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Date: **June 02, 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 as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Subject: **Transcript of the Conference Call organized for Analysts and Investors with respect to the financial performance of the Company for the quarter and year ended March 31, 2023**

Dear Sir(s)/Madam(s),

1. In continuation of our letter dated May 18, 2023 and in compliance with Regulation 30 read with clause 15 (b) of Part A of Schedule III and any other applicable regulation(s), if applicable, of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of the Investors Conference Call organised by the Company on Tuesday, May 30, 2023 at 16:00 hours (IST) with respect to the financial performance of the Company for the quarter and year ended on March 31, 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: 2023.06.02 18:38:10 +05'30'
CS Sachin Saluja
Company Secretary & Compliance Officer
Membership No. A24269
Address: A-4, Sector-24
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For Isgec Heavy Engineering Limited
CS Sachin Saluja
Company Secretary & Compliance Officer
Membership No. A24269
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Encl.: **As above**

"ISGEC Heavy Engineering Limited
Q4 FY 2023 Earnings Conference Call"
May 30, 2023

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**
ANALYST:	**MR. BHARAT JAIN – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Fourth Quarter FY '23 Earnings Conference Call of ISGEC Heavy Engineering 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Bharat Jain of ICICI Securities. Thank you, and over to you.

Bharat Jain: Good day, everyone. On behalf of ICICI Securities, I would like to welcome you all to the Q4 FY '23 Earnings Conference Call of ISGEC Heavy Engineering Limited. Today, 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 of Manufacturing Units. We will start the call with opening remarks from Mr. Puri, post up we will have the Q&A session. I would like to hand over the call to Mr. Puri for his opening remarks. Thank you, and over to you, sir.

Aditya Puri: Thank you, Bharat Ji. 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 a fruitful interaction.

You have seen the quarterly and annual financial results that were published yesterday. We have also uploaded our presentation on BSE, NSE, and on our own website, www.isgec.com, earlier today. There is also much more information about our business on our website.

The stand-alone financial revenue for Q4 FY '23 is INR1,425 crores compared to INR1,366 crores in Q4 FY '22. The standalone revenue for the financial year ended 31st March 2023, is INR4,687 crores, which is about 5% higher compared to INR 4,470 crores for the financial year ended 31st March 2022.

The stand-alone profit before tax for Q4 FY '23 is 78% higher at INR 84 crores against INR 47 crores for Q4 FY '22. Further, for the financial year ended 31st March 2023, the profit before tax is INR 234 crores, which is about 59% higher compared to INR 147 crores for the financial year ended 31st March 2022.

The consolidated revenue for Q4 FY '23 is INR 2,048 crores, which is about 28% higher compared to INR 1,597 crores for Q4 FY '22. Also, for the financial year ended 31st March 2023, the consolidated revenue is INR 6,412 crores, which is 16% higher compared to INR 5,513 crores for the financial year ended 31st March 2022.

The consolidated profit before tax for Q4 FY '23 is INR 126 crores compared to INR 48 crores for Q4 FY '22. And the consolidated profit before tax for the financial year ending 31st March 2023 is INR 290 crores as compared to INR 158 crores for the financial year ending 31st March 2022.

In the standalone results, the profitability is better, both for the manufacturing segment and the EPC segment. The consolidated profit is better because of higher profits in ISGEC Heavy Engineering Ltd. standalone and in Saraswati Sugar Mills Ltd. I will now talk about the order book.

The consolidated order booking for Q4 FY '23 is INR 2,482 crores compared to INR 1,442 crores of orders booked in Q4 of last year. The consolidated orders in hand as on 31st March 2023, are INR 8,321 crores against INR 7,322 crores as on 31st March 2022. The order book position is good.

Of the consolidated order book, 79% is for project business and 21% for product business. The order book includes INR 839 crores for international orders, which is about 10%. The order book for ISGEC Hitachi Zosen is also good. It has INR 506 crores of orders as of 31st March 2023.

Philippines project, as informed earlier, the construction is progressing at the Cavite Biofuel ethanol plant in Philippines and is expected to be completed by the end of next quarter.

