



“Action Construction Equipment Limited  
Q3 FY2020 Earnings Conference Call”

February 05, 2020



**ANALYST:**

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**MANAGEMENT:**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY2020 Results call of Action Construction Equipment Limited, hosted by Emkay Global Financial Services. We have with us today on the call, Mr. Sorab Agarwal, Executive Director and Mr. Rajan Luthra, CFO. 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 “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anas Dadarkar of Emkay Global. Thank you and over to you Sir!

**Anas Dadarkar:** Good evening everyone. I would like to welcome the management of Action Construction Equipment Limited and thanks them for giving us this opportunity. I would now hand over the call to the management for their opening remarks. Over to you Sir!

**Sorab Agarwal:** Good evening everybody. The month of December brought some respite surprisingly and last quarter that is Q3 FY2020 was slightly better on quarter-on-quarter basis and we feel that the slump in the economic activity bottomed out during the last quarter somewhere in December. We experienced green shoots and order flow increase from December 2019 onwards after a dismal October and November which led to slight increase in December quarter numbers. Similar positive trend in order flow and execution still continues during the current quarter and we have been able to further better our January month sales by about 15% as compared to the month of December.

Our revenue in Q3 FY2020 increased by about 8% on quarter-on-quarter basis but declined by 20% on year-on-year basis despite 20% reduction in revenue we have been able to better our EBITDA margins to 8.3% vis-à-vis 7.9% on year-on-year basis. On quarter-on-quarter basis we have been able to improve our EBITDA and PBT by 9.5% and 7%. Looking at the improvement in demand trend we would like to revise our revenue guidance for the whole year to negative 12 to 15% as compared to negative 15% to 20% which was projected earlier. We are also hopeful of bettering our EBITDA margins of 8% achieved last year and accordingly expect a slight betterment in our EPS by approximately 8% to 10%. The increase in EPS can also be attributed to a successful completion of buyback of equity shares which was completed in November 2019 which was to the tune of 38 lakhs shares at an average price of Rs.86.70 paise per share.

Our current outstanding shares are approximately 11.35 Crores as compared to earlier figure of 11.73 Crores equity shares. We feel we have overcome the short-term turbulence being faced by the company and going forward the revenue and bottomline of the company should normalize with further betterment of economic activity in the country. We remain optimistic about the medium-to-long term prospects of the company. That is it as of now. We can start off with the questions and answers.



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- Moderator:** Thank you very much. We will now begin the question and answer session. First question is from the line of Saket Kapoor of Kapoor Company. Please go ahead.
- Saket Kapoor:** Good afternoon. Sir the briefing which you are giving the investors the positive outlook if you could delve more on it on a segmental basis that would be very helpful to put forward further questions?
- Sorab Agarwal:** Till November the scenario seemed very bad and the order inflow and accordingly the execution seemed to be on the decline as a matter of fact, it was a very difficult October and November, but sometime in the middle of December I do not know what change it and the government was trying to do a lot of thing and the order flow started increasing we primarily worked with infrastructure construction activity and even with the hardcore industry where we supply our cranes which is about 70% of our business approximately. So the order flow increased in the month of December and accordingly a little execution improved by about I would say 15% to 18% and the same trend has followed into January so it was not just one off fluke that is what it seemed like in December so genuinely things have started to better a little post November that is in December as well as continuing well into January.
- Saket Kapoor:** These enquiries are pertaining from which particular sector I mean whether cement, steel, if you could give further granular details?
- Sorab Agarwal:** Right now I would say most of the uptake or increase has been more from infra and construction side in the last one to two months but yes what had happened that because of the manufacturing activity and industrial activity overall had also slowed down so much especially our metal handling segment forklifts was very bad so that has also done some reasonable numbers in December and especially in January so we could easily say that it is not only infra yes the more inflow is from there but even hardcore whether it is an auto ancillary or hardcore industry space available in the country there again the buying has started.
- Saket Kapoor:** Sir it is all routing from the stalled projects that we can say it is not new project, the stalled one that is getting funding from the government and in totality going for the buying of the equipments?
- Sorab Agarwal:** I think it is for both. There were hardly any stalled projects some of them had stopped like the coastal road project in Mumbai because of the NDT order and similar so many things which had happened probably those things have also fallen on track. Yes there definitely been a fund relief flow from the government side for the various projects wherever the payments have stuck it is evident because as the cash flow for construction company starts to improve then only they can plan for other things. So I think like I mentioned even though industrial sale, industrial part has also increased so it looks like you know that the slow cycle we had entered about one-and-a-half years back rather. It started to slow down a little from in Q1 FY2019 and then Q2 FY2019, and Q3 was a little more this thing because of IL&FS and everything then Q4 kept on sliding down,



