



# “Sanghvi Movers Limited Q2 Post Earnings Conference Call”

**November 08, 2023**



**MANAGEMENT: MR. SHAM D KAJALE – JOINT MANAGING DIRECTOR  
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MR. RISHI SANGHVI – MANAGING DIRECTOR,  
SANGHVI MOVERS LIMITED**



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**Moderator:** Ladies and Gentlemen, Good day and welcome to the Sanghvi Movers Limited Q2 Post Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Sham D Kajale – Joint Managing Director and CFO of Sanghvi Movers Limited. Thank you and over to you, sir.

**Sham D Kajale:** Thank you. Good afternoon, everyone and thank you very much for attending Investor Conference Call of Sanghvi Movers Limited for the quarter and the period ended 30th September 2023.

I quickly run through the highlights of financial performance of the company for the quarter and period ended 30th September 2023 and then myself and our MD – Mr. Rishi Sanghvi we will take the questions if any you have on the financial performance of the company.

For the quarter ended 30th September 2023 Sanghvi Movers Limited has achieved a total turnover of 145 crores, EBITDA of 91 crores and profit after tax of 37 crores. Our EBITDA margin for the Q2 that is quarter ended 30th September is 63% while the PAT is 26%. Our average capacity utilization for the quarter ended is 82%, while the average blended yield is 2.09% per month.

For the 6-month period ended 30th September Sanghvi Movers Limited have achieved a total turnover of 297 crores, EBITDA of 185 crores and PAT of 79 crores. Our EBITDA margin for the H1 FY24 is 62% while the PAT is 27%. Our average capacity utilization for the half year ended 30th September is 83%, while the average blended yield is 2.15% per month. The slight decrease in the capacity utilization as well as the average blended yields was primarily on account of monsoon season which has slightly disrupted the overall operation at the working sites.

The breakup of other income is already given in the investor presentation, which is primarily includes the profit on sale of 13 cranes, reversal of provision for doubtful debts on account of recovery of monies from our clients, which was made as a provision for doubtful debt in the earlier years. Early there was some interest on FDs that we kept with the bank and the gain from the short-term investment made by the company out of the surplus funds.

During the 6-month period ended Sanghvi Movers Limited completed CAPEX of 252 crores out of the planned CAPEX of 300 crores for FY24. This consists of the purchase of 24 numbers brand new cranes of various capacities, multi axle lines and 6 number prime movers. Our order book as on 1st of October 2023 was 522 crores. The order book of the company on the same



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date the year back that is on 1st of October 2022 was 382 crores plus our order book has increased by more than 37% year-on-year basis.

Our revenue from EPC business for the 6 months period ended is roughly around 8 crores. As on 30th September 2023, the net debt of the company was 308 crores, while our net worth of the company is 903 crores. Since our debt-to-equity ratio was 0.34 is to 1. Out of the total fleet of 404 cranes, there are some 51 cranes which are at the end of their effective useful life.

The cumulative lifting capacity of these cranes is 6,690 tons, while the year of manufacture of this crane is between 1968 to 2001. The company intends to dispose of these cranes in the next 12 months and therefore these cranes are excluded and shown under the head as assets held for sale in the balance sheet as on 30th September 2023.

The gross block of these 51 cranes is 85 crores while the WDV as on 30th September is 3.23 crores. After excluding these 51 cranes, the total number of active or deployable cranes with the company are 353 cranes, while the gross block of this crane is 2,485 crores. With this, I would like to conclude my opening remarks and I would like to open the floor for the question and answers if any you have.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Rahul Kothari from Grit Equities. Please go ahead.

**Rahul Kothari:**

Sir, I wanted to understand the point with regards to there is a change in the orders with regards to earlier there used to be 2 megawatt turbines. Now it's more of a 3-megawatt turbines which are expected going forward.

So, does this change the competitive landscape in the crane provider industry in CAPEX or equipment would be on a broader note different. So, generally company would have to go with a fresh CAPEX, so does that change the competitive landscape for this industry and how are we positioned?

