ISGEC

ISGEC HEAVY ENGINEERING LTD.

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Date: **November 20, 2023**

HO-425-S

To
BSE Limited
Registered Office: Floor 25,
P J Towers, Dalal Street,
Mumbai – 400 001

Company Scrip Code: 533033

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051

Company Symbol: ISGEC

Dear Sir(s)/Madam(s),

Furnishing of Information in terms of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Subject: Transcript of the Conference Call on the financial performance of the Company for the Quarter and Half-Year ended September 30, 2023

1. This is in continuation of our intimation dated November 07, 2023, November 15, 2023 and in compliance with Regulation 30 read with Part A of Schedule III and other applicable regulation(s), if applicable, of the Listing Regulations, 2015, please find enclosed herewith **Transcript of Conference Call organized on Wednesday, November 15, 2023 at 4:00 p.m. i.e., 16:00 hours (IST)** on the financial performance of the Company for the Quarter and Half-Year ended on September 30, 2023.

2. This intimation is also being uploaded on the website of the Company at www.isgec.com under **"Schedule of Analysts/Investors Meet"** section.

3. The above is for your information and records please.

Thanking you,

Yours truly,

For Isgec Heavy Engineering Limited

SACHIN SALUJA Digitally signed by SACHIN SALUJA Date: 2023.11.20 17:43:13 +05'30'

CS Sachin Saluja
Company Secretary & Compliance Officer
Membership No. A24269
Address: A-4, Sector-24, Noida-201301, Uttar Pradesh

For Isgec Heavy Engineering Limited

20/11/2023.

CS Sachin Saluja
Company Secretary & Compliance Officer
Membership No. A24269
Address: A-4, Sector-24, Noida-201301, Uttar Pradesh

ISGEC HEAVY ENGINEERING LIMITED

Encl.: **As above**

ISGEC HEAVY ENGINEERING LTD.

"ISGEC Heavy Engineering Limited Q2FY24 earnings call"

November 15, 2023

Management: **Mr. Aditya Puri** - Managing Director
Mr. Kishore Chatnani - Whole-time Director and CFO
Mr. Sanjay Gulati - Whole-time Director and Head, Manufacturing Units.

Analyst: **Mr. Bharat Jain** - ICICI Securities Limited

SACHIN SALUJA Digitally signed by SACHIN SALUJA Date: 2023.11.20 17:44:33 +05'30'

Moderator

Good evening, ladies and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to the Isgec Heavy Engineering Limited Q2 FY24 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participants 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 * and then 0 on your touch-tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Ashwani Sharma from ICICI Securities. Thank you, and over to you, sir.

Ashwani Sharma

Hi. Thank you very much. Good day, everyone. On behalf of ICICI Securities, I would like to welcome you all for the Q2 and H1 FY24 earnings conference call of Isgec Heavy Engineering Limited. From the management, we have Mr. Aditya Puri - Managing Director; Mr. Kishore Chatnani - Whole-time Director and CFO; and Mr. Sanjay Gulati - Whole-time Director and Head Manufacturing Units. So, without delaying further, I request Mr. Puri to start the call with his opening remarks on the results followed by outlook. Post that, we can have the Q&A session. Over to you, sir, and thank you.

Aditya Puri

Thank you, Ashwani. Good afternoon, everyone, and thank you for joining us on our earnings conference call. I hope that you and your loved ones are all well and safe. We look forward to facilitating a constructive interaction. The quarterly and half-yearly financial results were published yesterday. We have uploaded our presentation on BSE, NSE and our website, www.isgec.com. You may visit our website and follow us on social media platforms for regular updates about the company. Quarterly financials. The standalone revenue for Q2 FY24 is INR 1,120 crores compared to INR 1,160 crores in Q2 FY23. The standalone profit before tax for Q2 FY24 is INR 70 crores and is 23% higher compared to INR 57 crores for Q2 FY23.

The consolidated revenue for Q2 FY24 is INR 1,478 crores compared to INR 1,515 crores for Q2 FY23. The consolidated profit before tax for Q2 FY24 is 85% higher at INR 91 crores compared to INR 49 crores for Q2 FY23. In the standalone results, the profitability is better in the manufacturing segment. The increase in consolidated profit is attributed to higher profits in Isgec Heavy Engineering Limited standalone and Saraswati Sugar Mills Limited.

