

ANANDRATHI

**“Sanghvi Movers Limited Q4 FY 2015 Earnings
Conference Call”**

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ANANDRATHI



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Moderator: Ladies and gentlemen, good day and welcome to the Sanghvi Movers Limited Q4 FY 2015 Results Conference Call, hosted by Anand Rathi Shares & Stock Brokers Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Girish Solanki. Thank you and over to you Sir!

Girish Solanki: Thanks. Good afternoon everyone. Today we are hosting the Q4 FY 2015 earnings call of Sanghvi Movers. We have with us from the management Mr. Chandrakant Sanghvi. He is the CMD and Mr. Sham D. Kajale, the Executive Director & CFO. Over to you Sir!

Chandrakant Sanghvi: Good afternoon ladies and gentlemen. Welcome to the Q4 results and FY2015 results. Along with me my colleague Sham Kajale, Executive Director & CFO is there. We are here to answer all your questions and tell you all more about our company.

For the FY2015 our turnover has gone up to 315 Crores, a rise of around 26%, PBIDT has gone from 141 Crores to 185 Crores and profit after tax for the last year that is for FY2014 we had made a loss of around 14.5 Crores and this for the full year we have made a profit of around 8 Crores. In the last eight quarters for the first six quarters we had made a loss and the third quarter there was a slight recovery but the real recovery has happened in Q4.

Going forward the results in detail Sham, my colleague will explain to you. Going forward what I have to say is we have already incurred a capital expenditure in Q1 of about 100 Crores and Q2, Q3 we have committed and signed contracts worth 250 Crores and depending upon the business we will be reviewing our capital expenditure at a further date.

For the first time we will be increasing the margin, now this entire capital expenditure will be done from internal accruals and instead of 25% margin first time will be giving margin around 30% to 35%. The business I would say that the Indian economy is not in top gear as yet. Please do not go by our results, because I still think the best is yet to come and it will be coming after six months. We happen to be lucky. Our incremental business has been in windmills, steel sectors, cement plants and refinery.

We expect this year to be quite healthy that is the reason why we are doing capex in the capital expenditure of 350 Crores.

I now hand over the floor to Sham Kajale and if there is any specific question I will be more than happy to answer.

Sham D. Kajale: I will just brief you about the financial performance of the company for the financial year ended March 31, 2015. We achieved a turnover of 308 Crores, other income 7.39 Crores, total income 315 Crores, total expenditure 130 Crores, PBIDT is 185 Crores and PBIDT margin is 59%.

Profit before tax 23.2 Crores and tax expenses 15.14 Crores and profit after tax of 8.06 Crores. Total cash accruals for the financial year March 31, 2015 is 128 Crores, networth of the company is 654 Crores. Total debt is gross debt 335.15 Crores. We have repaid loan to the extent of 131 Crores in the last financial year. Debt to equity was 0.51:1. The average capacity utilization of the fleet last financial year entire year is 66%, average gross yeild for the year was 2.4% per month. Our receivable days were 127 days, which was 195 days in FY2014. Average capacity utilization for the quarter ended March 31, 2015 was 79% and on yield was 2.8% per month.

The company has done a capital expenditure of Rs. 17.65 Crores during the fourth quarter of the financial year 2015 and we have purchased seven number used tyre mounted cranes, we have purchased these cranes from Singapore. As explained to you earlier we have reduced the debt to the tune of Rs. 131 Crores in the last financial year. I will explain you the net debt situation as on March 31, 2015. The total debt was Rs. 335.15 Crores, cash and bank balances as on March 31, 2015 was Rs. 8.10 Crores, hence the net debt as on March 31, 2015 was Rs. 307 Crores and net debt to equity was 0.47:1.

We have repaid all foreign currency loan during the last financial year. The average cost of borrowings was 10.9 % per annum. We are glad to inform you that during last three years we have not done any major capital expenditures and we have utilized the entire cash flow for the repayment of bank loans. During last three years we have reduced the debt to the tune of Rs. 366 Crores during the period April 1, 2012 to April 31, 2015.

We would further like to inform you that ICRA has recently upgraded company's credit rating for long-term loan as well as short-term loan. For long-term loan it has upgraded our rating from A to A+ and for short-term rating from A2 to A1. Sector wise revenue breakup FY2015 windmill have contributed 58% of the revenue, power sector has contributed 13% of the revenue, refinery and gas 10% of the revenue, steel and metal 8%, cement 6%, other industry 5%. As on March 31, 2015 we have a fleet of 383 Cranes and a gross block of the Cranes was Rs.1555 Crores.

During the last financial year we have sold two numbers 100 tonne cranes have generated profit of Rs. 0.82 Crores. The gross receivables was Rs. 152 Crores against which we have already made a provision for the doubtful debt of Rs. 28.60 Crores so the net debtors as reflected on the balance sheet debt is Rs. 123.52 Crores.

