"Sanghvi Movers Limited Quarter 1 FY 2025 Earnings Conference Call"

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MANAGEMENT: **MR. RISHI SANGHVI – MANAGING DIRECTOR - SANGHVI MOVERS LIMITED**
MR. SHAM KAJALE – CHIEF FINANCIAL OFFICER - SANGHVI MOVERS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '25 Post-Earnings Conference Call of Sanghvi Movers Limited.

As a reminder, all the participants line 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 attached home phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sham Kajale – Chief Financial Officer of Sanghvi Movers Limited. Thank you and over to you, sir.

Sham D. Kajale: Thank you, Viya, for the introduction. Good afternoon, ladies and gentlemen, thank you for attending Q1 FY '25 Analyst and Investor Conference Call of Sanghvi Movers Limited. This is Sham Kajale – Chief Financial Officer of the Company, along with me is Mr. Rishi Sanghvi, the Managing Director of our Company.

I will quickly take you through the highlights of "Financial Performance" and "Strategic Updates" of the Company, and then open up the floor for the question-and-answer.

In terms of Financial Performance of the Company:

For the Quarter Ended June 2024 our Company has achieved income from operation of Rs. 151 crores vis-à-vis Rs. 165 crores in Q4 of last financial year and Rs. 146 crores in Q1 of Financial Year 2024. The drop in the turnover was primarily on account of a reduction in the capacity utilization and yield in Q1 FY '25 as compared to the preceding quarter and in the 1st Quarter of previous financial year. Our average capacity utilization has dropped from 84% to 77%, while the average blended yield has dropped from 2.2% per month to 2.04% per month.

The drop in the capacity utilization and yield is primarily on account of monsoon in the country and slowdown due to general elections in the country. There is a slowdown in the project offtake and on the ground execution is muted, which we suspect to be the wait and watch approach to the outcome of general elections. Moreover, there is a slowdown in PSU and the private CAPEX. The management expects similar kind of business outlook and subdued financial performance of the Company in Q2 FY '25 and expects further drop in capacity utilization below 75% and average blended yield below 2%, primarily on account of heavy monsoons in the country.

Our overall EBITDA percentage for the quarter ended June 2024 was 55% vis-à-vis 59% in Q4 FY '24 and 62% in Q1 FY '24. The reduction in EBITDA percentage is primarily on account of an increase in EPC business, renewable plus project EPC, which is a volume-driven and low-EBITDA business.

For the quarter ended June 2024, our net profit after tax was Rs. 41 crores vis-à-vis Rs. 48 crores in Q4 FY '24 and Rs. 42 crores in Q1 FY '24. Company has done a CAPEX of Rs. 82 crores in Q1 FY '25, have added eighteen cranes aggregating to Rs. 63 crores and have done a CAPEX of Rs. 19 crores towards the purchase of other equipment.

Most of the cranes that we have purchased during the quarter were booked in the last quarter of FY '24 and got spillover due to delay in delivery of those crimes. Based on the visibility that we have, market dynamics, competitive landscape, the management may do additional CAPEX of Rs. 125 crores to Rs. 140 crores in the current financial year, over and above the CAPEX which is already completed in Q1 FY '25.

During the quarter, we have sold 10 cranes, including some of the cranes which were shown under the asset held for sale in Q1 '25, and have generated a profit of Rs. 5 crores from sale of these cranes. The company has sold surplus land at Chennai and three residential flats and have generated Rs. 11.60 crores as a profit. As on 30th June 2024, the Company has a fleet of 361 cranes aggregating to Rs. 2,560 crores. This is excluding 40 cranes which we consider as asset held for sale.

As on 31st July, our order book executable in FY '24-'25 stands at Rs. 744 crores, which will be executed during FY '24-'25. Out of which we have order book in excess of Rs. 330 crores from renewable and project EPC business. And these orders are expected to be executed in the current financial year. The overall order book will continue to grow in the balance eight months.

The Company has surplus cash which has been earmarked for long-term strategic plans. The corpus as on 30th June is Rs. 176 crores which is invested in fixed deposit and debt schemes of various mutual funds. These funds are invested in debt funds and are yielding returns between 6.6% to 8.25% per annum.

