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Ho-425-S

Dated: 01.09.2020

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

Dear Sir/Madam,

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

**Sub: Transcript of the Earnings Conference call with analysts and investors relating to Financial
Performance of the Company for the quarter ended on June 30, 2020**

1. This is further to our letter bearing Ref no.Ho-425-S dated August 17, 2020, wherein we had given an intimation regarding Investor Conference Call organised by the Company on August 21, 2020 at 16:00 hours (IST) to discuss the financial performance of the Company for the quarter ended June 30, 2020.
2. In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of earning conference call held with analysts and investors.
3. The above information is also available on the website of the Company www.isgec.com.
4. The above is for your information and records, please.

Thanking you,

Yours faithfully,
For Isgect Heavy Engineering Limited

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

Encl: as above



**“ISGEC Heavy Engineering Limited Q1 FY ’21
Earnings Conference Call”**

August 21, 2020

**MANAGEMENT: MR. ADITYA PURI – MANAGING DIRECTOR, ISGEC
HEAVY ENGINEERING LIMITED**

**MR. SUDERSHAN KUMAR KHORANA – EXECUTIVE
DIRECTOR AND COMPANY SECRETARY, ISGEC
HEAVY ENGINEERING LIMITED**

**MR. KISHORE CHATNANI – CFO, ISGEC HEAVY
ENGINEERING LIMITED**

**MODERATOR: MR. RENJITH SIVARAM, AVP, ICICI SECURITIES
LIMITED**



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Moderator: Ladies and Gentlemen, Good Day and Welcome to the ISGEC Heavy Engineering Limited Q1 FY '21 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Renjith Sivaram from ICICI Securities. Thank you and over to you, Sir.

Renjith Sivaram: Thanks, Neerav and we Welcome you all to the Q1 FY '21 Results Earnings Conference Call of ISGEC Heavy Engineering Limited. Management is represented by Mr. Aditya Puri, Managing Director; Mr. Sudershan Kumar Khorana, Executive Director and Company Secretary; and Mr. Kishore Chatnani, CFO. We will initially have opening remarks from Mr. Puri post which we will take Q&A. I am handing over to Mr. Puri and you can start the opening remarks. Thank 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 your loved ones are well and safe. I look forward to a fruitful interaction. Many of you are familiar with our business. We are a diversified heavy engineering company engaged in manufacturing and project businesses. We manufacture process plant equipment, presses, iron and steel castings, and boiler pressure parts. We do turnkey projects of setting up boilers, power plants, sugar plants, distilleries, factories, industrial water treatment facility, and bulk material handling facilities. We have also developed strength in construction. We addressed the requirements of a wide spectrum of industries namely power, fertilizer, sugar, oil and gas, petrochemicals, automobile components, steel, cement, chemicals, railways, space, and ports. We are Number One or Number Two in almost all our product lines in the country. Our presence across multiple industries and geographies help us to spread any sectoral or geographical risk. Let me now talk about our consolidated financial results for Q1 FY '20-21.

We are happy that the revenue performance is satisfactory given that there was large scale disruption due to the nationwide lockdown, disruption in supply chain, and logistics and problems with migrant labor. The total consolidated revenue for Q1 of FY '20-21 is Rs. 1,075 crores including other income as compared to Rs. 1,204 crores for Q1 of 2020. The consolidated EBITDA for Q1 of FY '20-21 is at Rs. 96 crores and is higher compared to Rs. 81 crores of Q1 of FY 2020. The EBITDA margin in Q1 was driven by savings in cost including employee costs. The consolidated profit after tax of Q1 of 2021 is at Rs. 43 crores and this is higher than Rs. 28 crores of Q1 of FY 2020. As I informed during the Q4 FY '20 earnings call, efforts to sell CBPI, Philippines, and related companies have been continuing. However, discussions have slowed down since onset of the COVID-19 pandemic which is still continuing in the Philippines.

I would now talk about the order book. The consolidated order booking for Q1 is Rs. 500 crores, the orders in hand as on June 30, 2020, are Rs. 6,546 crores. The order book position continues to be satisfactory on a consolidated order book of Rs. 6,546 crores where 78% is for the project



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business and 22% is for the product business. The order book includes Rs. 1,284 crores worth of export orders, which is about 20% of the total order book. Orders worth over Rs. 400 crores have also been booked in July 2020.

