"Sanghvi Movers Limited
Q4 FY'22/23 Post Earnings Conference Call"
May 25, 2023

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Moderator: Ladies and gentlemen, good day and welcome to the Sanghvi Movers Limited Q4FY 2022-23 Post-Earnings Conference Call. Joining us on this call today are Mr. Rishi C. Sanghvi, Managing Director and Mr. Sham D. Kajale, Joint Managing Director and CFO. 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, please signal an operator by pressing star then zero on your touchtone telephone. Please note that this call is being recorded. I now hand the conference over to Mr. Rishi Sanghvi, Managing Director, Sanghvi Movers Limited. Thank you and over to you, sir.

Rishi Sanghvi: Thank you, Melissa, for the introduction. Good afternoon, ladies and gentlemen, and thank you very much for attending our Q4FY 23 Analyst and Investor Call. This is Rishi, Managing Director of the company and Mr. Sham Kajale is here with us as who is the Joint Managing Director and Chief Financial Officer. So I will quickly take you through some highlights across the board and then open up for Q&A.

In terms of our financial performance, our top line for FY23 has grown to 486 crores, which is a 30% growth year on year from FY22. The net profit after tax was 112 crores, which is a 381% growth over FY22 and is a historical high for our company. During the quarter and throughout the year, we have showcased robust operating performance. Our consistent focus on debt reduction over the past three years has further strengthened the company's balance sheet. It has enabled us to generate surplus cash for future capital expenditures and investment opportunities in allied businesses.

Our optimized cost structure has further strengthened EBITDA despite escalating operating expenses. Our EBITDA in FY23 has grown to 59%, which is an improvement of 12% over FY22 where the EBITDA was 47%. This has resulted in an improvement in an average blended yield to 1.9% and has touched 2.06% in the last quarter. Our average capacity utilization has increased to 83% for FY23, which was 76% in FY22. We are also strengthening our position by adding 12 new cranes and 68 ancillary equipments in our portfolio by incurring a capex of 163 crores for FY23. Our order book stands at 299 crores as of 4th May 2023, which will be executed during this financial year. I would like to open up the floor for Q&A and hand it back to the moderator, Melissa. Thank you everyone.

Moderator: Thank you. We have the first question from the line of Deepan Sankara Narayanan from Trustline PMS. Please go ahead.

Deepan Narayanan: Thanks a lot for the opportunity and good evening everyone. First of all, I would like to congratulate management for conducting the call after a long time, so this would be very helpful and please continue this for a long time. So first question from my side. So when do we expect India's annual wind capacity implementation moving to 6 to 8 gigawatts per annum from the levels of 1.6 gigawatt for the past five years? It has been struck over that range?

Rishi Sanghvi: Sorry for the technical difficulties. So just to answer the question in FY23, the wind industry added about 2.3 gigawatts of capacity addition. In the last financial year, it was a transition year as the industry has been laying the groundwork to achieve India's ambitious target of 140 gigawatts of renewable wind energy. So this primarily involves building associated infrastructure and capabilities around metmass, grid infrastructure, substations, acquiring and developing sites. Looking forward, we have order visibility and market pull for FY24 that the country may add 5 gigawatts of capacity addition in wind.

Deepan Narayanan: Okay, okay. Sir, even though the auction and bidding has happened over the past few years at a very high level, but the installation has been at a very lower level. So they had a lot of concern. So as the government addressed all those concerns for this level of jump of the 6 to 8 gigawatt per year kind of installation happening at India, so is it possible still?

Rishi Sanghvi: So I've already answered your question because I've told you that the industry is building infrastructure around substations, grid infra, acquiring land, developing sites. It is both a private and public issue. And I believe that the step of removing the reverse options mechanism and assuring about 8 gigawatts of annual bidding will be a great boost to not only the wind industry, but also India's renewable target for 140 gigawatts of wind energy.

Deepan Narayanan: Okay, okay. That's great to know Sir. And next from my side is even this repowering potential of 25 gigawatts is announced by this National Institute of Wind Energy. So does that also add a lot of potential to this?

Rishi Sanghvi: Yes, so it's an exciting opportunity, but till now it needs to play out and there is no traction at the ground level.

Deepan Narayanan: Okay, okay. So also are we planning to cater to this offshore wind power installation market as well in future? That segment also offers a lot of potential. They are talking about 30 gigawatt by 2030?

Rishi Sanghvi: I'm a believer that until the onshore capacity potential of the country is not exploited, offshore power is too expensive. There is still about 25 to 40 gigawatts of additional potential which is totally untapped in the country at 140 meters. And at 160 meters, it is more than 100 gigawatts. So until we exploit this onshore opportunity, it doesn't make financial and viability to move to offshore wind.

