"Sanghvi Movers Limited Q4 FY-24 Post Earnings Conference Call"

May 16, 2024

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

Moderator: Ladies and gentlemen, good day and welcome to Sanghvi Movers Limited Q4 FY23-24 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 question 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 this conference is being recorded.

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

Sham D Kajale: Thank you very much Yusuf for this introduction. Good afternoon, ladies and gentlemen and thank you very much for attending Q4 and FY24 Analysts and Conference Call of Sanghvi Movers Limited. My name is Sham Kajale – Chief Financial Officer of the Company and along with me is our Managing Director – Mr. Rishi Sanghvi who is addressing this conference call.

So, to begin with, I will quickly run through the financial highlights of the Company for the Financial Year Ended 2024:

Our top line for FY24 has grown to 647 crores and therefore registered a growth of 33% year-on-year as compared to the previous financial year that is 23. For FY24 our net profit after tax was 188 crores plus registered year-on-year growth of 68% over FY23. This is the new historical high of our Company.

Our overall EBITDA percentage has increased by 4% in FY24 as compared to FY23. Our average capacity utilization for the Financial Year '24 was 84% as against 83% in the previous financial year. The average blended yield for FY24 was 2.2% per month as against 1.97% per month in the previous financial year.

Our Company has completed CAPEX of 334 crores in FY24 and has added 34 cranes and 44 other equipments. We have also sold 32 cranes in FY24 and have generated a profit of Rs.15,63,00,000 from sale of these cranes. As on 31st March 2024, the Company has a fleet of 346 cranes aggregating to 2490 crores, this excluding 47 cranes, which we are considered under the asset held for sale, having gross block of 83 crores and WDV of 4.75 crores.

As on 14th of April 2024, our order book stands to Rs.426 crore, which will be executed during the current financial year, that is 2025. The rest of the information about the Financial Performance is given in the Investor Presentation which is already uploaded on BSE and NSE portal.

I would like now to open this floor for the question-and-answer and hand it back to the moderator. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Deepan Shakar from Trustline PMS. Please go ahead.

Deepan Shakar: So, firstly from my side. So, we have seen our yields have increased to 2.2 kind of levels and also pinned contribution has also increased to 49% level. So, do we foresee further improvement in yield per se from here on over the next two, three years?

Rishi Sanghvi: Yes, good afternoon everyone. This is Rishi Sanghvi here. Yield is going to be flat between 2% to 2.2% is where the management expects it to be for FY25.

Deepan Shakar: Okay. And what kind of CAPEX are we foreseeing for two, three years?

Rishi Sanghvi: So, the CAPEX number subject to Board approval will be anywhere between 250 crores to 300 crores for FY25.

Deepan Shakar: Okay. And sir do we see wind installation inch up further from these levels, so earlier this used to be 3000 kind of number now, has it gone up and do we expect further ramp up in wind installation in India?

Rishi Sanghvi: This year, the installations in FY25 will be on par or better than what happened in FY24.

Deepan Shakar: Okay. And sir what is the reason for a strong increase in these employee expenses this quarter?

Sham D Kajale: I will take this question. See, because of the robust financial performance of the Company, the Board of Directors have increased the commission payable to the Managing Directors, as per the agreement with the Company it was 1.5% of the net profit as calculated under Section 198 of the Companies Act. Now, in view of the sound financial performance the Board have increasing commission from 1.5% to 3.5%. And because of that, this has been approved in the Board meeting that happened today. And because of that there is an increase in the employee cost to the tune of 5.5 crores.

Moderator: Thank you. Next question is from the line of Amit Chordia from World Foods LLP. Please go ahead.

Amit Chordia: Could you share the EPC bidding pipeline and what conversion rates do we expect in FY25?

Rishi Sanghvi: So, we have a very healthy outlook for the EPC both on the project and wind side. And we expect our revenues contribution from the construction from the wind and project side to have a significant revenue contribution this year.

Amit Chordia: Any broad numbers that you can put on in the broad frame?

Sham D Kajale: See we already disclosed the necessary order that we already backed to the stock exchange. And based on that intimation, which is already circulated, we estimated to get a revenue of between 200 crores to 250 crores from the EPC business.

Amit Chordia: Alright. And would it be right to say there were no cranes delivered in Q4 FY24?

Sham D Kajale: There are few cranes delivered in FY24, very few cranes, three or four cranes being delivered not major.

