



“Sanghvi Movers Limited Results Conference Call”

February 08, 2016



ANAND RATHI



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**MANAGEMENT: MR. CHANDRAKANT SANGHVI – CHAIRMAN AND
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LIMITED**



Sanghvi Movers Limited
February 08, 2016

Moderator: Ladies and gentlemen good day and welcome to the Sanghvi Movers Limited Results Conference Call hosted by Anand Rathi Shares and Stock Brokers. As a remainder, 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 touchtone phone. I now hand the conference over to Mr. Girish Solanki from Anand Rathi. Thank you and over to you Sir!

Girish Solanki: Thank you. Good evening ladies and gentlemen, I welcome you all to the Q3 FY 2016 Results Conference Call of Sanghvi Movers Limited. We have with us from the management Mr. Chandrakant P. Sanghvi - Chairman & Managing Director, and Mr. Sham Kajale – ED & CFO. Without wasting much time over to you for the opening remarks Sir!

Chandrakant Sanghvi: Good afternoon, Ladies and gentlemen welcome to our con call. The results Mr. Kajale will tell you in detail, but some few salient features I have to say. We have planned capital expenditure for this full year of around 500 Crores. This in our history will be the highest;. The capex completed till December 2015 is 363 Crores and by the year end we will definitely be completing 500 Crores of capital expenditure. Our net worth as of December 31, 2015 is 728 Crores and our total debt of around 567 Crores. We have made a cash profit of around 169 Crores. What is ready reassuring is that all the cranes that have come to the dock have gone directly to the job site, there is not a single crane which has come to our workshop . So as of today our utilization is nearly 82%, 83% and all the cranes have gone on job site.

The more important fact is that we have purchased crawler crane of 600 tonnes to 800 tonnes and it will be in the history of crane industry that a company has purchased 15 cranes in one financial year and each crane on an average costs between Rs.25 to Rs.30 Crore rupees. Along with this we have imported around 40 used telescopic cranes. These cranes are used as support cranes .

In the windmill industry as of today we are falling short of four to six cranes in the capacity of 600 tonne cranes. In our fleet today we have about 27 cranes 600 tonne and above and they are fully booked up to March and may be from April-May onwards. To our surprise we thought that since tower heights have increased and the weights have increased our 400 tonne crane will be surplus but to our great surprise t all the 400 tonne cranes have been working and on an annual basis we are extremely happy with the deployment of 400 tonne crane. In our fleet as of today we have around thirty 400-tonne cranes.



Sanghvi Movers Limited
February 08, 2016

On the telescopic crane all the cranes that we have imported are 80 tonne to 200 tonne capacity and when we give a crane to a windmill site then there is a main crane of 600 tonne, a trailer, 80 tonne, and 150 tonne. Now from a project site to complete this windmill projects we have pulled out from the project site, 18 cranes we have pulled out, that means had we have purchased 18 more telescopic cranes; on an average it costs around Rs.2.5 Crores, even also with 20 cranes we would have been okay like.

One mention I would like to make then I will hand over the mike to Sham is that our contribution from windmill is 57%, even I was shocked, I thought it will be 75% to 80%, that goes to say that besides windmill, other sectors, at least for our company is quite good and we are quite happy that is only at 57% and as I mentioned earlier had we got 600 tonne crane, three to four are still shortage then the fourth quarter I just checked the figures of January sales, it is going to be very good, it is going to be better than the third quarter.

With this introduction I will hand over the mike to Sham Kajale, Executive Director & CFO of our company. Thank you and I will be there to take some of your questions.

Sham D. Kajale:

Thank you sir. Good afternoon everyone. I will just brief you about the financial performance of the company for the quarter ended as well as nine months ended December 31, 2015. Our total turnover for the nine months period ended December 31, 2015 is 367.83 Crores, other income is 2.44 Crores, total income is 370.27 Crores, total expenditure is 120.60 Crores, PBIDT is 248.67 Crores, our PBIDT to total income is 67%, the interest cost was Rs. 37.89 crores depreciation cost was Rs. 90 Crores, profit before tax 120.78 Crores, total tax expenses is 41.76 Crores, profit after tax 79.02 Crores. Percentage of profit to total income is 21.34%, total cash accrual 169.02 Crores, net worth 728 Crores, total loans 567 Crores, debt equity 0.78:1, our average capacity utilization for the nine months period is around 81%, our gross average is 3.06%, other income constitute profit on sale of 10 lakh, equity share of Suzlon which is 1.49 Crores and some interest that we earned from fixed deposit that we placed in the bank. Company has completed capital expenditure of 363 Crores for the nine months period ended December 31, 2015 and we have purchased 32 cranes during nine months out of which 20 cranes were hydraulic cranes, 12 cranes were crawler cranes.

Our term loan obligations for the entire period was 75.91 Crores and only 32 lakhs is pending which is in the month of March, otherwise we have repaid the entire term loan obligations for the entire year. In addition to this we already prepaid some of the loans which are due in the next financial year, that shows that we have enough liquidity and we can definitely service our debt going forward also. The sector wise revenue contribution for



Sanghvi Movers Limited
February 08, 2016

the nine months period ending December 31, 2015 is as under; windmill has contributed 57% of the revenue, power sector contributed 14% of the revenue, refinery and gas 16% of the revenue, steel and metals 3%, cement 6% and other industry 4%. We have not sold any cranes during this nine mother period. Our total debtors as on December 31, 2015 was 129.36 Crores and the average receivable days were 84 days. With this I will hand over the mike to for your question and answer session.