Now I'm talking about the half-year results. The standalone revenue for H1 FY24 is INR 2,278 crores compared to INR 2,158 crores for H1 FY23. The standalone profit before tax for H1 FY23 is INR 148 crores compared to INR 97 crores for H1 FY23 that is higher by 52%. The consolidated revenue for H1 FY24 is INR 2,875 crores compared to INR 2,765 crores for H1 FY23. The consolidated profit before tax for H1 FY24 is INR 163 crores compared to INR 79 crores for H1 FY23 that is higher by 100%. Order booking. The consolidated order booking for Q2 of FY24 is INR 1,545 crores compared to INR 1,508 crores of orders booked in Q2 of last year. The orders in hand position is strong. Consolidated orders in hand as on 30th September 2023 is INR 8,667 crores. Off the consolidates the order book, 73% is for project business and 27% is for manufacturing business.

The order book includes INR 1,308 crores for international orders, which is about 15%. The order book for Isgec Hitachi Zosen is also shaping up well. It has INR 842 crores of orders as on September 30, 2023. The order book is well diversified across various sectors and customers. The overall demand trend is encouraging and the inquiry position continues to be robust. Export inquiries have also picked up. As informed earlier, we have been implementing SAP S/4 HANA across all the units of our company. The manufacturing units were earlier running on an earlier version of SAP. The project business is running on a different ERP software. We have gone live on SAP S/4 HANA in August 2023 covering all the business segments of Isgec Heavy Engineering Limited.

In Saraswati Sugar Mills. In the sugar factory, we have converted its manufacturing process from double sulphitcation to refined sugar. The sugar season 2023-24 has commenced and the factory has started crushing operations on 31st October 2023. We estimate a crushing of 175 lakh quintiles this year in comparison to 166 lakh quintiles in the previous year. Earlier during the year, we had expanded the capacity of the ethanol plant from 100 klpd to 160 klpd. The ethanol plant has started for this season on 9th November 2023 and is operating at the expanded capacity.

There is good progress on the construction at the Cavite Biofuels ethanol plant in the Philippines. The molasses stream in the plant is complete and a trial run for production of ethanol from molasses has been done. The sugar stream is under construction and will be commissioned in the next few weeks. The plant will start operations in December 2023 after all the required permissions and licenses are received from the government authorities, and sugarcane becomes available. My colleague and I, we happy to have there any questions. Thank you.

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad, and wait for your turn to ask a question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. First question comes from Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari

Yes, good afternoon and thank you. Sir, my first question on the manufacturing side of it. Across industry, we are seeing very strong demand, order inflow, etc. . But if we look at our numbers it's quite tough. So, if you can talk about what is happening, what is the outlook there?

Aditya Puri

So, manufacturing has been strong. And in fact the order book in manufacturing is also very strong, and we expect to have a good year in manufacturing.

Pratik Kothari

So, if you look at the numbers like, for the first-half, we have grown at about 6%, 7% odd. What are we missing? I mean, I understand that may be going forward, we'll do it. But what then go as per our expectation?

Aditya Puri

Yes. It is as per our expectations. And you actually cannot see quarter-to-quarter, but the demand is strong, the order book is strong, and execution is fine.

Pratik Kothari

And sir, on the EPC side, we were expecting some strong recovery in margin. So where are we in that journey and on the margin side and EPC?

Aditya Puri

Yes. So progressively, all the old projects are getting completed. And the margins are low, we admit that. But as the new orders kick in with better margins, we should start seeing in a few quarters improvement in the margin.

Pratik Kothari

So, in terms of new orders that we would be bidding or we would have done in the last 6, 12 months, this will be all at the older range of say, maybe 8%, 9% EBIT margin?

Aditya Puri

7-8%.

Pratik Kothari
Okay. Thank you and all the best, sir.

Moderator

Thank you. Next question comes from Ashwani Sharma from ICICI Securities. Please go ahead.

Ashwani Sharma

So, my first question is again on the margin. So, if I look at the manufacturing margin, it has been pretty robust in the last two quarters, Q1 and Q2. This is quite higher compared to what you have been initially guiding, which is around 8%, 9%. So, was there any one-off during the quarter? And what are the sustainable margins that you will see for the full-year and going ahead?

Kishore Chatnani

I think we will be continuing with about 12% or so, 12%, 13% margins. The order book, as Mr. Puri explained earlier, the order book is good. We have expanded in our foundry as well as the boiler tubes and panels. There's robust order book in the container also. So, we expect to have that 15% kind of.

Ashwani Sharma

Sir, your voice was a bit muffling in between. I could not hear it properly.

Kishore Chatnani

Okay. So, as I said, Mr. Puri explained, we have a good order book. We have increased capacity in foundry in our boiler tubes and panels business as well as our containers business. All of these are contributing good margins. Margins should continue at 12%, 13%, if not more.