Amit Chordia: Alright. And in the CAPEX that we have planned up to 50 to 300 crore in FY25. Could you broadly divide it between the four quarters for the coming two quarter?

Sham D Kajale: Most of the CAPEX will be completed by December 2024.

Amit Chordia: Alright. And on the employee cost that you change the percentage for the top management, would it be capped at this percent for FY25 or there is still like an upside for the management. How would you see FY25?

Rishi Sanghvi: With subject to Board approval as of right now. The Board will take a call but, Sham anything to add to that?

Sham D Kajale: Currently it is fixed at 3.5% on the net profit.

Amit Chordia: All right. And Rishi this one is for you, compared to FY24 on the demand. What kind of demand are you seeing in FY25, I know you have shared some thoughts but can you elaborate a little bit more?

Rishi Sanghvi: So, the way I look at things is at the start of the financial year for FY23-24 we had a Sham, 300 crore order book?

Sham D Kajale: Yes, Rishi.

Rishi Sanghvi: And our closing numbers were 640 odd crores. This year we are already looking at a order book of 425 crores right Sham?

Sham D Kajale: Correct.

Rishi Sanghvi: So, it is safe to extrapolate those three numbers to understand where we would end the year at.

Amit Chordia: Alright. And the operating margins would remain similar to FY24, is that right?

Rishi Sanghvi: No, because the significant contribution of the growth and the revenue would come upon EPC. So, we expect the blended EBITDA to come down.

Amit Chordia: No, for the renting business we would expect same margins, but the EPC business would be 14%, 15%, is that correct?

Rishi Sanghvi: Somewhere around that.

Sham D Kajale: And there might be some inflationary effect and salary escalation that may happen in the current financial year, that might bring down EBITDA percentage maybe 1% or 2% maximum on overall basis for the crane business.

Moderator: Thank you. Next question is from the line of Riya from Aequitas. Please go ahead.

Riya: Sir, my first question is from the execution front. So, this time we saw around 83% capacity utilization, whereas this is supposed to be a peak quarter and last quarter we did around 87. So, what was the issues which we faced this time?

Sham D Kajale: See Riya actually this is a typical peculiar nature of our industry, there has been certain contracts, which got expired in the Q4 and there has been some time lag in deployment of those cranes and therefore, the utilization has taken some amount of hits in the Q4. But our peak utilization was 87% and in Q4, because of de-hiring of certain cranes and there is no back to back contract or there has been some time lag happened between the two deployments, the utilization has come down slightly.

Riya: Okay. Going forward we expect this range to continue?

Sham D Kajale: Yes, you can say 83% to 84% for a Company like us or industry like us is a healthy capacity utilization.

Riya: Got it. Also in Q3, this time around you are saying that we will do a CAPEX of around 405 crores for however I see this time it is 334 crores. So, can you help me finish the gap?

Sham D Kajale: See, because we booked certain cranes which we expect delivery in the Q4. However, there has been a delay from getting the equipment from China. See, we are buying cranes from this Sany Heavy Industries Limited India Company and in turn they are placing orders to their parent Company in China. However, there was some delay in shipment of those cranes. Therefore, the

Indian entity could not get the delivery of those cranes and hence they could not pass on the delivery to us. So, this CAPEX is effectively got spillover in the current financial year.

Riya: Got it. So, how much would that amount be, the number of cranes we did not get around 50 crores?

Sham D Kajale: Yes, 50, 60 crores, it was 405 crores CAPEX approved by the Board we ended with 330. So, roughly 60, 70 crores worth of cranes got postponed in the current financial year.

Riya: So, when we say that we are doing 250 to 300 Crore CAPEX for this year, that includes this 50, 60 crores?

Sham D Kajale: Correct, absolutely right.

Moderator: Thank you. Next question is from the line of Debashish Neogi from Digitian Investment Incorporated. Please proceed.

Debashish Neogi: Sir first of all, the numbers don't look optically so good, but actually, it's a very good set of numbers. Congratulations, for the same. My question, I have a couple of questions sir. First is, we are the sixth largest in terms of crane, plus we have a huge market share at wind, and the yield over the last five years has been steadily increasing. And we have also seen you telling that we are choosing customers in a way they want us to also do EPC. So, some kind of pricing power we have, which is why the yield is increasing maybe, it's a mix of the customers which is increasing the yield or there is actually has been price escalation. My question to you is that, can we assume not for this year, the year next, there will be some price inflation also coming in. And we will get a benefit in the yield?

