"Sanghvi Movers Limited

Q4 FY2024-2025 Post Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Sanghvi Movers Limited Q4 FY2024-2025 Post Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sham Kajale. Thank you. And over to you, sir.

Sham Kajale: Thank you, Navya, for the introduction. Good afternoon, ladies and gentlemen. Thank you very much for attending Q4 FY '25 and FY '24-'25 Analyst and Investor Call of Sanghvi Movers Limited. My name is Sham Kajale. I'm the Chief Financial Officer of the company. And along with me is Mr. Rishi Sanghvi, the Managing Director of our company.

I will quickly run through the financial highlights of the company for the quarter ended and the year ended March 2025. First of all, I will talk about the income from operations and the EBITDA margin for the year ended 31 March, 2025. So, our company has achieved a total income of INR782 crores for the year ended 31 March, 2025.

The segmental-wise revenue breakup and the respective EBITDA margin are as under. From the crane business, we have achieved total income of INR515 crores and our EBITDA margin was 57%. From our wind EPC, that is renewable business, where we have formed our 100% subsidiary, that is Sangreen Future Renewables Private Limited.

Our total income from this entity is INR229 crores and our EBITDA margin was 17%. For the Project EPC business vertical, which is reported under SML, our revenue was INR38 crores and our EBITDA margin was 38%. So, our total income for the year ended was INR780 crores - INR782 crores and our EBITDA margin was at 45%.

On a year-on-year basis, company have registered top line growth of 27%. For the quarter ended 31 March, 2025, company has achieved total income of INR267 crores. The segment-wise revenue breakup is as under. From the crane business, we have achieved a top line of INR145 crores. Wind EPC, our income was INR100 crores and from the project EPC business vertical, we have achieved total income of INR22 crores.

On a quarter-on-quarter basis, the company has achieved top line growth of 28%. Now, I will tell you what was the capacity utilization of our crane fleet for the entire year. So for the Q1 FY '25, our average capacity utilization was 77%. In Q2, it has come down to 68%. In Q3, it was 70% and in Q4 of FY '25, our average capacity utilization was 79%. On yearly basis, our average capacity utilization was 73% vis-a-vis 84% in the previous financial year.

With respect to average blended yield, our average blended yield for the Q1 FY '25 was 2.04%. It has increased to 2.15% in Q2. It has slightly come down to 1.97% in Q3 FY '25. And again, it has increased slightly up to 2.03% in Q4 FY '25. Thus, on the yearly basis, our average blended yield was 2.05% vis-a-vis 2.2% in the previous financial year. Quarter-on-quarter net profit of the company was as under.

In Q1, our PAT was INR40 crores. In Q2, it was INR29 crores. In Q3, it was INR33 crores and in Q4, it was INR54 crores. So on an annualized basis, our total profit after tax was INR157 crores against INR188 crores in FY '24. The breakup of other income, we have achieved total other income of INR40.75 crores in the previous financial year. This is primarily account of two, three reasons.

We have sold some 30 cranes in the last financial year and have generated profit of INR13 crores from the sale of those cranes. We also sold a land at Chennai, which was used for a depot purpose. And also, we were having some three flats in Chennai, which we have sold in the previous financial year and have generated profit of INR11.70 crores.

We also have investment in mutual funds and FD. So, we have generated interest on FD and gain from mutual fund to the tune of INR15.66 crores in the previous financial year. Now, I will talk about the capex that company has done in the previous financial year. So, company has completed capex of INR235 crores in the previous financial year, out of which INR203 crores were spent for purchase of various capacity cranes and we purchased some 46 cranes out of this capex.

We also purchased some additional attachment for our cranes, heavy-duty cranes and we incurred a capex of INR20 crores for purchase of those attachments. We have also purchased some allied equipment and other fixed assets to the tune of INR13 crores. So the total capex that we did in the previous financial year is INR235 crores. Company has done a capex of nearly INR105 crores in Q4 FY '25 and have purchased 24 cranes of various capacity, which are backed by long-term orders from our customers.