**Rishi Sanghvi:**

So, typically, in the past the hub heights were anywhere from 90 meters they reached 120 meters and now they're 144 meters and the rated capacity of the turbine have moved from the kilowatt class to now 3.6 megawatts. So, we have geared up for these large megawatts, 3 megawatt class of turbines and we are having currently more than 30 packages that can cater to the 3 megawatt class.

The second thing is we have been investing consistently in upgrading our fleet as is visible through the CAPEX that your company has done this year, last year and the year before that. While the turbine hub height has gone up with respect to the competitive landscape, we still cater to 60% to 65% of the organized sector and in the wind industry we are at about 75%. So, we do account for three-fourth of the total installed capacity in the country.



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**Rahul Kothari:**

Sir second point is like as what I'm reading is that large size orders are coming in the wind sector like more of 100 megawatts, 300 megawatts, 500 megawatts are being placed by PSUs and large size orders are being taken by IPPs. Does this mean or can be understood in a manner that more of a long tenure order we would be able to secure.

And secondly, since the majority of the orders are related to single states so our transit between two geographies would be limited and hence moreover like capacity utilization is going to increase going forward?

**Rishi Sanghvi:**

So, yes, we do have better clarity or visibility on our order book where some of our orders, some of our cranes, our customers are talking to us and showing us visibility till October 25. So, we as a strategy, we do keep a mix in our fleet where certain portion of the fleet is allocated to long term premium customers and certain portion of our fleet is allocated to short term contracts where the pricing is dynamic, and we can take advantage of our position.

With respect to freight cost it is an intersection of our availability of cranes, the location of those cranes, the location of the projects. So, my crane may be located in Tamil Nadu, and I may have the next order in Gujarat. So, it's difficult to say that the project locations would mean single state transport or logistics, that's not a fair assumption because it depends on multiple factors and the intersection of those factors at that point of time.

**Rahul Kothari:**

And last question is that with regards to EPC domain, do we envision that there is a strong demand for the EPC players in the market considering the large orders that are expected to come? So, is it that more of the IPP players or turnkey service providers are more pulling or more inquiring for us to provide like cranes plus EPC service provider or there is some change in the orders structure?

**Rishi Sanghvi:**

So, what we are getting a significant amount of pull from the market as I already described to you we are account for three-fourth of all the installation in the country. Now what is happening is traditionally the OEMs or original equipment manufacturers used to do the complete turnkey execution of projects right from the development of the site to the execution of that project and the evacuation of the power.

Nowadays, the OEM has moved more towards the global model, which is to produce the wind turbine and not execute the job and the IPP's are now in a position where they have to execute the entire wind farm development and so therefore there is a tremendous amount of pull from the IPP's for people to become turnkey EPC solution providers and for us that's a natural fit because we are already in the mechanical space. We are already providing the cranes, the transportation and the installation of the turbines.

And therefore, it's a natural fit for us, the independent power producers, to take on a larger scope of activities and therefore the contracts are changing. Now the IPP's are also attracted to Sanghvi Movers because we have a good balance sheet, we have well run organization, we have a past



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track record, we have done more than 10 gigawatts of installations in the country, we have worked around the country, and we have a good team in place.

So, there is a pull from the IPP's and there is a solution that we can provide to them and therefore it is a natural fit in terms of wind EPC.

**Rahul Kothari:**

And sir just one last question to pull into it, so do I need to understand that earlier it used to be a turnkey execution then I think so recently I understood that separate orders for BOPs and WTG wind turbine separate orders are being placed by PSUs and all. So, BOP is like complete EPC part, turbine manufacture OEM used to do the erection part of the turbine. Now we are squeezing the area and providing EPC within the turbine erection space not into BOP part as our EPC?

