

**ANANDRATHI**

**“Sanghvi Movers Limited Q4 and FY 2016  
Earnings Conference Call”**

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**Moderator:** Good day ladies and gentlemen, welcome to the Sanghvi Movers Limited Q4 and FY2016 Earnings Conference Call hosted by Anand Rathi Shares and Stock Brokers. As a reminder, all participants' 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 any assistance during this conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Girish Solanki. Thank you and over to you Sir!

**Girish Solanki:** Thanks a lot. Good afternoon to all. Welcome to the 4QFY 2016 earning call of Sanghvi Movers. Today we have with us Mr. Chandrakant Sanghvi who is the Chairman & Managing Director at Sanghvi Movers, and Mr. Sham Kajale who is the Executive Director & CFO. Over to you Sir!

**Chandrakant Sanghvi:** Good afternoon ladies and gentlemen. Welcome to the conference call of Sanghvi Movers. I am sure most of you must have gone through the results that we announced yesterday. To give you a brief snapshot we have done a turnover of Rs. 531 Crores and year-on-year growth is around 73%. Our profit after tax has been Rs. 116.91 Crores. It is 22% profit margin. EBITDA margin has been around 68%. Our utilization is around 82%, which we feel is quite good and our blended yield is around 3.03%. You must have seen the advertisement that we have released. It talks about that we have done a capex of around 513 Crores for last year 2015-2016 and a cash profit of around 244 Crores. The debt to equity ratio is 0.8:1 and our gross block is 2203 Crores. Now a lot of you people must be wondering how come this company has done a capital expenditure of 513 Crores whereas all the economic indicators show that there is stagnation in the capacity utilization. I would like to make it clear on the macro level that we have invested

all this money, a very small portion of it is in land that we have purchased for opening depots and this capital expenditure has been done to purchase equipment most specifically for windmill and support crane for windmills and last year these cranes as they came from the docks all of them have gone from the docks to the job site that is the reason why our sales turnover is Rs.531 Crores. We have purchased last year somewhere around 15 cranes of capacity 600 tonne and over out of which 8 were new crane and 7 were used crane and we purchased this 600 tonne cranes to cater to the needs of Suzlon, Gamesa, Vestas and others. Even after doing this huge capital expenditure there were shortage of cranes higher capacity in 600 tonne crane So just to give a snapshot we are today the fifth largest crane hiring company in the world and largest in India In the category of 400 tonne crane we have 34 units and 27 units in the category of 600 tonne and above. A 600 tonne and above average cost is somewhere around 26 Crores and 400 tonne it is somewhere around Rs.12 to Rs.13 Crores. Now a lot of analysts may think that this is the overambitious capital expenditure but we are quite comfortable and because of this capital expenditure we have been able to achieve this kind of a turnover the cyclical business is going to be there. What we are looking at is that if there is opportunity we must grab it otherwise somebody else will grab it and we will stand in the queue after their equipment has been utilized then will get a chance. So we had a taken a conscious decision to order for these cranes get them on time and deploy them. Another strategy what we are doing for the coming year that is for 2016-2017 is that windmill height they have started with 80 meters then to 90 meters now it is gone to 120 meters. At time of another two to three years horizon they will go to between 130 to 150 meters. What we have strategically decided that we will trade in our used but three to five year old used crane that is CC 2400-1 it is a 400 tonne capacity crane used for windmill height up to 80 meters to 90 meters. Now five units we are going to trade in for which we

are going to get around 52 Crores and we are going to buy CC 3800 which is a 650 tonne crane with a boom length of 153 meters and 12 meters fixed jig. This is the next future generation of the crane then if in India when the hub height goes about 130, 140, 150 meters these cranes will be utilized. So a conscious decision has been taken by the management to take out the 400 tonne crane and get something, which is going to be required after 12 months. . We always hope and pray the future for the windmill is good and in the initial signs are that in the country around 4000 megawatts are going to be installed. If that happens I am sure will happen and it is going to happen in the second quarter of this year is poised for a big leap. Having said that we have reached the ceiling as far as crane is purchased is concerned. So unless we trade in some crane we are not going to purchase any more fresh cranes . Now to be honest to all our investors and analyst we are definitely looking for new projects because we have reached the saturation point whereas cranes are concerned and having depots all over the country gives us added advantage and ability to borrow money at a not very low cost but definitely at a reasonably low cost. We are looking for I repeat again we are looking for new projects especially in the Bombay metro and the two examples are like diaphragm walls and tunnel boring machines. Both are highly sophisticated technology and engineering which we are probing not necessarily will be going into it but we are probing and we will take a call after we do thorough due diligence. With this I would like to hand over the stage to Sham Kajale who will tell you more about the company. Thank you very much.

