Sanghvi Movers Ltd — FY 2024 Annual Report Analysis

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	**SML maintains a dominant near-monopoly in the high-tonnage crane segment, strategically positioned to capture the wind energy sector's transition to 3MW+ turbines.**	□
2	**Top-line performance surged 71% YoY to □782 Cr, bolstered by a 135% growth in the new EPC vertical and improved blended yields of 2.20%.**	□
3	***Operating margins faced significant compression, dropping from 56% to 42% as increased operational intensity and manufacturing costs offset pricing power.***	□
4	***While absolute profitability is robust, earnings quality is deteriorating as evidenced by a 137% spike in trade receivables to 235 Cr and a CFO/PAT ratio of 1.03.***	□
5	Total debt increased by 59.83% to □438 Cr (D/E 0.38x) to fund fleet expansion, though solvency was aided by the removal of a □870.76 Cr contingent VAT liability.	□
6	***Liquidity is under pressure as the company generated negative Free Cash Flow of - 75 Cr, with operating cash flows unable to cover the intensive investment cycle.***	□
7	Capital expenditure reached □237 Cr for fleet upgrades, with a further □114.75 Cr committed for FY25, signaling a continued high-capex growth phase.	□
8	***Significant reporting red flags have emerged, specifically a 21.93 Cr discrepancy between receivables reported to banks versus audited books and a spike in debtor days to 110.***	□
9	***Governance posture has weakened following a 5.18 Cr breach of SEBI remuneration limits and MD compensation growth (191%) that significantly outpaced profit growth.***	□
10	***Primary risks include a potential liquidity crunch if the working capital cycle continues to stretch and the risk of further regulatory friction regarding promoter pay.***	□
11	**The medium-term outlook is supported by a □425 Cr opening order book and the engagement of Bain & Company to professionalize the family-led management structure.**	□
12	Maintain a WATCH stance; monitor for debtor days falling below 90 and the resolution of bank reporting discrepancies before increasing exposure.	□

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1. BUSINESS OVERVIEW

- **Business Segments:** Sanghvi Movers Ltd (SML) is transitioning from a pure-play crane rental company to an integrated service provider. It is de-merging operations into three distinct profit centers: Core Crane Rental, Renewables (turnkey EPC), and Logistics.
- **Revenue Drivers:** The core equipment hiring segment remains the primary driver, contributing 95.88% of total operations. The EPC segment is an aggressive growth area, increasing 135.61% YoY.

- **Cost Drivers:** Significant drivers include manufacturing costs (rising from 29.09% to 43.51%), employee costs, and finance costs associated with debt-funded fleet expansion.
- **Industry Position:** SML maintains a near-monopoly in India for high-tonnage cranes (>100 MT), which are essential for the 3MW+ turbines currently being deployed in the wind energy sector.
- **Expansion Plans:** Management is targeting a ₹250–300 Cr Capex for FY25, focusing on "fleet high-grading" by selling older units and purchasing new, high-capacity cranes.
- **Acquisitions & Subsidiaries:** Incorporated **Sangreen Future Renewables** and **Sangreen Logistics** as 100% subsidiaries to capture more value in the renewable energy chain.
- **Capacity Additions:** SML added 34 new cranes to its fleet in FY24, while selling 32 older units to maintain a young and reliable fleet.
- **Segment Performance:** Equipment hiring revenue grew from ₹444.97 Cr to ₹593.06 Cr. EPC revenue grew from ₹10.81 Cr to ₹25.47 Cr.
- **Geographical Presence:** Operations are 100% India-based. A voluntary winding up of the Vietnam subsidiary occurred after failing to deploy heavy-duty cranes, signaling challenges in international scaling.

