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HO-425-S

Date: 21.02.2022

To,
Bombay Stock Exchange Ltd.
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 Scrip Code: ISGEC EQ

Dear Sir(s)/Madam(s),

**Furnishing of Information as per**
**SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**Sub: Transcript of the Conference Call held for Analysts and Investors pertaining to financial performance of the quarter ended December 31, 2021**

1. Please find enclosed the Transcript of the Investor Conference Call organised by the Company on Tuesday, February 15, 2022 at 14:00 hours (IST) with regard to discuss the financial performance of the quarter ended December 31, 2021.

2. This letter is being sent in compliance with the provisions of the Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other SEBI Regulations as applicable.

3. This information is also available on the website of the Company.

4. The above is for your information and records, please.

Thanking you

Yours faithfully,
For Isgec Heavy Engineering Limited

SUDERSHAN KUMAR KHORANA
Digitally signed by SUDERSHAN KUMAR KHORANA
Date: 2022.02.21 18:50:23 +05'30'

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

Encl: As above

# "ISGEC Heavy Engineering Limited Q3 FY'22 Earnings Conference Call"

**February 15, 2022**

**ANALYST: MR. VIRAL K. SHAH FROM YES SECURITIES**

**MANAGEMENT: MR. ADITYA PURI, MANAGING DIRECTOR - ISGEC HEAVY ENGINEERING LIMITED**
**MR. S. K. KHORANA, EXECUTIVE DIRECTOR AND COMPANY SECRETARY - ISGEC HEAVY ENGINEERING LIMITED**
**MR. KISHORE CHATNANI, FULL TIME DIRECTOR AND CFO - ISGEC HEAVY ENGINEERING LIMITED**
**MR. MR. SANJAY GULATI, FULL TIME DIRECTOR AND HEAD OF MANUFACTURING UNIT - ISGEC HEAVY ENGINEERING LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to ISGEC Heavy Engineering Q3 FY22 Earnings Conference Call hosted by YES 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 '*' then '0' on your touch tone phone. Please know that this conference is being recorded. I would now like to hand the conference over to Mr. Viral Shah from YES Securities. Thank you, and over to you, sir.

**Viral K. Shah:** And on behalf of YES Securities, I would like to welcome all for 3Q FY22 earnings conference call of ISGEC. The Management is being represented by Mr. Aditya Puri, Managing Director; Mr. S. K. Khorana, Executive Director and Company Secretary; Mr. Kishore Chatnani, Full Time Director and CFO; Mr. Sanjay Gulati, Full Time Director and Head of Manufacturing Unit. We will start the call with opening remarks on the results and recent outlook by Mr. Aditya Puri. Post that we'll have a Q&A session. I would like to hand over to Mr. Puri for his opening comments. 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 all well and safe. We've uploaded our presentation on the BSE, NSE and on our website www.isgec.com. earlier today. We look forward to a fruitful interaction. For the benefit of the new investors and analysts joining for the first time I will give a brief introduction about our business.

As you know, we are a diversified heavy engineering company engaged in manufacturing and project businesses. We manufacture process plant equipment, presses and iron &steel casting. We execute turnkey projects for setting up boilers, power plants, air pollution control equipment, sugar plants, distilleries, factories, and bulk material handling facilities. We've also developed strength in construction. We address the requirements of a wide spectrum of industries namely power, fertilizer, sugar and distilleries, oil and gas, automobile components, steel, cement, chemicals, railways, and defense. Our presence across multiple industries and geographies helps us to spread any sectoral or geographical risk. There is a lot more information about our business on our website and the investor presentation we have uploaded on the stock exchanges today.

Let me talk about our consolidated financial results to the third quarter of the financial year. The total consolidated revenue for Q3 of FY22 is INR 1,403 crore which is about 1.4% lower compared to INR 1,423 crore for Q3 of FY21. The total consolidated revenue for nine months of FY22 is INR 3,915 crore which is 1.7% higher as compared to INR 3,850 crore for nine months of FY21. The consolidated EBITDA for Q3 of FY22 at INR 114 crore is however lower compared to INR 132 crore for Q3 of FY21. The consolidated EBITDA for nine months of FY22 at INR 217 crore is also lower compared to the INR 375 crore for nine months of FY21. And consolidated profit after tax for Q3 of FY22 is INR 52 crore as compared to INR 65 crore for Q3 of FY21. The Consolidated profit after tax for nine months of FY22 is INR 76 crore as compared to INR 185 crore for nine months of FY21.

The profitability has been sharply lower in the EPC segment and the sugar segment. The EPC segment has been adversely affected by the impact of commodity price increases, particularly on steel, copper, aluminum, and nickel. Time and costs overrun in EPC projects due to impact of COVID related disruptions coupled with shortage of skilled manpower, sharp increase in freight costs both for purchase of materials and supply of goods to customers and normal employee cost and increments, as you know last year, we had salary cuts.

