



“Sanghvi Movers Limited Results Conference Call”

November 09, 2015



MANAGEMENT: **MR. CHANDRAKANT SANGHVI- CHAIRMAN AND MANAGING DIRECTOR, SANGHVI MOVERS LIMITED**
MR. SHAM KAJALE - EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER, SANGHVI MOVERS LIMITED

MODERATOR: **MR. GIRISH SOLANKI– ANAND RATHI SHARE & STOCK BROKERS**



Moderator: Ladies and gentlemen good day and welcome to the Sanghvi Movers Limited Results Conference Call hosted by Anand Rathi Shares and Stock Brokers. As a remainder, 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 would now like to hand the conference over to Mr. Girish Solanki from Anand Rathi. Thank you and over to you sir.

Girish: Thanks Aman. Good evening everyone, this is Girish from Anand Rathi. Today we have with us from Sanghvi Movers Mr. Chandrakant Sanghvi- Chairman & Managing Director, we also have Mr. Sham Kajale - Executive Director & CFO. Over to you sir.

Chandrakant Sanghvi: Good Evening, Ladies and gentlemen welcome to the conference call of Sanghvi Movers Limited for the half-yearly results. I will just give a brief snapshot of what is happening in the company at the moment. On the capital expenditure fund as you must be knowing that last time we mentioned that we have a planned capital expenditure of Rs, 380 crores and for the full year right now our target for capital expenditure have gone up to and Rs. 440 crores. This will comprise of 15 big Cranes and 20 Truck Telescopic Cranes. As of today out of 15 Cranes, nine Cranes have already come and they have gone from dock straight to the job site and even out of the 20 Telescopic Crane around 15 have come and they have gone to the job site. The reason why I am telling you is that at the moment the business looks quite promising and if we get additional orders from various clients then we may go for additional CAPEX on another Rs. 40 crore – Rs. 50 crores depending upon the availability of equipment and the orders we get. This Cranes primarily are going into windmill sectors as well as power sectors With this level based introduction I will hand over the mic to our Executive Director & CFO , and my colleague , Mr. Sham Kajale. Thank you.

Sham Kajale: Good Evening everyone, I just give you a brief, snapshot of the financial performance of the company for the quarter as well as six months ended 30thSeptember 2015. For the six months ended 30th September 2015 we have an income from operation of Rs. 233.80 crores, other income of Rs. 2.14 crores, total income of Rs. 235.94 crores, Total Expenditure is Rs. 76.91 crores PBIDT Rs. 159.03 crores percentage of PBIDT to operating income 67.1%, interest cost was Rs. 23.9 crores, Deprecation Cost was Rs. 57.83 crores. Profit Before Tax Rs. 77.30 crores, Total Tax Expenses Rs. 26.44 crores, Profit After Tax Rs. 50 crores 86 lakhs percentage of PAT to total income is 21.55 %. Total cash accruals that is PAT plus depreciation is Rs. 108.69 crores. Net Worth of the company as on 30th September, 2015, Rs. 700 crores and 34 lakhs. The Average Capacity Utilization for the six month period is 80%, Average Gross Yield was 3.05% per month. The other income of 2.14 crores for the six months period ended 30th September 2015 includes the sum of Rs.1.49 crores towards the profit on sale of 10 lakh equity share of Suzlon Energy Limited. It also includes a sum of 51 lakhs towards the interest accrued on fixed deposit which were kept as a margin with various banks.



Mr. Sanghvi has already explained you about the proposed capital expenditure for the financial year 2015-2016, due to spurt in demand of Cranes and increase utilization as well as yield and clear visibility of income as well as the sound order book position with improved recovery period from our clients the Board has approved the additional capital expenditure of nearly 70 crores for the current financial year. So the planned capital expenditure has been revised from 380 crores to almost 450 crores for the financial year 2015-2016.