SML is currently ranked fourth largest crane rental Company in the world, and the largest in India and Asia as on June 2024, as ranked by International Cranes.

I will now hand over the floor to Rishi Sanghvi – our Managing Director, to speak out this strategic and long term growth initiative that we have undertaken. Over to you, Rishi.

Rishi Sanghvi: Thanks, Sham. And good afternoon, everyone.

In order to leverage some of the core capabilities within the Company, which we have developed in the renewable industry, project EPC and logistics services, your Company proposes to create distinct business units by spinning off these activities into two companies, which will be wholly owned subsidiaries of Sanghvi Movers Limited, primarily Sangreen Future Renewables and Sangreen Logistics. The tentative date for the spin-off of these business verticals will be 1st October 2024.

The primary thought behind the proposed spin-off is to unlock the full potential of each of these business segments. And we plan to do so by providing dedicated resources and leadership who will own the P&L responsibilities of these business units. Our strategic consultant, Bain & Company, is helping us evolves this vision of growth and value creation.

I would now like to open up the floor for Q&A and hand it back to our Moderator. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aman Soni from Invest Analytics Advisory LLP. Please go ahead.

Aman Soni: Can you please provide insight into the Q2 demand environment within the industry? And share the outlook for the industry moving forward in FY '25?

Sham D. Kajale: Rishi, can you take this question?

Rishi Sanghvi: Sorry, I could not understand. Could you please repeat?

Sham D. Kajale: He is just asking the business outlook going forward, am I right?

Aman Soni: Industry outlook, yes.

Rishi Sanghvi: Yes. So, as we already mentioned in our opening remarks, there is a dip in the capacity utilization and yield, which we have said is on account of the early onset of monsoon in the country and a general slowdown due to the elections that took place. The project offtake is slow, the ground execution is muted, and we suspect that this is due to a wait and watch approach to see the outcome of the election. Moreover, PSU and private CAPEX have slowed down. However, notwithstanding these opening remarks, we are proud to state that our order book for this year as of 31st July stands at around Rs. 750 crores and the entirety of this order book is executable in this financial year FY '24'25.

Now, off the Rs. 750 crores, we see approximately Rs. 330 crores coming from the renewables and project EPC. We still have a balance of eight months to go, so we expect that in the second-half of the financial year there will be an improvement in the demand for cranes and we will be able to further pick up the utilization and yield in the last two quarters of this financial year. The demand for cranes is coming from a number of sectors or will come from a number of sectors such as wind, renewable wind, steel, cement, thermal power, nuclear power, roads, metros, railways, bridges, ports and other infrastructure projects that are being built across the country.

Moderator: Thank you very much. The next question is from the line of Deepan Sankaranarayanan from TrustLine PMS. Please go ahead.

D. Sankaranarayanan: Sir firstly, can you throw more light on these new verticals which you have talked about, about this renewables and logistics Company? So, what is the kind of capital required for these businesses? And how do we see the revenue scale up, and the also the return ratio profile of these businesses look like?

Rishi Sanghvi: So, as we discussed earlier, the renewable wind and project EPC business or the logistics business, these are volume businesses with lower EBITDA margins. We have already backed orders worth more than Rs. 336 crores and there are many other inquiries and orders that will come in the pipeline. Going forward, we expect that this business will grow more than 50% year-on-year, considering our well-established reputation and the fact that we have built a robust track record.

Now putting these things into perspective, the management has taken the call to carve out these new services or new business new activities into two separate business units, which are primarily Sangreen Future Renewables and Sangreen Logistics. As I mentioned, both of these companies will be 100% only on subsidiary of SML. And the intent to carve out these businesses is to unlock their full potential. Eventually, these units will transform into sustainable long term value creators. And this will add a tremendous amount of value for our shareholders. We are pleased to note that as we scale up both of these businesses, we are seeing improved EBITDA margins, which we believe will settle between 12% to 15% in the long run.

D. Sankaranarayanan: So, more specifically on this logistics business, so there we are talking about storage, warehousing, transportation, even container train station kind of services. This is mainly related to our core business itself or we are separately doing logistics services for even other companies, or other customers.

