"Sanghvi Movers Limited Q2 FY2024-25 Earnings Conference Call"

November 18, 2024

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 Sanghvi Movers Limited Q2 FY2024-25 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 the Conference Call, please signal an operator by pressing "*", then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Sham Kajale: Thank you very much, Seema, for the introduction. Good afternoon, ladies and gentlemen, and thank you very much for attending H1 FY '25 Analyst and Investor Call of Sanghvi Movers Limited. My name is Sham Kajale – Chief Financial Officer, and along with me is Mr. Rishi Sanghvi, the Managing Director of our company.

So, I will just quickly run through the highlights of the Financial Performance of the company, and then I will open the floor for the question and answer, if any.

So, in terms of financial performance for the quarter ended September 2024, our income from operation was Rs. 156 crore, which is at par with Rs. 151 crores that we achieved in Q1 FY '25.

For H1 FY '25, our income from operation was Rs. 307 crores, higher than Rs. 286 crore in H1 FY '24. This includes income from operation of Rs. 256 crore and Rs. 51 crores from renewable and project EPC business.

For Q2 FY '25, our average capacity utilization was 68% vis-a-vis 77% in Q1 FY '25. The average blended yield for Q2 FY '25 was 2.15% vis-a-vis 2.04% in Q1 FY '25. The increase in yield is primarily on account of the pricing advantage with respect to certain short-term contracts that we executed in Q2.

Similarly, for H1 FY '25, the average capacity utilization was 73% vis-a-vis 83% in H1 FY '24. The average blended yield for H1 '25 was 2.09% vis-a-vis 2.15% in H1 FY '24.

Although the management has informed the investors that our Q2 FY '25 performance would be subdued, we have achieved on-par performance with our Q1 FY '25 financial results. The drop in capacity utilization and yield is primarily on account of prolonged and early monsoons and slowdown in private and government CAPEX due to general elections.

Our overall EBITDA percentage for H1 FY '25 was 52% on a consolidated basis compared to 62% in H1 FY '24. Our EBITDA margin for the crane business remains as expected at 55%

while the overall EBITDA margin for the renewable and project EPC business is around 15%. The consolidated EBITDA as mentioned is 52% first due to an increase in the renewable and project EPC business from Rs. 25 crores in FY '24 vis-a-vis Rs. 50 crores of revenue achieved in H1 FY '25. Nearly 2x there is an increase in the business volume in the first 6 months. This business volume is driven with lower EBITDA. The second factor for a consolidated EBITDA is on account of the lower revenue from crane rental business.

For the 6 months period-ended 30th September 2024, our net profit after tax was Rs. 70 crores vis-a-vis Rs. 79 crores in H1 FY '24. Our company has done a CAPEX of Rs. 89 crores in H1 FY '25 and in H2 FY, we proposed to do additional CAPEX of Rs. 70 to 80 crores depending on the market dynamics, order visibility and ongoing demand scenario.

Thus, on the annualized basis, the company may do total CAPEX between Rs. 160 crores to 170 crores in the current financial year. This is a curtailment of our initial CAPEX plan for FY '25 and is in line with our comments given in Q1 Investor Conference Call.

We have sold 18 cranes, which include some cranes which we have shown under the asset held for sale in H1 FY '25 and generated profit of Rs. 8 crores from sale of these cranes. The company has sold surplus freehold land and three residential flat in Chennai and generated profit of Rs. 11.60 crores. As on 30th September 2024, the company has a fleet of 351 cranes aggregating to Rs. 2,550 crores. This is excluding some 40 plus cranes, which are shown under the asset held for sale.

As on 31st October 2024, our order book was Rs. 898 crores of which Rs. 640 crores will be executed in the current financial year that is FY '24-'25. The balance order book is worth Rs. 254 crores will be executed in the next financial year that is FY '25-'26. The spillover of EPC order book is primarily due to a delay in project off-take and on ground delays. Thus, the order book for the current financial year is Rs. 644 crores, out of which we already clocked revenue of Rs. 307 crores in the first six months ended 30th September 2024.

