"Sanghvi Movers Limited Q3 FY25 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 Sanghvi Movers Limited's Q3 and FY2024-25 Earnings Conference Call.

From the management panel, we have with us today, Mr. Rishi Sanghvi - Managing Director and Mr. Sham Kajale - Chief Financial Officer.

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 Kajale. Thank you and over to you, sir.

Sham Kajale: Thank you very much for the introduction. Good afternoon, ladies and gentlemen, and thank you very much for attending our Q3 FY25 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.

I quickly run through the financial highlights of our Company and then I will open the floor for the question and answer.

So in terms of financial performance for the quarter-ended December 2024, our consolidated income from operation was Rs. 208 crore vis-a-vis Rs. 156 crore in 2nd Quarter ended September 2024 and Rs. 151 crore in the 1st Quarter that is Q1 FY25. For the 9 months period-ended December 2024, our income from operation was Rs. 515 crore. This includes income from crane operation, Rs. 370 crore, Rs. 130 crore from renewable business vertical and Rs. 15 crore from Project EPC business.

In Q3 FY25, the average capacity utilization of our crane was 70% vis-a-vis 68% in Q2 and 77% in Q1 of FY25. The average blended yield for Q3 FY25 was 1.97% vis-a-vis 2.15% in Q2 FY25 and 2.04% in Q1 FY25. Similarly year to date, that is December 2024, our average capacity utilization was 72% versus 84% year to date December 2023. The average blended yield YTD December 24 was 2.05% per month vis-a-vis 2.19% December YTD 2023. We have achieved on par performance as for the guidance given in the previous earning call that is in H1 FY25 financial results.

On a consolidated basis, our overall EBITDA margin for the 9-month period was 47%. The EBITDA margin for crane business on standalone basis was 52%, while the EBITDA for project and renewable business was between 15% and 20%. For the 9 months period ended December 2024, our net profit after tax was Rs. 103 crore. Our Company has done a CAPEX of Rs. 115 crore for the 9 months period ended 31st December 2024 and has purchased 25 cranes and other equipment. The Company proposes to do additional CAPEX of Rs. 150 crore in Q4 FY25 and intends to process some 34 cranes ranging from 110-ton capacity to 800-ton capacity which are brought by long term contracts from various clients.

On an annualized basis, our Company may do total CAPEX of Rs. 365 crore in the current financial year. We have sold 23 cranes, including some cranes which were shown under the asset held for sale during the 9 months period ended 31st December 2024 and have generated profit of Rs. 11 crore from the sale of these cranes. The Company has also sold surplus freehold land and three residential flats in Chennai in Q1 of the current financial year and has generated profit of Rs. 11.60 crore. As on 31st December 2024, Company has a fleet of 350 cranes aggregating to Rs. 2,575 crore. This is excluding some 40 plus cranes which are shown under the asset head for sale.

As on 15th of January 2025, the consolidated order book of the Company was Rs. 995 crore, of which orders worth Rs. 814 crore will be executed in FY24-25. The balance EPC order book worth 181 crore will be executed in the next financial year that is FY25-26. The spillover of EPC order book is primarily due to delay in project off-take and on-ground delays. As the order book for the current financial year is Rs. 814 crore out of which we are already clocked revenue of Rs. 514 crore in the first 9 months period ended December 2024. The breakup of crane order book and EPC order book is already shared in the investor presentation.

Based on the current order booking position, inquiry pipeline and possible extension of current contract with some of our customers, we expect 15%-20% topline reduction with respect to crane rental business. However, on a consolidated basis, that is crane rental plus renewable plus project EPC business, we expect to register topline growth of 20%-25% on account of volume driven by renewable and project business.

With this small introduction, I will hand over the floor to Rishi Sanghvi, our Managing Director for his further comments. Thank you.

Rishi Sanghvi: Thanks, Sham, and good afternoon, everyone. I would like to now talk about some of the strategic initiatives that your Company is taking.

One, in order to leverage some of our core capabilities and with an intention to provide value-added services to our customers we started a renewable as well as project EPC business sometime about 2 years back. As consistently mentioned, this is a high volume and low EBITDA business. In the current financial year, the Company expects to achieve more than Rs. 250 crore of topline from the EPC business which is a 10x growth as compared to the FY24 and further, we will have a large order backlog going forward, which will be executed in FY26.