I will talk about the crane fleet as on 31 March, 2025. As on 31 March 2025, company owns a fleet of 370 cranes aggregating to INR2,680 crores. This excludes some 30-plus cranes, which are shown under the asset held for sale. Now, I'll talk about the proposed capex plan for FY '25, '26. The Board of Directors in their meeting held on 20 May, 2025, have approved a capex plan of INR246 crores for purchase of cranes, trailers, prime movers and multi-axle lines. We propose to buy some 40 to 50 cranes out of this capex.

Now, I'll talk about the order book position as on 15th of April 2025. Company has secured an opening order book worth INR600 crores as on 15th of April 2025, which will be built and executed in the current financial year. In the course of next 11 months, the company is confident of securing additional orders over and above this order book position of INR600 crores.

At the beginning of last financial year, company was having orders worth INR426 crores, while the company has achieved total turnover of INR782 crores for the year ended 31 March, 2025. In other words, the company has secured and executed the additional orders worth INR356 crores during the last financial year, which is roughly around 45% of our turnover achieved during the year or 83% of the opening order book position.

Now, I'll talk about the financial performance of the crane rental business. In FY '24, we achieved total revenue of INR593 crores from the crane rental business, while in FY '25, our total revenue from crane rental business was INR515 crores. So in terms of crane rental business, there is an overall reduction in the top line to the tune of INR78 crores, that is 13% decrease in the revenue as compared to the previous financial year.

The primary reason for the drop in the crane rental revenue is on account of decrease in the capacity utilization of our crane fleet from 84% to 73%, coupled with reduction in the average blended yield from 2.2% per month to 2.05% per month. The main reason for the drop in the capacity utilization as well as the yield is on account of prolonged monsoon, the slowdown in the government and private capex due to general election and competition fragmentation and intensity, which has impacted our revenue in the previous financial year.

Now, I will talk about the financial performance of our Wind EPC and the Project EPC business vertical. So from Wind EPC, our total revenue was INR229 crores as against INR20 crores in financial year 2024. So in effect, our income from EPC operation has increased by nearly INR209 crores. While in case of Project EPC, our turnover was increased from INR5.5 crores to INR38 crores. So, that is an increase of INR32 crores.

This is primarily because of the increase in the order book from this business vertical and consequent execution in the third and fourth quarter of the last financial year. As mentioned about in our previous earnings call also that Wind and project EPC business are high volume and low EBITDA margin business. And therefore, in spite of substantial increase in the business volume in FY '25, the overall EBITDA has increased to the tune of INR55 crores in absolute number on a turnover of INR268 crores.

Now, I will tell you there is an increase in the other expenses for the financial year '24-'25. The admin and other expenses has increased nearly by INR26 crores in FY '25. This is in line with the management's drive towards the strategic growth, including geographical expansion, carve-out and business expansion of our renewable business, that is Sangreen Future Renewables Private Limited.

And also due to potential diversification play, the company has incurred one-time expenditure to the tune of INR20 crores on account of fees paid to various consultants, transaction advisers and GTM enablers. Further to build the company's digital roadmap, we have invested significant amount of money in the IT infrastructure, both hardware and the software, as well as we are hiring CIO as a service.

Finally, to build a scalable management team to handle the above growth plans, the company has availed recruitment consultant services and fees paid to this consultancy firm is also included in the admin costs. Now, I'll talk about our investment in the mutual funds. So, out of surplus cash generated out of the business, company has invested INR150 crores in various debt funds of various mutual funds such as short-term money market, arbitrage funds and commercial papers.

The company has earned a revenue of INR10 crores from this investment, which has generated average ROI between 7.75% to 8% per annum. This investment will be utilized as a growth capital for our engine to growth business opportunity, including diversification. I will tell you the reasons for increase in the receivable days. There has been an increase in the receivable days from 95 days in the previous financial year to 123 days in the current financial year, that is FY '25.

This is primarily because of lower-than-expected collection from our customer during Q2 and Q3 of last financial year. Going forward, management believes that the average DSO will remain in the range of 110 days to 120 days, considering the peculiar nature of our business, that is crane services and Wind EPC services.

Now, I will talk about the proposed dividend. Subject to approval of shareholders, the Board of Directors have recommended a dividend at a rate of 200%, that is INR2 per share. The total outflow on account of dividend will be INR17.30 crores, and the dividend payout ratio is roughly around 13% based on the standalone financial of the current rental business.