Market demand. The overall demand trend has improved, and the inquiry position continues to be good. Export inquiries have picked up, though order fructification is low. As a leading company providing products and solutions for multiple industries, ISGEC Heavy Engineering Ltd. is in a favourable position to participate in India's growth story. My colleagues and I will now be happy to answer any questions.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from Jiten Parmar of Aurum Capital.

Jiten Parmar: Congratulations on a good set of numbers. Just wanted to know, in the past, we have done margins of 9% and 10%. We have improved this year. But when do we see ourselves getting to those kind of margins, which look a bit healthy than what they are currently?

Kishore Chatnani: I think margins in the next year will be better than they were this year, largely because of the old orders, which had seen commodity price increases, and which had seen, projects getting a little stretched. Those will get completed over the next few quarters. So, we should look at normal margins during this financial year.

Jiten Parmar: Okay. And what about execution? Our order book, is it -- what I mean what is the executable period for this order book? Or is there any guidance on what revenue growth we will be able to do in FY '24 and FY '25?

Kishore Chatnani: As a practice, we don't give guidance because different orders have different execution life cycles. But there will certainly be growth in the next year.

Moderator: The next question is from Bajrang Bafna of Sunidhi Securities. Please go ahead.

Bajrang Bafna: Congratulations for a good set of numbers. Sir, if you could just take us through the especially the follow-up to the last question that what sort of margins that we are anticipating for both the segments, which is the EPC segment and the product business. If you could just take us through some broad ballpark thought process, because now, the order book is with us with a lot of new orders that we have booked in the recent past. So, some sense on that?

And what is the strategy that we follow? Because earlier, we used to take fixed price contracts, where the commodity prices used to disturb margin trajectory. So, the -- your thought process change that has happened in the past couple of quarters that you have guided. So how are we placed in terms of tackling the changes in the raw material prices and the eventual margin trajectory for us, for both the businesses, EPC, and products, that will be helpful.

Aditya Puri: So, at this point, we can say that we expect that this year, we'll have better margins in both the EPC business and in the manufacturing business. And as regards your question about fixed price contracts, we have to take the contracts, which are there in the market, and we cannot say that we will not take fixed price contracts.

However, as a conscious decision, we are trying to take projects with a slightly smaller duration. So that the risk element reduces. And this should lead to better margins -- should ultimately lead to better margins. But we cannot sort of get away from fixed price contracts. That's the reality. A lot of contracts are fixed price.

Kishore Chatnani: I can add to that to say that a significant portion of our order book, around 45%, is from PSUs. And therefore, there are indexing the costs, which can be passed on. I mean, that there is a price variation clause there.

So, while 100% of the change doesn't get passed on, but 50%, 60% off of price cost variation can be passed on. The other thing is that I think we are keeping slightly, as Mr. Puri said, we are taking orders with comparatively lesser duration than we were taking earlier. And also, we are keeping a slightly higher contingency margins. So that we can protect the margins that we thought we will get when we book the orders.

Bajrang Bafna: Got it. So broadly, if you see on consol numbers, we are closer to 7% kind of margins. Can we expect this margin to be 100 to 150 bps higher in this financial year? Will that be something that you can help us to write?

Kishore Chatnani: For consol, obviously, is a function of ISGEC Heavy Engineering plus Saraswati Sugar Mills. Which is a significant portion there, and also ISGEC Hitachi Zosen. So but we hope to be there, the number that you mentioned now, we hope to be there.

Bajrang Bafna: Okay. And sir, if you see in this balance sheet, the debtors have gone up significantly despite the EPC top line becoming there only not much of a growth. So, could you guide, why that has happened? And when can we expect this receivable day to come down again?

Kishore Chatnani: So, some of the longer-duration projects, where there are significant milestones in payments, of those projects are expected to be completed during the current year. And therefore, by the end of this year, we expect the debtors to come down.

Bajrang Bafna: Okay. Because it's almost INR 500 crores plus increase in this balance sheet. So can we expect to go back to those numbers like INR 2,000 crores or INR 2,200 crores odd debtors in this financial year?

Kishore Chatnani: They will certainly be down. But when you say INR 2,000 crores, INR 2,200 crores, another function is what is the billing in the last quarter of the next year and how much growth we have in the turnovers. But yes, in terms of number of days, we'll certainly be down.

Bajrang Bafna: So 140 days, we went up to almost 160. So we expect that to come down to again 140 sort of?