The company proposed to import 35 Cranes ranging 80 tons to 800 tones capacity out of which 15 Cranes will be above 600 tones and rest will be Tyre mounted support Crane ranging from 70 tons to 180 tons metric capacity. The debt equity ratio as of 30th September is 0.60 is to 1. The Sector wise contribution for the six month period is: Windmill has contributed 58% of the revenue, power sector has contributed 12% of the revenue, refinery and gas 15%, steel and metal 3%, cement has surprisingly gone up to 8%, other industry 4%. As on 30th September 2015, we have a total fleet of say around 399 out of which 230 Cranes were more than 100 ton capacity. The total gross block of the Cranes as on 30th September was Rs. 1,725 crores. We have not sold any Crane during the first six months period ended 30th September 2015. The debtor days has significantly improved during the current financial year and as on 30th September it is 82 days with this short snapshot of financial performance I would like to hand over the floor to the question and answer if you have. Thank you.

Moderator: Thank you very much, we will now begin with the question and answer session. The first question is from the line of Pavan Ahluwalia from Laburnum. Please go ahead.

Pavan Ahluwalia: I have one or two questions, the first is could you give us some guidance as to what maintenance CAPEX is likely to be so we were just obviously, depreciation is very large item in your earnings and if we just have to look at actual maintenance CAPEX and that is because if you wanted to strip that out of depreciation just getting a sense of what free cash or equity is? What is maintenance CAPEX you would incur on the current Crane base?

Sham Kajale: Hi Pavan, Sham here. See actually there is no separate maintenance CAPEX that we are earmarking every year. We do normal maintenance every year and all these expenses on maintenance of the Cranes are debited to P&L account in the respective financial year.

Pavan Ahluwalia: What does it come to? How much you end up spending on average?

Sham Kajale: On an average, if you look at the financials for last five years, the maintenance expenses or the repair- &-maintenance cost is generally between 3.5% to 4.5% of the total revenue.

Pavan Ahluwalia: Of the total revenue?

Sham Kajale: Right. So it is revenue expenditure so we have to debit to the P&L account. Coming back to your depreciation cost, being a capital intensive industry, our depreciation cost is bound to be



on the higher side. Now we are charging the depreciation for our cranes as per the Schedule II of the Companies Act, 2013.

Pavan Ahluwalia: Okay, alright. And the second question, I had, what are we seeing in terms of competitive intensity especially in the larger 600 tons cranes? Has any of the smaller players in the industry start to trying getting to the 600 Cranes space? And has the larger players like Sarens who sort of and respectively exit in the market in last cycle, are any signs that they are starting to come back as they see Sanghvi doing well and a lot of demand for these larger cranes?

Chandrakant Sanghvi: With a best of my knowledge in the first half about 600 tons cranes, I do not think so single crane has come. We believe in December, some few cranes can come, so after they come and then only I will be able to tell you. Again, on the spare part you asked about CAPEX on a spare parts we do carry an inventory of nearly Rs. 10 crores of spare parts at any point of time. So it is a constant process.

Moderator: Thank you. The next question is from the line of Akshay Badjate from Rubicon Capital. Please go ahead.

Akshay Badjate: Sir, I wanted to understand by how much depreciation expense roughly go up next year once this 450 crores of capital expenditure is fully in place? That is my first question. My second question is with respect to fixed cost, so today we are doing about 5.5 crores on a quarterly basis for employee benefits and about 24 crores upon other expenses, so by how much will this go up as over revenue run rate increases over the next few years? lastly what I also wanted to understand is what was the operational cash flow generation in the first six months and would we consider declaring any interim dividend, we would revise our dividend policy going forward?

Sham Kajale: See regarding your depreciation for the next financial year. Now the company act 2013, they have categorized the Cranes into two categories below 100 tons capacity cranes and more than 100 tons capacity cranes. As per Companies Act, 2013 the estimated useful economic life of a crane below 100 tons is 15 years and above 100 Ton capacity cranes, it is estimated it 20 years. . Again this is for single shift working and for double shift working, we have to take the pro rate So the next financial year, I would say, I cannot tell you the exact number because now we have to consider the actual usage of the Crane. Earlier it was not the case, earlier it was 7.42% flat for double shift working and it was 10.31% for three shift working. Now, we are actually calculating the usage of the Crane. Suppose the Crane has worked for more than eight hours then it goes into the second shift working and we calculated the pro rate depreciation . Now for next year roughly as per my estimate the depreciation cost would be Rs. 135 crores to Rs. 140 crores for the full year. Now you asked for the employee cost right?