Considering the capex plan for the current financial year and in order to conserve the cash for future obligation, Board has recommended dividend payout at a rate of 13%, which is in line with the last year's dividend payout ratio.

Now, I will just briefly tell about our incorporation of wholly-owned subsidiary in Kingdom of Saudi Arabia. So as a part of our business growth strategy plan and as advised by our business strategy consultant, we incorporated 100% wholly-owned subsidiary of Sanghvi Movers Limited in Kingdom of Saudi Arabia, that is KSA under the name and style of Sanghvi Movers Middle East Limited.

The company has taken multiple steps to operationalize this entity in KSA, including appointment of Country Manager, Chief Operating Officer, identification of office plus depots for parking our cranes. We already raised PO for purchase of cranes to be deployed in KSA and we also achieved financial closure for funding this capex. So initially, we propose to do a capex between INR90 crores to INR100 crores in the first year of operation, that is current financial year FY '25, '26. And the first crane is expected to be deployed in KSA in the first week of July 2025.

With this, I would like to hand over the floor to Rishi for his initial comments. Thank you. Over to you, Rishi.

Rishi Sanghvi: Thanks, Sham. I'll talk about the market outlook and what's there in the future. So based on our current order booking, inquiry pipeline, both for the crane business and the Wind EPC business at a consolidated level, we expect that our top line will grow between 25% to 30% in the next financial year as compared to FY '25. Please bear in mind that we have done exceedingly well in the last financial year, which is FY '24. And our crane business on average has had an average blended capacity utilization in that year around 84%, with a blended yield of about 2.2%.

Based on the current market trend, competition intensity, pricing power, we expect that our average capacity utilization for the crane business will fall anywhere between 75% to 80% this year, and our average blended yield would remain around 2%. Based on these 2 factors, we propose to do a capex for FY '25, '26. And we expect that our crane business will register a top line growth anywhere between 10% to 15%. It is prudent to let everyone know that we will have a better clarity post September 2025 post the monsoons.

So going forward, our top line, especially in the renewable business, which is Sangreen Future Renewables, will be heavily influenced by what is happening on the project offtake and on-ground execution. And all of these factors are external and beyond our control. In the renewable business, we expect to register a healthy growth of more than 2x in the current financial year.

We have achieved a turnover of about INR230 crores in FY '25. And as of today, we have an order book of about INR376 crores for the renewable business, which is as of 15 April. We have a healthy inquiry pipeline for this business, and we expect to convert some of that pipeline. Therefore, we believe we will double our revenue in the renewable business for FY '26.

On the Project EPC side, we also expect to register healthy growth of more than 2x in the current financial year. In the last financial year, we had a turnover of approximately INR38 crores. So through all our various revenue streams on an aggregate level, we expect the top line to grow anywhere between 25% to 30% in FY '25 - compared to FY '25. Now what does that mean in terms of EBITDA? Well, in the crane business, we expect to generate an EBITDA of between 50% to 52%.

On the renewable side, we expect to generate an EBITDA anywhere between 10% to 12%. And on the Project EPC business, we assume to generate an EBITDA between 8% to 10%. We have just disclosed a large order that we have received from Deepak Fertilizers to the tune of INR49.5 crores. This order doesn't form a part of our order book as we have announced it today, and our order book position is as of 15 April.

I would now like to open up the floor for Q&A and hand it back to the moderator. I want to thank everyone for their time today. We're very happy to take your questions, and we look forward to interacting with you.

Moderator: Thank you very much. First question is from the line of Prem Luniya from Astute Investment Management. Please go ahead.

Prem Luniya: I wanted to understand out of the INR850 crores odd capex, which you have done in the last 5 years and also the proposed INR200 crores - INR200-plus crores capex, how much of this was catering to large-sized cranes, which are compatible for large hub height, which are essentially for wind erection?

Rishi Sanghvi: Yes, I can answer this question. Our cranes are fungible across sectors. So, we don't do a capacity addition or capex based on whether a crane can do a particular hub height or not. Having said that, today, your company can erect more than 500 megawatts per month at a hub height at 140 and above.

Prem Luniya: Okay. So, what essentially the question was targeting towards that if at all, going forward, there is not much of revenue in the wind energy business, can these cranes actually generate the similar amount of yield in other parts of the other industries? I understand they are fungible, but can they get the similar yield in other industries?