With this I would like to hand over the floor for your question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhagyesh Kagalkar from HDFC Mutual Fund. Please go ahead.

Bhagyesh Kagalkar: Good afternoon Sir. Congratulations for excellent numbers. Sir the question is regarding the capex that you intend to do now, can you just brief us on what kind of cranes you are ordering for and which area of the economy you feel will pick up basically?

- Chandrakant Sanghvi:** Good afternoon. This time we are targeting and buying specific cranes. There is a huge opportunity in every cycle, we will be concentrating and focusing on the capacity for crawler cranes.
- Bhagyesh Kagalkar:** You are already, can you elaborate on the margin that you have mentioned, that is the advance margin that instead of giving 25% advance you are giving 32% advance or is it the other way around that the margin is higher now?
- Chandrakant Sanghvi:** No instead of now from internal accruals we keep 35% margin for the project cost. First time we will be giving margin around between 30% and 35% on the project cost, that means the bank borrowings will be only between 70% and 65% of the project cost.
- Bhagyesh Kagalkar:** Okay more portion from the internal accruals actually and how do you feel the rates will behave now, will they go up slightly from these levels?
- Chandrakant Sanghvi:** Rate should go up. It all depends upon demand supply. Still six months back the demand was the supply far outstripped the demand. The demand is coming, also the Reliance Refinery as the work has started there in full swing, a lot of cranes have been absorbed over there, so we feel that the business cycle will improve from every sector but will take six more months before it really picks up.
- Bhagyesh Kagalkar:** Sir in terms of the procurement of the crane strategy, is there a slight change, in the last round of capex we went for mostly the newer cranes, now is the feeling in the management that reasonably good condition cranes are available in South East Asia or China somewhere?
- Chandrakant Sanghvi:** As I mentioned we are going only for target buying for big capacity cranes and it will be a mix of 70% new cranes and 30% used cranes.
- Bhagyesh Kagalkar:** Thank you Sir. All the best. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Suchit Mehta from SBI Mutual Funds. Please go ahead.
- Suchit Mehta:** Thank you so much. Congratulations on a good quarter. Just to follow on, on the capex aspect, you said that you have spent 100 Crores in Q1 so far, could you let us know for fiscal 2015 what was the capex and what was spent on maybe added any new cranes in fiscal 2015 and the crane count at the end of the fiscal 2015?
- Chandrakant Sanghvi:** As Sham mentioned to you earlier that we have not done any capital expenditure except in the last month of March that we have bought cranes of around Rs. 17 Crores from Singapore. We had an opportunity there so we bought those cranes. This last three years we are just trying to focus on consolidation and one point agenda to pay the banks that is what we did that is why towards of the company that we are today in such good financial health.
- Suchit Mehta:** So in March you bought only one crane of 17 Crores is that?

- Chandrakant Sanghvi:** 7 cranes of 17 Crores.
- Sham D. Kajale:** The aggregate cost of those 7 cranes is Rs. 17.65 Crores. We bought 7 cranes in that 17.64 Crores. .
- Suchit Mehta:** These are less than 100 tonnes.
- Chandrakant Sanghvi:** We did more than 100 tonnes or so.
- Suchit Mehta:** All of them were second hand or are there new also?
- Chandrakant Sanghvi:** All are second hand used cranes with 100 tonne to 200 tonne capacity.
- Suchit Mehta:** The cranes that the 350 Crores that we are looking to spend in this fiscal year what is the total quantum of cranes that we will be adding to the books and what is the mix between old new and high capacity, low capacity?
- Chandrakant Sanghvi:** No all are high capacity, 30% used and 70% new and more than this I cannot give any further information because it is sensitive.
- Suchit Mehta:** But how all of them are higher tonne capacity?
- Chandrakant Sanghvi:** Yes, all of them are higher capacity.
- Suchit Mehta:** Am I to presume that you are incurring a very substantive capex this year, you would have a pretty good outlook in terms of the order book for these cranes because I mean generally these are short cycle supply contracts or you would get the cranes of about six to nine months or 12 months at best, so do you have order bookings visibility for say fiscal 2016 or beyond fiscal 2016 as well?
- Chandrakant Sanghvi:** No it is partially order booking and partially thinking that the economy will revive and take off so it is a mix of everything.
- Suchit Mehta:** So could you give us some sense of what is the order book that you would have had on March 31, 2015?
- Chandrakant Sanghvi:** No our business model is totally different. What happens is if I place order for three months and then they after the three months order they extend the contract for a further period, so order booking will be a misnomer but my colleague will tell you actually this how much is the order booking?
- Sham D. Kajale:** We have a confirmed Order Book of nearly Rs. 200 Crores . but if you ask me what was the order book in May 2014 last year our order book was very small it was may be Rs. 60 – 70 Crores but we have achieved a turnover of 308 Crores. Now ours is a service industry and we get the orders as and when there is a requirement of cranes, so we got lots of order in the second half

of last financial year. Similarly we have some serious enquiry and based on that we have done some analysis and we have done the capex plans.