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so I would say Q2 of this and Q3 it appears to have bottomed out because it improved in December it has improved again in January and we have already February and we have reasonably healthy order book entering into February so it looks like some sort of an improvement is definitely there.

**Saket Kapoor:** Sir if you could give the granular details of order book segment wise, which segment has garnered much attention Sir?

**Sorab Agarwal:** I would say the crane segment, the construction equipment segment even the material handling segment. I will not know the exact percentages as of now with respect to the increase segment wise but I can tell you that there is at least as compared to last quarter there is at least 15% to 20% increase in order booking.

**Saket Kapoor:** Sir in crane segment which category of cranes, are particularly having a dominant market share and these are catering to which industry Sir?

**Sorab Agarwal:** Our biggest segment we make a lot of types of cranes, pick-and-carry cranes, power cranes, or crawler cranes and recently we have gotten into self-propelled truck cranes, lorry-loaded cranes but the biggest segment within cranes is pick-and-carry cranes and it caters all across anywhere there is any requirement of lifting and shifting and like I said whether it is infrastructure construction or whether it is any industrial project these cranes are required everywhere all across.

**Saket Kapoor:** We have found lot of green shoot, rather not green shoot but exactly good come back from production companies like Coal India also wherein they have recorded highest production a 10% increase in coal production from the month of January and we find Coal India also is one of your clients so that falls in to material handling part so any idea the type of expansion which Coal India is commentating from the ramp up in the volume? What kind of business incremental business can we expect from players like Coal India, Steel Authority, I m talking about the year 2 basket as a whole.

**Sorab Agarwal:** It is very difficult our government share of business is only about 1.5% to 2% of our revenue but it is a long drawn tender process so is very difficult even there is a demand to buy they will take 6 months to 1 year to buy that is how it was in most of PSU. But now all I can tell you is that you are talking about little green shots or some better information. Increase of steel price I think is a biggest indicator of demand supply game and yes if the steel prices have hardened up by 10% to 12% over the last two months so definitely the demand is there and the supply is a little constraint or there is an opportunity to increase the prices that is why it has happened.

**Saket Kapoor:** Sir what I found in the segmental reporting is that it is the construction equipment that is a big drag on the number and what you are guiding us is that there is a diversion that is evident on ground in the construction equipment category that is what the message is?