Now, I will talk about the impact of COVID-19 on our business and the mitigating measures taken by us. The pandemic and the consequent fall in economic activities both in India and overseas continues to have some impact on the businesses of the company. A small part of our orders from customers have been put on hold or suspended, some of the customers have deferred the inspection or dispatch instructions for delivery of ready equipment. These are however surprisingly not very large and at this point of time it is less than 2% of our order book. This is a good aspect of capital goods business as most of our customers have long-term investment timeframes and the interruption of three months does not change their investment plan and also most customers have separate funding arrangements for capital equipment and do not have to use their operational cash flows. Another reason for this could be once a reasonable amount of money has been invested in a project cancelling or putting the project on hold maybe even more loss-making for the person who has invested. We would however have to monitor the situation very closely in the next few months.

As communicated during the last earnings call, we have written to all our customers invoking force majeure, no major impact is expected with customers because of the delay in execution of the projects or orders cost due to the lockdown. Enquiry position for most business divisions is good, the order finalization is slow. Because there is a push by the Government, large number of orders from PSU's from sectors such as Railways, coal, power, water, process industry, fertilizer, material handling, and civil infrastructure are expected to be finalized. In addition, orders for air pollution control equipment including FGD which are mandated for some trials with environment norms are also expected to be finalized. All our factories are working in full capacity and there are no labor issues in the factories. Offices have been working with 50% workforce and employees have been following alternate week or alternate day rosters. The rest of the office employees work from home on the days they are not working from office. All the project sites are running, and manpower is 95% of the required manpower at most sites. Currently because of some skill mismatch between the available manpower at site, the productivity is not optimal, but the situation is improving every day. We have implemented complete sanitization of all our facilities, strict temperature checks, distancing in workstations and seating, distancing in transport, and other precautionary measures have been implemented at all our facilities and sites.

Supply chain has largely recovered. All our large vendors are now working at 100% capacity and other small vendors are working between 50% and 100% capacity. Transport, logistics, and ports are working normal. The company is judiciously managing the cost and has made various cost saving efforts. The company has implemented a cut in compensation for FY '21, which will



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reduce the employee cost by around 15%. The Managing Director and Whole-Time Director have taken a 75% remuneration cut.

New Government reforms and initiatives like *Atmanirbhar Bharat Abhiyan* and Make for the World to support the Indian economy will increase the industrial investments over a period of time. Due to COVID-19, the economic activities in the country and abroad have been disrupted. It will take some time for these to pick up at full pace, but we are optimistic about our positioning in the market and with our presence in multiple segments and geographies, strong balance sheet, state of the art infra and manufacturing capabilities, technology partnerships and right quality of people, we will continue to focus on increasing our shareholder wealth, strengthen financial metrics, and serve the community and people at large. Thank you.

S K. Khorana: Renjith, I may add further to Mr. Puri's opening remarks, we have uploaded our presentation yesterday for the quarter also on the BSE as well as our website, just for the information of the people who may be asking questions, that our results presentation about most of these things are also there.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

Nitin Gandhi: I just wish to know about the order book because of the COVID, do you see any overall execution delay based on your interaction, what is the approximate execution time for the existing order book and what is the outlook on FY '21 overall execution vis-à-vis FY '20 and is there any impact on the margin for near-term, and how are the cost reduction measures which you have initiated in Quarter-1?

Aditya Puri: The orders are going to be delayed between three to six months depending upon in which State the contract is being executed and there is going to be delay, we are trying to mitigate the delay as far as possible, but the customers have been informed and they are by and large okay with it.

Nitin Gandhi: So overall execution still remains two-and-a-half to three years or is it like it will be more than that?

Aditya Puri: For some of our products, the cycle time is very short, our products business is probably going to be impacted only about two months and our projects business is where I am talking about that there could be delays between three to six months and some of our project cycles are very small, some of them are just 12 months or 11 months or 10 months.

Nitin Gandhi: Product is generally between 12 to 18 months, right?

Aditya Puri: Product is generally between 6 to 16 months.