Ashwani Sharma

Can I take this number for 2025 as well?

Aditya Puri

The manufacturing business has typically a shorter cycle. So, we cannot commit on 2025 numbers as of now, but we're not seeing anything negative, let me put it that way for 2025.

Ashwani Sharma

In that sense, what should be your outlook for margin in FY25? Will it come to normal level of around 8% to 9%?

Aditya Puri

No, it will be higher. It will be above 10% in manufacturing.

Ashwani Sharma

Above 10%.

Aditya Puri

Above 10%.

Ashwani Sharma

Okay. Thank you very much. Sir, secondly, if I look at your order inflow on H1 numbers, there is a degrowth of around 5%. What is your outlook? How do you see this number for the full year and next year?

Aditya Puri

So, there is a degrowth, but this orders in the capital goods sector are pretty lumpy. And so, 5% here, there, or even 10% here, there, is nothing very significant. And it's not a sign of anything. It's not indicating towards anything in trend. Enquiry inflow continues to be very robust.

Ashwani Sharma

Okay. I'll come back for more questions. Thank you.

Moderator

Thank you. Next question comes from Devang Shah from Asit C Mehta Investments Limited. Please go ahead.

Devang Shah

Hi, good evening, sir. First of all, congratulation for a good set of numbers YoY basis. Sir, I have a couple of questions. First, related to the earlier participants had asked you. Sir, do you expect that based on your inquiry or some status that in H2 also the strong momentum of the order inflow is going to continue. That is my first question as far as your order inflow is concerned by considering the fact that you are seeing the way the manufacturing facility is peaking up and the private CapEx revival is happening. So, I just want to know about that thing. So, if we maintain some set of, same set of order book and in terms of revenue visibility also, it gives some bit idea how futuristic revenue is concerned. Second, sir, I have second question.

Sir, your Philippines plant about ethanol. It is going to commence on the December, something you have mentioned 2023. So, it is on the same path. And that really is going to give you some kind of additional CapEx that you have already incurred over that, that will result into some kind of additional revenue that has been mentioned earlier in your commentary. And the last question, sir, by considering the fact the sugar prices is prevailing right now. Do you expect realization on the sugar front is going to improve from here on? And that will result into some kind of margin expansion as far as the sugar business is concerned. Thank you sir.

Aditya Puri

So, the inquiry flow is robust. We are selective in taking some orders. Obviously, some orders we win, some orders that we lose, but we have every reason to believe that the order booking will remain consistent.

Devang Shah

And you will be able to maintain such kind of outstanding order book, right? That is something INR 8,500 crore to INR 8,800 crores. That's what you are maintaining from quite a long time.

Kishore Chatnani

On a consolidated basis, yes, that should be fine.

Aditya Puri

That should be fine. We hope to maintain it. And your second question about the Philippines is.

Kishore Chatnani

So, Philippines, yes, the plant is under completion. We had drawn the last installment of the loan. The money is of course being spent. As mentioned by Mr. Puri, it will get completed sometime in December. So next year, first quarter, we hope to get some revenue from there. I think that was your question you wanted to know.

Devang Shah

Yes, I wanted to know, sir, like from next quarter onwards you are going to realize the-- I mean, sir, you are going to have a revenue from this Philippines plant and moving forward it is going to advance furthermore. And you have already earlier mentioned as far as your total revenue is concerned from the Philippines plant as and when utilization level will increase.

Kishore Chatnani

So, January to March quarter, we will have some revenue. I think that's what you wanted to know. That's right.

Devang Shah

And sir, when it will be a full utilization level, somewhere, how long it will take?

Kishore Chatnani

It will reach full utilization in about 1 to 2 months' time.

Devang Shah

Okay. And so, as far as sugar revenue is concerned, as in your revenue mix, it will be some kind of the way the sugar prices are reaching up. So, you are going to have some good margin in that particular business?

Kishore Chatnani

Sugar prices have increased. Sugar revenue, I mean, revenue is of course a function of the quantities that are released by the government because there is release mechanism which is followed. But we expect good crushing during the year, slightly higher than last year. We expect to produce slightly more sugar than last year. And we certainly expect good profitability.

Devang Shah

Okay. That's all I wanted to know. Yes, sir, you are saying something. Continue, sir.

Kishore Chatnani

I was saying better profitability than the last year.

Devang Shah

Okay. Thank you, sir. Thank you.