**Sham D. Kajale:** Thank you Sir. I would like to just walk you through the financial highlights of the company for the year ended March 31, 2016. Total income from operation is 531.54 Crores. Other income 7.95 Crores. Total income 539.49 Crores. Total expenditure 177.18 Crores. EBITDA is 362.31 Crores. Our EBITDA margin excluding other income is 67.67%. Interest

cost was 54.15 Crores. Depreciation cost is 126.32 Crores. Profit Before Tax is 181.84 Crores. Tax expenses including deferred tax is 64.93 Crores. Profit after tax 116.91Cr. Our PAT margin is 21.88%. Total cash accrual is 244Cr. Total debt including unsecured loan as on March 31 2016 is 610Cr. Our total debt repayment that we did in last financial year is 97.91Cr. Debt equity was 0.81. Capacity utilization for the whole year is 82% and average blended yield for the entire fleet is 3.03% per month. Other income of 7.95Cr includes a sum of Rs.1.49Cr towards a profit on sale of 10 lakhs equity shares of Suzlon Energy Limited and it also includes reversal of provision for doubtful debts to the tune of Rs. 5.41Cr which we have made in earlier years and which is reversed in the course of the year on account of recovery from certain debtors. We have done a capital expenditure of 513Cr in the last financial year and a small breakup of this figure is - Cranes and Allied Equipment is Rs. 473Cr. We have purchased some certain crane for which we already sent an advance to the supplier and this amount was sitting in the balance sheet under the head loans and advances. That amount is Rs. 20.54 Crs. Trailers and axles with purchased some additional booms and attachment for our certain cranes is Rs. 3.21 Crs. Land, we purchased one land for depot purpose and we also done some construction plan at the depot currently we owe Rs. 5.17 Crs. Other appliances office furniture, vehicles is 0.39Cr. Total capex is 513Cr. We have purchased 47 cranes in this entire capex of 513 Cr which we had capitalized during the year and in addition to this we have purchased 8 cranes for which we are sent advance to the supplier and which was shown under the head capital advances in the balance sheet. . Sector wise revenue breakup for the entire financial year is as under; windmill have contributed 61% of the revenue, power sector has contributed 14% of the revenue, refinery and gas contributed 14% of the revenue, steel and metals contributed 2% of the revenue, cement have contributed 5% and other industry 4%. The crane fleet that we own as on March 31 is under; we own 411 cranes. So now let

me tell you that many times analyst asked me the questions how many cranes that you are effectively using because we are keeping certain number of cranes for our captive purpose in our depot for loading and unloading operations. So I excluded some 15 cranes, which we are used for captive purpose. So after excluding the 15 cranes whose gross block is roughly around Rs.10 Cr. After excluding these 15 cranes from our fleet, our deployable fleet of cranes is 411 out of which 203 cranes are hydraulic, 208 cranes are crawler crane and 258 cranes are 100 tonnes and above which constitutes 92% of the our gross block. Our average trade receivable-days for the year are 93 days. We have written off bad debts to the tune of Rs. 23.67 Crs. which is nothing but the reversal of the provision for doubtful debt in respect of certain debtors, which was made in last three years. So it is just an accounting entry. With this I would like to hand over the floor for question and answer session. Thank you very much.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin with the question and answer session. We will take the first question from the line of Prabhat Ananth Raman from HDFC Securities. Please go ahead.

**Prabhat Ananth Raman:** Good evening and congratulations on an excellent set of numbers. Sir my first I want to really understand Sir so our freight charges as a percentage of net sales have increased. So while this can partly explained by increase in sales but even as a percentage of net sales the increase so what is the reason Sir any for the higher freight charges?

**Sham D. Kajale:** Basically these are nothing but the transportation charges that we are paying for the movement of cranes and you know that we did substantial amount of capex last financial year. So there were lot of movement of cranes happened during this year. So which is not

directly proportionate to the revenue I would say it also depends upon the frequent movement of crane, which happened because we got lot of back-to-back orders also. So because of that also lot of crane movement has happened and because that the freight cost have gone up.

**Prabhat Ananth Raman:** Okay and Sir so these 4.5Cr of reversal of banded this is the reason why other income this quarter is higher than the usual run rate.

**Sham D. Kajale:** Rs. 5.41 Crs. is the reversal of PDD that we made in earlier year and we have made a necessary follow up with those clients and they have come for the settlement and they have paid the money also. We take rigorous follow up with our clients and we recovered some money out of that and hence we have shown this money as under the head other income.

**Prabhat Ananth Raman:** Sir any have you decided on a capex outlay for FY2017-2018.

**Sham D. Kajale:** We have not decided anything about the capex plan for 2017-2018 and Mr. Sanghvi just mentioned in his initial remarks and we will be doing some capex by buying 650 tonne crane and the total amount of investment will be around 132Cr for those 5 cranes.

**Prabhat Ananth Raman:** So 132Cr will be the capex outlay for FY2017. So basically what I want to ask is Sir this year I think is it safe to assume that we ended up with a cash flow from operations are 2.3 billion that is 230Cr.

**Sham D. Kajale:** Which year you are talking about?

**Prabhat Ananth Raman:** FY2016

**Sham D. Kajale:** I need to calculate Prabhat; I do not have the numbers.

**Prabhat Ananth Raman:** So roughly based on our calculations we closed at 230Cr cash flow from operations. This could again on our assumption this might go up to 310 or 350Cr FY2017-2018. So what I want to understand Sir if you do not have any capex are we looking to repay debt or bring down our debt levels or something or that also so basically where would we be utilizing the cash that is of course I believe our business actually generate a lot of cash flows.

**Sham D. Kajale:** As we generated 243Cr for the financial year 2016 we will be generating good amount of cash flow for the current financial year and obviously if we do not do any capex we will utilize that cash flow for the repayment of bank loan. In the normal course we have total bank obligation for the current financial to the tune of Rs. 116 Cr out of which a sum of Rs. 36 Cr has already been repaid till date. So only Rs. 80 Crs is still pending, which we can easily repay in next 10 months. So obviously do not have avenues to deploy the cash flow the same will be utilized for the repayment of bank loans only.

