

ANANDRATHI

“Sanghvi Movers Limited Q1 FY 2016 Earnings
Conference Call”

August 13, 2015



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**MANAGEMENT: MR. CHANDRAKANT SANGHVI – CHAIRMAN
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- Moderator:** Ladies and gentlemen, good day and welcome to the Sanghvi Movers Limited Q1 FY 2016 Earnings Conference Call, hosted by Anand Rathi. 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 entering “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Girish Solanki from Anand Rathi. Thank you and over to you.
- Girish Solanki:** Thank you Melissa. Good evening to all the participants. I would like to welcome Mr. Chandrakant Sanghvi, the Chairman and Managing Director of Sanghvi Movers as well as Mr. Sham D. Kajale, the Executive Director & CFO for the Q1 FY 2016 results conference call. Over to you Sir!
- Chandrakant Sanghvi:** Good afternoon ladies and gentlemen. Welcome to the investor conference of Sanghvi Movers Limited. I have with me my colleague Sham Kajale, Executive Director & CFO. You know, you must have been reading in the newspaper that SEBI is very strict on what guidance you give and how do you give. So I will request the members to ask questions which will not embarrass us with SEBI. Sham will brief you about the financial performance of the company for the quarter ended 30th June, 2015 and then we will be taking questions from the participants. Thank you.
- Sham Kajale:** Thank you sir. I would like to brief the participant about the financial performance of the company. I think most of you must have gone through the financial results, but I just brief you the main highlights of the financial performance for the quarter ended 30th June, 2015. The company has achieved income from operation of Rs.109.53 Crores, other income of Rs.0.34 Crores, total income Rs.109.87 Crores, total expenditure Rs.37.88 Crores, EBITDA Rs.71.99 Crores, percentage of EBITDA to total income is 65.42%. Profit before tax Rs. 32.26 Crores, tax expenses Rs. 11.16 Crores, profit after tax Rs.21.09 Crores, total cash accrual Rs.49.14 Crores, the net worth of the company as on 30th June Rs.675.46 Crores, total loans including secured and unsecured loan Rs.391.44 Crores, debt equity as on 30th June 15 0.58 : 1, average capacity utilization for the quarter is 77%, average blended yield for the quarter is 2.86% per month, receivable days 80 days. Company has planned expenditure of Rs.380 Crores during the current financial year and proposes to imports on 25 numbers cranes ranging from 80 tonnes to 800 metric tonnes capacity and it will be a mix of used as well as new cranes. The company has completed a capital expenditure of Rs.107 Crores during the quarter ended 30th June including the capitalization of certain cranes, which were shown as a capital WIP in the previous quarter, the total number of cranes capitalized during the quarter is 13. The company has a total term loan obligation of Rs.72.19 Crores in the current financial year, out of which it has already repaid loans worth Rs. 44.44 Crores, till 30th June 2015 and a sum of Rs.27.78 Crores is payable over a next nine month. I would like to tell you that the ICRA has recently upgraded and reaffirmed our credit rating for long-term loans from A to A+ and short term rating from A to A1. The sector wise revenue breakup for the quarter ended 30th June is windmill has contributed 59% of the total revenue, power sector 9%, refinery and gas 16%,

steel and metal 4%, cement 8%, other industry 4%. We have a total fleet of 396 cranes as on 30th June and a gross block of crane is Rs.1,664 Crores. With this I would like to hand over the floor to you for the question and answers if any-

Chandrakant Sanghvi: I would like to say some few words after listening to the highlights of today's concall is that our receivables have come to 80 days, which was once upon a time 170 days plus. We have planned capital expenditure for Rs.380 Crores for which orders have been placed. At this time, we are doing only focused buying that means we are going to buy 600 and above cranes 15 numbers, so mainly we are buying 600 tonnes, 750 and 800 tonnes capacity cranes. In all these Demag CC 2800-1 we will be having 21 number crane, which are used in windmill power sector and refineries and steel plants. A 21 number is a huge number, average cost of each crane is around 24 to 25 Crore rupees and in the world, we will be amongst the three or four companies who have over 20 numbers of such cranes. According to me I would request the members that looking at a figure that does mean that we have come out of the slump and or the economy is going to do very well. Ours is a unique case; for good results, one of the reason is that windmill sector is doing very well because of the importance given by our prime minister, Mr. Narendra Modi. Windmill has picked up, but sorry to say that other sectors has still not picked up such as steel, cement plants, oil and gas, construction, infrastructure, etc. I personally believe that is my view again that the economy will not start picking up in a real growth mode till the year 2017 that is still six more quarters that to go before the economy can really pick up. . Another one more interesting factor is that our debt to equity ratio has come to 0.58 and we have planned capital expenditure for Rs.380 Crores, which may grow up to Rs.400 or Rs.425 Crores depending upon the opportunities that we get, A, in importing the cranes and B, finding jobs for it. This is what I personally believe and I try to put it across to you. Now we will open the floor for question and answers. Thank you very much once again for joining the conference of Sanghvi Movers quarterly results. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin with a question and answer session. We have our first question from Arun Malhotra from Santalum Capital. Please go ahead.