Rishi Sanghvi: Yield is flat across sectors.

Prem Luniya: Okay. And on the orders which you have got from Deepak Nitrite, are we expecting any such more pipeline, if you can tell us about the pipeline, which you have bid for till now in the EPC?

Rishi Sanghvi: We haven't received an order from Deepak Nitrite.

Sham Kajale: Rishi, he is talking about any pipeline beyond Deepak Fertilizers.

Rishi Sanghvi: We have received an order from Deepak Fertilizers.

Prem Luniya: Yes. Okay. Is there any more pipeline which we have bid for, which you can tell us about, which is in the bidding process, the amount, if you can give?

Rishi Sanghvi: No, we cannot disclose any contracts that are under bidding.

Moderator: We take the next question from the line of Vivek Patel from Ficom Family Office.

Vivek Patel: The first question was that while a large portion of our current INR600 crores order book is linked to the renewable segment, particularly wind, I assume there is a very good traction here based on your comments of 2x potential. What are the reasons for such a high potential target? And also, what is your outlook for the wind sector as a whole in FY '26?

Rishi Sanghvi: We are seeing traction in the wind industry, and therefore, we believe we can secure order books. The country has done about 4.5 gigawatts last financial year in the calendar Q1, which is Jan, Feb, March. We have added anywhere between 1.5 to 1.8 gigawatts of new capacity addition. So going forward, we believe that there will be a lot of traction in wind, and we're seeing that traction materialize in our order book.

Vivek Patel: On the similar lines...

Sham Kajale: So Vivek, I will just elaborate on this. Vivek, I'll just elaborate what Rishi is trying to tell you. See, in FY '24, India has done 3.2 gigawatt wind mill erection for the country as a whole. In FY '25, the total wind erection happened in India is between 4.2 to 4.5 gigawatts. So going forward, we see a lot of traction, a lot of inquiry pipeline from the wind industry. And that's we are having a healthy order book, not for the crane business, but also for the EPC business.

Vivek Patel: The second question is, what is the outlook for the crane rental business for the next 1 to 2 years? Slowdown in government private capex due to election and long monsoon that you had mentioned, these are likely one-off events. So wouldn't yields improve beyond 2% and capacity utilization also greatly increased in this year?

Rishi Sanghvi: We believe that our crane rental business will register top line growth anywhere between 10% to 15%, and yield will be flat at 2%.

Sham Kajale: So Vivek, as I mentioned to you in the opening remarks, there's also an element of competition. So, there is a good amount of demand for cranes across all the sectors, not only from the wind sector. We are seeing a lot of traction or investment happening where these cranes are deployed. For example, we see a lot of inquiry pipeline and order booking from thermal power.

We also see a lot of traction coming from the refinery and steel plants also. So overall, there is a good demand traction for the cranes, and we are going to deploy these cranes into these sectors. So overall, we believe that we may be able to achieve a top line growth of between 10% to 15% for our crane business.

Vivek Patel: And you just mentioned about increasing competitive intensity in the crane rental business. Would you be able to quantify the impact of this on Sanghvi in the coming years of the intensity?

Rishi Sanghvi: We believe that we will still be - we believe that we will retain and continue to grow our market leadership position. Impact is, can yields move higher? That is only time can tell. But we believe going forward, we will remain at 80% capacity utilization, 75% to 80% and at a 2% yield while remaining a market leader.

Vivek Patel: Just moving on the line of competition. Based on the customer preferences, what would be the preference might have - customers have for our cranes versus the Chinese cranes, which are used by the competitors?

Rishi Sanghvi: Yes, it's a good question. There is a lot of value differentiation and value proposition that a customer sees in partnering with us. For example, at a standard level, there is things like on-time delivery, safety, competency in operating the crane. But there's a lot more that goes beyond that, which is in project planning, lift planning, engineering and really partnering with a client from very early stage of the project in order to design the lifting and application and the overall way in which a plant may be constructed.

So there, our customers see a lot of value in us. We are also called into places where there are very tricky jobs, complex heavy lift and erection activities where our expertise are sought. So overall, we are known for having a tremendous track record of 35 years, which is based on a foundation of safety, engineering, precision, on-time delivery, skilled workforce.

