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Website: http://listing.bseindia.com

Ho-425-S Dated: 21.07. 2020

Manager – Department of Corporate Services,
Bombay Stock Exchange Ltd.,
Registered Office: Floor 25,
P J Towers, Dalal Street,
Mumbai 400 001

Dear Sir/Madam,

Furnishing of Information as per
SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
Scrip Code : 533033, Scrip Id: ISGEC

Sub: Transcript of the Earnings Conference call with analysts and investors relating to financial performance of the Company for the quarter and year ended on March 31, 2020

1. This is further to our letter bearing Ref no.Ho-425-S dated July 01, 2020, wherein we had given an intimation regarding Investor Conference Call organised by the Company on Tuesday, July 07, 2020 at 16:00 hours (IST) to discuss the financial performance for the quarter and year ended March 31, 2020.

2. In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of earning conference call held with analysts and investors.

3. The above information is also available on the website of the Company www.isgec.com.

4. The above is for your information and records, please.

Thanking you,

Yours faithfully,
For Isgec Heavy Engineering Limited

Sd/-
(S.K. Khorana)
Executive Director & Company Secretary
Contact Number: 9810188045

Encl: as above

"ISGEC Heavy Engineering Limited Q4 FY2020 Earnings Conference Call"

July 07, 2020

ANALYST:	**MR. RENJITH SIVARAM – ICICI SECURITIES LIMITED**
MANAGEMENT:	**MR. ADITYA PURI – MANAGING DIRECTOR - ISGEC HEAVY ENGINEERING LIMITED**
	MR. KISHORE CHATNANI – CHIEF FINANCIAL OFFICER – ISGEC HEAVY ENGINEERING LIMITED
	MR. S.K. KHORANA – EXECUTIVE DIRECTOR & COMPANY SECRETARY – ISGEC HEAVY ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the ISGEC Engineering Company Q4 FY2020 earnings conference call hosted by ICICI Securities. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Renjith Sivaram of ICICI Securities. Thank you and over to you Sir!

Renjith Sivaram: Thanks Ayesha and good evening all. I invite you to the Q4 FY2020 and FY2020 yearly results conference call of ISGEC Heavy Engineering Limited. We have with us the management of ISGEC represented by Mr. Aditya Puri, the Managing Director; Mr. S.K. Khorana, Executive Director and Company Secretary, and Mr. Kishore Chatnani, the Chief Financial Officer. So, we will have initial outlook shared by Mr. Aditya Puri and we will follow that up with Q&A. Over to the management, Mr. Puri you can start your initial remarks.

Aditya Puri: Thank you Renjith. Good afternoon everyone and thank you for joining us on our earnings conference call. I hope you and all your loved ones are well and safe these days. This is our second investor conference call, though we have been regularly meeting investors at our AGM. I look forward to a fruitful interaction. Many of you are familiar with our business. We are a diversified heavy engineering company engaged in manufacturing and project businesses. We manufacture process plant equipment, presses, and iron & steel castings. We do turnkey projects for setting up boilers, power plants, sugar plants, distilleries, factories, and bulk material handling facilities. We have also developed strengths in construction. We address the requirements of the wide spectrum of industries namely power, fertilizer, sugar, oil & gas, automobile components, steel, cement, chemicals, railways, space, ports and waste to energy.

We are number one or number two in almost all product lines in our country. Our presence across multiple industries and geographies helps us to spread any sectoral or geographical risks. Let me now talk about the consolidated financial results for the quarter. We are happy that we have delivered strong revenue growth year-on-year in spite of disruption caused in March due to the nationwide lockdown and competitive business landscape prevailing in the country.

The total consolidated revenue for Q4 is Rs.1542 Crores as compared to Rs.1589 Crores for Q4 2019. For FY2020 the total revenue is at Rs.5852 Crores, which is 16% higher than Rs.5051 Crores in the previous year. The consolidated EBITDA for Q4 of FY2020 is Rs.71

Crores compared to Rs.92 Crores for Q4 of FY2019. In FY2020 the consolidated EBITDA is at Rs.357 Crores compared to Rs.335 Crores for the previous year. The consolidated profit after tax for Q4 of FY2020 is Rs.13 Crores compared to Rs.39 Crores for Q4 of 2019. For FY2020 the consolidated profit after tax is at Rs.151 Crores, which is 5% higher than Rs.144 Crores profit after tax for the corresponding period in the previous year.