This order backlog will continue to grow throughout the year based on the healthy inquiry pipeline that we have as of today. We continue to face headwinds in the crane rental business, primarily due to competition intensity and fragmentation, and therefore your Company is deploying a number of strategic initiatives as countermeasures. First we have taken the strategic call to carve out Sangreen Future Renewables for the renewable business into a separate business vertical and this has been successfully completed in the last quarter.

Further, we will develop the project EPC business, leveraging our relationships with existing customers. It is prudent to note that while these are topline heavy businesses and volume driven, they are low EBITDA businesses. At the same time, they will not put a strain on our finances, as these are not capital-intensive businesses, but have high working capital requirements. We propose to do an additional CAPEX of approximately Rs. 150 crore in the 4th Quarter of this financial year, which is backed by firm long-term orders from customers across all sectors.

The other strategic initiatives that our Company management has already taken for the growth of the group as well as to increase the shareholder value is the activation of Phase-2 with Bain & Company who are a global strategy and management Company. We are exploring engine to growth opportunities for the Company and the necessary growth capital for these opportunities have already been built. With this war chest strategic plans as well as Bain, your Company has taken effective steps, for example, the incorporation of 100% wholly owned subsidiary in the Kingdom of Saudi Arabia which is a reflection of our ambition to geographically expand our core crane rental business. Further value players are underdevelopment with Bain and should materialize in the subsequent quarters, subject to the approval of the Board of Directors.

I would once again draw your attention for further information regarding the financial performance and strategy in the investor presentation, which has already been uploaded on both the BSE and NSE portals.

Thank you once again everyone and I would like to hand it over to our moderator to take the first question.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press '*' and '1' to ask a question. The first question is from the line of Harsh Saraswat from Elegant Family Office. Please go ahead.

Harsh Saratwat: Hi, Rishi. So I just wanted to ask on this Rs. 150 crore CAPEX which we are planning to do in Q4 seeing that capacity utilization is already at 70% and yields also falling, so can you throw more light on this why you are doing it in one single quarter and what are you seeing in the wind power specifically and other sectors also?

Rishi Sanghvi: So the capacity expansion that we are doing is not particularly for the wind sector. We have already indicated that we have firm orders across all sectors. We see that there is a lot of pickup in the economic activity going forward. The first 9 months, there was a slowdown primarily due to the prolong monsoon, the general election, which also resulted in a slowdown in government expenditure, private and PSU CAPEX. Now, the capacity utilization we believe will continue to improve going forward and with that improvement in the capacity utilization come the added benefit of pricing power, which is reflected in yields. The entirety of the CAPEX is that we are doing has been approved by the Board of Directors and the management is confident in deploying these incremental capacities from port to site or from the docks to the site as each of these cranes is backed with a firm long-term order.

Harsh Saraswat: So by this, can we conclude this that the execution FY26 will be much better much higher due to the backlog of FY25 itself and government spending increasing going forward?

Rishi Sanghvi: We expect capacity utilization to improve in the next financial year.

Harsh Saratwat: And any CAPEX plan for Q1 and Q2 as of now?

Rishi Sanghvi: It is subject to the board of approval and will be declared at the appropriate time.

Harsh Saratwat: Thank you so much. All the best.

Moderator: Thank you. Participants, you may press '*' and '1' to ask a question. Next question is from the line of Sahil Kishore Jain from Seven Islands PMS. Please go ahead.

Sahil Kishore Jain: Hello. Am I audible?

Moderator: Yes, sir. You are audible. Please go ahead with your question.

Sahil Kishore Jain: Yes. Thank you for the opportunity. So my first question would be who are the top clients of the Company?

Sham Kajale: So there are a lot of IPPs who are currently operating in India through their subsidiaries, for example Blue Leaf, Blue Pine, then JSW Energy, then Iris Renewables, they are our main clients, including Vibrant, Juniper, so they are our IPP clients from the main sector. Besides this, we are working with various big corporates in India, for example, from the thermal power sector we are working with DHL, NTPC. We are also working with Nuclear Power Corporation. We are also working with all Windmill Company, for example Suzlon, ReNew. We are also working with steel companies like Tata Steel, JSW. We are also working with hydrocarbon companies like L&T.

Sahil Kishore Jain: Thank you. My next question would be, was Inox Wind ever your customer or they are still your customer?

Rishi Sanghvi: They were customer in the past.

Sahil Kishore Jain: So right now, they are not the customer?

Rishi Sanghvi: That is correct.

Sham Kajale: Currently, we declared one crane, but that contract is now got over.