2. MANAGEMENT COMMENTARY & OUTLOOK

- The "Quantum Leap" strategy marks a structural shift toward becoming an integrated service provider for Independent Power Producers (IPPs), covering projects from "conceptualization to commissioning."
- Management has engaged **Bain & Company** (Project AAROHAM) to institutionalize operations and move away from a purely family-led structure.
- Growth guidance remains aggressive with a planned ₹250–300 Cr Capex for FY25, indicating a belief that the infrastructure and wind energy cycles have not yet peaked.
- The shift toward 3MW+ wind turbines is viewed as a major tailwind, as these projects require the high-tonnage cranes where SML holds a dominant market position.
- The rollout of **SAP S4 HANA** (Project SAMAGRA) is expected to improve operational efficiency and real-time tracking of fleet utilization across 130+ job sites.
- Management is de-risking the business by focusing on high-quality credit profiles such as L&T, Reliance, JSW, and Vestas to mitigate receivable risks.
- The incorporation of **Sangreen Renewables** as an SPV model allows SML to offer turnkey services, though it introduces execution risks (civil work, project delays) previously borne by clients.
- A significant board refresh has occurred, with four long-standing Independent Directors replaced by new members to bring fresh perspectives and diversified expertise.
- The CFO transition (Mr. Sham D. Kajale resigning as Joint MD but remaining CFO) is intended to allow focused financial management of the new subsidiaries and the "Quantum Leap" strategy.
- Management Tone: The tone is **strategically aggressive** and highly confident. Moving past the conservative post-COVID stance, leadership is using language like "Scaling the Peak" and "Quantum Leap" to signal a multi-year super-cycle. They are positioning the company as a critical infrastructure partner rather than just an asset-renter, though the execution of turnkey projects remains the primary monitorable (LAST BULLET POINT).

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
Profit before tax	217.00	149.00
Tax %	28.00	25.00
Net Profit -	157.00	112.00
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
Total Liabilities	1,765.00	1,121.00
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 Equivalents	54.00	21.00
Loans n Advances	21.00	5.00
Other asset items	166.00	90.00
Total Assets	1,765.00	1,121.00

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
Net Cash Flow	-36.00	5.00
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** grew significantly from **□456.00 Cr** to **□782.00 Cr**, primarily driven by the core equipment hiring segment (95.88% of operations), while the EPC segment showed aggressive strategic growth of **135.61% YoY**; however, this growth is heavily tied to a surge in **Trade Receivables** which jumped from **□99.00 Cr** to **□235.00 Cr**, leading to a deterioration in **Debtor Days** from **79** to **110**.
- **Operating Profit** increased to **330.00 Cr**, but **OPM %** compressed sharply from **56.00%** to **42.00%** due to **Manufacturing Cost %** rising from **29.09%** to **43.51%**, reflecting higher operational intensity or pricing pressure in the equipment rental market.
- **Net Profit** reached **157.00 Cr**, supported by **Other Income** of **41.00 Cr** which includes exceptional items of **34.31 Cr**; however, the quality of earnings is under scrutiny as **Excess Promoter Remuneration** of **5.18 Cr** was paid beyond statutory limits, pending shareholder approval.
- **Finance Cost** rose to **26.00 Cr** as **Total Debt** (Borrowings) ballooned from **183.00 Cr** to **438.00 Cr** to fund fleet expansion, yet the Debt Service Coverage Ratio improved by **90.23%**, suggesting efficient refinancing or higher earnings thresholds.
- **Depreciation** increased to **129.00 Cr**, consistent with the growth in **Gross Block** from **1,762.92 Cr** to **2,210.99 Cr**, specifically driven by a **432.43 Cr** addition to **Plant Machinery** as the company aggressively expands its rental fleet.
- **Working Capital** has become a significant cash drag, with **Working Capital changes** on the **Cash Flow Statement** consuming **124.00 Cr** compared to just **6.00 Cr** in the prior year, primarily due to the **133.00 Cr** increase in **Trade Receivables**.
- **Trade Receivables** reported to banks were **21.93 Cr** lower than book values due to unbilled revenue, and **Inventories** showed a **1.45 Cr** discrepancy, signaling potential delays in recognizing obsolescence or aggressive revenue recognition.
- **CFO** fell from **257.00 Cr** to **162.00 Cr** despite higher profits, resulting in a **CFO/PAT** ratio drop from **2.29** to **1.03**, indicating that nearly all net earnings are being trapped in the **Cash Conversion Cycle**, which lengthened to **110 days**.
- **Capex** remained high at **237.00 Cr**, exceeding **CFO** of **162.00 Cr** and leading to a negative **Free Cash Flow** of **-75.00 Cr**, forcing the company to rely on **Proceeds from borrowings** of **209.00 Cr** to sustain its expansionary phase.
- **Capital Commitments** of **114.75 Cr** suggest that the capital-intensive growth phase will continue, further pressuring the **Debt / Equity** ratio which has already climbed from **0.22** to **0.38**.
- **Balance Sheet** solvency was significantly de-risked following the removal of a massive **870.76 Cr** contingent liability related to Sales Tax/VAT after a favorable High Court ruling, which previously represented a major threat to **Net Worth**.
- **Investments** increased from **35.00 Cr** to **150.00 Cr**, and the company incorporated a new subsidiary, **Sangreen Renewables**, to pivot toward a turnkey "service model" for wind turbines, though no consolidation was performed for FY24 due to the subsidiary's short 8-day existence.
- **ROCE** remained stable at **15.37%** and **ROE** at **13.74%**, indicating that while the company is taking on more **Total Debt**, it is successfully maintaining return thresholds on its expanded **Total Assets** base of **1,765.00 Cr**.
- **Trade Payables** increased from **17.00 Cr** to **82.00 Cr**, providing a **53.00 Cr** boost to **CFO**, but this was insufficient to offset the massive receivables build-up, highlighting a growing reliance on supplier credit and external debt to fund the **Working Capital** gap.
- **Other Assets** increased significantly, driven by a **36.93%** deterioration in the **Net Capital Turnover Ratio** as current assets grew faster than revenue; unbilled revenue (a **□21.93 Cr** gap in bank reporting) and **Capital Advances** of **□114.75 Cr** are the primary drivers of this asset build-up.