The sugar segment profits were lower because of lower quantity of sugar syrup, as there was little export this year. The profits will come in as and when the sugar is sold. Regarding sugar exports, as you know last year, we exported a good quantity of sugar under the government's export subsidy scheme. This year, there is no government export subsidy scheme and we being located very far from the ports, find it uneconomical to export sugar in comparison to sugar factories located in coastal areas and near to the ports. All the above factors contributed to a lower profitability.

The lower profitability on the EPC segment will continue for some more time as the fixed price long duration orders presently under execution were booked before the increase in commodity prices. For the newer orders, we have taken into account higher contingency and margins on costs.

I will now talk about order booking. The consolidated order booking for Q3 of FY22 is INR 893 crore compared to INR 1,468 crore of orders booked in Q3 of last year. The Consolidated order booking for nine months of FY22 is INR 4,166 crore compared to INR 3390 crore for nine months of last year. The orders in hand on 31st December 2021 are INR 7,224 crore compared to INR 6,863 crore on 31st December 2020.

The order booking position is satisfactory. Of our consolidated order book, 77% is for the project business and 23% for the product business. The order includes INR 944 crore for export orders which is just over 13%. The order book for Hitachi Zosen is also good. It has INR 616 crore of orders as of 31st December 2021.

The overall demand trend is encouraging as the inquiry position is very good. As we are well booked, we are being choosy in booking new orders and focusing on orders which offer reasonable margins. You will be glad to know that the new ethanol plant at Saraswati Sugar Mills has commenced commercial production in December 2021, it is running very well. Regarding Cavite Biofuels ethanol plant in the Philippines, we are preparing for starting construction but we are also evaluating some offers for the possible sale. they are still at an initial stage.

We have given emphasis on vaccination and also organized some camps for vaccination at our offices and factories. 99.9% of the eligible manpower, our employees and contractors workers have received the second dose.

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

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-answer session. The first question is from the line of Renjith from Mahindra Manulife. Please go ahead.

**Renjith Sivaram:** Yes, Hi, Sir.Congrats on good set of numbers. Sir, if I look at our quarter performance, glad to see that the EPC divisions margins have improved, but then when do we see, this going to the normalized level and is this in addition to this fixed price contract? Is there an impact of FGD of NTPC in this ,which is leading to this lower margin?

**Aditya Puri:** So, these low margins will continue for one or two more quarters. And this is basically because of the fixed price contracts and the unprecedented hike in commodity prices. But there are some other reasons also as I have explained. The order booking from exports is lower. Export orders normally give a much better margin. Because of COVID and other related issues, people have not been able to move, we have not been able to get export orders. So we changed our strategy when export orders were not coming, which are at a higher margin, we booked orders from the PSU sector. PSU sectors, the payment terms are adverse. So interest costs go up. They are long contracts. Although they do have price escalation clauses, the price escalation clauses, there’s not a 100% pass through. Some part of the escalation is not covered.

So, these are some of the reasons which led to a lower margin. But now, as we progress into successive quarters, the proportion of the older orders, which have been taken at lower prices, they will keep reducing, and the newer orders that we have taken at better margins, their billing and revenues will kick in. So things should start improving.

And as far as the FGD is concerned, not particularly. I would say yes, FGD has also contributed but not disproportionately.

**Renjith Sivaram:** Okay. And sir, we hear a lot of this policy related angle, which is actually supporting the ethanol plant, a lot of players are putting this ethanol plant and that opportunity is huge. Some of your competitors have booked huge orders in that. So, are we also looking at that segment? In terms of capabilities, do we have the capabilities to participate in this ethanol related opportunity? Because currently, as per the new policy, you can convert the cane juice into ethanol and a lot of players are putting up capex in that front. So, are we also there as a player in this segment to where we can also get some fair share of the market? Because I don't see that in your orders booked.

**Aditya Puri:** Yes, we are very much there and we should be getting some orders before the close of this year for distilleries. We are executing some at this point in time, at least one large one, we are executing. And we should get a couple more before the close of this financial year. Let me say, we are close to getting some before the close of this financial year.

**Renjith Sivaram:** Okay, because as per the initial analysis, if every sugar company goes for this one G conversion, then probably there will be INR 12,000 crore to INR 13,000 crore of market out there. So, what can be our likely share, you believe in this ethanol opportunity?

**Aditya Puri:** As far as boilers are concerned, boilers for ethanol plants, we've been there for a long time, and we have a lot of orders for them. Ethanol plant per se, we got into later in time, and we've executed a few distilleries and we are hopeful of getting more orders. We've executed some, we are in the process of execution and we hope to get more orders. Now, I can't tell you whether the market will be INR 12,000 crore or INR 13,000 crore, but we hope that whatever market fructifies, we will strive to get to 20% market share of that.