Moderator:

Thank you very much, ladies and gentlemen we will now begin with the question and answer session. We will take the first question from the line of Pavan Ahluwalia from Laburnum. Please go ahead.

Pavan Ahluwalia:

One question Mr. Sanghvi, actually two questions. First is as I look at our revenue run rate it has been in the 120-130 Crore range, obviously that reflects as you said a high utilization of our existing crane base, given the new cranes that are coming on line if we assume for a moment, let us take the assumption that these will have a similar level of utilization what kind of revenue run rate could we expect to do next year if we complete the 500 Crores of capex and if our cranes get the same level of utilization that is the first question. The second question is as I see it from a competitive strategy standpoint we obviously want to be able to be in a position to meet demand and obviously wind is doing very well and from your comments it looks like there are other sectors that are also doing well and it probably makes sense for us to keep a certain amount of buffer capacity just to make sure that nobody else finds this industry so attractive to enter, so in a way when we are commissioning capacity we are gearing ourselves up to serve demand but we are also signaling to other potential entrants there is going to be enough capacity and they would be foolish to try and add capacity here. What is that level of buffer that we should expect the company to operate with structurally because that would imply that whatever you think, the actually demand is you would want to be 20%, 30% over capacity just to ensure that the long-term competitive position is preserved. The third question is we have seen a lot of talk in the papers about the government putting a lot of pressure on some of the PSU oil companies to do refining capex. Are we seeing any pickup in the order flow from the refining segment which has historically been quite good for us as a result and is that something you expect to accelerate in the next year or two?

Chandrakant Sanghvi:

Regarding if we were to do a capital expenditure of 500 Crores itself a herculean task which we have completed very smoothly, now having said that to create a buffer or if other entrants come, we also got limitations how much capital expenditure we can do, so we will take a pause for another six months and then decide upon the future strategy for the next year and for the buffer.



Sanghvi Movers Limited
February 08, 2016

- Sham D. Kajale:** Pavan you have rightly said that in order to maintain our market share we did some Capex but it was a judicious decision that we had taken and as Mr. Sanghvi has explained to you in the beginning itself that all the cranes that we have purchased has already gone to the job site, there is no gestation period for those kind of cranes. Coming back to your first question of next year's annual turnover it is very difficult to give this answer because it might amount to giving very price-sensitive information. We will come back to this question, once we complete the financial results for the entire year and then we can tell you how much growth we expect, because most of the people, they finalize the cranes for the next year only after their accounting year is over. Coming back to your third question regarding the government putting pressure of PSU and refining company, we are getting some enquiries, not in a big volume but yes there are some enquiries coming but not in a big volume because they might be at a initial stage and very early to comment on whether we get a new job from the refinery sector at this point.
- Chandrakant Sanghvi:** Now, we have got some two three jobs one is in BPCL Mahul and one which we are going to execute next month and one we are executing in CPCL and from there, there is revamping also in the Haldia Petrochemicals, what you call is right that lot of refineries are going to be revamped.
- Moderator:** Thank you. We will take the next question from the line of Kashyap Jhaveri from Capital 72 Advisors. Please go ahead.
- Kashyap Jhaveri:** Sir I missed out on the breakup of the revenue that you gave windmill 57, power 16, cement is 6, others.
- Sham D. Kajale:** I will repeat it; windmill 57%, power 14%, oil and gas at 16%, steel and metal 3%, cement 6%, other industries 4%.
- Kashyap Jhaveri:** You also gave a breakup of new acquired cranes in terms of the tonnage so if you could repeat that.
- Sham D. Kajale:** We have purchased six brand new cranes up to nine months period, which are heavy-duty cranes and 26 are used cranes.
- Kashyap Jhaveri:** And in terms of the tonnage how much would that be?
- Sham D. Kajale:** 12 cranes that we have purchased are 600 tonnes and above.



Sanghvi Movers Limited
February 08, 2016

- Kashyap Jhaveri:** And even after this you are saying you will still not be able to take whatever the demand is after this 12?
- Sham D. Kajale:** Yes, even after buying these cranes there is a shortage of at least three to four packages in the windmill but we have not gone for that.
- Kashyap Jhaveri:** Sure, so 12 is 600 tonnes
- Sham D. Kajale:** And rest is tyre mounted telescopic cranes which is between 70 tonnes to 200 tonnes.
- Kashyap Jhaveri:** And yield you mention is about 3.06% would that be the correct number?
- Sham D. Kajale:** Yes.
- Kashyap Jhaveri:** And what is the view on the yield side?
- Sham D. Kajale:** I think it is stabilizing now. I do not foresee that it will cross 3.2 or something like that historically we used to get; I think it will stabilize between 3.06 to 3.1.
- Moderator:** Thank you. We will take the next question from the line of Amisha from FlorinTree Advisors. Please go ahead.
- Jagdish Bhanushali:** Hi, this is Jagdish Bhanushali here. Do we have any client exposure in terms of more than 10% of our revenues?
- Sham D. Kajale:** More than 10% of the revenue we do not have; all are less than 10%.
- Jagdish Bhanushali:** And any major client will be somewhere about 10% or less than can you just quantify that?
- Sham D. Kajale:** We do not disclose this information. .
- Jagdish Bhanushali:** Okay but none of our client exposure is more than 10% right.
- Sham D. Kajale:** Yes.
- Jagdish Bhanushali:** Is it more than 5%.
- Sham D. Kajale:** Yes it is between 5% to 9%.