Suchit Mehta: I just have a final couple of things, what is the cross block related to crane at the end of fiscal 2015 and what is the total number of cranes that were operational in the Q4 I mean apart from those that you use internally for assembling the cranes itself?

Chandrakant Sanghvi: So total gross block on the crane March 31, 2015 was 1550 Crores and the operational crane was 330.

Suchit Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Madanagopal from Sundaram Mutual Funds. Please go ahead.

Madanagopal: Good afternoon Sir. Congrats on good set of numbers. First on you said you are seeing a 200 Crores order book, much of it would have been contributed again by wind or any other sector showing some sense of improvement?

Chandrakant Sanghvi: It is a combination of wind plus power. We are seeing some kind of tractions on the power sector also which was lacking in the last financial year and plus we have got some order from refinery also, so most of them from wind, small portion is coming from power also very serious enquires are now coming from power sector, and plus refinery we have presence in two three areas currently operational in India.

Madanagopal: In terms of capex last time when we spoke you spoke about much of it would be on the large cranes because of the traction that we are seeing in wind power but are we changing the structure, will it be some portion going in for power sector target also?

Chandrakant Sanghvi: For everybody is to answer all the questions, the cranes that we import are not only strictly for windmill. There are lot of attachments which we have and we are also getting those attachments so if you have the like a Luffing, Derrick, Jib, Superlift, there are lot of attached combination that goes in our crane, so we because of our ability to have different crane combinations we can cater to wind, we can go from wind to steel sector, we can go to cement plants, so we can cater to plant shutdown then power sector so there is no crane specific as for windmill etc., .

Sham D. Kajale: Madanagopal just to cut short it, all cranes are fungible, they are not sector specific, so we can use a crane in any sector whenever there is a demand .

Madanagopal: Due to this credit rating improvement any reduction in interest you expect or you will be what is your target on the debts from your point of view?

Sham D. Kajale: See because of this ICRA rating yes definitely we have a better command over the interest rate and we are claiming at least 0.25% reduction in the rate of interest. One thing important thing I would like to tell you that when there was a downgrade, which had happened because of the

economic slowdown not because of the company performance our banks have never charges us extra percentage point to us because of our sound track record with the bank. So same reciprocation is happening from our side but I am pushing for 0.25% interest rate reduction.

Madanagopal: So where do you see your debt end of the year net debt is around 307 Crores right now?

Sham D. Kajale: Rs. 307 Crores was the net debt on March 31, 2015.

Madanagopal: So where do you see that in a year's time given the capex and all?

Sham D. Kajale: Will be around Rs. 500 to Rs. 525 Crores.

Madanagopal: Thank you so much and wish you best of luck.

Moderator: Thank you. The next question is from the line of Mitul Patel from Laburnum Capital. Please go ahead.

Mitul Patel: Thank you for taking my question. Can you please let us know why the tax is so high in Q4?

Sham D. Kajale: Tax expenses?

Mitul Patel: Yes.

Sham D. Kajale: See basically last year we have posted a loss, right, so therefore there was a carry forward loss again we have posted loss in the first two quarters however, because of the profit in Q3 and Q4 the entire carry forward loss got absorbed. Secondly there was an increase in the surcharge so earlier the effective tax rate was 32.45%, now it has become 33.99% and because of that we have to make additional provision for deferred tax also and that is why it has gone up significantly.

Mitul Patel: I think earlier you mentioned that windmill has about 58% of revenue that is end of that for Q4 or FY2015?

Sham D. Kajale: I have given the number for entire financial year.

Mitul Patel: What would it be for Q4?

Sham D. Kajale: Q4 would be around, I do not have the number, it was in excess of 58% that is for sure. I do not have that number right now but it might be around 62% .

Mitul Patel: Over the course of this year do you think this 58 will increase going forward or the share is kind of remain the same looking at the order book?

Sham D. Kajale: I think it will be in the range of 58% to 65% . **Mitul Patel:** Sorry 58% to 65% ?