Akshay Badjate: Yes.



Sham Kajale: See employee cost, you can factor to 10% to 12% average increment into the employment cost

Akshay Badjate: Okay. And other expenses also would probably go up by same amount?

Sham Kajale: Yes, it is more or less same actually

Akshay Badjate: Understood, okay.

Sham Kajale: 10% you can factor, 5% to 10% which is inflationary effect.

Akshay Badjate: Understood, okay.

Sham Kajale: Third question was about your operational cash flow. I am not able to get what you mean to say about it?

Akshay Badjate: What was the cash generated through operations in the first six months?

Sham Kajale: See, I given the total income from operation is 233.8 crores and the total PAT was 50 crores 85 lakh depreciation add back and you can consider the difference in the working capital difference, the net increase or decrease in the net current assets that will be my cash flow from operation, right?

Akshay Badjate: Fair enough, I understand, Right. Okay. Just one more question if I can squeeze in, what are the key projects on a Pan India basis which you are currently tracking that are likely to come up for bidding in the next 12 months maybe on the Refinery space or in the Power space, opportunities which you are sort of eyeing. If you could just throw some light on that, that will be useful?

Sham Kajale: Okay. See now we are banking on the windmill sector . Secondly, we are eyeing for a big capacity utilization coming from Power sector not immediately but six to nine months down the line. See, I just give some examples of the power plants where we already deployed our Cranes or some Cranes are already working with them. For example, Lanco, Korba, Wardha and Baband these are the projects which are already revived which was got stuck earlier because of the various issues . Now we are working with Unchahar. It is NTPC project. Where BHEL was EPCs and then Brahmanapalli we are working with BHEL this is Orissa then Darlipalli in Orissa. It is a 2x800 megawatt project, again Gurudwara NTPC project 2x800 megawatt where it is again BHEL is EPC we are also working NTPC but EPCs Doosan which is in Kudgi and Raigarh and Chhattisgarh. Then thermal power plant it is in Krishnapatnam . We are also working in Chhabra which is L&T Power and Khandwa again L&T Power. So these are the some projects where we are already working and in some cases, we already done some work and many of these are the new upcoming projects. We also got some enquiries from various new upcoming projects like NTPCs UMPP project 4x1000



megawatt where EPC is Doosan then Telangana state Kottopadam then NTPC Hazaribagh then Gujarat state power, Kheda that is in Gujarat then Tamil Nadu state power 2x650 this is again BHEL is the EPC and in Tamil Nadu state again there is one more project in Ennore which is 2x660 megawatt where EPC is Lanco so we are hoping to get good number of orders from the new upcoming projects from the power sector as well.

- Akshay Badjate:** Right. And anything on the refinery front, refinery front or steel or cement or whatever?
- Sham Kajale:** No, refinery we are working in Cochin refinery and some other pockets but not so much focus on refinery.
- Moderator:** Thank you. The next question is from the line of D.P. Rajesh from Banayan Capital. Please go ahead.
- D.P. Rajesh:** Just trying to understand, we are reading that solar is getting extremely competitive. People are bidding quite aggressively, so the question that comes to mind is that some people who start pulling back from Solar and start perhaps focus on Wind. And I was just curious, do you see that kind of trend coming about or there is inherent demand enough in the Wind side that our trends will be deployed for at least next 12 months to 18 months, just curious how do you see the interplay between these two renewable sectors?
- Chandrakant Sanghvi:** Renewable sectors we hope for the next 12 months it seems very positive and after the monsoon, beginning October again a lot of projects will be coming up. Now while one of the reasons that your competitive is that we buy Cranes in bulk quantity, six months have passed nobody has got 600 above tons 15 units which is feather in the hat. And because of new technique in buying other components for what you call projects or power projects, so that is the reason why we are having edge over rest of the player and also there is, you cannot just give on big Crane, you have to give telescopic crane ranging from 80 tons to 200 tons and to operate and maintain them is also quite a challenge. If you buy a new Crane and you do not even get yield of 5% per annum. So you have to buy used Crane and you have to support the big crane with this telescopic crane.
- D.P. Rajesh:** Right, okay. And the other quick question is I heard that our yield is around 3.05%
- Sham Kajale:** Yes, true.
- D.P. Rajesh:** And I was wondering where do you see it going through in the next year or so?
- Sham Kajale:** See we always give a conservative estimate even in my last con call I was telling that yield may settle at 3% but to the best of our surprise also it has crossed more than 3% that itself is showing the fact that there is a lot of demand for Cranes and that is how we got a pricing command over the other competitors and we got good orders also. Going forward, this I would