Sanghvi Movers Limited
February 08, 2016

- Jagdish Bhanushali:** Just to have an understanding if you can brief me how is that particular client exactly doing for us, in terms of outlook and how the Q4 pans out to be as well?
- Sham D. Kajale:** See, as I told you our average receivable days has come down to 84 days which had gone up to 240 days when the economy was not doing well and we also got stuck with huge amount of receivables with various clients, but now we are going very judiciously cautiously with every client, we are asking advance payment, LC payment that is why we were able to reduce our average receivable cycle. Coming back to your question this top five clients our receivable days is less than 90 days.
- Jagdish Bhanushali:** How does the outlook come for top clients in Q4 and FY 2017 as per the utilization anything to move up in terms of revenue share as well?
- Sham D. Kajale:** Sorry, I could not understand your question in a right perspective.
- Jagdish Bhanushali:** How is the perspective of the top five clients looking towards in terms with us as Sanghvi Movers, how is your outlook coming up in Q4 and FY 2017?
- Sham D. Kajale:** In Q4 they already continued with their work order because their work order is getting over somewhere in April-May and they are now talking about renewal of previous contracts. We are very positive for next year turnover from this pipeline.
- Jagdish Bhanushali:** So, is it that, that the utilization has to move up significantly from this year as well.
- Sham D. Kajale:** I do not think it will cross 86%, 87% also 82% will become 84%, 85% on an average and it will stabilize at that kind of level. In our industry we never cross 89% or 90% of utilization at any point of time considering the peculiar nature of our industry.
- Jagdish Bhanushali:** Just to understand how much is our exposure to the wind sector?
- Sham D. Kajale:** 57%.
- Moderator:** Thank you. We will take the next question from the line of Ruchit Mehta from SBI Mutual Fund.
- Ruchit Mehta:** What was the closing number of cranes that we had during the quarter?
- Sham D. Kajale:** 417.



Sanghvi Movers Limited
February 08, 2016

- Ruchit Mehta:** And how many are yet to come in the fourth quarter and the first quarter?
- Sham D. Kajale:** See total capex that we are doing 500 Crores roughly around we will be buying 55 cranes 32 cranes we already got the delivery and capitalized in the books of account up to December 31, 2015 so another 22 cranes will be coming in the fourth quarter.
- Ruchit Mehta:** The fourth quarter itself.
- Sham D. Kajale:** Correct.
- Ruchit Mehta:** So this 417 cranes could you tell us what was the associated gross block with this?
- Sham D. Kajale:** s 1925 crores .
- Ruchit Mehta:** And out of this 417 what is the number of nonoperational cranes the cranes that you use for building the other cranes at the job sites?
- Sham D. Kajale:** See number of cranes will be around some 20 cranes which I told you in the previous concall also.
- Ruchit Mehta:** There is no change in that.
- Sham D. Kajale:** Now, most of our yards are totally empty and whatever cranes that we have we already repair those cranes to ensure the support cranes which are required to be given along with the heavy duty cranes and Mr. Sanghvi explained that some of the cranes we have pulled out from the project side and given to the windmill side to cater to their demand. So what we did in between there are certain cranes which were idle and they were under repair so we got them repaired and now we have sent those cranes to the job site also.
- Ruchit Mehta:** What would have been the utilization for the quarter and the yield for the quarter?
- Sham D. Kajale:** It was 81% to 82% and yield was 3.06%.
- Moderator:** Thank you. We will take the next question from the line of Bhalchandra Shinde from Centrum Broking. The next question is from the line of Prabhat Anand Raman from HDFC Securities.
- Prabhat A Raman:** Sir I was just referring to your sequential performance while on a YoY basis obviously we have done very well, but sequentially it seems that though Q3 happens to be better for the



Sanghvi Movers Limited
February 08, 2016

wind and as we get most of our schedules from the wind sector, but the results are not that indicative of a great growth coming on a quarter-on-quarter basis, so any specific reason that the growth will not add up especially on the margin front.

Sham D. Kajale: See margin has come down primarily because of the two costs which have gone significantly high because we did a Capex so our depreciation cost has increased; our interest cost has also shot up. Because we did a substantial amount of Capex in the third quarter also and the second quarter that effect is always there.

Prabhat A. Raman: That is on the bottom-line margin I am talking for EBITDA margin we seem to have lost about 240 bps on a quarter-on-quarter basis.

Sham D. Kajale: If you remember, during the earlier con-call, while answering the questions when they asked me this question, whether your EBITDA margin will cross 70% which we used to get in the Year 2009 and 2012. I always maintain that our EBITDA margin will remain between 67% to 68% and that is how we got that margin. Our margin for the third quarter is 66.66% excluding the other income and for nine months period is 66.97%. If there are jobs then we have to move the cranes from one location to the another to the job site and we have to incur freight cost, automatically the freight cost is bound to increase, what we did also we have made a provision of 1.22 Crores during this quarter towards the incentive for the employees that is why my employee cost has also slightly gone up.