- Sham D. Kajale:** We can expect and we expect good amount of traction from the power sector, which we have seen since last month or so. We are receiving good amount of enquires from power sector also, so from the second half of the current financial year we can get good amount of business from the power sector. It is too premature to tell about the sector wise contribution but I think it will be in the range of say 58% to 65% in windmill.
- Mitul Patel:** Within the power sector is this for like building power plants or is it related to coal, can you just share some light in the sub-sector?
- Sham D. Kajale:** The cranes are used for the construction of power plants. It can be a thermal, coal based, hydro anything so everything is covered under that power sector.
- Mitul Patel:** The duration of the power and windmill does it defer and what are the general contracts the length of the contract between power and windmill?
- Sham D. Kajale:** Power sector requires a different capacity cranes at different stages of their construction so initially they require 80 tonne, 100 tonne cranes that is booked for long duration then they require medium size heavy duty crane like say 150 to 250 tonnes say for a period of nine months to twelve months then they require 400 to 600 tonnes crane for four to six months sometime in excess also, so depending upon the capacity of power plants the crane requirements differs. If we are talking about UMPP the duration is also slightly high. In windmill you give for minimum six to nine month's minimum contract period.
- Mitul Patel:** Any guidance for tax rates for FY 2016 and 2017 and the dividend policy?
- Sham D. Kajale:** Last year where we have not paid any dividend. We have declared 50% dividend this year. Tax rate will be in the range of 33.99% going forward for 2016 and 2017; so effective tax rate will remain same. This has happened because of primarily there was a tax rate change from 32.45% to 33.99%. Regarding dividend it is too early to comment on that because it is a board decision but we will try to give a decent amount of dividend.
- Mitul Patel:** Last question I think I missed when you were mentioning about the debt, are the loans going to be foreign currency loans or local currency loans?
- Sham D. Kajale:** Going forward rupee term only but we will try to get foreign currency loans if we get a cheaper rate and we will try to go for a fully structured. So the effective rate will be around for the additional borrowing will be in the range of 11% to 11.25%. p.a.
- Mitul Patel:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Prabhant Anatharaman from HDFC Securities. Please go ahead.
- Prabhant Anatharaman:** Sir couple of questions, one is like out of the current 382 cranes that you have, how many cranes are up for replacement in the next three to five years?

Chandrakant Sanghvi: The crane replacement program is as such not there. We maintain our cranes and the cranes become very old and if there is a demand for old cranes from someone in India we do sell them on a time-to-time basis, like last year we sold only two cranes. On an average we used to sell 10 – 15 cranes. We are increasing the number of depots and every depot requires a crane to unload or load bigger cranes. So there is no program as such to sell the used ones, we maintain them and use them. Like for example hydraulic crane the life can be around 30 to 35 years and a crawler cranes the life around 45 to 50 years.

Prabhant Anatharaman: Sir at the start of the call you mentioned you have signed contract for 250 Crores if you could elaborate on that?

Chandrakant Sanghvi: We signed a contract for 250 Crores so what is the question please?

Prabhant Anatharaman: I just wanted to understand what kind of contract does and I did not get this is over and above the order book of 200 Crores?

Sham D. Kajale: He is now talking about the capex plan. See we have the signed contracts for purchase of cranes worth Rs. 350 Crores for the current financial year out of which Rs. 100 Crores Capex is already done and balance Rs/ 250 Crores will be done in Q2, Q3 and Q4.

Prabhant Anatharaman: Sir next question was you mentioned you are seeing a lot of traction in the power sector and you mentioned the sub-sectors are power plant erection, are you seeing any tractions on that transmission and distribution segments?

Chandrakant Sanghvi: No in this segment we are not there, transmission sector is done by manually, these types of cranes are not required because of the terrain.

Prabhant Anatharaman: One more question, this quarter was due to higher revenue from RIL or much more contributed from the wind power?

Chandrakant Sanghvi: from wind power, steel, and power sector.

Prabhant Anatharaman: My last question is if you want to erect one megawatt of WTG, how many cranes would be required, do we have any kind of specific number on that?

Chandrakant Sanghvi: Yes for 2 MW WTG, we require a 400 tonne crane plus 100 to 150 tonne crane one number, number 40 tonne crane and a trailer. So we call this as a package.

Prabhant Anatharaman: So you require one 150 and one 140 and one trailer?

Chandrakant Sanghvi: Yes.

Prabhant Anatharaman: Thank you Sir. That is it from my side. If I have anymore I will get back in the queue. Thank you.