Moderator

Thank you. Next question comes from Abhineet Anand from 3P Investments. Please go ahead.

Abhineet Anand

So, your order book seems to be quite diversified. I just wanted to understand, within refineries and power, if you can just highlight what are type of offerings that we have presently?

Aditya Puri

So, for the refinery sector, we basically supply pressure vessels, heat exchangers and reactors. We also supply boilers, which are based on oil and gas side, boilers to refineries. As far as power plants are concerned, to the power sector we supply boilers. We also do air pollution control equipment for the power plants. So, these are basically occasionally a pressure vessel for a power plant, but that's occasional. So, these are our offsets.

Abhineet Anand

A typical boiler, what size would that be?

Aditya Puri

It could vary. It could vary from 60 tonnes to 300 tonnes.

Abhineet Anand

And these are all used for small scale power generation, right?

Aditya Puri

These are supplied to refineries, some are start up boilers, some are used by them in regular production. So, these are supplied to two big oil refineries.

Kishore Chatnani

So, I think you were asking whether they are for power small scale. It’s not. Small scale, is not correct. They are required for steam applications, steam required in the process. And they are, of course, also used for power plants in the refinery.

Abhineet Anand

Okay. So, even the power that you write is basically, the steam requirements in refineries, it is for that. Right?

Kishore Chatnani

I think in the refineries, when you say that the industry segment is refineries. I think Mr. Puri explained there are process plant equipment that we supply, and we supply boilers. The boilers are first equipment for steam applications as well as for power applications, but we don't classify that as power industry. We classify that as refineries.

Abhineet Anand

Okay.

Kishore Chatnani

And the power itself is for small power plants and for air pollution control equipment as we just explained.

Abhineet Anand

Okay. So, till what size do we provide in power? In terms of megawatt, I was just trying to understand.

Aditya Puri

Depending on the fuel, but up to about a little over 100 megawatts.

Abhineet Anand

Okay. So, if you can just throw some light as to demand scenario in this part of the power sector where the requirement is still 100 megawatt. So, inquiry levels, do you guys track as a YoY basis, what is the growth or something if you can highlight?

Aditya Puri

For our boiler business, the inquiry levels are quite robust. We will not be able to give you numbers, but the inquiry levels are okay, are fine.

Abhineet Anand

Okay. And is there any way to understand which of the top four sectors have better margin versus others?

Aditya Puri

Which of this?

Abhineet Anand

The top 3, 4 sectors, while you do operate across maybe 10, 15 sectors. Top 2, 3 sectors where we make better in terms of margin. So, the best margin in which sector do you make and all?

Kishore Chatnani

So, it's actually, there are offerings in each sector, which are from the manufacturing segment also and from the EPC segment also. So, margins are typically based on the product that we are supplying, or the order that we are executing rather than just sector. So, it's not really, you can't differentiate between, let's say, that the refinery sector, there is less competition offers better margins or power sector offers better margin, it doesn't work like that. We look at each order on case-to-case basis. The competition is different for different products. Margins are dependent on the intensity of the competition and the timing of this when the customer is ordering actually. How well we are loaded, how well our competitors are loaded, that also impacts who's quoting at what price.

Abhineet Anand

And lastly, are you seeing any signs of slowdown because of the elections that are pending at the end of the year?

Aditya Puri

Not yet.

Kishore Chatnani

I don't think we have a view that there will be any slowdown. We don't have a view that there will be any slowdown.

Abhineet Anand

Thank you, sir. Those were my questions.

Moderator

Thank you. Next question comes from Jitendra Sriram from Baroda BNP Paribas Mutual Funds. Please go ahead.

Jitendra Sriram

Good afternoon. I had 2 questions. First of all, on the order backlog, can you give us one color between how much would the backlog be from the manufacturing side and how much from the EPC side? And roughly, how should one think about the cycle time of execution? Would it be like a 12 month, 18 month kind of weighted execution cycle?

Kishore Chatnani

So, segment wise, I think it's there on our presentations. The backlog from the project side is 73% and from the manufacturing side is 27%. Total order book of about INR 8,667 crore.

Jitendra Sriram

Yes, about $1 billion, yes, I saw that.

Kishore Chatnani

Yes, 27% is from manufacturing, and 73% is from projects.

Jitendra Sriram

Yes, cycle time of execution.

Kishore Chatnani

In terms of cycle time, it varies across products.

Aditya Puri

Yes, so typically for manufacturing, it's a very wide bag. It could be from 3 months to 15 months. But you could take the average, it's about 9 months.

Jitendra Sriram

Got it.