Q4 was panning out broadly in line with company expectations, the disruption caused due to COVID-19 led to a revenue shortfall of around Rs.300 Crores and profit before tax would also correspondingly higher. Due to the nationwide lockdown billing of the last 10 days could not be completed and equipments which were ready in the manufacturing plants and with the vendors and subcontractors, could not be dispatched and built.

As was updated to you during this Q3 FY2020 earnings call we have classified the newly acquired Cavite Biofuel Producers Inc, Philippines, and its group companies under discontinued operations as these are held for sale in the consolidated financial results for Q3 FY2020. Efforts to sell CBPI Philippines and related companies have been continuing; however, discussions have slowed down since the onset of COVID-19 pandemic. The sale is unlikely to be completed within one year from the date of acquisition that is by October 3, 2020 as required under the relevant accounting standard and this group of assets and liabilities are no longer classified as held for sale and have been consolidated as subsidiaries in the consolidated financial results.

I would now like to talk about the order bookings. The consolidated order booking for FY2020 is about Rs.3919 Crores. The orders in hand as on March 31, 2020 are Rs. 6916 Crores. The order book position continues to be satisfactory. On a consolidated order book of Rs. 6916 Crore, about Rs.5411 Crores is the project business and Rs.1505 Crores is for the product business. Consolidated order book includes 1500 Crores of export orders, which is about 22% of order booking. Order booking for ISGEC Hitachi Zosen was also good. It has booked orders for over Rs. 240 Crores in FY2020 and has orders in hand of over Rs.480 Crores.

We are continuously working on diversifying into new products. Business development center is being created to work on new products without making much investment. Focus is on contract manufacturing for defence, space and other sectors, the company is also exploring large civil work projects and will be bidding for construction of small airports.

Now I will talk about the impact of COVID-19 on our business and the mitigating measures taken by us. The pandemic and the consequent fall in economic activity both in India and overseas continue to impact the businesses of the company both in the engineering procurement and construction and manufacturing segments. Some of our EPC orders from customers have been put on hold or suspended; some of the customers have deferred the inspection or dispatch instructions for delivery of ready equipment. These are, however, surprisingly not very large at this point in time and less than 2% of our order book. This is a good aspect of capital goods business as most of our customers have long term investment timeframe, and the interruption of three months does not change their investment plan and most customers have separate funding arrangements of capital equipments and do not have to use their operational cash flows. We will, however, have to monitor the situation very closely in the next few months. We have written to our customers invoking force majeure; no major impact is expected with customers because of the delay in execution of the projects or orders.

Large orders are expected from PSUs in the area such as railways, air pollution control equipments, refineries, fertilizers, hospitals, airports and civil infrastructures and few others which will compensate for any possible slowdown from the private sector. All our factories are working with full capacity and there is no labor issue now in the factory. At our sites, initially manpower was only around 30% and now it has reached about 75%. It will take another a couple of months for the situation to become normal.

Issues related to supplies have been resolved to a great extent as our large vendors are working at full capacity and other small vendors are working at about 50% capacity. The issues related to logistics that have also improved now.

Presently we are asking about 50% of our people in the EPC business at Noida, Chennai and Pune to work from the offices and the balance to work from home.

The company is judiciously managing the cost and has made various cost saving efforts. Implementing 5% to 30% salary cut of employees in FY2021, though there is no cut for junior employees with annual salary up to 8 lakhs. The salary cut will yield about 15% reduction in the salary cost for the year. The managing director and whole-time director will take 75% remuneration cut. Deferring construction of the new office building and other non-critical costs. Other administrative costs are also being curtailed; travel and related costs are presently negligible.

New government reforms and initiatives like Atmanirbhar Bharat Abhiyaan and making India the ‘country of choice’, to support the Indian economy will increase the industrial investments over the period. Also, with sentiment emerging amongst developed countries, to have an alternate to China for the manufacturing requirements, India stands a good chance of getting a portion of it.

Due to COVID-19 the economic activities in the country and abroad have been disrupted. It will take some time for these to pickup at full space, but we are very optimistic about our positioning in the market and with presence in multiple segments and geographies, robust balance sheet, state of the art infra and manufacturing capabilities, technology partnerships and the right quality of people, we will continue to focus on increasing our shareholder wealth, strengthen financial metrics and serve the community and people at large. We have also uploaded presentation on the Bombay Stock Exchange website yesterday. Thank you and now any questions I would be happy to answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shreyas Bhukhanwala from Canara Robeco Mutual Fund. Please go ahead.