**Rishi Sanghvi:**

We are also doing BOP activity, so your company has done a couple of civil foundations. We're getting into the civil activities of foundations, pathways hard stand 33-kilowatt line, crane, transportation, installation, yard management. So, to erect a wind farm there are about 4 to 5 areas of mechanical, electrical, civil and land and surface logistics. These are the five elements that are required to build a wind farm. So, your company is slowly, but steadily making progress across all these five verticals to provide a turnkey solution to IPP.

**Rahul Kothari:**

So, this means that going forward in rather like couple of years these EPC domains could have a significant or not significant, but at least 10% to 20% revenue visibility in our total revenue contribution?

**Rishi Sanghvi:**

No, I don't give any forward guidance.

**Moderator:**

Thank you. Our next question is from the line of Pratik Jain from Solidarity Investment Managers. Please go ahead.

**Pratik Jain:**

So, I have a question on EPC foray, so just wanted to understand like how strategic this EPC foray to your core equipment rental business and second thing is on the equipment rental payback period. So, when you say that you make 1%, 2.5% rental yield, that doesn't include the cost you require to do the business on it. So, if you adjust the cost in your rental yield, what is the actual payback period basically for your equipment? That's the two questions from my end?

**Rishi Sanghvi:**

So, I'll take the first question. So, basically, we are entering into contracts where the craneage is a large percentage of the contract. It is more than 50% of the contract and we are not entering into any unrelated spaces where cranes are not utilized. So, both on the project side on the oil and gas space, on the refinery space sorry and as well as the wind space, we are not doing any pure play EPC projects where there is no involvement of cranes.

And we already have mastery on cranes being the 6th largest in the world. We are augmenting our services to basically solve pinpoints for our customers, and this is a natural pull from the market where we are able to reduce their risk, we're able to speed up the project, we're able to



charge a premium and order to do what we do. So, I hope this answers your first question and then Sham would you like to take the second question on yield and payback.

**Sham D Kajale:** See yield is a function of our pricing power and yield is also a function of the capacity addition of the plate. See the gross payback of the investment that we are making in the crane is generally 5 years assuming if we earn a 2% monthly yield multiplied by 12 months and should say average utilization you say 80% roughly your 20% of the money and the capital investment on the yearly basis.

So, gross payback is 5 years and if you deduct the expenses that is after making out the expenses the payback period is between 7 years to 7.5 years.

**Pratik Jain:** What is the life of this machine?

**Sham D Kajale:** The one that we have we typically have life more than 40 years and the tyre mounted telescopic crane that we have is having the life more than 30 years to 35 years.

**Rishi Sanghvi:** You may have noticed that we have just retired crane from 1962 and we're in 2023 right now.

**Pratik Jain:** And will there be any situation if your crane or your technology becomes obsolete, so you just resell it in the market? Is there an aftermarket for this?

**Sham D Kajale::** See old cranes consistently over the last 10 years 15 years, which is can be noticed from the other income. So, we are selling the cranes which are getting old and there's a market for these cranes.

**Pratik Jain:** So, how much do you get when you resell it roughly?

**Rishi Sanghvi:** They make a profit from the sales because that's how the other income is generated.

**Sham D Kajale:** From the sale of 13 cranes for the 6-month period we are generated profit after tax, that is 5 crores 88 lakh so that is sale price minus the WDV of the cranes.

**Pratik Jain:** My question was basically if let's say after 10 years, 15 years you decide to sell your crane. So, if you have bought that crane for Rs. 100, what's the resale value you get for that same crane?

**Rishi Sanghvi:** Now, it's not easy to guess this, it depends on the usage of the crane, the location of the crane, the configuration of the crane, the type of crane like there are N number of factors to decide a price, you cannot price a huge car 10 years from today just based on the fact on how much you bought it for.