Aditya Puri

Yes, I'll just tell you. And for the projects business, average would be about 15 to 18 months currently. It used to be longer.

Jitendra Sriram

Got it. The second part I wanted to understand was if you could also talk to us about, how have the receivables moved at an aggregate level for the company? What was it, say, a year back and what is it now in terms of receivable situation? The work in capital cycles.

Kishore Chatnani

I think, I don't know if you have noticed. Our net borrowing is sharply down. Our net borrowing as of 30th of September was only INR 46 crores on a standalone basis. So, because there was some borrowing and there was also a temporary surplus money which was parked in bank, whatever was connected in the last few days was there in the bank accounts. So, our borrowings have reduced by close to INR 262 crores, if I remember the figure rightly, in the last 6 months.

Receivables, there is movement on collection of the milestone payments. They have reduced by about INR 200 crores in the last 6 months and there are a number of milestones which are getting achieved in the next 6 months. And the payments are going to be -- I'm talking about the milestone related payments, the retentions. We call them as retentions, they are actually milestone related payments. So, a large number of them are going to come in the next 6 months or so.

Jitendra Sriram

Sure. Thanks a lot. Those are my questions.

Moderator

Thank you. Next question comes from Manish Goyal from Thinqwise Wealth Managers. Please go ahead.

Manish Goyal

Yes. Thank you so much, sir. A couple of clarifications. Sorry, there was a disturbance in the earlier while you were answering. So sir, first on EPC margin, which are at 4% level, did we mention that going forward the new orders will help us reach 7% to 8% margin?

Kishore Chatnani

I think we said 6% to 7%. But yes, Manish, it will happen. It is taking some time, but it is certainly going to happen.

Manish Goyal

Right. Okay. So ideally, would it mean that some of the legacy orders, probably with low margins, particularly, FGD, you should probably see lower contribution and new orders contribution going higher. Is it the fair assessment? And how much of the FGD is pending now?

Aditya Puri

So FGDs, if you're talking about the NTPC FGDs, public sector FGDs, the commissioning are going to now start in the next, I think, 6 to 8 weeks, we'll have the first of them commissioned. And we hope within the next 8 to 9 months or 10 months, all the NTPC one would we commissioned. We do have some, one or two orders in the private sector, they will go on a little longer. In the private sector, one in the state government sector, those will go on a little longer.

Manish Goyal

Okay. Got it, sir. And on manufacturing margin, you mentioned we expect 12% to 13% in near-term. And you also commented something, a number of 10%. Was it for entire FY24? Or what was it related to, sir?

Kishore Chatnani

Somebody was asking about what will be in FY25. So, Mr. Puri was mentioning that's certainly more than 10%.

Manish Goyal

Okay. Thanks, sir. And sir, continuing on the strong cash flow what we have seen in the first 6 months. So, you did mention that receivables have declined, but one more reason probably I see is that other liabilities have increased significantly that has helped net current assets to fall and cash flows have improved. So, is it on account of advances we would have received from the customer, if you can clarify that.

Kishore Chatnani

Manish, you are right, you are analyzing our balance sheet well. But there are 4, 5 factors. One is, receipt of advances, because we have more to that point of time than earlier, so there are advances which have been received. The second is, of course, the profits which have been approved less pre tax and the dividend, that profit is available to us in cash terms. But a function of having more orders under execution is also that inventories are up by about INR 189 crores.

Advances to suppliers are up by about INR 67 crores. So it's not that simply advances have come from customers and they are available to us in cash. They are getting used up in building up inventories, they are used up in giving advances to our suppliers. So, the receivables, the collection of the milestone payments has also helped in positive cash flow in this period.

Manish Goyal

Wonderful, sir. And sir, as I probably look at your order book breakup, what I see is that, particularly in sugar we have seen 71% YoY increase in order book outstanding to roughly INR 1,400 crores compared to INR 800 crores. So, does it also include the ethanol part? Or it is pure sugar machinery only?

Aditya Puri

So, sugar includes ethanol certainly. So, we classify sugar as sugar machinery. So these are actually conversion by industry. So, when we say sugar industry, we may be supplying sugar machines, we may be supplying boilers to the sugar industry or we may be supplying refiners to the sugar industry. This composition is by industry, not by product.

Manish Goyal

Okay. So, apart from boilers, it will have other segments.

Aditya Puri

It will have machinery sugar plants, the boilers as well as the refined sugar and ethanol plants.