Deepan Narayanan: Okay, okay. And so what kind of yields can we achieve over the next two, three years? In the previous cycle, we remember we have crossed 2.6 to 2.7% kind of yields. So is it possible to reach that kind of yields over the next two, three years when the even the capacity goes up and the utilization inching up and there is very high demand for the product?

Rishi Sanghvi: So we believe that anything above 2% is possible, at least for the next financial year, that is what the management of the company expects.

Sham Kajale: Just to add Rishi's answer, see, in those days when we used to get average benefit in excess of 2.7% or 2.8% in those years, there was we used to get a good amount of overtime. Now, because of the good project execution from the client side, no good time quantum has substantially reduced. So getting both kinds of yields is now history. So we believe that we will achieve yield in excess of 2% going forward.

Rishi Sanghvi: Also, in the past, we had a healthy mix of used and new equipment. But nowadays, we are purchasing mostly brand new equipment. And therefore, sometimes the yield may be at 2% is where we expect the yield to land out.

Deepan Narayanan: Okay. Thanks a lot and all the best.

Rishi Sanghvi: Thank you. Melissa.

Moderator: Sure. Thank you. We have the next question from the line of Rushab Shah from K R Choksey Shares & Securities. Please go ahead.

Rushab Shah: Hello. I have a couple of questions. The company has proposed to increase the share capital from INR10 crores to INR25 crores. Can you explain the reason behind it?

Sham Kajale: Rishi, Shall, I answer this question. This is just enabling resolution that, we intend to take the shareholder's approval. See, we have authorised capital of INR10 crores out of which INR8.65 crores is already consumed by issued & paid-up share capital. So in near future, if we need to increase our share capital base, we thought it better to take the approval well within an advance, so that there should not be any hurdle. So it is just an enabling resolution that we intend to pass right now. We don't have a plan in near future, at least next one year to go for any additional private placement of equity or do any rights issue or something like that. If we do, we will get back to you.

Moderator: Thank you. We have the next question from the line of Riken Gopani from Capri Global Capital Limited. Please go ahead.

Riken Gopani: Hi, sir. Thank you so much for the opportunity and congratulations for a great year in terms of numbers. Sir, I want to firstly understand in the presentation, you have outlined your guidance of adding about INR264 crores worth of capital expenditure in FY ‘24. If you could throw some more color on that in terms of, in comparison to the last four years or five years of about INR150 crores or less than that of capex, what is driving our view to accelerate the capex and how do you see this as an ongoing basis, over the next two years, three years or four years?

Rishi Sanghvi: I can answer that question. You see, the country is in capex upswing and the infrastructure has, the focus on infrastructure in the last 10 years has been very minimal. Now, looking forward in the refinery and petrochemical space, nearly 80 million tons per annum of capacity is being added either as an enhancement Brownfield or Greenfield project. In thermal power sector, almost 25 gigawatts of capacity are at various stages of construction.

In steel sector, 13 million tons per annum of capacity addition is expected in this financial year. The cement industry plans to add about 80 million tons per annum by FY ‘24. Nearly every tier 1, tier 2, metro city has an elevated or underground metro under construction. There are more than 20 airports that are being constructed across the country, including but not limited to Noida, Guwahati and multiple such locations.

Wind is expected to add about five gigawatts of capacity addition in FY ‘24. So all around, all core sectors are firing on all cylinders and there is sufficient demand or increased demand for crane. Therefore, management has, of the company has started prudent to invest about INR263 crores, which has been approved by the Board of Directors. And we will be investing in capacity addition to cater to this demand.

Sham Kajale: Well, you can just add Rishi's thought process. See, not only the capex is happening across all sectors, you must be aware that, Government of India has allocated INR10 lakh crores for infrastructure projects. Private capex is also happening on the same side. Plus, we have a robust order book and good pipeline. And our balance sheet, you must have seen, we have quite reduced our debt substantially. And because of that, Board has approved the capex plan of INR263 crores, because the pipeline is also a healthy pipeline we have, to cater to the needs of the customers.

Riken Gopani: Understood. That is very helpful. Thank you for the detailed outlook. So do you see that, this capex would be mostly tied with whatever orders that, you have in place and therefore utilization of the new capacity would be very strong once you add that capacity as well?...

Rishi Sanghvi: So all capex that has been committed has already been backed by order.