Arun Malhotra: Good afternoon, congratulations on a good set of numbers. Just wanted to understand what is driving this high capacity utilization and the yields. Primarily because you did mention that the economy has still not revived and second part of this is how far we can go in the current environment in capacity utilization and the yields.

Chandrakant Sanghvi: Capacity utilization had grown up because the windmill have contributed nearly 60% to our revenue and going forward till March we are quite bullish that the windmill will be a major source of revenue. Besides windmill, the power sector is coming up a little bit, so that is what is driving the -

Sham Kajale: Capacity utilization and yield. And second question was about how sustainable is that thing right, that was your question. See we are hopeful to do well in the current financial as well as next financial year based on the feedback that we are getting from the windmill sector and we are hopeful that power sectors will start picking up at least December onwards if not

immediately after October and we will get some order in fact we are getting feedback from various power players about their crane requirement, at least one, one and a half years we have a confident about our utilization and yield per month what we are getting currently.

Arun Malhotra: And in terms of receivables again there has been a dramatic improvement on the receivable side, is there any something which has been pending old more than six months that has been received and that has brought down the number of days or what has driven this?

Sham Kajale: You given the answer in your question itself, we got good amount of money collected from the debtors, which we are outstanding for more than six months or even one year also.

Arun Malhotra: What is the current receivable cycle like you said 60% is coming from wind power what could be the receivable cycle in wind power business?

Sham Kajale: I cannot give sector wise receivable cycle. We will give just overall receivable cycle for the company as a whole, we had never given this information in the past also.

Arun Malhotra: What I am trying to get is that are we again getting into the riskier business of wind power and then probably in a two years time the receivable cycle goes again upwards of 150 days or we are comfortable with the credit at this time?

Chandrakant Sanghvi: . The demand is high in the wind sector hence they are paying us also and we have changed our credit terms. , we insist that no payment , no work that has helped us.

Sham Kajale: So going forward the receivable cycles will be in the range of 80 days to 100 days; this is what we feel actually.

Arun Malhotra: What has been the debt repayment in the last quarter and debt repayment plans?

Sham Kajale: I had mentioned that we have total debt obligation that is an installment of due within one year Rs. 72.19 Crores , out of which we have already paid Rs. 44.44 Crores till June, balance of Rs.27.78 Crores is due for payment in next nine months. We are in a very comfortable zone and we are quite sure about we will make some excess payment also if required.

Arun Malhotra: Alright. Thank you. Once again good luck for the future.

Moderator: Thank you. We have the next question from the line of Ruchit Mehta from SBI Mutual Fund. Please go ahead.

Ruchit Mehta: Could you just rush through the quarter cash flow movements in terms of the cash and debt balance you ended last quarter with and capex and the movement in working capital, etc. and what would have been the cash balance at the end of this quarter?