**Prabhat Ananth Raman:** Sir just the recent update my last question was on the recent update as Mr. Sanghvi just shared with us that you are looking another business avenues. So if you could elaborate further on that because in my sense when you mentioned the TBM business and you mentioned the Mumbai metro project my sense I might be wrong and you might correct me if I am wrong here is that the contractors who got the current projects say for example the line three they have to themselves have the crane the TBMs on their books. So are you looking at a leasing business like you are going to help them procure financial lease or operating lease or are you again going into the rental business of TBM? So if you could just throw some light on that.



**Chandrakant Sanghvi:** It is a good question. What is said precisely was we have reached the saturation point in the crane business. We TBM manufactures are coming and meeting us. We have not even met a single person whom the contract has been awarded. What I am saying over here is since the crane business is saturated in future we will be looking for new avenues such as diaphragm walls, which are highly sophisticated equipment or tunnel boring machines and after due diligence I am just giving a thing that we might looking to. So we do not have any specific as of today.

**Sham D. Kajale:** I will just rephrase what he told to everyone. We are just probing the new business ideas. We have not decided anything into whether we would like to go into rental business of TBM or diaphragm wall it is just on the drawing board. First of all we will concentrate on the crane business. we will focus more only on crane business . It is just a thought. Am I clear on that?

**Prabhat Ananth Raman:** I am clear and Sir my last question is though there are some disturbance in the line when you were mentioning the 513Cr of capex is at deployment if you just brief repeat that for me.

**Sham D. Kajale:** Cranes and attachment is Rs. 473 Crs, cranes which we have shown under capital advances for which you already paid a capital advances and which was paid up to March 31 2016 is Rs. 23. 54 Crs. , trailers and multi axle lines trailers and axles that we purchased is Rs. 4.79 Crs. Tools and tackles that are required for our cranes are Rs 3.22 Crs. We purchase one land and constructed some office building and workshop for which we have spent Rs. 5.17 Crs. Office appliances and furniture and other vehicle are Rs. 0.39 Crs.

**Prabhat Ananth Raman:** Thank you Sir so basically this increase in loans and advances this year is basically because of the capital advances that you given so which will obviously grab back to your CWIP.

**Sham D. Kajale:** Correct so this will be capitalized during the current financial year.

**Prabhat Ananth Raman:** So probably by H1 of FY2017 this working capital is not got stretched to 130 days should come back to the normal days of 95 days.

**Sham D. Kajale:** Yes.

**Prabhat Ananth Raman:** Thanks a lot I will get back in the queue. All the best Sir.

**Moderator:** Thank you. The next question is from the line of Pavan Ahluwalia from Laburnum Capital. Please go ahead.

**Pavan Ahluwalia:** Thank you I just want to ask one question, which is your assumption that the market has saturated. You are assuming that India maintains a phase of about 4000 megawatts a year of wind capacity addition and you are saying between your capacity and the other competitors have added you basically have a knocked service bad and so what that means that you will get whatever 250Cr a year of cash flow which could either be used to pay down debt or invest in new project is that understanding correct and secondly when you look at a new project what kind of hurdle rate of return or IRR would you want to invest in the new project. I mean is there a target ROIC we get for example the ROIC in the crane business or how do you think about hurdle rate where we would rather deploy the capital cash to dealer.

**Sham D. Kajale:** Your understanding about the first thing is absolutely correct. So if we have avenues to deploy the cash will go to new business we are probing that idea or else we will reduce our debt. Secondly about the ROE that we are expecting from the new business yes I am just repeating again we are probing that idea. We have not finalized anything on that. So now it is too early to comment on the expected ROA and Mr. Sanghvi told that we are not contacted anyone so far. We are just thinking about doing some business which is similar to our business, which should give, at least similar kind of yield and return.

**Pavan Ahluwalia:** Okay alright thank you very much.

**Moderator:** Thank you. The next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.

**Abhijeet Vara:** Thanks for taking my question. Firstly what will be the payback period for these cranes? This 400 tonnes and higher.

**Sham D. Kajale:** Normally if we buy a brand new crane the payback period is between 6 years to 7 years. It is all depends upon the yield and utilization but generally the payback period for a brand new crane since the cost of acquisition is little on higher side. The payback period is 6 to 7 years. If we purchase the used crane the payback period is generally between 4 to 5 years.

**Abhijeet Vara:** My second question is you mentioned you have about 116Cr of debt but if I look at the press release it says.

**Sham D. Kajale:** Our current year's financial obligation towards bank is Rs. 116 Crs. Total debt around March 31 2016 Rs. 611 Crs.