Riken Gopani: Okay. So you see a good utilization at the starting point of these units that you purchase. And therefore, the related question being in terms of utilization, we've moved quite strongly from, 70% to now about 83% utilization. Or where do you see this utilization in view of the strong demand? And I'm assuming therefore longer term engagements with your clients as well. Therefore, is there scope for utilization to further improve from wherever you are today?

Rishi Sanghvi: So, we expect utilization for FY '24 to be above 80%. In terms of order book visibility, there are most of the projects that, we are associated with are multi-year projects. So some of our order book is, we have visibility going into the next financial year as well. But we see good order visibility till the end of FY '24, a very healthy inquiry pipeline, and almost INR300 crores odd of order book, which needs to be executed in this financial year, FY '23-'24. So if you can relate that, order book to last year's numbers, you can extrapolate, where we would end the year at.

Riken Gopani: Understood, sir. That is very helpful, sir. And just one last question, which is on the gross block number. So do you do indicate in your presentations, the gross block of cranes? So if you could outline the number at the end of FY '23.

Sham Kajale: So you want to understand the gross block of crane as on 31, March 2023, right, that number?

Riken Gopani: Yes, sir.

Sham Kajale: It is INR2,300 crores.

Riken Gopani: INR2,300 crores. Got it. I have some more questions, but I'll come back in the queue. Thank you.

Rishi Sanghvi: Thank you.

Moderator: Thank you. We have the next question from the line of Manish Bhanthia, an Individual investor. Please go ahead.

Manish Bhanthia: First of all, congratulations for the great results. However, when I reviewed the financial statements, I could see that, there has been a significant jump in the operating and other expenses line item. So is it a trend that is going to continue going forward or are there any one-offs, incorporated into this particular line item?

Sham Kajale: You are talking about the Q4 operating expenses, correct?

Manish Bhanthia: Yes.

Sham Kajale: See there has been an increase in the freight cost and the manpower cost in the Q4 vis-à-vis, the third quarter number. This is primarily the freight cost, is primarily on account of movement of certain cranes because certain cranes got be had and got deployed with some other clients. So there is a movement of crane, and the freight cost has gone up. In the manpower cost, there has been an increase in the manpower because of the deployment of additional cranes plus the operating expenses relating to the EPC business that we are carrying out. So there is a quantum jump in the labor charges and that's why, the operating expenses has been slightly increased in the Q4 vis-à-vis the Q3 number.

Rishi Sanghvi: I would like to add to this. If you look at our operating revenue on an annualized basis, we have hit INR486 crores for FY '23. Now, that is a 30% growth year-on-year for FY '22. Expenses for those two years are similar and this is reflected in our EBITDA. EBITDA was 47% for FY '22. Maintaining a similar level of expense, we have been able to improve the EBITDA for FY '23 all the way up to 59%, which is a 12% jump.

Manish Bhanthia: Fine sir. Very clear. And the next question is in terms of the segment revenues. What I observe is that, today although we are planning to actually become a full turnkey solution provider, as far as the wind EPC and the project EPC revenues are concerned, it comprises almost just 2.5% of the total revenues of the company. In the coming future, do we expect this share to go up in the overall revenues?

Rishi Sanghvi: Yes, so strategically the company is looking at allied businesses and we are focused on driving those two revenue segments for both project and EPC. Last year, was the first year, where we had started but going forward, we expect to add more revenue coming from those two verticals.

Manish Bhanthia: So in terms of the overall gross margins, will there be any dilution in the overall gross margin in percentage terms?

Rishi Sanghvi: Sham.

Sham Kajale: Currently, the EBITDA margins for both this business segment put together is roughly around 35% to 40%. Because which we have, in most of the cases, we are also seeing some of the jobs because we don't have expertise. Once we develop the expertise, we may get some kind of leeway to increase or meet the cost-optimization. So currently, the EBITDA margin from this segment is on and average 35% to 40%.

Manish Bhanthia: Thank you very much. That answers my queries.

Moderator: Thank you. We have the next question from the line of Rushabh Shah from K R, Choksey, Shares and Securities. Please go ahead.

Rushabh Shah: Yes, my question is, last time we did huge capex and then market fell off the cliff, leading to huge interest burden with falling revenues. How do you manage such high risk and how are we better than placed than the previous cycle?

Sham Kajale: Rishi, would you like to take this question or should I answer?

Rishi Sanghvi: No, please go ahead. I'll add it towards the end. Go ahead, Sham.