say average estimated yield would be around 3.05% to 3.15% per month for next one quarter or two quarters . After that I cannot really comment right now.

- D.P. Rajesh:** And Mr. Kajale do you recall what was the high point in the last cycle?
- Sham Kajale:** It was 3.25%, 3.30% per month in was FY 2012 or in FY 2009, when we have posted profit after tax of more than 100 crores. .
- Moderator:** Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Yes, sir. I have two questions, one on the Windmill and the thermal CAPEX side. We are not seeing further incremental acceleration on the capacity creation side, so let us say, thermal used to run at about 8,000 megawatt - 9,000 megawatt of annual installation and windmill has gone up to about 3.5 thousand megawatt per annum. So what is your reading there, are you seeing any incremental acceleration because when you are buying assets, there has to been incremental acceleration of creation of new capacity at the user industry end?
- Sham Kajale:** Right.
- Pritesh Chheda:** So what is your read there so that is one question?
- Sham Kajale:** Let me answer you a first question because see I already given some brief idea power plant where we have worked and where we are working also and also given some kind of insight about the enquiries that we are getting for the new power plants especially for the thermal sector which is there is NTPC Vizag it is 4x1,000 megawatt power plant Doosan is anEPC
- Pritesh Chheda:** I got those names, but
- Sham Kajale:** But basically that is driving our CAPEX decision and wind industry talking about setting up at least 3,500 megawatt to 4,000 megawatt in the current financial year and they expect that this number will go at least by 10% to 15% more in the next financial year.
- Pritesh Chheda:** Okay. Is there a case with you gaining market share by any chance? Let us say, in Wind we generally have top three players Inox, Suzlon and couple of others, has you gained market share there?
- Sham Kajale:** Yes, in Windmill sector definitely, we can say that we have more than 75% market share in the Wind sector definitely.
- Pritesh Chheda:** And what was it earlier?



- Sham Kajale:** See, in peak time it was more or less the same number.
- Pritesh Chheda:** Five quarters back the number different ?
- Sham Kajale:** See five quarter back Windmill was not doing that good actually so...
- Pritesh Chheda:** Within that also was your market share lower, or it was still 75?
- Sham Kajale:** No it is really difficult to comment on this figure actually I do not have that numbers right now, but more or less I would say more than 50% to 60% markets share we used to get from the Windmill sector, even in the worst case scenario?
- Pritesh Chheda:** Okay.And second question is, what is the status of in the assets which Reliance industries had on its refineries.
- Sham Kajale:** Means?
- Pritesh Chheda:** So Reliance industry have crane are they back in the market or they are still?
- Sham Kajale:** Right now they are using their own Crane. The refinery work is not yet completed.
- Pritesh Chheda:** And what is your assessment there and when it should get complicated? And would it then there again release back those Cranes in the market would not affect the demand supply situation by anyway?
- Sham Kajale:** Yes, right now it is too early to comment about when whether they will put the cranes back in to the market if yes, what happen to the overall population of Cranes in the market? But one thing is sure that at least one and half year this project will go out and then only we can comment whether they are interested in giving Cranes on rental basis once their project is over.
- Pritesh Chheda:** Okay. Lastly, I just want to check the total industry asset based on Cranes, in the last five years how much you have gone up including yours obviously?
- Sham Kajale:** The industry is more or less unorganized So it is very difficult to give answer that how many Cranes are there in overall industry or total population of Cranes in India and how we can grow up in last three years to four years. Very difficult.
- Pritesh Chheda:** Hazard a guess, if you have to hazard a guess then because your company
- Sham Kajale:** I may give you a wrong answer in that case.
- Pritesh Chheda:** But sir we are putting 450 crores of CAPEX. We will be some idea on the demand-supply?



