"Isgec Heavy Engineering Limited
Q1 FY27 Earnings Conference Call"
August 12, 2026

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Moderator: Ladies and gentlemen, good day, and welcome to Isgec Heavy Engineering Limited Q1 FY27 Earnings Conference Call. 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 this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mahesh Patil from ICICI Securities. Thank you, and over to you, sir.

Mahesh Patil: Thank you. Good afternoon to all. On behalf of ICICI Securities, I welcome you all to the Q1 FY27 Earnings Call of Isgec Heavy Engineering Limited. Today, we have with us from the management Mr. Aditya Puri, Managing Director; and Mr. Kishore Chatnani, Joint Managing Director and CFO.

We will begin with the opening remarks from management, which will be followed by Q&A. Thank you, and over to you, sir.

Aditya Puri: Thank you. Good afternoon, everyone, and thank you for joining us today. We appreciate your time, your continued interest in our company and the trust you place in us as we continue to build for the long term. We value these conversations because they allow us not only to discuss our performance, but also to explain how we are executing our strategy, responding to the market environment and positioning the business for sustainable growth.

Standalone Financial Performance

We delivered strong growth this quarter with the total income up 51% and PBT up 10% year-on-year. The total income for the quarter is INR 1,585 crores. Income in the Industrial Projects segment is higher due to improved order execution in line with project execution schedules.

In the manufacturing segment, income is higher due to the dispatch of a large order from a U.S. customer, which the customer had put on hold for some time. Export revenue during the quarter is INR 385 crores, about 25% of the total revenue, up from 15% in Q1 FY26. We expect this increased level of exports to continue.

The EBIT has also grown by 15% to INR 157 crores. The profit before tax of INR 123 crores is 10% higher than INR 112 crores for the quarter ended June 2025, which reflects higher operational profit. You may recall that Q1 FY 2026 included high other income due to Forex fluctuation.

On the margin front, the manufacturing EBIT margins continued to be 12% and within the 12% to 13% range guided by us. And the EBIT margin for the projects business is 5.25%, better than it has been for the last few years. Total order booking for the first quarter is INR 2,323 crores and the total standalone orders in hand as on June 30, 2026, are very good at INR 7,727 crores.

Order execution is proceeding smoothly in both manufacturing and the Industrial Projects business. The domestic market is strong across almost all our product lines, and we have a healthy level of export inquiries from customers across various industries. Our persistent efforts and focus on increasing export business have shown good results. A number of export orders have been booked from customers recently in Africa and in Latin America. The export inquiry base is very healthy.

The company's net fund position has improved by INR 140 crores during the quarter, and net borrowings are substantially down to INR 240 crores compared to INR 381 crores as on 31st March 2026 and INR 408 crores as on 30th June 2025.

Impact of Geopolitical Tensions on our business

Current geopolitical developments have not affected existing order bookings. Export and import logistics costs have increased, and transit times have also lengthened. The cost of some materials which have risen due to war are having a small adverse effect on profitability. Commodity prices, particularly steel, copper, aluminium and nickel have more or less stabilized, though they remain slightly above pre-war levels.

Shipping and logistics for exports and imports are experiencing delays, reduced availability of ships and containers, sharply elevated freight rates and opportunistic pricing by shipping companies. There were no significant supply disruptions to the geopolitical situation during April to July 2026. Most of the increased costs are expected to be absorbed through normal contingency provisions.

Consolidated Financial Highlights

The consolidated orders in hand as on 30th June 2026 amounts to INR 8,958 crores. The total income for the quarter ended June 2026 is INR 1,993 crores, which is about 45% higher than the INR 1,374 crores for the quarter ended June 2025. Revenue has been higher during the quarter in Isgec standalone and Isgec Hitachi Zosen, but lower in Saraswati Sugar Mills. Isgec Hitachi Zosen is doing well with higher revenues and good orders in hand of INR 889 crores.

Saraswati Sugar Mills had lower cane availability last year, resulting in lower production. We are working on various steps to improve cane availability next season.