- Moderator:** Thank you. The next question is from the line of Ashok Shah from LFC Securities. Please go ahead.
- Ashok Shah:** Thanks for taking my question. With the capex we are going to do during the current year, Sir what could be our capacity which can generate a turnover of more than 300 Crores or 400 – 500 Crores?
- Chandrakant Sanghvi:** In the past we have done turnover of more than Rs. 400 Crores, so I do not know what is your question is.
- Ashok Shah:** No, my question is we are going to do some capex in the current first quarter or second quarter or third quarter. So new capacity will be built up so with all that new capacity and all capacity what could be a turnover at full capacity in future years?
- Chandrakant Sanghvi:** We are not permitted by SEBI, guidance is that we have done Rs. 400 Crores we are doing capex so the business will be good that is why we are doing the capex?
- Ashok Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nitish Chawla from Banyan Capital Advisors. Please go ahead.
- Nitish Chawla:** Good afternoon Sir. Wanted to know the receivables that have been coming down over the last two, three quarters, so the 123 Crores of receivables are they spread across sectors or is it some sector, which is specific activities contributing to the receivables?
- Chandrakant Sanghvi:** No it is paid across all the sectors.
- Nitish Chawla:** There is no particular lumpy account that is there in these 123 Crores?
- Chandrakant Sanghvi:** No whatever we find the chances of going bad we are making a judicious provision for doubtful debts .
- Nitish Chawla:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital Advisors Private Limited. Please go ahead.
- VP Rajesh:** Thanks for taking my question. Could you please comment on the pricing, has it improved in the last quarter or are you seeing any changes on that given the utilization moved up dramatically in the last quarter?
- Sham D. Kajale:** Yes Rajesh as I mentioned the pricing or the yield is a function of utilization, , it has increased because there was a corresponding increase in the utilization also in the last quarter that is why we have posted a good result.

- VP Rajesh:** In that sense would it be fair to assume that going forward we have seen the bottom at 2.4% and the expectation given the capex you are doing you see the yields which are substantially higher than 2.4% is that fair way to look at the business?
- Chandrakant Sanghvi:** We expect that yields again is bound to increase because the utilization is also increasing, so we expect some pricing power to happen incremental pricing power to happen going forward.
- VP Rajesh:** The next question is I believe I heard you guys talk about that some of the capex is for the growth that you do not have in hand but I believe you used the word speculative so I was wondering in case that growth does not come about, how would we tackle that in the sense that can we cancel the crane orders or these are firm orders and we will have to take it on?
- Chandrakant Sanghvi:** I do not think such situation will occur. It has come in the past and we have cancelled some crane orders in the past and this year we are doing a very focussed purchasing and we know what we are doing now. So I do not think we will come to such a situation where we end up canceling any orders that we already placed for buying of cranes. So we hold it, we have sufficient financial capabilities even if some crane remain idle for some time being, we have a good sustaining power.
- VP Rajesh:** Of course we have seen that in the last two and a half years that we have been shareholders so we know you guys are extremely capable but I was just curious if you have any escape clause in the cranes that you are buying and the last question I have is do you have any DSO target in the sense that it has come down substantially but are you planning to bring it down to a different level?
- Chandrakant Sanghvi:** We will go now stricter credit terms with our clients. We have gone through a bad phase and I do not want to blame to any particular client, it is all because of various reasons. Now we are going with more monitoring of the receivables on day-to-day basis and we are taking and following strict rules so that we should not go overboard as far as the receivables is concerned. So I think 120 days or 127 days what we have last year I think we will try to bring it down but I cannot guarantee that it will definitely come down. This is a business we have to take certain calls, commercial calls, financial calls and we have to go ahead with the situation.
- VP Rajesh:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Suchit Mehta from SBI Mutual Funds. Please go ahead.
- Suchit Mehta:** Just a little bit more of clarifications. You said that your cranes that were utilized in the quarter were about 330, so are these are cranes that are operational and when you said that your unitization was 79% so is it 330 was the crane utilized or 79% of the 330 were utilized?
- Sham D. Kajale:** 79% of 330 is utilized.
- Suchit Mehta:** What would have been the closing crane count?

- Sham D. Kajale:** Total number of cranes.
- Suchit Mehta:** Yes.
- Sham D. Kajale:** Entire fleet?
- Suchit Mehta:** Yes, entire fleet.
- Sham D. Kajale:** 383.
- Suchit Mehta:** 383, these were utilized, 383 was the closing headcount this includes purchase sales that you would have done?
- Sham D. Kajale:** Correct.
- Suchit Mehta:** When you say your yield was 2.8% on a monthly basis again you are calculating on only the 330 cranes that were under use?
- Sham D. Kajale:** Correct.
- Suchit Mehta:** Not on the total 1550 gross block?
- Sham D. Kajale:** Yes.
- Suchit Mehta:** Just to follow up on the capex also, you also said that the 350 Crores how would you characterize the costing compared to you would have seen a few years back because obviously you are out of the market so are these cranes coming in at a much higher cost than they would have three years back or is the pricing the same point and then secondly because you said that lot of these are 400 tonne cranes and more sort of newer cranes so how would you expect the realizations to actually go for these fleets going forward?
- Chandrakant Sanghvi:** These are sort of mixed cranes and as we have mentioned several times your question were very long, can you be little specific sorry I forgot to track your question?
- Suchit Mehta:** On the capex 350 Crores if you could look the kind of cranes that you are buying today are they more expensive than they were previously and secondly is that?
- Chandrakant Sanghvi:** Let me answer question one, what it has seen in the last three years four years the prices of cranes have gone up by 5% every year, so that is the first question, now what is the next question please?
- Suchit Mehta:** In terms of because these are newer cranes etc., would you see purely the fact that these are newer cranes and a higher tonnage cranes your blended utilizations should move higher?

