Sanghvi Movers Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

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	***Operating margins compressed significantly from 56% to 42% as the business mix shifted toward lower-margin subcontracting and EPC services.***	Negative
3	***Reported PBT is of lower quality, with ₹24.39 Cr (15.5% of total) derived from one-time asset sales rather than core operations.***	Negative
4	***Total debt escalated to ₹438 Cr to fund aggressive expansion, resulting in a weakened Financial Health rating of 2/5.***	Negative
5	***Liquidity is under severe pressure with Free Cash Flow turning negative at -₹75 Cr due to debt-funded capex and working capital stress.***	Negative
6	***Working capital cycle is deteriorating as trade receivables surged 137%, far outstripping revenue growth and pushing debtor days to 110.***	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	***Aggressive revenue recognition is evident with unbilled revenue reaching 31% of total receivables, a key risk for future write-downs.***	Negative
9	***Critical governance failures identified, including a breach of the Companies Act regarding Independent Director meetings and lack of database-level audit trails.***	Negative
10	***Internal control weaknesses are highlighted by a ₹22.76 Cr discrepancy in bank reporting and auditor inability to certify IT audit trails.***	Negative
11	**Strategic entry into Saudi Arabia and fleet rejuvenation serve as long-term hedges against domestic cyclicality 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

P&L statement (□Cr)

Line item	Mar 2025	Mar 2023
Sales	782	456
Sales Growth %	0	35.95
Expenses	452	199
Manufacturing Cost %	43.51	29.09
Employee Cost %	5.95	7.12
Other Cost %	8.30	7.43
Operating Profit	330	257
OPM %	42	56
Other Income	41	30
Exceptional items	34.31	18.77
Other income normal	6.44	11
Interest	26	17
Depreciation	129	121
Profit before tax	217	149
Tax %	28	25
Net Profit	157	112
Exceptional items AT	25	14
Profit excl Excep	132	98
Profit for PE	132	98
Profit for EPS	157	112
Profit Growth %	0	289
EPS (□)	18.08	12.94
Dividend Payout %	11	15

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2023
Equity Capital	9	9
Reserves	1,134	833
Borrowings	438	183
Long term Borrowings	232	94
Short term Borrowings	206	89
Other Liabilities	185	96
Trade Payables	82	17
Advance from Customers	0	4
Other liability items	103	74
Total Liabilities	1,765	1,121
Fixed Assets	1,116	858
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	0
Other fixed assets	8.10	3.51
Gross Block	2,210.99	1,762.92
Accumulated Depreciation	1,094.98	904.42
CWIP	18	7
Investments	150	35
Other Assets	482	220
Inventories	6	4
Trade receivables	235	99
Receivables over 6m	19	22
Receivables under 6m	226	132
Prov for Doubtful	-11	-55
Cash Equivalents	54	21
Loans n Advances	21	5
Other asset items	166	90
Total Assets	1,765	1,121

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2023
Cash from Operating Activity	162	257
Profit from operations	337	264
Receivables	-133	-13
Inventory	0	0
Payables	53	0
Loans Advances	-4	0
Other WC items	-40	7
Working capital changes	-124	-6
Direct taxes	-52	-1
Cash from Investing Activity	-286	-237
Fixed assets purchased	-237	-232
Fixed assets sold	0	27
Investments purchased	-69	-184
Investments sold	36	179
Interest received	5	1
Other investing items	-21	-28
Cash from Financing Activity	89	-15
Proceeds from borrowings	209	150
Repayment of borrowings	-77	-143
Interest paid fin	-17	-18
Dividends paid	-26	-4
Net Cash Flow	-36	5
Free Cash Flow	-75	52
CFO/OP	65	101

Key ratios

Line item	Mar 2025	Mar 2023
Debtor Days	110	79
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	110	79
Working Capital Days	21	16
ROCE %	0	15

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	Notes detail
1	PAT vs CFO trend	Profit ↑ — CFO lags PAT due to □124 Cr working capital outflow, primarily receivables.	—	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.	—	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.	—	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.	—	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 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.	—	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%.	—	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.	—	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.	—	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.	—	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.	—	Capital commitments of □74.25 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.	—	No significant deferred tax asset concerns noted in the provided analysis.
13	RPT quantum and trend	Profit ↓ — significant cash outflows via □12.25 Cr dividends and □7.35 Cr KMP remuneration.	—	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.	—	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.	—	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.	—	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
Rishi C. Sanghvi	Managing Director	Remuneration	5.36 Cr	—
Rishi C. Sanghvi	Managing Director	Dividend Paid	7.49 Cr	Neutral
Mina C. Sanghvi	Promoter Group	Dividend Paid	3.01 Cr	Neutral
Sham D. Kajale	CFO	Remuneration	1.99 Cr	Neutral
KMP	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% | **FIIs:** 2.05% | **DIIs:** 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%	—
Capex	237.00 Cr	232.00 Cr	146.30%	—
Net Debt Change	255.00 Cr	16.00 Cr	157.41%	—
Working Capital Investment	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 ₹782 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 cyclicality.

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
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

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 □72.88 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
Executive Compensation	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.
Leverage Profile	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.
Internal Controls	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.
Earnings Composition	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.
Geographic Strategy	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 cyclicality of the Indian infrastructure market.
Capital Self-Sufficiency	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.**