**ISGEC HEAVY ENGINEERING LTD.**

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Date: **June 05, 2024**

HO-425-S

To,
BSE Ltd.
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 the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")**

**Subject:- Transcript of the Conference Call to discuss the financial performance of the Company for the quarter and financial year ended March 31, 2024**

1. This is in continuation of our intimation dated May 21, 2024 and in compliance with Regulation 30 and any other applicable regulation(s) read with Para-A of Part A of Schedule III of the Listing Regulations, please find enclosed herewith Transcript of Conference Call organized on Thursday, May 30, 2024 at 04:00 p.m. i.e., 16:00 hours (IST) to discuss on the financial performance of the Company for the quarter and financial year ended March 31, 2024.

2. This intimation is being disclosed on the website of the Company at www.isgec.com.

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: 2024.06.05 15:04:23 +05'30'

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

**For Isgec Heavy Engineering Limited**

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

Encl.: **As above**

"ISGEC Heavy Engineering Limited

Q4 & FY24 Earnings Conference Call"

May 30, 2024

**MANAGEMENT:** **MR. ADITYA PURI – MANAGING DIRECTOR**
**MR. KISHORE CHATNANI – WHOLE TIME DIRECTOR AND CHIEF FINANCIAL OFFICER**
**MR. SANJAY GULATI – WHOLE TIME DIRECTOR AND HEAD OF MANUFACTURING UNITS**

**MODERATOR:** **MR. MOHIT KUMAR – ICICI SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to ISGEC Heavy Engineering Limited Q4 and FY24 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Mohit Kumar:** Thank you, Aditya. Good evening. On behalf of ICICI Securities, I would like to welcome you all for the Q4 and FY24 Earnings Conference Call of ISGEC Heavy Engineering Limited. From the management today, we have with us, Mr. Aditya Puri, Managing Director; Mr. Kishore Chatnani, Whole Time Director and CFO; and Mr. Sanjay Gulati, Whole Time Director and Head of Manufacturing units.

Without further delay, I would hand over the call to management for brief opening remarks which should be followed up by Q&A session. Over to you, sir.

**Aditya Puri:** Thank you. Good afternoon, everyone and thank you for joining us on our Earnings Conference Call. I hope that you and you loved ones are all well and safe. We look forward to a constructive interaction with you. We had a good financial year and prospects for the next year are also promising. Our quarterly and annual financial results were published yesterday. We have uploaded our presentation on BSE, NSE and our website, www.isgsec.com.

I will now provide a briefing on the performance during the year.

**Annual financials**

The standalone revenue for FY24 is INR4,906 crores compared to INR4,687 crores for FY23, that is higher by 5%. The standalone profit before tax for FY24 rose by 30% at INR304 crores compared to INR234 crores for the 12 months of FY23. The consolidated revenue for FY24 is INR6,245 crores compared to INR6,412 crores for FY23, that is lower by about 2.6%. The consolidated profit before tax for FY24 is INR354 crores compared to INR290 crores for FY23, that is higher by 22%.

**Borrowings**

The fund position has improved substantially. On a standalone basis, we closed FY24 with a net surplus of INR45 crores as compared to a net borrowing of INR308 crores as of 31st March 2023. The consolidated net borrowing has also significantly reduced to INR594 crores on 31st March 2024 as compared to INR1,032 crores as on 31st March 2023 that is lower by 43%.

**Order booking**

The orders in hand position is comfortable. Consolidated orders in hand as on 31st March 2024 is INR7,905 crores. Of the consolidated order book, 71% is for the project business and 29% is from the manufacturing business. The order book includes INR1,047 crores for international orders, which is about 13%. The order book includes the order book of ISGEC Hitachi Zosen, which is very good. It has INR1,048 crores of orders as on 31st March 2024.The order book is well diversified across various sectors and customers.

**Market demand**

The overall demand trend is encouraging, and the inquiry position continues to be robust, export inquiries have also picked up.

**Philippines project**

As informed to the shareholders and stock exchanges, the plant commenced commercial production in April 2024. There are still some balance works to be completed, such as internal roads and part of the boundary wall, et cetera. The plant has produced about 3 million litres of ethanol up to now. Initially, the plant functioned on sugarcane and feedstock, after completion of the sugarcane season the plant has been operating, although at lower capacity and molasses as feedstock. We will shift to sugarcane as feedstock in the next sugarcane season starting November 2024.

My colleagues and I will be happy to answer any questions. Thank you.

**Moderator:** Our first question is from the line of Digant Haria from GreenEdge Wealth.

**Digant Haria:** My question is that for the next 1 year, which is FY25, what are our strategic business priority as a company. I'm asking this question, sir, because see, our order book has not been growing at all in the last 2 years. Then our revenues for this year are more or less flat across product, project, and sugar division. Then our margins in the project division have also declined. Working capital still remains quite high versus our own history.