The breakup of crane order book and EPC order book is already shared in the investor presentation, which we uploaded on the website of BSE and NSE. Based on the current order book position, enquiry pipeline and the possible extension of current contracts with the customer, we expect 10% to 15% top-line reduction in the crane rental business in the current financial year.

However, on the consolidated basis, that is crane rental plus renewable plus project EPC business, we expect to register top line growth of 15% to 20% + on account of volume is driven in the renewable and the project EPC business.

With this, I would like to hand out the floor to Rishi for his further comments. Over to you, Rishi.

Rishi Sanghvi: Thanks, Sham. Now, in order to leverage some of our core capabilities and with an intention to provide value-added services to our customers, we have started the renewable and project EPC businesses two years back. As mentioned by Sham and also earlier, this is a high volume, low EBITDA business.

In the current financial year, the company expects to achieve more than Rs. 250 crores of top line from the combined renewable and project EPC business. This is 10x growth as compared to the last financial year 2024, and further we will have an order backlog of more than Rs. 250 crores, which will be executed in the next financial year. This order backlog will continue to grow throughout the year based on a very healthy enquiry pipeline.

Currently, due to the competition intensity and fragmentation, there is limited headroom for growth in the crane rental business. Therefore, we as a management team have strategically taken a call to carve out Sangreen Future Renewables, which is primarily focused on the renewable business and further to develop the project EPC business that will make use of and leverage our relationships with our existing customers. These two verticals are less capital intensive but have high working capital requirements.

Through a business transfer agreement that is a slum sale, we have created two wholly-owned subsidiaries of Sanghvi Movers that have been in operation since 1st October 2024. Also, we have transferred more than 50 employees and other assets into the new entity, which is primarily Sangreen Future Renewables Private Limited, and we have also appointed the CXOs to drive the P&L. The set spinoff of the renewable and logistics business aims to unlock the full potential of each business by providing dedicated attention and management, which will eventually lead to value creation for all our shareholders.

Our company and the management has already taken a number of strategic initiatives for the growth of the overall group, primarily reactivation of Phase-2, which is our engagement with the consultant Bain & Company to explore engine to growth opportunities for which our company has already earmarked and built the necessary growth capital.

Furthermore, we have taken effective steps to incorporate a 100% wholly-owned subsidiary of Sanghvi Movers in the GCC for our geographic expansion of the crane rental business into the KSA.

I hope that all the investors have had the opportunity to take a look at our investor presentation as well as the financial performance which has, as Sham has indicated, already been uploaded on the BSE and NSE.

With that, I would now like to hand it over back to Seema who can open up the floor for Q & A. Thank you.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. We take the first question from the line of Saurabh Jain from Sunidhi. Please go ahead.

Saurabh Jain: Sir, earlier you had guided for a stronger of H2 with close to 952 crores top line with 50% EBITDA margin. Now with these EPC orders spilling over to next year, do you see exiting the current year with Rs. 700 crores plus top line and higher EBITDA margin because those EPC contracts are not there in this fiscal now? So, 55% or higher margin?

Sham Kajale: I will take this question. In the opening remarks, we have mentioned that we already achieved a top line of Rs. 50 crores from the EPC business, and we have an order book of more than Rs. 200 crores to be executed from this business in the current financial year. So, our top line from this business itself in the current financial year will be in excess of Rs. 250 crores. So, what was your question?

Saurabh Jain: So, this Rs. 250 crores worth of order which are spilling to next fiscal. So, can we see higher margins now because these EPC revenue were supposed to be recorded in this current fiscal? So, that should leave us with higher margins, right? Higher than we had initially expected.

Sham Kajale: I will tell you. See, we have an order book of more than Rs. 500 crores, out of which partly will be executed in the current financial year and there will be a spiller of Rs. 250 crores of worth of order in the next financial year. These orders we already backed actually. So, the numbers are already frozen. So, the EBITDA margin in this business, as you know, the EPC business doesn't have a normally two-digit EBITDA margin. So, based on our expertise and currently we are subcontracting many of our activities to build our capabilities. So, the overall EBITDA margin in the EPC business will remain between 15% to 16% in the current financial year as well as in the next financial year.

