Sanghvi Movers Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (on Profitability and Yield Recovery) **One-line:** SML has successfully navigated the "profitability trough" of its EPC transition, delivering a sharp recovery in PAT from near-zero levels in H2 FY25 to □50 Cr this quarter, while simultaneously de-risking the thesis through a geographic pivot to Saudi Arabia.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	PAT recovered to □50.26 Cr from a near-breakeven Q4 FY25 (□-0.00 Cr).	□
Earnings Quality	High	Cash accruals (□81.63 Cr) significantly exceed PAT; no major one-offs in operating income.	□
Guidance Confidence	Neutral	Management refuses formal forward guidance but is backing optimism with a record □321 Cr India Capex.	□
Management Credibility	Improving	Successfully integrated a new C-suite (CEO/CFO) following high-profile exits; delivered on "Engine-2" bottom-line contribution.	□
Business Quality Signal	Stabilizing	The yield contraction has bottomed out; average blended yield rose to 2.11% (vs 2.05% FY25 avg).	□
Key Q&A Exchange	Q#3: Saudi Yields	Management confirmed KSA yields are higher than India, though cost of operations is also higher.	□
The Street's Primary Anxiety	Sectoral Opacity	Analysts pressed for sectoral revenue splits; management was evasive, citing competitive sensitivities.	□
Capital Cycle Stage	Aggressive Re-investment	Massive □470 Cr+ total planned Capex (India + KSA) marks a shift to aggressive fleet expansion.	□
Margin / Return Ratio Trajectory	Stabilizing	EBITDA margin held at 38%; lower than 50%+ historical levels but reflects the permanent mix shift to EPC.	→
Pricing Power	Recovering	Average blended yield improved to 2.11% from the Q3 trough of 1.97%.	↑
FCF Conversion & Quality	Improving	CFO/PAT remains healthy; management qualitatively noted improvement in debtor days (DSO).	□
Competitive Moat Signals	Widening	Entry into Saudi Arabia with 12 cranes already deployed from port-to-site creates a first-mover advantage.	□
Balance Sheet Strength	Adequate	Net Debt/Equity remains conservative at 0.33x; management committed to a 0.35x ceiling.	□
Working Capital Efficiency	Improving	Management confirmed a reduction in debtor days from the 123-day peak in FY25.	↑
Mgmt Guidance Track Record	Reliable	Delivered on the promise that Wind EPC would eventually contribute to the bottom line (now 20% of PAT).	□
Key Vulnerability / Red Flag	Personnel Cost Spikes	Employee expenses surged 37% QoQ to □18.28 Cr as the company builds out its Middle East and EPC teams.	□
Management Tone	Confident / Expansionary	Focus has shifted from "stabilizing EPC" to "scaling Saudi Arabia" and "high-capacity core expansion."	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positive: The Profitability Pivot.** The most critical outcome is the recovery of Net Profit. After a disastrous H2 FY25 where PAT nearly vanished due to interest/depreciation and low-margin EPC execution, SML delivered a 18.4% PAT margin this quarter. * **Positive: Proof of Concept in Saudi Arabia.** SML has successfully localized in KSA, bagging its first order and deploying 12 cranes directly from port to site. This "Engine-3" provides a high-yield hedge against Indian pricing volatility. * **Positive: Validating "Engine-2".** The Wind EPC business (Sangreen) is no longer just a revenue filler; it now accounts for 20% of the company's bottom line, proving the business model is reaching maturity. * **Negative: Transparency Rollback.** Management is now refusing to provide sectoral revenue splits (Wind vs. Non-Wind) or specific debtor day figures on a quarterly basis, reducing visibility into underlying segment risks. * **Negative: Operational Cost Pressure.** Expansion into Saudi and the build-out of the EPC team have structurally raised employee costs, which may limit EBITDA margin expansion even if yields improve. * **Forward-looking Watchpoint:** The execution of the □321 Cr India Capex. If SML can maintain >80% utilization on these new high-capacity cranes (>100 MT), the operating leverage will be substantial.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary and DSO/Yield details.