Sahil Kishore Jain: And lastly, is Chinese crane rental business in India, are there competition for you?

Rishi Sanghvi: What do you mean? Can you explain your question?

Sahil Kishore Jain: I mean to say there are Chinese screen rentals Company in India, so are they competition to you?

Rishi Sanghvi: As far as we know, there are no Chinese crane rental companies who are operating in India.

Sahil Kishore Jain: Yes, that is it from my side. Thank you.

Moderator: Thank you. Next question is from the line of Vishal Jajoo from Mahindra Manulife. Please go ahead.

Vishal Jajoo: Sir, the question was when we look at your CAPEX figure I guess you have increased the figure as what it was communicated post Q2 and Q3. So where are the signs where we are seeing capacity increase utilization levels, if you can just elaborate a bit more on the same?

Sham Kajale: See basically, if you see last year we did a CAPEX of more than Rs. 300 crore. This year, we have cautiously reduced the CAPEX number considering the fact that there was monsoon in India and there was a delay in project execution on the ground. There was a reduction in the CAPEX not only from the government side but also from the private sector side on account of general election. We are cautiously taken a call to reduce our CAPEX in the first 6 months, in fact in 9 months also, but now the CAPEX that we have planned is backed by a long term orders from various sectors and it is generating good amount of yield which is in line with the current yields of the Company and this expect that the capacity utilization will touch around 80% in the Q4.

Vishal Jajoo: And since the new business is that we have entered, the Sangreen or ventures outside in India also that we are planning, those don't require capital, but those are working capital maintenance, so would it be fair to say that this CAPEX is predominantly for our core crane rental business? It shouldn't be fair?

Sham Kajale: Yes, the Rs. 150 crore CAPEX that we are doing is for the core business that is for purchase of the crane. We are purchasing cranes for core business in India.

Rishi Sanghvi: Also, I would like to clarify that the business in Saudi Arabia is CAPEX heavy because it is an expansion of our core business which is crane rental services in a new geography which is Saudi Arabia. Having said that, the entirety of this Rs. 150 crore will be deployed for projects in India for Indian customers.

Vishal Jajoo: Sir, if I may just split our CAPEX figure into two parts, first 9 months and whereas the Q4 CAPEX figure, so while I do appreciate that, I do understand that this year's CAPEX including this Rs. 150 crore figure is lower than last year, but somewhere in the last 3-4 months we have increased this number significantly because as far as H1 or 9 month figure goes, we had trimmed down our numbers but now we are increasing it, right?

Rishi Sanghvi: Yes.

Vishal Jajoo: Thank you.

Moderator: Thank you. Next question is from line of Jay Trivedi from Incred Asset Management. Please go ahead.

Jay Trivedi: Yes. Thanks for the opportunity. A couple of questions. Two on the numbers side, what is the average life of cranes that we have now and what is the amount of liquid investments that we have as on date?

Sham Kajale: If you are talking about the residual life of the crane lead that we have, it is more than 20 years and in the investor presentation we have mentioned that we have a surplus liquidity of Rs. 178 crore which have been deployed with various schemes of mutual fund, and all are debt funds.

Jay Trivedi: Sir, on the average life of cranes, I wanted to understand what is the pending life average on the whole basket that we have?

Sham Kajale: So we have two types of cranes. One is a crawler grain. The life of this crane is between 35-40 years and the tyre mounted telescopic cranes, we have the other crane that we have. The average life of this crane is between 25-30 years.

Jay Trivedi: So, however, we depreciate our assets in 15-20 years, although our life is higher is my understanding correct?

Sham Kajale: Yes, we are providing depreciation as per schedule to our Company's act. There are two sets of depreciation that we mentioned in the schedule too. So they are saying if you are having less than 100 ton capacity cranes, you should consider the economic life of the crane as 15 years and if you have 110 plus capacity crane, you should consider the effective economic life of the crane as 20 years, so on straight line method, the depreciation rate for 100 ton above crane is 5% and for the less than 100 ton capacity crane, it is roughly around 6.7% per annum.

Jay Trivedi: Thank you, sir for the clarification. Second on the EPC business, the current capabilities that we have which we have built over the past 2 years, what is the revenue forecast or any GW number that you can give, the EPC that we can do, any guidance there?

Rishi Sanghvi: As far as the EPC business, we are a very prudently cautious Company. It is very lucrative to build a massive order book which can make flashy headlines. We have gone cautiously in terms of securing the order books where we feel that we are capable and confident about delivering the projects. Looking forward, we do believe that next year in terms of the EPC revenue will definitely look better than FY25. And as of right now, we are not giving any numbers with respect to the GW or forecast on the EPC volume.