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- Sorab Agarwal:** No. I am slightly surprise that you asked this question. Construction equipment has not been a drag. On year-on-year basis we have done about 14% more and on quarter-on-quarter basis we have done about 27% more rather last quarter we have done 1.5% to 2% less increase on quarter-on-quarter basis and about 6% lower in metal handling.
- Saket Kapoor:** Okay, I missed that number for December 2018 with September 2019 that was the reason.
- Sorab Agarwal:** It is not a drag.
- Saket Kapoor:** It is better because 1 Crores loss from quarter-on-quarter has now reduced to Rs.18 lakhs you were telling something Sir?
- Sorab Agarwal:** As a matter of fact with respect to our construction equipment we have been able to increase our revenue. In the current year construction equipment is the only segment where we still manage to increase our revenue by around 15% on a whole year basis. All other segments still we will be reducing revenue and I am sure going forward like we have contemplated in the past about 50% to 60% revenue increase year-on-year basis with respect to construction equipment. I see that happening now, I feel that in FY2021 and FY2022 we should be able to realize what we have been thinking for the last one or two years one and a half years, trying to do and we should be able to increase our construction equipment market back at least 50% to 60% going forward.
- Saket Kapoor:** Who are the major customers in the segment Sir from where you will be going to get the business?
- Sorab Agarwal:** All infra and construction companies, all big and small companies, all of them, we work with most of everybody you can think of.
- Saket Kapoor:** In the agri business if you could explain what is the focus currently right now what we found that agri business also has seen a big bump up if we take the revenue part from 29 Crores to 149 Crores quarter-on-quarter?
- Sorab Agarwal:** Our first half of the current year was miserable for our agri business but we have been able to sort of stabilize it in Q3 and I am very hopeful that we will be able to maintain this trend of stabilization and then going forward with increase in numbers maybe from next quarter onwards.
- Saket Kapoor:** If we take the peer comparison for agri equipment in your category the customers which you are handling who are your nearest peer competitor?
- Sorab Agarwal:** We make agricultural tractors and we make harvesters, in harvesters we compete primarily with Ploas and standard and we tractors we compete with there are about 20 to 25 small and big tractor manufacturing companies we compete with all of them.



- Saket Kapoor:** In pillars also are we present Sir?
- Sorab Agarwal:** No we do not make pillars.
- Saket Kapoor:** I will come in the queue Sir. I have a few of them. I will come in the queue. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Rajeev Maheshwari of Praj Investment. Please go ahead.
- Rajiv Maheshwari:** Mr. Agarwal first of all I would like to congratulate you and your entire team for completing 25 years.
- Sorab Agarwal:** Thank you Mr. Maheshwari, you figured out.
- Rajiv Maheshwari:** I figured out. I saw the program organized. I had a glimpse in the Youtube saw a couple of skills of you in the stage it was a good thing to have hopefully maybe this would bring turnaround in the fortunes of the company as well as the shareholders let us hope of that going ahead.
- Sorab Agarwal:** We did try to put a grand show and we invited most of our leading customers from all over the country.
- Rajiv Maheshwari:** In fact I think Mika Singh was also invited in that program if I am not wrong.
- Sorab Agarwal:** Yes, we had to pay him.
- Rajiv Maheshwari:** That should be more of a concern for the shareholders not for you but okay it should be good celebration and it was good achievement as such.
- Sorab Agarwal:** A good celebration and we use this opportunity to showcase our company and for strengthening our brand and I am sure will have its own benefits over the year.
- Rajiv Maheshwari:** Then it is fine, branding and image building is also equally important going ahead for the future of any company and anyway ACE has been in the top 100 brands may be six to seven years. Coming to the question just wanted to know in the last con call you had mentioned there was some export order a big order wherein 70 Crores which had come from some neighboring country government order so how has that worked on because I think the delivery was supposed to start sometime in December and January or maybe February. So how has that gone?
- Sorab Agarwal:** We are expecting to start delivery within this quarter. We are still expecting that because the commercial clearance and the required payment instrument has not been received by us as a matter of fact as we speak our people are there in that country trying to organize why it is getting



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delayed so we are hopeful we might start to execute in this quarter otherwise positively in the next quarter.

**Rajiv Maheshwari:** Sir basically it is firm order only the execution is taking sometime?

**Sorab Agarwal:** Yes, we are waiting for the payment instrument, letter of credit to come because otherwise it will become unsecured.

**Rajiv Maheshwari:** I read in somewhere in one of the interviews that you are planning maybe handle the slowdown in the India economy by going ahead and aggressively pursuing for more export orders as such. For us only things that turned up in the last quarter or maybe last three or four months apart from this one?