The consolidated EBITDA for the quarter is INR 137 crores, almost same as the quarter ended June 2025. The consolidated profit before tax of INR 53 crores is 18% higher than the INR 45 crores restated for the quarter ended June 2025. You would recall that in March 2026, we had shifted the accounting of the Philippines business to continuing operations from the earlier classification as held for sale and discontinued operations. This has also required us to restate the financial results for the quarter ended June 2025.

Now let me briefly outline the key reason for the reduction in the consolidated profit before tax. The key reason for the reduction in the consolidated profit before tax compared to the stand-alone profit before tax is the loss from the ethanol plant in the Philippines. As you know, the ethanol plant started commercial production for the current sugar season on 17th December 2025, using sugarcane as feedstock and concluded sugarcane crushing on 20th April 2026. Thereafter, the plant has been operating on molasses as feedstock. The plant has been running at about 65%-70% capacity utilization and ethanol sales are going smoothly.

During the quarter, the segment incurred a loss of INR 83 crores, mainly INR 37 crores attributable to depreciation, INR 20 crores attributable to interest and about INR 10 crores attributable to Forex fluctuations. The balance is fixed costs, which could not be fully recovered. The plant is presently running at about 65% capacity, and the current quarter is expected to be better.

The consolidated net borrowings have reduced by INR 170 crores during the quarter. Net borrowing has decreased to INR 304 crores as on 30 June 2026 compared to INR 476 crores as on 31 March 2026 and INR 832 crores on 30 June 2025.

I will now talk about the ongoing expansion of capacity at our manufacturing plants. As already informed, we are investing to add manufacturing capacity across most of our manufacturing product lines. This includes presses and machines at the new plant coming up in Bhartauli in Haryana, the new facility to manufacture skids and modules coming up in our SEZ plant at Dahej in Gujarat and the investment in capacity expansion and machining facilities at both our casting factories, the tubing and piping shops at Rattangarh and the standard mechanical press factory at Bawal. All these are running largely on schedule and some of the new production facilities will be progressively completed this year. We are expecting the additional production to contribute to this year's manufacturing segment's revenue.

FY 2027 Outlook – Standalone

Looking ahead on a standalone basis, we expect FY 2027 revenue to increase by 10% to 12%. Margins on the manufacturing business should continue in the range of 12% to 13% and in the projects business should improve slightly within the 5% to 6% range. To give more thrust to high-potential services business, a new division has been created within the Industrial Projects business named the Global Industrial Services and Solutions division. This division will undertake work relating to operations and maintenance, retrofit and modernization, services, spares and digitization.

Looking ahead, the inquiry pipeline and the order booking outlook remains strong in both domestic and export markets. The weaker Indian rupee should support improved realizations on future export orders. We recognize that the broader environment may continue to present both uncertainties and opportunities. We are taking steps to mitigate the risks and convert the opportunities into tangible benefits.

Thank you again for joining us. Let us now begin with the question-and-answer session.

Moderator: The first question is from the line of Rehan from Coheron Wealth.

Rehan: I have some basic questions because I'm new to the business. I just wanted to understand the reason for the conservative growth guidance that the management has provided despite such a good execution consistently in the recent times.

And with the new orders, the legacy order book ending with new orders coming on stream at higher realizations, any reason to be at a 10%-12% kind of top line guidance that you've been giving, sir?

Aditya Puri: So the order book, I agree, has improved substantially. But a good part of the order executions is going to carry forward to the next financial year. So that is the reason why we are talking about 10% to 12% growth in the top line.

Rehan: So on a like-to-like basis, after restating you've still done about 46% kind of growth at a top line basis on a consol level. So what would be your broad run rate over the next 2, 3 quarters? And how would the commodities help you in a way because you also have some inventory and the realization would also add to the top line? So how are you looking at it from a consol level basis?

Kishore Chatnani: So, if you're talking about the quarterly run rate, annual 10% to 12% that we have mentioned, it is going to be similar. I mean, the next quarter and this quarter, ongoing quarter, July to September. I'm expecting the projects business to continue at around the same level, about INR 1,000 crores or so. The manufacturing segment in the stand alone, that is also expected to be at the same level. This particular quarter was helped by one order which got dispatched, but the next quarter should be at the same level.

