

## Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

### Investor Snapshot

#	Analytical Point	Sentiment
1	Dominant high-tonnage crane player successfully pivoted to a Wind EPC model, driving a robust 71.49% YoY revenue surge to ₹782 Cr.	☐Positive
2	<i>Operating margins compressed significantly from 56% to 42% as the business mix shifted toward lower-margin subcontracting and EPC services.</i>	☐Negative
3	<i>Reported PBT is of lower quality, with 24.39 Cr (15.5% of total) derived from one-time asset sales rather than core operations.</i>	☐Negative
4	<i>Total debt escalated to 438 Cr to fund aggressive expansion, resulting in a weakened Financial Health rating of 2/5.</i>	☐Negative
5	<i>Liquidity is under severe pressure with Free Cash Flow turning negative at - 75 Cr due to debt-funded capex and working capital stress.</i>	☐Negative
6	<i>Working capital cycle is deteriorating as trade receivables surged 137%, far outstripping revenue growth and pushing debtor days to 110.</i>	☐Negative
7	The company maintains a healthy ROCE of 15.37% and a strong ₹600 Cr order book, providing medium-term earnings visibility.	☐Positive
8	<i>Aggressive revenue recognition is evident with unbilled revenue reaching 31% of total receivables, a key risk for future write-downs.</i>	☐Negative
9	<i>Critical governance failures identified, including a breach of the Companies Act regarding Independent Director meetings and lack of database-level audit trails.</i>	☐Negative
10	<i>Internal control weaknesses are highlighted by a 22.76 Cr discrepancy in bank reporting and auditor inability to certify IT audit trails.</i>	☐Negative
11	Strategic entry into Saudi Arabia and fleet rejuvenation serve as long-term hedges against domestic cyclical and operational obsolescence.	☐Positive
12	Investment View: WATCH; stance remains neutral until debtor days fall below 90 and internal financial controls are fully remediated.	☐Neutral

### 1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** SML operates primarily in heavy-duty crane rental (65.89% of revenue) and has aggressively expanded into Wind EPC (29.27%) and Project EPC (4.83%) services.
- **Revenue Drivers:** Growth is driven by the "Quantum Leap" strategy, pivoting from pure asset rental to turnkey EPC solutions for wind energy, alongside stable blended yields of 2.05% per month in the crane segment.

- **Cost Drivers:** Major costs include subcontracting charges (22.94% of revenue), contract labor (7.41%), and finance costs (3.31%) associated with a capital-intensive fleet.
- **Industry Position:** SML maintains a dominant position in the high-tonnage (>400 MT) crane segment, providing significant pricing power despite rising competition.
- **Expansion Plans:** Aggressive capacity additions and geographic diversification into Saudi Arabia via *Sanghvi Movers Middle East* to target "Vision 2030" infrastructure projects.
- **Acquisitions & Restructuring:** Executed a slump sale of the renewable energy business to a wholly-owned subsidiary, *Sangreen Future Renewables*, to ring-fence EPC execution risks.
- **Capacity Additions:** Added 46 new cranes in FY25, increasing total capacity to 91,693 MTPA; average capacity utilization stands at 73%.
- **Geographical Presence:** Primarily India-based with a heavy skew toward wind-rich states; now establishing a footprint in the Middle East.

## 2. MANAGEMENT COMMENTARY & OUTLOOK

---

- The company is undergoing a fundamental structural transformation, moving up the value chain from a pure-play crane provider to a turnkey EPC provider for wind energy to increase "stickiness" with IPPs.
- Management has initiated a "Quantum Leap" strategy involving the decentralization of business lines into specialized subsidiaries like *Sangreen Logistics* to internalize the wind turbine supply chain.
- The launch of the Saudi Arabian subsidiary serves as a critical hedge against Indian infrastructure cyclicality, though administrative delays in obtaining regulatory IDs have been noted.
- A significant professionalization effort is underway with the appointment of Gaurang Desai as CEO and Pradeep Mehta as CFO to address "key-man risk" and refresh the finance function.
- Management acknowledges margin pressures and election-related disruptions but remains committed to heavy capex (₹235 Cr+ annually) to rejuvenate the fleet and maintain high yields.
- The order book stands at ₹600 Cr, heavily concentrated in the Renewables sector (63%), making the company a proxy for wind energy growth.
- Strategic focus has shifted toward asset monetization, evidenced by the sale of 30 older cranes for a profit of ₹13 Cr to maintain a young, efficient fleet.
- Management Tone: The tone is **cautiously aggressive**; while leadership is transparent about OPM compression due to the EPC pivot, they continue to leverage the balance sheet for expansion, signaling high confidence in long-term demand despite persistent governance friction and internal control gaps.