And we are in the best environment for this heavy engineering kind of business ever in the last 7-8 years. So just wanted to know how do we look at all these things? Why is ISGEC showing completely different picture from what the cycle and other competitors like L&T, Thermax are doing?

**Aditya Puri:** As we've actually spoken on the conference calls earlier, we have adopted a strategy of not going into very long-duration projects because there are lots of uncertainties associated with them. The site works are not totally in our control, the labour shortages, weather problems all those sorts of things. So we have decided deliberately to go into low duration projects and high-technology linked projects on the project site.

And keeping that in mind, our order book is very, very comfortable, and we are very well booked in the sectors that we want to be. So, our technology-linked projects and our manufacturing is very well booked, and we are confident that things are going to improve fast. So, our strategy is very clear. We need a higher order book if we're going to do long-duration projects. If we are doing shorter duration projects, we can be comfortable with a lower order book, and we've been selective about booking orders.

**Digant Haria:** Great sir, so what is the benefit of shorter duration projects?

**Aditya Puri:** So working capital is an advantage, uncertainties in commodity pricing is an advantage. Over a long duration, the risk is more, and working capital and payment cycle is an advantage. We are, going to be doing some investment in the manufacturing sector, so as to increase output.

**Digant Haria:** Okay. Sir, final two questions. Sir, in this manufacturing, how much capacity will we increase? Can we expect some 5%-10% growth in the coming year? In the manufacturing?

**Aditya Puri:** Yes, more than that.

**Digant Haria:** Okay, sir. And because now we are taking shorter duration projects in the projects division, so our project margin is currently at 3.9% for the last year. So shouldn't that at least go to 6%, which has been our aspiration since some time?

**Aditya Puri:** Yes. Gradually, we'll move towards that. Long duration orders will finish, and margins will start improving.

**Digant Haria:** Sir over large FGD and rail orders and all those where material handling was supposed to get over by March '24. So are there still some pending? Or is more or less near the end?

**Aditya Puri:** So we are very near to end, but what happened in the long duration projects is that you also have to depend on the customer for his input. For instance, he doesn't have land available, or he is not ready with the civil work or he has got some other agency working in that area you can't work. Most of the projects are now near completion, and almost all should be completed in the next few quarters.

**Moderator:** Our next question is from the line of Nidhi Shah from ICICI Securities.

**Nidhi Shah:** So my first question is on the order book outlook? What do you think is the outlook for the upcoming year?

**Aditya Puri:** The order book is very good. And we don't foresee any shortage of orders.

**Nidhi Shah:** Could you possibly be able to give a number in terms of inflow and then what your backlog would look like?

**Kishore Chatnani:** I can just tell you firstly from the basis of the inquiries that we have. So we have more than enough inquiries and thankfully and with a lot of effort, export inquiries are also pretty good. We have booked better-than-normal orders in this first quarter, the quarter that is ongoing, April and May. Also, we have most of the orders that we expect to execute during the current year, we already have those orders.

So, we won't be able to give you a number of how much order booking we will be doing during the current year, but we expect it to be certainly much more than what we booked in the last year.

**Nidhi Shah:** All right. You mentioned that you have quite a few orders in hand already since the start of this quarter. Do you have a number for that possibly?

**Kishore Chatnani:** Ma'am, it's not appropriate to give out the number. There are orders which are finalized. There are orders in which the advances are yet to be received. So though the orders are there, we count the orders only when the advances are received. As I mentioned to you, the pace is a little higher than our normal quarterly pace.

**Nidhi Shah:** All right. And the plant in Philippines, what do you think would be the contribution from that in the upcoming year?

**Kishore Chatnani:** So, the plant started operation as we mentioned, in April. Typically, sugarcane finishes around that time. And so, it ran for a few days on sugarcane. Then ran for some time on molasses. Now the real production and real contribution will come next season when the sugarcane season starts again, sometime end of October, early November, till then we'll be running it on molasses, but it probably won't be on the full capacity. The real contributions that we will see comes from the sugarcane and that you will see from October and November onwards.

**Nidhi Shah:** Right. And would it be possible you gave a number for this year? And then what do you think would be the number for the upcoming year in the season that is between the last 2 quarters?

**Kishore Chatnani:** I don't think we are able to give you a number at this time.

**Moderator:** Our next question is from the line of Siddharth from MK Ventures.

**Siddharth:** This is Siddharth here from MK Ventures. Sir, my first question is on overall outlook. Am I audible?

**Kishore Chatnani:** Yes, yes.

**Siddharth:** So we are seeing a surge in terms of order intake and order inflows for other capital good companies in the same space and execution also has been very robust across companies in this space. Our order intake, if I see for last 2 quarters at least has been lower than the execution.