Mr. Puri mentioned about manufacturing capacities coming online progressively. So that will certainly be helping. Isgec Hitachi Zosen is doing better than last year. It will do about 10% better than last year. Last year, it did about INR 670 crores. This year, it will be doing 10% better and its profits will also be about 10% better.

The Saraswati Sugar Mills, so we had a season last year because of untimely rainfall because of certain agroclimatic reasons, there was less cane available to us. So Saraswati Sugar Mills actually produced much less sugar. So Saraswati Sugar Mills' revenue is going to be down. These are the 2 major subsidiaries under these consolidated companies.

So the others are certainly there. Eagle Press is doing fine, but as you know, it's only about INR 150 crores in a year. Isgec Titan Metal is doing fine. It's also going to be doing about INR 150 crores or so. Amongst the subsidiaries, Isgec Hitachi is going to do better, and Saraswati Sugar Mills is going to do lesser.

You talked about inventories. So we don't normally carry inventories, whatever we make is engineered to order, design to order, manufactured to order or as a project delivered to order. So what we buy is largely for the specific orders. We don't carry stock of different items, except in the case of sugar, sugar prices have gone up substantially.

So in sugar, there is some amount of profit, which is actually coming out of the inventory because manufacturing which will start in November, but until then there is no manufacturing happening. But otherwise, because of inventories, there's no special gain.

Rehan: Yes, sir. Just on the same line, if I may ask, in Q1, I think you did about INR 800 crores of top line from manufacturing, the manufacturing segment. What would you attribute as a steady state for ?

Kishore Chatnani: You're looking at the consolidated numbers, I can see. So that includes Isgec Heavy Engineering, the manufacturing portion of Isgec Heavy Engineering. It also includes Isgec Hitachi Zosen and

Eagle Press and Isgec Titan. So I would expect it to be -- so this is looking like INR 800 crores. It should be certainly INR 750 crores plus.

Rehan: Okay. So the large order you mentioned, what was that size? You mentioned there was a large order in Q1.

Kishore Chatnani: Yes, that was about INR 130 crores. So that was on hold for the customers' reasons. The customer has paid us 95% of the money 2 or 3 quarters ago but was not ready to lift it because his project site was not ready. And finally, it's been dispatched.

Rehan: Okay. So just to sum up, the manufacturing bit could see INR 750 crores steady-state run rate consolidated.

Kishore Chatnani: For the next quarter. Later on, I would expect it to increase a bit.

Moderator: The next question is from the line of Manish Goyal from Thinqwise Wealth Managers LLP.

Manish Goyal: I would like to continue on the guidance because ideally, if we were to look at 10% to 12% growth, sir, incremental revenue in the last call also, you said large part of INR 500 crores incremental will come from manufacturing. In first quarter itself, sir, we have done INR 570 crores of incremental revenue, which probably takes care of our entire year growth.

And you did allude that we'll at least maintain INR 750 crores of manufacturing revenue and Hitachi Zosen will also do well. And new facilities are coming up, additional capacity is available for dispatches maybe in half 2. Maybe you can correct that. So sir, why are we a bit more conservative?

Kishore Chatnani: Well, Manishji, the way you are describing, we would also expect it to be slightly higher, but it's better to give a conservative guidance and meet it rather than give an aggressive guidance and be uncertain about it. So yes, we can hope for better, but this is the number that we would like to state actually, 10% to 12%.

Manish Goyal: Okay. And Hitachi, you said 10% revenue growth, and you said profits would be also higher by 10%. So you are looking at absolute profit because last year, Hitachi Zosen had done very well on the margin front. So we believe that the margins will be holding on in Hitachi Zosen.

Kishore Chatnani: That's right. Yes, you're right.

Manish Goyal: Yes. Okay. And sir, on the various expansions, what Mr. Aditya Puri was referring to in the opening remarks, everything is on track. So what I probably recollect is that we were probably looking at total investment of INR 700 crores to INR 800 crores over a 2 to 3 years' time frame. So you expect all the expansions program to complete in the current year? And like what kind of incremental revenue potential, it can create for us?