- Abhijeet Vara:** That is clarified.
- Moderator:** Thank you. The next question is from the line of Mayur Gathani from Om Portfolio Management. Please go ahead.
- Mayur Gathani:** Thank you for the opportunity. Sir I just wanted to check you said you sold some cranes or you intend to sell some cranes in FY2017 and return you will be buying a few cranes of the higher capacity. Can you just help me out on that?
- Sham D. Kajale:** It is a trading actually that's why we are doing. We are selling 5 numbers 400 tonne capacity crane and in exchange of those 400 tonne capacity cranes we are buying new 650 tonne crawler crane.
- Mayur Gathani:** 650 the price you mentioned was 150Cr that you get for the 400 tonnes or that is approximately you will be getting you will be buying the 650 tonnes as well for.
- Sham D. Kajale:** the difference between the selling price and the buyback price. The additional capex that we will be doing is Rs. 132 Crs.
- Mayur Gathani:** Okay additional capex is 132Cr. Second Sir I just want to go back to the saturation point it seems that 4100 of 4000 is the level that India will not grow more than this on the wind installation.
- Sham D. Kajale:** Last year that is in FY2015-2016 which has come in the newspaper also India has done a total installation in windmill is around 3200 to 3300 correct if I am wrong. Now this year they are talking about something around 4500 to 5000 megawatt the industry figure the estimate that people are talking about. Our assumption is that considering the various issues that is ROW etc and all this things we are hopeful and we are confident also that

India might do an installation of 4000 megawatt on an annualized basis. Secondly for FY2017-2018 even though there is a withdrawal of accelerated depreciation and it is coming down from 80% to 40% at least we do not feel there will be any impact on the windmill industry as a whole because out of the total installation that are happening in India only 20% of the people they are normally going for IRR business or accelerated depreciation benefit . So I do not personally feel that there will be any impact on the wind industry as a whole even if the government reduces the rate of accelerated depreciation. So in 2017-2018 also we are confident that at least wind industry will put 4000 plus megawatt on an average at least for next 3 to 4 years from 2017-2018 onwards.

**Mayur Gathani:** The crane that you buy the 600 tonne then 650 tonne that you are intend to buy this year are these fungible can be they be used anywhere else or it is specific to it.

**Sham D. Kajale:** Normally the cranes whatever we own they are fungible across all sectors whenever there is a lifting application these cranes can be used for example in refineries, power sector, steel plant, cement plants etc., . So the crane that we are buying in the current financial year are also fungible and that can be used in power plant also and field plant also even refinery also.

**Mayur Gathani:** Is it some kind of order book with you let us say for wind are you sold out for wind for this year. Are you sold out I mean that kind of demand that you have at 4000 levels are you is your cranes booked out for the whole year or you still have a opportunity to employ more cranes.

**Sham D. Kajale:** Normally we are just completing the second month of the current financial year and people are finalizing their requirement of the cranes and based on what they are given the

indication so far we are confident of doing reasonable amount of business with wind industry overall.

**Mayur Gathani:** What kind of growth would you look at this year?

**Sham D. Kajale:** You are talking about topline growth.

**Mayur Gathani:** Yes Sir.

**Sham D. Kajale:** If we achieve a growth of 10%, which we are looking forward, or probably more than that but we are being a conservative company we would like to give conservative estimate.

**Mayur Gathani:** Any changes like wind is contributing 60% FY2017 we may have the same segment like power 14, refinery 14 like any change in the metric Sir.

**Sham D. Kajale:** There will not be significant changes in the contribution. What we feel that power sector contribution may go up slightly from 14% to 16%. Refinery sector we are currently working in Reliance Industries Limited Jamnagar and presently we have some 18 to 20 cranes working there. I hope that the contribution from this sector will also slightly go up from 14% to 16%. Apart from these two sectors we do not foresee any major traction will happen in terms of requirement of crane. So overall this combination will remain more or less same except plus or minus here and there.

**Mayur Gathani:** Any input that you may have some supply pressure from competition or Reliance releasing a few cranes from its refineries, will that impact market in this year?

**Sham D. Kajale:** Currently in fact Reliance is hiring lot of cranes from the market, so we are also supplying the crane, so I do not think that will happen in the near future at least for one year down the line.

- Mayur Gathani:** Quite confident on that. Just one second.
- Jigar:** Sir my name is Jigar, I am Mayur's colleague. Sir just have one question pertaining to the wind energy and the cranes. So what percentage of the 4000 execution run rate as we sustain coming years. You see incrementally coming in from the higher capacity cranes and would it require that on an ongoing basis, we would have to replace our smaller cranes with the larger capacities?
- Sham D. Kajale:** There are very few players like Vestas, Gamesa they are going for higher tower height we are meeting their requirement of cranes and the other players they are still okay with 400 tonne capacity cranes or 600 metric tonne capacity cranes because they have not yet increase the tower height.
- Jigar:** So what percentage of our crane mix that we will have to foresee in the future and while we replace these cranes, does it really incur us any notional book loss?
- Sham D. Kajale:** Sorry I could not get your question right.
- Jigar:** So while we would be swapping this some of the smaller cranes with 600 tonnes crane on a life cycle basis, would these cranes on a book basis would there be any notional loss?
- Sham D. Kajale:** You are asking me whether we will be incurring any book losses if we sale the 5 cranes and if we buy 5 cranes against that sale of 5 cranes . We have done the calculation; we are not incurring any losses.
- Jigar:** Incrementally if this has to move and assuming that we have used the cranes for younger, so these typically will get used into other places and assuming larger market moves to a higher capacity crane, there is no foreseeable risk in terms of such losses coming in?

**Sham D. Kajale:** We are already having 600 tonne capacity cranes and those cranes are fungible, similarly we are buying 650 tonne capacity cranes for a typical tower height of 140, 145 meters. Depending upon the requirements of the clienes we can change the boom configuration of the cranes and used the same cranes in other industries like refineries, power plant, steel plants, Nuclear power plants etc..