Manish Goyal

Sure, sir. And coming back on the margin, sir, for subsidiary now. We have seen Hitachi JV order book growing very strongly. I believe even the execution would have picked up. But somehow, it looks like the margins are still not improving significantly. And also what we probably see is that international share of the order book also increasing in Hitachi. So, maybe when do we see improvement in our JV’s profitability and also in our subsidiary, Eagle. Maybe if you can highlight that.

Aditya Puri

So, Sanjay, can you answer?

Sanjay Gulati

Yes. So, the JV's profitability is expected to be good in the coming year in FY25. In this year, we are expected to maintain the level of the profits that we currently are. So, the last year, our profitability was low because of the sharp increase in material prices.

Manish Goyal

Yes. But in current year we have seen that standalone segment has definitely shown improvement for manufacturing segment, but we don't see that happening particularly for Hitachi JV, I believe that is the larger pie of the JV shares. So, just wondering what could be the reason. And if we look to second question is, we expect improvements, so what kind of margin? Can probably we see double-digit margins in JV next year?

Sanjay Gulati

We could see a profitability of around 7% in the coming year. In the year FY24, that is end of this year.

Manish Goyal

What level of these margins? Will it be what EBITDA, PBIT, PBT?

Sanjay Gulati

PBT, about PBT would be about 7%, yes, in the coming year, in the next year.

Manish Goyal

But in current year, why are we not yet seeing, is it because of some issues?

Kishore Chatnani

Okay, let me add to that. The order book has grown as Mr. Puri mentioned in his speech also. And of course, you've also noted INR 840-odd-crores. The execution cycle time for these orders is typically 15 months to 18 months. So, the revenue and the margins will accrue over the period when these orders get executed. That's why Mr. Sanjay Gulati is mentioning more about next year rather than this year.

Manish Goyal

Okay. And sir, you did mention--

Moderator

Sir, I'm sorry to interrupt you, sir. Sir, can you please join back in queue, sir?

Manish Goyal

Sure. Thank you so much.

Moderator

I request the participants to restrict with two questions in the initial round and join back the queue for more questions. Next question comes from Nilesh Doshi from G L Capital. Please go ahead.

Nilesh Doshi

Thank you for taking my question. Just two questions. One on the Philippine ethanol plant. As you explained that it's under commissioning. Then why do we have, because I thought that the entire cost of project we would be capitalizing. Then why are we having a loss in EBIT in the segmental view?

Aditya Puri

So, there are two or three companies there. There are three companies there. So, the plant itself is getting capitalized. There is also a company in which the sugarcane farming is being done. So, there are salaries and there are costs. There are farm machinery, tractors, all of that, technicians on those is there. So, it's not only one single plant which is getting capitalized.

Nilesh Doshi

So, once we complete the commissioning and start operation, all these losses would also be covered up, right?

Aditya Puri

They will be covered up by running the business, that's right.

Nilesh Doshi

Right. Okay. Second is on the export orders. I mean, all these orders are generally on the manufacturing side or there are some EPC also?

Aditya Puri

There are some on the projects side. There are some largely manufacturing.

Nilesh Doshi

Largely manufacturing. Now, when you say order book under manufacturing and under EPC, I would presume that those manufacturing orders will be pure manufacturing supply of equipment, whereas EPC also would have some manufacturing activity, but that's being bifurcated and provided under EPC. Is that correct understanding?

Aditya Puri

EPC would not have any manufacturing.

Nilesh Doshi

I see. Okay. That's all from my side. Thank you.

Moderator

Thank you. Next question comes from Nihar Shah from Crown Capital. Please go ahead.

Nihar Shah

First question will be on the line of the revenue, like we have seen good order book growth. So, what kind of revenue do we expect in H2? Like could you give a number, a ballpark figure for that?

Aditya Puri

I think we have mentioned in one of our earlier calls last time that, this year we are expecting revenue to be up by about 10% or so.

Nihar Shah

Okay. Thank you. And the margin, do we see them being maintained around 9%?

Kishore Chatnani

What margin are you talking about, sir?

Nihar Shah

The entire margin, considering all the segments.

Kishore Chatnani

I actually, I --

Nihar Shah

EBITDA margin, I'm really sorry. EBITDA margin is I'm talking.

Kishore Chatnani

Should be around that range. The profitability as you know better this year than last year. But it should be around that range, yes.

Nihar Shah

Okay. Thank you and all the best.

Aditya Puri

Thank you.

Moderator

Thank you. Next question comes from Jagveer Singh from Share Capital. Please go ahead.