Kishore Chatnani: So the total investment approved by the Board is for manufacturing capacity, and that's what we have been announcing in various announcements to the exchanges. So you also know that for the project business, there's a building under construction that will also be our corporate office. So when you said INR 700 crores, that included that expense as well. For the manufacturing capacity additions, the total investment approved by the Board is INR 502 crores. So that is presently under implementation.

So the bigger ones, the machine building, which is the presses which is happening at Bhartauli, Mr. Puri mentioned about it in his remarks. So the first phase of that is already reaching completion. We should expect some small production to start by the first week of next month. The major phase for that where the major investment is happening, that is expected to complete around, end of calendar 2027 or first quarter of calendar 2028.

Also the process module thing at Dahej. So that's also expected to complete around 31st of May 2027. So, all of these together when fully complete, they have the potential to add a total revenue of about INR 1,200 crores per year when fully complete. So it will largely start reflecting from 2028-29, we will get the full benefit of these investments. But progressively, there will be some increase in the output.

Manish Goyal: Okay. So at least next year also, we should probably get some benefit from these expansions.

Kishore Chatnani: Right.

Manish Goyal: And sir on the Cavite Biofuel, probably sir, we were expecting improved performance from this quarter with 6 million liters sanctioned by DOE for this quarter as well as for the next quarter and we thought that probably would do at least we will be breakeven at the cash level. So only the loss would be optically on the depreciation side. So just would like to know that why is it that having a first quarter full quarter operations, we had such a large loss.

Kishore Chatnani: Let me recap the whole thing. So we started on 17 December 2025 as production on sugarcane. And thereafter, the plant stopped on 20th of April. Even when we were doing that, even then some amount of molasses was also being fed.

Now after the sugarcane season has ended there, the sugarcane season has been shorter there as compared to what is normal, the loss is largely because of depreciation. There is an interest cost that you can see. We don't have any outside loans. This company, CBPI, it doesn't have any outside loans now. So the interest cost between the companies in the consolidated obviously gets adjusted.

The plant has crushed about 84,000 tonnes of cane during the season. Up to now, it has used about 20,000 tonnes of molasses. It has produced about 10.5 million liters of ethanol and sold 8 million plus. And we have allocations from the Department of Energy of the Philippines for the balance that we are expecting to continue to produce.

It is still the first year. So capacity utilization has not really reached up to 90% or so where it will start making good money. During the current quarter also, Mr. Puri mentioned it was running at 65% to 70%.

Aditya Puri: So also, when we spoke the last time on the conference call, the feedstock was cane and there were some problems that had come with cane and what happens when a plant has been running after a long time and it's reasonably high capacities. So those bottlenecks we'll be taking care of.

And now it will run on molasses, and we came across some other problems which are unique to molasses which also we will be taking care of in the next few months. So in a sense that we did encounter problems with the 2 different feedstocks and to a certain extent or to a large extent, we have solutions for that, but we did encounter those problems operationally.

Kishore Chatnani: During the current quarter, we don't expect that level of loss. There will still be a loss, but it should be substantially lesser.

Manish Goyal: Okay. So Q2 will be much lower losses?

Kishore Chatnani: Much lower loss. And it will be largely from the depreciation plus interest.

Manish Goyal: So for second half for our financial year, then how should we look at it? Because then would you continue to probably buy molasses and make ethanol? Or how should we look at it?

Kishore Chatnani: Yes, the plant will continue to run. The next sugarcane season will start sometime in November. Presently, the plant is running on molasses. Later on, we'll have to keep on buying molasses as and when it is available in Philippines.

Manish Goyal: Okay. So, at 90% capacity utilization?

Kishore Chatnani: We expect to reach at 90% kind of capacity utilization in December.

Manish Goyal: And would we still contemplate to probably look for buyers?

Kishore Chatnani: Yes, that is the plan.

Manish Goyal: Okay. And sir, just on the order inflow side, based on the order booking breakup what we have, if you can give me the order inflow breakup like the share of exports looks to be higher. And order book in exports have also grown. And what I probably see is that sugar and machinery has grown and power has grown. So have we received large orders in sugar machinery business from the export business -- from the exports in this quarter? Is it the right conclusion, sir?

Aditya Puri: We have received large orders. I can't say much more than that, but we have received large export orders.