Sham Kajale: You want the cash –

- Ruchit Mehta:** Cash flow movement in this quarter, how was cash flow generated, how was released from working capital, how much did you borrow, how much you spend on Capex, etc. and the closing cash balance?
- Sham Kajale:** We do not share this information actually, I mentioned that we have recovered good amount of money from the debtor and we have done the capital expenditure of Rs.108 Crores, we repaid Rs.44 Crores worth of loan in the current quarter, so at least main things I have already highlighted in my opening remarks .
- Ruchit Mehta:** So what is the closing cash balance for the quarter if you can share that?
- Chandrakant Sanghvi:** We have had a cash profit around Rs.49 Crores for this quarter.
- Ruchit Mehta:** The cash and bank balance right.
- Sham Kajale:** Ruchit Cash & bank balance was Rs.9.5 Crores as on 30th June.
- Ruchit Mehta:** In terms of the number of cranes operational for the quarter, what would have been that count?
- Sham Kajale:** average utilization was 77% for the quarter.
- Ruchit Mehta:** Some cranes that you capitalize in the current quarter these 13 cranes were they also utilized in this quarter or they were –
- Sham Kajale:** Once we have capitalized that means those cranes have been put to use; the cranes have been capitalized in the fag end of the June.
- Ruchit Mehta:** So they really have not contributed much to revenues in this quarter?
- Sham Kajale:** Yes correct.
- Ruchit Mehta:** So your total crane count would be what at this point in time?
- Sham Kajale:** We have 396 cranes as on 30th June.
- Ruchit Mehta:** The operational ones would be how much, the operating cranes, there are some cranes that you just keep for internal usage like building the crane itself or transportation work, so what is the count?
- Sham Kajale:** 30 to 35 cranes we keep for our internal purpose loading, unloading.
- Ruchit Mehta:** Just finally sir you touched base at windmill sector seems to pretty good and you got good visibility for the next 12 to 18 months, could you share with us from a quarter on quarter movement perspective, what is the kind of activity or enquiry levels have you seen, what is the kind of booking that you would have seen, I guess in the last quarter you mentioned that all of

you higher tonnage capacity cranes essentially sold out for the next three to six months, sir if you could just highlight some more color on that?

Chandrakant Sanghvi: In 600 tonnes crane segment the capacity utilization for the cranes that we already have and which we are going to come will be around 100%. As a matter of fact, there is a shortage; now the windmills are going at a higher height, where the 600 tonnes cranes are utilized, the 400 tonnes cranes the utilization will come down a little bit.

Ruchit Mehta: Okay fair enough, thank you.

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

Pawan Ahluwalia: Thank you very much and congratulations on good numbers this quarter. I just wanted to get a sense the big event the people have been watching is obviously the completion of the Reliance expansion at Jamnagar and the possible release of the Reliance cranes into the market are of third party contractors who have their cranes there who would then have those cranes free to put elsewhere, what is the company's view on this, how much of an increase in supply do we expect to see happen if as expected the Jamnagar expansion finishes in the next 12 months and those cranes are released?

Chandrakant Sanghvi: First of all Mr. Ahluwalia we are not working in Reliance.

Pawan Ahluwalia: No I know that, I am worried more from market and increase in supply in the market, not your exposure to Jamnagar?

Chandrakant Sanghvi: , I am addressing to everybody we are not working in Reliance for the simple reason that the rates are much lower . Reliance project I have heard from market sources that it will go on till mid 2016 or till 2017, now if you see the capex that we have done for Rs.380 Crores, it is for 600 tonne and above cranes, that is we have got 15 cranes worth over Rs.350 Crores for this big capacity cranes, so when the Reliance project is over there will be small cranes and other cranes, but by that time we would have had substantial market share with other clients who are going to take the crane so we are not utterly worried and we have done focused buying that is 600 tonnes which is going to be according to us the next future, have I answered your question?

Pawan Ahluwalia: Yes and one sort of follow up you mentioned the cranes that you recently bought, which got capitalized in June, so if they have been with you through the quarter, any idea of how much higher revenue or earnings could have been if these cranes were just earning for the full quarter?

Chandrakant Sanghvi: No this is difficult to answer, it is telling our competitors what rate we give, etc., but as I mentioned to you the utilization of all these 15 cranes we are going to import will be definitely up to March and some cranes up to October next year.

Pawan Ahluwalia: Okay, thank you.