**Renjith Sivaram:** Okay. And are we participating in any future FGD orders or we don't want to get more orders in FGD. So what's your thought process in this FGD front?

**Aditya Puri:** So if opportunities come by, we will participate.

**Renjith Sivaram:** Okay. Because, we saw some of these private guys and some of the smaller states ordering out FGDs, so did we participate in those tenders or we stayed away from them?

**Aditya Puri:** Yes, we are executing a large FGD for a state sector. For a particular state we are executing.

**Renjith Sivaram:** Okay. So we are there. That means –thus FGD opportunity is something which we are still on.

**Aditya Puri:** Yes. Depending on the market, yes, we are on. We are not saying that we will not take more FGD orders.

**Renjith Sivaram:** Yes, in waste heat recovery, also, we are a prominent player, is that understanding correct?

**Aditya Puri:** Right.

**Renjith Sivaram:** Okay. Okay, sir. All the best. And last one data point, if you can share, the order intake for this quarter? What was the order intake numbers?

**Aditya Puri:** I think I said this in my speech. It is about INR 800 something crore.

**Renjith Sivaram:** INR 800 crore. Okay. Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Anish Mehta from AB Securities. Please go ahead.

**Anish Mehta:** Yes. Hi, sir. So, I had a couple of questions on ethanol. So what is your outlook on ethanol as the demand is very high? And the second one is what is your current utilization and the capacity for ethanol?

**Aditya Puri:** So, so, are you talking about our own ability to manufacture ethanol, the capacity over there or to set up plants?

**Anish Mehta:** Sir, both, sir. If you could throw some light on it.

**Aditya Puri:** Okay. So, ethanol is a substitute for fuel. So it reduces valuable foreign exchange outgo. And therefore, the government has given it a lot of impetus, some incentives are also there in terms of interest subvention for the capital expenditure. So we see that there would be a lot of factories going in for ethanol. And they're doing well, because of ethanol. There is no doubt about that. As far as our capacity to do ethanol plants, we probably could do about four to five plants a year. And our own ethanol plant is 100 KLPD per day. And it's running well.

**Anish Mehta:** Okay, sir. Yes, that does answer my questions. Thank you.

**Moderator:** Thank you. The next question is from the line of Zaid from ValueQuest. Please go ahead.

**Zaid Munshi:** Yes, thank you for the opportunity. Sir, my question relates to the order book. So how much our order book has fixed price clause and how much is the variation clause, if you can quantify?

**Aditya Puri:** Kishore, would you like to answer this question?

**Kishore Chatnani:** Yes, please. So all the private sector orders, they are fixed price contracts. So that is roughly about 58% of the order book front. The PSU order book, some of PSUs allow for price variation clauses on certain items. So PSU order book is about 42%. They do allow price variation clauses on items like steel, fuel oil diesel, and so on. But that is only part of the project cost. Also, as Mr. Puri had mentioned in his opening remarks, the past year is not 100% because the PSUs benchmark based on indexes, whereas what we need to buy is actually from a limited amount of good company, good players in the market. And that doesn't really meet the price variation by these, people doesn't mirror the index 100%. So, to reply in a short form 42% of the order book is from PSU, most of them, they allow price variation clauses, but the pasture is not 100%.

**Zaid Munshi:** Okay, okay. Yes, that's it. Thank you.

**Moderator:** Thank you. The next question is from the line of Mayur Liman from Profitmart Securities. Please go ahead.

**Mayur Liman:** Thank you for the opportunity. I just wanted to ask what is the outlook for next quarter? Can you share your thoughts on that?

**Kishore Chatnani:** I don't think we are able to comment on any numbers. But Mr. Puri also mentioned about the EPC that will behave almost similar to what it was in this quarter for the next couple of quarters after which the newer orders will be under execution, and things will improve after that.

**Mayur Liman:** Okay. Thank you, sir.

**Moderator:** Thank you. Next question is from Amber Singhania from Nippon India. Please go ahead.

**Amber Singhania:** Hi. Thanks for taking my question. My question is just a follow up on the previous participant's, on the order book. You mentioned 58% of the order book is fixed price contract of total INR

7,000-odd crore of orders and at the same time in the opening remarks, you mentioned that in another two quarters, you will be through with the lower margin fixed price contracts. So, just wanted to understand out of the 58% how much of the projects or how much of the orders are old price contract and how much was already building on the current pricing? And secondly, once we're through with older orders in next two quarters, what kind of margins do you see for the company in the future on a sustainable basis?

**Aditya Puri:** So what we are saying that after a few quarters, the proportion of these old contracts would reduce significantly. That is our point. At this point in time, we will not be able to exactly tell you how much of these fixed price contracts are new or old. I don't think we have these figures readily available right now. But we hope to see improved margins after a couple of quarters coming in and they should improve from the current levels. So, we hope that more export orders will come in and these orders taken at newer prices, will start getting built.