**Jigar:** Thank you Sir.

**Moderator:** Thank you. We will take the next question from the line of Vishal Gajwani from Birla Sunlife. Please go ahead. As there is no response from the current participant, we will move on to the next participant that is from the line of Vivek Joshi from Startup Fund. Please go ahead.

**Vivek Joshi:** I have some questions on the collection cycle of your debtors, what is the usual return quarterly billing for your clients monthly and how does it work?

**Sham D. Kajale:** We raise monthly billing on our clients.

**Vivek Joshi:** So just seeing that there is 155Cr of trade receivables whereas the entire quarterly sales are only like 160Cr. So is it there monthly billing so how can these to be reconciled so that something is the delays in payment or what is it like?

**Sham D. Kajale:** Mostly, our turnover for the last quarter is 161Cr which you have rightly said. Total receivables is at the year end position so roughly as I told that our overage receivable is 93 days, I did not understand your question.



**Vivek Joshi:** That is what I wanted to say, this 90 days in entire is okay that is fine, that is okay. So I mean the billing and the receivables is like around 90 days likes it take 90 days from the bill to like receivables, is that a correct assumption?

**Sham D. Kajale:** Yes what happened we supply the cranes to the clients. There is a logsheet for each and every crane. So we have to fill up the log sheet on daily basis and get it certified from the clients and once the month is over the clients site engineer/supervisor certified the logsheet. So based on the logsheet, we prepare the bill which takes four to five days because the logsheet has to come to the head office and then we prepare a invoice based on the logsheet, and then we submit the invoice to the client's head office. So it takes another 4 to 5 days. So by 10<sup>th</sup> of next month the invoices are submitted to the client's office and as per the credit terms agreed with the clients we are supposed to get the payment 30 days from the certification of the bill. for the month of April by May 10 we submit the bills to the client and client's office takes its own time to get the bill certified from its engineer and it takes another 15 days or so. Hence by May 25 the client is supposed to certify our bills. From May 26 we credit period of 30 days, so effectively by end of June we are supposed to get our payment for the month of June So effectively 90-day cycle is inevitable in our billing.

**Vivek Joshi:** Just one more question I had, do you give some kind of breakup of your top clients like who are your top 3 clients or top 4 clients and what percentage of winning?

**Sham D. Kajale:** No I will give the names of the clients with whom we are doing the business. I will not give the percentage. We have done good amount of business with various clients. these are not the top 5 clients of the company and throughing these names randomly for exmpale BHEL, L&T, Tata projects Ltd., Tata Gamesa, Suzlon, Regen Power, GE, Vestas etc.

**Vivek Joshi:** My reason for asking question is to know if your billing is exposed to any client which itself is very indebted or in trouble that was what the reason I was asking this question like so if some color there it would like, so you do not disclose right?

**Sham D. Kajale:** We do not disclose that.

**Vivek Joshi:** Thank you so much and all the best.

**Moderator:** Thank you. We will take the next question from the line of Abhishek Shah from Valcore Capital. Please go ahead.

**Abhishek Shah:** I just wanted to further dig into the new projects mentioned by Mr. Sanghvi if at all if we go ahead with this just wanted like what would be the size of investment as and may be as a percentage of your capital employed?

**Sham D. Kajale:** We have not decided anything on that. It is just an idea that we are probing into. It is on drawing board. So we will take will do proper due diligence and then only we will take a call about the size of the project also in terms of investment, returns, everything we will disclose at appropriate time. As of today we have not decided anything on that.

**Abhishek Shah:** No just wanted to check if you going to start with the small base or we are just going to go all lot in the first attempt?

**Sham D. Kajale:** To be frank with you, we have not decided anything on this right now.

**Abhishek Shah:** Okay got it. Sir second question is I understand the cranes are fungible and can be used in other sectors as well. So would it be possible to quantify the size of opportunities in the ongoing sectors assuming wind does not pan out as we plan to?

**Sham D. Kajale:** Basically we are hopeful that wind power sector will revive. Refineries we are having good enquiries and this can be revived again and we can see good amount of opportunity from these two sectors. Cement and steel plant we do not foresee any opportunity right now. We see one more opportunity in metros, underground metros where tunnel boring machines are being used where our cranes are required, to install and remove the tunnel boring machine, where we see good amount of opportunities and we have done good amount of business in Delhi Metro, Chennai Metro also. So we have good experience in that. That is another one more sector where we are hoping to get good business in near future.

**Abhishek Shah:** Sir just checking again, is we internally planning to say over the next three four years are we planning to reduce our exposure to wind. I mean can we get back to the 30% of topline like we had in 2011?

**Sham D. Kajale:** Actually this is the question many times people ask us . If we have a business from windmill sector and if the clients from this sector is paying also then what is the harm in doing that business and what is the harm in having some large exposure to that sector. So if we get a business opportunity from other sector with similar kind of yield and utilization in line with our expectation then we don't mind shifting our focus from windmill to other sectors, suppose tomorrow big UMPP are coming and they require huge number of cranes or refinery then we may shift our crane from windmill to other sectors also. It depends upon who requires the cranes first. Our cranes are fungible so we are open to that idea. Whenever we get opportunity we will shift our cranes from windmill to other non-windmill sector.