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- Nitin Gandhi:** Projects?
- Aditya Puri:** Projects could be from a year to three years.
- Nitin Gandhi:** Where do you see FY '21 H2 execution as compared to last year?
- Aditya Puri:** We hope unless the COVID takes a nasty turn, we should be comparable or slightly better than last year, but it will be by and large like last year, we cannot give you a very exact indication right now, it is too early to say anything but it should be like last year.
- Nitin Gandhi:** I understand that, but at least you are hopeful of achieving FY '20 H2 comfortably?
- Aditya Puri:** Not comfortably, but yes H2 we hope to achieve.
- Nitin Gandhi:** What about cost reduction measures which you have initiated, good margin and EBITDA likely to sustain, there any permanent nature or these are just temporary?
- Aditya Puri:** Some of them are permanent nature.
- Nitin Gandhi:** Can we have some quantified?
- Aditya Puri:** We cannot quantify it as yet, it will have to play out, but we have taken a number of steps to improve efficiencies and I think over a period of time they will play out and a lot of them are permanent.
- S K. Khorana:** Sir, we have already indicated that there will be 15% savings as a result of the employees cost and in addition to that travelling and other measure I think it will result in may be another 5% saving.
- Kishore Chatnani:** Some of the measures particularly because of different way of working with more use of IT, more collaborative working, some of these are going to give us increase in productivity for a set of people. They are going to give substantial reduction in costs for travel. They are going to save cost for example for inspection of goods being prepared at suppliers end and I think part of these measures are going to be permanent. A lot of the IT initiatives that we have taken including using more software, not only for design and collaborative working, but even for monitoring productivity of let us say the design staff. I think some of these things are going to give results, which will play out which will build up and it is going to be of a permanent nature.
- Nitin Gandhi:** Thank you very much, the last question, where do we see good opportunities from, big triggers are there in terms of Government initiatives, any specific FGD related likely bidding which you are going to give us calibrating?



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- Aditya Puri:** Government investments are happening and we will be participating in the FGD market and we hope to get some order booking from there and there are other long-term investments that the Government is doing in the infrastructure field and we will be participating in those.
- Nitin Gandhi:** Will it be opportunity of between say Rs. 4000 to 8000 crores addressable for us?
- Aditya Puri:** I cannot give you a precise answer to that question, but the government investment is going to be much higher for these things. The addressable opportunities are much more than 4000 crores.
- Moderator:** Thank you very much. The next question is from the line of Kirthi Jain from Sundaram Mutual Fund. Please go ahead.
- Kirthi Jain:** Sir, congratulations on good performance during the quarter, it has been one of the best performance in last two-and-a-half years very commendable job in challenging time, congratulations for that.
- Aditya Puri:** Thank you.
- Kirthi Jain:** My first question is on standalone order book both on the projects and the product can you give some breakup, Sir?
- Kishore Chatnani:** Standalone order book as of June 30th is Rs. 5,900 crores, a little more than that so in round figure it is Rs. 5,900 crores. The domestic is Rs. 4,850 crores, the international is Rs. 1,050 crores, and the project order book is Rs. 5,000 crores, the EPC order book, and the manufacturing of machinery and equipment is Rs. 1,000 crores.
- Kirthi Jain:** Sir, secondly given any initial enquires are we getting on the new manufacturing businesses in terms of new product manufacturing, any global client are they talking to us to be their partners with us, anything in terms of the manufacturing business?
- Aditya Puri:** No, we are not talking to anybody right now to set up a manufacturing facility for them, but yes there are some people from overseas who wants goods from us and we have got some orders from them.
- Kirthi Jain:** Sir, in terms of the profitability of the orders in the backlog, is it right to presume that the margins which we have done in the Q1, can we be able to repeat such a margin or operating profitability performance in the rest of the year?
- Aditya Puri:** It seems that we might be able to do that, yes.
- Kirthi Jain:** Okay, Sir the legal cost and everything that is behind us, right?