- Chandrakant Sanghvi:** We try to average on the cost of buying new cranes as well as used cranes to bring the project cost down or crane cost down.
- Sham D. Kajale:** So we try to maintain effective blended yield what we are getting right now that is why it is a mix and match. We are buying some new cranes , Euro has also come down significantly than what the Euro was two years back or one and a half years back so we are saving on that though the prices of the crane has increased by a minimum 15% than what we bought in 2008 or 2009, so effectively by making a mix of brand new and the used we are trying to maintain the blended yields.
- Suchit Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankush Mahajan from Edelweiss. Please go ahead.
- Ankush Mahajan:** Sir the current capacity utilization is 66% for FY2015 and what was that capacity utilization FY2014?
- Sham D. Kajale:** In FY2014 utilization was 58%.
- Ankush Mahajan:** So what kind of the capacity utilization we have seen FY2016 including the newer capex?
- Sham D. Kajale:** Utilization?
- Ankush Mahajan:** Yes Sir.
- Sham D. Kajale:** I think it will be in the excess of 80%.
- Ankush Mahajan:** It will result into the operating leverage could you and what kind of the margin expansion?
- Chandrakant Sanghvi:** I would not answer this question directly you can make your own projections based on my results for the Q4.
- Ankush Mahajan:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Emkay Global. Please go ahead.
- Pritesh Chheda:** Hi, this is Pritesh. My question is on Q4 what was the capacity utilization of the assets?
- Chandrakant Sanghvi:** It was 79%, Pritesh.
- Pritesh Chheda:** Second you have annual utilization of 66% and we have a forthcoming capex is it fair to assume that at least on the old assets, do you see a fairly high visibility and high utilization of assets in the medium-term considering the traction in wind and the refinery projects still going on?

- Chandrakant Sanghvi:** Plus power also.
- Pritesh Chheda:** So is it fair to assume that you see a peak going back at least to the peak revenues very shortly?
- Chandrakant Sanghvi:** You are asking the same question moving in circle but yes going forward we because of the traction what we see from power and wind more particularly in the wind that is why we are doing capex.
- Pritesh Chheda:** When do you see the new asset block, which is coming up getting utilized at the company utilization level?
- Chandrakant Sanghvi:** At?
- Pritesh Chheda:** At the company utilization level which is about 66% or 70% odd so new assets which are coming in Q1, Q2 and Q3 what kind of visibility do we have on this 350 Crores of capex?
- Chandrakant Sanghvi:** No most of the cranes what we have purchased at least we have some back-to-back contract and back-to-back enquires also so when someone has purchased based on the gut feeling that we have based on the market information that we have, we are buying those cranes.
- Pritesh Chheda:** Is it fair to assume that lot of that demand or lot of that visibility is to do with wind power major component being wind power?
- Chandrakant Sanghvi:** Yes, and then power sector.
- Pritesh Chheda:** Lastly I want to just check on the pricing environment, was there a pricing increase in the market last year and how do you see prices in yields?
- Chandrakant Sanghvi:** See there has already been traction happened and which is reflected on yield also which has increased in the last quarter also, so yes there was upward traction in the pricing power .
- Pritesh Chheda:** I will just confirm the yield that you said was about 2.8% in Q4 and 2.8% for fiscal 2015?
- Chandrakant Sanghvi:** 2.4 for the entire year.
- Pritesh Chheda:** Thank you very much and all the best to you Sir.
- Moderator:** Thank you. The next question is from the line of KS Batra from Accurate Equipment. Please go ahead.
- KS Batra:** Good afternoon Sir. I have a few queries just wanted to know there are many in unorganized sector are we facing any competition from them?