Rishi Sanghvi: So, there will be a lot of synergies at play because we have a large amount of freight transportation, which involves freight and carriage of our core business, which is cranes, which is the movement of our cranes. On the renewable side, we do a lot of WTG component movements which is from factory to site or port to site, as well as the inter carting of WTG components, as well as cranes from tower to tower. So, there's a lot of synergy that can be derived between the three verticals, which is our core crane business, the renewable business and the logistics business. And the management will take the appropriate call into understanding what further revenue segments we want to add under these businesses.

D. Sankaranarayanan: What kind of capital is required for these businesses to scale up? So, that's the differential we wanted to understand.

Sham D. Kajale: See basically, as Rishi has rightly pointed out, we are just expanding our core capability in the logistics business. That's why we are already in the process of forming a separate business unit, we have already incorporated that Company. And this Company currently is a cost center, which we would like to convert into a profit center, and therefore we are in the process of appointing a CEO who will take ownership of entire Company, and he will be responsible for the P&L. So, once we settle down, we will take up appropriate call for doing a CAPEX in this business vertical, more particularly I am talking about logistic business. So, currently we are providing inter-carting and surface logistics services which will be run in this Company, these activities will be performed on this Sangreen Logistics Private Limited initially. And once the CEO settles down, we will expand these services as mentioned in our object clause, once the CEO settles down. So, currently there is no CAPEX plan for doing any asset acquisition in Sangreen Logistics Limited. Similarly, in Sangreen Future Renewables Limited, it's an EPC Services and that does not require any capital infusion as such.

D. Sankaranarayanan: So, in the view of customers you will be full-service provider right from the full complete value chain, so that will be operating as the player, right?

Rishi Sanghvi: Yes. Our modality will be from conceptualization to commissioning.

Moderator: Thank you. The next question is from the line of Debashish Neogi from SD Investments. Please go ahead.

Debashish Neogi: Sir, strategically, the way we are extending is the right way, and creating separate vertical under each CO. My question is on the core business, on the core crane rental business, if we had been operating at the capacity which we used to operate, so even if we added that then also the core business is not growing. What is the reason? Because we are the fourth largest in the world and a market leader in India, and we have a huge tailwind specifically on renewable wind. So, why the core business is not growing even at the capacity which we had before?

Rishi Sanghvi: So, as we already mentioned to you, the capacity utilization has dropped from about 84% to 77%. And the average blended yield has dropped from 2.2% to 2.04%. Now the drop in this capacity utilization and yield, as we have already mentioned, is primarily on the account of the early onset of monsoon in the country, and the perceived slowdown due to the general election. There's a slowdown in the project offtake, on ground execution is muted, and we suspect this as a symptom of a wait and watch approach to the election. Moreover, PSU and private CAPEX have slowed down.

Now, if you look at the renewable wind industry, which you said has tailwinds, the erection that has taken place in the 1st Quarter of FY ’24-‘25 is approximately 770 megawatts, which is in fact a 33% decline year-on-year for the same period from last year. We believe that the execution or the installation of wind turbines will pick up in the second-half of the year, post monsoons. And so we will see a rise in the core, which is the crane rental business, in the second-half of the year.

Debashish Neogi: Sir, strategically we are moving to higher tonnage cranes, so the percentage of 100 tonnes plus crane as a total to the total number of crane has been increasing, and that is a strategic move. Is it to simplify the operations or the yield in the higher?

Sham D. Kajale: So, we normally give the average blended yield for the entire fleet of crane. So, technically we cannot say key the higher end higher end cranes are having better yields. It's basically a game of economies of scale. So, we cannot disclose this number that how much yield that we get into the 100 tonnes above capacity cranes and below 100 tonnes capacity. See technically what happens, whenever you give a heavy-duty crane, say for example 600 tonne capacity crane or 650 tonne or 750 tonne for that matter, especially in the wind sector we have to give support cranes. Support cranes are typically 100 tonnes capacity to 160 tonnes capacity. So, automatically there is the business for these cranes being generated. So, answer to your question, the average blended yield we normally disclose, and we do not give capacity wise yield to the investors because that amounts to trade secrets.

Debashish Neogi: Sir, my last question is that, there is one more very small player compared to us in the crane rental space in the similar business, a very small player, and they have been consistently growing both in terms of revenue and the yield. And their yield is significantly different than our yields. Their yield is anything between 2.75% to 2.98% per month and ours is 2% to 2.2%. So, I am not just not understanding this, because we are a market leader.