And the full year execution, if you see the revenues up 4% Y-o-Y on a stand-alone basis, consol basis is minus 3%. This is lower than the guidance which you gave last quarter also in the concall. So any challenges we are facing in terms of taking fresh orders or in terms of execution, anything you want to highlight or probably, if you can give a guidance for the next 2-3 years, what kind of scale up is possible in the base business, the manufacturing and the EPC business?

**Aditya Puri:** So the revenue increased by 4%-5% because capital goods is cyclical, but we expect this year to have a much higher growth in revenues. And as far as the consolidated results are concerned, primarily it was because of two reasons. One reason was that in the sugar business, the government gave lower releases of sugar and did not allow export of sugar. So the revenue in the sugar sector fell, we were not allowed by government to sell.

So that's the primary reason for the fall in the consolidated revenue. Also, in ISGEC Hitachi Zosen, there was an equipment which was to be shipped, it actually shipped in April or May within the contractual delivery, so the revenue shifted in April or May because of some shipping problems. But these are the two primary reasons. There's no fundamental problem that we faced because of which the revenues were lower.

**Siddharth:** So I understand the cap goods is a cyclical industry, but I also feel that it's a very strong up cycle, which you are seeing. So can you quantify the growth aspiration at least for next couple of years, sir, what kind of revenue growth on a stand-alone basis, can we see, say, in FY25, FY26? Both on order intake and on execution side?

**Aditya Puri:** We will see a double-digit growth.

**Siddharth:** Okay, okay. Sir, on the margin front, sir, the EPC margins have been low for quite some time for many years now. We made 3.5%-4% EBITDA margins in the EPC business, hardly any company is making this kind of EBITDA margin.

Most of the companies are at least 8% to 10%-12%, if not 15% to 18%, so what is the aspiration for us in this space? Because if we see the working capital intensity, we will not really make any money or any meaningful ROCE in the EPC business at these margins. So if you can just guide say, maybe it will take time, but over, say, next 3 years, what kind of aspirational EBITDA margin do we expect in the EPC business?

**Aditya Puri:** We are very clear that we will not take any future order, which will give a margin of less than 7%-8% on an EBITDA basis. In the project business.

**Siddharth:** Okay, sure. And sir, lastly, if you can share some kind of outlook, some kind of numbers for the Philippines business, sir?

**Kishore Chatnani:** I think we would want to share that closer to in the next season starting, next sugarcane season starting.

**Moderator:** Our next question is from the line of Renjith from Mahindra Mutual Fund.

**Renjith:** Yes. Sir, your cash flow from operations have improved, but it's largely coming from this increase in other current liabilities. So other current liabilities, if I look, it is around INR2,359 crores compared to INR1,401 crores.

So what has been the main reason for this increase in other current liabilities?

**Kishore Chatnani:** We are able to get better payment terms from our customers. So as Mr. Puri mentioned, we are shifting into more technology intensive projects business. Even in the manufacturing of machinery and equipment where we are able to get higher advances from customers and payment terms from the project business for the new orders, certainly, because you will know that earlier, and this is something we've heard from a lot of analysts like you, and it's actually correct also that in the long duration orders where there are milestone-based payments the cash flows are delayed.

So after we have started changing the texture of the order book for EPC, this has improved. So we were able to get higher advances from customers. And what appears in the balance sheet as unearned revenue. Both of these things come under the other current liabilities.

**Renjith:** Okay. So do you believe that this is some kind of a steady trend. It is not a one-off kind of thing?

**Kishore Chatnani:** It is not one-off because the nature of the orders that we are booking, the payment terms on which we are looking is changing. We have taken advice from friends like you, who have told us to look at working capital cycles more carefully. So, I think that impact is showing.

**Renjith:** And when I see your receivable, it's around INR2,928 crores. So of that, how much that FGD-related is the major chunk which has been there?

**Kishore Chatnani:** I'm telling you a number, but it may be off by some order. So, about INR400 crores is what is remaining of 2 large FGD orders, which are going to be completed during the current year.

There are two more, one of them is pretty large FGD order, which is going to be completed the following year. So, I don't remember the numbers on that, but the two orders which are going to get completed this year, INR400 crores is the number, and that INR400 crores is going to be recovered this year.

**Renjith:** Okay. So of this INR2,928 crores of receivables, is it fair to assume that large chunk will be of that FGD order, which we have already completed and we are yet to receive payment?