- Chandrakant Sanghvi:** Yes there is a competition in the sector because no one can escape from the competition in this world, there are lot of players who are having some fleet of cranes something say five cranes, ten cranes, twenty cranes and we are competing them.
- KS Batra:** The rent realization has it gone up in last two quarters?
- Chandrakant Sanghvi:** Yes.
- KS Batra:** It has gone up to what extent it has gone up Sir?
- Chandrakant Sanghvi:** I would say 15% to 20% this has gone up already.
- KS Batra:** Now we are assuming that 60% will be the contribution from the windmill sector in the future also just wanted to know during our peak of the period what was the contribution from the windmill?
- Chandrakant Sanghvi:** It was around the same in 2012 where we had a turnover of Rs. 470 Crores plus
- KS Batra:** At that time also the range was same?
- Chandrakant Sanghvi:** Around 55% to 60% only.
- KS Batra:** The cranes what we gave it on the higher basis is it on the monthly basis or on the day basis?
- Chandrakant Sanghvi:** No it is on the monthly basis.
- KS Batra:** One more point, are we seeing any improvement from the road and coal sector?
- Chandrakant Sanghvi:** For construction of roads and bridges we do not give the crane because there require smaller capacity cranes and we are not catering to their requirements. What about coal I could not understanding your question?
- KS Batra:** No coal mining equipments and all those?
- Chandrakant Sanghvi:** Mining also we do not give cranes.
- KS Batra:** Our cranes are not used over there?
- Chandrakant Sanghvi:** No.
- KS Batra:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Nikunj Mehta from Optimum Securities. Please go ahead.

- Nikunj Mehta:** Good evening Sir. Congratulations on a great show. My first question is a little strategic in nature, instead of doing capex that we order fresh cranes does the option of acquiring existing players smaller players in the unorganized market mix sense or valuations and other things come in the picture had does not allow us to do that?
- Chandrakant Sanghvi:** No Nikunj actually that is not a right strategy to go for acquiring the smaller player's cranes because we do not know the cranes and the quality again the valuation is the issue and whether to buyout the business entirely or just to buy the cranes in pieces because we are not sure about the quality of those cranes so we are not going to acquire any local businesses .
- Nikunj Mehta:** Second thing was in this capex that figure that you have mentioned of 250 Crores in Q2 and Q3 is does this include any amounts for incremental depot acquisitions expansion?
- Chandrakant Sanghvi:** No it is purely cranes.
- Nikunj Mehta:** Any plans on the depot fronts because I think that is crucial to our business?
- Chandrakant Sanghvi:** No, we already purchased some land for setting up the depots but that capex is very small something around Rs8 Crores which we have already done.
- Nikunj Mehta:** So now where is the number of depots at?
- Chandrakant Sanghvi:** We have just recently purchased those lands so we are developing those lands into depot. It will take some time that we have purchased some land at some strategic locations.
- Nikunj Mehta:** I believe we had some shares in Suzlon in the CDR package and any development on that Sir?
- Chandrakant Sanghvi:** In terms of?
- Nikunj Mehta:** In terms of have we sold the shares?
- Chandrakant Sanghvi:** We have not sold any shares.
- Nikunj Mehta:** Lock-in is over?
- Chandrakant Sanghvi:** Yes, lock-in is over we are still holding those shares.
- Nikunj Mehta:** I just missed there was some disturbance in my line for two numbers one was the cash accruals in FY 2015 and the cost of debt figure Sir?
- Chandrakant Sanghvi:** Cost of debt was 10.96% and debt repayment was 131 Crores.
- Nikunj Mehta:** Wish you all the best for the coming years. Thank you.

- Moderator:** Thank you. The next question is from the line of Ankit Agarwal from Centrum Broking. Please go ahead.
- Ankit Agarwal:** Thanks for taking my question. Sir just wanted to understand what would be the typical delivery schedule for the cranes that we have ordered especially the ones in Q1 and the ones, which we will be doing in Q2, Q3 just to understand to what level of these screens will be utilized in this fiscal FY 2016.
- Chandrakant Sanghvi:** The crane delivery will take place from this month onwards till December.
- Ankit Agarwal:** So equally sort of our distributed schedule?
- Chandrakant Sanghvi:** Yes right, every month, the 350 Crores it cannot get all the cranes at same time so it will be staggered.
- Ankit Agarwal:** Is it fair to assume that once these screens are delivered they would sort of immediately or in the near future come into operation?
- Chandrakant Sanghvi:** Yes some of them go straightaway to the job site and at least for next three four months we are optimistic that they will go straight to work after that we will see what happens.
- Ankit Agarwal:** What could be our market share in the wind energy segment as do we have any numbers that we could share.
- Chandrakant Sanghvi:** It will between we do not have the absolute numbers but it will be between 70% and 80%.
- Ankit Agarwal:** Is it fair to assume that 70% to 80% of installed capacity in wind energy segment will be happening through our cranes?
- Chandrakant Sanghvi:** Yes.
- Ankit Agarwal:** Sir what could be the peak margins that we could do, so earlier in the past we have seen peak margins and EBITDA in excess of 70% so is that something that we can reach in good times?
- Chandrakant Sanghvi:** No, from this level we will improve at the 70% level.
- Ankit Agarwal:** We can improve to the 70% level.
- Chandrakant Sanghvi:** No it cannot got up to 70%. Now Ankit see the things have change drastically. Earlier we used to get good amount of overtime from the clients. There was round the clock working. Now clients are using the crane judiciously. Now the yield has also come down because of the recession so it is very difficult to get those kind of yields which we got earlier on the safer side one can assume between say 65% and 67% EBITDA margin levels.
- Ankit Agarwal:** Thanks a lot Sir. That is it from my end.