Kishore Chatnani: Manishji, let me add to what sir said just now. Exports is something we are really concentrating on. And as you know, in our projects business, we do exports largely to developing countries. So our efforts are bearing good fruit. We have orders from Latin American countries, from African countries and from Southeast Asian countries. That is where our effort continues to be.

We have booked good orders. This quarter, for example, we booked more than INR 750 crores of orders from export markets. The current ongoing quarter also, we are expecting to book good orders. So, there are 2 factors playing out. One is the currency at INR 95 is helping us to be a little more competitive than other competing countries. Of course, for all Indian competitors, it's the same situation. But compared to other countries which also bid for these orders, it's helping a bit.

But the other side is that in the export logistics, there are difficulties. I'm sure you would have heard from many other people as well. There are less number of ships available, container freight rates are up, number of sailings are less and of course, these orders that we are booking, they need to be executed over a period of 2 years or so.

So while the next 3-4 months continue to look challenging, one really doesn't know what will happen to the war when things normalize. But we are keeping enough margins for that, enough contingencies for that. So exports is certainly helping. If you're looking at the breakup, yes, there are export orders for sugar machinery have gone up, particularly sugar refineries.

Manish Goyal: Okay. Okay. And sir, my last question, and I'll come back in the queue. On standalone, sir, in terms of the strong jump, what we probably see is that revenues are up 58%, EBITDA is up 64%. But somehow the increase in interest cost and decline in other income probably has led to just 10% growth in PBT because we have some borrowing at our end, which probably has gone ahead for Cavite Biofuel, so just want to probably understand that how should we look at it, the decline in other income and increase in interest expense going forward?

Kishore Chatnani: So other income, we are talking about the first quarter last year, where the other income was higher. So other income was higher because of 3 factors largely. One was the dividend received from subsidiaries. So our dividend received for the year will be the same, almost the same INR 20 -22 crores, but just that it's split into different quarters.

The second is the interest income. Interest income is largely income from subsidiary companies but also interest on whatever surplus money that we are presently carrying. The third part is Forex fluctuation. So we are accounting for Forex fluctuation on loans given to particularly the Philippines companies. Now until the money is realized, this fluctuation is going to continue.

Sometimes it will come as other income, sometimes it will come as other expenditure. So up and down will happen, depending on the closing rate of the dollar to rupee and so on. But the better thing to note is if you were to think less in terms of other income and more in terms of operating income, this quarter's results are better in terms of operating income.

Manish Goyal: That is what, sir. It is like the strong growth in EBITDA level is not reflected somehow in the bottom line. And this is what my observation was. And last question, how much capitalization we will do this year in terms of the assets which we are creating, sir? And how much depreciation can increase?

Kishore Chatnani: Pardon me, I don't have the number ready. I could have got it ready, but I don't have it. I did not think in those terms.

Manish Goyal: I'll come back to you on that later on.

Moderator: The next question is from the line of Devam from Ardeko.

Devam: Actually, congratulations on the execution. Sir, I wanted to clarify a few things. You mentioned during an earlier answer that a small production would start by first week of next month on the building presses Phase 1 completion. Could you quantify that? And you also mentioned that major phase would be later on.

So what is the amount out of that INR 502 crore, which would be completing? And what would be the revenue potential of that and there's a major portion which gets completed? Does it all happen together? Or would it be a stepwise completion during the period from next month to March '28 or December '27?

Kishore Chatnani: So we call the presses division as machine building division because that's where we build those heavy presses. So there, in 2 phases, one phase has an investment of INR 70 crores, another phase has an investment of INR 218 crores. The INR 73 crores investment is going to get completed in first week of September. That has a potential, on an annual basis, to give additional revenue of INR 225 crores.

But if you look at the first quarter, it will actually be work in progress, which will be increasing before the machines are ready to be billed out to customers. So the first INR 73 crores of machine building division, which is happening in Bhartauli, that will get completed in first week of September.

Devam: And so that comes in with an annual revenue potential of INR225 crores. So you can expect roughly around INR 120- crores additional revenue potential from the same in the current financial year?

Aditya Puri: No. The production will be there. The work in progress will increase, but not the billing. The cycle time is about 8 to 10 months of what's going to be manufactured in these shops. So you can expect a jump in Q1 of next financial year.