Saurabh Jain: And sir, earlier we had guided for yield to fall below 2% in the September quarter in the crane rental business. However, it has gone up a bit. As you have mentioned in the opening remarks, that was because of short-term contracts. So, how do you see yields to behave going forward in the second half and probably next year if you can throw some light on?

Rishi Sanghvi: I will take this question. So, we expect yield to remain in and around (+/-2%). And this is the guidance we can give for this financial year.

Saurabh Jain: And sir, one more question on the renewal segment. So, which are the top two, three players contributed to our renewal revenue, which makes the highest contribution to our top line?

Rishi Sanghvi: No, we don't disclose this information. It is a trade secret.

Saurabh Jain: And sir, one last question from my side. If you can elaborate a bit on formation of a company in GCC for geographic expansion of crane business. So, what kind of opportunity do we see, and what kind of investment we are planning here?

Rishi Sanghvi: So, I think I can answer this question. Thank you for asking it. So, GCC is a very promising market. It is an alternate market to our domestic market. So, it allows us to leverage our core expertise into an international market that has a massive opportunity size. We plan to invest around between Rs. 400 to 500 crores over the next 3.5 years. And there are several opportunities in the GCC specific in the Kingdom of Saudi Arabia with respect to large construction projects that are called Giga projects and other civil infra projects around the World Cup and the World Expo. So, there is a good potential market there for the next 15 years. And we believe that we are well poised to build and leverage our core expertise into this new market.

Moderator: The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain: Sir, this project EPC has turned in negative margin, if you see your results in the BSE Exchange. So, what is the reason for that and how it is likely to behave?

Sham Kajale: See, to be frank with you, this business at the nascent stage. So, last year we earned a healthy EBITDA margin from the project EPC business. There is no negative margin as such. Basically, we are now consolidating in this business and overall, the project EPC business will also fetch the EBITDA margin between 15% to 16% going forward. Earlier, we got some contract where we got some good pricing, and that is why the EBITDA margin was healthy in the initial one or two contracts. But now this business will become more mature and saturated. So, going forward, our EBITDA margin will remain between 15% to 16%.

Rishi Sanghvi: Also, what is prudent to note is that the size of those orders last year were very small. And as we expand again, the volume will come but at low EBITDA.

Sham Kajale: Yes.

Sunil Jain: So, in this wind EPC and project EPC, is there anything overlap or both work separately?

Sham Kajale: No, there are two distinct offerings that we are doing. For the renewables, we do our activities under Sangreen Future Renewables, which is an end-to-end construction of wind farms, and we have a very solid inquiry pipeline in that business.

For project EPC, we are primarily focused on hydrocarbons. So, we are working across multiple refineries and there we do a number of activities like structures, fabrication, piping, insulation, duct tape, electronic instrumentation. So, these are composite jobs and of course equipment erection. So, these are composite jobs primarily tailored for the hydrocarbon sector.

Sunil Jain: And sir, second question relates to working capital. How we should build in the EPC working capital cycle? How much is the debtors day inventory and the debtors day because this quarter it shows bit higher compared to the previous quarter?

Sham Kajale: Yes. I will take this question. So, overall debtors days have slightly increased in Q2 of FY '25. This is primarily because there was some delay in execution of project not only from the current business but in the EPC business primarily on account of monsoon season. But we are keeping our eye open and making every efforts to recover the dues from the debtors, not only from the crane business but also from the wind EPC business also. So, going forward, you will see some kind of improvement in receivable days in the crane business as well as the EPC business.

Sunil Jain: So, earlier you were indicating that EPC business will be having a working capital cycle of around 45 days. So, will that extend or there could be some variance to that?

Sham Kajale: See, most of the orders that we backed in the wind EPC segment, they are IPP, who are backed by good PE funds and pension funds. So, on the technical side, we don't foresee any lapses in getting the payments from this IPP. But overall, one can safely assume that receivable days in the wind EPC business will remain between 45 to 60 days.

Moderator: Thank you. We take the next question from the line of Gaurav Agarwal from Nine One Capital. Please go ahead.

Gaurav Agarwal: Sir, in the crane rental business, I think in the first half, we did Rs. 256 crores and in FY '25, we did Rs. 593 crores. Is my number correct?