**Moderator:** Thank you. Our next question is from the line of Himanshu Upadhyay from O3 PMS. Please go ahead.



- Himanshu Upadhyay:** I have three questions. One was we have done a CAPEX of 252 crores, are we planning any more CAPEX for the year and whatever CAPEX we did are all cranes are earning rents for since last quarter, did they earn rent or there are some which need to be still go on needs?
- Sham D Kajale:** The board has approved the CAPEX of 300 crores for the current financial year out of which we have already completed CAPEX of 252 crores, which includes CAPEX worth Rs. 242 crores for cranes and balance 10 crores is on the other equipment. So, yes, the cranes which we have purchased in the current financial year that are already being deployed at the job sites, they've gone directly from the port to the respective job sites of the client. So, they are earning income obviously.
- Himanshu Upadhyay:** So, the remaining 60 crores have we decided or it's a work in progress?
- Sham D Kajale:** No, we already placed the CAPEX, we already placed the purchase order for purchase of the balance credits.
- Himanshu Upadhyay:** And secondly on this Slide 16, we have said that 51 cranes are at the end of life. Are these cranes working means or were they on lease at different times or they are all at depots and not earning any yield?
- Sham D Kajale:** See these are the typical old cranes. They can be put to job site, but we don't want to put our efforts time and money into our efforts in putting those cranes back to operations. So, if you can see I mentioned also the year of manufacture these cranes if we do repair proper repair, it can be deployed at the job site. So, that's why we intend to sell this cranes to some parties who are interested in buying such cranes.
- Himanshu Upadhyay:** And the 13 cranes what we sold were they also similar capacity and yields?
- Sham D Kajale:** No, they were working crane.
- Himanshu Upadhyay:** And you have stated that the 51 cranes were all built pre-2001? So, can we safely assume that all the remaining 353 cranes which we have are built after 2001 or there are also some cranes which are pre 2001 in the 353 cranes what we are showing currently?
- Sham D Kajale:** There are certain cranes which are having manufacturer prior to 2000 they are working right now. So, there are some cranes.
- Himanshu Upadhyay:** What would be the average age of cranes now after this?
- Sham D Kajale:** Roughly around 20 years, 21 years.
- Moderator:** Thank you. Our next question is from the line of Kailash, who's an Investor. Please go ahead.



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- Kailash:** I just have two questions please. The first question is when we say that we have an order book of 522 crores, may we know which industry segment are these orders from? Is it in line with what we have in H1 like if you could provide that detail about what is the broad industry set of income, we don't use the exact dollar amount?
- Rishi Sanghvi:** Yes, they're similar breakup of orders.
- Kailash:** My second query would be that we received an announcement that the company is planning to increase the share capital, may we know what would be the objective?
- Rishi Sanghvi:** It's enabling a resolution.
- Kailash:** So, will there be more CAPEX?
- Sham D Kajale:** To increase the capital in the near future now we should have resolution in place. So, we don't have any plans right now to raise funds for the equity market. So, the CAPEX will be funded through debt only right now and in the near future at least.
- Moderator:** Thank you. Our next question is from the line of Saurabh from Multi Act. Please go ahead.
- Rahul Picha:** So, like you spoke about more longer-term contracts being entered lately. So, just wanted to understand like how much of our capacity would already have been tied up for FY25?
- Rishi Sanghvi:** As of today, our order book stands at 522 for March 24. Beyond that, we would not like to comment on the order book for 25, but we can say that we have strong visibility, very strong visibility.
- Rahul Picha:** And the utilization number that we have given out 82%, does that include the 51 cranes that we have called out to be sold or is it excluding that?
- Sham D Kajale:** Those cranes were excluded while calculating the capacity utilization.
- Rahul Picha:** And any incremental CAPEX plan beyond what we have already announced?
- Rishi Sanghvi:** It will be subject to the board approval.
- Rahul Picha:** But anything in the pipeline like under discussion or right now or not?
- Sham D Kajale:** We will get back to you in case there's a change in CAPEX plan.
- Moderator:** Thank you. Our next question is from the line of Pankaj Shah from Dinero Wealth. Please go ahead.