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- Aditya Puri:** That is behind us.
- Kirthi Jain:** Okay, Sir with regard to the Philippines project, any preliminary enquiries are we getting from our local partners there or anybody there,?
- Aditya Puri:** We are getting enquiries, but Philippines has had COVID before India has had and it still has COVID and Singapore which is a major financial hub is also right now closed in terms of movement, so we are just waiting for the COVID situation to improve and then we will carry on with our leads there.
- Kirthi Jain:** Sir, last question from my side, Government has given a five-year ethanol project contracts, so in that regard we being the largest sugar product manufacturing company, how do you see the benefit for us?
- Aditya Puri:** So there have been reports in the press reports, I am just quoting press reports, I have no knowledge that the Government is thinking of increasing the ethanol price and we ourselves are sugar factory is setting up an ethanol plant which should be commissioned sometime little before the middle of next year, so in the long-term I think because of ethanol, the Government stressed on ethanol, the company should benefit, also we do supply distilleries and we also supply boilers which burn the affluent of the distilleries, so all this is very positive for us.
- Kirthi Jain:** Sir, just one continuing question, domestic sugar project business, what was the size in FY '20 roughly?
- Aditya Puri:** It is very small, I do not have the numbers with me, but it was small.
- Moderator:** Thank you very much. The next question is from the line of Rita from Invesco. Please go ahead.
- Rita:** Sir, congratulations for a good set of numbers, few questions, one what is the gross debt as on Q1 '21 end, I remember as on FY '20 this was around Rs. 340 odd crores, what is that as on date?
- Kishore Chatnani:** Gross debt as on date is Rs. 319 crores, but we also have some investments in mutual funds and some cash which has come in the recent times, so net debt is only Rs. 121 crores and we have not prepaid those loans because many of those loans are packing credit loans and the effective interest rate is less than 3.5%, so it still gives us a small arbitrage.
- Rita:** Sir, next question, one what is the order inflow pipeline which we are looking at both across the manufacturing and the EPC side and I know it is difficult to give any guidance but in your estimate considering the FGD orders are also on the block, what is the target order inflow which you are looking at for FY '21?



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Aditya Puri: In this year of COVID we are not going by target, we are trying to see that we have a healthy order book and that we are able to execute as efficiently as we can, so I would not like to say that, we have not set ourselves a target because things are very uncertain, but we think that the order booking will be reasonably good and we will not be short of orders.

Rita: Coming next to the execution side, execution how much is the labor availability on the EPC project side basically on your project side?

Aditya Puri: I had said in my opening remarks that it is about 95%, not as productive as it was before COVID because the exact skill set is not available, but things are improving day by day.

Rita: How much is the execution pending from the NTPC FGD orders?

Aditya Puri: A few hundred crores, maybe about Rs. 600 to Rs. 700 crores.

Rita: Do we expect any provision to be taken in this EPC project considering there are delays as you also mentioned earlier, will there be any cost provisions on account of that?

Aditya Puri: No, I think the Government also expect by and large they would be giving extension of up to six months and so I do not think they are going to get very extraordinary delays, of course this COVID thing, we have to see how this plays out. The project are delayed, there is no doubt about it because of COVID even today we are not yet at full productivity, but I think that the Government understands that position because we cannot get labor into the site because of their restrictions, so there are lot of issues from that side also, so we will have to wait and watch, but as of now we do not think that we need to keep any provisions.

Rita: In extension, what is our conviction for going forward in terms of this 4.5%-4.6% EPC margin incrementally?

Aditya Puri: We are trying to improve them, and we think they have started going up and they will go up.

Rita: Sir, I believe earlier when you had a chat there are some provisions which we had already taken for the NTPC project, do we expect any diversion to that?

Aditya Puri: No, I do not think we have kept any provisions for NTPC projects, I do not know from where you got that information.

Rita: Secondly, could you help us with what is the fixed cost quarterly run rate?

Kishore Chatnani: If you look at the published results, you can probably make it out the fixed cost is largely the salary cost, so if you look at last year, the employee benefit expenses were Rs. 313 crores for the year, so if you want to look at monthly for that is about Rs. 26 crores or so. In addition to



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that there are certain cost, such as strictly you are talking only about fixed cost, I guess you are trying to work out that if there was a lockdown for another month what would be the hit to us, so you could have things like facility maintenance, security, insurance, electricity bills, telephone bills and so on and if you were to work all of that out it will reach above Rs. 30 crores per month.

Rita: Got it, and one last question from my side how much is the net working capital days sequentially? Or maybe could you just spell out the debtor absolute amount that would also be good?

Kishore Chatnani: Total trade receivables as of June 30th are Rs. 1,840 crores that includes retention and includes everything.

Rita: That means there is a reduction in amount from FY '20 till date?

Kishore Chatnani: There is a reduction, that is right.

Moderator: Thank you very much. The next question is from the line of Ritika Gupta from Aequitas Investments. Please go ahead.

Ritika Gupta: Sir, Good Afternoon, congratulations on a good set of numbers, could you give us the industry wise breakup for the order book?

Aditya Puri: A lot of it is power related order book. Power is 37%, sugar is 14%, Railways is 13%, and the rest is like steel, engineering, refineries, chemicals and others.