Jay Trivedi: Sir, next, sir, we see, in fact, the new cranes which we are buying those are long term contract back. Any yield expectation that you have on those contracts? Have they been finalized?

Sham Kajale: Going forward and with respect to these CAPEX and going forward also the Company will try to maintain average blended yield of 2% which is a strategic call that the management is taking.

Jay Trivedi: Thank you. And the last question would be the GCC investment, which we will be doing where we are already incorporated the subsidiary, what is the right to win there and what are the capabilities that the Company is building for that, any color you can give there?

Rishi Sanghvi: Sanghvi Movers Limited is the largest crane rental Company in India, Asia and the fourth largest crane rental Company in the world. So by scale, size of operation, our capabilities with respect to safety, quality, technical provinces, execution on operation side, repairs and maintenance, planning and engineering, we benchmark ourselves internationally and we are already ranked as number 4 in terms of size. We believe that we can transfer a lot of these operating technical and safety capabilities to Saudi Arabia, which gives us a differentiated and clear right to win in that market.

Jay Trivedi: Sir, any particular reason for choosing Saudi Arabia, just maybe top of the things that we have in our mind from a strategy point of view?

Rishi Sanghvi: So in general, the GCC and MENA region is attractive geography for a crane rental business, primarily due to the oil and gas, petrochemical and more importantly all the development that is taking place. In the past, UAE, then Kuwait, then Qatar, were the companies that were driving the growth in the region and now looking forward for the next 10-15 years, there is tremendous amount of growth and potential in the Kingdom of Saudi Arabia. The country has recently won the FIFA 2034 World Cup. The World Expo is there before the FIFA World Cup and His Highness has created the Vision 2040 which involves a lot of giga projects that are being built across the country. All of this, along with the oil and gas market, which is driven by Saudi Aramco makes the country a very lucrative and high potential market.

Jay Trivedi: Sir, thank you for the opportunity once again and I will join back the queue for any further questions. Thanks a lot, sir. All the best.

Moderator: Thank you. Next question is from the line of Mohammed Umair from Pearl Capital. Please go ahead.

Mohammed Umair: Good afternoon and thank you for the opportunity. In the Q2 earnings call, the Company has provided a full year revenue guidance for Rs. 952,000 crore with strong confidence. However, as per the latest Q3 disclosure, the reverse expectation stands at Rs. 814 crore, almost Rs. 150 crore below the initial target. Could you please elaborate on what specific factors led to the shortfall, particularly given the revision, of course, within just 3 months from initial guidance additionally with an order book of approximately Rs. 300 crore set execution in Q4, do you still consider this is a realistic achievable target or do you foresee any further execution risk that investors should be aware of and looking beyond the current year, we also noted that the order book for FY26 appears to relatively stink at this stage. Do you use this temporary situation or there is any structural headwind in the business environment that could impact next year revenue visibility?

Sham Kajale: We will answer your first question. See in Q2 or the H1 FY24 Investor Conference Call, we have not given any guidance in terms of topline revenue for the current financial year. I don't know where from you got this number of Rs. 1,000 crore plus topline in the current financial year. If you look at the investor presentation for H1 FY25, we have clearly stated on page #18 of the investor presentation that our order book as on 31st of October was 898. Now, it has gone up to 995, so we never mentioned in our investor presentation that our run off for the current financial year will cross Rs. 1,000 crore.

Mohammed Umair: Not in the presentation, but was in the call. If you look at the details of the call, you will find that Rs. 96,000 crore, but not in the presentation. I agree with you. Go ahead, please.

Sham Kajale: The next part of the question Rishi will answer.

Rishi Sanghvi: So first off, we have an order book today of Rs. 995 crore. We have clearly mentioned that we expect the revenue for this year to end at Sham.

Sham Kajale: Roughly around Rs. 800 crore plus.

Rishi Sanghvi: Rs. 800 crore plus, that is as we move into the EPC space, the project off-take on the ground is not in our control. We work and cater to IPPs and there are a number of interfaces at site that are beyond our control in the scope of the project owner, which due to multiple reasons can result in a delay or spillover of the order book. So we have already given an indication that of this Rs. 995 crore, more than Rs. 100 plus crore will spill over into the next financial year. The second point that you must look at is that we are confident in delivering this Rs. 300 crore of order book in Q4. So safe to say that the Company's topline will very easily cross Rs. 800 crore. This is in line with what the management has consistently been communicating across all investor calls and investor presentation. Could you repeat your last question, gentlemen?