Devam: Fair enough. So till then it will basically get reflected being netted off in Q3 and Q4?

Aditya Puri: Yes, work in progress. Yes.

Devam: Fair enough. And you mentioned that you are targeting like 10% to 12% growth to be precise. And you did also say that you are being conservative. Would it mean that post the first quarter maintenance of the growth rate, is there any inflationary component in this? Or are we being sheerly conservative because if it's realistic, we are overshooting that number.

Kishore Chatnani: We are trying to be realistic here. We are trying to say out things which we are sure that we are going to be achieving. That's what we are trying to say.

Aditya Puri: We are being realistic with a conservative bias.

Devam: Okay. Okay. All right. And on the EBIT margin side for the machinery and equipment front, is there any sort of cost pressure or RM pressure which is impacting the margins? And would those sort of change going ahead? Or what is the sort of normative EBIT margin we can expect from manufacturing of machinery and equipment?

Kishore Chatnani: So there are cost pressures. You know very well that because of the war, rates of certain things, rates of certain inputs, raw materials, they have all gone up. We always do carry some amount of contingencies. So as of now, we are doing okay.

Mr. Puri mentioned in his opening remarks for manufacturing, 12% to 13% EBIT margins. We continue to think that we are going to be there. This quarter is 12%. And I'm reasonably certain that we are going to be between that 12% to 13% range.

Devam: Correct. So that you are saying sort of for the full year, 12% to 13% on manufacturing is something what will be possible?

Kishore Chatnani: Yes, please.

Devam: And sir, we have sort of been stating over the last, you can say, practically a certain period of time that we would be looking at increasing the share of shorter duration projects and private sector as well as increasing the share of exports. So we are seeing that your private sector proportion is much higher.

Would just like to get a color and flavor on that, that when shorter duration projects will go up, how is that playing out right now? What is the percentage of long duration in the total execution? And what would that imply for EBIT margins on the project side when both strategies come in the picture, shorter duration as well as higher amount of exports?

Kishore Chatnani: So Mr. Puri actually mentioned in his opening remarks, we try to anticipate questions and answer them that we are going to be within the 5% to 6% range. The longer duration, we are no longer taking. Now what we are taking maximum is something like 2.5 years at the most 33-36 months. We're not taking anything which lasts longer than that. We are trying to be closer to 2-2.5 years.

Earlier, we took orders which were 4 years plus and eventually ended up being 6 years. So we are also focusing on orders where the customer values our technology and we are able to ask for a premium for the technology, not really only for our ability to execute less technical. So we have 10 or 11 different technologies for our boilers.

We have perhaps the best technology in the world for the sugar machinery, whether it's for sugar plants or sugar refineries or sugar releasing power plants. There are enough and more orders available in the market, which are largely contract execution, site execution. We are trying to not take those orders. We are trying to focus where there is more technological aspect rather than only 10%, 12% kind of civil, 10%, 12% kind of erection and commission, we will take those orders.

But if it's more than that, then we are shying away from those orders. And it is playing out well. I think margins are improving, working capital is coming down. Mr. Puri mentioned our net borrowings are down even in this quarter, they are down by so much in spite of the capital expenditure being self-financed. So borrowings are down INR 140 crores this quarter. We also invested INR 47 crores in capital expenditure from our own internal generation. So about INR 200 crores or around about that INR 180 crores this quarter.

And even the earlier INR 100 crores plus that we put in capital expenditure, that's also been through self-financing. The only reason we have a borrowing is whatever we have onlent to the Philippines business. So the different category of projects that we are now focusing on, shorter duration, more technology intensive, more exports. It is improving our margins. It is certainly going to be improving our cash flow and our fund position, reducing our working capital requirement. I think all of those things are playing out.

Moderator: The next question is from the line of Shubham Borade from ICICI Securities.

Shubham Borade: So, we have a robust order book of INR 89 billion. So what is the approximate time line for the execution of this order book? And second question on this. So order book growth was flat year-on-year. So what is the outlook for order inflows for next three quarters and mainly from international orders?