- Sham Kajale:** See what happened we are cashing on the demand right now and we are getting good orders and back to back advance payment from our customers against those orders. So definitely we are considering overall industry competitors, their strength of buying new Cranes or at least used Cranes going forward, so our capex decision is not based on their number of Cranes, how many Cranes they own it is basically we see whether they have a financial strength to go for additional CAPEX or not, that is driving our own decision. Irrespective of how many Cranes they own and how may they would like to buy, there is very difficult to give that answer.
- Pritesh Chheda:** Sir because see, what has happened last time, the cycle turn big time turtle, so I am just ...
- Sham Kajale:** So you mean to say what that if the cycle will go adverse which had happened last two years?
- Pritesh Chheda:** I have no opinion on, I am just fearing the last time the cycle s when really turtles and we invested...
- Sham Kajale:** It was applicable to everyone and that time was also everybody has suffered not only Sanghvi Movers. Now this time at least we have a clear visibility of income, back to back orders advance payments from customers So nowadays because we are going more wiser while taking a CAPEX decision and we should not have same kind of problem what we had in 2010-2011 and thereafter for two years.
- Pritesh Chheda:** But you do not have a guess on the capacity that would have got added in the industry?
- Sham Kajale:** See in last six months as told by Mr. Sanghvitold nobody has done really a big CAPEX that we know that no one have bought any 600 tons above crane in last six months. That much we can tell.
- Pritesh Chheda:** So reference is versus the last cycle. So five years back to now what would be it?
- Sham Kajale:** No, I really cannot give answer to this, sorry.
- Pritesh Chheda:** Yes, and this CAPEX the visibility you would have from one year's perspective right?
- Sham Kajale:** Yes.
- Pritesh Chheda:** As of now one year you know, so basically one third , if 3% is the yield at least one third of the capital which is invested comes back in your one.
- Sham Kajale:** Yes.
- Moderator:** Thank you. The next question is from the line of Prabhat Anatharaman from HDFC Sec. Please go ahead.



- Prabhat Anatharaman:** Sir, I just wanted to know you guided for increased CAPEX of 450 crores, so how much have you spend till date?
- Sham Kajale:** Till date, I mean, till 30thSeptember we have spend 151 crores
- Prabhat Anatharaman:** And I think that will be 80 crores is debt in that.
- Sham Kajale:** Yes, incremental debt.
- Prabhat Anatharaman:** Okay. Sir, just comparison sake last year yield and utilization was doing the same in quarter?
- Sham Kajale:** Okay, year-to-date September 2014 our average capitalization was 56% and our blended average yield was 2.1% per month.
- Prabhat Anatharaman:** Sir, this is about yield only, so basically our yields from 2.86% last quarter 3.05% this quarter
- Sham Kajale:** Right.
- Prabhat Anatharaman:** And against that utilization have like gone up by 1% last quarter is was 79%. Contribution of Wind has not really moved much actually it is come down by slightly about 1%. So obviously we have seen increased yields in some other sector, is it safe to assume that you are saying from good amount of yield in power sector.
- Sham Kajale:** Correct.
- Prabhat Anatharaman:** So going forward how much would the contribution of power sector be in the next one years or two years FY17?
- Sham Kajale:** I think it will go from 12% to at least we are hopeful that we should touch at least 20% in the power sector. See now a day's what happen, now the Thermal Power I am talking about Thermal Power Plant, people are erecting ceiling girder and boiler first, . Earlier they use to have some land acquisition then initial civil and construction work where they required smaller capacity cranes and slowly towards the end of the project they were in need of 400 tons or 600 tons capacity Cranes for the erection of their boiler and ceilinggirder. Now they are changing their scheme of erection because of the space constrain which is required for parking heavy duty cranes. recently we did a big job for BHEL and also in Wardha, for Lanco where we have given 800 tons crane and the erected first the Boiler part actually it is a huge Crane and they are changing the mechanism because of the space constraint within the power plants. So now in fact they are reverse mechanism they are erecting ceiling girder first and then they are doing the other erection of civil structure and other things.
- Prabhat Anatharaman:** Your work is now front ended more rather back ended?