Mohammed Umair: So looking beyond the current year, for the FY26 the order book is relatively very thin like Rs. 150 crore or something. Do you view this as a temporary situation or any structural headwinds in the business environment

Sham Kajale: So the spillover of order book for the next financial year is Rs. 181 crore. There are lot of inquiries in pipeline which will eventually converted into order book which we have not talked about. So there is no structural.

Rishi Sanghvi: We have not given you the order book for next financial year, my gentlemen, we are just talking about the spillover of this year's order book going into next year. I request to please be accurate in the numbers that are being presented.

Mohammed Umair: So there is no order book for next year, just a spillover from this year?

Rishi Sanghvi: There is the order book. It hasn't been disclosed.

Mohammed Umair: Fine. Perfect. My next question is, over the past 6 months, Sanghvi Movers market capitalization has declined nearly two-third, leading to a significant erosion of shareholder value. Given your deep understanding of the business and the opportunity ahead, you believe it would be prudent for the promoters to consider purchasing shares from the open market to stabilize the stock price and restore investor confidence or do you feel the valuation is still high and would be better to wait for a further correction?

Rishi Sanghvi: Sham, do you want to or should I?

Sham Kajale: See basically, promoters currently do not want to give or other management do not want to give any comments on the market capitalization number, how it has moved in last 9 months or so. So currently, we do not have any plans to buy back the shares, and we do not want to comment whether the Company is valued at a right price or not.

Rishi Sanghvi: As a management, what we are focused is on a long-term strategy, what we are doing in our business and in catering and solving our customers pain point. Thank you for the question. We don't have a comment.

Mohammed Umair: Thank you.

Moderator: Thank you very much. Next question is from the line of Vivek Patel from Ficom Family Office. Please go ahead.

Vivek Patel: Very good afternoon, sir. I just had two quick questions. Firstly, the revenue share from wind mills has gone down from 49% to 44%. Are you seeing any execution slowdown in the wind space and according to unit sector, are you seeing a slowdown in other?

Rishi Sanghvi: Thanks. I will take this question. Yes, Sham, go ahead.

Sham Kajale: Please, Rishi.

Rishi Sanghvi: So the first 9 months execution and project off-take was slow again due to a multiple reasons. First, there was a prolonged and early onset of monsoon. Second, there was a general election in the country where by complete government spending in the first 6 months had slowed down and consequently private and public CAPEX slowdown. Project off-take is now improving so we are seeing traction across all sectors. And we are bullish in the demand for cranes going forward and this can be clearly seen through the Q4 CAPEX numbers, which I would like to mention once again are backed by long term orders which are all in and around one year. Sham, over to you.

Sham Kajale: I would like to add that last year, India has done a 3.2 GW windmill erection. In the current financial year, based on the numbers that we have, it is not in the public domain the best of the information that we received. We have completed; India is estimated to complete roughly around 2.5 GW of windmill erection till 9 months. So based on the order book execution, which we feel since we are on the ground we may end up doing the windmill election between 3.5 GW to 4 GW. So the reason of telling all these numbers is that there is overall slowdown in windmill election in the first 6 months primarily on account of heavy monsoon in the country. The overall output or the overall erection of windmill has also come down significantly and that is reflected in the decrease in the overall contribution from the windmill sector in our revenue composition.

Vivek Patel: Thank you for that answer. And secondly, I think you have already sort of answered when the last participant asked anyway in Q3 FY25, the gross yields were slightly below 2% and capacity utilization was 70% somewhat operational front compared to the industry, what could potentially be the main cause for the divergence versus the industry? Thank you.

Rishi Sanghvi: I could not hear the last part of the question.

Sham Kajale: Absolutely, I also could not hear anything.

Vivek Patel: Sir, I was saying that in the last quarter, the gross yield was roughly around 2% and the capacity utilization was at 70%. So on the operational front compared to the industry, what could be the potential reasons for the cause of this divergence versus the industry?

Sham Kajale: Our estimate is that our yield will settle down around 2% going forward. This is the overall competition intensity in the industry.