- **Other Liabilities** rose to ₹**185.00 Cr**, with **Trade Payables** jumping to ₹**82.00 Cr**, indicating that the company is stretching its supplier credit to manage the liquidity pressure from its **Working Capital** cycle.
- The company's financial character this year is defined by aggressive, debt-funded fleet expansion and strong **Revenue** growth, which has significantly de-risked its **Balance Sheet** through the resolution of legacy tax disputes but faces immediate pressure from compressed **OPM %** and a deteriorating **Cash Conversion Cycle** that has turned **Free Cash Flow** negative.

3.3 Contingent Liabilities & Commitments

- **Sales Tax / VAT Matters:** ₹0.00 Cr (FY24) vs ₹870.76 Cr (FY23). A massive liability was removed following a favorable Bombay High Court order (Dec 2023) ruling that hiring cranes does not constitute a "transfer of right to use."
- **Capital Commitments (Net):** ₹114.75 Cr (FY24) vs ₹111.84 Cr (FY23). High commitments indicate continued aggressive capex for equipment procurement.
- **Claims against Company:** ₹2.08 Cr (FY24) vs ₹2.13 Cr (FY23). Includes new claims of ₹1.04 Cr raised by customers for "breach of contracts," which management deems not probable of resulting in outflow.
- **GST Demand:** ₹0.71 Cr (FY24) vs ₹0.32 Cr (FY23).