## 3. FINANCIAL ANALYSIS

---

### 3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

## P&L Statement (₹Crores)

Line Item	Mar 2025	Mar 2023
Sales -	782.00	456.00
Sales Growth %	0.00	35.95
Expenses -	452.00	199.00
Manufacturing Cost %	43.51	29.09
Employee Cost %	5.95	7.12
Other Cost %	8.30	7.43
Operating Profit	330.00	257.00
OPM %	42.00	56.00
Other Income -	41.00	30.00
Exceptional items	34.31	18.77
Other income normal	6.44	11.00
Interest	26.00	17.00
Depreciation	129.00	121.00
<b>Profit before tax</b>	<b>217.00</b>	<b>149.00</b>
Tax %	28.00	25.00
<b>Net Profit -</b>	<b>157.00</b>	<b>112.00</b>
Exceptional items AT	25.00	14.00
Profit excl Excep	132.00	98.00
Profit for PE	132.00	98.00
Profit for EPS	157.00	112.00
Profit Growth %	0.00	289.00
EPS in Rs	18.08	12.94
Dividend Payout %	11.00	15.00

## Balance Sheet (₹ Crores)

Line Item	Mar 2025	Mar 2023
Equity Capital	9.00	9.00
Reserves	1,134.00	833.00
Borrowings -	438.00	183.00
Long term Borrowings	232.00	94.00
Short term Borrowings	206.00	89.00
Other Liabilities -	185.00	96.00
Trade Payables	82.00	17.00
Advance from Customers	0.00	4.00
Other liability items	103.00	74.00
<b>Total Liabilities</b>	<b>1,765.00</b>	<b>1,121.00</b>
Fixed Assets -	1,116.00	858.00
Land	20.35	21.33
Building	32.94	25.30
Plant Machinery	2,137.63	1,705.20
Equipments	3.37	2.53
Furniture n fittings	1.48	1.49
Vehicles	7.12	3.56
Intangible Assets	0.00	0.00
Other fixed assets	8.10	3.51
Gross Block	2,210.99	1,762.92
Accumulated Depreciation	1,094.98	904.42
CWIP	18.00	7.00
Investments	150.00	35.00
Other Assets -	482.00	220.00
Inventories	6.00	4.00
Trade receivables -	235.00	99.00
Receivables over 6m	19.00	22.00
Receivables under 6m	226.00	132.00
Prov for Doubtful	-11.00	-55.00
Cash Equivalentents	54.00	21.00
Loans n Advances	21.00	5.00
Other asset items	166.00	90.00
<b>Total Assets</b>	<b>1,765.00</b>	<b>1,121.00</b>

## Cash Flow Statement (₹Crores)

Line Item	Mar 2025	Mar 2023
Cash from Operating Activity -	162.00	257.00
Profit from operations	337.00	264.00
Receivables	-133.00	-13.00
Inventory	0.00	0.00
Payables	53.00	0.00
Loans Advances	-4.00	0.00
Other WC items	-40.00	7.00
Working capital changes	-124.00	-6.00
Direct taxes	-52.00	-1.00
Cash from Investing Activity -	-286.00	-237.00
Fixed assets purchased	-237.00	-232.00
Fixed assets sold	0.00	27.00
Investments purchased	-69.00	-184.00
Investments sold	36.00	179.00
Interest received	5.00	1.00
Other investing items	-21.00	-28.00
Cash from Financing Activity -	89.00	-15.00
Proceeds from borrowings	209.00	150.00
Repayment of borrowings	-77.00	-143.00
Interest paid fin	-17.00	-18.00
Dividends paid	-26.00	-4.00
<b>Net Cash Flow</b>	<b>-36.00</b>	<b>5.00</b>
Free Cash Flow	-75.00	52.00
CFO/OP	65.00	101.00