Sham Kajale: When we did a huge capex in the financial year ‘15 and ‘16 and ‘16 and ‘17, we did a huge capex of almost INR800 crores, in those two years. After that, there was a downturn in the economy, more particularly with respect to the wind sector, where the government has changed the method of bidding for the wind sector from bidding tariff to reverse auction. And that's why, you must have seen the wind installation in India has come down from 5.3 gigawatt to 1.7 gigawatt to 1.5 gigawatt on an average in last three years to four years.

Now, Government, first of all, have scrapped the method of bidding, so they have scrapped that policy. Now, you can bid in a filled envelope. So that is the first thing, which has happened. And that's why, the wind installation is going to increase going forward. In FY ‘23, India has already completed 2.3 gigawatt of wind installation. Now, Government has set an ambitious target of 8 gigawatt wind installation going forward. So there's a good amount of business, we see from the wind sector.

And if you see overall exposure, when it was, in the year financial year ‘16 and ‘17, it was more than 70%, 75%, we are using exposure to the wind industry. Okay, that was the first thing. Secondly, we have taken a huge amount of debt in financial year ‘15-‘16 and ‘16-‘17. We had a debt in excess of INR550 crores. You must have noticed that, we have substantially reduced the debt and the debt level as on today is INR160 crores.

You must have noticed in the financial year, we did a capex of INR111 crores. Last year, we did a capex of INR161 crores. In spite of that, our debt has come to INR160 crores only. So now, we have strengthened our balance sheet. You must have seen company has earned the cash accruals in excess of INR233 crores. So we are better off as compared to the previous cycle. That was the first thing.

Secondly, not only from the wind sector, the capex is happening across all the sector, where the cranes are deployed. And that is being reflected in the yield as well as the utilization. And obviously, in the turnover of the company. So just to give some of the answers, we are better placed as compared to what we were in financial year ’15-‘16 and ’16-‘17.

Rishi Sanghvi: Okay, sir. Thank you so much.

Moderator: Thank you. We have the next question from the line of Rohit from Marshmallow. Please go ahead.

Rohit: Thank you for the opportunity and thanks once again for the consent call. I really appreciate it. Great set of numbers as well. I was curious to follow up on the authorized share capital. So as Mr. Kajale mentioned, we have more than INR200 crores to INR230 crores of cash flow that we generated. And with the next year looking strong and getting the cash flow, could go up even more. So in that context, the authorized capital increase of we, I had a guess that, it could be because it could be for some sort of a bonus issue or split or something. Is that in the cards or is that too much guess work, right now?

Rishi Sanghvi: It's certainly too much guesswork as we have already clarified with the enabling resolution. If there are any updates, the management after the Board approval will update all stakeholders.

Rohit: Perfect. Thank you for that. And the second question is, Mr. Sanghvi, you mentioned that, a lot of the order book, you have long-term contracts beyond FY '24 as well. And so you have two interesting scenarios, two interesting things happening together, where we have customers asking for long-term order books and you have very high utilization coming in. So how, do we think of views in that context? Because would it be better to have short-term contracts and then reprise them higher going forward? How do you think about?

Rishi Sanghvi: So it's a strategy call, where the sales team along with the management take. There are certain customers, who we know, are going to be repetitive customers, who have long-term plans. For example, in the wind industry, their annual wind energy capacity addition is more than a gigawatt. So for them, what we get into is 12-month contracts, where there is a clause in the contract enabling us to renegotiate commercial terms for any further extension. It is a mixed bag, where certain portion of the fleet is kept for long-term contracts or committed to customers for long-term contracts and certain portion of the fleet, we play in the short-term market, where we are able to take advantage of the dynamic pricing based on the situation. And this is how, sometimes we may be able to push the yield beyond 2% for the quarter.

Rohit: Sir, that was very helpful. On the order book that you have given INR233 crores, last year and INR299 crores, this year, INR300 crores almost, would it be possible to share with us. What would be the yield at which the order book was in the beginning of FY 23 and the order book today? Is it possible to share that?

Rishi Sanghvi: No, because on the order book is expected, Sham?

Sham Kajale: No, we will not disclose this number.

Rohit: Okay, perfect. So that is fine.

Sham Kajale: It is true, I can sit with you and we do not want to disclose this number to the public at large. It is a business secret.

Rishi Sanghvi: At the end of the day, we have to live with our customers.

Rohit: Sure, yes, I understand. Thank you. Thank you for that, sir. And this wanted to talk about the cycle also and a little bit more. So it is great to see the positivity that, we have across the sectors, which as Mr. Kajale explained, was not there in the last time around. I wanted to get a sense or get your views on, where do you think, we are in terms of the cycle this time around? Are we mix-cycle? Are we in the beginning of a cycle or into an up-cycle? How do you think about that, at the Board level?