Rishi Sanghvi: So, I will answer this question but first I want to address something you mentioned. Look, our numbers are actually historical numbers. If you talk about the top line, bottom line, we have set historical highs, we have closed the year at. Our profit is almost 190 crore this is a 58% jump year-on-year. So, new credit has to be given to the management along with all the teams in Sanghvi Movers to deliver such a stellar performance. Now with respect to pricing. As, I have already mentioned, the pricing power is nothing but our ability to get a better average blended yield. And as I have already indicated between 2% to 2.2% is where we expect the yield to remain this year. I will not give any power guidance beyond that for the next financial year.

Debashish Neogi: I understand sir, so there are many good things about our business, one is that, to be a market leader we have some pricing power. Plus, what I feel sir is, we are heavily depreciating the cranes. And actually, the life of the cranes is much, much, much higher, the economic life of the cranes is much higher. So, technically, the profits are hugely deflated, I am talking about accounting profits, is that a right assumption because the life of the cranes you have sold cranes of 1968 now. So, an average cranes life is 20, 25, 30 years. So, it is reasonable to assume that the accounting profits is actually deflated, if we are to the right way of looking at this topic is trash process and the residual value of the cranes which you can sell, so that is the right way of looking at it and the cash profit has been consistently decreasing.

Sham D Kajale: So, what is your question?

Rishi Sanghvi: Yes, what is your question?

Debashish Neogi: So, my question is that we have a healthy accounting where we are depreciating the assets very aggressively, whereas the economic value of the crane is much, much higher?

Sham D Kajale: See, we are charging depreciation as per the rate mentioned in the Company's Act Schedule 2. And that is a policy that we adopted since inception. So, we are not going to change that method of charging depreciation to our cranes. So, as you rightly pointed out the cash profit is healthy for the Company if you add by the depreciation.

Debashish Neogi: Okay. Sir my last question is that EPC is a very difficult business because it's a manpower led business. So, our manpower cost and operating and other expenses have increased. So, it is fair to assume that some of the expenses is relating to EPC and it is front loaded, the business is going to come in the next two, three quarters because the other expenses have increased?

Sham D Kajale: See, basically as you know, there is a paper-thin margin in EPC business. We just started this business a year back and this year we have already registered a top line of 25,47,00,000 from the EPC business. And the EBITDA margin, since we are early entered in this business is roughly around 23%, which is healthy, but going forward since there is a spurt in the volume of this EPC business. And since we are in the learning phase, we are absorbed and not able to do some cost saving measures. Right now, we are just double dipping the activity to the subcontractor. So, going forward yes, the EBITDA margin for the EPC business will be less, but there will be volume growth expected for the EPC business.

Rishi Sanghvi: And it would also asset light. So, we would actually get a significant jump even if the margin comes down.

Sham D Kajale: Correct.

Moderator: Thank you. Next question is from the line of Navin Vijay from NS Capital. Please go ahead.

Navin Vijay: From the presentation you shared, the CAPEX for FY24 is 334 crores, a big jump from 160 crore last year, but whereas the lifting capacity, the tonnage remains flat at 81,000 metric tonnes, and the crane numbers have also reduced what explains this anomaly sir?

Sham D Kajale: If you see the footnote which are given in the presentation, we have mentioned that, there has been 32 cranes which we already sold in the current financial year and some 49 cranes which has been carved out from the fleet and it was shown under the asset held for sale because we are planning to dispose of those cranes. Hence, there is a reduction in the overall lifting capacity as well as the numbers.

Navin Vijay: So, in spite of doubling the CAPEX, our tonnage remains flat is that the correct thing?

Sham D Kajale: Yes.

Moderator: Thank you. Next question is from the line of Ram Modi from Prabhudas Liladher. Please go ahead.

Ram Modi: Sir, I just wanted to check what has led to the spike in other expenses from almost quarter-on-quarter 43 crores to 58 crores as a top line?

Sham D Kajale: Basically, this is primarily on account of the commission that is being paid and agreed in the Board of Directors meeting held today, there's a 5.5 crores increase in the employee cost primarily.

Ram Modi: So, I am asking on the operating and other expenses?

Sham D Kajale: Secondly, the operating expenses include the operating expenses for the EPC business. And as you know these expenses are bound to be higher as compared to the crane business. So, these expenses are roughly around 77% of the income, hence the operating expenses have also gone up because those expenses are clubbed under the head operating expenses, Wind EPC business expenses also club under operating expenses.