- Abhishek Shah:** I was just trying to understand like if we are trying to derisk ourselves from a specific any sector as such which are 60% worth topline, just from that perspective?
- Sham D. Kajale:** Okay.
- Abhishek Shah:** That is all from my side.
- Moderator:** Thank you. The next question is from the line of Dixit Mittal from Shubhkam Ventures. Please go ahead.
- Dixit Mittal:** Good evening Sir. What is the gross block at the end of March?
- Sham D. Kajale:** You are talking about the cranes gross block, correct ?
- Dixit Mittal:** Yes.
- Sham D. Kajale:** It is Rs. 2014 Crs that is the gross block of the cranes as on 31<sup>st</sup> March, 2016.
- Dixit Mittal:** Sir what is the kind of utilization and yield are we looking out for the next year.
- Sham D. Kajale:** Last quarter we had fantastic capacity utilization. It was more than 85%. For a full year we had average capacity utilization of 82%. We are hopeful to achieve average Capacity Utilisation between 80% and 85% in the current financial year.
- Dixit Mittal:** In terms of yield Sir what is the yield that is sustainable for next year.
- Sham D. Kajale:** It should be around 3% per month.
- Dixit Mittal:** Above 3%. So Sir if I take 2024Cr of gross block with 3% yield and 82% utilization I am getting around 600Cr topline.
- Sham D. Kajale:** Yes your arithmetic is correct. Arithmetically numbers are correct.

- Dixit Mittal:** Sir in terms of our margins so what is the kind of margin that you are looking at?
- Sham D. Kajale:** EBITDA margin you are talking about.
- Dixit Mittal:** Yes.
- Sham D. Kajale:** We should be able to maintain EBITDA margin between 66% to 68% for the current financial year.
- Dixit Mittal:** In terms of outlook on sectors you mentioned refinery, power and which are the sectors that you are looking at in terms of offtake.
- Sham D. Kajale:** As I mentioned to the earlier participants that we are hopeful to get good business for underground metros where a tunnel boring machines are used.
- Dixit Mittal:** So what kinds of cranes are used in underground metros it is heavy.
- Sham D. Kajale:** It is heavy-duty cranes. It is 400 tonne cranes.
- Dixit Mittal:** Sir this new 600 tonne crane by when will be getting and like will start generating revenue.
- Sham D. Kajale:** It is coming in the second half of the current financial year because delivery starts from July, August onwards. Considering the sailing time and other things the revenue will accrue from second half of the current financial year.
- Dixit Mittal:** Thanks.
- Moderator:** Thank you. The next question is from the line of Vardharajan an Individual Investor. Please go ahead.
- Vardharajan:** Thanks but my questions have already been answered.

- Moderator:** Thank you. The next question is from the line of Saurav Asrar an Independent Advisors.  
Please go ahead.
- Saurav Asrar:** Most of the questions have already been answered but just one quick question. As you mentioned in terms of the windmill businesses sort of which has an element of accelerated depreciation. 20% of business on windmill side is sort of on the accelerated depreciation and the rest is also the benefit right now on the GBI. So going forward what is your take on sort of that getting extended on beyond 17 and what kind of impact that could have on the business.
- Sham D. Kajale:** Can you just elaborate your question because I am not able to get through your question rightly?
- Saurav Asrar:** What I am asking is that the accelerated depreciation, which will be reduced overtime that has impact on above 20% of the business on the windmill side right as you said.
- Sham D. Kajale:** Right because 20% of the people are setting up the windmill for IRR purpose or may be for accelerated depreciation purpose.
- Saurav Asrar:** Correct but on the remaining part of the business now generation based incentives is sort of a factor right. So this is right now so we have visibility till March 2017 on that correct.
- Sham D. Kajale:** Correct.
- Saurav Asrar:** So in terms of again see the regulatory asked sort of it has also happened in the past because of that sort of it had a major business impact. So how do you see that risk as far as the wind is concerned and wind is again a major part of our business?

**Sham D. Kajale:** What happens when the government had withdrawn the Accelerated Depreciation last time they are not given any indication to the people. In the finance budget which was announced somewhere in July 2014 if I am correct on that they have reintroduced accelerated depreciation. Now this time the government is very cautious. They have announced this reduction in accelerated depreciation from 80% to 40% with effect from April 1 2017 onwards. So people are now taking proper decisions. So I do not think that kind of situation will again happen in 2017-2018.

**Saurav Asrar:** Okay thank you.

**Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

**VP Rajesh:** Thanks for the opportunity. I believe I heard you said that the gross block of the business is around 2500Cr.

**Sham D. Kajale:** Rs. 2200 Crs. gross block of the entire fixed asset. Crane gross block is 2014Cr.

**VP Rajesh:** 2024Cr so any idea of what is the market value of these cranes because I believe you have traded it increase in the past. So I am just wondering what you are strength of the market value is.

**Sham D. Kajale:** I think it may be around 10% more than the historical cost.

**VP Rajesh:** Just in terms of the account receivables. Out of 155Cr how much is due for more than six months.

**Sham D. Kajale:** I will give that number. It is not that significant. It has I come down significantly. More than six months after making a provision for doubtful debts the amount is Rs. 11.16 Crs only.