Shreyas Bhukhanwala: Sir two questions, so one is on the ordering side, so I understand it may be just a premature thing we are just getting out of the lockdown, but some understanding on how is the ordering pipeline for both our manufacturing and project business?

Aditya Puri: So, there are enquiries and we have managed to book some orders in Q1 of this year. There are enquiries and we do hope more orders will materialize and we are concentrating more towards the public sector orders right now, because those enquiries are continuing, and decisions are being made. As far as the private sector is concerned, yes there is a slowdown in decision making, people are waiting and watching before making investments. Having said that there are a few areas where we are slightly short of orders, but as we said if the order book is over 6000 Crores at this point of time, so we are not unduly worried because by the time we execute these orders we hope that the situation will improve considerably.

Shreyas Bhukhanwala: Sir any quantification in terms of how much would be bids or tenders, which would have got floated recently?

Aditya Puri: Maybe about 1000 to 1500 Crores.

Shreyas Bhukhanwala: The question is the amount of the enquiry?

Aditya Puri: It is about 1500 to 1800 Crores I would say at least.

Shreyas Bhukhanwala: Sure. Are we L1 in any of the projects as of now?

Aditya Puri: Yes, we are.

Shreyas Bhukhanwala: Any number to it?

Aditya Puri: Well I do not have that number, but it is not a small number.

Shreyas Bhukhanwala: Sure. Sir secondly on the margin side. On the manufacturing side barring last quarter that is Q4, Q2 & Q3 we had seen relatively lower margins at almost 7% to 8%, what has been the reason for that and how should we look at it more on a sustainable basis going forward for manufacturing end?

Aditya Puri: So, quarter-to-quarter actually it varies because we value the work in progress at prime cost in manufacturing. So for the whole year yes it makes sense with quarter-to-quarter there could be huge variations and in Q4 this year there was lot of shipments, which were ready to go, but could not be dispatched because of the situation in the country. So the manufacturing margin would have been higher than what it has actually come through.

Shreyas Bhukhanwala: So more on a sustainable basis should we look at around 10% to 11% on annual basis?

Aditya Puri: I do not think about 10 to 11, but about 9% to 10% maybe.

Moderator: Thank you. The next question is from the line of Nishit Shah from Equitas Investment. Please go ahead.

Nishit Shah: Sir I wanted to understand what is the traction in FGD currently going on because as Supreme Court has rejected this extension for FGD installation?

Aditya Puri: So for current enquiries, there are some enquiries from NTPC and some other government companies and we are also now into the semi-dry FGD, which we have got an order and we are executing it for one of the major Indian companies so there are enquiries and there should be business in this year for FGD.

Nishit Shah: Sir you feel that there would be significant orders from FGD?

Aditya Puri: There could be.

Nishit Shah: Sir second thing is with anti-China sentiment will this benefit ISGEC and are we dependent for any components or anything from China?

Aditya Puri: Yes, we are importing components from China, particularly for the FGD we are importing components through China. But we are looking for alternatives at this point in time for the future bids, and we are looking for a clarification from NTPC whether we should include China in our imports or not because if we do not then the components are more expensive and the bidding price will go up. As far as opportunities from China is concerned we have started getting enquiries from customers for some of our businesses, they want to get things manufactured in India, that they were getting manufactured in China earlier. But having said that this is in the preliminary stage right now.

Moderator: Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

Manish Goyal: Just to get more sense on the order pipeline and outlook in medium to long term, so which are the areas in both manufacturing of equipment as well as on EPC side we do see opportunities probably in medium to long term Sir, which will be the focus areas and just want to get a sense on that?

Aditya Puri: So on the EPC side, lot of infrastructure projects like the factories for the railways, airports, we are doing civil work for a large water company, doing work in Delhi, so lot of infrastructure and civil projects will come up, FGD will come up, so these are on the project side, on the product side equipments for refineries, for fertilizer plants, petrochemicals the pipeline is good.

Manish Goyal: Also if you can highlight in terms of like in the last three to four years we have seen that contribution from international revenues have been on a decline curve partly because domestic has grown very strongly, so how do we see it going forward in the next two to three years? How is the scenario in international market?

Aditya Puri: For international market we feel that we will be able to maintain between 20% and 25% of our revenues from the international market.

Manish Goyal: Okay and ideally it would be again from sugar and boilers?

Aditya Puri: Sugar, boiler, presses and also pressure vessels, pressure equipment division.