Rishi Sanghvi: And again, for the first 9 months, as has been mentioned time and again, there are a couple of reasons that we are now talking about the drop in utilization and also yield, one is a prolonged monsoon which has resulted in some clients releasing cranes because there was no physical activity taking place on the site. There is a slowdown in government and private CAPEX due to the general election and there is a reflection of a reduction in pricing power in the first 9 months on account of competition, intensity and fragmentation. Going forward, in terms of yield as Sham has already mentioned, we are confident that it will settle around 2% and the fact that we have announced Rs. 150 crore CAPEX in Q4, all of which is backed by long term orders signifies that the utilization will move up in the next financial year.

Vivek Patel: Thank you, sir. Thanks for all the details. Thank you.

Moderator: Thank you very much. Next question is from the line of Mohit Chug from Shubh Labh Research. Please go ahead.

Mohit Chug: Thanks for the opportunity. My question is about the market share that we have wind EPC as well as project EPC?

Rishi Sanghvi: I cannot hear the question, Sham.

Sham Kajale: He was talking about market share.

Mohit Chug: Market share in wind EPC as well as product EPC business?

Rishi Sanghvi: These are very nascent businesses. We have just established them less than 2 years ago. It is an unorganized sector. There are no listed players in the EPC space barring one Company which is

KPI or KP Green, one of those two and there are dearth of EPC providers who are unorganized in the renewable wind space. In the project EPC also, there are large to small clients we primarily competitors where we primarily cater to the hydrocarbon sector. Again, it is too early to comment on market share because both businesses are nascent. What we are focused on is building a order book that the Company is confident on delivering to our clients and then taking it from there.

Mohit Chug: Thank you.

Moderator: Thank you. Next question is from the line of Krupa Desai from Electrum Capital. Please go ahead.

Krupa Desai: Can you give me what is the gross block for 9 months FY25?

Sham Kajale: FY25?

Krupa Desai: FY25, 9 months FY25 gross block?

Sham Kajale: Rs. 2,575 crore.

Krupa Desai: And sir, can you give me a ballpark number of the wind EPC pipeline and for the 9 months the EPC EBITDA margins are in 20% range. Is this sustainable?

Sham Kajale: I will answer your second question first. So going forward, we are hopeful this is one-off the kind of margin that we have got actually because we got some good pricing in some of the contract. Going forward as a conservative Company, we would like to state that the EBITDA margin for wind EPC and project EPC will settle down between 10%-12%.

Krupa Desai: Because KP and all these are making 20% range like in higher teens?

Sham Kajale: They are already in this business for last 3-4 years. We are just entering into this business and currently we are just doing the subcontracting of the contract that we are getting from our customer. So we need to build that kind of capabilities to get that kind of margin. We are in the learning stage. And once we develop the internal in-house capabilities, our EBITDA margin will slightly improve.

Krupa Desai: And sir, how is the overall competitive intensity in this wind EPC phase?

Sham Kajale: I think Rishi has just answered that question. They are more from the unorganized sector, except KP Energy.

Krupa Desai: Thank you for answering.

Moderator: Thank you. Next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: Thanks for this opportunity. Sir, my question relates to wind EPC whether our cranes are getting used into wind EPC, our crane? And then the second thing is if these cranes are used over there, then how we account for the profit or revenue of that crane, whether that is segmented into crane revenue or EPC revenue?

Sham Kajale: I will take this question. So the cranes are deployed in the wind EPC segment, so our clients are giving us a turnkey contract to SML that includes crane component. So the crane revenue is obviously getting built into crane business and wind EPC revenue is being booked in SFRPL that is, Sangreen Future Renewals Private Limited, which we have carved out with effect from 1st of October. So all wind EPC revenue other than crane, it is getting booked into that Company.

Sunil Jain: So pure EPC business, not of any crane?

Sham Kajale: There are some intercompany transactions because of the peculiar nature of the contract. The cranes revenue is initially booked in some cases directly in SFRPL, and in turn they take the cranes from SML so there is the intercompany revenue segment which we are deducted and shown in the investor presentation. So it is roughly around Rs. 19 crore in the third quarter of the current financial year, which is carved out and shown separately.

Sunil Jain: And sir, second thing about this project EPC, we had seen a lot of volatility in their EBIT margin. So can you explain what is the nature of this business and why this volatility comes?

Sham Kajale: The nature of business, Rishi will explain. I will explain you EBITDA margin volatility. See, earlier we took this contract and we earned some margin which was a decent margin. Now, as I mentioned in the earlier answer, this EBITDA margin, though it is almost 18%-20% in the reported numbers, it will get settled down between 10%-12% going forward. Rishi, can you answer the peculiar nature of contracts that we are taking in the project EPC segment?