## Key Ratios (₹Crores)

Line Item	Mar 2025	Mar 2023
Debtor Days	110.00	79.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	110.00	79.00
Working Capital Days	21.00	16.00
ROCE %	0.00	15.00

### 3.2 Financial Analysis Summary

- **Revenue** surged **71.49%** to **₹782.00 Cr** in FY25, driven by the core Crane hiring segment and a **₹228.94 Cr** contribution from Wind EPC, though **25.02%** of **Revenue** is concentrated in just two clients.
- **EBITDA** (Operating Profit) grew **28.40%** to **₹330.00 Cr**, but **OPM %** compressed sharply from **56.00%** to **42.00%** as **Expenses** rose to **₹452.00 Cr**, largely due to **₹179.44 Cr** in subcontracting charges required for the asset-light EPC model.
- **Net Profit** of **₹157.00 Cr** was bolstered by **₹34.31 Cr** in exceptional items, including a **₹24.39 Cr** non-recurring gain from the sale of fixed assets, indicating core operational **PAT** is lower than reported.
- **Trade Receivables** more than doubled to **₹235.00 Cr**, causing **Debtor Days** to deteriorate from **79** to **110**, with **₹72.88 Cr** (31% of receivables) sitting as unbilled revenue, creating a substantial cash realization lag.
- **Working Capital** changes of **-₹124.00 Cr** acted as a major drag on **CFO**, which fell to **₹162.00 Cr** from **₹257.00 Cr**, resulting in a **CFO/PAT** ratio of **1.03** (down from **2.29** in FY23).
- **Total Debt** escalated to **₹438.00 Cr** to fund a **₹237.00 Cr Capex** program, increasing the **Debt/Equity** ratio to **0.38** and driving **Finance Cost** up to **₹26.00 Cr**.
- **Fixed Assets** (Net Block) reached **₹1,116.00 Cr**, while **Depreciation** of **₹129.00 Cr** remains a critical estimate based on a 15-20 year asset life; any technological obsolescence could trigger accelerated charges.
- **Free Cash Flow** turned negative at **-₹75.00 Cr** as **Capex** requirements exceeded **CFO**, forcing reliance on **₹209.00 Cr** in new **Proceeds from borrowings**.
- **Other Assets** rose to **₹482.00 Cr**, driven by **₹14.19 Cr** in advances for goods/services and **₹15.07 Cr** in government balances, while **Other Expenses** were impacted by **₹26.61 Cr** in legal/professional fees (3.40% of revenue).
- **Inventory** of **₹6.00 Cr** carries high risk, as a **₹5.66 Cr** provision for slow-moving items suggests nearly **100% obsolescence** of spares for older crane models.
- **ROCE** remained stable at **15.37%** as the increase in **EBIT** was offset by a larger capital base, while **ROE** of **13.74%** reflects moderate efficiency despite margin pressures.
- The dominant financial theme of the year is **aggressive top-line expansion and heavy capital reinvestment that has significantly strained working capital and free cash flow, resulting in a more leveraged balance sheet and a reliance on non-operating gains.**

### 3.3 Contingent Liabilities & Commitments

- **Capital Commitments:** **₹74.25 Cr** (Net of advances) for ongoing fleet expansion and modernization.
- **VAT/CST Dispute:** A massive demand of **₹120.26 Cr** regarding "transfer of right to use goods" was rejected by the Asst. Commissioner of Sales Tax, providing significant balance sheet relief.
- **Claims against Group:** **₹2.09 Cr** not acknowledged as debt.
- **Tax Matters:** **₹0.21 Cr** for Income Tax and **₹0.97 Cr** for GST matters.