Jagveer Singh

Yes. Thanks for the opportunity. So sir, my question is related to the ethanol plant in the Philippines. So in at full capacity what kind of revenue we can do over there and what kind of margin you will make?

Kishore Chatnani

So, based on today's prices of ethanol in the Philippines, the revenue should be around INR 530-540-550 crore a year on an annual basis. And EBITDA should be close to between INR 140 crores and INR 145 crores a year.

Jagveer Singh

Okay. And sir, in the EPC business, we are talking about the 6% to 7% margin. So, there will be some improvement in the next year itself or not in FY25?

Kishore Chatnani

As I mentioned earlier, it's taking time, but it's going to happen for sure.

Jagveer Singh

So, next year onwards there will be some improvement?

Kishore Chatnani

I'm not able to say which particular quarter, but yes, there will be improvement.

Jagveer Singh

No, no. I'm talking about FY25. I'm not talking about the quarter. FY25 as a whole.

Kishore Chatnani

So, answering about FY25. So, there will be improvement. I'm not able to say which quarter it will show.

Jagveer Singh

Okay, sir. Thank you.

Moderator

Thank you. Next question comes from Sandeep Baid, an Individual Investor. Please go ahead.

Sandeep Baid

Yes. Good evening, sir. I needed a clarification. You mentioned that next year you're looking at consolidated margin of 10% plus. That's what you said, right?

Kishore Chatnani

No, we did not talk about any consolidated margins, sir.

Sandeep Baid

So, the 10% plus was the reference to the manufacturing segment.

Kishore Chatnani

Manufacturing segment in the standalone company.

Sandeep Baid

Okay. And that you refer to EBIT or you refer to EBIDT?

Kishore Chatnani

EBIT.

Sandeep Baid

Right. Okay. So, assuming 10% plus for the manufacturing business and 6% to 7% for the EPC business. And lastly, for the sugar and the ethanol business, I guess it will be in excess of 20%, given that the Philippines we are talking of 2026-27 or 2027-28 for the INR 140-odd-crore on INR 150 crores turnover.

Kishore Chatnani

The ethanol plant in Philippines, we are as of now, it's in a different segment. We are calling it Ethanol Plant under construction. When you talk about this--

Sandeep Baid

Sorry, next year it will be fully operational, right?

Kishore Chatnani

Next year it will be fully operational. The EBIDTA, is close to about 25% based on today's prices of ethanol. In the sugar business here, the EBITDA is close to 12%, 12%-13%.

Sandeep Baid

Right. So, I'm sorry, I don't have the exact numbers for the Indian revenue and the Philippines revenue. But would it be fair to say that the EBITDA for the consolidated sugar and ethanol business will be about 17%, 18% then?

Kishore Chatnani

This is not. It's not right to consolidate two very different businesses, one in India and one in the Philippines.

Sandeep Baid

Okay. Let's keep it separate. So, we are talking of segment.

Kishore Chatnani

I have mentioned both to you. In India, it will be 12% to 13% for the sugar and ethanol plant, which is in our subsidiary company, Saraswati Sugar Mills Limited. In Philippines, the plant is yet to start. We have projections. So, I'm telling you about the projections, which the annual revenue should be between INR 530 crores to INR 540 crores, INR 550 crores. The EBITDA should be around INR 140 crores or so.

Sandeep Baid

Great, sir. I can do the rest of the calculation. Thank you.

Moderator

Thank you. We have a follow-up question from Manish Goyal from Thinqwise Wealth Managers. Please go ahead.

Manish Goyal

Yes. Thank you so much. So, sir, in our sugar factory, how much of the produce we'll be using for ethanol and how much would go for sugar production?

Aditya Puri

So, what is happening over there right now is, as you know that the ethanol plant can use molasses as well as syrup for manufacture of ethanol. And this year, the government has not come out with the pricing. They're yet to announce the pricing of ethanol. And as you know, the pricing of ethanol varies according to the feedstock. In the absence of that pricing, we have started the ethanol plant based on B-heavy molasses. So, typically speaking about 16 to 17. Let me put it this way that if the ethanol plant would not have been there, we would have produced about maybe about 16% more sugar.

Manish Goyal

Sorry, you would have produced how much?

Aditya Puri

About 16% more sugar.

Manish Goyal

Okay. And you mentioned that this year, the season will see 175 lakh quintals crushing as compared to 166 lakh quintals.

Aditya Puri

Right.

Manish Goyal

Right, sir. Thank you so much.

Aditya Puri

Thank you.

Moderator

Thank you. We have a follow-up question from Nilesh Doshi from G L Capital. Please go ahead.