Going forward, there is a severe shortage of skilled manpower in the country and being the first mover and being the largest in the space, really, one of our core skill sets is in our ability to operate and maintain our cranes. So there is a preference for Chinese versus German or cranes at our own?

There might be. But the reality of it boils down to how well the service provider is able to deliver a service to the client because the crane rent - the crane - cost of the crane, while may not be significant in terms of the cost of the project, the impact of a crane in terms of the project delivery and the per day loss in either production or in delay of the project is significantly higher.

So, we are seeing a lot of companies - customers rather willing to partner with us at a very early stage and asking us to deliver complete services on site. That is primarily the reason why we got into the renewable space as well because we saw a lot of pull from our customers. They said, you're the experts at cranes, is it possible for you to do all these other activities for which we don't have a reliable and dependable vendor? And that's exactly what we are doing.

Vivek Patel: And lastly, just on the vein of what is happening recently, do we have any projects or work, which is going on along the India, Pakistan borders or in the northern regions, which has been impacted recently in the last month?

Rishi Sanghvi: So, I'm happy to report that all our sites along the particular areas are active, up and running. I really appreciate the efforts of Prime Minister Modi in ensuring that the business of the country continues. The response from all our armed services, very thankful for their service, but we have been able to operate and continue to operate at sites without any disruption. I think this is a testament to the resilience of not only the Indian economy, but its people and very grateful for having to play a role in the nation's infrastructure development.

Moderator: Next question is from the line of Richa from Equitymaster.

Richa: Some of my questions have been answered. I just wanted to understand how big is the opportunity in Saudi Arabia and what kind of investments we are planning? And if you could also talk about what kind of bid pipeline or the inflow is expected from this region?

Rishi Sanghvi: Yes. Saudi is a very exciting opportunity, primarily because there is a massive construction boom in Saudi Arabia. This is driven by a multiple of factors. One is because of Saudi Aramco. Saudi Aramco is going to spend another $500 billion in the next 5 years. Besides Aramco, Saudi Arabia is hosting a number of international events like the World Expo, The Asian Game, The FIFA World Cup, which is driving a lot of civil infrastructure development in the country. Above and beyond that, there are a number of PIF and giga projects that have been announced, which is really modernizing and revolutionizing the entire country.

So, we are very bullish on what is happening in the Saudi Arabian market and specifically with respect to cranes and the demand for cranes. Being the fourth largest crane rental company in the world, the largest in Asia and the largest in India, we believe that we are uniquely positioned to service this opportunity and create tremendous value.

That's why Sanghvi Movers has -- please let me finish. That's why Sanghvi Movers has incorporated an entity in Saudi. And we believe that we will begin our commercial operations in this coming quarter -- in this or the next coming quarter. On the capex figures, Sham, I think we are spending something like INR100 crores in cranes in Saudi. Is that right? Hello? Am I audible?

Moderator: Yes, sir.

Richa: Yes, yes. So yes, that answers the part of my question. But in the current order book, does it factor in anything from Saudi Arabia yet?

Rishi Sanghvi: Not as if.

Richa: Okay. Okay. And sir, you spoke about 10% to 15% kind of growth in crane rental. But even at those levels, it would still be lesser than what we got from crane rentals in FY '24. So question is, are we actually losing market share because of the competition? Or is it just the yield pressure that is resulting in lower revenue?

Rishi Sanghvi: I would say it's primarily around yield because the capacity utilization is still higher. It's still around 80%, and we are still adding cranes.

Moderator: Next question is from the line of Ankur Kumar from Alpha Capital.

Ankur Kumar: Sir, a couple of questions on the crane side first. Our crane order book is INR223 crores this time. So, can you say how much it was last time - last year same time? And second question would be on the crane margin, sir. You said utilization should improve this year. But even then you are saying our crane margins will be 50% to 52%, so which is lower than FY '25 numbers of 57-odd percent. So sir, can you comment on that, please? Yes, my question, is it audible, sir?

Sham Kajale: Yes. You can go ahead.