**VP Rajesh:** I believe you talked about some reversal could you just repeat that I will catch.

**Sham D. Kajale:** The amount of reversal of PDD is Rs. 5.41 Crs.

**VP Rajesh:** What you are saying is that 541 have been collected from the debtors.

**Sham D. Kajale:** Correct for which we made the provision in earlier years.

**VP Rajesh:** What it the total provision right now on that.

**Sham D. Kajale:** Total provision for doubtful debts as on March 31 2016 is Rs. 6.26 Crs.

**VP Rajesh:** So roughly around 18Cr or so is what is sort of debt that has been collected which is probably more than right.

**Sham D. Kajale:** Yes.

**VP Rajesh:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Ashish Pandey an Individual Investor. Please go ahead.

**Ashish Pandey:** I just wanted to ask few questions. One is you said refinery division refinery group will be adding maximum by 2% from 14% is expected to go up to 16% maximum but what I have read in because that HPCL and BPCL are going by capex may be over 10,000 to 55,000Cr of capex in coming four, five years but do not you see the opportunity for



Sanghvi there and getting all of that 5 and providing also to these government refinery companies and getting more revenue.

**Sham D. Kajale:** We have done lot of business BPCL, IOCL earlier HPCL also. This opportunity we will definitely, encash it . There are lot of announcement happening but unless we get a firm order or clear visibility in terms of enquiry we normally do not count in our estimated turnover. If we get enquires from these refineries we will definitely explore those business opportunities.

**Ashish Pandey:** So your assumption from say 14% plus or minus 2%. This includes.

**Sham D. Kajale:** It was for this year.

**Ashish Pandey:** For this year so your calculation did not assume or did not incorporate these assumptions if they come to you for more cranes for their capex you did not assume you are not incorporating those assumptions.

**Sham D. Kajale:** Yes. For time being we are not considering that.

**Ashish Pandey:** Okay fine and second question Sir I think from June from 2004 to 2008 generally your June quarter was better than that better than March quarter. So do you see this thing going forward also because I think we are in the same mode same phase.

**Sham D. Kajale:** Generally March quarter we get good amount of revenue. If you see our historically also our June quarter is normally not that good and March quarter is always the best quarter of the year.

**Ashish Pandey:** Fine Sir thanks a lot and all the best Sir.

**Moderator:** Thank you. The next question is from the line of Manan Patel from Samiksha Capital. Please go ahead.

**Manan Patel:** Thank you for the opportunity and congratulations for a very good set of results. I wanted to ask again on the fungibility part. So I understand while our cranes are fungible but actually the tonnage of cranes that we have for example 600 tonne cranes are they required in the refinery construction or power plants or like over a 400 tonne crane do as well and would that impact our yields on the 600 tonne cranes. I wanted to understand that part.

**Chandrakant Sanghvi:** Mr. Sanghvi speaking I would like to clarify. You made a mistake it is not fungible. The thing is a crane has got basically there are four components. It is the main boom then we add a fixed jib so it becomes main boom and fixed jib then we remove the fixed jib add a luffing. So it becomes main boom and luffing then when we add a derrick the capacity enhances double. So in a windmill you can use the crane with derrick with fixed jib, with luffing or main boom fixed jib there are various combination. So what my colleague is trying to say is a crane with added component can be used in any applications and the cranes are interchangeable means you can add on the component and you can get a different configuration for a different applications. So for a different application the components we already have so from windmill can be change into refinery or refinery can be change into windmill.

**Manan Patel:** Sir I understand that but I just wanted to understand that while like as you mentioned heights of windmill is increasing and that is why they require a high tonnage crane but if the same thing happening in the refinery part or a power plant where you would require a 600 tonne crane rather than a 400 tonne crane.

**Chandrakant Sanghvi:** Yes as the 800 megawatt power station is there the ceiling got a height increases. So we require a 119 meter boom length whereas for 400 megawatt power station it require a different crane 660 megawatt you require a different crane.

**Manan Patel:** Understood and Sir one more question was Sir do we have any sort of thought process on the succession planning part.

**Chandrakant Sanghvi:** Succession plan I think I am quite young I am still 60.

**Manan Patel:** Definitely Sir but I understand that the business is quite difficult and someone would need your kind of experience to do the business well.

**Chandrakant Sanghvi:** I thank you for understanding the business is difficult and we have a good team already in place which we are working together for a long time and recently my son has also joined the business but he is too young to comment on whether he is going to be with the company for a long time or no, so given that our senior management team has been there for a long time, we are not worried about succession.

**Manan Patel:** Thanks a lot Sir thank you very much.

**Moderator:** Thank you. The next question is from the line of Ankush Mahajan from Edelweiss. Please go ahead.

**Ankush Mahajan:** Sir most of questions have been answered just to know how do you think Sir about the private capex recovery in domestic market and how you see that. How much time it will take for revival in the private capex if it is delayed.

**Sham D. Kajale:** Private capex means private companies doing capital expenditure right ?.

**Ankush Mahajan:** Yes it is like steel, cement and manufacturing.

**Sham D. Kajale:** As of today we are not foreseeing any major capex happening in steel and cement. While other industries like power and refineries we are hopeful that they will do well in terms of their capex .

**Ankush Mahajan:** So oil and gas activities are there. In the oil and gas the activities are there.

**Sham D. Kajale:** Yes.

**Ankush Mahajan:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Rohit Prakash from Harmony Capital. Please go ahead.