- Moderator:** Thank you. We have the next question from the line of Pritesh Cheddha from Emkay Global. Please go ahead.
- Pritesh Cheddha:** Thank for the opportunity and congrats for a good set of numbers. I just want to check on couple of things, one what would have been the utilization in Q4 and yield in Q4 and is there any movement there and second I was trying to correlate your numbers with let us say what Inox or Suzlon would have reported in terms of installations, so their numbers QOQ have increased in installations, I am just wondering the utilization number for Sanghvi should have gone up, it helps us to correlate if there is any other sector, which would have gone down as a result of which the utilization or the revenue numbers is flat QOQ?
- Sham Kajale:** Pritesh I will answer your question, you are asking the utilization and the yield for the March 2015 right or June 2014?
- Pritesh Cheddha:** March 2015?
- Sham Kajale:** I think for the March 2015 quarter, our average Capacity Utilisation was 79% and average blended yield was 2.87% per month.
- Pritesh Cheddha:** So there is directionally a drop in utilization?
- Sham Kajale:** first quarter normally there is a drop in the utilization, if you see historically also, but the yield has improved.
- Pritesh Cheddha:** And how does it correlate with, I see the installations numbers for Inox or Suzlon or some of, two of these names, which would have gone up QOQ, so I was just wondering for us the utilization, the revenue figure should have gone up QOQ, just if you could throw some light there or my assessment is wrong either or if you could just throw some light?
- Sham Kajale:** See we are not solely dependent on Suzlon or Inox per se., We are practically working with all windmill players in the country, so I do not think it is a correct assumption that one should look at the Suzlon, Inox number and correlate Sanghvi Movers turnover with the same.
- Pritesh Cheddha:** Those guys are about 70%, 60%, 70% of the windmill market, so it is always a good reference point, I will put it this way, would the revenue mix from the sector that you have reported. On a QOQ basis windmill would have increased and other sectors would have come down?
- Sham Kajale:** Windmill we have almost same number in Q4 of last year.
- Pritesh Cheddha:** So it is the same number?
- Sham Kajale:** Yes.
- Pritesh Cheddha:** Second on the pricing side, what are the trends in the market and what kind of price increases would have happened?

- Sham Kajale:** Yes there was some price increment which happened over last two quarters including the recent one which has concluded,
- Pritesh Cheddha:** Can you quantify the extent of chains that would have happened in the last two, three quarters on pricing?
- Sham Kajale:** Pritesh too much price sensitivity. I cannot share.
- Pritesh Cheddha:** Okay, have we entered a situation where we are getting overtime?
- Sham Kajale:** Yes we got overtime, but , it is relatively low I can tell you that number how much percentage of overtime we have got in this quarter, it is 6.12%, not great number as such.
- Pritesh Cheddha:** 6.12% of the revenue?
- Sham Kajale:** Which were generally 5 to 5.5% last year.
- Pritesh Cheddha:** Which means on the yield side it is likely about 20, 30 basis point extra?
- Sham Kajale:** Right.
- Pritesh Cheddha:** Right, I will put it that way, okay and sir this new Capex, which we have communicated since last couple of quarters, if let us say is it totally dependent on the wind mill sector for this new capex or how should we look it actually?
- Chandrakant Sanghvi:** No this capex is on the overall, windmill does contribute to a lot of capex, but we receive inquiries coming from power sector also. This cranes can be interchanged, we used in power sectors, steel plant and windmills also.
- Pritesh Cheddha:** And based on the demand supply in the system in your area of business, which is crane and the corresponding demand environment, specifically which we see in windmills, which is let us say about 2.5, 3000 megawatt of installation that is reaching to and might head towards 4000 megawatt if everything is fine, do you think that the demand supply in the system **over** the capex that you are doing and other companies would be doing, if healthy supply demand situation from next 8 to 12 quarters perspective or you share a different thought and idea on that?
- Chandrakant Sanghvi:** We are doing capex based on our own assessment and from the market what we understand is that we are the first early bird and we have already brought in 6 cranes out of the 15 and we have placed orders for that rest, so this is what we know, what we are doing, we do not know what the competitors are doing till the cranes physically come in the country.
- Pritesh Cheddha:** Okay, so this Rs.380 Crores is equal to how many cranes actually?
- Chandrakant Sanghvi:** It will be around 20, 21 cranes.