**Kishore Chatnani:** It is not fully complete in the sense of the milestones to be achieved. But these two particular orders that I don't want to name the customer, it's not fair. But INR400 crores relates to those, so we normally have as this EPC order book changes shape to lower duration orders than earlier, we will see that what is classified under receivables as milestone payments or retention payments that will keep on coming down. And I would expect it to come down substantially during this current year.

**Renjith:** Okay. Great. And sir one thing, I wanted to understand that WHR is coming out to be a very good space. And in our order book, is there any WHR related from cement, steel and all these industries, are we there as a major player?

**Aditya Puri:** Yes. We are there, and we have many orders in that field, we completed one of the biggest cement waste heat boilers in the world, we commissioned for an Indian customer.

**Renjith:** Okay. And sir, we also hear regarding huge CapEx from steel and oil and gas, refineries, and all. So because you will be hearing at least in terms of inquiry levels, are you seeing activity from steel and oil and gas refineries, is that something which we are also excited about?

**Aditya Puri:** Yes, we are excited about it. And we've got a very good order book even in our subsidiary ISGEC Hitachi Zosen which caters a lot to the oil and gas and our own Pressure Equipment division, where we have very good orders from the oil and gas sector. And yes, the prospects are bright, you're right about that.

**Moderator:** Our next question is from the line of Rabindranath from Sunidhi Securities.

**Rabindranath:** Sir, what is the legacy order size now in our total order book, which are having low margin orders?

**Kishore Chatnani:** About INR2,000 crores-INR2,200 crores, something like that.

**Ravindranath:** Okay, and sir, it is good that you have concentrated on the short cycle orders. So among the 7 segments of order book, we are giving. So which of these segments do we see a significant decline due to this change in strategy of short-cycle orders. So I observed that power sector orders have come down substantially. So is that the one of the segments or any other segment you can highlight, which will see significant decline in the order inflow or in order book going ahead due to this change in strategy?

**Kishore Chatnani:** So as we mentioned earlier, when we say power sector, we are not actually supplying power plants. We are actually supplying the flue gas de-sulphurisation systems and other kinds of air pollution control equipment. So in our experience, FGD projects typically turn out to be much longer than what they appear when you book them. They are initially itself long duration, maybe 3 years or 3.5 years, and they actually take more time than that.

So we are no longer booking fresh FGD orders, but we are booking on multiple other technologies, such as Dry Sorbent Injection and some other technologies, which are lower duration, they are for smaller power plants, typically 210-megawatts, and multiples of 210 megawatts. So I think Mr. Puri mentioned a little while earlier, the order book may look a little lower, but its execution time is faster. So one should actually expect a positive impact on the revenue rather than lowering of revenue. You should expect the revenue to go up faster because shorter duration orders are to be executed.

**Ravindranath:** Okay. And again, sir, what Renjith has asked about this question regarding these current liabilities and other current assets, so because the order inflow, if I'm calculating correctly, it is lower than in FY22 order inflow. So based upon that, the advances from the customer would have come down. And that means your unearned revenue has gone up substantially.

**Kishore Chatnani:** Advance from customers have also gone up, and unearned revenue has certainly gone up. Both of them have gone up and significantly. Advances from customers have also gone up significantly.

**Ravindranath:** Okay. Sir from where this unearned revenue is coming sir, among all these 7 segments from where this unearned revenue is coming substantially?

**Kishore Chatnani:** Specific to payment terms on certain orders, what is the milestone on which we are supposed to build and how does the cost accrue. So because as you know, revenue is recognized as a proportion to the cost incurred compared to the total cost. And the billing is agreed with the customer based on certain milestones.

This is actually a positive mismatch. In the sense rather than giving more credit to the customer if you are able to collect before you are spending, I think that is better.

**Ravindranath:** Okay. So that means whether railway, refineries or chemical, petrol, whether you are getting advance payments more or it is across the segments you are getting it?

**Kishore Chatnani:** It is actually specific to every particular order. We don't have too many new railway orders.

**Aditya Puri:** We don't have too many railway orders. I think the point that Mr. Chatnani has also just made is that in the market where there is no bidding, we are able to secure better payment terms because ISGEC is now more established as a brand known for its timely delivery and quality.

**Ravindranath:** Okay. And sir, regarding the Philippines project, you mentioned that it is going to be commissioned this quarter. So what is the total gross block addition due to this in this quarter?

**Kishore Chatnani:** 95% would be appearing in CWIP.

**Ravindranath:** So that means it will not be commissioned in this quarter as well?

**Kishore Chatnani:** It has been commissioned in this quarter.

**Ravindranath:** Okay. That means it will be appearing in the gross block from this quarter onwards.

**Kishore Chatnani:** That's right.

**Ravindranath:** Okay. So what is the total commissioning gross block for this quarter?

**Kishore Chatnani:** I don't have the number because it has to be worked out from Philippines and then audited and all of that.