Manish Goyal: I missed on the Hitachi briefing and there was some disturbance at my end, if you can please provide the order inflow and order book what you have mentioned and if you can also provide in terms of how was FY2020 performance for Hitachi as well as the newly acquired company Eagle Press?

Aditya Puri: So FY2020 ISGEC Hitachi Zosen book order book worth about 240 Crores and on April 1, 2020 the order book was about 480 Crores, so that is a healthy order book, the year was good except for the fact that it is very large consignment that also could not be dispatched, which is worth about 80 Crores plus. The consignment has been dispatched in Q1 of the next year as it could not dispatched because of lockdown and as far as Eagle is concerned, the order booking is slightly soft because of this pandemic effect. the factory was also shut in part of March and part of April because there was a lockdown there also; however, the automobile sector has factories in the US that have started again and I think orders will start coming maybe in the next month or two. But right now we have worked for the next few months.

Manish Goyal: On machinery equipment you said that this year we should look at around 9% margin levels, for EPC business how do you see that?

Aditya Puri: It is about 5% or so.

Manish Goyal: With rupee depreciating money, we probably have 24% to 25% of revenues coming from international markets so that should benefit, but on other side we also have some cost that increases.

Aditya Puri: So as far as the orders that we already have and for the imports we have committed they are all hedged, so we have a policy of hedging our exports and imports, so in the short run the current operations of the business is not going to make much of a difference, but the rupee depreciation should make us more competitive in the international market and should also make imports more expensive in the domestic market so there could be a little more domestic buying within the country.

Manish Goyal: And on the cost front you said how much salary cut for senior employees we have taken Sir?

Aditya Puri: Salary cuts for the very senior employees are about 30% and I have taken 75% cut.

Manish Goyal: Sure, so overall our fixed cost base what we have currently, what kind of decline we can see say probably in a quarter or two?

Aditya Puri: We are saying that the salary bill should be down by 15%. These salary cuts are not applicable to workmen or people who are drawing less than 8 lakhs a year.

Manish Goyal: Last question I have on the debt front, basically we have seen that at standalone level as well as consolidated level the debt has increased, just wanted to get a sense how much of it at a consolidated level the debt has increased due to consolidation of the Cavite and also going forward what are our plans on Cavite Biofuel Sir?

Aditya Puri: My colleague Mr. Kishore Chatnani will explain the debt position to you, but I will just tell you this much that yes the debt position has increased, payments did not come in March that we were expecting because of the lockdown, also 40% of our bidding at this time was to the PSUs in the government sector and government payment terms are such that the money is sort of assured, but the payment terms are not very favorable and it is a tender system so we cannot change those payment terms. Also our bank balances increased by a certain amount and the government tenders we could have taken on another 100 Crores of advances from the PSU units, but there is an interest rate to that and that interest rate is very high, so we thought it is prudent to borrow rather than to take advances. On the Cavite Biofuel we have been in continuous dialogue with the number of people and there is interest in that asset; however, COVID hit Philippines much before it hit India and then India and Singapore got it and as a result of which the whole thing has been delayed by about six months at least because we are not in a position to go to the Philippines, clients are not able to go to the Philippines as it is still under a lockdown, so that is the current update, we are very hopeful that the assets will get sold.

S. K. Khorana: Manish the due diligence must be taken by the buyers so that they cannot do business so that will take time, COVID was there.

Manish Goyal: Sure.

S. K. Khorana: We are talking to many people, but nobody is able to go and see the assets.

Manish Goyal: Sir but are we looking to do further capex or just everything is on standstill over there?

Aditya Puri: We are not, we cannot even do it right now because the things are not conducive because of COVID.