### 3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — CFO lags PAT due to ₹124 Cr working capital outflow, primarily receivables.	□	PAT ₹157 Cr vs CFO ₹162 Cr; CFO/OP dropped to 65% from 101%.	Working capital changes of -₹124 Cr driven by ₹133 Cr receivable increase.
2	Receivables & channel-stuffing signal	Revenue ↑ — receivables growth of 137% outpaces sales growth of 71%, suggesting aggressive billing.	□	Receivables ₹235 Cr (FY25) vs ₹99 Cr (FY23); Sales ₹782 Cr vs ₹456 Cr.	Debtor days increased from 79 to 110; Note 42 shows bank reporting discrepancies.
3	Revenue timing (unbilled / contract assets)	Revenue ↑ — unbilled revenue of ₹72.88 Cr represents 31% of receivables, accelerating income recognition.	□	Unbilled dues ₹72.88 Cr; Contract liabilities ₹15.79 Cr.	Note 10(a) highlights unbilled revenue; Note 2(c) (ix) uses POCM for EPC revenue.
4	Revenue from related parties %	Neutral — no material revenue from related parties reported; focus remains on KMP remuneration.	□	RPT Note 35(D) claims arm's length transactions; no specific revenue figure cited.	Note 35(D) states outstanding balances are unsecured and interest-free.
5	Inventory vs revenue growth	Neutral — inventory levels remain negligible at 0.7% of sales, typical for service-heavy models.	□	Inventory ₹6 Cr vs Sales ₹782 Cr.	Inventory consists primarily of stores and spares for crane maintenance.
6	Inventory valuation method change	Profit ↓ — 50% of inventory value is provided for obsolescence, risking future P&L write-downs.	□	Provision for slow-moving inventory ₹5.66 Cr vs net inventory ₹5.69 Cr.	Note 9 indicates high obsolescence risk for older crane model spares.
7	Exceptional items in operating profit	Profit ↑ — non-recurring asset sale gains of ₹24.39 Cr inflate PAT by 15.5%.	□	Other Income ₹41 Cr; Gain on sale of assets ₹24.39 Cr.	Note 26 shows asset disposal gains account for 11% of PBT.
8	Depreciation rate vs useful life policy	Profit ↑ — long useful life of 20 years for cranes reduces annual depreciation expense.	□	Depreciation ₹129 Cr; Plant & Machinery Gross Block ₹2,137.63 Cr.	Note 2(c)(iii) uses 15-20 years SLM; technological obsolescence could force faster write-offs.
9	Provision reversals boosting PAT	Profit ↑ — reduction in doubtful debt provision from ₹55 Cr to ₹11 Cr boosts earnings.	□	Provision for Doubtful Debts ₹11 Cr (FY25) vs ₹55 Cr (FY23).	Balance sheet shows significant reversal or utilization of prior year provisions.
10	Tax rate consistency	Neutral — cash tax of ₹52 Cr is largely consistent with the 28% P&L rate.	□	Tax % 28.00; Direct taxes paid ₹52 Cr.	P&L tax provision aligns with statutory rates and cash outflows.
11	CWIP age and stalling projects	Neutral — CWIP remains low at 1.6% of fixed assets, indicating no major stalling.	□	CWIP ₹18 Cr vs Fixed Assets ₹1,116 Cr.	Capital commitments of ₹4.25 Cr suggest active fleet expansion rather than stalled projects.
12	Deferred tax asset recognition adequacy	Neutral — tax rate of 28% suggests standard accounting without aggressive deferred tax recognition.	□	Tax rate 28% in FY25 vs 25% in FY23.	No significant deferred tax asset concerns noted in the provided analysis.
13	RPT quantum and trend	Profit ↓ — significant cash outflows via ₹12.25 Cr	□		

#	Check	Impact	Status	Evidence	Notes Detail
		dividends and ₹7.35 Cr KMP remuneration.		Remuneration ₹7.35 Cr; Dividends to promoter family > ₹12.25 Cr.	Note 35(B) details high concentration of payouts to the Sanghvi family.
14	Dividend paid vs FCF adequacy	Profit ↓ — dividend of ₹26 Cr paid despite negative free cash flow of ₹75 Cr.	☐	Dividends paid ₹26 Cr; Free Cash Flow -₹75 Cr.	Financing of dividends and capex relies on ₹209 Cr new debt proceeds.
15	Audit Trail Compliance	Neutral — Unable to comment on audit trail at database level for Parent and two subsidiaries.	☐	Note 51; Lack of SOC report coverage.	Material weakness in internal financial controls; one subsidiary lacks feature entirely.
16	Bank Reporting Discrepancies	Revenue ↑ — Significant discrepancies between current assets reported to banks vs books.	☐	Note 42; ₹22.76 Cr difference in Trade Receivables.	Reported to Kotak Mahindra Bank; suggests potential window-dressing or reporting lag.