**Ravindranath:** So any revenue guidance from this project for this quarter?

**Kishore Chatnani:** I think Mr. Puri mentioned that we have up to now sold about 3 million litres of bioethanol. Average rate is about INR120 a litre.

**Moderator:** Our next question is from the line of Manish from Thinqwise Wealth Manager LLP.

**Manish:** Okay. Sir, just on the order book, what we see is that the order book mix has improved with now manufacturing portion accounting for higher share from 21% to 29%. But that large part of the growth is largely driven by Hitachi JV order book increase, which has doubled in last 1 year from INR500-odd crores to INR1,048 crores what we mentioned.

So sir, now going forward, you have been saying in recent past that JV has not been making even the company average margins, what we have delivered like we have already reached 12% at a stand-alone level. So going forward, can we expect that now we see better margins?

And what kind of margins we can see, sir? Because our standalone numbers have been quite good in terms of our core business, but somehow on a consolidated basis, it looks quite subdued. So and large part of the growth in the order book is from our JV and second observation also is that the international share has also increased. So I believe part of it would be due to Hitachi JV, am I right, sir? if you can clarify both things.

**Aditya Puri:** Sanjay, would you like to answer that about ISGEC Hitachi Zosen?

**Sanjay Gulati:** Yes. So the joint venture has booked very good orders in this year and that is because we had a substantial market available in the year, we booked these orders at better margins than we were able to book in the previous years. And so we expect the profits of the JV to increase. The profits, of course, in terms of percentage have increased substantially from the previous year, but we expect them to further increase to come to the normal manufacturing margins that we have for ISGEC standalone. And the second question was regarding the exports, so yes, there is a lot of growth in the export orders in the JV, but this year, more than 50% of the orders were from overseas.

**Aditya Puri:** And also, we are seeing a good traction, and we expect to do better in order booking in exports even outside of the JV, in the main company.

**Manish:** Okay. Sir, as you mentioned that Hitachi has done well in the current year. So maybe if you can share the numbers because when I look consolidated minus standalone for the manufacturing segment, probably I don't see that significant improvement. So maybe if you can share the Hitachi JV numbers and what kind of margins, we can look forward to in FY25 and FY26.

**Aditya Puri:** So this year, the JV has done better than the previous year. And this current year is going to be substantially better than the previous year, the year which has just gone by.

**Kishore Chatnani:** The current year is going to be certainly much better. Last year, the revenue was down. You were right, Manish Ji, so as Mr. Sanjay Gulati mentioned, we have booked wonderful, good orders for the JV this year, and you can expect to see much better numbers from JV this year.

**Manish:** Wonderful, sir. And maybe also, as we are discussing JV, if you can give some insights on how Eagle Press has done? And are we seeing a turnaround over there?

**Aditya Puri:** Eagle Press has a problem of booking orders. And as of now, we do see orders coming in, but we will be able to tell you more in the next quarter. As of now, the situation is a little uncertain because orders are just not getting decided although in the last few weeks have seen some orders coming close to finalization, but not yet finalized. But next quarter, we'll be able to give you better guidance on Eagle.

**Moderator:** Our next question is from the line of Nilesh Doshi from Green Lantern Capital LLP.

**Nilesh Doshi:** Yes. Sir, when we observe the space, especially the fabrication industry and product manufacturing in your area, and when we look at the peers in the industry like L&T, Anup Engineering and many and including their order book, what we observe is that the revenue potential for growth rate is almost 20%-25% plus CAGR over the next 3 to 5 years.

Whereas you are saying a possibility of a double-digit growth in the current year. So just trying to understand, do we have a manufacturing facility constraint to grow that kind of growth rate? Or when you say double digit, I really don't understand. Is it 10%, 20% or what it is?

If you can help us to understand, please.

**Kishore Chatnani:** We are actually cautious when we talk about anything, when we say double digit, it starts from 10%, but we are hoping to do closer to 15% this year.

**Nilesh Doshi:** Yes. And second is, as a normal prudent investor information practice is it possible for you to give large orders as and when you get on to the exchanges, please?

**Kishore Chatnani:** We can. We have a board decided policy of some threshold, it's a different threshold for EPC companies and different for manufacturing, EPC orders and the project orders and the manufacturing, but yes, we can, and I have heard you, so we will try and do that.

**Moderator:** Our next question is from the line of Ruchi Jain from Asit C. Mehta Investment Interrmediates.

**Ruchi Jain:** One question that I would like to ask you that in FY25, that is in the next year, on a consolidated basis, any kind of give us a bit idea that what kind of order inflow in terms of crores that you are expecting numbers wise? Because we have seen your outstanding order book so far is INR7,900 crores. So we want to get an idea, what kind of order inflow that we expect in the next 1 or 2 years kind of thing?