Ram Modi: Okay. Whereas the top line is actually moved only by 50 crores, 40 crores on that side. So, it's largely a margin diluted business and another thing, I don't know why the market got spooked, but was this increase in the Managing Director employment rates remuneration would have to go to this minority shareholder approval, am I correct?

Sham D Kajale: No, it will go as a special approval from the shareholders in the AGM.

Ram Modi: And this 3.5% from now will continuing for the full time or how will, is it a Board resolution for next five years or one and a half or was it only for FY24?

Sham D Kajale: It was for FY24.

Ram Modi: Okay. And I don't know whether the market actually got spooked with this, so stock actually corrected significantly. Another thing is, sir what's the kind of revenue growth we are expecting in FY25?

Rishi Sanghvi: No, we don't give any forward guidance, but as I already explained on the call, if you were paying attention, last year we had order book at this time last year of around 300 crores and we closed the year at 640. This year, we have a order book of almost 426 crores, so from there you can extrapolate where we will end the year.

Ram Modi: Okay. And this order book is largely basically replenish, what would be the duration of the order book sir?

Sham D Kajale: This order book will be executed in the current financial year.

Rishi Sanghvi: Whatever numbers we quoted, the entire billing will take place this year.

Ram Modi: And incrementally also during the year whatever we get that also gets billed in this year?

Sham D Kajale: Correct.

Rishi Sanghvi: Obviously.

Moderator: Thank you. Next question is from the line of Anuj Sharma from M3 Investments. Please go ahead.

Anuj Sharma: Few questions, Sham does this lifting capacity exclude the carve out of 49 cranes as well?

Sham D Kajale: Yes.

Anuj Sharma: Okay. But then, if I just reconcile the numbers, then I would assume that lot of these 81 cranes which is 49 plus 32 would be of much smaller tonnage?

Sham D Kajale: No, it’s mix of both. We sold 250 tonne crane also, 150 tonne crane also.

Rishi Sanghvi: The other thing is, just because the asset is held for sale, it doesn't mean that it is not available for us to utilize. So, there are some assets which have been carved out but are still contributing to the top line.

Anuj Sharma: Okay. So, why have we excluded it from the lifting capacity, if it continues to be on our books. The reason, I am trying to understand is, if we just take a simple average the addition in lifting capacity is 11,000 tonnes approximately. But the net addition seems to be only 282 tonnes. So, it seems difficult to understand and what is the reason for the sale of these, how do we decide when to sell?

Sham D Kajale: So, these are typically old cranes and those we have decided to dispose of for being a maintenance issue or we do not able to deploy the cranes because there are certain issues which client is nowadays insisting. So, management has taken a conscious call to dispose of these cranes over a period of time. And since we have taken a decision to sell these cranes, we carve out these cranes from the fleet. It is still in the balance sheet but not shown under the fixed assets, it is shown under the non-current asset under the head, asset held for sale. So, there are some three, four cranes out of these 49 cranes, which will deploy also. So, whenever we get an opportunity we deploy those cranes. And whenever we get an opportunity, we will sale those cranes. So, it's an accounting treatment that we need to take.

Rishi Sanghvi: To explain further on the issue of sale of cranes. We are in a very unique business where, at 2%, if you take the average blended yield as 2%. So, therefore, if we capitalize our asset in this financial year, at the start of the year, within four years from that capitalization the asset has already paid back. And the straight-line whatever accounting principles we are using for depreciation, the asset gets free in four years, the useful life is 40 year. So, there are times where we are able to sell the asset significantly above the written down value, sometimes about 40%, 50% of the historical cost of the purchase and that's why you are seeing a healthy profit on sale of assets. So, that's the beauty and strength of the asset base that we have.

Anuj Sharma: Got it. Second is, if you look at your portfolio of cranes over the next three years, beyond this 49, how much more are expected to be sold or maybe carved out?

Sham D Kajale: There will be no further carve out, we have taken a conscious call, we have list down all the cranes which have not generated any revenue in past two years. So, we have taken a call in the month of September we carve out those cranes actually.

Anuj Sharma: Okay. So, proportionately the lifting capacity from now on will correspond to the CAPEX we are doing is that correct?

Sham D Kajale: Correct.

Anuj Sharma: And the second question is, if I just wanted to understand the thought process, so there is a increase in managerial remuneration corresponding to good numbers, good performance, but if I see the dividend payout has actually fallen from 15 to maybe 13.8. So, how does one reconcile that one is the dividend payout is falling, despite good performance and the managerial remuneration is increasing?