- Pritesh Cheddha:** Okay just 21 cranes?
- Sham Kajale:** It would be 25 cranes .
- Pritesh Cheddha:** Okay and how many of such cranes would be there in the country?
- Chandrakant Sanghvi:** We are presently having, after this capex we will be having 25 cranes and I think if I am not mistaken it will be around 10 to 12, the competitors also put together would be having.
- Pritesh Cheddha:** Okay, so 25 cranes is that you will have and 12 competitors would have?
- Chandrakant Sanghvi:** Right.
- Pritesh Cheddha:** Okay. Thank you very much sir and have a great day. Thank you.
- Moderator:** Thank you. We have the next question from the line of Ashish Pandey from Individual Investor. Please go ahead.
- Ashish Pandey:** I had just one question sir. If I look at your numbers, your tax since as a percentage of profit book or tax on a very higher that I guess more than 35% and I think last quarter it was much more than that, as a percentage of PBT so what is the reason behind this, may I know?
- Sham Kajale:** For this quarter, the tax percentage is 34.65%. For the last quarter it was more than 55%. In the last financial year there was a change in the surcharge rate on income tax from 10% to 12% and government has changed this rate in the budget which they had announced in July and because of that we have to take the retrospective effect on deferred tax liability. In the first two quarters of last financial year we have posted a net loss. However, in the third and fourth quarter we have posted a profit, so the accumulated carry forward business loss got set off and over and above we posted a profit in the third and fourth quarter, so eventually we end up in making provision for current tax and because there is a change in the tax rate we have to make a provision for deferred tax as per the new increased tax rate, which was 34.65% as against 32.45% in the last year and that is why we had to make additional provision for tax in the in the last quarter of the last financial year and because of this the tax rate was somehow got distorted in the fourth quarter. However, now going forward the effective tax rate will be 34.65%.
- Ashish Pandey:** Okay. Thanks sir. That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Deepan Shankar from Trust Life PMS. Please go ahead.
- Deepan Shankar:** Good evening sir. I just want to understand what is the kind of contribution from top five clients for us?
- Sham Kajale:** It is roughly around 50% to 53%.

- Deepan Shankar:** Seeing the current expectation on this windmill performance, do you foresee that our yields will go up to the historical high levels over next two to three years?
- Chandrakant Sanghvi:** I do not foresee it will go beyond 3 or 3.1, it will get stabilized between this range only..
- Deepan Shankar:** So more or less we will be in the range of 3, 3.1% level?
- Chandrakant Sanghvi:** Maximum.
- Deepan Shankar:** What is the proportion of new cranes to the gross block currently?
- Sham Kajale:** New cranes are now 62%.
- Deepan Shankar:** Okay sir. Thank you.
- Moderator:** Thank you. We have the next question from the line of Pawan Ahluwalia from Laburnum Capital. Please go ahead.
- Pawan Ahluwalia:** I just wanted to ask on the, you emphasizing the fact that you buying much higher tonnage crane, now could you give us some sense since most of us are not technical experts, when you have a 600 tonnes crane versus using a combination of lower tonnage cranes, what is the pros and cons using one big crane as opposed to couple of smaller ones to do the same job and what makes you think that, there is a compelling business opportunity in India for these large cranes?
- Chandrakant Sanghvi:** When you require a 600 tonnes crane, you require a 600 tonnes cranes, you cannot take two 300 tonnes or two 400 tonnes crane and do the job, do you follow up what I am saying.
- Pawan Ahluwalia:** Okay, alright.
- Chandrakant Sanghvi:** If you require so much horse power, you require so much horse power, if it is a crane requires a boom height, only the higher capacity cranes can go up to longer boom reach, you cannot take two small, say you require a boom length of 80 meters or 90 meters, you cannot take two 400 tonnes with 90 meters and do the job, it can be done in tandem lift but cranes are required, you have to buy them, you cannot add up and come up to the same capacity.
- Pawan Ahluwalia:** And can you give us a sense of the kind of applications where only a 600 tonnes crane would work, what is the sorts of jobs these would be required for and what makes you to think that the number of those jobs is going to increase substantially in India relative to what it has been previously?
- Chandrakant Sanghvi:** As I mentioned earlier, the windmills have, the heights of windmill there is an increase, first the windmills used be around 80 meters height, now 90 meters, now they are going to 104 meters, 120 meters, we are erecting, the windmill, which were erecting at 80 meters, we are erecting at 120 meters, so 40 meters incremental in height requires a much higher capacity crane, so the cranes of 600 tonnes are used in windmill; one crane we have recently given to a steel plant, a

Greenfield steel plant when they are erecting the blast furnace, it is used in refinery, it is used in cement plant, it also used in power plants where you have to lift a ceiling girder at a height of 119 meters and the capacity is somewhere around 110 tonnes, so all these higher capacities cranes are required for doing jobs at higher heights and heavier loads.

Pawan Ahluwalia: But the higher height arguments seems to apply primarily for windmills, when India had its massive build out power in steel capacity in the last, between 10 years ago and three years ago, it sounds from the numbers you are giving us that they were very few of these 600 tonnes cranes in India and yet all that capacity got built without the 600 tonnes crane, so it is sounds like the only application where these are really needed or the 104, 120 meter sort of windmills?