Sham Kajale: In FY '24, yes

Gaurav Agarwal: '24 is 594 crores.

Sham Kajale: Correct. Total, yes, absolutely right.

Gaurav Agarwal: And, sir, for this year you said we are expecting 10%-15% kind of a decline from FY '24 levels.

Sham Kajale: Right.

Gaurav Agarwal: So, sir, can you help us understand, what exactly is leading to this decline in crane rental business? Is it because of competition or is it because of slow down in the projects and the CAPEX as you alluded in the beginning remarks? And if it is so, if it is more of slow down, where exactly are you seeing this slow down more on the government side or on the private side and what is giving you this thinking that this slow down should extend in 2H also?

Rishi Sanghvi: Yes, sir, I can answer that question. So, first, to begin with, there is an increase in competition, intensity and fragmentation. There is no denying this. But, overall, also, the economy is going through a structural slow down. And I had indicated the same in the Q1 investor call. If you look at any of the metrics, for example, the performance of the Nifty 50 companies is today at a five-year low in terms of their results.

There is surplus unutilized capacity with most private players. Government spend has substantially reduced, which is well documented. There is an issue with fund flow to site. On-ground execution is muted. Project off-take is delayed or cancelled, and there is massive shortage of skilled and semi-skilled manpower at site. There is high inflation, which is preventing the RBI from holding back its decisions on interest rates. And due to all of this, we are, of course, there is a prolonged monsoon, which we already discussed.

So, effectively, we have lost potential billable revenue for the first half, which we cannot recover. We are in a rental service business. So, it is not possible for us to recover. So, all these reasons put together, we are saying that overall, we do see a 10% to 15% drop in the crane rental business. And that is where we believe that we have closed the financial year.

Gaurav Agarwal: Sir, is it possible for you to tell us what was your revenue in the second half last year for crane rental, so that we can do kind of...

Rishi Sanghvi: It is available on our investor presentation. So, I request you to please take a look at it.

Sham Kajale: One sec, I can give that number. It is roughly around Rs. 300 crores.

Gaurav Agarwal: Rs. 300 crores. Okay. And again, it is like we are saying, okay.

Moderator: Thank you. The next question is from the line of Manan Vandur from Wallfort PMS. Please go ahead.

Manan Vandur: I had one question, sir. Even as in H1, you said that we will be looking for H2 will be better. And even as you answered the previous person, so I just wanted to clarify that. Even as Suzlon and Inox Wind, they have to execute their orders and Suzlon is saying that they want to set up around 5 to 6 Gigawatt every year. Then how come you are saying that crane rental will not do well going forward?

Rishi Sanghvi: Sir, I can answer that question. You know, it doesn't matter what order book these OEMs have. What needs to be looked at is what is the actual capacity addition on-site. So, in the first six months, the country has only added 1.5 gigawatts. In the first quarter, it was lesser than what we had done in the last year. So, although the large OEMs have an impressive order book, the off-take on-ground execution has been delayed again because of a prolonged Monsoon, and that's why you can see this discrepancy.

Manan Vandur: Right. So, in H1, it has not happened, I agree, monsoon, but H2, it should pick up, right? So, if that happens, then…

Rishi Sanghvi: It should. It should pick up, but there are lot of challenges in the project execution. So, as a management, we believe that the country would add anywhere between 3.5 to 4 gigawatt this year. Is that right, Sham?

Sham Kajale: Yes. See, even if you take a very rough estimate, in the first half, India as a whole they have put 1.5 gigawatt of wind installation, and effective deployment or the effective execution for this project was roughly for 3 months, because 3 months there was a heavy monsoon. So, even if you double the capacity in next 6 months, India will end up between 4 to 4.5 gigawatts.

As you mentioned that OEMs have a solid order book, why it is not being reflected in the SML revenue? They have a solid order book, which will be executed over a period of 2 to 3 years. That one needs to understand. So, on an annualized basis, if they are ending up, if the India is ending up with 4- or 4.5- gigawatt wind installation, it does not mean that will be captured in the SML revenue. So, there is an on-ground delay in project execution and the order book that OEMs are having that will be executed over a period of next 2 to 3 years.