Prabhat A. Raman: Sir if I see the net revenues also, it has grown by 8% though the commentary states that you are seeing a lot of orders coming in from refinery, power and obviously even wind is looking very positive but it is not quite reflected in the quarter-on-quarter numbers yet. So one question is like are these revenues going to be delayed (inaudible) 22.58 happen in Q4.

Sham D. Kajale: Mr. Sanghvi had already explained to you that Q4 will be better than Q3 .

Prabhat A. Raman: Sir I just wanted to clarify couple of points, you mentioned 81% is utilization for nine months; for the quarter it is?

Sham D. Kajale: It is around 80% to 83% I do not have the exact number right now in front of me.

Prabhat A. Raman: And sir can I get the similar number for previous quarter Q3 FY15?

Sham D. Kajale: Q3 FY15 it was 62%.

Prabhat A. Raman: And the yield sir?



Sanghvi Movers Limited
February 08, 2016

- Sham D. Kajale:** Yield was 2.37%..
- Moderator:** Thank you. We will take the next question from the line of Rajat Budhiraja from Banyan Capital.
- Rajat Budhiraja:** Thanks for taking my question. Because the utilization is already 82% to 84% and maximum we can go to 86%, 87% so most of the growth would be coming from more capex which we are already doing so I have a question that how much growth we can have through the capex and what would be our comfortable debt equity ratio.
- Sham D. Kajale:** I will answer your second question first, even if we do the capex of nearly 500 Crores our debt equity for this nine months period is 0.78 and if we do this additional capex which is going to happen in the fourth quarter total debt will be around 600 Crores to 610 crores and as I mentioned initially we are prepaying next year term loan also, so considering all these factors our debt equity will be around less than 0.8 by 31st March, 2015. We are comfortable with debt to equity ratio which is less than one. The board has allowed us to go up to 1.25 Crores if there is proper visibility of income, proper order book, sound enquiries from good clients, but we do not want to go over above 1:1 debt equity ratio.
- Rajat Budhiraja:** So when you are saying 1.2 to 1.25 this will be around 900 to 950 Crores of debt right.
- Sham D. Kajale:** Correct.
- Rajat Budhiraja:** So there will be additional 300 Crores of capex that we can do next financial year is it right to interpret.
- Sham D. Kajale:** Correct, we can do but we have not decided anything about the capex for the next financial year. We will be observing the effects of the capex that we are doing. We will see how the order book is flowing for the next financial year. We will see the income visibility and then only we will take a decision. Right now we have not decided anything about next year capex plan.
- Rajat Budhiraja:** If you talk about the demand scenario can you please give us an overview how do you see the demand going forward and for us things are going good because the utilization is so good, yields are increasing but if you look at overall economy scenario how do you see the ground reality?
- Sham D. Kajale:** We are seeing lot of traction happening from the windmill and we are capturing that opportunity actually and going forward for the next financial year people from the windmill



Sanghvi Movers Limited
February 08, 2016

industry they are talking about booking of cranes for the next financial year also and they are talking very seriously about crane booking, because they are little scared as to whether they will get the crane and they are talking about 4200 to 4500 megawatt installation in the wind sector, so we are definitely going to capture that opportunity. In thermal power sector, yes there are tractions happening, we are reliable on certain projects which got stalled earlier because of various reasons, so we are getting enquiries, in fact we are working with some of the projects which earlier got stalled and we are hopeful to get more enquires from thermal power sector in next year. Mr. Sanghvi has already explained to you that we are already getting enquiries from and we already got the job for certain refinery projects also so we are quite hopeful about next year financial performance.

Rajat Budhiraja: How is the competitive scenario right now, we are buying so much of cranes so are the other guys also buying or what is happening apart from Sanghvi?

Sham D. Kajale: There are people who are buying some cranes. It is not that they are not buying anything. Our competitors are also buying cranes but not in a big number. They are also going cautiously but they may have their own limitation in terms of raising finance. They know that there is a good visibility in terms of revenue. There is a good demand also. There is good requirement of cranes going forward but they are going as per what their balance sheet permits them.

Rajat Budhiraja: What about the yields, you are saying yields are going to stabilize but when we see the visibility and there is like we are the only one who are doing so much of capex, so should not we expect yields to increase further from here?

Sham D. Kajale: No I do not think the yield will go above 3.1 or 3.15; I am giving very conservative answer. If we can get the opportunity of any price increment from the client we will definitely do that but on a conservative basis, I am giving this answer .

Rajat Budhiraja: In terms of the industry contribution right now wind power is 57% and we are positive on this sector, should we expect this contribution to increase further to more than 60% or 65% going forward.

Sham D. Kajale: Yes, your question is right, yes it will increase up to 60% also.

Rajat Budhiraja: Is there any maximum limit where you want to restrict yourself and not grow further?