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; CFO of □162 Cr lags PAT of □157 Cr significantly due to working capital.	□	PAT □157 Cr vs CFO □162 Cr; CFO/OP dropped from 101% to 65%.	Note 46(h): Net Capital Turnover Ratio fell 36.93% as current assets grew faster than revenue.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — receivables surged 137% vs sales growth of 71%, signaling aggressive revenue recognition.	□	Receivables □235 Cr (FY25) vs □99 Cr (FY23); Sales □782 Cr vs □456 Cr.	Note 41(ii): □21.93 Cr discrepancy in bank reporting due to unbilled revenue inclusion in books.
3	Revenue timing	Revenue ↑ — unbilled revenue and contract assets of □6.23 Cr accelerate top-line recognition over time.	□	Contract Assets □6.23 Cr; Contract Liabilities □11.19 Cr.	Note 40: Revenue recognized "over time" for hiring and EPC; requires management judgment on completion.
4	Revenue from related parties %	Neutral — minimal direct RPT revenue; focus is on promoter remuneration and new SPV formation.	□	RPT revenue not flagged as material % of □782 Cr sales.	Note 51/52: Focus on □5.18 Cr excess promoter pay and new Sangreen Renewables SPV.
5	Inventory vs revenue growth	Profit ↓ — inventory build is small but bank reporting discrepancies suggest delayed obsolescence recognition.	□	Inventory □6 Cr (FY25) vs □4 Cr (FY23); Sales grew 71%.	Note 41: □1.45 Cr inventory difference with bank due to post-submission slow-moving provisions.
6	Inventory valuation method change	Neutral — no change in valuation method reported; consistency maintained in accounting policies.	□	Inventory remains at lower of cost or NRV.	Note 41: Provisions for slow-moving inventory are made, but policy remains standard.
7	Exceptional items in operating profit	Profit ↑ — non-recurring gains of □34.31 Cr significantly boost reported PBT and PAT.	□	Exceptional items □34.31 Cr in FY25 vs □18.77 Cr in FY23.	P&L: Exceptional items AT of □25 Cr represents 16% of total Net Profit.
8	Depreciation rate vs useful life policy	Profit ↑ — depreciation grew only 6.6% despite a 25% increase in Gross Block assets.	□	Dep. □129 Cr vs □121 Cr; Gross Block □2,210 Cr vs □1,762 Cr.	Note 46: Finance costs decreased despite higher debt, aiding DSCR alongside stable depreciation.
9	Provision reversals boosting PAT	Profit ↑ — reversal of doubtful debt provisions significantly reduced the credit loss impact.	□	Prov. for Doubtful decreased from -□55 Cr to -□11 Cr.	Balance Sheet: Significant reduction in provision for doubtful debts improves net asset value.
10	Tax rate consistency	Profit ↓ — cash tax paid (□52 Cr) is higher than P&L tax % (28%).	□	Tax % 28.00; Direct taxes paid in CFO: □52 Cr.	P&L: Tax rate increased from 25% to 28% YoY, reflecting higher effective tax outgo.
11	CWIP age and stalling projects	Neutral — CWIP is low relative to total assets, suggesting active deployment of new fleet.	□	CWIP □18 Cr vs Total Assets □1,765 Cr.	Note 48: High capital commitments (□114.75 Cr) suggest CWIP will convert to Gross Block quickly.
12	Deferred tax asset recognition	Neutral — no major concerns on DTA; company is profitable with high tax payout.	□	Tax % at 28% indicates full recognition of tax liabilities.	Note 49(b): Removal of □870 Cr VAT liability de-risks future tax/contingency outflows.
13	RPT quantum and trend	Profit ↓ — governance risk from excess promoter remuneration pending	□	Excess Remuneration: □5.18 Cr.	Note 51: Remuneration exceeded SEBI Reg 17(6)(e)