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- Pankaj Shah:** I wanted to understand that do we have a higher yield on a higher tonnage crane because a lot of CAPEX is happening now for high tonnage crane and as a mix also lower tonnage crane will have a lower yield versus the high ton crane?
- Sham D Kajale:** No. We disclose our average blended yield across all the cranes, so we cannot disclose the yield capacity wise, it's the average blended yield of the entire fleet that we have.
- Pankaj Shah:** Just an understanding perspective. So, I'm thinking from our perspective that as competition will be lower on a higher tonnage crane, do we enjoy a higher yield in the same competition?
- Rishi Sanghvi:** We won't declare in all segments of the lifting industry.
- Pankaj Shah:** Sorry.
- Rishi Sanghvi:** There is competition at all levels in the lifting industry.
- Pankaj Shah:** So, there is nothing as such higher the tonnage of the crane and slightly lower the competition?
- Rishi Sanghvi:** Yes.
- Pankaj Shah:** So, actually if you can throw some more light about the competition like who are the Pan India players in similar services, how is their capacity?
- Rishi Sanghvi:** We are the only listed an organized player besides us there is a Belgium MNC called Sarens. Allcargo logistics had a division, but they have sold it and besides that there are all unorganized players.
- Pankaj Shah:** Like a regional local player?
- Rishi Sanghvi:** They are national players, but they are unorganized.
- Pankaj Shah:** So, do they have the capacity or bandwidth to do such big CAPEX like how what we are doing in the currency?
- Sham D Kajale:** Your competitors are also doing our CAPEX. They are typically a partnership firm or private limited company. Seeing the market outlook, they are also doing some amount of CAPEX every year, but since their information is not in public domain. So, we can't comment on how much CAPEX they're doing.
- Pankaj Shah:** Basically, earlier we had planned that we will curtail our wind dependence by 50%. So, now the current traction in wind will be so high, our contribution is expected to go up. So, how do we see the mix changing?



**Rishi Sanghvi:** Yes, that's a good question. So, look, we don't prioritize our sector allocation for our deployment of cranes. First and foremost, what we look at is the track record of the client in terms of their ability and credibility to pay. So, one is we check how good our pay master is the client, the second what we check is we start looking at our yields.

So, yields for us are flat across sector, whether you're in the wind industry, cement industry, thermal power, wherever there is a crane requirement, irrespective of the sector, it is in working in the yield as planned and then the third thing that we look at while building up our order book is the visibility or the tenure of the contract. So, these three things dictate how we build up our order book and based on that, we do allocate our equipment to customers. We don't look at sectors.

**Pankaj Shah:** So, now as we are venturing into EPC as a wind EPC and other insight EPC related work. So, basically what risk do you see that different as compared to what we have in our P&L business? Any working capital changes there or what different ways we have?

**Rishi Sanghvi:** So, that's a very open-ended question. So, I'll answer the last part of your question. We have not drawn our working capital as of today and we are utilizing the income from our EPC to run the sites. So, Sham would you like to just elaborate on that last point, please?

***Sham D Kajale: It is being managed through internal accruals. We are not borrowing anything. We are not doing any CAPEX for this business.***

**Pankaj Shah:** And if I look at margins, just wanted to understand how should we see the operating leverage is playing out the majority of the cost I understand are fixed in nature. If you can throw some more understanding on what all are like variable costs involved?

**Sham D Kajale:** And the manpower that is the operating expenses, the manpower cost and the contract labor charge, the fuel expenses and the operating expense at the site, they are normally variable expenses. The rest are the fixed cost.

**Moderator:** Thank you. Our next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

**Sunil Jain:** Sir, my question relates to your order book which is 522 crores. So, is there any EPC order book also in that or it's pure crane order?

**Sham D Kajale:** Yes, it includes some portion of the EPC also. This is roughly around 40 crores to 45 crores.

**Sunil Jain:** And second question was what was the revenue of EPC in Q2 if possible?

**Sham D Kajale:** I will disclose the number for the entire 6 months it's total 7.33 crores. In the first quarter, it was roughly around 3.61 crore or something like that. So, balance is for this quarter.