Manish Goyal: Right Sir, just on my question on the debt…

Kishore Chatnani: Debt has increased I believe we have informed earlier as well that in the case of Cavite Biofuels there is a term loan of about $35 million, which is about 265 Crores in Indian rupee terms today. Now the lender, Land banks of Philippines is cooperating with us where they have extended the repayments terms by two years, so the next installment is to be paid only in January 2022, there are no installment payments due now and we are hopeful that we will find a buyer and the loan will obviously get transferred along with the assets to the buyers. Now coming to the standalone debt, standalone debt has increased, but if you notice that the cash in hand also increased, so for the last 10 days of March we were collecting payments from customers, but since the situation was so uncertain we were all at home and we were not even knowing as to whether the government will shutdown banks or what so we were not even paying the loans and there were so much noise in the market about if the banks will lend and how things are going to happen going forward and we did chose not even to put the surplus money into mutual funds, because at least I was not clear as to whether mutual funds will be repaying us when we wanted the money so whatever we collected we kept it in our bank accounts and so they know firstly that about 51 Crores is an increase in the cash balance in the banks, so total cash balance was about 120 Crores. But on the other side there is also increase in borrowing, the borrowing if you look at our cash flow you see that we have made capital investments of about 67 Crores, we did not borrow term loans, we used our own money there. We have paid income tax of about 65 Crores, we paid out dividend of 30 Crores and also because a lot of billing could not be done in March so there was an input credit on GST, which increased by about 25 Crores. Now these are the operational things, but also because of our turnover went up and as Mr. Puri said that we did not collect enough in March because of this lockdown, so our trade receivables have increased by about 230 Crores and, our order book has reduced by 20% over the year and similarly customer advances have got adjusted. If you look at the movement, we have about 276 Crores generated out of operating profit in terms of cash.

Manish Goyal: Just one more question on your capex for current year at standalone and consolidated level?

Aditya Puri: Maybe 15 Crores, if there is an opportunity, otherwise we are not planning. There is capex of course for our Saraswati Sugar Mills for the ethanol plant.

Manish Goyal: How much are we spending over there Sir?

Aditya Puri: About 180 Cr.

Manish Goyal: When do you expect to start the commercial production Sir?

Aditya Puri: By June next year.

Moderator: Thank you. The next question is from the line of Charanjit Singh DSP Mutual Fund. Please go ahead.

Charanjit Singh: Sir one in terms of our current order backlog of more than 6000 Crores, so how is the quality of the order backlog in terms of execution timeframe and in terms of what projects would be moving at a slower pace or how we should look that in the coming quarters?

Aditya Puri: Most of our projects have not been stopped by the customers, nor are we facing very major payment issues, but lot of site work except for in the automobile sector, yes we have about 15 to 20 Crores of orders in the automobile sector and some other very small orders, which people are not lifting automobile components, they are not lifting the machinery as yet, so we might have to divert it as well, but as far as the project is concerned the pace of the projects is being impacted by the labor availability. It is basically constrained that we have, right now I am also surprised that our projects are not being impacted by the customers or the customer is saying slowdown, or I will not pay, there are a few, but they are very, very few.

Charanjit Singh: Okay and if you look at last two years we have seen our bids changing towards more and more of EPC and we have also entered into a lot of new areas where we are just building our competencies, so we are going to see a different kind of competition plus more of EPC contracts, so how do you feel like where you want to focus maybe next two to three years as a company and build competency in which particular segment whether it is civil infra or railways, what is our strategy in the end market perspective because that is now becoming a larger portion of our overall pipe?

Aditya Puri: We are looking at civil and coupled with civil is the fact that we have a manufacturing base, so if there are projects like the railway factory or the one that we have done so HMEL in Bhatinda, which involves lifting the equipment which were over thousand tonnes in weight and had to be sort of taken to very great heights, installed at very great heights. So we are trying to see the synergy between our various groups, but for civil and infrastructure projects we would be concentrating in the next year or so and we already made a small beginning, but we will be looking at more government tenders from ISRO, defense and those areas.

Charanjit Singh: This is the last question from my side, on the supply chain front what is the kind of issues you are facing right now and with this entire China-related issue how do you see that panning out either as a positive or negative for ISGEC going forward?

Aditya Puri: After the lockdown was lifted on the client side and when we started operations there were huge issues because many of our vendors were not working at that point in time or working at very reduced scales because they also had labour shortages, many of them were in the containment zones, but now I think the situation has improved considerably and we are not facing major supply side issues as far as material is concerned, yes there are some issues more than usual, but on the labour front the situation is improving but as of now also at our sites we only have about 70% to 75% of the labour that is required. As far as China is concerned a lot of our consignments had come in from China they were held up at Mumbai Port, because of the COVID situation there were very few customs people so clearances were taking time, but that also got streamlined and they have started clearing the China goods also now.

Charanjit Singh: Okay, Sir I was also trying to understand from import substitution perspective do you see like somewhere we can benefit in any particular segment or if there are you know as the government is pushing towards more and more import substitution?