**Sorab Agarwal:** Generally our share of export used to be about 2% about one to one-and-a-half years when we started planning we increased it to 5% to 6% and this year it will be increased to 7% to 8% and I am sure by the end of next year it should be somewhere around 10% to 12% at least and we are targeting that over the next two years, three years we should take it to 20% to 25% so it can give us cover in case of slowdown in the Indian economy so we are working very aggressively on it and we are also trying to export our machines to CIS countries, we are already exporting some African and South American countries, we will expand to CIS, more into Middle East and South East Asia, it is an ongoing process and I am sure that it will take some time we will take this share of export in our revenue to about at least about 18% to 20% if not more.

**Rajiv Maheshwari:** This 20% to 25% sounds good but just wanted to know how is the competition lies in these countries because they must also be having some local players so how is it like if you consider competition as such?

**Sorab Agarwal:** We have a lot of variety of machines whether it is road making or cranes or metal handling which includes forklifts and some warehousing and also agriculture. Yes, there is some local competition but we realize that we are still being able to be very price competitive as well as quality competitive in this country. I am sure that have been able to do a reasonable job wherever we have entered yes it obviously takes time to establish the brand locally and to increase the numbers it is already happening we are actively exporting to about 20 to 22 countries as of now.

**Rajiv Maheshwari:** That is good. The other part of the question is like you see the firming up of demand and the steel prices and all has gone up so how would it would impact the profitability of our company as such going ahead the impact is steel prices, the rise in steel price and effective increase in our raw material cost as such?

**Sorab Agarwal:** Steel price actually ate away into most of our profitability in FY2019 which was a very good year otherwise, it ate our peak numbers and our profitability was hit by at least 3% to 4% only on account of steel prices but we have already taken preemptive effect. The steel prices started



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firming up a little end of November and December so from January 1 onwards we have already pushed in a price increase depending on model anywhere between 3% and 5%.

**Rajiv Maheshwari:** We have again taken a price hike on first January?

**Sorab Agarwal:** Yes, we have taken a price hike I think 2% to 5% depending on the models. We have already increased our prices in January.

**Rajiv Maheshwari:** That is great. The final part of the question is maybe three to four months you had mentioned about the new product which will be a game changer in terms of taking care of the tele handler as well as a couple of other functions as such so now the industry improving as a whole how do you see things moving ahead in terms of the interest taken by the big players?

**Sorab Agarwal:** See the people are very much interested. As a matter of fact we did some reasonable sales in the month of November and December and going forward with the economic cycle improving and the purchasing power improving I am sure that over the next six months, one year but let us talk about 3 to 5 years horizon from now that product would be commanding a lot of respect and a reasonable market share within the crane segment to the tune of maybe about 20% to 30% it has already started happening.

**Rajiv Maheshwari:** No risk of the same product coming through the competition or something like that as such?

**Sorab Agarwal:** Full risk is there. For all the three products we have applied for all the necessary patents. They are under process. I also understand competition is trying to copy one of those products so obviously we will go to court and stop them as soon as they copy ours.

**Rajiv Maheshwari:** Thank you so much. Wishing you all the best.

**Moderator:** Thank you. The next question is from the line of Adil Khan from ICICI Direct. Please go ahead.

**Chirag:** My question pertains you already mentioned that your target is to grow 50%, 60%-odd in the construction equipment segment and you already mentioned you are looking at green shots in the month of January and February so what is your outlook in the pick and carry crane segment? What is the kind of growth that you are looking in the next particular year fiscal per se?

**Sorab Agarwal:** If I talk of let us start with the current quarter. I am sure the current should be at least 15% to 20% better than the last quarter with respect to cranes that is what it looks like and if the same trend continues I would say that 15% to 20% increase looks evident, if it does not stop to improve and if things are further spruced up in the economy because like in the budget they mentioned release of 170,000 Crores only for the highways within the current year I mean this coming year in the budget like that happens and with Jewar Airport and some FY20-22 whatever new airports coming up and work which is slated to start on the high speed rail project apart from





so many other expressway projects which are already under plan or under implementation and metro line which are getting expanded now in Delhi Phase 4 has started and work has already been allotted to companies like KEC or Dilip Buildcon or YFC so if this continues then it should be faster than 15% to 20% much faster.