Rishi Sanghvi: So we don't believe that, the current sentiment is a short-term sentiment. At least, I don't believe it. I cannot speak for my Board or the entire organization. And there is sufficient traction or project planning from multiple private players that, have long-term plans after 2030.

Rohit: Okay, perfect. And last question, sir, in the opening comments, Mr. Sanghvi, you mentioned that, you generated very healthy cash, which allows for expenditure into the cranes and allied activities. And we intend to spend on allied activities as well. So is this the EPC in project space? And how do you look at capex outside of cranes over the next two years, three years?

Rishi Sanghvi: So, as of right now, the INR263 crores of committed capex, which has already been approved by the Board and there are orders to back this capex, is all in our core business. Any further capex that, would be done if any or for allied businesses would be subject to the approval of the Board.

Rohit: Understood. So let's say five years out, not more than that, but three years to five years out, given our position in the country already with the top three player and with the fifth largest in the world, I'm just curious about, how do you see Sanghvi, not asking for numbers at all and asking about the segments that, we'll operate in the infrastructure space in the country or other spaces if you think that makes sense? So just wanted to get your sense there, as well.

Rishi Sanghvi: So crane is a very central aspect of any infrastructure project. And we have the benefit of working across several sectors. We are not limited to any one sector. Moreover, we have a brand name and a brand recognition along with a 33 year track record, which a lot of corporate houses and government agencies appreciate. So looking forward, we will be going to the customers to understand, what are their pain points and what are the solutions, that we can provide them, that are within our scope of business or our mission and vision. So around allied businesses is what we would be looking at exploring going forward. Leveraging all the levers that are already operating in our favor.

Rohit: Thank you so much, sir. This answers all my questions and I'll get back in the queue. Thank you so much.

Rishi Sanghvi: Thank you, Melissa.

Moderator: Thank you. We have the next question from the line of Manan Patel from Airawath Capital. Please go ahead.

Manan Patel: Thank you for the opportunity, sir. And congratulations for good numbers and declaring a good dividend. Sir, my first question is related to the capex and capex of the competitors as well. So while we are committing a big capex, do you see the competition also having the balance sheet and ability, given the demand in the country? They are also doing similar amount of capex and the competitive scenario this way.

Rishi Sanghvi: So I don't comment on competition's capex, but to put things in context, we are the only organized and listed player in this space. So you may draw your inference from there.

Manan Patel: Sir, I understand, we have a very high market share as well. So the idea is to understand, how is the industry behaving and their ability. But as you said, you don't comment. So I'll move to the next question. Sir, you have a good order book visibility and the amount of installation, almost when you expect to double this year. So in that context, don't you think, the yield projections that we are giving around 2%, which we have already hit in the Q4 is too conservative or how do you think about that?

Rishi Sanghvi: We believe that 2% is a fair number. If we communicate a yield at a higher level and underperform, then our shareholders get upset. If we give a lower yield and over-perform, then also they get upset. So either ways, 2% is the number, we are talking about.

Manan Patel: Okay. that makes sense. And sir, you mentioned about the new cranes and old cranes mix so in the current gross flow of around INR2,300 crores. So new cranes would, I would assume would be around INR300 cranes to INR400 crores. So is it possible to give a break up for a broad sideline on what would be the difference between years of old cranes and new cranes?

Sham Kajale: It's a price sensitivity information. It's a average blended yield that's why we started giving the price average blended yield to our stakeholders.

Rishi Sanghvi: And a clarifying question is a statement is that it's not new and old, but it is first hand purchased versus pre-owned cranes or used cranes.

Manan Patel: Okay. Got it, sir. And sir, last question was related to the EPC. So we have entered into project EPC as well, sir. So, I started to understand our scope of activities in the EPC business because it's new for us and you might be outsourcing some parts. So could you help us understand in a project, what all activities you would be undertaking in the EPC?

Rishi Sanghvi: So it's a good question. And I would like to share the following information with everyone present. So there has been a transition in the wind industry in the last two years, where the OEM has now been focused on delivering the product to their customer and not undertaking the execution of the project. On the other hand, the customer of the OEM is an IPP, who doesn't have the project experience, to do a complete project execution in the wind industry. So we see that, there is a scope for a player such as ourselves, where we can get involved in the providing turnkey EPC services for the wind industry.