Ankur Kumar: Yes, sir. I'll repeat my question - my first question. I have two questions on the crane side. Basically, I wanted to know what is our - what was the order book last year same time? And also on the margin side, you said 50% to 52% margin for this year, which is lower than the last year FY '25 numbers of 57%. Given we are expecting higher utilization, why are we estimating margins to be lower?

Sham Kajale: See, I will answer your second question first. See, margins -- we have given a conservative answer with respect to the EBITDA margin. See, we have to consider the inflationary effect on various costs that we are incurring in the crane business, that is operating expenses, freight and carriage, personnel costs, contract labor charges. So considering that factor, our EBITDA margin is likely to come down in the current financial year.

That is the first -- that is the answer to your second question. And in the beginning of last financial year, our crane order book was something around INR160 crores to INR170 crores beginning of the year. And in the - as on 15 April, 2025, our crane order book is INR223 crores.

Ankur Kumar: Got it, sir. And sir, next question would be in last year FY '25, the company increased the net profit commission to the Managing Directors to 3.5% of net profit. So, can I know what it was in FY '25 and what we expect in FY '26?

Sham Kajale: Okay. So last year being - we achieved extraordinary profit. The Board has recommended additional commission to the Managing Director and have increased the commission from 1.5% to 3.5%. It was a one-time additional commission given to him. In the last financial year, that is '24, '25, we paid him a commission at the rate of 1.5% only. And going forward, it will remain at 1.5% only.

Ankur Kumar: Got it, sir. Sir, last question would be, can you comment a bit on wind side because what we are hearing is things are improving on the wind execution and given our almost half of our cranes go into wind sector only, so how should we look at wind in FY '26?

Rishi Sanghvi: So as I told you in the first 3 months, which is Jan, February and March, the country has added approximately 1.5 gigawatts to 1.8 gigawatts of capacity addition. Therefore, on an annualized basis for March '25, the capacity addition is between 4.3 gigawatts to 4.5 gigawatts. And we expect that this financial year, which is FY '25, '26, we expect anywhere the country to add anywhere between 4.5 gigawatts to 5 gigawatts.

This, of course, has a direct correlation to multiple factors such as signing and offtake of power and PPAs, connectivity at the substation, power evacuation infrastructure, site development, the high wind speed and monsoon area where project activity does not take place, the development of foundation and asset creation of sites, the supply of WTGs from the OEMs because they are struggling to supply.

So, these are all the external factors, which will definitely influence the capacity addition for FY '25, '26. Nevertheless, considering the momentum that is there currently in the market, we believe that the capacity addition will close anywhere between 4.5 gigawatts to 5 gigawatts.

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

Sunil Jain: Yes. My question relates to EPC. Sir, EPC last year margins, EBITDA margins are 17% and you are indicating 10% to 12%. Any specific reason for that?

Rishi Sanghvi: We are still incubating the EPC business. If you look at the trend, the revenue is 10x, from INR20 crores to INR250 crores. And we are saying that it will double this year. So as we stabilize the business, we believe that there will be a certain amount of EBITDA margin that will get blended. On a conservative estimate, we have given a guidance between 10% to 12%.

There are industry benchmarks for listed players who are already doing EPC. So, you can project us doing anywhere between 17% to the industry benchmark to between 10% to 12%. That is a range that we are going to try to achieve the business and reaches scale.

Sunil Jain: So if you talk about pure EPC, what is the working capital side, our debtors day in that, debtors and creditors day for EPC?

Rishi Sanghvi: Our working capital draw for this business is zero.

Sham Kajale: See, basically, we have registered this company, Sangreen Future Renewables and the MSME company. So, we are getting paid from the client within 30 days to 45 days. So, there's no much locking of working capital in this business.

Rishi Sanghvi: Additionally, and above that, the kind of EPC that we are doing and the kind of customer profiles that we are working with are all blue-chip, large IPPs who are backed by foreign pension funds, sovereign funds and private equity money. The entire financial closure for the project is completed prior to the execution of the project. The entire project plan along with our costing is approved by the Investment Committee of the IPP, and then and then only does activities take off.

So, this is not like traditional EPC and road building or in any other kind of EPC that other companies may be involved in. Here, we are working specifically for the renewables where the credit cycle is very tight, the project schedule deadlines are tight, the customer profile and the creditworthiness of the customer and the fund flow in the project is build-to-build.