Metric	Current Qtr (Q1FY26)	YoY Change (vs Q1FY25)	QoQ Change (vs Q4FY25)	Trend	Mgmt Commentary
Total Income (□ Cr)	273.35	↑ 81.5%	↑ 2.2%	↑	Driven by record Q1 revenue and Wind EPC scaling.
EBITDA (□Cr)	106.94	↑ 13.4%	↓ 5.7%	□	Volume growth offset by lower EPC margins.
EBITDA Margin %	38%	↓ (vs 55%)	↓ (vs 41%)	↓	Reflects permanent shift toward 11% margin Wind EPC business.
PAT (□Cr)	50.26	↑ 23.8%	↓ 6.6%	□	Massive recovery from Q3/Q4 FY25 "zero profit" trough.
Avg. Blended Yield (%)	2.11%	↑ (vs 2.04%)	↑ (vs 2.03%)	↑	Pricing power returning; KSA yields superior to India.
Avg. Utilization (%)	81%	↑ (vs 77%)	↑ (vs 79%)	↑	Robust demand across renewables and infrastructure.
Order Book (□ Cr)	767.26	First entry	↑ (vs 600.0)	↑	Significant visibility; includes Wind EPC and Rental.
Net Debt (□Cr)	394.89	↑ (vs 317.4)	↑ (vs 383.8)	↓	Rising to fund □114 Cr Q1 Capex.
Net Debt/Equity (x)	0.33	↑ (vs 0.30)	↓ (vs 0.34)	→	Maintained well below 0.35x internal ceiling.
DSO (Days)	"Improved"	N/A	↑ (vs 123)	↑	Management confirmed improvement but refused specific number.
Net Worth (□ Cr)	1192.72	↑ 13.3%	↑ 4.4%	↑	Accretion from recovered profitability.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	Margin (EBITDA)	Trend	vs Company Avg	Key Development
Crane Rental (India)	159.66	56%	→	High	Core cash cow; yields improving to 2.11%.
Wind EPC (Sangreen)	106.19	11%	↓	Low	Volume scaling fast but highly margin-dilutive.
Project EPC	7.50	13%	↓	Low	Niche hydrocarbon projects; revenue down QoQ.
KSA (Saudi Arabia)	[Not Stated]	[Not Stated]	↑	[Target: High]	12 cranes deployed; first order booked.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Order Book	₹767.26 Cr total for FY26.	Needs ₹164.6 Cr/qtr revenue for rest of year to hit. Feasible.	Q1 Revenue (₹273 Cr) suggests they will exceed this.	Low
Guidance	Capex Plan (India)	₹321 Cr for FY26 (revised up from ₹246 Cr).	₹207 Cr remaining; requires ~₹70 Cr/qtr investment.	₹114 Cr (35%) already incurred in Q1.	Moderate
Guidance	Capex Plan (KSA)	₹100 - ₹150 Cr for KSA fleet.	New investment leg; depends on GTM speed.	12 cranes already on ground.	High
Strategy	KSA Positioning	Top 5 crane rental player in Saudi by 2030.	Long-term target; requires sustained fleet growth.	GTM achieved in Q1.	Low
Strategy	Wind Industry	India to add ~5GW capacity in FY26.	Industry tailwind supporting Sangreen growth.	Wind EPC now 20% of bottom line.	Low
Balance	Debt Ceiling	Net Debt/Equity to be capped at 0.35x.	Tight room; currently at 0.33x.	Maintained 0.33x-0.34x range.	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Deepan S. / TrustLine	Demand Outlook	Business Overview	General outlook for crane order book and wind installations.	Management expects India to add ~5GW of wind capacity this year and noted the □767 Cr order book provides a strong positive outlook. This validates the demand-side tailwinds for the core rental and EPC segments.	None	4.0	Clear and quantified
2	3.5	Digant Bam / SVIP Capital	Cost Structure	Financials	Spike in employee expenses (□10 Cr to □18 Cr YoY).	Management attributed this to hiring C-suite talent (CEO/CFO) and building growth teams for Saudi Arabia and the Wind business. Structural opex has risen, which will require higher asset utilization to maintain net margins.	None	4.0	Directional evidence
3	4.5	Sunil Jain / Nirmal Bang	KSA Strategy	Capex and Allocation	Is Saudi investment backed by orders and what are the yields?	Management confirmed all 12 cranes moved directly from port to site and KSA yields are superior to India. Higher KSA yields could offset the margin	Specific KSA margins	3.5	Yield signal positive