Moderator: Ladies and gentlemen kindly stay connected we have lost the line for the management. Please do not disconnect your lines. Thank you, we will reconnect them. Ladies and gentlemen we now have the line for the management reconnected. Mr. Pawan Ahluwalia please go ahead.

Pawan Ahluwalia: If you look at the previous big infrastructure build out in India whether it is power, steel, etc., from the numbers you give us existing 600 tonnes crane, it looks like all that build out happen without really needing the 600 tonnes cranes, I see your point on windmills, but it sounds like that is really the only area where you need these 600 tonnes, is anything else you can probably do with 300 tonners are smaller crane, so is it basically an attempt you guys are making where you say look we are going to totally capture this windmill market and given that we put down this capex to 600 tonners no body else is going to go and put on 600 tonners as because we know the windmill demand is and we basically gone upfront and put up the cap extricated to it?

Chandrakant Sanghvi: You are partially right, 600 may be used in windmill but 600 tonnes are also used in power plants, erection of Greenfield power plants and steel plants.

Pawan Ahluwalia: One other question Mr. Sanghvi and Sham also, the employee cost, it bumped up a bit last quarter and it now looks like you had a run rate of about 5 Crores or so is this because of an increase in the number of employees and increase in wages should we be expecting any further bump up is this is likely to be a pretty steady run rate?

Chandrakant Sanghvi: Wages have also gone up, increment takes place on 1st of April and since the cranes have increased the number of employees also increased that is why our employee cost has gone up.

Pawan Ahluwalia: But are we likely to see further increase this year or next year?

Sham Kajale: No Pawan we already done the increment the first quarter, if you see the results for March-2015, there was a one explanation in the notes below the financial results that employee expenses for the quarter ended 31st March include some prior period expenses on account of additional provision for gratuity that we did, so practically I would like to say that one should look at the numbers on year-on-year basis and one can factor the employee cost based on the quarterly number of June 2015.

Pawan Ahluwalia: So this can be the steady run rate.

- Sham Kajale:** It will be the steady run rate.
- Pawan Ahluwalia:** Okay. Thank you.
- Moderator:** Thank you. We have the next question from the line of Prabhat Ananthraman from HDFC Securities. Please go ahead.
- Prabhat Ananthraman:** Good evening sir and congratulation on excellent set of numbers. My first question would be you mentioned a capex of around Rs.380 Crores for FY 2016; can you please share with us the funding for that, in what ratio would you like to fund this?
- Sham Kajale:** Normally we go for 75:25 ratio but this time we may be go with 70% debt, 30% internal accruals .
- Prabhat Ananthraman:** So if I am to see that the debt level has increased by I think approximately by about Rs.35 Crores since on Q on Q basis and that was spent about Rs.107 Crores or that was spent on the total book on capex of about 30% of this you have utilized as a debt for the current capex that you done for Rs.107 Crores?
- Sham Kajale:** Yes, basically we have taken some debt, and have also recovered some money from the debtors, which were outstanding for more than 12 months and so this funding is partly done from the receivable collections also.
- Prabhat Ananthraman:** I am sorry actually I missed that cash accrual, the amount you collected from the debtors if you might have shared it, could you please repeat it for me?
- Sham Kajale:** The total net receivable figure as on 30th June, is Rs.110.53 Crores.
- Prabhat Ananthraman:** Rs.110.53 Crores?
- Sham Kajale:** Correct.
- Prabhat Ananthraman:** Okay, so I think there is another 13 to Rs.14 Crores that you received?
- Sham Kajale:** Net.
- Prabhat Ananthraman:** So my second question is refineries, the contribution from refineries the revenue has gone up from 8% in Q4 16% and you mentioned that you do not work on the RIL Jamnagar Factory, so from where this contribution gone up and can this number be sustainable, this contribution be sustainable here or can it increase further from here?
- Sham Kajale:** I think it is a good question that you asked , I will tell you, we worked with, , we worked in Jamnagar, but we did the work through some EPC contractors. We also worked in Reliance Hazira, we got some contracts with BPCL Kochi, we did some work with IOCL Baroda, OPaL

refinery in Dahej. We got some job with CPCL also, LNG Petronet that is how the contribution from this refinery sector has gone up.

Prabhat Ananthraman: Are you expecting to re-contribution to go up further?

Sham Kajale: I do not think it will go up significantly; it will remain more or less in the same range.