#	Check	Impact	Status	Evidence	Notes Detail
		shareholder approval via special resolution.			limits; awaits shareholder ratification.
14	Dividend paid vs FCF adequacy	Profit ↓ — dividends paid despite negative Free Cash Flow due to heavy capex.	□	Dividends □26 Cr; FCF -□75 Cr (FY25).	Cash Flow: Dividend payout 11% maintained despite aggressive □237 Cr equipment capex.
15	Bank Reporting Integrity	Neutral — Discrepancies in receivables (□21.93 Cr) and inventory (□1.45 Cr) between bank filings and books.	□	Note 41: Differences attributed to unbilled revenue and post-submission provisions.	Discrepancies signal a lag in internal reporting synchronization and potential credit risk.
16	Auditor Compliance Lapses	Neutral — Technical errors led to delays in registering charges (CHG-1) with the RoC Pune.	□	Note 43: Administrative lapses in compliance resolved with additional fees.	Indicates minor administrative weaknesses in the secretarial/ compliance function.
17	Insider Trading Compliance	Neutral — Auditor noted an instance of insider trading by an employee during a closed window.	□	Worker 1A: Minimal value but indicates a need for tighter internal compliance.	Signals potential gaps in internal control over sensitive information as the company scales.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit opinion type:** Unqualified Opinion. The financial statements provide a true and fair view in accordance with Ind AS. * **Internal Financial Controls:** Clean opinion provided; however, administrative lapses were noted regarding delayed registration of charges (CHG-1) with the RoC Pune. * **Key Audit Matters (KAMs):** * **Reconciliation of Bank Returns:** Material discrepancies exist between book values and quarterly statements filed with Kotak Mahindra Bank. Trade Receivables (Gross) were reported to the bank at □165.98 Cr while books showed □187.91 Cr. Inventory differences (□1.45 Cr) were attributed to slow-moving provisions made after bank submission. * **Revenue Recognition:** Revenue for EPC and hiring is recognized "over time," requiring significant management judgment on the stage of completion and performance obligation satisfaction. * **Related Party Remuneration:** The auditor highlights the payment of □5.18 Cr in excess of SEBI limits to the MD, pending shareholder ratification.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | |-------|--------------|--------|----------------|---------| | ***Rishi C. Sanghvi*** | Managing Director | Excess Remuneration | 5.18 Cr | ***Breach of SEBI Reg 17(6)(e)*** | | **Rishi C. Sanghvi** | Managing Director | Total Remuneration | 11.75 Cr | Neutral | | **Sham D. Kajale** | CFO | Total Remuneration | 1.80 Cr | Neutral | | **Sangreen Renewables** | Subsidiary | Investment/Incorporation | 0.00 Cr | Informational |

- **Concern:** The company paid remuneration to the MD exceeding statutory limits by □5.18 Cr without prior shareholder approval via special resolution.
- **RPT Risk Checks:** % of Revenue: 2.19%; % of CFO: 8.36%. MD remuneration jumped from □4.03 Cr in FY23 to □11.75 Cr in FY24.

C. Shareholding | Line Item | Mar 2024 | Mar 2023 | | :--- | :--- | :--- | | **Promoters** | 47.25% | 47.25% | | FIIs | Not disclosed | 2.05% | | DIIs | Not disclosed | 2.01% | | Public | Not disclosed | 48.69% | * **Pledged Shares:** 0% pledge.

D. Board Composition + KMP Compensation * **Total Directors:** 11 | **Independent %:** 72.73% | **Women Directors:** 3. * **KMP Compensation:** * ***Rishi C. Sanghvi (MD)***: □11.75 Cr (191.56% YoY growth). This vastly outstrips the 28.40% growth in Operating Profit and represents 3.56% of EBITDA. * **Sham D. Kajale (CFO)**:

□1.80 Cr (-33.58% YoY growth due to transition from Joint MD). * **Family Ties:** Rishi C. Sanghvi and Maithili R. Sanghvi are husband and wife.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | | :--- | :--- | :--- | :--- | :--- | | ***Capex*** | 334.00 Cr | 232.00 Cr | 206.17% | | | **Dividends** | 26.00 Cr | 4.00 Cr | 16.05% | □| | ***Net Debt Change*** | 255.00 Cr | 16.00 Cr | 157.41% | | | ***Working Capital Investment*** | 124.00 Cr | 6.00 Cr | 76.54% | |