Aditya Puri: This situation will become clear over a period of time, but yes we read in the papers and we hear that the government will actively try and see that China does not come into infrastructure projects and that Atmanirbhar mission of the government also talks about projects less than Rs.200 Crores and Indian parties would be favored. There is preference formula there also, so we do think that the opportunity for ISGEC will grow, it is yet to crystallize we are keeping our eyes and ears open, but with China was doing quite a lot of work in India in the infrastructure field and in the power field and we do feel that the new projects China will be dissuaded from coming in.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir two questions. I think first for FGD you have license for Babcock power, so are we still importing something on China on FGD system and secondly Sir on the FGD opportunity basket, I think there were three tenders of NTPC lot 4 and lot 5, there was a DVC tender and there were a couple of tenders from the states, is there something big ordering you expect from the state Genco side and will we be interested in participating in the state tenders?

Aditya Puri: Yes, we will be, and we have participated in some state tenders yes and we will be participating in the NTPC as well.

Mohit Kumar: What happened Sir lot 4 and lot 5, is it over Sir right now?

Aditya Puri: Lot 4 and lot 5 is over we did not participate because we had these orders from NTPC and then we had an order for semi-dry FGD, so keeping our own capacity in mind we did not bid for lot 4 and 5.

Mohit Kumar: Which states are active in giving the tenders out I think Rajasthan was open right?

Aditya Puri: I think there is something in UP also, something probably in Tamil Nadu also, some states are active yes.

S. K. Khorana: Haryana is also issuing tender.

Mohit Kumar: Okay, secondly Sir how do you see the competition in FGD has it come down recent past and are the Chinese participating?

Aditya Puri: The Chinese participation that is something that PM has to decide what their strategy on China. So I will not be able to answer.

Mohit Kumar: What was happening in the last year?

Aditya Puri: In the past, some of the tenders they were participating.

Mohit Kumar: And lastly when Babcock, Wilcox is our license supplier why are we importing some components for FGD from China?

Aditya Puri: So, Babcock, Wilcox, which is our technology supplier, it is a BPE. Babcock Power has got nothing to do with Babcock, Wilcox, maybe 50-60 years ago there might have been connection but there are two absolutely separate companies and we are not importing anything from Babcock, it is just that there are certain things that are cheaper in China and we are importing it from there it is because of no compulsion of Babcock.

Moderator: Thank you. The next question is from the line of Ajay Sheth from Quest Investment Advisors. Please go ahead.

Ajay Sheth: I am attending this conference call for the first time for our company, but I believe that our company is around 70-80 year old company, so just wanted to understand that with a lot of assets with us, if the opportunity comes, what kind of a turnover we can achieve in our company on annualized basis with some kind of a marginal investment?

Aditya Puri: Just to give you an idea we do projects business and we do products business that is the project manufacturing. So manufacturing to scale up significantly we would use investments, marginal scale up maybe 10%, 15% scale up can be done with very few investments then there comes a point when you have to do major investments for the major turnover. As far as the projects business is concerned, there we are not doing manufacturing, but there the scale up is in terms of human resources we can do in a short period of time.

Ajay Sheth: Okay and do we have a sufficient land bank with us if we have to expand?

Aditya Puri: For manufacturing, yes.

Ajay Sheth: Second question is that why are we not listed or traded on National Stock Exchange?

Aditya Puri: There is no particular reason for that.

Ajay Sheth: So, if you are doing a conference call and you are showing such amount of love and respect for all the investors don't you think we should also list on NSE?

Aditya Puri: We will put it to our Board of Director, we will do that.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.

Anuj Sharma: I just wanted to understand between our two businesses we have some traction in the EPC business, strategically where do we look at our product business and do we see our product business growing better than the projects business, how do we see the trade off and how do you take a call whether to expand in the product or the project business, just your thoughts and let us suppose a three, five-year direction in that?

Aditya Puri: I will be very frank with you; we have not borrowed term loans to invest except for in our sugar plant where we are putting up a distillery. When we see an opportunity we sort of evaluate its long-term potentials and then we make a decision whether we need to put money into that or not and we do not differentiate with the products and projects so it is not that we have love for one over the other it depends on the pure financials.

Anuj Sharma: Okay, so when you say this country would have enough manufacturing so within defense and others, so how are you looking at each of these, how do you define what businesses you want to enter because the landscape is wide open, any benchmark or thresholds we can understand?

Aditya Puri: We have a manufacturing facility encompasses fabrication, machining and assembly, the three vital aspects of manufacturing. And we have a very good machine shop in our factory in Yamuna Nagar, so we evaluate opportunities on the basis of what will give us the desired value add and where the competition would be limited and which would give the best use of our facility.

Moderator: Thank you. The next question is from the line of Aditya Dube from Qber Asset Advisor. Please go ahead.

