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Date: August 21, 2024

HO-425-S

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

Company Scrip Code: 533033

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

Company Symbol: ISGEC

Dear Sir(s)/Madam(s),

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

Subject: **Transcript of the Conference Call to discuss the financial performance of the Company for the quarter ended June 30, 2024**

1. This is in continuation of our intimation dated July 31, 2024 and in compliance with Regulation 30 read with Part A of Schedule III and any other applicable regulation(s) of the Listing Regulations, please find enclosed herewith **Transcript of Conference Call organized on Wednesday, August 14, 2024 at 04:00 p.m. i.e., 16:00 hours (IST)** on the financial performance of the Company for the quarter ended on June 30, 2024.

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
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Company Secretary & Compliance Officer
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For Isgec Heavy Engineering Limited

Sachin Saluja
Company Secretary & Compliance Officer
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Encl.: **As above**

"ISGEC Heavy Engineering Limited
Q1 FY '25 Earnings Conference Call"
August 14, 2024

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

MODERATOR: **MS. NIDHI SHAH – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to ISGEC Heavy Engineering Limited Q1 FY25 Earnings Call, hosted by ICICI Securities. As a reminder, all participle lines will be in the listen-only mode. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Nidhi Shah from ICICI Securities. Thank you, and over to you, ma'am.

Nidhi Shah: Thank you so much, Shlok. Good evening. On behalf of ICICI Securities, I would like to welcome you all for the Q1 FY25 Earnings Call of ISGEC Heavy Engineering Limited. From the management today we have with us Mr. Aditya Puri, Managing Director; Mr. Kishore Chatnani, Whole-time Director and CFO; and Mr. Sanjay Gulati, Whole-time Director and Head of Manufacturing Units.

I would now like to hand over the conference to the management for opening remarks. Thank you.

Aditya Puri: Good afternoon, everyone, and thank you for joining us for our earnings conference call today. I hope this message finds you and your loved ones well and safe. We look forward to engaging in a constructive discussion with you. Our quarterly financial results were published yesterday. We have uploaded our presentation on BSE/NSE and our website www.isgec.com today. For regular updates about the company, please visit our website and you may also follow us on social media platforms.

Quarterly results:

The standalone total income increased by 7% to INR1,243 crores in June 2024 quarter compared to June 2023 quarter. The standalone profit before tax increased at 42% to INR111 crores in June 2024 quarter compared to June 2023 quarter. The consolidated total income increased by 11% to INR1,549 crores in June 2024 quarter compared to June 2023 quarter. The consolidated profit before tax also increased by 33% to INR96 crores in June 2024 quarter compared to June 2023 quarter.

In the standalone results, manufacturing revenue has increased as there are good orders for all products and additional capacities created with investments in the last years have come into operation.

Borrowings:

Our fund position has improved. On the standalone basis we have closed with June 2024 quarter with the net surplus of INR133 crores as compared to a net borrowing of INR356 crores at the end of June 2023 quarter. The consolidated net borrowing has also improved substantially. Our consolidated borrowing has reduced to INR491 crores on 30/06/2024 as compared to INR1,066 crores as at 30/06/2023, that is lower by 54%.

Order bookings:

Standalone orders book during June 2024 quarter are INR1,025 crores as against INR816 crores in June 2023 quarter. The consolidated orders booked during June 2024 quarter are INR1,124 crores compared to INR1,152 crores of orders booked in June 2023 quarter. The orders in hand position is strong. Consolidated orders in hand as on 30th June 2024 is INR7,741 crores. Of the consolidated order book, 69% is for project business and 31% is for manufacturing business.

The order book includes INR1,316 crores for international orders which is about 17%. The order book includes the order book of ISGEC Hitachi Zosen, which is very good. It has INR1,022 crores of orders as on 30th June 2024. The order book is well diversified across various sectors and customers.

Market demand:

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

Philippines project:

Most of the plant related construction works have been completed except for some portion of piping, electricals, instrumentation and partial road, grains, flooring, painting, etcetera. The plant has manufactured and sold about 3.5 million litres of ethanol between April 2024 to July 2024 so far. The plant is temporarily shut for some corrective actions, for some deficiencies in affluent treatment and disposal related matter pointed out by local government authorities. We hope the plant can restart later in this month. My colleagues and I will be happy to answer any questions.