CAPEX ANALYTICAL NOTES: * **CFO Coverage of Capex**: CFO/Capex ratio is **0.48x**, indicating heavy reliance on external debt. * **Nature of Capex**: Primarily **Growth Capex**, adding 34 new cranes to the fleet. * **Deployment Efficiency**: Revenue grew **35.71%** on a **25.4%** increase in Gross Block, showing stable asset turn. * **Key Takeaways**: **The unexecuted capital commitment of 114.75 Cr suggests the aggressive expansion phase will persist, further increasing leverage.**

H. Risks * ***Excess Remuneration*** (Regulatory): MD pay exceeded SEBI limits by 5.18 Cr. Impact: Potential regulatory penalties or shareholder dissent. (□High) * ***Bank Reporting Gap*** (Governance): 21.93 Cr discrepancy in receivables reported to bank vs books. Impact: Risk of credit facility withdrawal. (□High) * ***Leverage Surge*** (Financial): Total borrowings increased by 109.35 Cr (59.83%). Impact: Gearing ratio rose to 20.43%. (□Medium) * ***Receivable Risk*** (Operational): 133 Cr cash outflow into receivables. Impact: Liquidity crunch if client payment cycles lengthen. (□Medium) * **EPC Execution** (Operational): EPC segment grew 135% YoY. Impact: Higher execution risk compared to pure-play rental. (□Medium)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	Near-monopoly in high-tonnage cranes; 71% revenue growth.	Strong moat in a niche, high-demand infrastructure segment.
Financial Health	3	↓	D/E rose to 0.38x; FCF is -□75 Cr.	Aggressive debt-funded expansion has pressured liquidity and FCF.
Earnings Quality	2	↓	CFO/PAT 1.03; □21.93 Cr bank reporting gap.	High receivables build-up and reporting discrepancies raise red flags.
Management & Governance	2	↓	□5.18 Cr excess MD pay; SEBI breach.	Significant governance friction due to aggressive promoter compensation.
Capital Allocation & Earnings Visibility	4	→	ROCE 15.37%; □425 Cr opening order book.	Capex is driving revenue, but returns are currently offset by leverage.

BUSINESS POSITIVES (for this company this year) * □**Revenue Growth:** Total revenue increased by 71% to □782 Cr, driven by strong demand in the wind energy sector. * □**Moat Strengthening:** Blended yield improved from 1.97% to 2.20%, reflecting pricing power in high-tonnage cranes. * □**Balance Sheet De-risking:** Removal of □870.76 Cr contingent VAT liability via High Court order significantly improves solvency. * □**Digital Transformation:** Successful rollout of SAP S4 HANA across 130+ job sites for better utilization tracking. * □ **Sector Tailwinds:** Shift to 3MW+ turbines plays directly into SML's competitive advantage in heavy lifting.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Governance Breach:** Paid □5.18 Cr excess remuneration to the MD in violation of SEBI Regulation 17(6)(e). * □**Cash Flow Stress:** Free Cash Flow turned negative at -□75 Cr as Capex (□237 Cr) far exceeded CFO (□162 Cr). * □**Working Capital Drag:** Trade Receivables surged 137% to □235 Cr, causing Debtor Days to spike from 79 to 110. * □**Reporting Discrepancies:** A □21.93 Cr gap exists between receivables reported to banks vs. the audited books. * □**Margin Compression:** OPM % dropped from 56% to 42% due to a sharp rise in manufacturing and operational costs.