**Chirag:** Next question is from the client side perspective is liquidity abundant enough? Are they getting enough credit from NBFCs or banks for getting these equipments funded the problem which arise maybe three or four quarters back, is that thing getting receded?

**Sorab Agarwal:** I have already answered in this past also, just for repetition sake I feel that for a credit worthy end user or a buyer equipment funding was never a problem in the last three or four quarters it was just that because of the IL&FS the NBFCs did get squeezed and became a little more diligent in their activity of disbursement. We took pure credit worthy customers. Yes 10% to 15% of the market would have definitely got affected and their cost of borrowing would have increased because if X NBFC or bank would not have done it, the other bank would have done it at a maybe 1% or 2% to 2.5% higher cost but I always felt that funds were available it was more to do with credit worthiness.

**Chirag:** Sir if you were seeing that we have already taken a price hike of 2% to 5% across product categories so then what kind of margins are you looking to exit Q4 and what kind of margins are you envisaging over the next two years?

**Sorab Agarwal:** I think we should be able to improve margin by at least 1% or 2% in Q4 and our target would be at least do a I mean if we talk of next year to achieve at least about 10% to 11% EBITDA level at least if not more, it is translating into 7% to 8% PBT.

**Chirag:** Given such a robust growth outlook that you mentioned for both your heavy segments that is construction equipment and crane segment so then probably what kind of utilization we would be next year and when would we need a big capex program to fund our group?

**Sorab Agarwal:** Depending on different product our segments we are working anywhere between 40% and 60% as of now so more than double up our business we do not need any capex so I do not think we will need any capex at least for the next 1 to 2 years but I do hope the need arises that we were able to grow faster than that practically not possible maybe but I do not think for the next one to two years or to at least double up or more than double up about 2.5 times from this we really do not need any significant capex.

**Chirag:** Are there any emission norms for our equipments and is there any emission norm that we have to comply by in the near future which will lead to product changes and hence higher price realizations?



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**Sorab Agarwal:** Yes what is happening currently the construction equipment the CMVR, Central Motor Vehicle Rules for construction equipment which is called CEV at BS-III from October 1, 2020 all the construction equipment vehicles which are on tyres so most of our cranes and backhoe loaders and rollers and even any machine which has tyres even a forklift so they need to upgrade to BS-IV engine, but for CEV this applicable for engines bigger than 50 horsepower so I would say half the models of our cranes will need to be upgraded and process is currently happening and we are planning to move on to BS-IV engines. The cost increase for the engines between 50 and 75 would be either between 1 lakh to 1.5 lakhs per machine approximately and then the cost increase for machines which have an engine bigger than 75 horsepower would be anywhere between again depending on the engine horsepower anywhere between I would say 1.5 lakhs to 3 lakhs which is reasonably significant so this will be the new norm so I am sure accordingly the rental prices and everything will correct from October onwards.

**Chirag:** So then in that case probably your June and September quarter should see a good amount of prebuying also from the vendors?

**Sorab Agarwal:** Ideally, it should, but this is what most of the commercial vehicle this is what they were imagining and dreaming for last 1.5 years that sales will increase before March 20 especially in the last six months but we have seen what has happened I cannot say. Logically, there should be 10% to 20% prebuying in Q1 and Q2 as soon as the buyers realise and our sales people starts telling them that from October the same machine is going to cost 1 lakh to 2 lakhs or 3 lakhs more if a 15 lakhs machine is going to cause 2 lakhs more that is significant lot of money for anybody to prebuy.

**Moderator:** Thank you very much. The next question is from the line of Saket Kapoor of Kapoor Company. Please go ahead.

**Saket Kapoor:** I was talking about the debt level currently and receivable Sir we have gone through a rough patch over last two quarters that has changed the last month only so if you could give some understanding on the net receivables?