**Amber Singhania:** So sir, would it be fair to assume the orders which we have bought in last two, three quarters are already bid at a price which factors in a complete price escalation which has happened in the current scenario?

**Aditya Puri:** Yes, maybe the last two quarters, yes.

**Amber Singhania:** Okay. So, what could be the sustainable margin on a longer term basis? Any trajectory, if you can give us, sir? Like would it be fair to assume, we will be in a trajectory of double digit margins on a sustainable basis longer term horizon?

**Aditya Puri:** I don't think we'll be in a position to give you any guidance on the margins except for saying that, they will improve.

**Amber Singhania:** Okay. And sorry to again harp on the margin part, sir. On the sugar business, as you mentioned that last year there was an export incentive which was there, and this year it is not there. So going forward assuming that these incentives will not be there, would it be fair to assume the margins we see are clocking in Q2 and Q3 are roughly around 13% to 14% of EBIT margins because this is something which is the normalized margin also?

**Aditya Puri:** Kishore?

**Kishore Chatnani:** Let me answer that. So. it's not that the margins were getting improved because of the exports. In the case of sugar, it is not that the exports were offering more margins. It was basically compensating for a lower price in the international market. So the effective price at which we were selling was roughly the same as the domestic price. The difference is in the quantity of sugar that we sold. So because of exports, domestic sugar, as you know, there is a government quota and we are allowed to sell only that much, which the government decides based on their understanding of demand and supply. But in the case of export, we sold more quantity last year.

This year, that quantity has not been sold. So, the sale has been down. Obviously that quantity will be sold over the months as and when the government gives us the quota.

The point is that the inventory is valued at lower of market price or cost price. So inventory is valued at cost, the market price is higher. The margins will get realized when the inventory gets sold.

**Amber Singhania:** Got it. Sir, and lastly, just last question from my side. On the ethanol side, we have started this plant recently this KLPD plant. So when there's still broad economics of this plant on a full scale basis, when effects this to be operational on a 100% capacity, and what kind of economics it will give in terms of revenues and profitability on a normalized working?

**Aditya Puri:** So, the financial figures will be available to us only at the end of the quarter. But barring a few days when weather in Northern India was very bad, and the sugar factory also had to be stopped because of excessive rains .The distillery is already running at 100% capacity.

**Amber Singhania:** Sir, just as a thumb rule, 100 KLPD plant can give what kind of revenue, sir, on a full scale basis, full year?

**Aditya Puri:** About I think INR 180 crore to INR 200 crore.

**Amber Singhania:** Okay. Thank you. Thank you, sir. That's all from my side. And all the best for the future.

**Aditya Puri:** Thank you.

**Moderator:** Thank you. The next question is from the line of Deepesh Agarwal from UTI AMC. Please go ahead.

**Deepesh Agarwal:** Yes. Good afternoon, Mr. Puri, and team. Congrats for managing tough times well. My first question is can you help us with some order inflow prospects? As we can see in last two quarters, your order inflows have not been exciting despite strong ordering in your industry.

**Aditya Puri:** So, as I said earlier, because of the commodity price hike, we have become choosy in taking orders. And we have done it because we are fully booked. So, we are fully booked, and it doesn't make sense to become aggressive in taking orders at this point in time, we did not want to take too many orders when the prices were volatile. So that is why the order booking is slightly low. The market is good, but we are comfortably booked. So it should be okay. It's been a conscious decision.

**Deepesh Agarwal:** Okay. Can you help us, what percentage of our order book would be from non-coal based boilers or something which you will term as a green orders?

**Aditya Puri:** So, just within the boiler segment, I cannot disclose the figures to you. But within the boiler segment, maybe, 50% of the orders are from non-coal based boilers or even more.

**Deepesh Agarwal:** Okay. Any roadmap you have in mind in improving the green offering for ISGEC in the near future?

**Aditya Puri:** Yes, we are looking at a couple of things. We are evaluating competencies but we don't want to disclose them right now.

**Deepesh Agarwal:** Okay. And lastly, sir, can you highlight what is the ultimate roadmap for the Philippines project? You have been guiding for starting work in this project since couple of past quarter, but nothing seems to be moving on ground out there. So what is the challenge out there? And how we'll get out of this?

**Aditya Puri:** Yes. So, as far as the Philippines project is concerned, COVID and other things had prevented us from going into construction. We are ready to start construction. At the same time, we have some offers from people to purchase it. So I think we will take a decision very soon, maybe in the next couple of months, either to start the construction or to sell the plant.

**Deepesh Agarwal:** Okay.

**Aditya Puri:** Because COVID is also now reducing and we think that practically speaking, we would be in a position to start constructions if we wish to do that.