## 4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters \* **Audit opinion type:** Unqualified Opinion. \* **Key Audit Matters (KAMs):** \* **Audit Trail (Database Level):** The auditor was "unable to comment on audit trail at database level" for the Parent and two subsidiaries due to a lack of SOC report coverage. One subsidiary lacked the audit trail feature entirely, and two others lacked it for the first half of the year. This indicates a material weakness in internal financial controls. \* **Bank Reporting Discrepancies:** Significant discrepancies exist between current assets reported to banks and the books of accounts. In December 2024, a ₹22.76 Cr difference was noted in Trade Receivables reported to Kotak Mahindra Bank. \* **Revenue Recognition:** Recognition of crane hiring (over time) and EPC revenue (POCM) involves significant management estimation regarding the "proportion of cost performed to total estimated contract costs." \* **Auditor Fees:** Legal and Professional Fees stood at ₹26.61 Cr (3.40% of revenue), which is high for the sector.

### B. Related Party Transactions

Party	Relationship	Nature	Amount (₹Cr)	Concern
<b>Rishi C. Sanghvi</b>	Managing Director	Remuneration	5.36 Cr	☐
<b>Rishi C. Sanghvi</b>	Managing Director	Dividend Paid	7.49 Cr	Neutral
<b>Mina C. Sanghvi</b>	Promoter Group	Dividend Paid	3.01 Cr	Neutral
<b>Sham D. Kajale</b>	CFO	Remuneration	1.99 Cr	Neutral
<b>KMP</b>	Key Managerial Personnel	Commission/Incentive Payable	1.67 Cr	

- **Note 35(B):** Total dividends paid to the promoter family (Rishi, Mina, Niyoshi, Maithili) exceeded ₹12.25 Cr in FY25.
- **RPT Risk Checks:** RPT as % of Revenue is 2.50% (Acceptable); RPT as % of CFO is 12.05% (Significant cash leakage).

C. Shareholding \* **Promoters:** 47.25% | **FII:** 2.05% | **DII:** 2.01% | **Public:** 48.69% \* **Pledged Shares:** 0% pledge reported.

D. Board Composition + KMP Compensation \* **Total Directors:** 8 | **Independent %:** 75.00% | **Women Directors:** 2. \* **Family Relations:** Rishi C. Sanghvi (MD) and Maithili R. Sanghvi (Non-Exec Director) are husband and wife. Mina C. Sanghvi (Promoter) is the mother of the MD. \* **Compensation Analysis:** MD

remuneration decreased by **54.38%** YoY to ₹5.36 Cr, normalizing to **1.62% of EBITDA** (down from 3.56% in FY24) following a prior year statutory breach.

#### F. Capital Allocation & Capex

Action	FY Current (₹Cr)	FY Prior (₹Cr)	% of CFO	Signal
Dividends	26.00 Cr	4.00 Cr	16.05%	□
<b>Capex</b>	237.00 Cr	232.00 Cr	146.30%	
<b>Net Debt Change</b>	255.00 Cr	16.00 Cr	157.41%	
<b>Working Capital Investment</b>	124.00 Cr	6.00 Cr	76.54%	

- **CFO Coverage of Capex:** CFO/Capex ratio is **0.68x**, indicating the company cannot self-fund expansion.
- **Nature of Capex:** Primarily **Growth Capex**, adding 46 new cranes.
- **Deployment Efficiency:** Revenue grew **71.49%** since Mar 2023 on a **25.41%** increase in Gross Block, suggesting high incremental asset turnover.
- **Key Takeaways:** The unexecuted capital commitment of ₹74.25 Cr suggests the aggressive expansion phase is cooling slightly, but **leverage remains the primary funding engine**.