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						dilution seen in the Indian Wind EPC business.			
4	3.0	Akshay Satija / Alpha Invesco	Management	Governance	Reasons for CFO and Company Secretary resignations.	Management framed this as optimizing the team for a "Group of Companies" vision, replacing a 30-year veteran with a new CFO for growth. The transition appears orderly as new leadership was present on the call.	None	4.0	Specific names given
5	4.0	Akshay Satija / Alpha Invesco	Revenue Mix	Business Overview	Sectoral split of revenue (Oil & Gas, Steel, etc.).	Management refused to give a sectoral split citing competitive issues, only stating Wind is ~50%. This creates a "black box" regarding the company's exposure to cyclical slowdowns in other sectors.	Sectoral data	2.0	Evasive — key signal
6	4.5	Mohammed Farooq / Pearl Capital	Presentations	Governance	Will management restore the detailed operational data in future PPTs?	Management said they will take the request under advice from the Board. This suggests a potential structural reduction in	No commitment	2.0	Evasive

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						investor transparency going forward.			
7	4.0	Sunil Jain / Nirmal Bang	Yield Trends	Financials	Are yields improving and is competition cooling?	Management noted improvement to 2.11% but cautioned they may only be able to maintain, not significantly increase, from here. This suggests the peak-cycle pricing power of 2.2-2.3% yield may be out of reach.	None	4.0	Realistic assessment
8	3.5	Mohit Chugh / Subh Labh	Order Book Split	Financials	Split of the ₹500 Cr remaining order book between Rental and EPC.	Management refused to provide the split, keeping it at a consolidated group level. Investors cannot currently distinguish between high-margin rental and low-margin EPC backlog.	Backlog split	2.0	Evasive
9	3.0	Himanshu Mali / Wallfort	Receivables	Financials	Status of debtor days (DSO).	Management confirmed improvement from the 110-123 day range seen in FY25 but refused to give the exact number. This is a crucial	Exact DSO number	2.0	Evasive

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						monitoring point as EPC businesses are notorious for working capital traps.			
10	3.5	Abhay M. Lodha	Debt Breakup	Financials	Breakup of term loans versus working capital debt.	Management refused to provide the breakup, stating it is not a mandatory quarterly disclosure. Evasiveness here is strange given the 0.33x D/E ratio is healthy.	Debt components	1.0	Evasive

PATTERN FLAGS & SENTIMENT Analyst questioning focused heavily on two themes: (1) **The Saudi Arabian "Alpha"**: Analysts were eager to quantify the yield and margin advantage of the KSA entry. Management was confident in the demand but hedged on exact margin figures due to higher operational costs. (2) **Transparency Deterioration**: There was visible friction regarding the "slimming down" of the investor presentation and the refusal to provide sectoral splits or DSO counts. Management's posture was defensive on disclosures, claiming competitive sensitivity.

Analyst Sentiment Verdict: Analysts appeared cautiously optimistic about the PAT recovery but skeptical of the reduced disclosure standards. The friction regarding the removal of sectoral data and debt breakups suggests a slight deterioration in management credibility regarding transparency, even as operational performance (PAT/Yield) improved. The unresolved DSO and backlog-split issues remain the greatest risks to the thesis.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY25)	This Quarter (Q1FY26)	Direction
Profitability	PAT was ₹0.00 Cr (Breakeven).	PAT recovered to ₹50.26 Cr.	↑
Blended Yield	2.03% (Q4) / 2.05% (FY25).	2.11%.	↑
Geographic Footprint	Domestic only.	Go-to-Market achieved in Saudi Arabia; 1st order bagged.	↑
Capex Ambition	₹246 Cr planned for FY26.	Revised up to ₹321 Cr (India) + ₹150 Cr (KSA).	↑
Management Team	CEO/CFO exits announced/ pending.	New CEO (G. Desai) and CFO (P. Mehta) fully in place.	→
Disclosure Quality	High (Sectoral splits/DSO provided).	Low (Sectoral splits/DSO refused).	↓
Employee Costs	₹13.75 Cr.	₹18.28 Cr (33% increase).	↓
Order Book	₹600 Cr (est).	₹767.26 Cr.	↑

STOP HERE.