**Deepesh Agarwal:** Okay. Thank you, and all the best.

**Moderator:** Thank you. The next question is from the line of Samir Rachh from Nippon AMC. Please go ahead.

**Samir Rachh:** Yes, good afternoon, sir. My first question is I just wanted to know, what is the total debt as of December?

**Kishore Chatnani:** So, the net boring on a standalone basis INR 226 crore as of 31st of December. It is INR 16 crore higher than it was on the 30th September. So, the incremental borrowing during the quarter is INR 16 crore on a standalone basis. On a consolidated basis, the net borrowing is INR 756 crore.

**Samir Rachh:** And how much was of it, was in September?

**Kishore Chatnani:** It is down by about INR 100 crore since September.

**Samir Rachh:** Okay. And my second question is, in reply to previous participant's question you said that regarding Philippines sugar plant, one option is that you complete the construction, and another option is you sell outright? So in case you decide to complete the construction, what is the more amount which we'll have to spend?

**Kishore Chatnani:** So, the amount that needs to be spent, so, we have a loan sanctioned from Standard Chartered pardon me, I shouldn't have named the bank. But it's about $24 million. That's the loan, that we have sanctioned from the bank. So it's about that amount.

**Samir Rachh:** Right. So, if, we decide to go ahead and complete the construction, then we'll sell only after construction is complete, right?

**Aditya Puri:** Yes. –So, it's a call that we have to take. As the construction keeps going on, probably the valuation will keep improving. So that's a call that we will take. Yes, but if we start the construction, most probably we'll sell it after the construction is completed.

**Samir Rachh:** Okay. And once the construction starts, how much time it will take for us to complete this?

**Aditya Puri:** 12 months. To commission it, 12 months.

**Samir Rachh:** So basically, 12 months from now, we would have either way. Either we would have completed the construction and then maybe we will be getting more attractive offers or as you may decide to go and sell now also. So within the next 12 to 15 months, we'd certainly be ahead of this transaction.

**Aditya Puri:** Right.

**Samir Rachh:** And sir, you explained to previous participants that raw material prices are very volatile, so you were a little slow in terms of booking orders. But now, since a large part of price hike has already happened. And also, budget was one which was expected to fuel the capex. So how we were seeing overall order pipeline, and will you be more aggressive now in the coming quarters? Or you'll still want to wait and see?

**Aditya Puri:** Let's be honest about it. The commodity price hike has sort of forced us to look much more carefully at material costs. So we will be choosy, but we will take orders. We will not let order booking be a deterrent to our sales and profitability. So we think that commodity price hikes may be behind us and we can certainly become a little more aggressive in taking orders.

**Samir Rachh:** Right.

**Aditya Puri:** Obviously subject to capacity being available.

**Samir Rachh:** Right. Then lastly in terms of capability building, so again you highlighted that you're trying to build some capabilities on green energy front. So which are the newer areas where you would want to have capabilities? And where competition would be less, and we will have some technological edge so, we don't have to really take orders at very low margins?

**Aditya Puri:** So, we are in the continuous process of evolving as far as technology is concerned. And we are also in the continuous process of looking for new technology. So, I will not be able to name anything in particular, but all I can say is that the last two years had brought about a lot of changes in the way we think the future will be and we are sort of gearing ourselves to be a part of that story in the future.

**Samir Rachh:** Great, sir. Thanks. Thanks for all the replies and wish you very best.

**Aditya Puri:** Thank you.

**Moderator:** Thank you. The next question is from Manish Goyal from Enam Holdings. Please go ahead.

**Manish Goyal:** Hello. Thank you so much. Sir, a couple of things. When I look at the standalone and consolidated numbers in the manufacturing segment, subsidiaries seems to have done really well in this quarter, despite turnover not growing so much, so wanted to just understand as to what has led to such a significant improvement in the PBIT for the subsidiaries.

**Aditya Puri:** So, the subsidiaries have had good order book, they have built capabilities. so one subsidiary is sugar. Sugar, we just explained that actually the profit was slightly lower…

**Manish Goyal:** No, sir, I am asking particularly for manufacturing of machinery and equipment.

**Aditya Puri:** Machinery. Okay, Sorry. So the main subsidiary over there is ISGEC Hitachi Zosen. The order booking was good, the turnover was good, they have ventured, and have delivered more complex equipment with better margins. So in the manufacturing segment in the subsidiaries, that is something that has caused an improvement basically.

**Kishore Chatnani:** I would like to add to that. Basically ISGEC Hitachi Zosen, as we had mentioned in the last quarter. They had substantial equipment ready for dispatch, which were not being lifted by the customers due to transport problems or something, from other regions. So obviously, the margins get booked only when the equipment gets sold, dispatched, invoiced to the customers. So the loss in the previous quarter in this company and the profit in this quarter were both related to the dispatch. So, last quarter, the dispatches were left, this quarter the dispatched picked up. All the equipment which was ready got dispatched.