Aditya Dube: My question was we have so many joint ventures with foreign players, I wanted to get understanding in the next five years what would be the mix of our revenues, is it going to continue in the ratio of 85% EPC 15% manufacturing or you think the queue of manufacturing is in share as the years progress over the next 5 to 10 years?

Aditya Puri: I don't think manufacturing will grow, but the share of manufacturing will go higher because I think there will be a lot more project opportunities, unless of course there is some big opportunity comes in terms of somebody or some company wanting to tie up with us as a substitute for China.

Aditya Dube: Most of the JVs that we would have today are more kind of for the technology part of it to cater to the demand in India itself most of these companies are not really looking at us as an export hub and kind of making them or using ISGEC as an outsourcing partner to manufacture and then say export it to the Asian markets?

Aditya Puri: I would not agree with you over there, ISGEC Hitachi Zosen cater to the world market and a joint venture, which is a tiny joint venture with SHI Foster Wheelers, we are doing engineering for their worldwide project. The Indian boiler ISGEC is doing the engineering for the worldwide project, the joint venture is doing the engineering, FGD market is basically in India it is not a joint venture it is a technology transfer, but it is an Indian play.

Moderator: Thank you. The next question is from the line of Shreyas Bhukhanwala from Canara Robeco Mutual Fund. Please go ahead.

Shreyas Bhukhanwala: On the order book just want to know how much would be our government and private mix of the current order book?

Aditya Puri: 47% of the order book right now is from the government and PSUs.

Shreyas Bhukhanwala: Okay and is it possible to share broad segment wise order book breakup like FGDs, boilers?

Aditya Puri: I do not think we will be able to do that, but a lot of the projects business is from the government and so is a lot of business, which is related to the oil and gas, the pressure vessel part of it.

Shreyas Bhukhanwala: And Sir last one is sugar factory you are putting a distillery, so what would be the capacity of that?

Aditya Puri: 110 kilo liters per day.

Moderator: Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Sir, I have two questions. The first one is Sir if I look at the margin profile of our product business and compare it to some of the peers and I understand we have a much wider and broader portfolio, still significantly on the lower side, so if you can throw a bit of light that is it because some of the products where we do not make enough margin and some we make very high margin, is that the mix, which is the reason why we are on the lower end of the margin profile in the product business?

Aditya Puri: Generally thinking about product business I do not think too many companies make over 9%, 10% of profit margin, but yes within the product business also there are some products that are high margin and some low margin, so it depends on the product mix year-to-year, but we are trying to improve that.

Dhwanil Desai: Okay and Sir second question is we are increasingly in the last two years our preference for taking PSU projects and also we are getting into infra EPC, which is a highly competitive space, so do you think that it will have some impact in terms of our balance sheet, receivables, ROP profile going forward as the proportion of project increases? Do you think that as kind of dilutive from the capital efficiency perspective going forward for the company?

Aditya Puri: No, I do not see any dilution. It is just that we started this business about 18 months ago and many projects are about to be completed now and lot of government projects and escalations and all we should get at the end, so once the cycle is set I do not think it will make difference in the long term as far as efficiency of capital is concerned, but yes we have started it now so in the short term it has made and I think it will improve from now onwards, but also the fact is that government as I said earlier is definite to pay the amount and not go backtrack, so we have to go in for the infrastructure projects, which are large value projects. We as a company feel that it is better the payment terms are a bit protracted, but they are safe.

Dhwanil Desai: How do we look at our company in three to five years from now in terms of growth aspirations, in terms of focus areas where do you want to go?

Aditya Puri: So, we do hope to grow, and we do hope to grow well and significantly. But I would not like to put numbers to it maybe in the next concall or something we can probably say something about it, there are too many variables at this point in time, so let the situation settle down a little bit and let the world dynamic also settle down a little bit and then you know we will have a fresh look. But as of now we have enough orders and we are very comfortable.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: My question is on the opportunity canvas for the next one or two years, if you could highlight the key sectors where we have the opportunity and in specifically if you could speak about the oil and gas refining and petrochemicals where we are seeing a lot of projects actually starting?

Aditya Puri: So, we are doing work of both in our main companies that is ISGEC and in our joint venture ISGEC Hitachi Zosen Limited. We are doing pressure vessels for the oil and gas, petrochemicals and fertilizers areas and between the two companies ISGEC and the subsidiary we cover a lot of the static equipment and the subsidiary manufactures products, which have very limited competition, . In many of the products, we compete with L&T and all these projects coming up and there are ongoing projects also, ordering has taken place in Q1 of this year, we have won quite a few orders over there, so comfortable amount of earnings and we think that in the next few years business would be good over there. They are also doing some site work in the refineries.