Kishore Chatnani: I find it very difficult to give a number, but I can say with surety that they will be down.

Bajrang Bafna: Okay. And sir, my last question pertains to the Philippines, the project. Because you have already guided that by next quarter-end, we'll be starting the project, which is clearly sitting very heavy on our balance sheet right now with a lot of CWIP, which has got stuck. So can you guide what sort of plan that we are having, either we are planning to sell it or any way we said that they're going to start it? But in some sense, what sort of profitability that we are looking at?

Because in India, most of the ethanol plants, if we see they are substantially better because government has got a policy to buy ethanol and most plants are making decent ROEs at this point of time. So how that particular thing is there in Philippines? If you could just guide to some sense will be really helpful for us.

Kishore Chatnani: So Philippines, of course, also has government protection and government promotion for ethanol. So there is a 10% reservation, 10% blending requirement for ethanol. And the country's current production is only about 5%. So market for ethanol is absolutely assured.

The second point is the price of ethanol. So just like in India, the government fixes a price for ethanol. In Philippines, there is a price fixed, but it is a variable price, and it is revised every 15 days. So there is a government body called the National Bioethanol Board, which revises the price every 15 days. And the price takes into account; gives 50% weightage for sugarcane as feedstock and 50% weightage to molasses as feedstock.

So effectively, the cost of the feedstock in terms of pass-through in the price. And besides the feedstock, there is a 22 peso conversion rate to cover the fixed costs in the margin. And to our estimate today, the EBITDA margin is close to 25% to 26%, 27% per litre in ethanol in Philippines.

Moderator: The next question is from Umesh Raut of PhillipCapital.

Umesh Raut: I just wanted to have some broader idea about the demand outlook, especially from the core industries like oil and gas, metal, cement in the domestic market and as well as on the export side as well as a few of the European countries are now again planning to invest into the old economy industries like oil and gas. So how are you seeing pipelines from the domestic as well as of the export markets?

Aditya Puri: So even when the economy in the last few years, the government sector, the public sector had been investing in India. But increasingly, we are seeing that the private sector is also enthusiastic to invest, and they are taking decisions. So, we think that the demand is going to -- India is growing. For India to grow, capital goods have to be produced, and we are optimistic about the domestic demand scenario for capital goods.

As far as overseas is concerned, we are seeing that interest is increasing. There are a lot of budgetary and firm inquiries. However, the decision making is getting delayed. In some cases, it's getting delayed because their banks are not giving them credit or loans for the capital investment or are demanding much more information from them banks are becoming more demanding of the project finances.

So, there is a problem in people tying up finances, or there may be other reason, uncertainties. So decision-making is getting delayed. Would we think that these inquiries will be decided, but with a delay. So I can say that there are green fruits in the export market with situation in terms of inquiries is better than before, but it's not a very robust market at this point in time.

Umesh Raut: Okay. And sir, also, if you can highlight your market share, especially in the oil and gas segment. And also, your order contribution from some of the sectors like sugar, oil and gas, metal and cement?

Aditya Puri: It's very difficult to quantify because there are so many players. And there are so many products in these areas, it's very difficult to quantify what our market share in sort of particular sector would be. But we have fairly high market shares in some of these sectors for the products that we supply.

Umesh Raut: Got it. And last question is, sir, on the FGD side. How are you looking at the pipeline now? And what is your experience about the competitive intensity over there as we are observing that pricing sanity is relatively better now in the case of FGD proceeds?

Aditya Puri: Yes, it is better. And if there are going to be inquiries, we do expect inquiries from the state sector. The NTPC projects have all been awarded. We do expect inquiries from the state sector. And based on those inquiries and based on our experience with the past SUBs and our costing, we'll decide how much we have to participate in the market.

We will participate, but let me put it on our terms. But we are as informed the Board earlier. We have got orders to some other sort of technologies for air pollution control, which are shorter duration projects. And we are actively participating in those projects. And we are executing some of the orders based on those technologies. Competition is also less for those technologies because these are niche technologies.

Moderator: Our next question is from Khadija Mantri of Sharekhan.

Khadija Mantri: Congratulations on good set of numbers. So my first question is that if you think Q4 growth was largely driven by manufacturing segment, I just wanted to know how is it likely to be in the coming quarters, whether we would have more of execution from the EPC segment? Also, I would like to know capex plan for the next 2 years and also current utilization level?