**Sorab Agarwal:** See our debt is currently at 100 Crores and we are pretty sure that by end of the year we will be able to bring it down to similar levels of last year and with respect to our receivables we have been able to better our receivable days we are currently at 33 days as compared to 37 days on quarter-on-quarter basis and on year-on-year basis it was 40 days, currently we are at 33 days.

**Saket Kapoor:** On the employee cost front Sir have we given increment or is the addition in employees that have resulted in maybe 8% to 10% increase?

**Sorab Agarwal:** Yes in the month of around August we generally give our increments so that is the effect you would have seen in the last quarter and apart from that obviously in the festive month and Diwali extra bonuses and all that so there are some extra payouts during this month.



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- Saket Kapoor:** For year on a whole, last year it was around 75 Crores and we are already 60 to 63 Crores so we will be in the 87 level, 22 should be the figure, it should be in the vicinity only the figure which we have for this quarter or any further increment will be expected.
- Sorab Agarwal:** No it will be similar to these levels.
- Saket Kapoor:** We also found that the government policy on mining and that is commercial mining has also now been articulated now so what kind of opportunity will this offer to this material handling segment and what is your thought process on that?
- Sorab Agarwal:** We are basically not into hardcore mining machines because hardcore mining machines are the excavator, the track excavators, the crawler tractors, the bulldozers, and the big payloaders but yes, some number of the smaller machines and cranes and even some backhoes and all are definitely used also in this activity but it is more to do with the bigger machines and we really are not into those bigger mining machines.
- Saket Kapoor:** Sir since you say that approximately 2% only of your business comes from the government but in the scheme of things either through the EPC way, even the private player who is consuming your product is he the nth customer of the government or is it totally private play for us?
- Sorab Agarwal:** No, the direct purchase by different government departments or PSUs maybe around 1.5% to 2% but for all the government spending that happens in any type of projects or EPC or wherever so all those contractors, subcontractors, and further down the line rental companies it could depend on the government spending on the infrastructure yes.
- Saket Kapoor:** That is what I am asking Sir. It is 2% directly but indirectly the major trust is from the government part.
- Sorab Agarwal:** Indirectly I would say it will be 50%.
- Saket Kapoor:** 50% would be continued.
- Sorab Agarwal:** In the current scenario, yes, a ballpoint figure would be about 40% to 50% at least.
- Saket Kapoor:** 50% only. Sir in the crane segment we are not into the long boom part Sir? It is only the pick and carry that is we are doing major work?
- Sorab Agarwal:** We make truck cranes. We were making 25 ton and 40 ton. It was an old obsolete design. In the current year we have launched our new versions on truck cranes 25 ton, 45 ton, 30 ton, and even 55 and 60 ton and in March, April we are going to launch an 80 ton. So which will cater to I would say 80% to 90% of the long boom volume in the country which was till three to four years time, we totally dominated by used cranes and in the last three or four years it has been



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dominated now by the Chinese manufacturers and we have entered this space and in this coming year I am sure we will start to get the market share back to the Indian company, that is our company.

- Saket Kapoor:** In this segment do you compete with Tractor India also TIL Kolkata based concern?
- Sorab Agarwal:** We have already started competing with them in this segment and our products are much better, technically specifications, performance, reliability, look and feel, and definitely better price, so TIL is in for some tough times now. It is already is, even tougher times.
- Saket Kapoor:** One more understanding Sir. You told that realization there was on a blended basis what should be the present level for us?
- Sorab Agarwal:** On a blended basis anywhere between 40% and 50%.
- Saket Kapoor:** Okay any incremental demand will be happening very easily with a substantial cushion there in the utilization levels in terms of volume?
- Sorab Agarwal:** We have been waiting for last 8 to 10 months for that happen we will latch on to it.
- Saket Kapoor:** Revathi Equipment a southern based equipment manufacturing company anyway competitor for us, do they fall in that place?
- Sorab Agarwal:** Revathi makes some drilling machines for mining and for blast holes and for anchoring they just started to make some concrete machinery eight, 10 years back, they do not compete with us anywhere.
- Saket Kapoor:** Thank you for the giving the guidance going forward and all the best Sir.
- Sorab Agarwal:** Thank you.
- Moderator:** Thank you very much. The next question is from the line of Jasdeep Walia of Infina Finance. Please go ahead.
- Jasdeep Walia:** Good afternoon Sir. Thanks for taking my question. Sir in the last quarter you are referring to some contract manufacturing order which you said good flows in the next three to four months if at all things turn out positive on that front, what is the status on that Sir?
- Sorab Agarwal:** It is still under negotiation, I will be very frank, and still we are talking on it, but apart from that one or two more opportunities have come up again from some foreign manufacturers wanting to do it in India, yes, it is still under discussion.



