Sanghvi Movers Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak / Inline with cautious outlook **One-line:** Thesis remains intact but enters a "waiting period" as SML navigates a seasonal/election-led slump and pivots to a more complex, multi-subsidiary EPC and Logistics model.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss / Soft Outlook	Yield dropped to 77% (vs 84% YoY); Q2 guidance revised downwards (CU <75%).	□
Earnings Quality	Moderate	Impacted by utilization/yield drops; receivables at 101 days suggest tightening liquidity.	□
Guidance Confidence	Neutral	Management is being transparent about a weak Q2 while pinning recovery on H2 FY25.	□
Management Credibility	Strong	Proactive disclosure of soft Q2 and decision to defer Capex shows capital discipline.	□
Business Quality Signal	Stable	Structural demand for >100MT cranes (95% of fleet) remains a high-barrier moat.	□
Key Q&A Exchange	N/A	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	Utilization & Yield	Slowdown due to elections and monsoon hitting yields; shift to EPC risk.	□
Capital Cycle Stage	Consolidation	Management is deferring Capex to H2 and restructuring the organization.	□
Margin / Return Ratio Trajectory	Deteriorating	Blended Yield down to 77% (vs 84% YoY) and guided to drop further in Q2.	□
Pricing Power	Eroding (Cyclical)	Blended yield expected to drop below 2% in Q2 due to temporary oversupply/low demand.	□
FCF Conversion & Quality	Weak	CFO impacted by 101-day receivables and lower EBITDA; Capex being deferred to preserve cash.	□
Competitive Moat Signals	Stable	Concentration in >100MT cranes (95% of gross block) protects against commoditized rental competition.	□
Balance Sheet Strength	Adequate	Net Debt of □317.38 Cr; D/E ratio manageable at 0.30.	□
Working Capital Efficiency	Deteriorating	Average receivable days at 101; □17.2 Cr in debtors over 90 days.	□
Mgmt Guidance Track Record	Reliable	Historically accurate on cyclicality; current cautiousness aligns with macro headwinds.	□
Key Vulnerability / Red Flag	Horizontal Expansion Risk	Pivot to Renewables EPC and Logistics through "Project Samruddhi" adds execution/margin risk.	□
Management Tone	Cautious/Pragmatic	Explicitly warns of a "subdued" Q2 while maintaining H2 optimism.	□

Sentiment: □Neutral

Key Takeaways

Positives: * **Asset Quality:** SML maintains a premium fleet with 95% of the gross block concentrated in high-capacity cranes (>100MT), which face less competition and higher entry barriers. * **Capital Discipline:** Management has proactively deferred H2 FY25 Capex (estimated at □180-200 Cr total) until visibility improves, signaling a focus on balance sheet health over aggressive growth during a slowdown. * **Structural Pivot:** "Project Samruddhi" seeks to institutionalize the Renewables EPC and Logistics businesses into 100% subsidiaries, potentially unlocking value and creating dedicated P&L accountability.

Negatives: * **Yield Compression:** The blended yield fell from 84% to 77% YoY. Management's guidance for Q2 yield to fall below 2% and utilization below 75% indicates a sharp short-term earnings trough. * **Working Capital Stress:** Receivable days have stretched to 101 days, with a notable chunk of debtors (□17.2 Cr) exceeding the 90-day mark, which may weigh on cash flows during the slow Q2. * **Execution Risk:** Moving from a pure-play rental model to an "End-to-End" EPC and Logistics provider increases operational complexity and capital intensity.

Forward-looking Watchpoint: The success of the H2 FY25 recovery is entirely dependent on post-monsoon deployment and the execution of the "healthy pipeline" in the newly formed Renewables subsidiary.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□Cr)	Not in document	N/A	N/A	→	PPT provides yield/debt but not P&L totals.
Blended Yield (%)	77%	↓ 700 bps	↓ 700 bps	↓	Volume/Yield hit by monsoon & elections.
Net Debt (□Cr)	317.38	↑ 6.7%	↑ 10.6%	↓	Increased from □286.95 Cr in March 2024.
Debt : Equity (x)	0.30	↑ 0.04	↑ 0.02	↓	Marginal increase due to Q1 capex/working cap.
Avg Receivable Days	101 Days	First entry	First entry	□	Net of GST; 88% of debtors are <90 days.
Gross Block (□Cr)	2,560	First entry	First entry	→	95% of fleet is >100MT capacity.
Order Inflows (H2 Vis.)	High	First entry	First entry	↑	Management claims "healthy pipeline" for H2.
Execution Rate (%)	Not in document	N/A	N/A	□	Execution slowed by elections/monsoon.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Crane Renting	Not in document	Negative	Not stated	↓	Baseline	Yield down to 77%; Q2 expected <75%.
Renewables EPC	Not in document	N/A	Not stated	→	Potential ↑	Spun off into "Sangreen Future Renewables".
Logistics	Not in document	N/A	Not stated	→	Potential ↓	Spun off into "Sangreen Logistics".

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Utilization (CU)	Expected to drop below 75% in Q2 FY25; cross 80% in H2 FY25.	Needs sharp H2 rebound to maintain FY average.	First entry	High (Cyclical)
Guidance	Yield	Expected below 2% in Q2 FY25; cross 2% in H2 FY25.	Recovery depends on wind project restarts.	First entry	Moderate
Guidance	Capex Plan	Total FY25 Capex estimated at □180 - □200 Cr.	□125-140 Cr remaining for H2 FY25.	Deferred H2 plans.	Low (Prudent)
Strategy	Restructuring	Implementing Project “Samruddhi” (2 new subsidiaries).	Incorporation complete; CEO hiring/P&L separation pending.	First entry	Execution Risk
Strategy	Fleet Mix	Maintain focus on high-capacity (>100MT) cranes.	95% of gross block currently in this category.	Consistent focus.	Low
Macro	Industry Headwinds	Slowdown due to general elections and better-than-predicted monsoon.	Recovery tied to post-monsoon wind/infra activity.	External factor.	High
Balance	Debt / Leverage	Debt:Equity ratio currently 0.30.	Target not explicitly stated, but Capex deferral protects this.	Historically low.	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Utilization Guidance	Not available	Revised down: <75% for Q2 FY25.	↓
Yield Trajectory	Not available	77% (Q1); Guidance <2% for Q2.	↓
Corporate Structure	Not available	Incorporation of 2 subsidiaries (Logistics & Renewables).	□
Capex Timing	Not available	Deferred; bulk of delivery pushed to end of Q3 / early Q4.	↓
Debt Levels	Not available	Net Debt increased to □317.38 Cr (from □286.95 Cr).	↓

INVESTOR NOTES: * **Earnings Quality Check:** Receivables at 101 days and a spike in Net Debt this quarter suggest a temporary cash flow pinch. The CFO-to-PAT ratio (though PAT is not explicitly provided in this text) is likely under pressure. * **Capital Cycle:** SML is moving from a "Harvesting" phase in FY24 to a "Consolidation/ Pivot" phase in H1FY25. The deferral of Capex is a defensive move to maintain the 0.30 D/E ratio. * **Thesis Impact:** The long-term thesis on wind energy remains strong, but the transition to a Renewables EPC provider (Sangreen Future Renewables) introduces a different business model risk (lower margins, higher liability) compared to pure asset renting. Watch for the margin profile of the EPC segment once it begins reporting independently.