Prabhat Ananthraman: Okay and sir power as you mentioned last quarter to that power, conventional fossil power looking to be a huge opportunity for you, in fact in a couple of concalls that you had in this result season a lot of infra companies that do power side in the EPC work have also mentioned a good order inflow or bid pipeline in power but despite that power actually has contributed less than what contributed last quarter, it is going to be 9 against 15, how do you see power ramping up from your and what opportunities you are seeing in this?

Sham Kajale: We are getting some inquiry. In fact we got some firm orders also, I cannot disclose the project names and the client name, but I think rather management believes that it will start picking up from December onward, because some projects are pipeline and we are hopeful to get good orders at least from the beginning of next financial year, so right now the power sector will remain between 9% to 12% at least for next two quarters, this is what we believe.

Prabhat Ananthraman: Are you comfortable in sharing the order book on the power sector?

Sham Kajale: Power sector I cannot, but overall order book we have more than Rs.230 Crores order book already have with us, total, after 1st of July.

Prabhat Ananthraman: Okay sir. I just have another question, so Mr. Sanghvi did mention that not to embarrass you by asking you for some guidance, but can you roughly share with us, how do you expect the capacity utilization and yield to shape up over the next couple of years and given that you are seeing good growth in the refinery, you are seeing a good growth in the power and obviously when this started contributing huge amount to your revenues.

Sham Kajale: We hopeful to do at least average 80% utilization going forward for next four to six quarters.

Prabhat Ananthraman: Okay and yields you have said will not go north of 3.1, so somewhere between 2.8 and 3.1, it could be there?

Sham Kajale: Yes.

Prabhat Ananthraman: Okay sir I will get back in line if I have any further questions. Thank you sir.

Moderator: Thank you. We have the next question from the line of Bharat Subramaniam from Sundaram Mutual Fund. Please go ahead.

- Madan:** Good evening sir. Madan from Sundaram. Sir Congrats on good number. Sir post our meeting, I generally hear the wind installation numbers are not so encouraging, what is your take Sir, are you really positive that wind will see a growth this year?
- Sham Kajale:** We get paid irrespective whether the installation happens or not because once you commit a crane or hire a crane, it is your responsibility to ensure the job for the crane, so at ground level, there might be some ROW issues happening and it is happening since long time, but we get paid for that.
- Chandrakant Sanghvi:** The installation for us has been good since we have been eating the market share of our other competitors because we have that particular crane, so we are in well poised that is why we are doing a further expansion of capital expenditure and the 600 tonnes crane.
- Madan:** And in terms of the higher tonnage cranes that you are offering to wind you said even in power it gets application today if power sector picks up in execution will you have the same benefit like you will be able to get market share from the competition?
- Chandrakant Sanghvi:** A lot of people are hesitant to work with BHEL, but we do not shy to work with BHEL because our experience has been good, right now there are five, six big cranes working in the power sectors, so we are not going to ignore it and we are quite happy to work with it.
- Madan:** Is that because of yield that others do not work with them or payment, where does the issue come?
- Chandrakant Sanghvi:** I really do not know why others work, but we are working we have got some big orders from BHEL four big cranes then now some cranes requirement has come from private power sectors, so we are quite comfortable with them.
- Mohan:** Private power sector that is interesting sir, so some project which has been struck, sort of, started moving.
- Chandrakant Sanghvi:** Abhir is one project, Lanco is another project. Abhir, which was struck before, now they restarted the power sector.
- Mohan:** Sir I missed the yield number for the quarter if you can –
- Sham Kajale:** 2.86%.
- Mohan:** This was 2.4% last quarter if I am right?
- Sham Kajale:** 2.67%.
- Mohan:** And you are saying it will be anywhere between 2.8 to 3.1 for the year?
- Sham Kajale:** I would not say for the year may be for next four to six quarters.