Rishi Sanghvi: Sorry, what is your question?

Debashish Neogi: My question is that sir, there is one more listed player, and the numbers are available for that Company through their presentations over the quarter. So, that Company is consistently reporting yield of 2.75% to 2.98%. So, I am not able to figure out why we being a market leader are having significantly lower yields and our yield is not growing.

Sham D. Kajale: So, I will take this question. See, basically we are a three-and-a-half-decade old Company. And when we started our business, we started our business with used cranes and then we started acquiring lot of German cranes. As you know the German cranes are more costly, the yield is a function of basically the pricing power of the fleet. So, our average blend yield is supposed to come down because we have lot of German cranes bought in the past. So, the competitors which you are talking about, we do not know their fleet composition. So, perhaps they may be the late entrant in this business, they must have purchased lot of Chinese cranes. And as you know, Chinese cranes are cheaper than the German cranes, their yield is expected to be higher than the German cranes.

Moderator: Thank you very much. Next question will be from the line of Sunil Jain from Nirmal Bang Securities Private Limited. Please go ahead.

Sunil Jain: Sir, in EPC business you said that that does not require any CAPEX. So, if you can talk about what will be the working capital requirement? Because in the presentation you said that the extra cash which you have of around Rs. 176 crores, that will be deployed in the new businesses.

Sham D. Kajale: For the working capital thing, for the EPC business we require more particularly the bank guarantee limits, not fund based limit, which we already tied up. I do not know whether you saw our presentation, you must have seen the total debt position is also being disclosed in the investor presentation and the CC utilization number is also given. So, even if we are going in this business in a full-fledged manner, our average CC utilization is less than Rs. 3 crores. So, this particular business requires a more non-fund-based limit which is particularly the BG limit which we are tying up with the banks.

Sunil Jain: So, specifically, what will be the debtors for this?

Sham D. Kajale: See, debtors for this business also, we are putting a threshold of between 30 days to 45 days.

Rishi Sanghvi: In fact, most of the customers in our renewable wind business are IPPs, independent power producers, with very large balance sheets and they are very highly capitalized. So, they are either sovereign fund back, pension fund back or private equity backed, or they are foreign utilities who have come to India and setting, up or they are listed independent power producers. So, they are well capitalized, their entire financial closure for the particular wind farm is achieved prior to the start or the execution of the project. So, we are able to be secure in our cash flows from them, and that's why our debtors days we are able to manage in this way.

Sunil Jain: And sir, second question related to, you said that the Q2 will have an impact of monsoon, so is there anything else or except monsoon everything is okay?

Rishi Sanghvi: So, as we mentioned, and I think now this is the second or third time, there has been an impact due to a slowdown because of the general election, private and public CAPEX is also slowing down. Execution on ground, because we are the real proxy to what is happening with respect to the infrastructure in the country, so execution on ground has slowed down. And we perceive, at least within the renewable wind energy space, capacity utilizations to go up post monsoons because there will be a huge push to meet the annual erection target this year in the country. Besides this, some of the projects will start picking up in the second-half of the financial year within the steel, cement, thermal and nuclear power, metro, railways, roads, bridges, ports. So, these are the sectors that will fire in the second-half of the financial year. And it will significantly add to our order book, which currently stands around Rs. 750 crores. And we have eight months to go, and the entirety of our order book is executable in this financial year.

Sunil Jain: This Rs. 336 crores order which you have in EPC, everything is executable in the current year itself?

Rishi Sanghvi: Yes, that is correct. Some of this order book may get pushed to the next financial year, but this is due to external bottlenecks, potential external bottlenecks or a delay in the start of the projects.

Sunil Jain: Yes, but in Rs. 744 crores this is included totally?

Rishi Sanghvi: The Rs. 336 crores is included, is that your question?

Sunil Jain: Yes.

Rishi Sanghvi: Yes.

Sunil Jain: And sir, last question is related to, if we talk about the EPC margin, you said that 12% to 15%, that is EPC both, renewable and others?

Rishi Sanghvi: Yes.

Sunil Jain: Because in the results which we published, you divide it into two parts, and the EPC other has a very high margin.

Rishi Sanghvi: Yes, because it's nascent, as it scales up the margin will drop.