OVERALL SCORECARD SUMMARY Sanghvi Movers is currently in a high-octane, debt-funded growth phase, successfully leveraging its near-monopoly in heavy-duty cranes to capture the wind energy super-cycle. While business quality remains high and the balance sheet was significantly de-risked by the resolution of a massive legacy tax dispute, financial health is being tested by negative free cash flow and a ballooning working capital cycle. Most critically, governance posture has deteriorated due to a breach of SEBI remuneration limits and material discrepancies in bank reporting, suggesting that internal controls are struggling to keep pace with the company's "Quantum Leap" ambitions.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion provided.
2	Promoter pledge = 0?	□	0% pledge reported.
3	KMP pay < 5% of PAT?	□	MD pay (□11.75 Cr) is ~7.5% of PAT (□157 Cr).
4	RPT quantum < 5% of revenue?	□	RPT is 2.19% of revenue.
5	Board > 50% independent?	□	72.73% Independent Directors.
6	At least 1 woman director?	□	3 woman directors on the board.
7	No statutory dues outstanding?	□	No major defaults reported.
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	Confirmed in auditor's report.
10	Frequent Auditor change	□	MSKA & Associates in a stable 5-year term.
Final line: "Total: 9/10 □— Governance Rating: 2 (Downgraded due to SEBI breach and bank reporting gaps)"			

Part C: Investor Verdict

THESIS: SML is a dominant infrastructure proxy play benefiting from the wind energy transition, but currently faces a "growth-at-any-cost" phase that is straining governance and cash flows.

OVERALL STANCE: WATCH

RATIONALE: Strong operational performance is overshadowed by aggressive promoter compensation and deteriorating working capital quality. RE-EVALUATE WHEN: Debtor Days drop below 90 AND shareholder ratification of excess MD pay is confirmed. BULL CASE: Successful execution of the EPC vertical leads to 20%+ ROCE and FCF positivity by FY26. BEAR CASE: Continued receivable build-up leads to a liquidity crunch or credit rating downgrade. KEY MONITORABLE: Trade Receivables: □235 Cr → Watch for any increase beyond □300 Cr without commensurate revenue growth.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Self-funded expansion (CFO/Capex 1.11x) with low leverage (D/E 0.22x).	Debt-funded expansion (CFO/Capex 0.48x) with rising leverage (D/E 0.38x).	The company has shifted from organic growth to a high-leverage model that relies on external debt to sustain its aggressive capex.
Margin Trajectory	Peak OPM at 56% driven by high-margin rental yields.	OPM compressed to 42% due to rising manufacturing costs and EPC pivot.	The structural shift toward integrated EPC services is diluting the superior margins of the core crane rental business.
Working Capital	Efficient cycle with 79 debtor days and 2.29x CFO/PAT conversion.	Deteriorating cycle with 110 debtor days and 1.03x CFO/PAT conversion.	Aggressive revenue growth is being financed by stretching the balance sheet, leading to significant cash entrapment in receivables.
Governance & Pay	Disciplined KMP pay (~14% growth) and liquidation of promoter loans.	SEBI breach with ₹5.18 Cr excess MD pay and 191% remuneration growth.	Governance quality has regressed as executive compensation now vastly outpaces operational profit growth and violates statutory limits.
Reporting Integrity	Clean reconciliations and high-quality accounting signals.	₹21.93 Cr discrepancy between bank filings and audited books.	Material reporting gaps suggest internal controls are failing to keep pace with the increased complexity of the "Quantum Leap" strategy.
Balance Sheet Risk	High risk from ₹870 Cr contingent VAT liability.	De-risked via favorable High Court ruling on VAT liability.	The removal of the legacy tax overhang significantly strengthens the long-term solvency profile despite rising operational debt.

7.2 Persistent Patterns

- **Dominant market monopoly in high-tonnage cranes (>100 MT) remains the core competitive moat.**
- **Heavy revenue concentration in the wind energy and infrastructure sectors persists as a cyclical risk.**
- **Sustained aggressive capital expenditure cycle (exceeding ₹200 Cr annually) to modernize the fleet.**
- **Zero promoter share pledging continues to signal long-term commitment to the equity base.**
- High depreciation charges (SLM with double-shift) consistently provide a massive non-cash buffer to operating cash flows.
- **Unexecuted capital commitments remain consistently high (>₹110 Cr), indicating a permanent state of expansion.**
- Maintenance of an unqualified audit opinion across both periods despite emerging reporting discrepancies.
- **Strategic focus on high-quality credit profiles (L&T, Reliance, Vestas) to mitigate long-term credit losses.**

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