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- Sunil Jain:** And with the sale of all these cranes whether there will be any loss of revenue from that or there is no nothing, no problem?
- Rishi Sanghvi:** We're constantly replacing the fleet so that's why we're doing a CAPEX of almost 300 crores this year.
- Moderator:** Thank you. Our next question is from the line of Ashutosh Garud from Ambit Wealth PMS. Please go ahead.
- Ashutosh Garud:** So, the seasonality part which you mentioned because of the rains. So, if I see your revenues, sequential revenues in previous years, September ended quarters we actually grew on a quarter-on-quarter basis even on the revenue. So, if you can elaborate what exactly went through the current quarter operations where this rain related aspect played out?
- Sham D Kajale:** It is on the lower side because of the monsoon season because most of the cranes remain idle at this site because of the rainy season. That's why the overall revenue in the second quarter is generally on the lower side as compared to the remaining three quarters.
- Ashutosh Garud:** So, that is exactly what I'm trying to understand, if you see previous years same quarter, September 22 quarter, we had a sequential growth actually on revenue. So, just wanted to understand?
- Rishi Sanghvi:** So, year-on-year there is a growth, but quarter-on-quarter there is a degrowth. So, that's what we're trying to explain.
- Moderator:** Thank you. Our next question is from the line of Giriraj Daga from Visaria Family Trust. Please go ahead.
- Giriraj Daga:** So, my first question is like when I look at the, let's say, India will be setting up somewhere about installing 5 gigawatts of wind power this year. So, just to understand with the current CAPEX of 300 crore, do you think we should be able to have the 75% market share intact with this current CAPEX, right?
- Rishi Sanghvi:** This CAPEX is for this year; every year we will evaluate our position and our what percentage of the market we are able to cater to and then take a call based on the demand and the visibility of projects.
- Giriraj Daga:** So, current capacity is like can you install how much gigawatt of power wind power?
- Rishi Sanghvi:** Again, this question is very hard to give because assuming I have set of cranes, if the end user doesn't utilize the crane, then the capacity will come down. Some clients are able to install 1 tower a month, some clients are able to install 5 towers a month.



- Giriraj Daga:** So, like, I'm assuming like 5000 like 75% 3,750 gigawatts is like installed by us for let's say that this year, do you think that like we can do the current set of order right?
- Rishi Sanghvi:** Sham I'm not able to understand the question. Could you please take it.
- Sham D Kajale:** Yes, we have a sufficient crane that can cater to the windmill sector requirement of completing the windmill project.
- Giriraj Daga:** My second question is like we generally said last time that when we get 2.8%, 2.9% of that was due to the overtime basically, are we not looking at since the demand is very good, are we not reaching the situation where we feel that the people will give us for the over time?
- Rishi Sanghvi:** So, you know the yield has been improving and that's a function of course of the demand, but to a certain extent there is less price elasticity because as the demand is increasing, so is the supply. So, what I would like to say is we are confident on maintaining 2% plus yields.
- Sham D Kajale:** Secondly, what happened is people are using the crane more judiciously than what they were using earlier. So, they are doing proper planning. So, overtime element is coming down significantly.
- Giriraj Daga:** One suggestion on the order book site like I believe these 522 crores includes part of the executed orders also which we did in the first half. Can we give the unexecuted order book like this is suggestion?
- Sham D Kajale:** We'll do that thing 522 minus 286. So, the remaining period order is 236.
- Giriraj Daga:** I am saying cumulative like you are not giving for FY24 beyond. I'll say cumulative, unexecuted order book?
- Sham D Kajale:** Next time, we'll give that in the presentation.
- Moderator:** Thank you. Our next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.
- VP Rajesh:** Most of my questions have been answered, but just on the yield size, were there any orders in this quarter that we could not sign up because our cranes were already deployed or we had already booked them for advanced periods as well. Any situations like that or you're just trying to get a better sense of the demand that are we planning to therefore do more CAPEX down the road?
- Rishi Sanghvi:** No, I was not able to catch up because there is a very big echo.



