long term basis to end users. This has a direct impact on tender business where typical bid validities are 90-120 days. However, fluctuating costs have a bigger impact since then projections also tend to go haywire.

CARE Research expects the positive trend in the Indian pipe industry to continue for the next 3-5 years on the back of higher E&P activities due to resurgence in crude oil price, increased efforts by the Government of India (GoI) on infrastructure development for laying pipelines for oil & natural gas transport (e.g. the National Gas Grid project), water & sewage transport and irrigation facilities. Given such a scenario what are the marketing strategies adopted by your company to cash in the opportunities? Any capacity expansion plans?

JPL's products are well recognized in the market and have created a niche for itself. Its products enjoy a brand premium know as 'JINDAL STAR'. The company's sales mix includes both the actual users and dealers. However, the emphasis is more on dealers' network since it caters to the major customer segment. JPL is using both push and pull strategy by participating in tenders floated by various agencies, tendering offers against enquiries, entertaining unsolicited enquiries and making marketing representations along with regional branches and strong dealers' network to increase its market share. JPL is anticipating and visualizing substantial demand for ERW line pipes in the

near future, as major Oil, Gas, Power and Fertilizer companies are planning to go in for various cross-country line pipes. Their requirement is going to be for API 5L Gr. A to Gr. 70 pipes. We have already taken steps to broaden and improve the production and testing facilities to cater to this huge demand by installing sophisticated equipments as per the requirement. Anticipating the present requirement, JPL is planning to enhance the grade up to X70 from its existing manufacturing Line Pipe Grade X56. This development would further strengthen the product range and the existing customer base of the company.

What are the primary applications for ERW, Black and galvanized steel pipes within the market?

JPL is regularly executing massive orders for pipes and tubes to meet its customers' requirement. The major application areas are Agriculture, Irrigation, Engineering, Water & Sanitation pipes, Gas Mains, Power & Electrification poles & structural, Rolls for paper & textile mills, Refineries, Steel tubular furniture, Air Services, Oil & Gas Transportations etc.

How, according to you, has the FY10 ended in terms of revenues and profits? Can you also share with us your order book position?

FY10 was the tremendous year for the company in terms of revenue & profit. Profit of the company has increased by 163% for the FY10 as compare to FY09, which signifies the milestone achieved by company in the fields of pipe manufacturing in India. As per the customer requirement, the order booking position depends on day-to-day basis. Today 85% of sales on an average are through our pan India dealers. Our target for 2010 -2011 will be 10-15% more than last year i.e. 160,000MT this includes our government sales. 