Aditya Puri: So, we will not be able to give you information of -- for the next quarter per se. But we expect this financial year, the percentage of revenue coming from manufacturing will be slightly higher than what it was in the previous year. So that is one guidance that we can give you.

And as far as the capacity utilization is concerned, our shops in most businesses are fairly well occupied, are fairly heavily occupied. As far as capital expenditure is concerned, it's going to be normal capital expenditure as of now. If there are any changes and if we expect any major changes, we obviously let you know. But as of now, it will be a normal capital expenditure. In sugar, we are investing about INR 65 crores through internal accruals for converting our process, which is a double sulphitation process to process that will manufacture refined sugar.

Khadija Mantri: Okay, sir. And also one more thing that I've observed in the results is that employee costs have gone down in proportion to the sales, so for FY '23 as a whole. So is there any retrenchment exercise that we have done? Or is said that the productivity has increased?

Aditya Puri: No, no, we have not done any retrenchment exercise.

Moderator: Our next question is from Ashwani Sharma of ICICI Securities.

Ashwani Sharma: So, my first question is on the guidance. So last year, we had guided for a 5% kind of growth on the top line. If you could give us a similar guidance for this year as well, that will be helpful.

Kishore Chatnani: So, you will see that our order book is higher. So, we certainly expect growth; we don't actually have a practice of giving out a number. But still, I say it will be in double digits. So, certainly more than 10%.

Ashwani Sharma: Sir, if you look at the order book, we also have some exposure to railways and defence. So there has been a larger capex happening on the railways and defence. Is there a possibility that we get some large order from railways and defence, so that our overall order inflow order backlog improves?

Aditya Puri: It is a possibility. It is certainly a possibility. You can't rule it out. It depends on what projects there are in the market. But yes, it's a possibility.

Kishore Chatnani: So railways, we have been doing projects to supply factories for the railways. So building an actual plant, coach repair factory, coach building factory, those kind of projects we've been doing for the railway companies, not really for the railways directly, but for the railway companies. And we'll continue to bid for those projects in the market.

Moderator: The next question is from Anupam Goswami of SUD Life.

Anupam Goswami: So, my question is on the longer horizon. Now we do have an order book of about INR 832 billion. But what's -- how sustainable is the order inflow? And where do you think the industry is to grow and have a sustainable growth for us?

Aditya Puri: I think, the order booking is sustainable, but I did not get your last question. I'm sorry for that. What is your last question? Sustainable...

Anupam Goswami: I wanted to understand like, where do you see the outlook from this point? How sustainable is the order inflow going to be, which are the industry is going to lead that for us?

Aditya Puri: So, at this point in time, there are a lot of industries that are investing. Steel is investing. Cement is investing, refineries, oil and gas, fertilizers then there is power for air pollution control equipment, automobiles is also seeing an uptick. So, all these industries are growing. Specialty chemicals, all these industries are growing.

Anupam Goswami: So we're having a strong growth in the industry and quite a strong outlook, then why do we -- our guidance are providing around 5%, 6% sort of. Shouldn't we grow at a higher rate?

Aditya Puri: So, I think the guidance right now is given as double digit, right? So that's in the guidance.

Anupam Goswami: Okay. So at least for the next 2 years?

Aditya Puri: We hope so, but we have -- yes, we hope so.

Anupam Goswami: What is the execution timeline for this order book?

Kishore Chatnani: So execution time is different for different orders. If you are trying to get back to what is going to be the revenue next year, we have already answered that, that we are going to see double-digit growth.

As you know, different products have different execution timelines. So for example, a simple casting may take 3 or 4 months, a complex casting will take 6, 7 months, a sugar plant will take 11 months, 12 months. Distillery will take 11, 12 months. A boiler will take 14 months. DSI air pollution control project will take about 1.5 years. Some of the more complex ones will take 2 years. So there are a variety of -- across the different product lines. There are different execution cycles and orders are in different stages of execution.

Moderator: Our next question is from Digant Haria of GreenEdge Wealth.

Digant Haria: Sir, wanted to check that some of those slow-moving, long-duration orders, they were about to go. We were about to reach very large milestones, have we reach there, and that has resulted in this improvement in margins or that milestones we are yet to reach in those large projects?