Nilesh Doshi

Thank you again. Sir, in the last call, you mentioned about you see good visibility and order in flows in polysilicon area. Can you help us understand what kind of equipment's we supply for? Because this is a very upcoming thing in India. And what kind of opportunity we could have in that space?

Aditya Puri

Sanjay?

Sanjay Gulati

Sure. Yes. So, in the polysilicon plants, we supply the main reactor, the HCR reactor, hydrochlorination reactor. We supply the CVD reactors. We supply the critical heat exchangers, that is the ones working at the highest temperature with the in colloid material as well as duplex, the double pipe exchanger. So, all the process equipment for the that is right from the most critical to the medium level of criticality, all the equipment are supplied by different divisions in our works.

Aditya Puri

These different divisions are our subsidiaries Hitachi Zosen.

Sanjay Gulati

Yes, our subsidiaries together, that's right. So together, we supply the range of the most critical equipment and the medium level of equipment.

Nilesh Doshi

So, sir, can you help me understand like what kind of, I mean, size of opportunity coming? Because I believe there are 4 or 5 companies looking at putting up polysilicon manufacturing in India. So, is this all with respect to Indian opportunity? Or we also have an export opportunity in this?

Sanjay Gulati

We also have an export opportunity. At the moment, 90% of the world's polysilicon is probably produced by China. A lot of countries are planning to be independent because this polysilicon is used for manufacturing the solar panels, that is the wafers for the solar panels. So, India is investing, US is also investing and several other, in Europe also there are few plants coming up.

Nilesh Doshi

So, sir, is it possible to understand what could be this opportunity? And in terms of design of these equipment's, the process design would be coming from the technology licensor, and we would be doing more of a mechanical design and fabrication, is that correct understanding? So, sir, how big because this is a very upcoming opportunity for us in India. So, how do you see this over the next couple of years?

Sanjay Gulati

We expect this sector to grow substantially in the coming years.

Nilesh Doshi

Any ballpark, opportunity size?

Sanjay Gulati

I think it's very difficult to ascertain at the moment. This is an upcoming sector. And having any estimates at the moment would be really difficult. But we see that this will have a good growth in future.

Nilesh Doshi

And there would be limited competition in this area, I would believe.

Kishore Chatnani

I would like to interrupt, pardon me for interrupting. But I would like to sort of say again. Our capabilities for manufacturing products span across multiple industries. The idea is that capital goods, sometimes something is doing well, sometimes something else is doing well. So, we have consciously built capabilities to address multiple industries. So, what you're mentioning is only one of the opportunities in front of us. There are many other opportunities.

Nilesh Doshi

Okay. And sir, lastly on this acquisition on this Titan. Can you help us what exactly we are planning in that area? I mean, we don't have a capability in terms of nickel alloy or titanium manufacturing or how do you see that? Because what was the motive behind going into that?

Kishore Chatnani

We are expanding, we have a capability. As of now, it is small, the company has been doing around INR 65 crores a year. We are looking at larger orders to be booked. We are planning to expand the capacity in order to address the market which is coming up.

Aditya Puri

We will expand the capacity only after we get orders. We are doing some preparatory work, but the expansion will happen subject to orders coming.

Nilesh Doshi

And that would be next year?

Aditya Puri

No, if the orders come, they could come in the next few moths.

Nilesh Doshi

Okay. Thank you, sir. Thank you so much.

Moderator

Thank you. We have a follow-up question from Ashwani Sharma from ICICI Securities. Please go ahead, sir.

Ashwani Sharma

Yes. Thanks for the opportunity again. Sir, on your retention, just a clarification, you mentioned about receiving some money during the quarter. If you can share the number, what was this money, this number at the end of FY23? And how much it stands now?

Kishore Chatnani

Pardon me, I'm not going to be able to share any particular numbers at the moment.

Ashwani Sharma

Okay. And sir, on the revenue guidance, I think if you look at the standalone revenue growth, it's 5% for H1 and you're guiding for 10% growth. So, basically, you are guiding for 14% growth in the second-half. So, this will be coming from manufacturing or EPC?

Kishore Chatnani

From both.

Ashwani Sharma

From both. Okay. Thank you very much, sir.

Moderator

Thank you. Ladies and gentlemen, if you have any question, please press * and 1 on your telephone keypad. There are no further questions. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

Aditya Puri

Thank you.

Moderator

Thank you, sir.

SACHIN SALUJA Digitally signed by SACHIN SALUJA Date: 2023.11.20 17:45:04 +05'30'

Note: This document has been edited to improve readability