Ritika Gupta: Regarding the Philippines asset, do we have any plans of running it on our own?

Aditya Puri: Not as yet, we are hopeful that we will get a buyer but we are not totally closed to that option also, but we are hopeful that we will get a buyer.

Ritika Gupta: Regarding our subsidiaries like Hitachi Zosen, the Titan Foster Wheeler, and Eagle Press, could you give us like some outlook?

Aditya Puri: Isgec Hitachi Zosen is quite well booked for next year, of course for this year and early part of next year and so is Titan. The subsidiaries are also well booked and as Kishore and I had given the figure in our opening speech the consolidated order book as of June 30th is about Rs. 6,600 crores.

Ritika Gupta: What do we see in Eagle Press?

Aditya Puri: Eagle Press also went through an intermittent lockdown which was there in Canada in March and April. We are the owners of Eagle Press and we already have three of our people posted



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over there from ISGEC and we think that in the next two years, it will give us very handsome returns.

Moderator: Thank you very much. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.

Jonas Bhutta: Good Evening Sir and congratulations on a great set of numbers in the current time, my question was one of the prior participants sort of you spelt out the revenue execution that has already happened on the NTPC FGD project which suggests that you are almost half way through the execution and we were made to buy companies who were competitors to you in these space and these were very high working capital with a high retention ratio attached to this, so is it that out of Rs. 1800 odd crores kind of receivable number that you mentioned, Rs. 200 to Rs. 250 crores is purely just based on from this particular project?

Aditya Puri: We will not be able to give the exact number, but these are high retention projects.

Jonas Bhutta: The execution impact for this particular project working up in your working capital?

Aditya Puri: Yeah, it is having an impact on the working capital and we have factored that in.

Jonas Bhutta: When you are looking at future opportunities within this space and we understand that NTPC is sort of opening up Lot 6 which is the most subcritical power project, would you be participating in these actively as you did in the first two lots?

Aditya Puri: We will be participating in Lot 6.

Jonas Bhutta: How are the working capital norms in those?

Aditya Puri: They are more relaxed, they are better.

Jonas Bhutta: Given that this particular project had some bit of first project that was one at when the Rupee-Dollar rate was at least 7% to 8% lower than where it is today, given the price variation that we have seen on the INR versus USD and given that we had some bit of imports within the FGD space, how does that leave you on the profitability of this particular project, Sir?

Aditya Puri: It is our company policy that whenever we contract an import and order is accepted by the supplier, we take a forward cover, so we are not going to be impacted by this INR-Dollar variation, we had hedged it earlier so we know what we were looking at.

Jonas Bhutta: Sure, that is helpful, sir my second question was more with the recent Government announcement, limiting particularly Chinese competition within the electrical equipment ecosystem which sort of also includes capital goods, so if you can highlight segments within



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your business that were exposed to high Chinese competition if any and whether you expect some bit of pickup in orders at least through import substitution this would be the segments if at all?

Aditya Puri: This FGD the Chinese have put in bids in all the FGD contracts, and a lot of Government PSU sector contracts also used to bid, but now obviously with the political situation being what it is, we think that the competition from Chinese will reduce, although I would say that it is not not see a huge opportunity over here, but there are people who are coming to us who were earlier buying from China to say that could you do this work for us.

Jonas Bhutta: So does that really change if you had a particular not that you are disclosing those numbers in the current environment, but does that really change your FY '21 and '22 order inflow prospect list, is it that near-term or it is still at a very qualitative space where you cannot quantify it?

Aditya Puri: We cannot quantify, see it is also people who are buying from China even overseas companies that are buying from China may want to buy from India, but at this point in time they cannot visit India, they cannot meet or visit them, you can have meetings over Microsoft teams, Google all these things, but actually seeing the facility is not happening, so as a result of which this COVID is constraining some long-term growth plans, so I think once the COVID gets under control, the scenario will become much more clear.

Jonas Bhutta: Sir, that is helpful and my last question was on the waste to energy processes, the opportunity in that particular segment, so if you can elaborate briefly on what are the opportunities there?

Aditya Puri: There is the interest in that and we have with our inner consortium with Hitachi Zosen, we have booked one order for it and we may book some more in the future.

Jonas Bhutta: Okay, but has the business dynamics in that business changed in the last six months or is there a special expectance that is coming in or it is business as usual?