- Moderator:** Thank you. The next question is from the line of Bharat Subramaniam from Sundaram Mutual Fund. Please go ahead.
- Bharat Subramaniam:** Thanks for taking my question. If you can give a breakup in terms of the existing fleet both in terms of tonnage and on the average age of the fleet that we have?
- Sham D. Kajale:** I will give break up of more than 100 ton and less than 100 ton capacity cranes. More than 100 ton we have 220 cranes, and less than 100 ton we have 163 cranes.
- Bharat Subramaniam:** Here what would be the average age of the fleet sir?
- Sham D. Kajale:** Around 17 to 18 years.
- Bharat Subramaniam:** The additions that are going to happen again in the greater than 100 tonnage?
- Sham D. Kajale:** Yes most of that.
- Bharat Subramaniam:** In terms of refinery segment currently what would be the contribution for us?
- Sham D. Kajale:** For refinery FY 2015.
- Bharat Subramaniam:** Yes Sir.
- Sham D. Kajale:** It is 10% for FY 2015.
- Bharat Subramaniam:** Here again these contracts are in terms of how is the arrangements sir it is all contract specific say for more than a month period or they subject to renewal every month how are these arrangements here for refining projects?
- Sham D. Kajale:** It is a long-term contract basically minimum three months, to six months with the option to renew the contract once the initial contract period is over.
- Bharat Subramaniam:** Here are we seeing any movement happening Sir in terms of new projects or expansions here is there any pickup happening?
- Sham D. Kajale:** Not in great guns actually but we have been working in UMPP refinery .
- Bharat Subramaniam:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prabhant Anatharaman from HDFC Securities. Please go ahead.
- Prabhant Anatharaman:** My question actually has been answered couple of times before also, but I was waiting in queue, just wanted to understand you are making a huge capex of 350 Crores you are taking a significant amount of debt again 200 Crores so it is obvious that you are seeing a lot of growth going

forward but you could just give specifically what is your view of from where in which sector can we see more growth so like your views on the ground scenario?

Sham D. Kajale: See basically we are expecting traction to happen from power sector. Wind has already seen the traction e which we already seen in our topline and bottomline in Q3 and Q4. Power a lot of us aware that they got stuck because of various reasons in the past such as environmental clearance, land clearances, coal linkages. Now the government has already taken active efforts to revive those projects and we are getting enquiries from those projects which has got stuck earlier. Even the UPA government in this last phase have cleared lot of power plants, so we expect lot of traction to happen from power sector in second half of the current financial year so the growth will come from the windmill and the power sector.

Prabhant Anatharaman: So that will be first from the revived power projects and then if some new projects because we are not actually during correct me if I am wrong but we are not seeing any new capex happening in the power projects given the unavailability issues and everything?

Chandrakant Sanghvi: Exactly that is why I told you this power sector which has already got stuck we are seeing the enquiries from those sectors, those particular power plants.

Prabhant Anatharaman: Sir just to get a sense of it, so our cranes are in what stage of a power project would be would our cranes come of use?

Chandrakant Sanghvi: See basically from zero date to six months initially they require lower capacity like 80 tonnes, 100 tonnes cranes this is for 15 to 18 months contract period after 12 months they require 150 to 250 tonnes cranes for a period of 10 to 12 months then they require 400 and 600 tonnes cranes for erection of filling ceiling gulder and boiler. So the utilization of cranes is staggered in a while construction of a power plant.

Prabhant Anatharaman: Thank you Sir.

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

VP Rajesh: Just wanted to clarify this calculation of the yield 2.8% so it is on the gross block of the company as on March 31, 2015 or this is the lower number given the cranes that were in operations were less than the total fleet size?

Chandrakant Sanghvi: It is 1500 Crores it is net of those cranes which we used for captive work.

VP Rajesh: So what is the rupee number?

Chandrakant Sanghvi: May be some 50 Crores which has been invested in those cranes which are used for captive purpose. It is not significant number although all these are capacity cranes 40 tonnes, 50 tonnes cranes.

- VP Rajesh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mitul Patel from Laburnum Capital. Please go ahead.
- Mitul Patel:** Just one clarification somebody had asked the question earlier your guidance for FY 2016 was 80% utilization but that includes the new cranes that will come on stream in couple of quarters?
- Chandrakant Sanghvi:** Yes that includes obviously.
- Mitul Patel:** Thank you. That is it from my end.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Girish Solanki for closing comments.
- Girish Solanki:** Thank you.
- Moderator:** Ladies and gentlemen on behalf of Anand Rathi Shares & Stock Brokers Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.