Moderator: Thank you, sir. We will now begin the question-and-answer session. The first question is from the line of Nirav from ASK Investment Managers, please go ahead.

Nirav: Sir, first of all, thank you very much for this opportunity. My question is specifically pertaining to couple of segments. So, I just wanted to get some idea how is the captive power market in India? So, based on your assessment for FY25, how big can be the market for captive power India, if you can help on this number with in terms of mega wattages, it would be really very helpful?

Also, according to you, what can be the outlook for waste heat recovery plants in India for next couple of years? These are my few questions initially; I will ask further questions.

Aditya Puri: So, we think that the demand for captive power plants will remain robust. This is also because a lot of process industries require steam in addition to power. So, it should remain robust. So, should the demand for waste heat recovery boilers because that's an efficiency increasing, it's a move towards decarbonization. So, people are investing in that. So, we can't give out any specific numbers, but we think it will remain robust.

Nirav: Sir, according to you, as compared to last year, how much growth can we see, maybe in terms of inquiry, pipeline or something like that? It would be really very helpful.

Aditya Puri: We can't give you any concrete numbers. We think the market will remain robust.

Nirav: Got it. Sir, my other question would be pertaining to boilers for thermal power plant. So the market for thermal power plant seems to be buoyant and there seems to be only one player who is bagging most of the orders. Just wanted to check, do we intend to get into that particular market as well?

Aditya Puri: Are you talking about those large 600 MW boiler power plants. Are you talking about those?

Nirav: Yes, the last ones, I think the market trend is for 800 MW boilers.

Aditya Puri: No, we may do some small packages. We may bid for some small packages, but we are not planning to get into those, big plants.

Nirav: Big ones, like 800 MW because as I believe..

Aditya Puri: We will not be doing that. We might do some small packages.

Nirav: What would be the scope of work in the smaller packages? If you can elaborate a bit.

Aditya Puri: If we are successful, maybe INR100 crores, scope of work may be things like handling plants, maybe some small air pollution control, material handling, some piping.

Nirav: So, you are saying that your scope of work would be focused more towards the balance of plant part aspect. Am I right in my assessment?

Aditya Puri: But only some aspects of the balance of plant, not the complete balance of plant.

Nirav: Got it. Thank you very much.

Moderator: The next question is from the line of Nidhi Shah. Please go ahead.

Nidhi Shah: Yes. So, thank you for taking my question. My first question would be the consolidated PAT was 500 million and the standalone profit was 550 million. Can you please help us with the profit of the subsidiaries? How we move from the standalone to the consolidated?

Kishore Chatnani: Ma'am, you are talking about the quarterly numbers, can you repeat the numbers that you just said in million?

Nidhi Shah: Yes. Basically, could you just walk us through this, how do we get from the standalone profit to the consolidated profit? As in, what is the profit of the subsidiaries?

Kishore Chatnani: Yes, we can tell you the profit of the subsidiaries. So, you will have noticed that in ISGEC Heavy Engineering Limited, standalone, there is an other income component of about INR28 crores. Have you noticed that, ma'am?

Nidhi Shah: Yes.

Kishore Chatnani: So, out of that INR28 crores, about INR22 crores is dividends from subsidiary companies.

Nidhi Shah: Okay, okay, got it.

Kishore Chatnani: So, when you consolidate that, it gets adjusted. But if you are looking for profits from different subsidiary companies, I'll just tell you. There are, Saraswati Sugar Mills has done about INR20 crores profit in this quarter before tax. ISGEC Hitachi Zosen has done INR5 crores profit before tax. Eagle Press and Equipment Co., the Canadian company, has done INR9 crores profit before tax. ISGEC Redecam, so all the other companies there are minor amounts, less than a crores each. And there is a loss in the ISGEC Investments which actually holds the Philippines companies. So, there's a loss of INR29 crores there, which is largely a foreign currency mark-to-market loss. It is not a realized loss; it is a foreign currency mark-to-market loss.

And as I said, the dividend, which is received from the subsidiary companies, that gets eliminated in the consolidated. I hope I've been able to answer your question.

Nidhi Shah: Yes, yes, thank you. Could you also tell me how is the order pipeline and the enquiries shaping up for this quarter which is Q2 and for the rest of the year?

Aditya Puri: It is buoyant right now. It seems that the order booking for the rest of the year should also be good as of today.