Sham D Kajale: So, last year we paid a Rs.4 dividend per share, this year Board has increased the dividend from Rs.4 to Rs.6. The dividend payout ratio is 14% as against last year some 14.5% or 15% So, we are paying a decent amount of dividend. So, there is no correlation, one should not establish any correlation between the dividend payment and the managerial remuneration. This is a conscious call taken by the Board.

Anuj Sharma: Yes, sure. I appreciate that, all was thinking that in a good year, maybe you would have a higher dividend payout, because this is cyclical business. So, there will be years in which there will be no dividend payout. But when the profits are good, maybe you will shell out a better dividend payout. And that's generally in a capital asset business that is how it happens.

Sham D Kajale: Okay. We noted you suggestion.

Moderator: Thank you. Next question is from the line of Rahil Shah from Crown Capital. Please proceed.

Rahil Shah: Firstly on this EPC business, I believe the CFO mentioned estimated revenue of 200 or 250 crores is that for this year?

Sham D Kajale: Yes.

Rahil Shah: Okay. And so with regards to that now you are saying that there will be a significant revenue contribution of this EPC for the total revenue, and you expect the margins to go down by 1% to 2% max now that was for like the business as a whole, like blended EBITDA margins?

Sham D Kajale: I am talking about the crane business.

Rahil Shah: There was just for cranes business.

Sham D Kajale: Yes.

Rahil Shah: Sir do you have any outlook for the blended EBITDA margins for FY25?

Sham D Kajale: I don't want to disclose that number right away.

Rishi Sanghvi: We don't give forward guidance as a principal.

Moderator: Thank you. Next question is from the line of Vivek Gautam from GS Investments. Please go ahead.

Vivek Gautam: Can you just tell me about the tie up with the IPP you have mentioned a note and what does it entail and how is the opportunity size for this and as well as for the EPC play and overall expected growth rate which you expect in time to come?

Rishi Sanghvi: Sorry. First of all could you introduce yourself and repeat your question please?

Vivek Gautam: Yes, this was regarding there is a IPP tie up you have mentioned in the notes to the account. So, there is some basically you are tying up with some independent power producer it seems?

Sham D Kajale: Yes, see this is regarding that Sangreen.

Rishi Sanghvi: Right. So, what is the question please?

Vivek Gautam: So, can you give some details about this tie up sir, what exactly this is into and the next question was about the EPC opportunity size and opportunity size?

Rishi Sanghvi: I will answer your second question, as we have already indicated last year, we had a 25-crore contribution from the wind EPC side and a 5-crore contribution from the project EPC side. So, we had a total top line of about 30 crores. Now, this year purely on the wind that revenue contribution is expected to grow 10x, it will to go from 25 Crores to 250 crores (approx..), that is the first point. So, I will give you this guidance in terms of revenue growth or what the outlook would look like for this financial year. The second question is regarding the tie up with the IPP, I will pass it on to Sham, Sham if you would like to just take that.

Sham D Kajale: See we have incorporated 100% owned subsidiary of SML that is Sangreen Renewables Private Limited and there is a strategic tie with one of the IPP and we are going to sell the stake in that Company and that's why they have given the note. Currently, there is no activity or financial transaction has happened in that Company, but as a part of contractual terms with that IPP, we are supposed to sell the 100% stake in that Company to that IPP. That's why it has not been consolidated as per statutory auditors view, but they have to put that thing in a note. So, that's why they have given in the footnote below the financial statements.

Rishi Sanghvi: But there will be some further news in the coming quarter.

Sham D Kajale: Yes.

Vivek Gautam: What was these other expenses and higher other expenses, with a one-off sort of thing or?

Sham D Kajale: I already explained these are the expenses pertaining to the EPC business which are clubbed under the operating expenses. So, crane business expenses plus EPC business expenses, they are club under the operating expenses. If you see quarter-on-quarter there is a huge jump in the revenue from the EPC business in the 4th Quarter, revenue have almost increased by 13 crores in the 4th Quarter and correspondingly the expenses relating to the EPC business is also booked in the 4th Quarter. So, that's why the other expenses have increased.

Vivek Gautam: Okay. And sir from the opportunity side for our sector and freight both in our core business and EPC business time to come sir?

Rishi Sanghvi: Sorry, Sham I don't understand the question.