Sham D. Kajale: See we are getting good order book from them, we are getting payments in time, why to divert the cranes to some other clients where there might be chances of payment getting



Sanghvi Movers Limited
February 08, 2016

stuck. It is not something that we have made any concrete decision that we will not go above 60% or 65% to any particular industry or maybe 20% above in respect of a particular industry. If there is good demand, if we are getting good pricing from the client then we will definitely deploy the cranes with those clients and in those industry

Rajat Budhiraja: And my last question is on the debtors, you are saying we have 129 Crores and how much of these debtors are more than six months?

Sham D. Kajale: See more than six months is 39 Crores.

Rajat Budhiraja: And have we taken any write-offs on the receivables last financial year in the last nine months?

Sham D. Kajale: Last nine months we have written off certain bad debts which we had provided earlier as a provision for doubtful debt. What we do actually is we make a provision for the debtors above one year and we take legal action against those defaulters. If the money does not come even after taking legal action we write off the debts however we do not stop our efforts of recovering money. We are getting a lot of money recovered from the debtors which earlier were provided as doubtful debt or written off as a bad debt. I do not want to quote any names also but we have been successful in recovering a good amount of money . It is part of income from operation, so I cannot disclose that figure but yes the efforts are on to recover that money.

Rajat Budhiraja: How much of this 39 Crores have you already provided with provisions?

Sham D. Kajale: Less than nine months actually, it is between six months to nine months so there is no need to provide any additional amount for those debtors.

Moderator: Thank you. We will take the next question from the line of Bhalchandra Shinde from Centrum Broking.

Bhalchandra Shinde: Sir regarding wind, as you said wind players are expecting around 4000, 4500 do you have any restrictions on the regions because as per our analysis most of the capex is going to happen on the Andhra Pradesh side, is there any restrictions on the regions where you can cater to these wind players?

Sham D. Kajale: We are supplying cranes all over India. Wherever there is a windmill erection, the client says that we want to erect the windmills in Madhya Pradesh; we send our cranes to Madhya Pradesh. We have lot of windmill sites in Gujarat region. We have lot of windmill sites in



Sanghvi Movers Limited
February 08, 2016

Rajasthan, Madhya Pradesh, and south region also. There is no restriction as such about the region wise crane deployment in windmill sector.

Bhalchandra Shinde: What is your sense on the wind market? Will the tariff policy related issues may affect their growth or do you think that as per the wind players, things are moving in a smooth direction?

Sham D. Kajale: It is very difficult to give answer to this question, because I think government has already introduced accelerated depreciation and GBI benefits to this industry that is why this industry has got one more chance of revival, so I think this will continue. Tariff I really do not know. We cannot comment on that tariff issue.

Moderator: Thank you. We will take the next question from the line of Kashyap Jhaveri from Capital 72 Advisors.

Kashyap Jhaveri: Sir, what is the gross block at the end of December?

Sham D. Kajale: 1924 Crores.

Kashyap Jhaveri: Have you finalized any capex for next year?

Sham D. Kajale: No we have not finalized any capex for next year.

Kashyap Jhaveri: But, would it be safe to assume that we would want to do Capex next year without taking that because we want to keep certain tab on debt equity.

Sham D. Kajale: Yes, there are chances that we may do certain Capex if there is a visibility and sound order book and we have sufficient cash accruals and we can definitely do some additional capex without making further borrowing from the Banks.

Moderator: Thank you. We will take the next question from the line Saket Lohia from Kanav Capital.

Saket Lohia: Hi Sir, congrats for the good numbers, actually just wanted to know on the total cranes side for 2014, 2015, and 2016 at the end.

Sham D. Kajale: I do not have the number right now actually.

Saket Lohia: Above 600 tons sir the big ones?



Sanghvi Movers Limited
February 08, 2016

- Sham D. Kajale:** 600 tonnes and above last year we were having 12 cranes. This year we added another 15 cranes so last year March 31, 2015 we were having 12 numbers heavy duty capacity cranes now this year we will be having 27 cranes. By the year end we will be having 27 cranes.
- Moderator:** Thank you. We will take the next question from the line of Ujwal Shah from Quest Investment.
- Ujwal Shah:** Sir, I just wanted to understand the yield differential between industries, so is it the case that wind industry would provide us better yields as compared to others. How should we look that?
- Sham D. Kajale:** We give a blended yield across all the industry. We do not give any sector specific yield and we do not comment also because otherwise the clients from the power sector will say you are charging us more or windmill people will say you are charging more as you mentioned in the conference call, so we do not disclose this information.
- Ujwal Shah:** And in terms of payback period for our capex usually what kind of payback period do we see?
- Sham D. Kajale:** Normally we expect that this crane should pay us back between six to seven years, brand new cranes typically six to seven years, used cranes between four to five years.
- Ujwal Shah:** And lastly sir if you can give the current total cranes that we have?
- Sham D. Kajale:** 417.
- Ujwal Shah:** Yes in terms of tonnage if you can give us the breakup sir.
- Sham D. Kajale:** 238 cranes we have 100 tonnes and above out of 417.
- Moderator:** Thank you. We will take the next question from the line of Mayur Gathani from OHM Portfolio.
- Mayur Gathani:** Thank you for the opportunity sir. Did I hear you correctly when you mentioned that you sold some Suzlon shares, so do you still have some shares of Suzlon that you can simply recovered or it is currently in the ongoing purchase of Suzlon would be payment directly right, not shares.