Cranes is a majority of the portion of the construction of a wind farm. We have started developing in-house expertise to provide services other than cranes around various activities involved with the construction of a wind farm, surface logistics, inter-carting, foundations. So there are three categories of mechanical, electrical and civil BOP, which is balance of plant which are the services around which, we are offering to our customers.

In project EPC, typically for the bigger projects such as fertilizer plants, refineries and petrochemical, etcetera. There is a need to not only provide a crane on a rental basis to but to also undertake allied activities such as equipment direction, alignment, engineering solutions, fabrication, structural work, erection, so on and so forth. So there again our interest is to provide to wind composite work or composite orders, whereby we, using our strength in crane, we are able to leverage our know-how with the customer, with our operational capabilities and our in-house talent engineering skill sets, to provide a composite solution to the contractor, principal contractor or plant owner.

So that is the vision around which, currently we are focused on. Again both wind and project EPC contributed about INR10 crores up, to the top line last year and we are focused on growing this out in the coming financial year.

Manan Patel: Thank you sir. That's very helpful and just one add on to this. So are we open to any inorganic opportunities especially in the EPC part of the system?

Rishi Sanghvi: If any opportunity presents itself the management will evaluate it and seek the Board's recommendation on the same.

Manan Patel: Thanks a lot, sir. Wish you all the best for coming forward. Thank you, sir.

Moderator: Thank you. We have the next question from the line of Arpit Ranka from Kovil Investments. Please go ahead.

Arpit Ranka: Yes. Hi, thanks for the opportunity. Most of our questions have been asked already. Just a quick follow-up on, what was communicated earlier in the call. From a strategy perspective, what's driving our decision to buy or prefer newer cranes over the use cranes, despite the lower use. If you could help us understand.

Rishi Sanghvi: So typically hub heights in the country have gone up from 90 meters to 140 meters and world over there are very few cranes that, can go up to 140 meter hub height. This is a trend in the industry including, the European market, where the hub heights have been going up exponentially over the last few years. So availability of use cranes is a challenge that is the first part.

The second part is that the newer cranes have newer safety features, newer technology. They have more flexibility in terms of the components that, can be used for different industries. So there is a lot of benefits in going for new cranes.

Arpit Ranka: Okay. So is it fair to assume that, what you've given is a say gross capex for the next year at INR260 crores odd, but the cranes, which are not or maybe these newer cranes will replace some of the older, which are less relevant. So would there be a plan to like sell them off also or how's the management thinking about it?

Rishi Sanghvi: So older cranes don't become irrelevant. They're still fungible across other sectors such as cement, steel, thermal power, refineries and petrochemicals, metros, railways, bridges, airports, etcetera. So, with 80% plus capacity utilization not many cranes are ideal as of now.

Arpit Ranka: Okay perfect.

Sham Kajale: Just to add Rishi's thought process. See we have been constantly selling the old cranes. For example, we sold 11 cranes in FY 2012, 12 in FY '21 and FY '22, we sold 6 cranes. Last year, we already sold 7 cranes. This year also, we have some plans to sell old cranes. So the management purpose is to revamp the cranes fleet and that means, we are going forward also.

Rishi Sanghvi: It brings down the average age of the fleet.

Arpit Ranka: What's the average age of the fleet? It used to be 12 years, I remember. What's that right now?

Sham Kajale: No, it is more than 20 years-22 years because we had a lot of old cranes still.

Arpit Ranka: Okay. So as of now, it's about 20 years, I think, 20-20.

Sham Kajale: Yes.

Arpit Ranka: Okay. And in the past, this is last question. So, in the past you've spoken about that, whenever feasible, we will consider a buyback. At the current valuation, you think, Board is still kind of open to that or you're saying that, just like to understand your thought on that?

Rishi Sanghvi: We have taken a note, on your advisement. We have already declared a dividend of INR4. If a buyback is to be considered, the Board will take a final decision.

Arpit Ranka: Okay. Thanks a lot. Thank you very much.

Moderator: Thank you. We have the next question from the line of Hrishikesh Bhagat from Kotak Mutual Fund. Please go ahead.

Hrishikesh Bhagat: Hi, good evening. Thank you for your time. First of all congrats, on the work done on the balance sheet, over the last few years. So my first question is largely related to EPC business. Now just one of the thought, you did extend cover fair bit of cover my answer but just from the risk management perspective, how much capital would go over the next two years, three years in this business.

And secondly, what is risk management, we are taking considering historically, we have seen this business does, has their challenges of working capital or capital getting stuck. So from that perspective, what are the measures, we are taking? That's my first question.

Rishi Sanghvi: Sham.