- Mohan:** Okay, thanks sir. Great, wish you best of luck sir.
- Moderator:** We have the next question from the line of Mittal Patel from Laburnum Capital. Please go ahead.
- Mittal Patel:** Thank you for taking my question. Two questions, I think last quarter you mentioned that some debt will be taken in foreign currency or is it currently now in all rupee terms or?
- Sham Kajale:** We have taken one foreign currency loan i.e. three years' buyers credit with fully hedged structure, not a big amount, some Rs.52 Crores that is all, rest , all are rupee term loan.
- Mittal Patel:** What is the interest rate fully hedged?
- Sham Kajale:** 9.35 % something plus the processing fee, so all put together it would have been 9.95 or something.
- Mittal Patel:** And also interest expense for the year has been like approximately 11.5 Crores, but the debt levels seem to be between I think 350 or Rs.400 Crores right?
- Sham Kajale:** It was Rs. 391 crores as on 30th June, 2015.
- Mittal Patel:** Then it looks like a pretty high cost of debt is relative to what it is right, again if you just annualize it?
- Sham Kajale:** I do not know how you did the calculation, but our average cost of borrowing is 11.2% currently, which I think is reasonably good considering the industry where we are working and considering the overall scenario and bank's willingness to finance various companies.
- Mittal Patel:** What are the yields in the power and the refinery side; are they higher than windmill or like in.
- Sham Kajale:** We give the overall yield actually; we do not give any sector specific yield figure.
- Mittal Patel:** But is it higher or lower than?
- Sham Kajale:** No I cannot comment.
- Mittal Patel:** Thank you Sir. We have the next question from the line of Prabhat Ananthraman from HDFC Securities. Please go ahead.
- Prabhat Ananthraman:** Hi sir. Thanks for giving me the opportunity to have a follow up question. You mentioned an order book of Rs.230 Crores; it is executable in the time period of?
- Sham Kajale:** 1st July to 31st March 2016. Prabhat let me clarify our order book is fluid kind of situation and this is a firm order figure for which we are bound to give cranes and this is without taking into account the possible extension, which the client may give, this is without the new contracts that

we are likely to get once the initial contract is over, and also without any possible overtime which we normally get. .

Prabhat Ananthraman: I think you have mentioned this before also in the call, I understand that and sir second question is, so this is pertaining to one of her BSE disclosures on a sales tax issue of Rs.110 Crores, do we have any update on that or how was that placed?

Sham Kajale: We have filed an appeal with Deputy Commissioner of Sales Tax Appeal and he is hearing that matter actually, I think we have elaborately discussed the entire issue in the letter filed with Stock Exchange and how that demand is frivolous and without application of mind.

Prabhat Ananthraman: So as of now it is still in appeal state and you will obviously give us an update.

Sham Kajale: Yes we will give the update in the next conference call, but we definitely go for the next level of authority if it will go against us, we will fight it till tooth and nail that is for sure.

Prabhat Ananthraman: Sir now that we taking on some debt on books and there are some foreign currency loan that we are taking, what can be expect our cost of debt to be going forward?

Sham Kajale: We taken only one foreign currency loan which is fully hedged structure which I just mentioned now, it is 9.3% and processing fee all put together 9.95%, we will be taking more rupee loan and average cost is currently 11.2% and I think it will remain in the more or less same region we already requested various banks to reduce the rate after we got upgrade in the credit rating from ICRA and we did also, so I think it will remain in average cost of borrowing simply one can say, between 11.20% to 11.25%, if there is a further rate cut in the base rate it will go down by another quarter percent.

Prabhat Ananthraman: 25 basis points okay and sir my final question is on the wind capex side we saw about 2200 megawatt of capacity begun in FY 2014. There are targets of having about 3,000, 4000 megawatt being done in FY 2015, realistically speaking sir what is your take wind capex.

Sham Kajale: I should not comment on their plans actually, but one thing people are very serious about installation, they have land bank, various clearances have taken place, some ROW issues are happening on the ground, but it is at the local level, sometime it happens because of heavy rains also, , but overall I think they should do above 3000 megawatt at least ;

Prabhat Ananthraman: Also while back in couple of questions you mentioned you have got some projects from Lanco and we have all been hearing about how tight their financial situation is, so have you taken up some advances from them?

Sham Kajale: Definitely, history teaches us a lot of things and taught us lot of things actually and at this time we have given very few cranes that too also not a heavy duty crane and we have taken some advance for which they agreed also and they paid also, so this time we will be very cautious going forward about our receivable days and credit period that we are giving to our clients.

Prabhat Ananthraman: Super. Okay. Thank you sir. Best of luck.

Moderator: As we have no further questions, I would like to hand the floor back to Mr. Girish Solanki for closing comments. Please go ahead.

Girish Solanki: Thanks a lot Melissa. I would like to thank the management for taking their time out and updating the investors. Thanks a lot.

Sham Kajale: Thank you Girish. Thank you all of you and have a good day. Thank you.

Moderator: Thank you gentlemen. Ladies and gentleman on behalf of Anand Rathi that concludes this conference call. Thank you for joining us and you may now disconnect your lines.