Sanghvi Movers Limited
February 08, 2016

- Sham D. Kajale:** It has never been shares actually. We have invested some amount in equity shares of Suzlon. We did it in 2015. It has never been a compulsion for us to make these kind of arbitrage. We have invested Rs.7 Crores in Suzlon shares at Rs.10.52 per share, and purchased 67 lakhs. Out of which 10 lakh shares we sold in the second quarter. So we are still holding 57 lakh shares of Suzlon and we already made a profit of 1.45 Crores which we already reported in the second quarter itself.
- Mayur Gathani:** Okay this is nothing against previous payment.
- Sham D. Kajale:** Nothing to do with receivables, we already got everything paid from Suzlon and things are under very much control.
- Mayur Gathani:** Can you give us the top few clients only on the wind power business?
- Sham D. Kajale:** We are doing lot of business with Gamesa, GE, Region Power, Inox, and Suzlon.
- Mayur Gathani:** And any specific number that you can provide for the bad debt written off in nine months FY 2016?
- Sham D. Kajale:** Theoretically it was already provided in earlier year so it was just a book entry so we had just debited to bad debts and credited to the doubtful debts, so technically there is no hit on the P&L aspect, because we already consider it as a provision for doubtful debt in the previous year.
- Mayur Gathani:** When you receive on your continuous pursuance when you receive that money that goes in operated income, (inaudible) 38.37.
- Sham D. Kajale:** Because we feel that it is the operating income that you written off earlier so you have to consider it as part of your operating revenue only.
- Mayur Gathani:** What could be that amount considering the nine months you did?
- Sham D. Kajale:** I do not disclose that, sorry.
- Mayur Gathani:** Not a problem, and anything that you look in, let us say wind is doing very well right now and you are using these cranes like 600 tonnes above cranes that you are buying you see that six, seven years down the line or ten years down the line you have the utility of these cranes, India has been this big potential, I keep one side aside that the government is really focusing on renewable energy.



Sanghvi Movers Limited
February 08, 2016

- Sham D. Kajale:** See our cranes are fungible. This is not any sector specific crane that we are buying. Our cranes find an application in refinery, windmill, power sector, steel plant, and cement plant. So even if you have questions in worst case scenario windmill industry closed down after ten years, these cranes will still find an application in other sectors.
- Mayur Gathani:** Even the 600-tonne cranes would find a possible utilization in other sectors.
- Sham D. Kajale:** Correct. 600 tonne is utilized in refineries. It is used in power plant. It is used in steel plant.
- Mayur Gathani:** So current focus is on wind but it is easily fungible.
- Moderator:** Thank you. We will take the next question from the line of Prabhat Anand Raman from HDFC Securities.
- Prabhat A. Raman:** Sir you mentioned that you have some cranes deployed in the southern region as well, did we lose some days due to the Chennai floods and was that the reason why the growth did not come?
- Sham D. Kajale:** We have not provided any cranes.
- Prabhat A. Raman:** No sir the entire region of Tamil Nadu, Karnataka and all these places the entire region had problem because of floods in Chennai, so did we lose any days?
- Sham D. Kajale:** There were requirement of cranes in southern region for installation of certain windmills Gamesa and other clients, now what they have postponed their installation plan, earlier it was in January, February and March now they have postponed up to April, May and June so we have not lost any revenue. They requested us to postpone the deployment because of the natural calamity which we accepted but we have not lost revenue because those cranes have got corresponding jobs from other sector or within the same clients which is in other places so we have not lost technically any revenue because of this natural calamity.
- Prabhat A. Raman:** What is our cash position as in December, cash on balance sheet?
- Sham D. Kajale:** It is 16 Crores.
- Prabhat A. Raman:** Sir given the amount of Capex we are doing and we have got lot of cranes in picture to come, has there been any changes in our rankings in world cranes, we were ranked seventh the last time I remember.



Sanghvi Movers Limited
February 08, 2016

- Sham D. Kajale:** The ranking happens only once in a year which typically will happen in June 2016. So once our balance sheet is out we need to send them a data and based on their collection of data from all the top 50 companies they rank us, most likely our rank will go up .
- Moderator:** Thank you. We will take the next question from the line of Kashyap Jhaveri from Capital 72 Advisors.
- Kashyap Jhaveri:** One question in this oil and gas would you be able to break it up between upstream and downstream?
- Sham D. Kajale:** That data I do not have right now, nobody has asked me this question in the previous conference call .
- Moderator:** Thank you. We will take the next question from the line of Vaibhav Vaid from Motilal Oswal Securities.
- Vaibhav Vaid:** How much does top five clients form part of our revenues.
- Sham D. Kajale:** Again this is the same question in a different form; we do not disclose this information.
- Vaibhav Vaid:** And at least could you give us our major clients.
- Sham D. Kajale:** See major client from windmill sector I already explained this Gamesa, GE, Vestas, Inox, Region Power Tech, and Suzlon.
- Vaibhav Vaid:** And sir how would be the payment cycle with these clients?
- Sham D. Kajale:** See normally we give 30 days credit, eventually payment certification happens from the site and then it goes to Accounts / Finance Department of Client's Office come **all this takes** normally takes 60 days, so within 60 to 90 days we use to get our payment from the client.
- Vaibhav Vaid:** And how much credit do we get to make our payments to our suppliers?
- Sham D. Kajale:** See normally we also get 30 days credit but we do not have major creditors also because we import certain spare part for our cranes, so we have to make an advance payment. For local suppliers like tyres, tubes, batteries and oil for that thing either we get a cash discounts. We make an upfront payment and get a cash discount or we use to get 30 days credit.