Sham Kajale: Okay. So first of all, we are not doing the entire EPC, as project because EPC is the entire engineering, procurement and the construction. Currently, we are doing only very small portion of that C part. Okay, I know, it's a labour intensive as well as the working capital intensive business. Currently, we are not allocated any funds or we have not done any capital allocation for this business. Okay. Now, we are going very cautiously in this business and in wind EPC case, we are doing the business with the IPP. Most of the cases, where we have a strong balance sheet and strong financials. So we are going very cautiously in terms of credit period, payment terms, to avoid any risk, if at all arises in this kind of business. So that has been already being taken care of, in terms of risk management perspective.

Hrishikesh Bhagat: Okay. Thanks a lot. The second question is on the capex guidance. Now, how much will be funded through debt and how much probably through other internal accruals and second just related to that, do we have any other non-core assets like, land or anything that, we can sell further, to fund the this capex?

Sham Kajale: So the capex, which is funded partly through internal accruals, that is to the tune of 30% and the balance 70% will be availed by long term loans from the bank.

Hrishikesh Bhagat: Okay. Thank you.

Rishi Sanghvi: Just to clarify with our existing internal accruals, we don't need to liquidate any non-core assets to fund capex. There is sufficient cash flow generated through the business to fund our capex.

Hrishikesh Bhagat: Sure. Thanks, thanks all the best.

Moderator: Thank you. We have the next question from the line of Manan Shah from MoneyBee Investment Advisors. Please go ahead.

Manan Shah: Yes. Hi, thanks for the opportunity. I hope this engagement with the investor community goes on going forward. My first question will on the order book. Now, if we look at our order book on a sequential basis, what we had declared during the previous quarter was around INR449 crores versus this quarter, we had, what we have declared is around INR300 crores. So sequentially, we see a decline in this order book, even though on a Y-on-Y basis, there is a significant jump. So if you can just highlight, if this is a trend that, we generally see that, majority of the orders are booked during Jan-Feb period or if you can just highlight a little bit on that side?

Sham Kajale: See basically, you have to see, how much order book or how much order company has secured in the beginning of the year because once you secured the order, we need to execute those orders. So obviously the cranes are booked for the next six months to eight months period and that's how, we slowly and gradually build up the revenue over a period of time because this order book is given for a particular period. For example, from 1st of April 2023 to 31, March 2024.

One has to see from the other angle that, how much of the revenue or most of the order company has already secured. See if you see the order book for last financial year, on the same date, it was INR236 crores and we already achieved the turnover of INR455 crore. So almost 50% of the order book company has secured in the first month itself. So you have to see from that angle.

Manan Shah: Understood. Thank you for that clarification. Secondly, my question was, is there any differential in the yields for the same crane, whether it is first hand or second hand?

Sham Kajale: Generally, the yield for the brand new cranes are on the lower side and the used cranes, that we have in the cost of acquisition is relatively less is on the higher side. That's why, we started giving the average blended yields.

Manan Shah: Understood. So, basically there is no difference in the absolute rentals that we make, whether that particular crane is a used crane or a new crane.

Rishi Sanghvi: Yes, there is no difference.

Sham Kajale: Yes.

Rishi Sanghvi: You might get a slight premium from certain customers but that's about it.

Manan Shah: Understood. The various sectors that, we cater to, can you rank them on the basis of yield that we make for example?

Rishi Sanghvi: No yield is flat across all sectors.

Manan Shah: Okay. Understood. And earlier, we have guided that, we plan to limit the wind sector exposure to around 40%. So, that should continue going forward as well right or do we see any change in the mix?

Rishi Sanghvi: So, as I've already described to everyone, all sectors of the economy are firing on all cylinders. I have mentioned, almost 80 million tons per, there's almost 200 million tons per annum of capacity addition across all sectors and about 30 gigawatts of power both thermal and wind, to be added. Now it is a management discretion or where we take the orders from because we have a very healthy order pipeline and the yield is flat across all sectors. So, what we do is, we focus on utilization on a FIFO basis. Who comes first, we cater to, so that we can secure the order book and drive up the utilization.

Manan Shah: Understood. And lastly on the capex, that we are doing. So, when do we expect this capacity to be available?

Rishi Sanghvi: By the first two quarters of this year.

Manan Shah: First two quarters, this capacity should be available.

Rishi Sanghvi: Yes, Sham, how much of the capex, have we already executed?

Sham Kajale: Almost INR200 crores.

Manan Shah: Oh INR200 crores of this capex has already been executed. So this capacity is already available?

Sham Kajale: Yes, in the first quarter itself. Most of the cranes have come in the fag end of the April end. Some trains have come in the month of May also.