Manan Vandur: So, this year you are saying that mostly on an overall consolidated basis, our revenues will grow by 10%-15% due to our project EPC business.

Sham Kajale: Renewables and project EPC, yes. Correct.

Manan Vandur: And how do you see like going forward, because we had U.S. elections also and India elections also. We have a state elections which is why it might just slow down. But let's say, going forward, like FY '26, how do we see our crane rentals and more on the on-ground work, how do we see that?

Sham Kajale: You know, we are hopeful that there will be an uptake, but as I have already commented on the economy, you can consider that position with respect to your question.

Moderator: Thank you. We take the next question from the line of Krushi Parekh from Pentacle Family Office. Please go ahead.

Krushi Parekh: I just want to understand one thing. So, Indian crane rentals business, so we have enjoyed network of depots across India that helps us bring us the cost efficiency. We have also had this long track record for debt management. I am presuming because of that, we have had lower borrowing cost versus our peer. So, how do we see things changing when we are looking to invest about 300 crores, right, you mentioned in the GCC region?

Sham Kajale: Yes, over a period of next 3 to 4 years, it is more than Rs. 400 crores.

Krushi Parekh: Right. So, how are we positioned when it comes to competition over there? Because in India, we do already enjoy some of these benefits being one of the largest Indian rental outfit. So, how does that put us in the GCC region?

Rishi Sanghvi: So, obviously, the depot network is something that we will not be able to translate in the KSA. But there are a lot of competitive advantages that Sanghvi Movers will bring in terms of safety, operational optimization and maintenance and uptime of the equipment.

So, what we are bringing to KSA is our operating capabilities, our safety, as well as our investment in terms of assets. We will be partnering or rather, we are in the midst of identifying a partner who can support us, a strategic or operative local partner who can support us in the KSA, and we will be formalizing the relationship shortly.

So, going forward, we believe that we can essentially build another engine of growth similar to Sanghvi Movers in the KSA and the broader GCC area. Plus, based on our understanding and the market research that we did, this business in KSA or GCC is having a healthy EBITDA margin between 40% to 50%. So, that is also an added advantage. That is why we took this bet to expand the crane business beyond Indian territory.

Krushi Parekh: And will this also involve sending some of our current operators from India to KSA?

Rishi Sanghvi: Yes, in not just the operators, we will be taking a lot of our core capabilities to the region.

Krushi Parekh: And after all these things, where do we see our position in the KSA market? I mean, like in India, we are definitely the number one player in terms of volume. Say, after five years down the line, where will we be in the overall market?

Rishi Sanghvi: It's too early to comment.

Moderator: Thank you. The next question is from the line of Harshh Saraswat from Elegant Family Office. Please go ahead.

Harshh Saraswat: So, I am referring to page number 18 of your Investor Presentation, where you have given a break-up of orders on hand to be executed in H2 FY '25, where it says crane order book for H2 FY is Rs. 138 crores. Can you explain it to me? There is some confusion, I guess.

Sham Kajale: See, we have a total order book to be executed in the current financial year is Rs. 644 crores, out of which Rs. 307 crores worth of revenue is already clocked in the first six months of the current financial year. Hence, the balance order book to be executed from 1st of October 2024 to 31st March 2025 will be Rs. 337 crores.

And further, I have given the breakup of that Rs. 337 crores of order book between the crane business and the EPC business. So, EPC business, we have order book of Rs. 199 crores and the crane business as on that date, we have order book of Rs. 138 crores. This is excluding the possible extension of the order that we currently have with our existing customers. This is excluding the new order that we will be bagging in the next six months, which is excluding the possible over time that recued which is 1% or 2% overtime we get is excluding that position.

Harshh Saraswat: Because if we go by the crane rentals of 138 crores over the next six months, that will lead to almost 33% of decrease in the top line compared to last year.

Sham Kajale: Yes, but we are not factoring the extension, the possible extension with our existing customers. We are also not factoring the new order that will be bagged in the next six months.

Harshh Saraswat: I hope we get lot of orders.

Sham Kajale: Yes, there are lot of orders that we already have where the extensions are possible, and this is a typical situation in the crane rental business or any equipment rental business.