- Sham D Kajale:** So, Rajesh, your question was whether we have regretted any orders during the quarter or 6-month period ended because we do not have a crane.
- VP Rajesh:** Yes, that's right.
- Rishi Sanghvi:** So, yes, we definitely have regretted orders because of our current utilization levels. It is an effective utilization of 90%, 95% of our fleet because 10% will be at any time in transit, under maintenance breakdown, etcetera. So, we have definitely regretted a number of orders and currently we don't disclose that sort of number in the public domain.
- VP Rajesh:** So, therefore I was just wondering if you see the scope of yield going up because obviously the capacity cannot be added as fast as the demand seems to be growing. So, in that sense, could you see the yield maybe not this year, but in Fiscal 25 approaching 2.5%?
- Rishi Sanghvi:** As I've already informed everyone, the management is confident of maintaining a 2% yield primarily on the fact that infrastructure is what is currently driving the economy and on the other hand also we have a strong order visibility, but beyond that, I would not like to comment anything.
- Moderator:** Thank you. Our next question is from the line of Himanshu Upadhyay from O3 PMS. Please go ahead.
- Himanshu Upadhyay:** See, we have started CAPEX around 1.5 years back in FY22. Can you give how the prices of cranes have behaved in this duration and what has been the increase in the price of cranes and what is the cost of debt what we are able to get to purchase new cranes and are we getting any let us say better payment terms from the vendors or the crane supplier, any thoughts on that and how is the market behaving on that side to purchase the crane?
- Rishi Sanghvi:** Sham would you like to answer the cost of capital first and then I'll take the balance questions.
- Sham D Kajale:** In last two years, when we did a CAPEX in somewhere in 21-22 vis-a-vis the CAPEX that we are doing in the current financial year that was your question correct?
- Himanshu Upadhyay:** Yes. How is the cost of debt moving for us?
- Sham D Kajale:** Cost of debt is 9% I already gave in the presentation, average cost of borrowing for the company is 9%.
- Himanshu Upadhyay:** Has it increased or means what has been the increase in last 24 months?
- Sham D Kajale:** See, because the overall repo rate has increased, the rate of interest is also increased. The cost of borrowing is also increased by half percent what it was two years back.



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**Rishi Sangvi:**

Now on the cost of crane look India doesn't manufacture these cranes. They either come from China, Japan, Germany or the USA, and every there are about 4 to 5 manufacturers in the world and every manufacturer will price the cranes based on a number of factors. What are the factories' capacity utilization?

What are their target numbers? What is happening on the geopolitical space? How is for the Chinese manufacturers? How is the Chinese market behaving? What are the incentives that local governments are giving them, and the list is endless. So, pricing of cranes is dynamic, but yes with our relationships with the vendors, we are able to enjoy what I would say as premium pricing.

We are able to enjoy terms because we have long established relationships with these manufacturers, being the sixth largest crane rental company in the world, they want to associate with us. So, in the general sense, the more you buy the better pricing you get. So, we're getting a volume discount as well.

So, the pricing of Crane has moved favorably in our direction. I can just give you a directional sense of things and then yes, along with pricing terms change as well. So, the terms of finance terms, all of those terms are in our favor, so can we quote some other finance terms or are we sharing that information. So, yes, in finance terms, also in the general direction, I can give you is that they're more favorable today than they were in the past.

**Himanshu Upadhyay:**

And are the deliveries means when we order two years back how quickly the deliveries were possible?

**Rishi Sanghvi:**

There is no change in delivery time. The lead time remains the same. My opinion China is an infinite capacity to manufacture.

**Himanshu Upadhyay:**

And when you say the payment terms are in favor, but I was just trying to understand have the price of cranes increased in last two years or they are at the similar level what they were two years back?

**Rishi Sanghvi:**

On an absolute basis they're similar. Now it just depends on how you're able to negotiate with the manufacturer.

**Moderator:**

Thank you. The next question is from the line of Riya from Aequitas Investments. Please go ahead.