H. Risks \* **Audit Trail Failure:** Lack of database-level logs (High Impact). Risk of unauthorized entries. \* **Bank Reporting Gap:** ₹22.76 Cr discrepancy in receivables (High Impact). Risk of credit facility withdrawal. \* **Non-Operating Profit:** ₹24.39 Cr gain on asset sales (Medium Impact). Masks flat operational growth. \* **Receivable Concentration:** **25% of revenue** from two customers (Medium Impact). High counterparty risk.

## 5. SCORECARD & VERDICT

### Part A: Scorecard

Dimension	Rating (1-5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	71% Rev growth; 2.05% monthly yield	Strong moat in high-tonnage cranes but increasing EPC execution risk.
Financial Health	2	↓	D/E 0.38x; FCF -₹75 Cr; CFO/PAT 1.03	Rapidly rising debt and negative FCF due to aggressive capex and WC stress.
Earnings Quality	2	↓	15.5% PBT from asset sales; 31% Unbilled Rev	High reliance on non-operating gains and aggressive revenue recognition.
Management & Governance	2	↓	No ID meeting; Audit trail failure; Bank gaps	Persistent internal control failures and lack of independent board oversight.
Capital Allocation & Earnings Visibility	3	→	ROCE 15.37%; ₹600 Cr Order Book	Good returns and visibility, but capex is entirely debt-funded.

**BUSINESS POSITIVES (for this company this year)** \* □ **Robust Top-line Growth:** Revenue surged **71.49%** to ₹82 Cr, driven by successful diversification into Wind EPC. \* □ **Pricing Power:** Maintained a stable blended yield of **2.05% per month** despite a softer demand environment. \* □ **Asset Monetization:** Realized **₹24.39 Cr** gain from the sale of older cranes, supporting fleet rejuvenation. \* □ **Professionalization:** Appointment of a new CEO and CFO to reduce key-man risk and improve corporate structure. \* □ **Market Expansion:** Strategic entry into Saudi Arabia to hedge against domestic cyclical.

**BUSINESS NEGATIVES / CONCERNS (for this company this year)** \* □ **Governance Red Flag:** Independent Directors failed to hold a separate meeting in FY25, breaching the Companies Act. \* □ **Internal Control Failure:**

Auditor unable to comment on database-level audit trails; ₹22.76 Cr discrepancy in bank reporting. \*  **Working Capital Stress:** Debtor days deteriorated to **110 days**; unbilled revenue now stands at **31%** of receivables. \*  **Negative Free Cash Flow:** FCF turned negative at -₹75 Cr as debt-funded capex outpaced operating cash flows. \*  **Margin Compression:** OPM dropped from **56% to 42%** due to the lower-margin EPC subcontracting model.

**OVERALL SCORECARD SUMMARY** Sanghvi Movers is in a high-growth phase, successfully pivoting its business model, but this expansion is being funded by significant debt and aggressive accounting estimates. While the business moat remains strong, the deteriorating earnings quality (reliance on asset sales) and severe governance lapses (audit trail and board meeting failures) are major concerns. The company is on a **stable but high-risk trajectory**, where operational gains are being offset by internal control weaknesses.

## Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	<input type="checkbox"/>	Unqualified opinion provided.
2	Promoter pledge = 0?	<input type="checkbox"/>	0% pledge reported.
3	KMP pay < 5% of PAT?	<input type="checkbox"/>	MD pay is 3.4% of PAT (₹.36 Cr / ₹157 Cr).
4	RPT quantum < 5% of revenue?	<input type="checkbox"/>	RPT is 2.50% of revenue.
5	Board > 50% independent?	<input type="checkbox"/>	75% of the board is independent.
6	At least 1 woman director?	<input type="checkbox"/>	2 women directors on the board.
7	No statutory dues outstanding?	<input type="checkbox"/>	No major defaults reported.
8	No fraud reported?	<input type="checkbox"/>	No fraud reported by auditors.
9	Audit trail enabled?	<input type="checkbox"/>	Auditor unable to comment at database level; one sub lacks feature.
10	Frequent Auditor change	<input type="checkbox"/>	MSKA & Associates in place since 2022.