Aditya Puri: So if I understood you correctly, the second part of your question was to do with the expected order book, particularly international. The pipeline is good, and we continue to believe that it will remain good and remain healthy. And I did not get the first part of your question, okay? Could you just repeat that?

Shubham Borade: Yes. Of the current order book that we have, what is the approximate time line of execution?

Kishore Chatnani: So the order book is for the engineering companies. I'm sure you appreciate that. For sugar, we don't report any order book. There's no order book to be reported.

For orders that we take, we have mentioned it in earlier calls, have different execution timelines. In the manufactured items, it can be 4- 6 months to about 10-12 months. For the project business, we've just been speaking about orders which are longer. So 14 months to about 2.5 years is the execution timelines that's normally there.

Isgec Hitachi Zosen, the orders are typically 15-18 months, that is their execution timeline. For Eagle Press, of course, it's a small part of the business. But anyway, their order execution time is 6 to 9 months kind of thing.

Now we have already answered this question in terms of the revenue growth. So revenue growth for Isgec, 10% to 12%. For Isgec Hitachi Zosen, 10% or so. We've already answered this question in terms of when these orders will be completed.

In terms of the order booking, as Mr. Puri just mentioned, we have good visibility in terms of inquiries from customers from many, many different industries. We also have good inquiries from exports. During the current quarter, which is the July and until today, we have already booked about INR 1,200 crores orders in Isgec Heavy Engineering on a stand-alone basis.

So I think order book is going to be doing fine. We should be adding to the order book even though the execution rate has improved.

Moderator: The next question is from the line of Sandeep Baig, an Individual Investor.

Sandeep Baig: Congratulations on good performance of the core business. Sir, while the core business, as I said, is doing well. But unfortunately, its performance is getting camouflaged by the ethanol business in Philippines. I just wanted to understand the business better.

Mr. Puri mentioned that the business had a loss of INR 83 crores, which included INR 37.5 crores of depreciation. Now if I annualize INR 37.5 crores, it is up to INR 150 crores, while I understand that the total asset base in Philippines is about INR 900 - 1,000 crores. So are we saying that we are depreciating the entire asset in Philippines in 6 to 7 years? That's my first question.

Kishore Chatnani: So obviously, the method to be used is the written-down value method. It is not a straight-line method. So depreciation is higher in the initial period and then it keeps on reducing every quarter.

Sandeep Baig: Okay. But for this year, it will be about INR 150 crores.

Kishore Chatnani: I can get you the number. I can get an estimate, but you'll have to give me some time to look it up.

Sandeep Baig: Okay. Secondly, from the figures that you gave on depreciation and interest and the total loss, it seems that there is an EBITDA loss as well of about INR 10 15 crores from this business in this quarter, in the June quarter.

So, at a capacity utilization of, say, 65- percent, we are making an EBITDA loss. That will mean that even at 90% capacity utilization, we probably will be just hardly breaking even at the EBITDA level. And we'll still not be recovering any part of depreciation and maybe not much of interest as well.

Now given this kind of a scenario, aren't we better off either just shutting this business or selling it at a loss because that would be much better from an overall financial perspective of the company, also from a management time perspective? And obviously, from whatever little I understand, I think markets too look at that much more favorably.

Kishore Chatnani: So all those thoughts that you said, they are always in our consideration as management as to what is the best way forward and we have to look at what options are available to us. So they are always there in our thoughts to run. If you say shut down and sell, nobody buys a shut asset. We have enough investment there.

We are hopeful that it will be starting to make profit and covering some of the interest and some of these costs. I now have that number of depreciation that you just asked me. For the financial year 2026-27, the total depreciation we expect to be about INR 95 crores or so.

Sandeep Baig: So how come it was INR 37.5 crores in the first quarter?

Kishore Chatnani: That is how the method is working, the WDV method. And it works as per the Philippines accounting standards and so on.

Sandeep Baig: So for the rest of the 3 quarters, it will be a little under INR 60 crores. It's INR 57.5 crores.

Kishore Chatnani: Yes.

Sandeep Baig: So that is less than INR 20 crores on an average per quarter.

Kishore Chatnani: That's right. Mathematically, that's right. So that is how it works there and they follow the international IFRS systems.