Sham D Kajale: He is asking about the outlook.

Vivek Gautam: For the business for our core business as well as for the EPC business sir?

Rishi Sanghvi: So, it is this year is also a year that looks positive, every sector of the economy is firing on all cylinders. If you look at it, wind, speed, oil and gas refineries, metros, railways bridges, thermal power, nuclear power, renewable power, there is movement and traction both on the private and government spends and CAPEX. And there are projects that are being announced across both private and government in all of these sectors. So, this reflects in our current order booking where we have already achieved a 425 crores order booking in the first month of this financial year. Naturally, we will add to that order booking going forward, so we expect this year to also outperform the last year and definitely the top line will be higher than what we have done in the previous year.

Vivek Gautam: Okay, sir. And any CAPEX plan for next year?

Rishi Sanghvi: We have already answered that question.

Moderator: Thank you. Next question is from the line of Dolly Choudhary from Niveshaay Investment Advisory. Please proceed.

Dolly Choudhary: I had a few questions regarding the litigation that we have mentioned in the notes to accounts. I wanted to know what are they in respect to and when are we planning to complete that?

Sham D Kajale: Yes, this is regarding the sales tax liability, there is a huge demand raised by the sales tax department and we got a favorable order from the Bombay High Court and there has been a Supreme Court decision also in that regard. So, that has been taken care of, there has been certain demands with respect to some GST authorities, which we are tackling so, they are not of a high stake demand and we have already taken a necessary opinion, feedback from the consultant. So, that will be addressed at appropriate time.

Dolly Choudhary: Again, are we expecting some change from that?

Sham D Kajale: No.

Dolly Choudhary: Okay. And the CAPEX that you have mentioned of 250 crore how are you planning to fund it?

Sham D Kajale: 70% from bank balance, 30% from internal accruals.

Moderator: Thank you. Next question is from the line of Darshan Shah from Multi-Act Equity Consultancy Private Limited. Please go ahead.

Rahul Picha: Hi, this is Rahul Picha from Multi-Act. My question is again on the other expenses side. So, you spoke about EPC being the reason for higher other expenses.

Sham D Kajale: And implement expenses also, which we already discussed.

Rahul Picha: Yes, so excluding employee expenses, I am talking about other operating expenses, which went from 43 crores to 58 crores this quarter. So, when I look at the EPC revenues for the quarter it was around 13, 13.5 crores compared to around 5 crores in the last quarter. So, incremental about 8, 9 crores this quarter, but when I look at the incremental other operating expenses, that is around 15 crores. So, just wanted to understand like in addition to EPC cost what is the addition?

Sham D Kajale: So, there are some other expenses for example, we have gone live for SAP last financial year, then we are taken an onsite support from the other companies. So, there fees is being considered there, besides SAP we also develop certain dashboard for our Company and the fees payable for that dashboard is also been accounted for in that financial year. So, all these expenses are roughly around 79 to 89 lakhs So, that is also being factored in other expenses that is one of the main reason that the other expense have increase.

Rahul Picha: Okay. But even if we factor that is less than 1 crore, so 15 crores quarter-on-quarter increase versus 8, 9 crore EPC revenue increase that seems pretty large in that context. So, anything additionally that is driving that?

Sham D Kajale: No, so 9 crore is the expenses for wind EPC business, the project EPC business, 9 crore expenses has increased because of the EPC, 1 crore is because of the other miscellaneous expenses and Rs.5,50,00,000 because of the commission payable to the Managing Director.

Rahul Picha: But that 5 crores is coming under implementation cost?

Sham D Kajale: Correct. So, I need to check it, I don't have answer for this, I need to check, and I will get back to you.

Rahul Picha: Okay, fine. And the other question was in the order book that we have disclosed that includes the EPC order book as well?

Sham D Kajale: Yes.

Rahul Picha: Okay. So, how much of the 426 crore would pertain to the rental business?

Sham D Kajale: I will not disclose that number right now.

Rishi Sanghvi: We do not give the split between crane and EPC as of today.

Rahul Picha: And thirdly on the working capital cycle in the EPC business can you talk about that?

Sham D Kajale: See it is slightly working capital intensive business, asset light, but what is happening we are tying up this business along with the crane business and we are working, taking the orders based on the 30 days credit period. So, if there is any delay happens with respect to EPC related business, we have option to close down the crane operations. So, that is the advantage that we have so, that our working capital should not get blocked.