Final line: "Total: 9/10 — Governance Rating: 2 (Downgraded due to severity of Audit Trail & ID meeting failures)"

## Part C: Investor Verdict

**THESIS:** SML is a dominant high-tonnage crane player pivoting to a wind EPC proxy, offering high growth but carrying significant governance and working capital risks. **OVERALL STANCE:** WATCH **RATIONALE:** Strong operational performance is currently overshadowed by material weaknesses in internal financial controls and negative free cash flow. **RE-EVALUATE WHEN:** Debtor days reduce below 90 AND audit trail compliance is fully certified by auditors. **BULL CASE:** Saudi Arabian operations scale rapidly to contribute >15% of PAT with OPM recovery to 50%. **BEAR CASE:** A major default or write-down in the ₹2.88 Cr unbilled revenue bucket combined with rising interest rates on the ₹438 Cr debt. **KEY MONITORABLE:** Unbilled Revenue as % of Receivables: 31% → Watch threshold: >35%.

## 7. YEAR-OVER-YEAR ANALYSIS

### 7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
<b>Executive Compensation</b>	Regulatory breach with MD pay at ₹11.75 Cr (7.5% of PAT) exceeding SEBI limits.	Normalized to ₹5.36 Cr (3.4% of PAT) following the resolution of prior statutory friction.	Management has corrected the aggressive overpayment of the promoter-MD to align with regulatory caps and shareholder interests.
<b>Leverage Profile</b>	Total borrowings at ₹183 Cr with a gearing ratio of 20.43%.	Total borrowings escalated to ₹438 Cr to fund the "Quantum Leap" strategy.	The balance sheet has transitioned to a high-leverage state where debt is now the primary engine for fleet expansion.
<b>Internal Controls</b>	Administrative lapses regarding RoC filings and bank reporting discrepancies.	Material weakness identified via database-level audit trail failures and lack of SOC reports.	Governance risk has escalated from simple administrative delays to fundamental failures in the integrity of the digital audit trail.
<b>Earnings Composition</b>	Profit driven primarily by 71% operational revenue growth in the crane and EPC segments.	15.5% of PBT (₹24.39 Cr) derived from non-recurring gains on the sale of fixed assets.	Core earnings quality is softening as the company increasingly relies on asset monetization to mask flatter operational profit growth.
<b>Geographic Strategy</b>	Purely domestic focus centered on Indian wind-rich states.	Strategic entry into Saudi Arabia via a new subsidiary to target "Vision 2030" projects.	The company is actively diversifying its geographic footprint to hedge against the cyclicity of the Indian infrastructure market.
<b>Capital Self-Sufficiency</b>	CFO/Capex ratio at 0.48x indicating heavy external funding needs.	CFO/Capex ratio improved slightly to 0.68x but remains well below self-funding levels.	Despite massive revenue growth, the business model remains unable to fund its own expansion, resulting in persistent negative free cash flow.

### 7.2 Persistent Patterns

- Dominant market monopoly in high-tonnage (>400 MT) crane rentals remains the primary competitive moat.
- Heavy revenue concentration in the wind energy sector (63%+) persists as a significant cyclical risk.
- Sustained aggressive capital expenditure (exceeding ₹200 Cr annually) to modernize and expand the fleet.
- Zero promoter share pledging continues to signal strong long-term commitment to the equity base.
- Deteriorated working capital cycle (110 debtor days) has become the new operational baseline, indicating permanent cash entrapment.
- Recurring discrepancies in reporting current assets to banks (₹21 Cr - ₹22 Cr range) suggest chronic internal reporting lags.
- High depreciation charges (SLM method) continue to provide a substantial non-cash buffer to operating cash flows.
- Strategic focus on high-quality credit profiles (L&T, Reliance) is maintained to mitigate the risk of actual credit losses despite slow collections.
- Unqualified audit opinions are consistently issued despite the presence of material internal control weaknesses.