Aditya Puri: So, do you know the milestones keep accumulating in terms of the fact that you achieved some milestones, but there are yet many more milestones to achieve. But what we are saying is that progressively, the share will keep coming down of these long-duration projects, these milestone-based projects.

Digant Haria: Right. So the margin seen should actually improve, right? If those projects run down, the margin and working capital should progressively improve over the coming quarters?

Kishore Chatnani: In response to one of the earlier questions, somebody asked whether margins will increase 1%, 1.5%. We said we are hopeful for that. And I also said that receivable days will come down.

Digant Haria: Right. So second question is, see in the manufacturing business, after a long time, you've crossed the INR 2,000 crores kind of an annual number. And the growth rates are almost in double digits. So, what has led to that? And even on this base, we are expecting double-digit growth in the manufacturing business as well?

Aditya Puri: Yes. So, on a stand-alone basis, yes. On a consol basis, may not be, but will be close to double-digits.

Digant Haria: All right, sir, that's really good to know. And sir, my final question would be any update on the Philippines plan? I'm not sure if it's asked again, because I joined late. But are buyers or are we operating it we will start soon?

Aditya Puri: We are getting ready to operate the plant. The plant construction is going. As we said, by the end of next quarter, we'll be ready to commission the plant.

Moderator: Our next question is from Rikesh Parikh of Rockstud Capital.

Rikesh Parikh: Largely, just relating with the Philippines project. Sir, I just wanted to understand now we are very close to operationalizing this project. So, I mean, how are the dynamics over there in terms of profitability or something if you can throw some highlight?

Aditya Puri: I think that question on profitability was answered just a few minutes ago.

Kishore Chatnani: I can repeat that in terms of Philippines has a 10% blending requirement as per government regulation. So, petrol needs to be blended with 10% of ethanol. The country's existing production is only about 5%. So there is now short demand for ethanol that we will be producing. The pricing of the ethanol is controlled, regulated and decided on every 15-day basis, updated every 15 days by the government they called National Bio-ethanol Board.

When they decide the price, they give weightage to the feedstock 50% and 50% sugarcane. And so effectively, the feedstock cost becomes a pass-through to the ethanol price. There is a 22 peso conversion margin, which is given in the rate for the ethanol. So by our estimates, the EBITDA per litre ethanol is about between 25% and 28%.

Rikesh Parikh: And lastly, any -- I mean, is the negotiation going on right now on this? Anything of the content?

Kishore Chatnani: So, we are preparing to run the plant.

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

Manish Goyal: Hope you can you hear me. So, I just wanted to clarify the order inflow number for quarter 4, which was mentioned earlier. And maybe if you can share FY '23 order inflow number, that is the first question.

Then on order pipeline, you'd probably get -- would like to get more perspective as to, which of the segments we see pipeline to be stronger for altering in the near term. Are we seeing any slowdown in oil and gas segment from the refined space and petrochemical projects? Or also, if you can highlight which are the areas, we see growth coming from.

I probably see that the manufacturing business has seen a very strong dispatches from the Hitachi Zosen because our subsidiary or the balancing figure in the segment has gone up to INR 395 crores. So, I believe there was some delay in the Hitachi. So if you can share the Hitachi numbers as well will be very helpful and outlook from the Hitachi, particularly on the margin region. Because if I look at full year numbers, it seems to be very low margins for the JV performance.

Also, if you can highlight Eagle press performance. Have we seen any turnaround over there? And one more question on the ethanol business, which we started last year, it seems to be looking at the full year numbers, the profitability looks quite low. So is it that probably in the first year of operation, we are seeing there? Or maybe if you can help us how do we see the profitability in the ethanol project going forward? And last question, how much investments from the ISGEC balance sheet will or exposure from the ISGEC balance sheet will be there in the Cavite Biofuel?

Kishore Chatnani: Thank you, Manish Ji. I'll try to remember all the questions. You asked a lot of questions, which is very nice. You're taking interest in our company. You continue to take interest. I know you've been taking interest in our company for a long, long time.

So, consolidated order booking for Q4 was INR 2,482 crores. And this compares to INR 1,442 crores in the same quarter last year. The consolidated order booking for the full year is INR 6,599 crores, nearly INR 6,600 crores. And then you asked about?