Sunil Jain: So, aggregate margin is 12% to 15%, anywhere between that?

Rishi Sanghvi: On the EPC side, yes, in the long run as well.

Sunil Jain: So, initially it can be lower and then it will start picking up, like in Q1?

Sham D. Kajale: See, currently it is 17%. If you see the Q1 number, blended EBITDA margin for both wind and project EPC is 17%, which we are saying in the long run it will settle down between 12% to 15%.

Moderator: Thank you. The next question will be from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, just first a clarification. I mean, this Rs. 750 crores order book which includes Rs. 336 crores of EPC or renewable orders, right?

Rishi Sanghvi: Yes.

Deepak Poddar: And this entire Rs. 750 crores, we are targeting for execution in FY '25 itself, out of which Rs. 150 crore is already done, so remaining three quarters you are looking for Rs. 600 crores of execution?

Sham D. Kajale: Yes, new orders will be also added in the next eight months.

Deepak Poddar: So, what can be expected, I mean, that new execution over and above the Rs. 750 crores? I mean, what can be the range that one can look at?

Sham D. Kajale: It depends upon the order booking, eventually. So, there is a lot of inquiry pipeline is there, it depends upon the conversion ratio also.

Rishi Sanghvi: I think what you can do is, we have given numbers in the last financial year, so an extrapolation will give you some kind of an idea where we could close the financial year. But as a best practice, we do not want to give a forward guidance.

Sham D. Kajale: You refer to Page 17 of the investor presentation.

Deepak Poddar: I mean, which presentation?

Rishi Sanghvi: The IR presentation.

Deepak Poddar: So, in the Page 17 you have given the order book position, right?

Rishi Sanghvi: Right.

Deepak Poddar: But, I mean, can you just reiterate what you had suggested for the last year?

Rishi Sanghvi: It's on Page 17 my friend.

Deepak Poddar: And we do expect that share of renewables execution in this year, I mean, percentage revenue mix would be higher as compared to last year, right, FY '24, that would be a fair assumption to make? I mean, would be at least 30%, 35%, I mean, overall?

Rishi Sanghvi: Yes.

Deepak Poddar: So, accordingly, our margin would be diluted to that extent? I mean, because our rental would have 50% to 55% margin, and this business would have 15% plus minus somewhere?

Rishi Sanghvi: Yes.

Moderator: Thank you. The next question will be from the line of Jehan Bhadha from Nimral Bang. Please go ahead.

Jehan Bhadha: So, sir, if I look at the other listed wind turbine generators, their order books have been growing at more than 100% and even execution is much higher. So, if you can help us understand, the wind installation for the country in the Quarter 1 was down, you said. So, can you help us reconcile us to the difference between our Company which in the 1st Quarter we have not been able to increase the order book materially, but the wind turbine generator guys are able to do that? If you can explain that?

Rishi Sanghvi: No, I am not able to comment on their numbers. But the fact is that in the 1st Quarter of this financial year, only 770 megawatts has been installed, whereas in the same period a year ago it was 1,140 megawatts. So, I would say it is unfair for me to comment on the wind turbine manufacturers' numbers. That's something better left for their management to comment on.

Sham D. Kajale: I would like to add here that there is a fall in the capacity utilization in the current financial year, is primarily because of delay in granting the grid connectivity, land availability, and the right of way challenges. So, there are some challenges in the wind industry itself, so that is delaying the execution on the ground. So, there the order book may be swelling, yes, you are right on that front, but there are on ground challenges in execution of those projects.

Moderator: Thank you. The next question will be from the line of Agastya Shah from Shah Capital Advisors. Please go ahead.

Agastya Shah: I just wanted to ask, on 28th of June this year we gave an interview to ET Now, and in that interview we had mentioned that we will need to go to the Board for a fresh CAPEX approval above Rs. 200 crores, while currently our guidance is much lower. So, what has changed in the last 30 days?

Sham D. Kajale: No. If you see the commentary that we had given, we already mentioned that we have already done a CAPEX of Rs. 82 crores, which includes CAPEX of Rs. 63 crores for purchase of cranes. And we may do additional CAPEX between Rs. 125 crores to Rs. 140 crores in the current financial year over and above the CAPEX which is already completed in Q1 FY '25. Hence the total CAPEX for the current financial year would be in the range of Rs. 200 crores only.