**Rohit Prakash:** Congratulations on a very nice set of results Sir. I just had a question I mean I joined the call late, I just wondering if there is any change in the dividend policy for the company I mean as you mentioned is pretty much the crane industry is reaching saturation and you will have nice cash flow generation every year and do you intend to give more dividends in future.

**Sham D. Kajale:** It is board decision. Right now we declared a dividend in the form of interim dividend as a final dividend. So last year we paid Rs.3 per share. For FY 2016-2017, it is too early to comment on the dividend policy. So I leave it to the board of directors to take the decision.

**Rohit Prakash:** Fair enough thank you.

**Moderator:** Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.

**Viraj Kacharia:** Thank you for the opportunity and congratulations on a good set of numbers. Just had one question on the sector you talked when we doing around 60% of the revenue power and refinery being 14% each. So what are the other 12% comprise of.

**Sham D. Kajale:** Steel and metal 2%, cement 5%, other industry 4%.

**Viraj Kacharia:** You talked about not much revival on the capex on the tariff sector but you heard about government under taking a lot of capex activity on road and other infrastructure. So from your reading what kind of activity we seeing on those sectors and from an industry point of view is there enough utilization of the fleet on the ground catering to these and other sectors.

**Sham D. Kajale:** Basically for roads and infrastructure even for railways also they do not require heavy duty cranes . They require y smaller capacity cranes like 40 tonne, 60 tonne or maxium of 100 tonne capacity maximum for construction of bridge or flyover. So that is why I have not mentioned about those sectors.

**Viraj Kacharia:** Understand that is from my side.

**Moderator:** Thank you. The next question is from the line of Prabhat Ananth Raman from HDFC Securities. Please go ahead.

**Prabhat Ananth Raman:** Thanks for the opportunity again. Sir you mentioned the capacity utilization for Q4 FY2016 what was the corresponding yield.

**Sham D. Kajale:** For which quarter.

**Prabhat Ananth Raman:** For this current quarter Sir.

**Sham D. Kajale:** It is 3.15%.

**Prabhat Ananth Raman:** 3.15 that is very good Sir. My second question is Sir so you did mention that the crane they do find utilization in the urban metro for the underground metro and they are basically used for the TB and correct me if I am wrong but the yields in this particular business is far less than what we actually on a blended level right.

**Sham D. Kajale:** Can you elaborate your question please?

**Prabhat Ananth Raman:** Sir this when we give the cranes out for the underground metro the yield the rental yield that we earn is far less than our blended yield. Am I correct? So that is assumption.

**Sham D. Kajale:** It is not a case actually. The rates are finally market driven and we do not quote below the bench mark rate what we are getting from other sectors. So there is no point giving a crane to a sector or to an industry application where the yields are less. So it is not the case actually.

**Prabhat Ananth Raman:** So is it safe to assume that the yield in the underground metro itself would also be around the same range of 3%.

**Sham D. Kajale:** Yes .

**Prabhat Ananth Raman:** Sir if we were to look at the TBM business as in the same light as you know as a rental business have you got a fair idea of what the rentals would be on a TBM if you were to rent it out.

**Sham D. Kajale:** Ananth Raman I am repeating once again we are just probing that idea we are not even spend two weeks of time also on that project so we will take the decision after getting all

the relevant information whether there is a possibility of leasing out or renting out a TBM because I am not sure whether these EPC companies will take such TBMs on rental basis or whether they prefer to own their own TBM or so it is just on a drawing board.

**Prabhat Ananth Raman:** Thank you Sir.

**Moderator:** Thank you. We will take the last question from the line of Arun Malhotra from Santalum Capital. Please go ahead.

**Arun Malhotra:** Congrats on a good set of numbers. I think most of the questions have been answered. Just couple of things. Is there a room for further increase in the yield?

**Sham D. Kajale:** I think we already touched the ceiling in terms of yield per month and I mentioned in the earlier calls also that we are comfortable and market is also now stabilized between 2.9% and 3.10% yield. I do not foresee any major spurt in the yield percentage going forward at least in the current financial year.

**Arun Malhotra:** Secondly you mentioned about the swapping of the cranes are we selling these 5 cranes back to the supplier or in the market.

**Sham D. Kajale:** We are selling those cranes to the supplier and from the same supplier we are buying new 650 tonne capacity crane.

**Arun Malhotra:** Just to understand it further the supplier would be allowed or may be selling that in the Indian market those cranes.

**Sham D. Kajale:** Most likely he will export those cranes outside India.

**Arun Malhotra:** Lastly there would an excess of around close to 500Cr of cash generation in the next two years. You did mention the repayment of debt. Can we request the management to seriously consider increasing the payout ratio because right now it is just close to 10%, 15%?

**Sham D. Kajale:** You can consider.

**Arun Malhotra:** Yes so please I would request the management to seriously consider it.

**Sham D. Kajale:** We will consider.

**Arun Malhotra:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conferment to over to Mr. Girish Solanki for his closing comment.

**Girish Solanki:** I would like to thank the management for taking the time out. Thanks a lot Mr. Sanghvi and Mr. Kajale.

**Sham D. Kajale:** Thank you Girish thank you everyone. Have a good day.

**Moderator:** Thank you. Ladies and gentlemen with that we conclude this conference. Thank you for joining us and you may now disconnect your lines.