- Sham Kajale:** Correct.
- Prabhat Anatharaman:** Okay. Sir, you mentioned you also have infra as a vertical which contributes around 4% to revenue?
- Sham Kajale:** It was infra I would say it is the other industry which includes some maintenance job also, Metros and of small work that we do.
- Prabhat Anatharaman:** Exactly sir I just wanted to know sir if you all are giving Cranes for Metro and sir now that we are hearing there is two trillion worth of metro project is going to come across different 2-Tier 3-Tier cities in India. So what kind of opportunity can this vertical also grow to being 4% revenue to maybe 10% odd revenues.
- Sham Kajale:** No, I would not comment that way it will go from 4% to 10%.
- Prabhat Anatharaman:** Will you as a company make investments to cater to the Metro segment?
- Sham Kajale:** Yes, defiantly. See we have done lot of work for Delhi Metro in there Phase-I and Phase-II, recently we did lot of work with Chennai Metro. So the Cranes are required in the Metro project when the project is under ground, where the tunnel boring machine is required. In case of elevated Metro like in Bombay you do not require Heavy Duty Cranes, you require a 100 ton and 150 ton Telescopic Crane and that is sufficient . So even if such investments happens those investment have to happen in the underground railway which is in Delhi and Chennai also.
- Prabhat Anatharaman:** I will interrupt you in underground how many, what kind of Cranes do we require?
- Sham Kajale:** They require 400 tons cranes and three-four support cranes. This is required typically for taking out the Tunnel Boring Machine actually. We have an expertise in that and we have already established our credential in terms of safety operation in the Metro So first right of refusal normally given to Sanghvi Movers Limited.
- Prabhat Anatharaman:** I Mean I hope you could answer this now due to this recent Metro project that has been announced in Mumbai Metro, though so most of the players are L1 nobody got the hard order in their book, any enquires you are seeing for underground metro, so any enquires from the people who had been declared L1.
- Sham Kajale:** Till date we have not received any enquiry, I think it must be at the initial stage and they may send us enquiry at appropriate time.
- Prabhat Anatharaman:** So sir, if you see if you are doing 100 crore worth of underground Metro work and how much, as we know like in Wind 2%-3% of that entire Wind CAPEX goes to Crane rentals. So if you



are doing 100 crore worth of underground work how much percentage of that would be Crane rental?

Sham Kajale: It is not that significantly I would say it may be around 0.3% or 0.4% maximum not big. That's why I told you it will not go above 4% even if that happens then if we get all the orders also. So it is not that significant.

Prabhat Anatharaman: Sir, my final question is so we have heard recently you know the Government also saying and all this talks about the offshore Wind farm policy that we have a huge cost line in Gujarat, Maharashtra, Tamil Nadu you know the entire coast line that can be used for offshore Wind farm we are also hearing that the realization at the offshore Wind farm are far higher so are we looking, have you drawn some plants to may be buys some cranes that can be used on the offshore platformso are there any plans for that?

Sham Kajale: Right now we do not have any plans for doing the Wind mill erection offshore actually. See this is a different kind of technology and we have a Cranes. So the Crane can be mounted on a barge and then it can travel and it is basically it requires lot of marine engineering knowledge also. So we will take a proper decision when we will get a serious enquires from any of these players who wish to put up such offshore wind mill. So it is a wait and watch game and we will take a decision at appropriate point of time.

Prabhat Anatharaman: So as of now there is nothing paper, I am saying anything concrete?

Sham Kajale: See it was just an announcement it will take its own time.

Prabhat Anatharaman: Okay and sir finally how much percentage of customer advances are you taking as right now?

Sham Kajale: I cannot tell that. Do not as such question.

Prabhat Anatharaman: It makes us easy for us to models are ...

Management: It is just 10% to 20% of the mobilization cost we take initially. See we have to move the Cranes and for that purpose we incur transportation cost so typically the advance consist of mobilization cost and one month rental charges/ but it is not significantly higher amount

Moderator: Thank you. Next question is from the line of Arpit Ranka from Kovil Investments. Please go ahead.