Aditya Puri: I think there are more projects coming in, people are very enthusiastic about it all the time, but I think the more projects which are actually fructifying now in this particular field.

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

Mohit Kumar: Good Afternoon Sir and congratulations on a good set of numbers, my first question is on the FGD side, have you seen any prospect which you see or likely to get finalized in the next four to six months?

Aditya Puri: Definitely, there are prospects.



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- Mohit Kumar:** What kind of an order we are talking about, I think most of the NTPC order has been done except for Lot 6?
- Aditya Puri:** No, there would be state electricity boards also who will be going in for a private sector. Our company would also go in for it, so it is a Government-mandated investment, so it will happen and there would be a market for it, there is time the market has not dried up by any means.
- Mohit Kumar:** Sir, I am trying to figure out are the new bids which have opened in the past few months which you think will likely get finalized in the next three to four months?
- Aditya Puri:** Yeah, there are bids that are likely to be finalized in the next three or four months.
- Mohit Kumar:** If you have to quantify in Megawatts terms what would that?
- Aditya Puri:** I would not be able to say, but it is a reasonable number.
- Mohit Kumar:** Sir, on the FGD side especially of supercritical power plants do we need to bring some different partnership to bid in those FGD equipment?
- Aditya Puri:** No, our partnership with the Babcock Power is fine, there is no issue in that it is supercritical.
- Mohit Kumar:** Sir, do you import a lot of stocks from China overall?
- Aditya Puri:** No, not too much at all, for the Lot 1 and Lot 2 FGDs there was some requirements in the tender which had to come from China which were much cheaper there, there was also some materials which could only come from China, but most of it has come and we do not foresee any issues over there.
- Mohit Kumar:** Sir, given the Government is trying to promote *Atmanirbhar* scheme, so any manufacturing opportunities for us which we can look in the next six to 12 months?
- Aditya Puri:** I am sure there would be opportunities and we are also scouting around, but I think this COVID situation has to get over for any meaningful talks to happen with foreign companies, there could be opportunities for foreign companies to tie up with Indian companies and we are sure that there would be, we are just waiting for the situation to improve a little bit.
- Mohit Kumar:** Anything which is exciting given the Government's list of equipments which you believe you can target?
- Aditya Puri:** It could be across a lot of things that we are doing, but I cannot give you any specific details right now.



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Moderator: Thank you very much. The next question is from the line of Amit Thawani from Zenith Capital. Please go ahead.

Amit Thawani: Sir, thank you for taking my call, first I would like to start off on the EPC front, can you tell me what your hurdle rate is for any EPC project?

Aditya Puri: We would like to look for bigger margins, but normally we have been taking it at about 4% to 5% profit before tax.

Amit Thawani: In the past, I am just trying to understand whether we have been successful in attaining that so when we enter a project thinking that this is going to give us like a 4% to 5% margin, historically have we been able to attain that?

Aditya Puri: In most projects, yes.

Amit Thawani: Secondly, do we only enter EPC projects where we can supply some kind of machinery equipment or that is not really a consideration?

Aditya Puri: That is not an overriding condition.

Amit Thawani: Just trying to understand the vetting process when it comes to the credit worthiness of taking these projects, how do we protect ourselves from dealing with some promoters that may not be able to fund or even some bankrupt discoms, so what kind of vetting process do we have?

Aditya Puri: The large projects that we take, we do sort of an internal appraisal of the credit worthiness of our customers and that is why we have actually cautiously moved a lot of our EPC projects away from the private sector to creditworthy Government entities, that is a conscious decision that we have taken. The Government contracts do have, the payment terms that are not very favorable, there is an extended period of credit that you have to give, but at the same time your money you know you will get it may be with a little delay, but you will get it but the private sector unfortunately is a little more shaky in that regard, and therefore, we are careful about from whom we are taking in the private sector.

Amit Thawani: Sir, in Hitachi Zosen in the JV we used to about I think consistently between 300 to 400 crores a year in revenue, I believe in 2019 that dipped, and I am just trying to understand what will be the drivers of our product business, was it because of the drop in oil prices if you were to give two to three broad variables to understand how the product business will fare over the next, in the future what will be the good drivers of this business?