**Manish Goyal:** Okay. And what was the order book of Hitachi Zosen? I missed it in the initial remarks.

**Kishore Chatnani:** INR 616 cores.

**Manish Goyal:** INR 616 crore. Okay. So that is a quite a good improvement on sequential basis also. Second thing on the other income, which is down in the consolidated, is it due to last year in the other income, we had sugar subsidy element that is why it is down?

**Kishore Chatnani:** That's right, Manish ji. Some of that was appearing as other income. Some of the subsidy was appearing with other income. That’s right.

**Manish Goyal:** Okay. And to get a better perspective, no doubt couple of participants have asked, but maybe like already order pipeline wise, especially in exports, because last couple of years export inflows, order inflows has been quite low so are we seeing improved prospects and also if you can comment which areas you are seeing this improvement?

**Aditya Puri:** Yes, we are seeing and our people have begun to travel. Last quarter also I said that they had begun but then a lot of countries imposed restrictions because of Omicron and the COVID related restrictions. So they have started traveling and we think the next couple of months, we should be able to book good orders. And this is Africa, Southeast Asia basically. And for some segments, there could be some orders from Europe also, but not a high amount from Europe.

**Manish Goyal:** Okay. And sir, how is the Eagle Press doing now? Has it probably recovered from the losses?

**Aditya Puri:** So, this year, it's going to show some loss, but we hope that by next year it will be positive. This year because of the Canadian-U.S. border being shut, we could not get lots of orders from the U.S., but things have opened up in the last one month in that part of the world and order booking has also been good for Eagle.

**Manish Goyal:** Okay, sir. And sir, last question on the order inflow number. If Mr. Chatnani, if you can just repeat the order inflow number for the current quarter comparable and nine months also.

**Kishore Chatnani:** So current quarter, the consolidated order booking was INR 893 crore.

**Manish Goyal:** Okay.

**Kishore Chatnani:** The number was INR 849 crore for the previous quarter, September quarter, and the nine month booking is INR 4166 crore.

**Manish Goyal:** And what was the comparable number, sir?

**Kishore Chatnani:** Comparable number nine months the previous year was INR 3390 crore.

**Manish Goyal:** Right, sir. Thank you so much, sir. I'll come back in the queue.

**Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

**Anurag Patil:** Thank you for the opportunity. Sir, how much investment, we have done for the 100 KLPD distillery?

**Kishore Chatnani:** The investment including GST which is going to be recovered as we sell the ethanol, is about INR 178 crore.

**Anurag Patil:** Okay. And sir, similar investment till date in the Philippines Biofuel plant, what is the number there?

**Kishore Chatnani:** Philippines, we haven't done an investment as yet, in the sense that when we bought over that group of companies, we bought it out for only $100. But we have been owning it and taking care of the plant and salaries and insurance and those kinds of things. So up till now, we have spent about INR 49 crore as a loan in the last two and a half years.

**Anurag Patil:** And sir, what would have been quarterly fixed cost there?

**Kishore Chatnani:** About INR 6 crore, INR 7 cores.

**Anurag Patil:** Okay, sir. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Anshul Seghal from Kotak PMS. Please go ahead.

**Anshul Seghal:** Yes. Thanks for taking my question. In this period, the last maybe two, three quarters when we've seen raw material prices go up so much, and our margins have compressed as a result. Are there some checks and balances, we can bring to the business to ensure this doesn't happen again or this will remain the model and this volatility in times of raw material volatility, this will come up every such time?

**Aditya Puri:** So, we were always aware of the fact that steel prices and other prices could go up but not to the extent that they have. So we always keep a contingency margin when we take an order for these sorts of hikes. But this time it was unprecedented. So there are various strategy measures that we are looking at to see how this effect can be mitigated. Although I have to confess that, it cannot be brought down to zero. But including keeping a higher contingency, entering into back to back with steel manufacturers, although they are not very conducive to such an arrangement these days because prices are going up, so they think that they'll be sacrificing on their margins. And we are also seeing whether hedging of steel and some metals like copper, aluminum, and nickel -- if that is possible. So we are exploring all these possibilities to see if we can minimize the effect of volatility which could be positive or negative, the effect of volatility. But we are trying to see if we could minimize that.

**Anshul Seghal:** Right. My second question is with regards to Hitach Zosen. One, when does the contract get renegotiated with ISGEC? That is one. And second, the consolidated uptick because of this subsidiary, in margins, is that a one-off or we are likely to see this to be a trend going forward?

**Aditya Puri:** So, as Kishore had said, this quarter, there was also the effect of the previous quarter, equipment's not being lifted in that quarter because of shipping arrangements, which were to be made by the customer, not by ISGEC Hitachi Zosen. And as far as the agreement is there, the agreement is continuing, and we don't see a break to the agreement in the near future.