Agastya Shah: But I think on the interview we had said that we are very confident of taking it above Rs. 200 crores this year?

Sham D. Kajale: Currently we are targeting and restricting up to Rs. 200 crores. If there are business visibility and opportunity, we may increase the CAPEX number and we will take the Board approval. So, subject to Board approval, we may do additional CAPEX.

Agastya Shah: But what has changed? Like currently we are not looking to do more than Rs. 200 crores, while on the interview we were very upbeat about it.

Rishi Sanghvi: I think our position remains the same. Again, it's Rs. 200 crores. If the business demands for the CAPEX are subject to Board approval, we will execute. For example, last year when we started the financial year, our plans were definitely lower than what we have executed. I believe we closed the year, Sham, sham at Rs. 340 crores, right?

Sham D. Kajale: Correct.

Rishi Sanghvi: And our starting plan was somewhere around Rs. 200 crores?

Sham D. Kajale: Right.

Agastya Shah: Another question, we are getting into this EPC business, which is new for us. While on the other hand, we are seeing that a Company called Inox Wind is getting into our core business of crane rentals. I just wanted to understand what our vision is with this business? What kind of return metrics are we expecting? Any color on return on capital, cash flows, how do we see it adding value?

Rishi Sanghvi: Look, first of all, on renewable space, it is a natural progression from us because we are already providing crane services to the renewable sector. We have a very well-established position and reputation with a number of our customers. Most of these IPPs, when the OEMs stopped doing execution, which was around the COVID times or the change in the policy from feed and tariff to reverse auction, most of the OEM's took a back seat, in fact a number of them exited the country. And the Indian OEMs had their own set of challenges at that time. So, there was a tremendous pull or demand from the market for a well established, well governed, reputable Company to deliver turnkey services for the renewable industry. And it's that pool that led us to provide services around civil, electrical, mechanical and logistics. These activities include a number of services such as constructing the foundation, erection and commissioning, storage yard development and maintenance, purchasing and construction of transformers, PSS, 33 kilowatt lines, and all other such activities which comes under the term of balance of plant activities.

We see today that we have approximately Rs. 336 crores of top line and this is a business which we are scaling up and being very selective on the type of customers, type of projects that we want to work with, what is the financial closure on those projects, who are the other stakeholders involved in the execution of that project. Because all those factors have a direct impact on where our margins lie in the services that we provide the customers. So, we believe, as we already mentioned that this business will scale 50% year-on-year, and in the long term once we achieve a certain size and scale, that the EBITDA margins will settle anywhere between 12% to 15%. There will be a tremendous amount of value creation that takes place within these business verticals. Because, again, as we said, it will have dedicated resources, there will be a leadership team that has P&L accountability and they can really drive the business to achieve its full potential.

Now, with respect to uh Inox, again, it's an announcement that they have made today in their current investor presentation in the last quarter. There, in the past, few of our own customers have tried to buy their own cranes and started to even rent those cranes in the market without understanding the technical complexities and other nuances of this business. We are in an asset sweating business which requires a very different approach and execution capabilities. I cannot comment on the decision that the Inox Group has taken to venture into our business, their management must have applied certain probably lenses or put in some guardrails. It's too early to comment or give a further comment on how this is going to pan out for them.

Agastya Shah: Anything on the return on capital that we are expecting for the EPC business?

Sham D. Kajale: You are talking about overall ROCE, right?

Agastya Shah: Yes, ROCE for the EPC business, what are we expecting? What would be the capital requirement, we are looking to grow 50% year-on-year, so.

Sham D. Kajale: Basically, this business does not require any capital infusion as it is a working capital intensive business. So, on an overall basis, as I mentioned in this conference call in the opening remark also, and Rishi also mentioned that the EBITDA margin for this business will be between 12% to 15%. Again, the requirements are non-fund-based limits essentially for bank guarantees on execution.

Agastya Shah: So, we will be taking up a lot of working capital debt is what I assume then?

Sham D. Kajale: Yes, initially, yes, but it will be again circulated. Basically, the money will start flowing in the system again. It's maybe initially working capital, but once you start getting the money and once you start redeeming the bank guarantee or once the bank guarantee comes to an expiry date, again, it will be a revolving limit that we will be having. So, it will not impact our overall working capital limits also.