**Riya:**

My first question is in terms of are we seeing such good opportunity in domestic market? Our suppliers are willing to come to India and give the cranes directly?

**Rishi Sanghvi:**

Suppliers, as in you mean the manufacturer of the crane?

- Riya:** Yes.
- Rishi Sanghvi:** No, manufacturer of the crane will not enter the rental space because it cannibalizes their own sales.
- Riya:** And my second question is in terms of CAPEX for the next year, could you give us a directional sense?
- Rishi Sanghvi:** There will be CAPEX next year, but I don't want to quote a number.
- Moderator:** Thank you. Our next question is from the line of Priyank Parekh from Abakkus Asset Managers. Please go ahead.
- Priyank Parekh:** Just wanted to understand how we plan our CAPEX is in when we add any new capacity, what are the sort of signals we seek from the market to add capacity for next phase of growth?
- Rishi Sanghvi:** First and foremost, we see at a macro level where the country is headed, what are our stated objectives and how that may impact the sectors we operate in. Then we look at how the infrastructure sector and within that steel, cement, commodities, oil and gas, refineries, Petro chemicals, the chemical industry, the renewable wind energy, thermal Power, metros, railways, bridges. In directionally we like to map out what is the capacity addition, what is the sentiment in those sectors?
- Then we take that level below and we connect with our customers to understand what is their project outlay. So, we have infrastructure projects that are not built overnight. There is a good visibility of anywhere between 2 years to 5 years where project financing, environmental clearances, government approvals and all the related infrastructure needs to be put in place before you can actually go out and build a massive project.
- So, we have good clarity from our clients about what their visibility looks like, what are their plans etcetera and from there we sort of capture what is our market share, how much of that demand can we addressed, what is the order book as of today, what is the visibility on that order book going forward and then we choose and select the kind of customers that we want to work with and then we plan our CAPEX based on those inputs.
- Priyank Parekh:** So, last time we did CAPEX in FY2016-17 and there was an immediate sort of in 18 to 22, there was immediate sort of slowdown that we saw in demand. So, any like in this phase of CAPEX, how we are planning to not having to find ourselves in such a troublesome situation?
- Rishi Sanghvi:** In 2016 there was a policy change that shifted from a feed in regime to a reverse auction regime. And it was not just as with the entire industry, at least in the renewable space took a very long time to adjust to this mechanism. Besides that, the power sector was in doldrums, steel was in

doldrums, cement was in doldrums and infrastructure as a whole for the last 10 years was unaddressed and underdeveloped.

So, really if you look at it going forward one is we have derisked our sectoral dependence. We are now focused on catering to all markets where yields are flat. The second thing that we're doing right now is we're doing CAPEX in a very cautious manner. For example, the debt-to-equity after doing 300 crores of CAPEX and what we have done in the past few years, the debt-to-equity still remains as around 0.3.

Besides that, if you look at our balance sheet, it has strengthened up and Sham maybe you can add to this. But going forward, our debt repayment obligations are not that they're very easily manageable from the internal cash accruals and our existing business. So, we've done a lot to structure the way we have done our growth these past few years and I don't foresee us. I don't foresee the market turning or the demand going down or structurally anything going wrong with the way we have done our CAPEX. Sham anything to add to this?

**Sham D Kajale:**

The policy changes more particularly to the wind sector. In those years we have repaid an average rate of 100 crores per annum and going forward we have taken a conscious decisions to manage our cash flow in such a way that there will not be an additional burden on the debt repayment site. So, our average debt repayment going forward is less than 100 crores, which we can easily manage if you believe in the traction in the economy, Indian economy is happening currently. We don't foresee any major problems.

**Moderator:**

Thank you. Ladies and gentlemen, that was the last question of our question and answer session. I would now like to hand the conference over to Mr. Sham D Kajale for closing comments.

**Sham D Kajale:**

Thank you everyone for attending this call and wish you Happy Diwali in advance. Thank you.

**Moderator:**

Thank you. On behalf of Sanghvi Movers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.