Manish Goyal: Order pipeline, sir, and particularly oil and gas, refineries and which are the growth areas. Please we probably look forward.

Aditya Puri: Yes. So your question, I think, what -- are we seeing a slowdown in orders from oil and gas, it's going according to plan, because we know roughly when the orders are going to be decided, and there is no major disruption.

I know one particular project within the country has got delayed, but that will also now coming up in the next 45 days or so. I mean, only the formalities are left. So we are not seeing any unusual movements with respect to oil and gas compared to what we had thought would be. And we are seeing orders from oil and gas, boilers because of steam requirements they are increasing. And also automobile is doing better than what it was doing before the investments have started happening over there. And as I said, specialty chemicals, cement. So, these are the sectors from where the pipeline projects will come.

Aditya Puri: One more would be your ethanol plants.

Manish Goyal: Yes. That is what I was trying to refer. Okay. And on the JV performance, sir, probably seeing that Hitachi seems to be, no doubt, has done a large dispatch. But maybe if you can share some numbers.

Kishore Chatnani: So, the revenue is about a little less than INR 600 crores, for ISGEC Hitachi Zosen. And the profit is, you're right, it's close to about 2%.

Manish Goyal: So how do we see this going forward? I believe there were some challenges in the recent past orders. But now with INR 500 crores order book, how do you see outlook for this?

Aditya Puri: We see it improving during this year. We see it improving during this financial year. And as we've seen, we hope to improve this year. I think that's all about -- that's about all that we can say right now.

Manish Goyal: You largely referred to profitability, sir?

Aditya Puri: Yes.

Manish Goyal: And sir, how has the Eagle Press subsidiary done, sir?

Aditya Puri: Sorry?

Manish Goyal: The Eagle Press subsidiary in Canada, how is it done, sir?

Aditya Puri: So, Eagle subsidiary, this year was not good. The year that went by was not good as we've been saying it earlier conference call, that the order booking was low because of the automotive sector not picking up in the U.S., which is a function of both the recession in the U.S. and the chip shortage. However, sales have improved, and there has been a very good order booking in the last few months, and we hope to see a turnaround in Eagle Press this year, this current year.

Manish Goyal: Perfect. Wonderful, sir. And last question, sir, on the ethanol project, what we started last year. The segmental shows that margins are a bit lower at PBIT margin at 3.5% and ROCE seems to be just 6%. So is it -- maybe if you can comment on that as well.

Aditya Puri: So, the ethanol project, so there are two things that have happened. One is that we had said in the last conference call or the call previous to that, there has been a shift in the feedstock in terms of C-molasses and B-heavy molasses. We have gone to B-heavy molasses, and we, with some marginal investment, I won't call the marginal, about INR 15 crores of investment has increased the capacity of the plant by about 50%.

The plant capacity has been increased recently. There are some permissions that are required, and we hope that we should be able to get this permission in the next fortnight or so. Once we get those permissions, the plant will run at a higher capacity and profitability would certainly improve.

The other thing is that the profitability of the ethanol plant cannot be taken in isolation of the sugar plant. Because when sugar prices rise, the feedstock which goes to the ethanol plant is valued at a much higher price. Because sugar price is higher so the amount of sugar that you are losing out has to be valued at a much higher price.

However, there are many other things, because of which the ethanol plant impacts the sugar plant in a positive way. Because there is less sugar produced, you get a higher realization of sugar, which is not quantified or captured anywhere. Or there is less molasses produced, so the molasses price is -- had this not happened, the molasses price would have been lower. But we are valuing it at the market price.

So, all these things impact. In times, the sugar prices are going to be lower or lower than what -- not today, but lower prices relatively. We will see the gain in ethanol to be much more. So I think we have to see it as a combined unit. And when you see it as a combined unit, the ethanol plant is certainly helped in the economics of the Saraswati Sugar Mills.

Manish Goyal: Actually, Mr. Chatnani, if you can answer the last thing on the exposure of ISGEC in the Cavite biofuel.

Kishore Chatnani: So, the exposure continues to be the same in terms of U.S. dollars. And because of the currency fluctuation, it is looking larger at some INR 304 crores. But we have provided INR 45 crores on that already over the last -- I mean, we have got carrying -- expected credit loss revenues of INR 45 crores on that.