**Aditya Puri:** So I think it depends lot on the macro economy.

**Kishore Chatnani:** So the economy is good for sure. I think it's not only for us as many of you have been pointing out for all the engineering companies.

The export market is now turning around for us, and we expect to book higher orders from the export market. I think Mr. Puri mentioned earlier that we're trying not to do longer duration orders, particularly in exports. The reason we have lesser number of orders because we are no longer taking any order where there is significant site work or significant construction.

Any civil work, we are not taking those orders. And we are now expecting to book larger export orders where our responsibility is to supply the machinery, supply the equipment. The customer gets it installed under our supervision, but at his cost and his risk under our supervision. And after that, we take responsibility for the plant that gets set up. So because of this, you are asking for specific numbers, how much the order booking is going to be this year and the next year.

We are unable to give you numbers, but we can give you the perspective, the demand position is good, ISGEC products are well in demand, and besides the domestic market, besides the PSUs, private sector companies are investing, and we are getting our share of inquiries from them, and we expect to do better in export this year, for sure.

**Ruchi Jain:** You may not be able to share the ballpark number for at least in FY25, but we can assume that the way with the economy and that is doing well, at least if the things are stable, then you can continue to maintain the runway that you did in the last year. You have already given in your quarterly presentation, quarter-wise order book, that's what you have mentioned. So at least you continue to maintain that if the things are stable as far as economy is concerned that we can assume?

**Kishore Chatnani:** I think I have already mentioned that we are hoping to do closer to 15% in terms of revenue growth for the year, and order book, we have mentioned we have booked reasonable orders in April and May. So we are not able to give out numbers.

**Ruchi Jain:** Okay. Okay. Agree, sir. And as far as margin is concerned, as you are saying that you want to have some kind of at least 8% kind of margin that you want to maintain, right? That's what you've already earlier mentioned. So just I am once again, reconfirming the same.

**Kishore Chatnani:** That is the objective, fresh orders that we are booking we are trying for those kinds of margins.

**Moderator:** Our next question is from the line of Anshul Saigal from Saigal Company.

**Anshul Saigal:** You mentioned that we have legacy orders of roughly INR2,000 crores to INR2,200 crores, which are long duration. Firstly, by when do these orders come off the order book, first is that? And second, as these orders come off the book, should we expect a step jump in margin because these will be lower margin business?

**Kishore Chatnani:** So out of this, maybe about INR 700-800 crores will continue into the following year and will be completed in the following year. The balance, INR 1,400-1,500 crores will get completed during the current year. So there is going to be an increase. It is not going to look like a step jump this year, it might look like a step jump in the next year. There is going to be an increase in margins. It's not going to look like a step jump this year.

**Anshul Saigal:** Got it. Second, your stated objective of going to 7%-8% margins in the projects business. Can one expect that in the last quarter of this year, that is the runoff quarter, we will see that kind of a margin play through in the business?

**Kishore Chatnani:** I wouldn't expect that to happen, because orders when you book, and the revenue and execution takes place over time. I don't think the quarterly numbers may show those numbers.

**Anshul Saigal:** All right. Third, if you look at our project business, we are at about INR3,500 crores of revenues from projects, and this will have a component of boilers as well, I will assume that the boilers business is a higher-margin business, and it should be in the range of INR1,000 crores to INR2,000 crores. Now if boilers are higher-margin business, how is it that you're doing 3.5% in projects? And even an 8% margin structure in projects, the ambition of 8% looks quite conservative. In fact, the margin should be closer to manufacturing margins given how this business works. Could you throw some light on that please?

**Aditya Puri:** No, I don't think the boiler margins are at double-digit numbers anywhere. I really don't think so, unless it's commoditized boilers. And as Mr. Chatnani has said, the quarters from the next financial year you will see a difference in the margins of the project business.

**Anshul Saigal:** All right. My final question in manufacturing, you've given some color on what margin structure you would expect in projects. What kind of a margin structure would you expect in manufacturing going forward?

**Aditya Puri:** 10% to 12%.

**Anshul Saigal:** 10% to 12%. And similar sort of growth as you're expecting for the company as a whole, which is about 15%?

**Kishore Chatnani:** Yes.

**Anshul Saigal:** All right. And just a request, finally. It will be great if we can do some meetings personally because it gives a better perspective to us analysts to understand the business if you meet personally. If some sort of a mechanism can be formulated around that, I'll be grateful as also the other investor community. Just a comment, please.