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- Jasdeep Walia:** What segment of equipment are you looking for this contract manufacturing business?
- Sorab Agarwal:** We can do anything that we do out of all the four segments and I would really not like to answer that question right now.
- Jasdeep Walia:** Sir on the export front I guess there is significant dependence on Nepal so if things slow down there do you still see exports increasing significantly next year?
- Sorab Agarwal:** Yes definitely because this 70 Crores order would be about 4 to 5% of the revenue which will start to execute and go into next year, apart from that we have already penetrated into lot of other markets. Nepal there is not lot of dependence yes, it is one of the significant one because we have able to establish some tractor sales and some construction equipment sales there but same amount of work has been done in the 20 to 25 countries which is bearing the result already.
- Jasdeep Walia:** That is all from my side.
- Moderator:** Thank you very much. The next question is from the line of Venkat Subramaniam of Organic Capital. Please go ahead.
- Venkat Subramaniam:** Nice to see confidence returning in your commentary after quite a long while. Now for the next year based on your broad indication of increased EBITDA of about 10% to 11% are we broadly penciling in something like about a 30% odd kind of growth on the small based that we have for this year?
- Sorab Agarwal:** No we are looking above 15% to 20% type of growth I would say which should be happening because obviously FY2020 has been wasted if it is more than that than it can beyond 10% to 11%. Also it can go 11%, 12%, 13% that time will tell I think it is too early.
- Venkat Subramaniam:** Now given that lot of our addressable market indirectly is getting funded by state government orders because a lot of road projects actually state government, and many of their finances are actually in bad shape given that a lot of your customers are probably not getting paid which you kind of hinted that was the issue in your conversations with them what kind of indications are we getting how is the flow because in many cases?
- Sorab Agarwal:** Definitely things are improving and that is what is translating in these slightly increased sales that we have seen in the last two months so as a matter of fact I was talking to two big road companies only yesterday it is a coincidence they again tend to buy reasonable number of equipment further upcoming sites and existing sites over the next or two months. Things are looking positive.
- Venkat Subramaniam:** That is great to hear. You think the kind of small uptick that we are seeing is more secular and therefore we should be able to build on it?



**Sorab Agarwal:** I think so because see initially I thought December was a fluke then January again I was really not convinced going into February we have a good order book in hand and orders are flowing so things seem to have picked up as of now.

**Venkat Subramaniam:** Thanks a lot.

**Moderator:** Thank you very much. The next question is from the line of Anupam Goswami of Pioneer Investcorp Limited. Please go ahead.

**Anupam Goswami:** Good afternoon Sir. Sir can you share the volume numbers please segment wise?

**Sorab Agarwal:** Mr. Luthra will just share them with you.

**Rajan Luthra:** For Pick and Carry we did 1142, mobile tower cranes we did 18, fixed tower cranes we did 44, 3 crawler canes, tractor 718, backhoe loader 69, forklift 189, compactors 19, graders 6, truck mounted cranes 4, harvesters 64, 295 rotavators and 5 piling rigs.

**Anupam Goswami:** Among the segment, where do you see the growth, what could be the guidance in the Q4 in these segments?

**Sorab Agarwal:** If we look at segment wise, definitely there has been growth of about 15% to 20% in cranes, there would be growth of around 15% to 20% again in construction equipment. This I am talking quarter-on-quarter. With respect to forklifts again may be a 10% to 15% and with respect to agri we can expect a little more increase or may be similar.