Nidhi Shah: So, what are the segments that you're seeing maximum growth from? Could you give us some colour on how the industry looks as of now?

Aditya Puri: Well, you know, we supply to a great number of industries and we're not dependent on any one particular sector. There are some parts of the business that are like sugar machinery and ethanol. But otherwise, we supply to a large number of industries, and we continue to get orders, diversified orders from everywhere. So, I know there is a slowdown in chemicals. So maybe we are not getting from one portion of chemicals, but we are getting from the other portion of chemicals or from oil and gas. The composition of orders has not changed drastically since the last time we spoke.

Nidhi Shah: All right. I'll get back in the queue for further questions.

Moderator: Thank you. The next question is from the line of Abhijeet Singh from ICICI Securities. Please go ahead.

Abhijeet Singh: So my question is on the margin. So while the manufacturing business, the segment of manufacturing has shown pretty much, you know, robust improvement in the margin sequentially. But the I mean, absolute margin for the industrial projects business has been hovering around the similar level of 4% to 5%. So, sir what are the steps that we are taking as of now and what are the levers we have to improve upon this margin profile of industrial projects, if you can delve upon that?

Aditya Puri: So, we have dwelt on this earlier also in earlier calls. We have as a strategy decided not to go in for very long duration projects. We are going in for smaller duration projects, we are going in for projects which have a comparatively lesser portion of civil and site work. Because that's where you know, most of the difficulties are being felt. And as this proportion of these orders reduces, we can expect slowly, but we can expect some improvement in the margins. We are focusing more on technology led projects, industrial projects.

Abhijeet Singh: Right. So can we expect margins moving towards double digits in the next two, three years? Is that something that we are targeting as of now?

Aditya Puri: Margins will improve. But in projects business, double digits are very difficult.

Abhijeet Singh: Right, sir. Also I mean, barring this quarter, if we talk about FY25 as a whole and maybe even the next year. Sir, what kind of execution do we expect in the industrial projects business particularly? Because here, do you see any risks to execution, like you know, because there have been some moderation in growth in Q1 across the industry. So, how do you look at it going forward on a one to two year basis?

Aditya Puri: So, I think, moderation is probably because of the elections and because of the global environment. So, I can't comment on what happens in the world. I know there are uncertainties in the world, but we do not foresee any significant changes in the demand. We are also concentrating more on exports, so if there is some fall in domestic demand, we hope that we'll get compensated from exports.

Abhijeet Singh: Right, sir. I'll come back in queue, sir. Thanks for answering the questions.

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

Deepesh Agarwal: Yes, good evening, gentlemen. My first question is on the sustainability of the present margin. So, this quarter you reported a very strong margin in the project business on the consolidated basis. So, this 13.5% kind of margin, how sustainable is this? Sorry, manufacturing.

Kishore Chatnani: You are talking about the manufacturing?

Deepesh Agarwal: Manufacturing, right. Manufacturing.

Aditya Puri: Yes. They are going to be sustainable. They will be around this figure.

Deepesh Agarwal: So, going ahead, we should be doing a 13.5% kind of margin in manufacturing. Is that a guidance?

Aditya Puri: Somewhere there. Somewhere there. Somewhere, double digit.

Deepesh Agarwal: Double digit. Sir, the other question is on Philippines. Is that understanding correct? Whatever the loss we see in the Philippines project plant and the construction, that is purely because of forex?

Kishore Chatnani: So, there as you know, the plant operated for some time. It was not operated at full capacity because we caught the sugar season late. There is a INR29 crores loss that I spoke about a little while ago for the quarter. Out of that about INR22 crores loss is forex mark to market, which is basically because the Philippines Pesos depreciated more against the dollar compared to dollar to INR. So, it's a mark to market loss, it's not a realised loss, but it's a reported loss.

Deepesh Agarwal: Understood. And so, once this plant gets operational after these hiccups, should we still see that INR500 crores - INR600 crores kind of a top line and probably 25%, 30%?

Kishore Chatnani: We continue to expect that when the plant will operate at full capacity starting mid of November it will be about INR500 crores in revenue for a year and it will continue to have 23% - 24% kind of EBITDA.

Deepesh Agarwal: Okay, okay. And sir, I want to understand what is the thought process now about exiting this plant because now the plant is operational and it's been a drag for us for quite a while and I am sure managing it from India, the Philippines plant would be also a challenge. So, what are the steps you are taking to actually sell your stake in this plant to some strategic partners?