Rishi Sanghvi: So in the project EPC segment or wind, Sham?

Sham Kajale: Project

Rishi Sanghvi: So in the project EPC segment, we cater to the hydrocarbon space where we are involved in the execution of lump sum turnkey or LSTK, engineering procurement and construction composite jobs. We take on activities such as on-ground and underground piping, ducting, fire proofing, blasting and painting, structures, erection, fabrication and equipment erection and alignment. Along with at times some portion of civil activities. This is the composite jobs that we provide in the hydrocarbon space and the typical clients are customers such as Toyo, Tecnimont, Technip, Bridge and Roof, Haldia Petrochemicals, Refinery, HPL, CPCL, BPCL, these are our customers.

Sunil Jain: Sir, the last question about this wind EPC and project EPC, how much is the debtors day?

Sham Kajale: For wind EPC, most of the IPCs, there are clients and credit terms is 30-45 days and the current outstanding debtors days for wind EPC is roughly between 45-60 days and for project EPC it is between 60-90 days.

Sunil Jain: Then it will generate good ROCE business?

Sham Kajale: Because there is no capital employed now.

Sunil Jain: Great. Thank you very much.

Moderator: Thank you. Next question is from the line of Priyanshi from Brighter Minds. Please go ahead.

Priyanshi: Sir, my question is on wind EPC side and which has already been answered by you. Thank you.

Sham Kajale: Thank you. Have a good day.

Moderator: Thank you very much. Next question is from line of Chetan Kumar from **_46.03___**. Please go ahead.

Chetan Kumar: So my question is regarding the order book for cranes. So in your presentation, we see that the order books for cranes is about Rs. 421 crore and if you were to deduct the 9 month revenue that we have realized for it, it is about Rs. 370 crore. So we arrive at an approximate unexecuted order book of Rs. 50 crore. And in the presentation we have highlighted that the orders to be executed in Q4 FY25 for cranes is specifically Rs. 142 crore, I just wanted to understand is my numbers right and or are we expecting some additional orders?

Sham Kajale: Yes, we are expecting some additional orders in the Q4.

Chetan Kumar: Alright, thank you.

Moderator: Thank you. Next question is from the line of Abhilasha Satale from Quantum Asset Management. Please go ahead.

Abhilasha Satale: Thank you for giving me the opportunity. So my question is largely industry related. If we see in Q3, the actual execution has improved. We are seeing in some of the EPC contractor's revenue for wind mill, however as far as we are concerned, we are not seeing that kind of pick up in our numbers and as you have also mentioned that if we did end the year flat, so actually H2 should be better than the last years of H2 because H1 was much slower. In that case, where are we lacking? Are we substantially losing market share to the unorganized segment and therefore we are not able to show that in our numbers? This is my first question and second question is what is outlook for the next year that if the execution fixed up in next year, then how much increase can you see in our CAPEX number?

Rishi Sanghvi: So technically, I didn't understand. I couldn't hear the question.

Sham Kajale: I will answer. So basically as Rishi mentioned, we have not decided anything on the CAPEX to be done in the next financial year. That will be a Board decision and it will be communicated to you in the next conference call maybe. So if you see, we are very conservative Company and considering the drop in the utilization and the yield and onset monsoon in the 2nd Quarter and overall deduction in the CAPEX from the private and public sector, we have consciously taken a decision to curtail down our CAPEX figure. Otherwise, there is no point, just do a CAPEX when the capacity utilization is less than 70%, we will just buy the crane, and it will remain idle. Now, in the 4th Quarter, we have intentionally taken a call to increase the CAPEX because it is backed by solid order. And there is a primary reason. There are some organized players who are also buying the crane, and we have already mentioned that there is a competition intensity and that is also dragging down the overall pricing power and that is why we had given guidance that our overall average weight yield will settle down around 2% going forward. I hope I answer your question.

Abhilasha Satala: Yes, but even the yield is going down, but in that time execution should improve, right, because if we are also taking a competitive yield, then in that case, we should not lose market share in the execution. That is the overall point?

Sham Kajale: Correct. So if we are not doing this CAPEX, then definitely we will lose the market share, not to other place.

Abhilasha Satale: Thank you.

Moderator: Thank you. Next question is from the line of Ashish Soni from Family Office. Please go ahead.