Sunil Jain: Okay. That's very good. So the ROCE in all will be very high in this business?

Rishi Sanghvi: Yes.

Sunil Jain: The second question is like in this related activity, we use our own crane if I'm not -- if I'm right.

Rishi Sanghvi: Yes.

Sunil Jain: The profitability of crane is included in crane when we disclose segmental results, the profitability of those cranes will be included in crane hiring business only, not in the EPC business.

Rishi Sanghvi: Correct. That's correct.

Sunil Jain: Yes. And the last question is about the capex you had said for the current year, INR90 crores to INR100 crores in Saudi. So, that is part of the overall capex of INR246 crores or no?

Rishi Sanghvi: No, that is above and beyond.

Sunil Jain: Over and above that. Okay.

Moderator: Next question is from the line of Muhammad Farooq from Pearl Capital.

Muhammad Farooq: Just want to understand with the gross block of INR2,680 crores as of March 2025 and an additional capex of INR246 crores planned for FY '26, Sanghvi Movers will have nearly INR2,926 crores invested in fixed assets in FY'25. So what kind of return on investment do we target on these assets base? And how does this current performance compare with those expectations?

Sham Kajale: So, our gross block as on 31 March, 2025 was INR2,680 crores. In the current financial year, we are planning to do a capex of INR246 crores, out of which INR25 crores of capex will be utilized from purchase of trailers, multi-axle and prime movers. So the crane capex is only INR215 crores.

So effectively, our gross block at the end of current financial year will be roughly around INR2,900 crores. And as I mentioned in the opening remarks, we expect to generate yield at a rate of 2% per month. And average capacity utilization, we expect between 75% to 78%.

Muhammad Farooq: So, I'm looking at return on investment. Return on investment is like -- you currently have around INR2,900 crores. Our return on crane rental is I don't know, INR130 crores net in PAT. That's what I'm looking at.

Sham Kajale: Can you repeat your question? I was not able to understand the figure, how you derived at?

Muhammad Farooq: Our crane rental is INR130 crores, full year. Return on investment is close to INR3,000 crores - INR2,900 crores. So what's the return on investment? It's very low.

Sham Kajale: Mr. Farooq, first of all, please understand that gross block has been built across 35 years. And these cranes are having a useful life of more than 25 years to 30 years. So, you can't consider the return -- PAT divided by the gross block. Otherwise, you take it on the net block, depreciated value, which is INR980 crores. You cannot burn a candle on both ends, Mr. Farooq.

Muhammad Farooq: Yes. Got it. The gross block is there, that's the reason I'm asking this question. Fine. The second one, capacity utilization was 73% from 84% from previous years, okay? So, what are the key reasons for that? I think that's because of the monsoon that's already answer. And finally -- 50% of your FY '25 revenues attributed to green energy...

Moderator: Sir, I'm so sorry to interrupt, but your line is not clear. Could you please re-join the queue?

Rishi Sanghvi: Yes. Moderator, we'll ask Mr. Farooq to re-join the queue and take the next question.

Mohammed Farooq: Okay.

Moderator: Next question is from the line of Jay Trivedi from InCred AMC.

Jay Trivedi: Sir, congratulations on good recovery in the second half of FY '25. Sir, my first question was the capacity utilization number that we state and the yield that we state, is it calculated on the gross block, INR2,680 crores, which you have mentioned?

Sham Kajale: Yes.

Jay Trivedi: Sir, but there seems to be a mismatch in my understanding. So the revenue that we have achieved in FY '25 is INR515 crores gives me a gross block of around INR2000-odd crores. So am I missing something?

Sham Kajale: First of all, your voice is breaking, Mr. I forgotten your name. See, we have to consider because you are calculating the revenue based on the gross block at the year-end. Please bear in mind that we have added INR105 crores worth of crane in the last quarter. In fact, last 2 months of the last financial year where the entire revenue of those capex is not being recorded on a full-year basis, okay?

Plus we have sold cranes worth almost INR60 crores, INR70 crores in the last financial year, which I mentioned while in the opening call that we sold 30 cranes and generated profit of almost INR13 crores from the sale of cranes. So, we have to consider the average gross block that is being deployed during the year. That's why your number is skewed.