Kishore Chatnani: As of now we are focusing on running the plant well. You are right, it is not the easiest thing to run a plant in a foreign country sitting here. So, we are working and focusing on running the plant well. As and when we have any news about disposing the plant, we will certainly share at the appropriate time.

Deepesh Agarwal: Sure, sure. The other question is to Mr. Puri, if I look at your order book over the last three years, it is flat. So, the number, or the book number is flat. I understand you are focusing more on the manufacturing orders over the project orders, but I don't see such a sharp jump in the manufacturing order book also. So, what are your thoughts with respect to your growth appetite? Would we see the growth coming back for ISGEC like it used to see over the last decade or how?

Aditya Puri: So it's not that we are favouring manufacturing over projects, but it is also true that we are concentrating on technology-led, shorter duration projects with comparatively less site work. And I think in spite of narrowing down the breadth of the project business, we have still managed to have a good order book in the project business, and we will grow this.

So, it's like saying that we have exited from certain types of project business, but in spite of that, we've had a reasonable order booking from the other projects, industrial projects where we are executing.

Deepesh Agarwal: Sure. And lastly, if you can share what is the current outstanding order book on FGD and where are we on completion of those legacy FGD orders?

Aditya Puri: So except for one FGD plant, two out of the three should be completed within this financial year or the first quarter of next year. Yes, actually within this year the third one will continue for some time.

Deepesh Agarwal: And how much of the money would be stuck in these projects in terms of retentions or these receivables?

Kishore Chatnani: So, the two that we are we are expecting to complete in this year, we are hoping, there's about INR400 crores of milestone link payments which is to be received. And we are expecting to receive out of that INR400 crores to maybe INR325 crores to INR350 crores out of that in this current year. And maybe INR50 crores or so will spill over into the next year.

Deepesh Agarwal: Okay, sure. I'll join the queue.

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

Sandeep Bait: Yes, good afternoon, sir. A couple of questions. The first one is on the Philippines business. Can you repeat how much was the sale of ethanol in the first quarter?

Kishore Chatnani: 3.5 million litres.

Sandeep Bait: But it's not reflecting in the revenue of the…

Kishore Chatnani: Yes, yes. Because as Mr. Puri mentioned in his remarks, there is still some amount of work required to complete the plant. The plant is operational, but there is still some amount of work required to complete the power plant. And therefore, our auditors, both in Philippines, KPMG and here, they are continuing to show it in current CWIP and the revenue, since they are not capitalizing the CWIP, they will be doing that in this quarter and in the September quarter, where they are not reporting it as a commercial revenue. Revenue generated during the trial run and commissioning period.

Sandeep Bait: So that's getting adjusted against the CWIP, is it?

Kishore Chatnani: That is no, that is…

Sandeep Bait: No, sorry. So the revenue, which is being generated, how are you showing it in your accounts? I wanted to understand that.

Kishore Chatnani: It is reducing the net margin in the CWIP.

Sandeep Bait: It is reducing the?

Kishore Chatnani: It is reducing the CWIP by net margin.

Sandeep Bait: So, it is getting adjusted against your CWIP.

Kishore Chatnani: That's right.

Sandeep Bait: Okay. And in September quarter, will you start booking it as revenue or it will continue?

Kishore Chatnani: We expect to capitalize and start booking revenue.

Sandeep Bait: Okay. And how much is the total capital employed in the Philippines project as of date?

Kishore Chatnani: Let me get the figure, maybe we'll answer you in a few minutes.

Sandeep Bait: Or you can give me the capital asset figure that's also okay?

Kishore Chatnani: That is INR900 crores.

Sandeep Bait: INR900 crores. Okay. And secondly, question for Mr. Puri. Would you like to, given that trade, this is the first quarter for the year. Would you like to give some revenue guidance for the full year on a consolidated basis? And what kind of margins can we look at for the industrial project business on a full year basis?

Aditya Puri: So industrial project business we just said that it will be around 13%, it will be double digits the margin in the manufacturing. And as far as the revenue for the year is concerned I think last year, last meeting we said it will be up about 7% to 10%.

Kishore Chatnani: Revenue for the year should be early double digits.

Aditya Puri: Early double digits. Yes.

Sandeep Bait: Sorry, you're saying revenue guidance is early double-digit growth?

Aditya Puri: Yes.