**Anshul Seghal:** Okay. On the Philippines, a question, and what you mentioned that you have to decide in the next few months, whether you want to sell or you want to complete the project and then sell it, what will be the decider on that decision? Meaning, what is the trade-off? And what will make you decide one way or the other?

**Aditya Puri:** The offer. How good is the offer, and what is the security payment?

**Anshul Seghal:** And they seem to mention that you have been in some discussions already, has an offer been made, or this is just discussions on due diligence?

**Aditya Puri:** I don't know whether I can disclose all this or not. Kishore, I don't know. Kishore?

**Kishore Chatnani:** We were just considering some offers, we are evaluating offers.

**Anshul Seghal:** Okay. Got it.

**Kishore Chatnani:** But you must recognize that it's an initial stage. If something is going to happen, we will inform in due course.

**Anshul Seghal:** Yes. And my final question on the margins, and this question of volatility because of raw materials, I think two quarters back, the general belief that the street had was that this volatility will continue for two quarters, which meant that this would be the last quarter. But now it looks like in the ensuing maybe couple of quarters, this volatility will sustain. What has led to this sort of a development?

**Aditya Puri:** This is a question for a PhD thesis, that you have asked. Volatility in commodity markets?

**Anshul Seghal:** No, no, I'm not asking about volatility in the commodity markets. I'm saying that, in the conference call, two quarters back, it was mentioned that this volatility, for us, for our business, should continue for two quarter. And it looks like it's gotten extended a little bit. So I just want to understand where is the difference in assessment?

**Aditya Puri:** There was a volatility in the commodity market a few months ago also. So it actually only stabilized about 40, 50 days ago.

**Anshul Seghal:** Okay, got it. Thank you.

**Moderator:** Thank you. The next question is from the line on Nishit Shah from Equitas Investment. Please go ahead.

**Nishit Shah:** Good afternoon, sir. And thank you for this opportunity. Sir, you're in the process of debottlenecking some of our manufacturing facilities. So what is an update over there?

**Aditya Puri:** So we were expanding one of our units. The expansion is over, and production has started in full swing and that's the thing. But these things contribute towards a much smaller part of our total revenue. But yes, the expansion finished a little before time and production is happening there.

**Nishit Shah:** Can you quantify how much will it increase our revenue by?

**Aditya Puri:** Manufacturing, maybe about INR 50 crore to INR 60 crore.

**Nishit Shah:** Okay. And sir, my second question would be that since we are seeing good demand across, so are we planning more capex in this division?

**Aditya Puri:** Let things stabilize. Yes, we do some proposals, let me call it, for investment but we haven't taken a final decision and they are not big numbers in terms of investment.

**Nishit Shah:** Okay. Thank you.

**Moderator:** Thank you. Next question is from the line of Utkarsh Somaiya, an individual investor. Please go ahead.

**Utkarsh Somaiya:** Thank you for the opportunity. Can you please throw some light on the FGD opportunity in India, and how the company is placed to benefit from it?

**Aditya Puri:** So the major FGD orders have been done. Now some state governments are coming up and some private sector people are going to go in fair duties, that's what the market tells us. So the company is there in FGDs, it's not withdrawing itself from FGDs. It's going to be participating in the market and hope to get some more orders.

**Utkarsh Somaiya:** Okay. And how big is the FGD market?

**Aditya Puri:** So I will not be able to give you numbers because where it is NTPC making the investment one is very clear how many plants needed FGDs and what was the timeframe for ordering. Now the market is a little more fragmented. But it's still in thousands of crores, I can tell you that.

**Utkarsh Somaiya:** Can we assume this to be a multi-year opportunity, if not for the company, then for the industry?

**Aditya Puri:** Multi-year opportunity, is that what you asked?

**Utkarsh Somaiya:** Yes because deadline is 2024, right?

**Aditya Puri:** Yes, but I don't think everybody is going to be ready by 2024, honestly speaking, if you ask me. The government will probably extend it.

**Utkarsh Somaiya:** Okay. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Renjith from Mahindra Manulife. Please go ahead.

**Renjith Sivaram:** Yes, hi sir. Just a clarification. Like you told this INR 178 crore which we had invested for the distillery, that will have a top line of INR 180 crore to INR 200 crore, right?

**Kishore Chatnani:** So this INR 178 crore includes GST. It also includes some investment that we made in improving our boilers, changing some boilers, it's not pure distillery, it is distillery plus some changes in our boilers and the cooling towers and so on. And tanks for storage.

**Renjith Sivaram:** And for this we are planning to convert the juice into ethanol or is it like C-heavy molasses?

**Aditya Puri:** So, the distillery is capable of doing everything, but we are right now working on C- heavy molasses.

**Renjith Sivaram:** Okay. So we are still not considering to convert the juice in this.

**Aditya Puri:** Not right now. It depends on the economics of it because there're different prices fixed for ethanol from different sources.