**Kishore Chatnani:** Thank you for the suggestion. We'll certainly look into it.

**Moderator:** Our next question is from the line of Mayandra Jain from Way2Wealth.

**Mayandra Jain:** Sir, my question is regarding the Philippines plant. What is our strategy in longer term, like we are going to get out of that? And can you just highlight something on that? Like what is our plan regarding this?

**Kishore Chatnani:** So we have, completed the plant with the intention to run it. Our understanding and estimation is that we can recover our money by running it. We are certainly open to selling it if we get a reasonable price. But I mean we are open to both the ideas of running it as well as hiving it off.

**Mayandra Jain:** Okay. My second question is that, as you mentioned that we are moving into high-end technology and short duration projects and all this. So are we coming out with some new products or we are applying something new technology in what sense that and it will be applicable to which industry you are talking, previously we were working, how it will be different from the previous things like?

**Aditya Puri:** So what will be different will be that in a project there is some amount of construction that happens. There is a project in which there is some amount of civil work that happens. But we will be limiting ourselves to taking those projects where the civil work and construction is a lower percentage of the total production value. And where ISGEC can add some engineering value to the project. So it could be like boilers, it could be sugar machinery, it could be material handling. It could be a few other areas that we are in. So those are the areas where we can give a solution, which is largely dependent on our engineering skills.

**Kishore Chatnani:** Let me add to that. So for example, in boilers, we have got three different new additional products like tail gas fired boilers, Flue Gas coolers. So we are actually constantly developing on newer products, in all of these with our own products as well as there is now a lot of focus on different technologies for air pollution control.

So we are working a lot on Dry Sorbent Injection as a technology for power plants to control their emissions. We are working on higher levels of electrostatic precipitators, certainly a lot more work on bag filters. In the case of sugar plants and machinery, a few years ago, we were only doing molasses-based distilleries. We are now doing grain-based distilleries.

**Aditya Puri:** And energy conservation, waste heat, so we're doing a lot of things based on waste heat and even in sugar industry we are working a lot on reducing energy consumption. Energy means electricity and heat.

**Moderator:** Our next question is from the line of Ashwani Sharma from Emkay Global Financial Service.

**Ashwani Sharma:** Sir, in your 15% growth revenue guidance that you have given, what will be the contribution from Philippines plants in that?

**Kishore Chatnani:** Ashwani ji, we were talking about stand-alone firstly. Secondly, I was very careful when I said double digit, we are hoping for closer to 15%. So I'm sticking with what I said. This was on the standalone basis.

**Ashwani Sharma:** Okay. So let me put it this way. So earlier, our guidance was INR500 crores from Philippines plant. So will we see that number in FY25?

**Kishore Chatnani:** Let me tell you the question that we had answered was, what is the revenue potential of the Philippines plant on an annual basis?

So that was the question the answer remains true today that with the plant capacity at 42 million one can assume that out of 42 million, 40 million can be produced and that will roughly turn out to closer to INR480 crores to INR500 crores in terms of the revenue on an annual basis. So the plant has started. Some revenue is coming in this quarter, we have to see as it goes on.

**Ashwani Sharma:** So you're saying that some work needs to be completed. So if I may ask on a cumulative basis, total investment in the Philippines plant?

**Aditya Puri:** Yes, the work that needs to be completed is not related to the operation of the plant. It is certain peripheral things like boundary wall, some internal roads, something like that, it is not to do with the operation of the plant.

**Ashwani Sharma:** And the cumulative investment in the Philippines plant?

**Kishore Chatnani:** So the investment, I don't have the figure in the fashion that you are asking me. In the sense, when we took it over, there was some investment earlier and then we borrowed the loan from a bank and some money we have put in. I think now that the capitalization will be done in this quarter, we'll be able to answer you next time.

**Ashwani Sharma:** Sure, sir. Sir, on the manufacturing side, if I may ask, so obviously, at a company level, the focus is there on the manufacturing, what kind of CapEx we will do in FY25? And anything which company would have planned to further improve our capabilities or capacities in the manufacturing side?

**Aditya Puri:** So the capital plan is not yet affirmed, but we expect somewhere in the region of INR50 crores plus.

**Moderator:** Our next question is from the line of Madhu from MK Ventures.

**Madhu:** Good afternoon, Mr. Puri. I think many people have tried, let me try my luck as well. See, you have a stellar reputation, we have spoken to a lot of your customers directly and indirectly. But what is really surprising while everyone is really painting a very rosy picture including the likes of Larsen & Toubro and all about the prospect.

The company somehow in my understanding also is a bit shying away from, and no one wants to know what will be the margin in this quarter, next quarter. So can you talk about your aspiration? I'm not talking about guidance. Can you talk about your aspiration as to where would you like this company to be 3 to 5 years from now? And why is it that the margins have consistently remained low for over the years? And is there any structural shift, which is taking place to really improve it in a 3-5 year time frame?