Ashish Soni: Sir, in terms of the wind EPC business, I think you said you are still incumbent sort of a player, so qualitatively, where do you stand like compared to like mature player and when do you see you can get to the mature level of maybe that example wise, margin wise or capability wise, if you can throw some light because I think the way you explained about Saudi Arabia why you want to go there, what are the capabilities you can throw some light, where do you stand in terms of maturity from your perspective qualitatively?

Rishi Sanghvi: So first off, let us discuss where the intention to become EPC player arose from. When the feed and tariff regime was replaced by the reverse auction, there was a significant drop in the capacity addition in the country. In FY14-15, 15-16, the country had added 5.5 GW per year. Till date, we are not able to reach that kind of capacity addition 10 years down the road in any given year. So the industry took a very long time to adjust to the policy shift. At that time, majority OEM players were providing complete product and project services and completing the entire erection of the wind farm. What happened consequently was OEMs took a step back and said that we will only supply product which is the global operating model. This left most IPPs having to execute their own projects, and these IPPs don't have the capabilities because they are primarily funds, extra hedge funds, pension funds, and private equity funds who are trying to put up these platforms. So there was a clear white space in the market. The entire supply chain in the project execution space prior to this was deeply fragmented, unorganized with relatively small players with poor financial track record, corporate governance and at the end of the day, performance capabilities. And these IPPs were starved for good vendors with good financial capabilities, corporate governance and a delivery of track record. By this time, Sanghvi Movers had achieved 15 GW erection track record and had been present virtually in every single wind farm that was constructed in the country. So we got a tremendous amount of pull from the market saying that you have the capabilities, you are solving one of the hardest problems in the renewable wind space, which is the erection of the turbine, kindly help us or assist us in delivering balance services around the mechanical, electrical, civil, transportation, which is logistics, surface logistics and in the land approvals and permits. And this is where the capabilities we started creating capabilities within Sanghvi Movers and we will continue to develop capabilities to service these 5 different product offerings in order to provide a turnkey solution to the renewable wind energy sector. In order to say ranking, margins, market share, maturity, the industry is still nascent. It is yet to be seen who emerges as the top two or three players in this space one of which has reached another listed entity, the balance are trying to find their space and develop execution track record. Till date, whatever projects the Company has taken in this space, we are 100% confident in delivering those EPC projects, as we have already delivered all these 15 GW worth of erection. So the Company will only take up those projects where our delivery is assured. So this is the strategic thought process, market pull by our customers and that in-house development of capabilities that has crafted this unique solution.

Ashish Soni: So let me add another point to it. What I am able to understand is because you said matured player, I think you do a benchmark against global as a crane rental Company, right, so I am trying to understand the mature player. I think somebody asked a question that 20% margins, in what like what are the few factors where you can reach that margin that might be your aspirations so I am trying to understand your thought process of reaching because you said you have a good track record because of which you got into this, but what are the factors which will improve margin, how many years your thought process, right now?

Rishi Sanghvi: We will see this in subsequent quarters, but the five areas that were described in terms of product offerings is where we will focus our capabilities.

Ashish Soni: And regarding the GCC business, so in next one or two years, how do you see it scaling up to like maybe 10%, 20% of your revenue? What is your thought process right now?

Rishi Sanghvi: Our ambition is to be a top five player in Saudi Arabia.

Ashish Soni: So may I ask like what like market share of revenue target or at least something you are thinking in that line, strategy thinking?

Rishi Sanghvi: In order to get to a top five player, we need to have a 12%-15% market share in Saudi Arabia.

Ashish Soni: Which will be equivalent to how much like some Rs. 1,000 crore something or more?

Rishi Sanghvi: At this time, we cannot share those numbers.

Ashish Soni: And the last question, these wind installations in India, I think you said earlier it was 5.5 GW, what I heard it might close by 4 and government is targeting 10. So from your perspective, do you think India can reach 10 GW which government is planning in maybe next 2-3 years?

Rishi Sanghvi: I think this is a better question for companies like Suzlon, Inox, etc., but we are geared up to cater to 10 GW a year.

Ashish Soni: Thanks and all the best.

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

Rishi Sanghvi: Good afternoon, ladies and gentlemen. Thank you for joining the investor concall. We appreciate the questions that we have had. Your Company continues to develop its core crane rental business along with deploying several strategic initiatives which in the long run will create an outsized shareholder return. We look forward to engaging with the community in our next investor conference call for Q4 FY25. Thank you and have a good day.

Sham Kajale: Thank you, everyone.

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