Harshh Saraswat: And if that doesn't happen, the de-growth can be much higher, is that right?

Sham Kajale: It will not be. That position will not arise. See, now things are better as compared to the H1 because there is no monsoon. So, we will definitely try to deploy the cranes if it get released from our existing customer.

Moderator: The next question is from the line of Riya Mehta from Aequitas Investments. Please go ahead.

Riya Mehta: So, my first question is in regards to the CAPEX. We have reduced our CAPEX to the full year to around Rs. 180, 160, 170 crores. So, could you help me that is it because we have shifted to second hand cranes or what is the probable reason?

Sham Kajale: See, basically, we are, to be frank with you, depending upon the ongoing demand scenario, market dynamics, order visibility and the competition threat that we have, the management has cautiously reduced the CAPEX that initially planned for the current financial year. So, we don't want to end up buying a crane and keeping it idle unless we have clear visibility, unless we have assurance of deployment of those cranes.

Riya Mehta: What will be your current gross block for cranes?

Sham Kajale: Rs. 2,550 crores.

Riya Mehta: Rs. 2,550 crores. And in terms of our investments, they are majorly in debt mutual funds, right?

Sham Kajale: Yes, debt mutual funds, then commercial papers, corporate bonds. We have not invested any money in equity or equity-oriented scheme.

Moderator: Thank you. We take the next question from the line of Samyak Jain from Marcellus Investment Manager. Please go ahead.

Samyak Jain: Just one question from my end. On the GCC piece, when do you expect the revenue to start flowing for us, for the GCC business?

Rishi Sanghvi: We hope to make our first dollar in revenue this financial year. We hope that is the operative plan as of right now.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investments. Please go ahead.

Anuj Sharma: Rishi, you made a reference that this slowdown is structural. So, what are the pointers which make you think this is more structural than maybe a temporary one?

Rishi Sanghvi: The private and government CAPEX has slowed down. There is a surplus capacity in the market and directionally all, most industries are currently unable to deliver. If you look at the renewable side, for example, there is a lot of news on the order booking of most companies, of most OEMs. However, the on-ground execution is very muted. There is a fund flow issue. Money is not flowing in the ecosystem. And so, therefore, decisions are not being taken.

Anuj Sharma: So, you know, we have been through multiple cycles similar to this. How long can you think this cycle, this sort of down cycle can continue?

Rishi Sanghvi: No, I would have to be appointed as a Governor of the RBI, if I could answer that question.

Anuj Sharma: All right. No, this was just based on historic cycles. And the next question is historically, whenever you entered a down cycle, this business used to throw a huge amount of cash. But now there is an added business model of an EPC and EPC will keep bloating as the environment is subdued. So, our advantage, which was cash flow historically in a down cycle will actually be shut down by EPC business. How do you propose to manage this transition or rather this cash management?

Rishi Sanghvi: Again, EPC is not CAPEX heavy. It is working capital heavy. Plus, our balance sheet, if you look at it today, Sham, what is the cash on hand in investments?

Sham Kajale: Rs. 153 crores.

Rishi Sanghvi: So, you know, we have a low debt-to-equity ratio. We have managed our CAPEX prudently. We are well-poised to take advantage of the demand. We have been very selective or judicious about the kind of customers we are working with. So, cash management from a CAPEX standpoint is the balance sheet is sound due to our surplus cash reserves which are invested and on the EPC side due to being prudent about the customer selection and the kind of customers we are working with.

The difference between traditional EPC and putting up a wind farm or a hybrid wind farm by an IPP is that the complete project financing is locked in as these sort of projects are backed by private equities, sovereign funds and pension funds. So, we are comfortable working with these companies from a payments perspective.

Anuj Sharma: And one last question. See, again, if I look at our old cranes, they were made mainly German cranes, German or let's suppose Western cranes. If we see the recent additions in the last three, five years, it's predominantly dominated by SANY. How does the life of crane change because of this change in manufacturer mix? That's my last question.

Rishi Sanghvi: You know, as a promoter and as a businessman, I am of the firm opinion of you get what you pay for. So, German cranes have the best engineering and technology. I would say the engineering and the manufacturing quality of a German crane is unsurpassed and unparallel.