Sanghvi Movers Limited
February 08, 2016

- Vaibhav Vaid:** Sir considering different sectors is the pricing same across the sectors or how is the pricing; just the general view I do not want the exact pricing?
- Sham D. Kajale:** Normally prices are more or less same; see basically cranes are used for lifting application. In the markets, clients do talk to each other, suppose a windmill client talk to his colleague in power sector for example BHEL or NTPC or the Tata Power, Adani Power, JSPL they normally are aware about the price up to one 600 tonne crane, or 400 tonne cranes they should pay which is not significantly different from one sector to another.
- Vaibhav Vaid:** And sir in terms of market share how much was our market share is in this market.
- Sham D. Kajale:** See I would say heavy duty cranes line 400 tonnes and above we will be holding at least 75% plus market share.
- Vaibhav Vaid:** And the other ones?
- Sham D. Kajale:** For example?
- Vaibhav Vaid:** Like the support cranes that we have?
- Sham D. Kajale:** Normally with heavy duty cranes you will require to give two support cranes is the rule of the industry. One heavy duty crane deployed you have to give two support cranes, so demand is automatically created for support cranes.
- Vaibhav Vaid:** And sir heavy duty cranes would form how much percent of our total?
- Sham D. Kajale:** 60% above, I would say 400 tonnes and above, may be between 55 to 60%
- Vaibhav Vaid:** And the rest would be sir?
- Sham D. Kajale:** Less than 400 then I would classify 100 tonnes and above to 400 tonnes.
- Vaibhav Vaid:** Okay that would be 400 tons. And so the major portion of our heavy duty do they go to a particular sector or it is spread across?
- Sham D. Kajale:** It is spread across. As stated in the beginning these cranes are fungible, it can be used in any sector. You have to change the configuration, depending on the sector application / client's job specification the crane configuration changes and we have the entire configuration for



Sanghvi Movers Limited
February 08, 2016

our cranes. Sometimes we have to increase the boom length, some times client may require less boom length. Sometimes we have to add derrick attachment, super lift attachment. .

Vaibhav Vaid: And sir one last thing on the pricing front for the heavy duty and this 1 to 400 tonne cranes would the margins be better on our heavy duty cranes, is it that way.

Sham D. Kajale: Slightly better.

Vaibhav Vaid: And sir major of your competitors in the 1 to 400 they would be small, small guys right sir?

Sham D. Kajale: No they are also having the heavy duty cranes.

Vaibhav Vaid: Because your market share is almost 75 so you are taking the major share of the market.

Sham D. Kajale: That is correct. See if you add the other competitors' cranes above 600 tonnes they will not be even equal to our number.

Vaibhav Vaid: All the competitors.

Sham D. Kajale: Yes.

Vaibhav Vaid: So sir is this relationship built over the years and is there any USP that you all have that probably others do not have?

Sham D. Kajale: We are the early entrant in this industry. We have excellent track record in terms of execution of clients' projects, timely delivery of the cranes, no accidents, highest sets of standards that always gives us weightage as compared to our competitors.

Vaibhav Vaid: How big would our sales force be, the sales and marketing?

Sham D. Kajale: We have some decent size of marketing department but what we do actually we are having cranes spread all over India. We have depots spread over India, so we have a site manager or regional manager who also takes care of the marketing and operation of the cranes. It is not centrally done at head office. Marketing is done all over India through our site manager, depot manager, regional manager also.

Moderator: Thank you. We will take the next question from the line of Mayur Gathani from OHM Portfolio.



Sanghvi Movers Limited
February 08, 2016

- Mayur Gathani:** Sir just wanted to check why was there a drop in the operating profit 69% coming to 67% any specific reason?
- Sham D. Kajale:** I do not think it is a significant drop in our EBITDA margin. As I mentioned we have made a provision of 1.22 Crores towards the employee incentive, that could be one of the reasons and since there is the revenue so corresponding expenses has also gone up actually. It is not significant according to me.
- Mayur Gathani:** 67% is a fair enough thing to continue.
- Sham D. Kajale:** Yes this was the thing I was mentioning in the previous call also that we will be able to maintain EBITDA margin between 65% to 67% I do not think it will cross even 70% going forward even if we achieve say 87%, 88% utilization and Yield of 3.15 % or 3.20 % .
- Mayur Gathani:** And what can basically lead to the top line growth over the years Sir?
- Sham D. Kajale:** See basically our top line is a function of three things the capex that we are doing, utilization and the yield, so our top line has gone up, if you see last year Q3 FY 2015 number versus this year numbers. We have done capex in this financial year, there is an increase in the utilization, there is an increase in the yield that is why our top line has increased from 86 Crores to 134 Crores.
- Mayur Gathani:** I take your point sir what I am now saying is your capping utilization at 3.06, we are there, you could do 3.1 or 3.2 at the max and utilization is at 81%, 82%, you are saying 85%, 86% you could work to, there is a certain flip that I can get on these but these are cap numbers unless and until you do more capex directly proportional to the capex that you would put in.
- Sham D. Kajale:** Yes, see if you do a Capex okay but there has to be back-to-back work order for this capex simply because we do a capex our top line will not go up, it has to be backed by a proper revenue, so unless there is a deployment of cranes for the capex, there will not be top line growth .
- Mayur Gathani:** Yes absolutely, what I am saying is next you are saying till March you will be doing 500 Crores then still certainly there is scope of 300 Crores capex that you can do next year, what if you do not decide to do and you tend to say no we are happy with what we are doing currently?
- Sham D. Kajale:** There will be a top line growth in next financial year also because we could not have the impact on the revenue for the capex that we have done in the current financial year so that