Sandeep Baig: Right. And the interest cost that you mentioned that is paid to the parent company is about INR 20 crores per quarter is to be paid?

Kishore Chatnani: Yes, that's right. INR 19 -20 crores.

Sandeep Baig: So you need to do about INR 40 crores of EBITDA to break even at the PAT level or PBT level?

Kishore Chatnani: Right. You're right.

Sandeep Baig: And that 90% utilization, what kind of EBITDA do you expect to generate?

Kishore Chatnani: I don't have the number. So it depends on the pricing of sugarcane, molasses and the ethanol.

Sandeep Baig: If we take the current prices?

Kishore Chatnani: No, I don't have that number.

Sandeep Baig: Okay. Secondly, on the growth, we have had enough questions on that. But let's forget about the first quarter, let's look at the remaining 3 quarters. What kind of growth do you foresee for the remaining 3 quarters?

Kishore Chatnani: I think we have answered this question a few times already. For the full year, we expect 10% to 12%.

Sandeep Baig: Right. But if I look at your first quarter numbers...

Kishore Chatnani: I don't think we should talk about quarter-to-quarter. In a capital goods industry, it is very difficult to predict quarter-to-quarter.

Sandeep Baig: No, sir, I'm not looking at quarter-to-quarter. All I'm trying to say is that given the first quarter numbers and given what you have suggested for Q2 and Q3 and all in terms of INR750 crores plus INR1,000 crores for the industrial business, the 10% number is achieved if you don't do any growth for Q2...

Kishore Chatnani: I have already answered this question also, sir. It's better to give a number which we are going to be really achieving. There are all kinds of things which happen. Somebody starts a war, somebody starts whatever.

I'm required to run this business and talk about it and achieve what I'm saying. So that's why we are trying to be conservative, if you think we're going to do better, we would be really happy. We are working for that. We are happy that you are thinking that way. We are also thinking that way. But this is the number that we are saying today.

Moderator: The next question is from the line of Manish Goyal from Thinqwise Wealth Managers.

Manish Goyal: I have a couple of questions. One on the Isgec Titan. Sir, did you mention revenues of INR 150 crores or I misheard?

Kishore Chatnani: Yes, that's right. That's right.

Manish Goyal: Okay. So FY26, it has done extremely well because the revenue base earlier I thought was much lower.

Kishore Chatnani: For FY26, Isgec Titan did INR 102 crores. But for FY27, we are expecting it to do INR 150 crores.

Manish Goyal: Okay. So that again proves you are more conservative. Okay, sir. And sir, 2 questions. One on the services division, we're probably creating a new division. So just would like to understand as to what is the current revenue base. I believe you were doing this earlier also, but as you have now segregated it into a separate, what is the revenue base now you have and what kind of potential we can look for it? And would it be a higher margin?

Aditya Puri: So Mr. Goyal, we have been doing operation and maintenance work before, including selling of spares and retrofits. But it's a question of if the same team is doing bigger boilers, but these are smaller-value orders, the attention goes on the big boilers. So now we are segregating it out. This is a relatively smaller orders, but slightly higher margin business. And we hope that in 2 years' time, I can't give you the absolute figures, but to double the existing O&M base that we have.

Manish Goyal: Okay. And I probably had read last year's annual report that we have also been doing contract manufacturing for certain defense-related and nuclear-related business, and there was a quite optimistic commentary over there. So maybe if you can give us more perception as to what are our plans over here and what is the base we see?

Aditya Puri: So the contract business is growing, and we are also doing it across different industries. Besides defense and nuclear, we are also doing some work in hydro. We are also doing some work in steel. We are doing it across various industries. We are trying to diversify our base and also get into new products over there. And this work is promising.

It's also a hedge to the presses business that we have in terms of the fact that there could be times when the automobile business is not that great. The growth is not on the lines that we are seeing today. So the same facility can also be used to do this contract manufacturing business.

So, whilst it's profitable on its own, but it also provides a hedge to the presses business because the presses business is mainly dependent, not 100% dependent, but 70% dependent on the automobile sector.

Moderator: That was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

Aditya Puri: Thank you, everybody. Thank you for joining us and we look forward to meeting with you again next quarter.

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

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