**Renjith Sivaram:** Okay. So probably it can contribute around INR 180 crore to INR 200 crore in terms of top line.

**Aditya Puri:** Yes.

**Renjith Sivaram:** So around three years of payback.

**Aditya Puri:** That is for you to conclude.

**Renjith Sivaram:** Okay, thanks. And sir, one more thing, which I was looking for some clarity is that what will be our capex for this year and next year, excluding this distillery? Is there anything else that we are planning to increase capacities?

**Aditya Puri:** No, we haven't firmed up. And the capex is not going to be very major.

**Renjith Sivaram:** And this auto is currently picking up. So are you seeing signals in terms of our Press machine? Because that is related to auto. So are you seeing an increased amount of inquiry in our Press division?

**Aditya Puri:** Yes, yes.

**Renjith Sivaram:** Okay. And you have mentioned this oxygen plant in your order intake, is that a big number or it's a smaller kind of size? 25 Oxygen plant.

**Aditya Puri:** It's something new that we did. And we did it in record time. So that's why we put it. It's not a very big number.

**Renjith Sivaram:** Okay, sir. Thanks and all the best.

**Aditya Puri:** Thank you.

**Moderator:** Thank you. The next question is from the line of Digant Haria from GreenEdge Wealth. Please go ahead.

**Digant Haria:** Yes. Hi, sir. Sir, my question is that in the projects division, in the last four quarters, we have booked a revenue of around INR 3,420 crore, which is less than what we did in the last two years. So despite this record order book, our execution in the project division has not reached a record level? Is it because there were COVID related disruptions and can FY23 be free from all these disruptions? Can we see a much higher execution number?

**Aditya Puri:** Yes, you're right. And I would also like to point out that in the projects business, particularly, it's not only the COVID period, when work hasn't happened at site, or it didn't happen at site. But also a fact that a lot of government offices were not functioning, they did not give approvals, drawing approvals. So the whole schedule gets disturbed because of that, because once the drawing approval comes, you manufacture things, then the COVID period comes. So many times the effect of COVID multiplies, because during the COVID period, you can't work at site, but because during the previous COVID period, approvals were delayed, material is not ready to reach the site before the COVID period or after the COVID period. So COVID has really disturbed the operation.

**Digant Haria:** Got it. Sir, so FY23, even if say we have to do like INR 4,000 crore, INR 4,500 crore of execution, we have the capability, right? If all these external forces are in place.

**Aditya Puri:** Yes, yes.

**Digant Haria:** Okay, sir, then second question is mainly a lot of other companies are also reporting record orders and execution. So are you facing any labor related challenges? Sir, not just at the lower level, but even at the mid-level say your engineers

**Aditya Puri:** Nothing significant. It's not impacting work.

**Digant Haria:** Okay, sir. And last question, a lot of participants have asked, but I will just delve a little further that if steel prices were to go up further, will the hit be lower than what we saw in the last 12 months? That's one. And second is, at an industry level, are you seeing anything, any change in the way other players are also behaving with respect to this passing on of the steel prices? So that's it from my side. Thank you.

**Aditya Puri:** No, so we are not seeing any change that way. I don't know what the policies of other companies are. But the point is that we have to look in house and see how we can minimize the impact of this sort of volatility.

**Digant Haria:** Right, sir.. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Ritika Gupta, an individual investor. Please go ahead.

**Ritika Gupta:** Hi, sir. Good afternoon. Sir I wanted to know that the private sector orders that we have which represent 58% of our order book, do we have any clause in them which will account for commodity price fluctuations?

**Aditya Puri:** Very few orders.

**Ritika Gupta:** Even the new ones that we are booking, like the INR 800-odd crore order book that we have for this quarter include that we have for this quarter, so we do not have commodity price fluctuations covered in those?

**Aditya Puri:** Right. Because the point is that you are in a competitive environment. So if your competitors are not asking for a commodity price hike, you cannot become rigid on that.

**Ritika Gupta:** Okay. And so these new orders are being taken keeping what margins in mind?

**Aditya Puri:** Higher margins, higher contingencies.

**Ritika Gupta:** Alright. Okay. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Viral Shah for his closing comments. Thank you, and over to you, sir.

**Viral K. Shah:** Yes, thank you everyone for participating in the call. And we once again thank the Management for giving us an opportunity to host the call.

Sir, any closing comments from your end?

**Aditya Puri:** No. Thank you. Thank you so much. Thank you for attending the conference. And wishing you everyone all the best. Thank you so much.

**Viral K. Shah:** Thank you. Thank you, everyone. Thank you.

**Moderator:** Thank you. On behalf of YES Securities, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.

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