Rishi Sanghvi: Plus, the receivable days we are trying to maintain some.

Moderator: Thank you. The next question will be from the line of Riya Mehta, who is an individual investor. Please go ahead.

Riya Mehta: This is Riya Mehta from Aequitas India. Sir, my question is in regard to the last quarter we had increased the commission to 3% for the net profit. Since the outlook is a little subdued for the first half, are we looking for revising the permissions?

Sham D. Kajale: Yes, Riya, in the last financial year, because of the record-breaking profit numbers, the Board of Directors has increased the commission to Mr. Rishi Sanghvi from 1.5% to 3.5% of the net profit. It was a one-time extra commission that NRC and the Board has approved. Further, we have passed the special resolution and took the shareholder's approval. So, going forward, Company will pay commission to MD at the rate of 1.5% of the net profit till the contract tenure of the Managing Director is over, and that is also subject to the NRC and Board approval. So, the MD's commission is fixed at 1.5%.

Moderator: Thank you. The next question will be from the line of Yash Agarwal from JM Financials. Please go ahead.

Yash Agarwal: So, again, just to come to the Page 17 of the PPT, we mention that the balance amount of orders is Rs. 593 crores. But if I remove the EPC bit, our core crane order book seems to be on a declining trend. So, I just want some comments on that. And the second question is that, for the full year, are we expecting the core crane rental business to do better than last year barring this quarterly sort of volatility that we are facing?

Sham D. Kajale: Yes, your observation is right. Our crane business overall order booking is shrinking primarily because of the lower capacity utilization in the Q1 and expect to have same kind of subdued performance in Q2. So, based on the inquiry pipeline that we have and the serious discussion that currently we have with our customers who are in requirement of crane post monsoon, that is from 1st of October, we expect the order book for the crane business will again start increasing. At the moment, I cannot tell you how much revenue we will get out of the crane business because these inquiries are yet to convert into the orders. But yes, on an overall basis, the crane revenue business will more or less remain flat as compared to last financial year because we have lost almost four to five months of capacity utilization because of the monsoon and the general elections.

Yash Agarwal: So, again, a follow-up is that, as one participant mentioned that the wind turbine guys are looking at 2x to 3x order book. My only question is, are we losing market share on the wind side, on the renewable side to some other players?

Rishi Sanghvi: So, although the order book is increasing, there is a slowdown in the execution of the order book, which is the on-field execution. If you take a look at the Q1 numbers for capacity addition, it's already mentioned, there's a drop in 33% in capacity addition from 1,100 odd megawatts to around 770 megawatts. So, there's already a 400 megawatts dip n the new capacity addition in the renewable wind space. I would say in terms of the competition intensity, yes, it is increasing. This is on account of the heated space that is the renewable space, it is extremely hot right now. There's a lot of Chinese equipment which is entering into the market. And so the competition intensity is increasing. But I do not think that there would be a direct correlation in what you are saying, which is that the OEMs are increasing the order book so therefore are you losing your market share? I would say that it is not possible to draw that direct inference right now.

Yash Agarwal: And just in terms of the pipeline of order, so what is the quantum relative to last year in terms of the pipeline? If you cannot give an absolute number, which I can understand, but what is the growth in the pipeline that you are witnessing on the crane rental side?

Rishi Sanghvi: So, for the pureplay crane rental, for example, I will talk to you in gigawatts. We have 5 gigawatts of inquiries right now.

Yash Agarwal: And what was that number last year?

Rishi Sanghvi: No, we would not have that number off hand.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Rishi Sanghvi for closing comments.

Rishi Sanghvi: We once again would like to thank everyone for participating in the investor call. Your Company is making a lot of progress in developing the strategic avenues or business verticals around Sangreen Future Renewables and Sangreen Logistics. As we move forward, we look to adding to our existing order book of Rs. 750 crores in the balance eight months and investing our surplus cash flows in our growth avenues and our vision for long-term value creation. We look forward to the continued support of all our shareholders and thank everyone for taking the time out today for joining this investor call. And I would also like to thank the moderator for conducting today's investor call. Thank you everyone.

Sham D. Kajale: Thank you everyone.

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