Rahul Picha: Okay. So, till date whatever EPC business we have done has had a zero drawn on our working capital because we are getting paid within 30 days from our customers. So, that is a unique way in which we have approached the EPC business. Although our margin is low and it is working capital intensive, we have been able to mitigate those challenges?

Sham D Kajale: Last financial year we have paid cash credit interest of Rs.1,62,000 on a cash credit limit of 100 crores that shows how judiciously we are using our working capital limits.

Moderator: Thank you. Next question is from the line of Mayank Chaturvedi from HSBC Mutual Fund. Please go ahead.

Mayank Chaturvedi: Like you said, the outlook across the end user industries that you cater to the robust private CAPEX is about to pick up. Just wanted to pick your brain on the kind of strategy that we are looking at for the next two, three years in terms of the lifting capacity in terms of capacity additions there, so what kind of strategy are we looking at for the next two, three years?

Sham D Kajale: Rishi can you please take this question, Rishi are you there?

Rishi Sanghvi: Hi Mayank sorry, I dropped out. Please repeat your question.

Mayank Chaturvedi: Hi, Rishi. So, like you said, the outlook across the end user industries that you cater to, is pretty robust at least for the next two, three years. So, just wanted to pick again on the kinds of strategic capacity expansion that we are looking at over the next three years?

Rishi Sanghvi: So, if you look at our historical capacity addition, we have invested 924 crores in cranes over the period of the last three- or four-years Sham?

Sham D Kajale: Four years including current financial year if we do a CAPEX of 200 crores.

Rishi Sanghvi: Right. So, nevertheless notwithstanding this CAPEX of 924 crores our net debt is still around 250, 280 crores. So, we have committed between last year and this year, our CAPEX plan have been frozen. Going forward and we see, it may or may not increase subject to the approval of the Board for this financial year. Beyond that, as of today, I would not like to disclose any outlook.

Mayank Chaturvedi: Sure, no issues. On this crane delays that we are facing from the Chinese parent, that's broadly on the 160 tonnes cranes that we are talking about. So, which end user industry will that probably effect in terms of cranes rental revenues?

Sham D Kajale: So, whatever delay it is, we were supposed to take the delivery towards the end of Q4. Now already those equipment's have come in, so there is no particular delay in terms of impacting any specific industry.

Mayank Chaturvedi: Okay, got it. And last question from my side, this SPV that you are talking about with the IPP, what kind of equity investment are we looking at in this SPV?

Sham D Kajale: We have not invested anything; it was just a 1 lakh share capital that we had invested in Sangreen that's all and it will be sold to that IPP at book value. It is just a convenience mechanism that that IPP wants to do with us so that will be over by this quarter end.

Mayank Chaturvedi: Okay. So, you will basically set up the plant for them and then you will sell it to them?

Sham D Kajale: Yes.

Mayank Chaturvedi: Okay, got it. Just last thing from my side, if you can point me to the right person to connect to for a possible offline interaction that would be great.

Sham D Kajale: Okay. Please call the Company Secretary.

Moderator: Thank you. Next question is from the line of Kishan Tosniwal from Polar Ventures LLP. Please go ahead.

Kishan Tosniwal: I have only that question, the employee expenses that has gone up, how frequently this decision is taken by the Board to increase the commission percentage and like it was 1.5%. earlier now we have got to 3.5%. Is there any timeline that has been decided by Board?

Sham D Kajale: There is no specific timelines, see in bad times when the Company was not doing well, the Managing Director has not taken any increment for four years. That time no one has asked this question why the manager remuneration has not gone up. It is still showing at the same level, so in bad times Rishi and his father has not taken a single rupee increment in those four years from

17 onwards to 2020-21, almost for five years. So, now in good times Board thought it prudent that they must be rewarded when the Company is doing well. So, they Suo Moto has increased his commission from 1.5% to 3.5%, it's a fair proposal that Board has taken into consideration.

Kishan Tosniwal: That that is fine, I am not talking about that. Is there any consideration that if you have decided.

Sham D Kajale: It's a Board call, Board will take appropriate call at appropriate time.

Kishan Tosniwal: But there has to be some timeline that 3.5% has been taken now this will be kept for how many years, it is that, that has been decided by the Board that 3.5% will be continuing for next two, three years there will be no changes or is it only enabling resolution for this year only. That is what my question is.

Sham D Kajale: Enabling resolution for this financial year.

Rishi Sanghvi: Sham actually, why don't you take this opportunity to also speak about the promoter deposit?