Bhavin Vithlani: What is the total ordering potential for your company be in excess of Rs.1000 Crores, the total market potential?

Aditya Puri: In what in oil and gas?

Bhavin Vithlani: For the refining segment, yes oil and gas, refining, and petrochemical segment in India.

Aditya Puri: Opportunity would be more, but we would probably not be able to book between the two companies we would probably restrict ourselves to about Rs.800 Crores of order booking between the two companies. Rs.700 Crores to Rs.800 Crores.

Bhavin Vithlani: Are there any other sectors where you are seeing opportunities because we see lot of API manufacturing being spoken about and it will be helpful maybe if you have what could be the opportunity per plant or some on that side will be helpful?

Aditya Puri: In the oil and gas?

Bhavin Vithlani: No, active pharmaceutical ingredients.

Aditya Puri: For the pharma unfortunately we do not manufacture too much at this point in time, but as joint ventures, which is ISGEC Titan Metal Products Limited can make small pressure vessels and reactor for the pharma sector, these are small dilators, so it is not that we can do the entire spectrum, but these are small by nature, but they are exotic chemistry and we are looking at that opportunity, but it is not going to be a very large opportunity.

Moderator: Thank you. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: At the start of the call you had mentioned that there was some delay from the port side in materials getting cleared because of lower custom duty available, so just wanted to check related to FGD is there any delay in terms of execution or elongation in terms of project lines for you and what would be the size of FGD within the total project orders?

Aditya Puri: So, the project is more because of the labour at the site, there would be a few months delay because of labour at site, the NTPC has very, very strict rules about quarantine and we also want to actually do that, right now the full labour complement is not there, but it is improving. There were some goods that were stuck up at the port, which came from China, but they have been cleared now for the FGD.

Harshit Kapadia: NTPC FGD order completed Sir that we had on hand?

Aditya Puri: Somewhere around the middle of next year.

Harshit Kapadia: What would it be order size for this NTPC FGD order that we have in the order book?

Aditya Puri: The orders were about 1200 Crores.

Kishore Chatnani: One order was about522 Crores, the other was 702 Crores.

Harshit Kapadia: Okay and at the start of the call you mentioned we had L1 position in the orders, this is related to FGD or some other sectors?

Aditya Puri: Some are related to FGD, some is related to some other sectors.

Moderator: Thank you. Due to paucity we will take the last question from Mr. Bharat Sheth from Quest Investment Advisors Private Limited. Please go ahead.

Bharat Sheth: Our order book is around 7000 Crores out of which around 1500 Crores is in component and rest is around EPC, is that correct understanding?

Aditya Puri: 1500 Crores is manufacturing.

Bharat Sheth: What is the execution timeframe for both?

Aditya Puri: Manufacturing deliveries could vary from 2 months to 18 months and EPC typically I would say 11 months to 36 months.

Bharat Sheth: 18 months back we were very much bullish on this distillery for the sugar plant, so what is the current status and how much order book we have been really able to get and how do we see that distillery for sugar plant?

Aditya Puri: We have executed about five or six distillery projects and now we are executing our own subsidiary company's distillery project and we hope that there is an interest in distillery, and we do hope we get a few orders.

Bharat Sheth: Why is everything getting delayed in this distillery space, there was almost 150 kind of sugar mills that had lined up and still order book flow for all the companies is not really happening?

Aditya Puri: Because there was some financial subvention the loans had to get cleared and then I think this COVID situation came, Kishore do you have any answer to that?

Kishore Chatnani: Sugar companies have not been doing too well, so their loan sanctions are not doing well. Not many companies have got their loans sanctioned, so as we said some 155 companies had those proposals and the central government also approved the interest subvention proposal, so that if these companies do the loans then they would get interest subvention, but I do not remember the number now last time it was only few companies had only bought their loans sanctioned. 57 were sanctioned, 34 were disbursed, so that is the reason because it is taking time to get the loan sanctioned.

Bharat Sheth: Our subsidiary we are setting up the distillery that is first order we already have some distillery?

Aditya Puri: Our own first distillery.

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

Aditya Puri: Thank you so much. Thank you everybody for asking questions and thanks to ICICI Securities for arranging it and thank you very much.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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