

## Result Snapshot

Amt. in Rs. Crs.	Q1FY21	Q4FY20	Q-o-Q(%)	Q1FY20	Y-o-Y(%)
<b>Revenue</b>	1048.86	1541.45	-32.0%	1194.44	-12.2%
<b>Other Income</b>	25.99	18.68		9.50	
<b>Total Income</b>	1074.85	1560.13	-31.1%	1203.94	-10.7%
<b>EBITDA</b>	96.31	70.75	36.1%	81.08	18.8%
<b>EBIDTA (%)</b>	9.2%	4.6%		6.8%	
<b>EBIT</b>	70.21	43.82	60.2%	58.59	19.8%
<b>Profit/Loss in JV</b>	0.07	-0.04			
<b>PBT</b>	57.43	29.55	94.3%	49.58	15.8%
<b>PAT</b>	42.53	13.37	218.1%	28.20	50.8%
<b>PAT%</b>	4.1%	0.9%		2.4%	

## Result / Con-call Highlights:

### 1) Result Update:

ISGEC Heavy Engineering reported topline of Rs. 1074.85 cr down 31.1% Q-o-Q from Rs. 15460.13 cr reported in Q4 FY20. EBTDA for the quarter came in at Rs. 96.31 cr with EBITDA margins of 9.2%. EBITDA growth of 36.1% Q-o-Q basis was mainly on account of salary cuts and reduction on SGA (selling, general and administrative) expenses in Q1 FY21. The company reported PAT of Rs. 42.53 cr up 218.1% Q-o-Q basis with PAT margin of 4.1%.

Particular (Rs. Cr.)	Q1 FY21	Q4 FY20	Q-o-Q	Q1 FY20	Y-o-Y
<b>Manufacturing of Machinery</b>	341.29	351.27	-2.8%	295.65	15.4%
<b>EPC Contract</b>	601.77	1099.8	-45.3%	839.62	-28.3%
<b>Sugar</b>	165.09	154.25	7.0%	121.37	36.0%
<b>Plant Under construction</b>	5.03	3.89	29.3%	0	

### 2) Conference Call Highlights:

#### Strong order book

Order book as of 30<sup>th</sup> June, 2020 stood at Rs. 6546 cr of which 78% is the EPC contract business whereas 22% is the manufacturing business. The management has guided for execution pace to continue with a slower rate of finalization of new orders. Less than 2% of the existing orders from customers have been put on hold, cancelled or deferred giving a robust visibility for future earnings. ~47% of the order book is from government and the company is exploring opportunities in defence, space, railways buildings and airports. Management is confident of having continued traction in government as well as FGD (Flue-Gas Desulfurization) orders in current fiscal. Company has emerged as the lowest bidder in two more projects of Wet FGD. Final contracts are yet to be signed.

## Result / Con-call Highlights: (Continued)

### Update on Philippines Plant

Philippines subsidiary has a debt of \$35 mn and pending construction work of \$15 mn. The company will have to either complete the pending work with an overseas loan or find a buyer ready to fund the required capex and recover dues worth ~ \$38 mn. The company is more keen on selling the project however due to pandemic the sale of the entity has been delayed. The sale is unlikely to be completed within a year, in view of this the bank has given an extension of 2 years and the first installments are now payable January 2022 onwards.

### Cost optimization help achieve higher margins

Due to pandemic the company has implemented various cost saving measures. The company has cut the allowances and leave related benefits for employees drawing salary above Rs. 8 lakhs per annum in the range of 5% to 30%. The Managing Director and the Whole Time Director have also foregone 75% of the remuneration for current year. These efforts would result in bringing down the employee expense by 15% in FY21. Administrative and traveling cost have been curtailed significantly in the company's cost saving efforts. Management sees 9% as sustainable margins for manufacturing segment and 5% margins for EPC projects business.

### 3) Outlook:

ISGEC Heavy Engineering trades at fair valuation of 13x TTM earnings with opportunities on cards in defence and space. Company's strong order book (1.11x FY20 sales) provides a cushion on the downside whereas cost saving efforts in terms of reducing in salary and SGA expenses would help improve margins in the current financial year.

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