Arpit Ranka: My question is about the CAPEX that we are doing so if I am not mistaken yields very significantly in newer Cranes and older Cranes if we assume buy a new Crane or an old Crane? So this 450 crores, what will be the yield on this CAPEX assuming say 80% to 90 % utilization whenever it happen?



- Sham Kajale:** What is your question?
- Arpit Ranka:** What would be yield on the CAPEX that you are doing on the new Cranes that you are buying?
- Sham Kajale:** See basically the yield for the six month period is 3.05% so we estimate that this yield should continue because we are getting back to back orders from our customers and we expect same kind of yield going forward.
- Arpit Ranka:** Okay, my question was just sorry to interrupt but I think I am not clear in it. So the CAPEX that you are doing by buying Cranes worth 450 crores most of the Cranes are new Cranes I presume?
- Sham Kajale:** It is mix of brand new and used.
- Arpit Ranka:** Okay so the Yield on that CAPEX if I have to assume that you would be able to say – of 80% which we are currently operating at in two years or whatever, so what would be the Yield on that they would be in line of existing ...
- Sham Kajale:** I would be in line of existing yeild
- Arpit Ranka:** And secondly how do you see the utilization rate on the newer CAPEX to plan looking at your order book today and expecting...
- Sham Kajale:** I would say one year we expect that our utilization will be in the range of 80% to 85%.
- Arpit Ranka:** Okay. And just one final question what is the percentage of sales that we get from catering to Suzlon alone?
- Sham Kajale:** I cannot disclose that.
- Moderator:** Thank you. Next question is from the line of Mitul Patel from Laburnam Cap. Please go ahead.
- Mitul Patel:** What is the total debt right now and what is you projection as it will go to till FY16 end?
- Sham Kajale:** See the total debt as on 30thSeptember is 416 crores gross without considering cash and bank balances. And year end we expect that after doing this CAPEX for nearly 450 crores our estimated debt level will be in range 550 crores 575 crores.
- Mitul Patel:** Okay and one question I think participant asked it earlier any changes in the dividend policy this year or going forward?
- Sham Kajale:** That is a board decision, I cannot comment right now on that.
- Moderator:** Thank you. Next question is from the line of Nikhunj Mehta from Corporate Data Base. Please go ahead.



*Sanghvi Movers Limited
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Nikhunj Mehta:

Sir, two questions; one is that we recently read about some company start-up which is started something these Uber, OLA kind of an app where you can higher these Cranes I do not know if you have heard about it but if something like this starts and picks up can we participate through it or can it become competitor to us, can you please explain this a little please?

Sham Kajale:

See OLA and Uber are operating taxis actually Crane is an different all together, so I do not think such kind of experiment will really helpful and it will really workable in India. This is our first assessment and we heard about that but we do not think it will be a successful business model. For 70 ton-80 ton, cranes which are useful pick and carry jobs where such business model prove to be useful for both side. The hirer as well as who requires the Crane ie. the client. I do not think that for heavy duty cranes such model will really be very useful because heavy duty Cranes it requires the transportation time, it requires time to assemble them, load test and again hiring period all these things, so heavy duty cranes I do not think it can be used for taxi business kind of business model.

Nikhunj Mehta:

Sir, the other question was, I read your update on the statutory dues that were claimed against us and what it has been finally settled is a very negligible amount, but can you just explain what exactly is this regarding and also how likely it is to have any meaningful impact on us?

Sham Kajale:

See I do not know whether you have seen our letter dated 19 June, 2015, were we have already given a detail explanation as how that demand has arrived at. in short I will tell you that the Sales Tax department has raise the demand as they feel that the VAT is applicable for hiring of Cranes where they feel that there is a transfer of right to use goods. In our case we never pass on effective control and possession of the Crane to our client because the Crane is operated by our people and we do not allow client to even enter in the Crane cabin . Based on some wrong fact, they have raised this demand. In fact we have given them various case laws including the Supreme Court decision on a similar case in which they already mentioned that VAT is not applicable for hiring of Cranes because the effective control and possession has been never been transferred to the transferee. Recently in April 2015 there is a judgment of Bombay High Court in General Cranes versus Commissioner of Sales Tax in which same case was put up and it was mentioned in the order that the in case of Crane hiring business, there is not transfer of right to use happen, we have quoted that judgment also Recently there was a judgment of Tripura high court in which they say that you cannot levy two taxes on the same transaction if there is a dispute between center and the state, if they have confusion then center will prevail so the state has no right to claim that we are eligible to claim a tax on the this transaction. Thirdly minister of Finance in their website has mentioned that the 42% of their collection by way of service tax they are passing on to the respective State Government which we have quoted also. We have also mentioned in our pleadings that if you have any claim you get your claim settle from the Central Government. If you see our update given to Stock Exchange on this matter we have mentioned that both the Sales Tax Appellate Authorities have not discussed the main issue whether for the hiring of the Crane the VAT is applicable or not that means they are themselves not sure about the levy of such tax that is why just asked us



to pay portion of the total demand, just to take the things forward. We are paying service tax since it is made applicable for such activities and if they have any dispute then they should get clarity from the the Central Government and get their refund from them you cannot ask us to pay two taxes on same transactions. I think I made this point clear to you.

Nikhunj Mehta: Yes, sure. But basically the amount which that you have been ask to deposit even that is likely to come back in that case you are saying?

Sham Kajale: We are not depositing, we are challenging that decision also.

Moderator: Thank you. Next question is from the line of Ujwal Shah from Quest Investments. Please go ahead.

Ujwal Shah: Considering the outlook that you have urge given across can I just ask you to give some insides about the various industries that you are present in. How do you foresee over next one year, I do understand that a lot is expected from Wind and you give a brief update about the power sector as well apart from that the other areas where you are present and surprisingly cement coming at 8% can you just throw some light on the other industries you are present in?

Sham Kajale: Going forward we believe that the demands will come from the wind mill particularly and then the power sector. Industries like refinery we are not that much banking on because we have recently did work with Cochin Refinery and with Reliance also we are working not to a great extent. but going forward we are banking on two industry where we feel that the demand will definitely come, one is Metro also that is one area, cement and steel we are hopeful which currently contribute 10% of the revenue both put together because we are not seeing any traction from this industry happening in a great way. So the major demand will come from the wind and the power sector.

Ujwal Shah: Okay sir, so collectively the revenue share for this two industry will grow to ...

Sham Kajale: 70% to 75% both will put together will give us revenue. 70% to 75% revenue will come from this two sectors.

Moderator: Thank you. Next question is from the line of Divang Mehta from Canara Robecco. Please go ahead.

Divang Mehta: Just we have roughly around 400 Cranes at this point of and almost 60% of them are 100 plus tons?

Sham Kajale: Yes.

Divang Mehta: So can we assume that the revenue share will be like 80-20 between 60 and above 100 tonner.



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- Sham Kajale:** See in terms of gross block one has to look at the whole thing almost 90% of the gross block is invested to heavy duty Cranes which are 100 Tons and above cranes. Typically if you require heavy duty Crane, you require to give it to support Cranes so automatically the demand is created for support cranes . So I would say 90% and 10% will be general kind of revenue breakup between heavy duty and a small capacity Crane.
- Divang Mehta:** And you said 70-25 is the current gross block?
- Sham Kajale:** Yes, Rs. 1725 crores .
- Divang Mehta:** And by end of year it would be more towards like 19-50 or 2000.
- Sham Kajale:** Correct.
- Divang Mehta:** And one question on what would be overtime charges that you have booked in the quarter or may be first-half?
- Sham Kajale:** It is not that high, it is only around 6-6.50% average for entire six months period.
- Moderator:** Thank you. Ladies and gentlemen as we have no further questions, I would like to hand the conference over to Mr. Girish Solanki from Anand Rathi for closing comments.Thank you and over to you.
- Girish:** I would like to thank the Management for taking the time out and answering all the questions. Thanks a lot Chandrakant sir and Mr. Sham Kajale.
- Sham Kajale:** Thank you everyone.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Anand Rathi Shares and Stock Brokers, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.