**Aditya Puri:** I think in last question, we have answered, and I will repeat that answer. That, there is a structural shift that is happening in the order booking. We have seen that these large duration contracts is not something which is fixed for a company like ours. And therefore, cautiously we've taken a decision not to book any more long duration projects.

And therefore, as these projects come off our book, we would be doing much better. We are very proactive in getting into new products. We are proactive in going up the value chain in certain areas, and we are looking at technologies like long-duration energy storage or manufacturer of components for green ammonia plants, environmentally friendly. We are trying to be there in the critical link of this whole decarbonization process. And the strategy of the company is to position itself there. And as Mr. Chatnani mentioned, we are giving a conservative outlook right now. And it actually turn out to be a rosier for everybody, I think we'll also be a part of that story.

**Madhu:** Sir, my last question, given your technical expertise and given the opportunity, can we at least hope in the next 3- 4-year time frame that we will get to at least 11%-12% kind of EBITDA margin, at least, is that what the company is aspiring for?

**Aditya Puri:** Yes, we are aspiring for that, it looks to be practically possible.

**Madhu:** But this is all we want to hear. That's it, I think everyone is only wanting to hear that only. And because I'll just give you a context, yesterday one building company, which is plain buildings in Mumbai declared their results, and their EBITDA margin is 17%. People who are building simple roads their margin is 10.5%-11%. So it is very surprising to see an engineering company with such complex solution still is operating at 7%-8% EBITDA margin. And that is what is baffling to investor like me also who has been around for 30 years. So all of us are only wanting to understand only that part.

**Aditya Puri:** Our strategy is to move to that.

**Madhu:** Okay. And sir, one last point. It will be a great idea if you could hold an analyst meet where all of us could meet you in person to maybe understand the company a little better, and whenever you think that opportunity is possible, I would love to travel myself and attend the meeting.

**Aditya Puri:** We'll certainly look into that; we will try and arrange it.

**Moderator:** Our next question is from the line of Digant from GreenEdge Wealth.

**Digant Haria:** Sir, one question is because we have changed our order booking strategy. We are focusing on shorter duration and higher tech orders and with more advances. Now the commodity prices have started going up again, be it copper, be it iron, steel. And anyhow we saw one shock in 2022 after the Russia-Ukraine war, and then we really had a hit on our margin, if such a scenario plays out, how are we placed this time, sir?

**Aditya Puri:** No. So this time, unless they actually go up very, very drastically, it's very difficult to hedge these metals. And we are in that business, so there is a certain amount of risk that is always involved. But because the duration of the projects is much shorter and our ordering cycle is faster now, if somebody gives us an order, we are able to order on our vendors faster.

The risk is mitigated to some extent. But that risk would always remain. But I'm very confident I know the prices of nickel, copper, aluminium they're showing an upward trend. But till now, it's not made any significant dent. We kept the contingencies for that, and we are within that.

**Digant Haria:** Perfect. Okay, sir. And sir, just one more request I had is that you mentioned that we are right there in this whole decarbonization drive. So whenever your team gets time in the presentation, if you can just segregate your revenues or your order books into which are these sort of new age areas where we are and which are our traditional areas, it will help people like us because yours is a very technical sector, and every time we hear something new. So it's not easy for us to figure that out. So if you can do that whenever in your presentation.

**Aditya Puri:** It may not be possible for us. So we may not want to give those numbers out. But what I can say is that we are in waste energy. We are consciously seeing that what all can be manufactured or what is in our capability to manufacture green ammonia for these new projects, and we are in the value chain for that.

So there are lots of other things that happened, whether you call it decarbonization or not, like we are able to mark a plant zero liquid discharge, sugar factories in each of our plants. So we cannot do a very strict classification, but we have captured the pulse of what we think is going to happen or the way the world economy and Indian economy is going to move in terms of decarbonization and to see that we are able to offer solutions that fit into that landscape.

**Digant Haria:** Perfect. That's very detailed explanation. And sir, the last question is, can I get the number for advances from customers like we get it in the annual report, but if I can just get the number at the consol level, the advances from customers?

**Kishore Chatnani:** If you really want that, you should wait for our balance sheet to come out.

**Digant Haria:** Correct, because right now it's part of other liabilities. So fine, I actually will wait for that.

**Moderator:** Ladies and gentlemen, due to time constraint, that was the last question for the day. I now hand the conference over to the management for closing comments.

**Aditya Puri:** Thank you. Thank you, everybody, for listening to us so patiently and all the best. Thank you.

**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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