Jay Trivedi: Okay. So sir, in FY '24 also, we had stated that we have a gross block of INR2,675 crores. Is my number right?

Sham Kajale: Sorry?

Jay Trivedi: In FY '24 year-end, we had stated the gross block amount to be some INR2,670 crores. Is my number right?

Sham Kajale: I need to check that, but it must be correct.

Jay Trivedi: Yes. But -- because sir, if we have added INR200 crores worth of cranes in this year, the gross block number has not moved. So just wanted to check on that?

Sham Kajale: Yes. I need to check this opening block number, INR2,670 crores. I need to check that. It should be around INR2,500 crores.

Jay Trivedi: Okay, sir. Okay. And sir, second question, sir, you gave guidance on the margins. So, crane margins is 50% to 52%. Wind EPC is 10% to 12%, and Project EPC is also 10% to 12%. Am I correct?

Rishi Sanghvi: 8% to 10%.

Jay Trivedi: Okay. Project EPC is 8% to 10%. Okay. And on the competition side, we hear that there is a consortium of crane rental businesses coming together, 2 Indian players and one MNC player. So, do you think they'll be able to beat us in terms of business because these 3 businesses have their own ideology and we have been the largest in India since a very long time, which we have organically grown? So, does this inorganic consortium threaten you in terms of business opportunities going ahead? Your take on that, sir?

Rishi Sanghvi: So to be clear, there is a consortium of competitors who are trying to merge and we are actively watching how this shapes up going forward. Currently, there is nothing definitive in terms of it being complete. So, we will not speculate on market rumor. But we are confident in our stand that we will continue to retain market leadership as we progress.

Jay Trivedi: Okay, sir. And on the - again, just reiterating the GCC business that we are envisaging to start in July, we are expecting some INR90 crores to INR100 crores of business in FY '25?

Rishi Sanghvi: Sorry, we have invested in INR90 crores to INR100 crores of capex for the GCC.

Jay Trivedi: Yes. And any revenue projections there?

Rishi Sanghvi: We haven't disclosed that as of right now.

Moderator: Next question is from the line of Gurvinder Juneja from Fortuna PMS.

Gurvinder Juneja: My first question is about, what is the percentage -- in your experience, what is the percentage of crane revenue in your EPC revenue on a steady-state basis?

Rishi Sanghvi: You mean going forward or as of today?

Gurvinder Juneja: Sir, going forward because the business is still stabilizing. So, we've seen growth in the recent 2 quarters. So, how do you see a steady-state sense of that EPC revenue?

Rishi Sanghvi: Depends on the kind of scope of work that we will be doing in the renewable space. As we move towards providing a turnkey EPC or a concept to commissioning service, obviously, the scope of activities involved in that will go up. Therefore, the share of the crane rental business as a part of that EPC service may or may not go down.

So really, it depends on how we scale our business going forward and what is the scope of services or the product offering that we provide in this turnkey EPC, which is concept to commissioning. For the percentage of crane revenue to our renewable business, it is approximately between 20% to 25%, which is easily calculable through the segmental reporting.

Gurvinder Juneja: All right, sir. My second question is about short -- a small bad debt entry that you have reported for the financial year '25. Historically, and also your commentary has been that you always work with very strong counterparties with project approvals in place. So, any color you want to give us on what is this bad debt?

Rishi Sanghvi: Bad debt?

Sham Kajale: Bad debt is relating to the crane business. So, these are the old clients for which we are pursuing with them for the recovery. And this is a standard amount of bad debt that we are incurring every year. So whenever the debtors days exceeding 3 years and above, as a prudent accounting practice, we write off those amount as a bad debt.

So in the first year, we provide as a provision for doubtful debt. And in the third year, we reverse that provision and convert it into a bad debt. So, there are certain instances where we need to provide such bad debt on account of business reasons. But this is not relating to the Wind EPC.

Moderator: We take the next question from the line of Mohammed Farooq from Pearl Capital.

Mohammed Farooq: So how many megawatts of EPC project be completed during this year and what's the target for FY '26, sir?

Rishi Sanghvi: We are not currently disclosing the number in megawatts.

Moderator: Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to the management for closing comments.

Sham Kajale: This is Sham Kajale. Thank you, everyone, for attending this conference call. Have a good night.

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