However, there are a lot of reasons why we have made the shift. One is that the Chinese technology or the Chinese cranes, they are very quickly evolving, and they have jumped in leaps and bounds.

The second is, the hub heights in the country have continuously been increasing and of late has reached now 140 meters. So, there is a need for us to invest in bigger and bigger cranes in order to meet the hub heights. So, there is a need for us to invest in bigger and bigger cranes in order to meet the hub heights and in order to stay ahead of the demand curve, we have invested in these bigger cranes and therefore taking a call from a CAPEX point of view to buy Chinese cranes.

And finally, if you see the other cranes, I think, Sham we have sold 18 cranes in this quarter or in the first half of the year.

Sham Kajale: Yes, 18 in the first half.

Rishi Sanghvi: So, you know these cranes most, I mean a majority of these cranes, I would say more than half are Chinese cranes that we got in 2008, 2009, 2010. So, it has almost been a decade and a half. And we are selling them above their much, much higher than their WDV value and in some cases almost between 50 to 70% of their historical acquisition cost. So, all put together, that is a validation of the replacement value or the market value of these Chinese equipment. So, all put together, I think it is a conscious call that we are taking, and so far we are succeeding in that.

Sham Kajale: Just one more thing, the lead time to get the German crane is higher than the Chinese crane. So, suppose you want to place an order for 650 ton or 750 ton a German crane, the lead time is between 9 months to 12 months. However, in case of Chinese crane, you can get the crane within 3 to 4 months. Plus, they are offering attractive credit terms also.

Moderator: Thank you, sir. We take the next question from the line of Gaurav Agarwal from Nine One Capital. Please go ahead.

Gaurav Agarwal: Sir, if I look at your second half '25 growth over your second half last year, so it shows around 17% kind of de-growth. Is the number correct what I am getting, assuming it is 15% kind of de-growth in the overall trend and business for FY '25?

Sham Kajale: See, H1 FY '24 our total income from operation was Rs. 286 crores, and in H1 FY '25 our income from operation was Rs. 307 crores. So, there is a slight increase in…

Gaurav Agarwal: Sir, I am talking about crane rental business specifically.

Sham Kajale: Yes, so there is a slight de-growth in the crane rental revenue. Yes, your point is valid.

Gaurav Agarwal: The point is the first half we de-grew by 13%. You know, if I assume your first half FY '24 numbers were Rs. 294 crores versus this first half was 256 crores. What you told me for second half last year was Rs. 300 crores.

And if I assume 15% de-growth on total FY '24 crane rental revenue, I get Rs. 505 crores revenue. Subtracting first half I get Rs. 249 crores revenue for the second half. That is the implied second half revenue. If I see Y-o-Y, it comes to 17% decline, which is even higher than what you did in the first half assuming there was a prolonged monsoon, election, everything, which will not be the case in the second half.

So, just trying to understand why are we expecting even higher de-growth in the second half than all these one-off factors which were there in the first half will not be there in the second half.

Sham Kajale: On a year-on-year basis, I will give the answer. Last year our income from crane operation was Rs. 593 crores. This year we expect that it will reach Rs. 500 crores. So, there will be a decrease in the top line with respect to crane rental business by Rs. 93 crores. So, 93 crores divided by 593 crores, the effective reduction in the top line will be 16%, which we already guided in the opening remark.

Gaurav Agarwal: Sir, that point is understood. I am just asking, sir, first half we had a lot of one-off challenges like election, prolonged monsoon, etc., which will not be there in the second half, right? And despite those factors being not there in the second half, we are actually guiding for a lower revenue in the crane rental business. So, is it something like we are overly conservative in guiding or is it like something we are seeing on ground?

Sham Kajale: No, let me answer your question. So, we are in a service business. So, if we have lost revenue in the first half of the year, we are not in a production business. We can't like build up inventory and sell 2x our production capacity.

Gaurav Agarwal: Sir, that is fine. I am not talking about the first half revenue to be recovered in the second half. I am just saying second half, last year we did 300 into it. Can't we do at least 300 in this second half is what I am trying to understand.