Secondly, the loans that we have given to the Singapore company and through the Singapore company to the Cavite Biofuel Project continue at the same amount of INR 50 crores. That company is borrowing from a bank in Philippines, and we have guaranteed those loans. So as of now, it has drawn about INR 90 crores loans, and those new INR 90 crores loans are guaranteed by us. The balance loan it is still to borrow.

Manish Goyal: How much more, sir, roughly?

Kishore Chatnani: Another INR 90 crores to be borrowed.

Moderator: The next question is from Rabindra Nath Nayak of Sunidhi Securities.

Rabindra Nath Nayak: Sir, regarding the Philippines plant alone. So, what is the normal capex for FY '24? And what is going to be -- for different plant? And secondly, as already you have spoken that you are going to operate the plant. So what would be the capital structure of the plant after the completion? And what is the ROCE of the plant.

You have already given the EBITDA margin. So what would be the ROCE of this plant as compared to a ethanol plant that we are having in India, what is the comparison you can give there also on that front. So with the line item that is appearing in the segment reporting after the completion, will it vanish, or it will remain to some extent? And if it remains and whether it will be positive or going ahead, that I'm asking.

Kishore Chatnani: So I mean, capital expenditure is still in progress. As I mentioned, about INR 90 crores loan is yet to be borrowed. But we expect capital expenditure to be something like INR 110 crores, INR 115 crores total. More capital expenditures during FY '24 on the Philippines plant. On the ROCE, I don't have numbers readily. But I did mention the EBITDA, we haven't done the calculations on ROCE.

But we had seen that we by operating the plant, there is enough revenue and enough cash profits to be generated to pay the loans and to refund our investment there over a period of 5 or 6 years. Last point about the line item that is appearing. Obviously, in operating segments, you try to distinguish. We have not decided yet. I don't think we'll be combining. And I'm just giving you an impression now without having really completed our study on that, is that we will keep it separate from the ethanol in India, because ethanol in Philippines will have different economics.

Rabindra Nath Nayak: Okay. And for the plant is not -- you have not calculated the ROCE of the plant as compared to whatever plants we are operating. Whether it will be a better ROCE plant or it is a similar kind of ROCE you'll operate?

Kishore Chatnani: Sir, I haven't calculated so I can't answer that question. I can only say that we will be able to service our loans, and we'll be able to get ISGEC investment back.

Rabindra Nath Nayak: So, if at all you're going to operate the plant and also for what is the payback period you are looking at, at the current price of this plant?

Kishore Chatnani: I'm sorry, I didn't get your question. Can you say it again.

Rabindra Nath Nayak: Payback period, whatever equity investments that you have made and what are the payback period you are looking at from this plant?

Kishore Chatnani: I had said 5 to 6 years.

Moderator: Our next question is from Bajrang Bafna of Sunidhi Securities.

Bajrang Bafna: Sir, just sorry to ask these repetitive questions on the Philippines side. I think it's sort of -- you could say that every analyst is a little bit worried on this investment, which has not yet fructified in terms of profitability for the company.

So I was just asking, but my line got disconnected. So if you could just guide us what sort of revenue that you are looking at from this plant? And by when you expect to attain the full utilization? Are there offtake arrangements are there with the government or some private body there? So how it is going to function and what could be the potential revenue and when we are expected to achieve that?

Kishore Chatnani: We expect the plant to operate at full capacity for the full years from November onwards and also, the full capacity is 42 million litres of ethanol a year. Also, in terms of revenue, I think because the revenue is a function of the ethanol price, and the ethanol price is revised every 15 days. So, I can only give you today's price is Peso 83. Peso 83 is equal to about INR125 a litre. So about INR 600 crores plus is the revenue on an annual basis.

Bajrang Bafna: Got it. So it can generate maybe INR 150 crores kind of number even if we achieve 25% kind of margin considering today's price?

Kishore Chatnani: 25% margin, I don't know. I talked about EBITDA, yes. So, there is...

Bajrang Bafna: Yes, 25% EBITDA margin, that is what you talked about. So INR 600 crores top line at the today's price can generate close to INR150 crores kind of EBITDA, right, at full capacity. And that should be possible maybe in the second half of the year.