Aditya Puri: As far as Hitachi Zosen is concerned, first of all the drop in turnover is because of the lockdown which was imposed in the last week of March, there were some very heavy consignments which were to move out and which could not move out. As far as Hitachi Zosen is concerned, it has



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got a very good order book at this point in time. The second quarter will also be little low for it because a lot of material which was to be manufactured was stuck at the Bombay Port when COVID was at its peak in Mumbai, but it has got a good order book and the year will be good for Isgec Hitachi Zosen. So, Hitachi Zosen basically caters to the requirements of refineries, petrochemicals, fertilizers, sometimes power sector, so it is what drives these sectors which drives demand for Hitachi Zosen, but it is priced goods all over the world, the potential is there all over the world.

Amit Thawani: Okay, and as far as for our standalone the product business goes, what would be the drivers there?

Aditya Puri: There are different, we do pressure vessels over there for which it is oil and gas, fertilizer, chemicals. Then we do hydraulic and mechanical presses for the automobile sector, which is low at this point in time, but those facilities can be used for other products, so there it is oil and gas, petrochemicals, automobile. We also manufacture boiler pressure parts and the foundry supply to a great many industries, they supply to soda ash, to paper, to metals, to, many industries.

Amit Thawani: I am just thinking that CAPEX by our oil PSU that would be a big?

Aditya Puri: You are right.

Amit Thawani: Sir, just one last question on the distillery front, you mentioned in the last conference call that you are starting a distillery, were you alluding to ethanol plant or are you getting into portable alcohol?

Aditya Puri: Ethanol plant and work has started on that.

Moderator: Thank you very much. The next question is from the line of Kiran Naik from Mody Fincap. Please go ahead.

Kiran Naik: Thank you for giving me an opportunity, my question is how much is the cash conversion days to get the money from debtors and creditors?

Kishore Chatnani: I have not thought about it in that fashion, I do not really understand cash conversion days the way you are asking it, so I guess we will have to answer it next time.

Moderator: Thank you very much. The next question is from the line of Monica Arora from Sharegiant Wealth Advisors. Please go ahead.

Monica Arora: Good Evening Sir, thank you for giving me the opportunity and congratulations on a good set of numbers, I wanted to understand that in the current order book, which industry contributes the most?



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Aditya Puri: We told you these figures earlier, maximum contribution is from the power industry. It is also because FGDs are from that industry.

Monica Arora: Sir, which is the most worst affected industry in this pandemic and how you see that, how the revenue loss which is basically from these industries which are worst hit will be recovered by the company in near term?

Aditya Puri: I think two industries are badly hurt, I think the one industry that is hurting us the most is the downturn in the automobile sector and the revenue loss from there could be about 150 crores or so because of the pandemic and the consequent fall in demand.

Monica Arora: Sir, especially due to this pandemic how is the payment situation from the customer, is there any kind of delays you are expecting or has been in the last few months?

Aditya Puri: Some customers are delaying little bit, but overall our cash position has improved since before the lockdown.

Monica Arora: Any CAPEX plan Sir in the current year or in the next two to three years?

Aditya Puri: I cannot tell you about the next two to three years, but currently there may be some balancing CAPEX that may happen, but not big numbers.

Monica Arora: Sir, recently what we have seen is that you have received a large amount of orders from civil works, do you think it can be a risky strategy considering the low margin and high-risk in this segment?

Aditya Puri: So we have been doing civil works in all our EPC contracts for a long time and many of these civil works or a BOQ basis whereby if there is any variation in the quantities that is either cement or steel, the customer pays for it, so to that extent we have mitigated our risks.

S K. Khorana: There is an escalation clause in some of this.

Monica Arora: Okay, if there is a rise in the cost of raw material prices and all.

Aditya Puri: Right.

Moderator: Thank you very much. Ladies and Gentlemen, that was the last question for today. I would now hand the conference to Mr. Renjith for closing comments.

Renjith Sivaram: I thank the Management for taking time out to answer the questions of investors and I thank all the participants for their insightful question. If you have any closing remarks Mr. Puri to make.



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Aditya Puri: Thank you everybody for attending the conference and stay safe, stay well, and we will talk to you again in the near future.

S K. Khorana: Thank you, Renjith, for organizing the conference.

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

Contact Details

ISGEC HEAVY ENGINEERING LIMITED, INDIA

Registered Address: Radaur Road, Yamunanagar – 135001, Haryana, India

CIN No. L23423HR1933PLC000097

Email: skkhorana@isgec.com

Website: <http://www.isgec.com/>.