Sandeep Bait: And margin? Sorry, I was asking about the industrial project business, not the product business. You mentioned about…

Kishore Chatnani: Product business, we have already said the margin that is shown in this quarter, we are hoping to be able to maintain that.

Sandeep Bait: Yes. I understand that, but on the industrial project, how much are you guiding for?

Kishore Chatnani: For the current year, it's going to be around the same level. As Mr. Puri said, we have changed into the new philosophy of order booking on technology-led orders. The revenue is going to keep on coming in the coming quarters. Some of it will get reflected in this current year and more of it will be reflected in the coming years. So, for this year, it will be close to the same level also.

Sandeep Bait: So, about 5%, is that what you are saying?

Kishore Chatnani: Yes, please.

Sandeep Bait: 5% EBIT margin. Okay. Thank you. Sorry. One last question. On the sugar business for India, if you can comment on your outlook for the current year?

Aditya Puri: We would not like to comment right now because it depends upon the cane price, the ethanol policy. It will depend on that. As of now, the agroclimatic conditions for sugarcane seem to be good, till date. The agroclimatic conditions are good. The cane crop is, in our area, slightly less than last year. But the agroclimatic conditions are better.

Sandeep Bait: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Amit Kumar from Determined Investments. Please go ahead.

Amit Kumar: Yes, hi, thank you so much for the opportunity, team. I just had one question, you know, just, you know, hopping back on the manufacturing vertical margin. So, when I look at on a quarter-on-quarter, you know, basis, your revenue is down from INR740 odd crores to INR540 crores. Margins are up 370 basis points. So, how do you explain that? And specifically, was there any special high margin execution or delivery in this particular quarter?

Aditya Puri: So manufacturing consists of a number of equipments. And therefore, sometimes high margin orders get bunched, sometimes they don't get bunched. So there is nothing very extraordinary over here.

Kishore Chatnani: Except when you're talking about the consolidated. You're talking about the consolidated numbers here. Now there is better profitability in the ISGEC Hitachi Zosen, which is part of the manufacturing segment and there is a profit this quarter in the Eagle Press INR9 crores profit in this quarter. For the March quarter, they had a loss. So these two are contributing, besides the contribution from ISGEC standalone itself, into the margin score. That is the reason why the margins are better.

Amit Kumar: So actually, again, I'm sort of coming back to the point which has been asked earlier, that 13.5% margin in recent times, I don't think we have seen that. What is the sustainable level of margin that we should assume, either for this year or for a medium term, two, three years perspective?

Kishore Chatnani: Let us repeat there that this kind of margin we expect to sustain. That is one. Second, Mr. Puri mentioned in his remarks, we have been making investments in increasing capacity for certain products in our manufacturing business, particularly the iron foundry. Also, the container business, we have expanded capacity there. We have expanded capacity in the boiler tubes and panel and those places. So, all of that capacity is having a good order book, and orders have been booked at good prices, good margins. So, that is reflected in the numbers.

Amit Kumar: All right. Understood. That's very, very helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Manas Thakkar from MT Advisors. Please go ahead.

Manas Thakkar: Hello, thanks for the opportunity. So, I had just one question on Capex, like what is your guidance on the capex for this year and the upcoming financial year '26?

Aditya Puri: About INR60 crores in the engineering business in ISGEC, this year.

Manas Thakkar: For this year?

Aditya Puri: Yes.

Manas Thakkar: And any plan for the next year, like till now has it been planned?

Aditya Puri: Still to make. Still to decide on that.

Manas Thakkar: Okay. So, this is INR60 crores in engineering business for this year, right?

Aditya Puri: Yes.

Manas Thakkar: Okay. Thank you.

Aditya Puri: INR60 crores we plan to spend, the execution may get spilled over to the next year, but as you see, we probably will decide about INR60 crores of the investment.

Manas Thakkar: Okay. Okay. Understood. Thank you.

Moderator: The next question is from the line of Jainam Jain from ICICI Securities. Please go ahead.

Jainam Jain: Good evening, management. I had a couple of questions for the management. Firstly, starting with what was the order inflow of Hitachi Zosen subsidiary?

Kishore Chatnani: Order inflow of Hitachi Zosen in this quarter? Is your question about order inflow about Hitachi Zosen in this quarter?

Jainam Jain: Yes.