**Anupam Goswami:** Cranes, year-on-year, Q4 what should be expect, should it be a flattish kind of growth?

**Sorab Agarwal:** I just told you about Q4 only.

**Anupam Goswami:** Sir FY2021 what should we expect in the crane segment?

**Sorab Agarwal:** I think it would be better to give a guideline sometime in April, we want some more time pass, because giving a guideline now even we have not thought about it. I will be very frank but on the whole, it appears to increase the revenue by at least 15% if similar trend continues should be easy, but it can definitely be much more than that so that we will know once another two to three months had passed by.

**Anupam Goswami:** Sir last question Sir, how are we seeing the momentum in the government projects that has been stalled over or has been a lackluster all these months how is that?

**Sorab Agarwal:** Definitely revival in the existing ones and there is definitely there is a lot of fresh work which is coming out and also being allotted and mobilized.



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- Anupam Goswami:** Thank you Sir.
- Moderator:** Thank you. Ladies and gentleman due to time constraints, we take the last question from the line of Adil Khan from ICICI Direct. Please go ahead.
- Chirag:** Sir, thanks for the followup. Just one more can you throw some colour on the agri segment as you also had mentioned earlier that you are going into 70 HP Horsepower tractors and above and that is mainly for the export markets so any success out there.
- Sorab Agarwal:** Yes, we have started exporting 70 to 75 horsepower and 90 horsepower tractors especially to some African countries and the performance of this machine player has been reasonable acceptable and hopefully the numbers would only grow from here on unfortunately we do not have the number exactly horsepower wise so I really would not able to tell you.
- Chirag:** Sir, just you can on a ballpark basis you have sold 718 tractors this quarter so what would be in the mid range, low range and high range horsepower a ballpark only for the nine months of the quarter, however it is feasible?
- Sorab Agarwal:** I would say about 10% to 12% of these are those 70 horsepower and below.
- Chirag:** On your construction equipment and pick and carry crane portfolio how much of volumes are sold to rental companies and how much is sold to directly to infrastructure companies or the constructions companies?
- Sorab Agarwal:** I will just able to give a ballpark idea right now. About 50% to 60% goes to rental companies and I think the endusers themselves buy only not more than 40% to 45%
- Chirag:** You don't supply much to government so what is the difference in the payment cycle if we sell to a government entity and to a private community vis-à-vis, how much?
- Sorab Agarwal:** To be very frank with we do not want to sell to the government department.
- Chirag:** Because it is mostly for the payment issues?
- Sorab Agarwal:** It is definitely for the payment issues because they do mention 30 days or 60 days by receipt of store, it takes two, three, four months to get a receipt of store and then it take anywhere between two, three, four, five months, six months even one year to get the balance of the payment that too with some deduction which is we sometimes not able to understand why so it is primarily the reason we are doing very less business directly with the government.
- Chirag:** Sir, my final question what is the quantum of debt on your balance sheet and average cost of the interest cost?



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**Sorab Agarwal:** As of now about 100 Crores which we are sure to bring to about 50 Crores to 55 Crores by end of March or just by working on our inventories which are little bloated as of now and the average cost of debt would be around 9%.

**Chirag:** That is all from my side. Thank you and all the best Sir for your future.

**Moderator:** Thank you. I would now like to hand the conference over to the management for closing comments.

**Sorab Agarwal:** Like we have discussed hopefully the small improvements that has happened in the last two months appeared to be there the equipment market has seemed to have bottomed out, fresh purchases have started, fresh government lease of contracts have started, steel prices have firmed up which is a clear indication that in the demand supply game, the demand is back. So hopefully we should look for healthier and better quarters and like I mentioned for the next year, for this current quarter we are looking at least 10% to 15% growth and for the next year at least about 15% growth but if things further speed up a little or accelerate and then things start to improve so maybe it is much faster than that in the next year. Thanks a lot.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.