Sanghvi Movers Limited
February 08, 2016

will be a spillover effect on the top line because many of the cranes we got in the second half of the current financial year. Which will be deployed in the next financial year and there will be a full year revenue impact on the top line for this capex. So automatically my top line is bound to grow even if we do not do any Capex for next financial year.

Moderator: Thank you. We will take the next question from the line of Nikunj Mehta from Corporate Database.

Nikunj Mehta: Good evening Sir. My question is regarding, we have given the segmental breakup, revenue breakup. We generally are not talking anything on the real estate segment, just wanted to understand we see lot of these cranes on top of these under construction buildings, is our fleet in any sense applicable, do we have business coming from this segment or it is not relevant to us.

Sham D. Kajale: See basically the cranes which you are seeing in the construction of high rise buildings are the tower cranes. We do not own those tower cranes. Secondly these cranes are owned by their respective builders because they require these cranes on a continuous basis, so they own these cranes normally they do not rent out or take these cranes on rental basis from the people.

Nikunj Mehta: And the second question is regarding the fleet operators, how we have seen with them because I think that is a crucial asset that we have in terms of people which in turn becomes very important from the accident point of view can you just generally brief us a little bit on how the development or shortage or availability of the fleet operator is.

Sham D. Kajale: Yes, you have rightly said it is very important asset of the company.

Nikunj Mehta: And we had a training institute also.

Sham D. Kajale: We had a training institution. We had trained lot of people and those are already absorbed in the company. We maintain certain database of the crane operator and certain people, blue collar people, normally it does not happen with us but sometimes they go for long leave or they may leave this company and again come back. There are lots of such instances. Our company is a poaching ground for various competitors. They poach our people. They went also in certain cases and again come back. The salary, incentive and the medical facilities that we provide to the operators is far better than our competitors. so I would say we have a significant number of crane operators who have been working with us for more than average period of five, to six years.



Sanghvi Movers Limited
February 08, 2016

- Moderator:** Thank you. We will take the last question from the line of Vaibhav Vaid from Motilal Oswal Securities.
- Vaibhav Vaid:** On the total number of cranes could you repeat the number sorry just missed out.
- Sham D. Kajale:** 417.
- Vaibhav Vaid:** And what could be the breakup?
- Sham D. Kajale:** 238 cranes they are 100 tonnes and above.
- Vaibhav Vaid:** Sir, this yield, I am just looking at this company for the first time so what would be the yield, how do you all look at it from a metric point of view.
- Sham D. Kajale:** It is income from operation, that is the crane income that we generate divided by the gross block of the crane and revenue for each of the crane and we will consider the average blended yield for the entire fleet.
- Vaibhav Vaid:** And sir one more thing, the additions of the cranes that we do it is all on fixed orders that we have or you all gauge the demand from the client?
- Sham D. Kajale:** At least in the current financial year there was a back-to-back order for each of the cranes that we have moved as there was shortage of certain cranes and we allow certain work order or enquiry to let go to another competitor because you cannot eat everything on the plate, so we forgo some client's order also, so eventually there was a back-to-back order for all the capex so far we did.
- Vaibhav Vaid:** Sir also considering that there will be a spillover effect of the Capex that we are doing this year so could we see a 20%, 25% growth next year also.
- Sham D. Kajale:** It is difficult to tell this answer right now because people are finalizing those cranes for the next year so it is too early to make any comment on that.
- Vaibhav Vaid:** But we are positive that we will be utilizing the entire crane added this year for the next year right.
- Sham D. Kajale:** Yes definitely.



Sanghvi Movers Limited
February 08, 2016

- Vaibhav Vaid:** And sir could you give us an indicative pricing of heavy duty and low duty cranes how do you all for crane or how is it priced for the client?
- Sham D. Kajale:** We do not disclose that.
- Vaibhav Vaid:** Between our heavy duty and one crane how much would be the pricing difference.
- Sham D. Kajale:** No I do not disclose that, sorry.
- Moderator:** Thank you. As there are no further questions in the queue I now hand the conference over to Mr. Girish Solanki for closing comments.
- Girish Solanki:** I would like to thank Mr. Chandrakant Sanghvi and Mr. Sham Kajale for taking their time out. Thanks a lot sir.
- Moderator:** Thank you. On behalf of Anand Rathi Shares and Stock Brokers that concludes this conference. Thank you for joining us and you may now disconnect your lines.