Rishi Sanghvi: They take about a month to start generating revenue from docks to site.

Manan Shah: Understood and you've been saying that, we have already secured, these are already secured by orders?

Rishi Sanghvi: Most of, the majority portion of the capex has been backed by orders, yes.

Manan Shah: Okay, understood. Sir, I'll get back in the queue. Thank you so much.

Moderator: Thank you. We have the next question from the line of Aditya Nahar from Alpna Enterprises. Please go ahead.

Aditya Nahar: Sir. Yes. Hi Rishi and Sham sir. Congratulations on fantastic last three years to five years. I wish you all the very best and I hope you continue doing the con call in the future as well. Thank you.

Rishi Sanghvi: Thanks Aditya.

Sham Kajale: Thanks sir.

Moderator: Thank you. We have the next question from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain: Yes. Thanks for taking my question. Sir, my question relates to Q4 financials. If we see year-on-year, there is a very good growth but in Q4, the growth was comparatively less at 16% and the utilization also at 84%, versus last year 88%. Was there any deferment or anything, which has happened, which has kept this revenue lower?

Sham Kajale: There is no deferment as much. We are a listed company and we have one of the Big Four, one of the Big Six, as our auditor. So there is no deferment of revenue. Your question is absolutely right. In FY '21, Q3 versus Q4, our revenue has increased by almost 48%, in the next financial year, it has increased by almost 48% and in the current financial year, that is in the last financial year, it has increased only by 4%. Now what has happened, most of the order that we have secured in the beginning of the year, now they have a long-term order basically. So revenue has become almost flat, during the year. So there is no postponement or deferment of revenue and more or less, this is primarily on account of securing order on a long-term basis. That is why the revenue is more or less flat. So, this was not the case in the earlier financial year.

Sunil Jain: So, what I got that, your execution was there any lag or no? Exhibition wise, like the utilization generally in the fourth quarter are very high.

Sham Kajale: Correct, absolutely right.

Sunil Jain: Then, this time it has remained lower.

Sham Kajale: There has been some movement of cranes happened in the fourth quarter of the last financial year. We almost moved some 23 crane packages, in the fourth quarter. That's why because of the transit time, there had been some dips in the revenue because the most of the cranes were in transit. We were having order but the order got executed in the third quarter of the last financial year and after the expiry of the order, with the customer, the crane had moved in the fourth quarter. So because of the transit times, there has been some dip in the revenue. Although, we got some mobilization revenue but it is not that healthy, to match the previous year top-line growth. Q3 versus Q4.

Sunil Jain: And sir, second question relate to ROE. We are doing very well on profitability in cash generation but still the ROE is sub 15%. Mainly because you deploy a lot of capital and the debt is quite low in asset business and the second thing yield. Either yield has to go up or you might have to leverage then only this ROE can go up.

Sham Kajale: In the capital intensive industry, if you are talking about the annualized ROE, it's still handy I would say. Considering the nature of industry that, we have reduced the debt also because interest cost has significantly come down as compared to what it was in the four years back or five years back. It has come down from INR64 crores to INR16 crores. So one has to see the peculiar nature of our industry. So ROE for our company like our 15%, in current scenario is very good because here our net profit margin almost 23% cash profit margin is excess of 46%, which itself is a very good number or healthy number I would say.

Sunil Jain: So you want to say this ROE, will remain around this level or is there any scope for expansion in this?

Rishi Sanghvi: What I mean to say is that, it may not be the right metric to measure our company, right Sham?

Sham Kajale: Yes. Because our depreciation charge itself is very high. INR121 crores is my depreciation charge.

Sunil Jain: So, that is the case with all the asset heavy companies, whatever we take. Okay, yes. Fine. Thank you.

Moderator: This is the operator should we move to the next question sir?

Rishi Sanghvi: I think, we can move to closing remarks, please.

Moderator: Sure sir. So, would you like to give any closing remarks?

Rishi Sanghvi: Yes, so I once again I would like to thank, all the ladies and gentlemen for joining this call and sparing your valuable time to hear updates for the Q4 and FY '23 analysts and investor call. We look forward to continuing what, we have been doing and our outlook for the business is positive and for the economy and industry. This is Rishi Sanghvi and along with me, Mr. Sham Kajale, who is the Joint Managing Director and CFO of the company. Thank you everyone and thank you Melissa. Have a good day.

Sham Kajale: Thank you everyone.

Moderator: Thank you, members of management. Thank you, ladies and gentlemen on behalf of Sanghvi Movers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.