Kishore Chatnani: I know you are interested in those calculations, but we are still a little time away...

Bajrang Bafna: Just to get a sense because yes, it's sort of confusion in the minds of all of us. So we just wanted to get more clarity on that because the rest of the business is more or less well understood by all of us and there are a lot of good things that are happening there, barring this investment, which is sitting on our balance sheet.

So once it starts generating the cash flows, I think overall, cash flow situation and the ROE profile for the company will improve dramatically. So that is why you might be hearing multiple questions from our side. And thanks for this clarity and wish you all the best. Thank you, sir.

Moderator: And our last question is from Atul Vikas, an Individual Investor.

Atul Vikas: What is our recent corporate guarantee that we have a huge amount refer all of the subsidiaries? Because we're also talking about the reasonable fees sending some guarantee for the Philippines entity as well. So that's one.

Kishore Chatnani: You want to know what are the corporate guarantees we have given?

Atul Vikas: Yes. Firstly on this. And how much will be sending more for the Philippines will be in total?

Kishore Chatnani: Corporate guarantee we have given is equal to about INR 90 crores. For the INR 90 crores, it's not actually a corporate guarantee, it's a standard letter of credit from the bank. So total guarantees that we're willing to giving will -- after we give the new guarantee will be INR 180 crores.

Atul Vikas: Other subsidiaries, how much will be corporate guarantees?

Kishore Chatnani: The subsidiaries, we have given corporate guarantees for ISGEC Hitachi Zosen are INR 549 crores. For ISGEC Titan Metal fabricator is INR 79 crores. And for ISGEC Redecam, INR 20 crores.

Atul Vikas: Can you just repeat once for the ISGEC Hitachi?

Kishore Chatnani: ISGEC Hitachi is INR 549 crores.

Atul Vikas: INR 549 crores for the ISGEC Hitachi?

Kishore Chatnani: Yes, please.

Atul Vikas: Another INR 180 crores will be for?

Aditya Puri: INR180 crores will be for the Philippines plant. INR 79 crores is for the ISGEC Titan Metal Fabricators. And INR 20 crores is for the ISGEC Redecam Enviro solutions.

I just want to clarify that these are the total limits we have guaranteed. But when we say ISGEC Hitachi Zosen will be INR 547 crores, that doesn't mean that their exposure is INR547 crores. They may have used only about INR 300-something crores of limits out of that.

Atul Vikas: So we have approximately $28 million of book debt, right? So of this book debt, is there any deal which is more than 6 months, where from which company we haven't taken received any amount? Because the amount is…

Kishore Chatnani: Because there are some news, which are more than 6 months. But let me tell you, there are deals, which are in the nature of milestone payments, which become due after milestones are achieved, and there are some retention payments. There are certain dues, which are more than 6 months. But they're all booked.

Atul Vikas: Yes. Normally, we expect that all the dues will be coming back?

Kishore Chatnani: So we have a practice of doing provisions under the expected credit loss system, which is -- and we do give out our information to outside valuers, who advise us what expected credit loss after an assessment they would advise us what expected credit loss provisions we need to make. So while there are some amounts, which are due over 6 months, but we are also carrying certain provisions.

Atul Vikas: So, ISGEC Hitachi is having a INR 549 crores of corporate guarantee with them the limit will be obviously lesser than what we have told right now. But continuing the same, it is an important utilities for the ISGEC. And we -- somewhere we have told that there will be 10% of growth in -- on stand-alone basis, but on the consol basis, it will be close to 10%, not more than 10%. So for the ISGEC Hitachi pricing, what is the revenue growth you expect?

Kishore Chatnani: We are not able to answer specific questions about like that.

Moderator: Ladies and gentlemen, that ends our questions for today. And I'd like to hand the call back to Mr. Jain from ICICI Securities for some closing remarks.

Bharat Jain: I would like to thank the management for taking time out to this call -- attending this call. I would like to handover the call to Mr. Puri for his closing comments.

Aditya Puri: Thank you, everybody, for joining this conference call, and we hope to meet you again next quarter. Thank you.

Moderator: Ladies and gentlemen, that then concludes today's event, and you may now disconnect your lines.

(This document has been edited for readability purpose)

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