Sham Kajale: So, the guidance that we have given is based on the order book that we have, the possible extension of the current existing contract with our customers and also the new order that we can back plus the small CAPEX that we are doing in the second half. Based on these factors, we have given guidance which might be on the conservative side, but I think that is doable. I don't want to give any very optimistic answer to the investors.

Rishi Sanghvi: You know, if we give an over-guidance and we don't achieve it, then there is an issue. And if you give under guidance…

Gaurav Agarwal: No, that's not, that's always good. I am just trying to understand, you know, because we are guiding for a lower, like a higher de-growth in the second half versus first half, while the one-off factors will not be there. So, just trying to understand more on the CAPEX side, whether you are seeing things to become worse as compared to how they were in the first half of last year, of this year. So, that is where I was trying to understand.

Moderator: Thank you. The next question is from the line of Arjun Agarwal, an individual investor. Please go ahead.

Arjun Agarwal: I just want to know that what kind of means you have guided regarding GCC. So, just to extension of that, I just wanted to know that what kind of revenue can be envisaged down the line to two to three years maybe?

Sham Kajale: So, thanks for asking this question. As I already mentioned, it is a little too early to comment. So, allow us some time and we should disclose.

Arjun Agarwal: And the second one is, prior to this quarter, we gave order book, which is executable in the current financial year only. Am I right on that till last year?

Sham Kajale: Yes. Your question was right.

Arjun Agarwal: So, this year, I think, you have given order book that is executable in another means in FY '26 also. So, what kind of means disclosure can we expect moving forward?

Sham Kajale: Moving forward, we use the format that we used in the last reporting cycle, because there has been some on-ground delays in execution of project, particularly the wind EPC project. So, we thought it prudent instead of giving the order book as a whole, we should give the spillover of the order book, which will happen, or which will be executed in the next financial year. So, from the next quarter onwards, you will get the information in the format, which were recently shared in the investor presentation.

Arjun Agarwal: That means total order book.

Sham Kajale: Total order book that will be executed in the current financial year and the order book that will be spillover in the next financial year. So, all this information will be captured and shared. Yes.

Moderator: Thank you very much. We take the next question from the line of Devang Kabra from Wallfort PMS. Please go ahead.

Devang Kabra: So, my first question is about your company registered in the GCC. You said that you will make an investment of around Rs. 400 to 500 crores in the coming years. So, when can we expect for revenues to kick in and how much revenues can we see in the next three to four years or three to five years?

Sham Kajale: So, the operator plan is to get the first dollar in, in terms of revenue in this financial year. It's too early to comment on the kind of revenue outlook for the next two to three years.

Devang Kabra: And then as you said that you all have a low debt-to-equity ratio, and then you all also want to make investments of about Rs. 500 crores and other investments. So, do you all plan on raising any debt?

Sham Kajale: Yes, of course. It's the plan for the next three years. So, a certain amount of debt will be raised in the balance sheet to fund that CAPEX.

Devang Kabra: If you could give an amount like...?

Sham Kajale: See, everything is at the evolving stage, at the nascent stage. Unless we freeze the CAPEX, how much amount of money that we have planned to invest in GCC or KSA, I am not able to really give a true picture on that right now.

Devang Kabra: No problem. And being in these many businesses, do you all plan about having a demerger anytime soon? Any comments?

Sham Kajale: No comments right now.

Devang Kabra: And my last question would be regarding the credit cycle and what are your credit terms with your creditors?

Sham Kajale: Creditors or debtors?

Devang Kabra: About the credit cycle.

Sham Kajale: You are talking about the credit period that we allow our debtors, customer or...

Rishi Sanghvi: Yes, with the customers, Sham.

Sham Kajale: See, normally it's 30 to 45 days, depending upon the profile of the customer.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question for the day. I would now like to hand the conference over to the management for closing comments.

Sham Kajale: Rishi?

Rishi Sanghvi: Good afternoon, ladies and gentlemen. And we thank you for taking the time to listen to us patiently. We remain invested in returning value to our shareholders. I look forward to our next conference call. Thank you.

Moderator: Thank you very much, members of the management. On behalf of Sanghvi Movers Limited, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.