Sham D Kajale: Yes, in those days, they have deposited almost 20 crores in Sanghvi Movers Limited at an annual interest rate of 7%, 7.5% they would have deployed this money outside the Company, but they have put entire their saving, entire salary, commission, dividend whatever they got, they put in the Company carrying interest rate of 7%. Many people have advised them to take out this money and put it in other shares or securities or mutual fund, but they have not done it. So, try to understand the fairness of the promoters also at the same time.

Moderator: Next question is from the line of Sunil Jain from Nirmal Bang Securities Private Limited. Please proceed.

Sunil Jain: Sir, I would like to know the debt number which we had said in the presentation is the gross debt or net debt?

Sham D Kajale: 287 crores is the net debt, because we have opened certain letter of credit having users of one year or two year against those letter of credit we put in some FDs with the bank. So, the gross rate is 301 crores, and 14 to 15 crores amount of money that we put in in FD with the bank which has opened a letter of credit is 15 crores. So, net off those FDs the net debt is 287 crores.

Sunil Jain: Yes, but there is an investment of around 70 crores, are this liquid investment?

Sham D Kajale: Yes, there are liquid investments in mutual funds and FDs.

Sunil Jain: So, you are not netting off that we figure?

Sham D Kajale: No, we are not netting off that, had we netting off that the net debt will be 150 crores.

Sunil Jain: Okay, fine. So, to that extent net debt can come, we can consider net debt?

Sham D Kajale: Yes, correct.

Sunil Jain: And sir second thing for the future investment that is for the next year. You said 30% will come from capital and 70% from debt, but there will be enough cash generation and this investment and other cash will also be there with you so you won't be using that or you will be relying more on debt?

Sham D Kajale: So, basically historically we are funded our CAPEX through internal accruals partially and partially through the bank loans. It's better to have some date on the balance sheet and considering the net worth of the Company we have crossed 1000 crores of net worth and for a Company like us, service industry having a net worth of 1000 crores is a big achievement. So, we thought it prudent to conserve our cash, take some debt and we have a sustainable position in terms of financial capabilities. And we can easily raise the debt and easily repay the debt. So, if you see the cash accrual for this financial year itself is 325 crores, even if we assume the same trend will continue Company has the ability to generate 300 crores of cash which is equivalent to our net debt as on date. So, we thought it prudent to conserve the cash, fund the CAPEX partially through debt and partially through equity though we have a sufficient liquidity currently available invested in mutual fund and bank deposits.

Rishi Sanghvi: See, as a promoter, I believe in maintaining a certain level of debt because it gives us financial discipline, and it's also a tax shield and whatever debt we are putting onto the balance sheet and as Sham has rightfully said, can be wiped out within a year. So, effectively while maintaining a certain level of debt we are also a, we can be a debt free Company within 12 months.

Sunil Jain: Okay. So, you will be comfortable in keeping some cash in the balance sheet?

Sham D Kajale: Right.

Rishi Sanghvi: Yes.

Sunil Jain: Second thing is, is it possible to give the FY24 figure for this forward and carry charges in this expenses?

Sham D Kajale: Sorry, come again.

Sunil Jain: You have a major expenses this forward and carrying charges carriage.

Sham D Kajale: Freight and carriage.

Sunil Jain: Yes, Freight and carriage. So, that expenses is it possible to give for FY24 yearly number?

Rishi Sanghvi: What do you mean?

Sunil Jain: That number Rishi last year it was 50 crore, so is it possible to get that number for FY24?

Rishi Sanghvi: Why do you want that number just out of curiosity?

Sunil Jain: Because that is a major expenses and we may see some movement in that particular line depending on the freight charges.

Rishi Sanghvi: So, last year freight cost was 38,51,00,000 this year it is 43,24,00,000.

Sunil Jain: Okay, fine sir. And this order book breakup you announced 150 crore one order of EPC, along back but thereafter I don't think you had announced, so in between you might have got other orders also for EPC, am I correct?

Sham D Kajale: Yes.

Sunil Jain: Okay, but you are not sharing the breakup of order book?

Sham D Kajale: Yes.

Moderator: Thank you very much. Ladies and gentlemen, we will take this as the last question for the day. I would now like to hand the conference over to Mr. Sham D Kajale, CFO for the closing comments.

Sham D Kajale: Thank you everyone for joining this investor conference call of Sanghvi Movers Limited. Thank you so much and have a great day. Thank you good night.

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