Kishore Chatnani: So, this quarter inflow was INR71 crores. I'll just put it in perspective. We have large orders in ISGEC Hitachi Zosen. As of 31st of March, we are well booked with INR1,050 crores of orders. So, in this quarter we booked only INR71 crores and as of end of June 2024 the order in hand is INR1,022 crores. Because we are well booked, we did not book too many orders in this quarter.

Jainam Jain: What is the status of CBPI Philippines?

Aditya Puri: We've just gone through that just now.

Kishore Chatnani: The plant has started operations. It had trial operations and commissioning and generated 3.5 million litres of ethanol. They sold us that ethanol. The plant will run at full capacity from November, mid-November on sugarcane.

Jainam Jain: Okay.

Kishore Chatnani: Just to summarize what all we said earlier.

Jainam Jain: Okay. And my last question is what do you think about the profitability of Eagle Press & Equipment, considering it made losses in the last two years?

Aditya Puri: So, this quarter, Eagle has shown a profit, and probably, for the whole year, it may show a profit. We are putting our best effort to see that the plant runs well. There is a shortage over there in the north American market, people are not deciding orders. Partially it is because the EV car market is not picking up as people were expecting. And the second thing is, there's the uncertainty of the elections. So, the prospect is a little uncertain. But we are putting efforts to run it well.

Jainam Jain: Okay, sir. Thank you and all the best.

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

Sandeep Bait: Yes. Thanks for taking that question again. You mentioned that you're looking at early double-digit growth of revenue on a consolidated basis for the full year. Can one assume that the growth rates will be similar for both your industrial project and for manufacturing business? Or do you expect manufacturing business to grow faster?

Kishore Chatnani: The manufacturing business, I'm repeating, what we have been informing earlier. We still think that's what it's going to do on a standalone basis. Last year we did INR1,700 crores. This year we'll be doing INR2,000 crores. I'm talking about the standalone basis. ISGEC Hitachi Zosen is going to do better than last year. So, on a consolidated basis also we are going to be doing better.

On the project business, we are going to be almost at the same level. In percentage terms we'll growth from the manufacturing will be higher than the growth on the projects business.

Sandeep Bait: Right. And when you talk of early double-digit growth, are you including the sale of ethanol in Philippines?

Kishore Chatnani: No. We are not factoring that in.

Sandeep Bait: Okay. And you mentioned 23% - 24% margin on a INR520 odd crores turnover from Philippines on a full capacity utilization basis. Earlier, you had talked about 30% margin, in one of the previous calls.

Kishore Chatnani: We had spoken about 27% - 28% margin. At the moment, this is what appears to be, depending on the prevailing prices of feed stock and other things, this is what appears to be, what slightly.

Sandeep Bait: So, on a INR500 crores basis turnover, 23% - 24% would add up to, say, INR120 odd crores. And on a capital employed maybe of about INR1,000 crores, that would translate into 12% --

Kishore Chatnani: Capital employed; we've got the figures. You had asked earlier. Its INR743 crores.

Sandeep Bait: INR743 crores. Okay. Will it be possible for you to guide on depreciation and interest on the Philippines asset once.

Kishore Chatnani: It's a new plant which has come up. We won't be able to guide you, exact numbers like that.

Sandeep Bait: Rough estimate if you can tell?

Kishore Chatnani: I don't have anything more, that I can add here.

Sandeep Bait: Okay. And lastly, you mentioned that on a consolidated basis, the net debt figure is about INR490 odd crores, as of day or at the June 30th. By the end of the year, would you expect the company to be debt free on a consolidated basis, on a net debt basis?

Kishore Chatnani: No, it is not going to be debt free. There will be debt, certainly ISGEC Heavy Engineering itself is debt free as of now, and it will certainly be debt free by the end of the year, the standalone company. The Philippines company will have its loans. The sugar season should be on, and sugar stocks will be at peak at end of March. It will have its working capital loans. ISGEC Hitachi Zosen will have small amounts of loans. But the overall debt position is going to be less than what it is now.

Sandeep Bait: On a net debt basis, you're talking about?

Kishore Chatnani: On net debt basis. That's right.

Sandeep Bait: Okay. Thank you so much.

Moderator: Thank you. In the interest of time, this was the last question for today's conference call. I would now like to hand the conference over to the management for closing comments.

Aditya Puri: I would like to thank everybody for attending the conference. Thank you and have a good day.

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