Sanghvi Movers Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Miss (on Margins and Yield) / Beat (on Revenue) **One-line:** While top-line growth was buoyed by the Wind EPC ramp-up, the core Crane Rental thesis is under pressure as blended yields hit a multi-quarter low (1.97%) and consolidated EBITDA margins collapsed to 38%, masked significantly by ₹22.49 Cr in one-off asset sale profits.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	EBITDA margins fell to 38% (vs 49% in Q2) despite revenue growing 30% QoQ.	□
Earnings Quality	Low	27% of Q3 EBITDA (22.49 Cr of 82.23 Cr) came from one-off sales of cranes and Chennai land/flats.	□
Guidance Confidence	Mixed	Aggressive Q4 Capex guidance (~150 Cr) contradicts the "capital preservation" tone from Q2.	□
Management Credibility	Neutral	Successfully scaled the order book to 995 Cr, but yield erosion is worse than previously signaled.	□
Business Quality Signal	Deteriorating (Cyclical)	Blended yields dropped below the 2.0% psychological floor; utilization remains sub-optimal at 70%.	□
Key Q&A Exchange	PPT_ONLY: Not applicable	N/A	□
The Street's Primary Anxiety	Margin Dilution	The transition to "Engine-2" (Wind EPC) is proving significantly margin-dilutive to the consolidated P&L.	□
Capital Cycle Stage	Re-investment	Sudden pivot back to aggressive Capex (150 Cr planned for Q4) for high-capacity cranes (110T-800T).	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margins down 1,100 bps QoQ; yields down from 2.15% to 1.97%.	↓
Pricing Power	Eroding	Falling yields in a rising revenue environment suggest pricing pressure or a less favorable mix.	□
FCF Conversion & Quality	Weak	Adjusted for asset sales, core cash generation is slowing; surplus cash (178 Cr) being deployed into Q4 Capex.	□
Competitive Moat Signals	Stable	Focus on 110T-800T cranes for Q4 Capex maintains the high-entry-barrier strategy.	□
Balance Sheet Strength	Adequate	Net Debt increased to 324.75 Cr (vs 286.95 Cr in March); D/E remains comfortable at 0.30x.	□
Working Capital Efficiency	Deteriorating	Order book execution is ramping but at the cost of significantly higher expenses in the Wind EPC segment.	□
Mgmt Guidance Track Record	Mixed	Reversed the Q2 stance on cutting Capex; now doubling down on fleet expansion.	□
Key Vulnerability / Red Flag	One-off Reliance	Core operating EBITDA (ex-asset sales) is insufficient to cover the current valuation if yields don't recover.	□
Management Tone	PPT_ONLY: Not applicable	Based on PPT: Expansionary but cautious on operating costs.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positive: Robust Order Book.** Total order visibility has increased to 995 Cr (vs 898 Cr in Q2), with 137 Cr scheduled for immediate Q4 execution. The concentration in high-capacity cranes (110T-800T) for new Capex suggests management is focusing on the highest-moat segment. * **Negative: Sharp Margin Compression.** The drop in EBITDA margin from 49% to 38% QoQ is alarming. The Wind EPC segment appears to be operating at very low or negative margins (Expenses of 102.64 Cr YTD vs Revenue of 64.20 Cr YTD), dragging down the high-margin rental business. * **Negative: Yield Erosion.** Average blended yield falling to 1.97% is a "red flag" for the core rental business. This indicates that even as utilization ticked up slightly (70% vs 68% QoQ), the company is likely accepting lower rates to keep the fleet moving. * **Negative: Low Quality Beat.** PBT was propped up by 10.79 Cr profit from selling 23 cranes and 11.70 Cr from

selling Chennai depot land and flats. Without these one-offs, the earnings profile would look significantly weaker.
* **Forward-looking Watchpoint:** The execution of □150 Cr Capex in Q4. If this does not result in a sharp yield/ utilization recovery by Q1 FY26, the company risks being over-leveraged at a time of margin contraction.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Commentary limited to PPT disclosures.

Metric	Current Qtr (Q3)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Revenue (□Cr)	214.23	First entry	↑ 30.5%	↑	Driven by Wind EPC ramp-up (□48.20 Cr).
EBITDA (□Cr)	82.23	First entry	↑ 1.3%	→	Stagnant despite revenue jump due to higher EPC costs.
EBITDA Margin %	38%	First entry	↓ 1,100 bps	↓	Diluted by Project/Wind EPC segment expenses.
Avg. Blended Yield (%)	1.97%	↓ (vs 2.19%)	↓ (vs 2.15%)	↓	Continued pressure on rental realizations.
Avg. Utilization (%)	70%	↓ (vs 84%)	↑ (vs 68%)	□	Slight recovery from Q2 trough but well below LY.
Net Debt (□Cr)	324.75	↑ (vs 293.0)	↑ (vs 286.9)	↓	Debt rising to fund Capex and working capital.
Order Book (Total □Cr)	995.00	First entry	↑ 10.8%	↑	Includes Wind EPC and Crane Project components.
One-off Asset Sales (□ Cr)	22.49	First entry	First entry	□	Includes 23 cranes and Chennai land/flats.
Cash Accruals/ Investments	178.00	First entry	↑ 16.3%	↑	Parked in MF/Bonds; intended for "Engine-2".
Q4 Capex Guidance (□ Cr)	~150.00	First entry	↑↑	↑	Massive acceleration for 34 new cranes.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	EBITDA (□ Cr)	Margin	Trend	vs Co. Avg	Key Development
Crane Rental (A)	154.42	82.87	54%	→	High	Core high-margin engine; yield is the key risk.
Wind EPC (B)	48.20	(5.44)*	-11%*	↓	Low	Significant drag; YTD expenses (102.6) > Rev (64.2).
Project EPC (C)	11.61	4.80	41%	↑	High	Small but high-margin execution segment.

**Note: EBITDA for Wind EPC derived from YTD vs Prior Qtr data; shows high execution costs in Q3.*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Q4 Revenue	Execute ₹137 Cr from existing order book in Q4.	Feasible; represents 64% of Q3 consolidated revenue.	Met Q2 guidance of "at par" Q1 performance.	Low
Guidance	Capex Plan	Purchase 34 cranes (110T-800T) for ~₹150 Cr in Q4.	High; Q1-Q3 total was only ₹115 Cr. Requires heavy debt/cash usage.	Significant pivot from Q2 "rationalization".	High
Strategy	Capital Allocation	Deploy ₹178 Cr MF/Bond investments into "Engine-2" & core adjacencies.	Available liquidity supports the Q4 Capex jump.	Sustained cash accruals over 24 months.	Low
Strategy	Fleet Mix	Shift toward high-capacity (up to 800T) cranes backed by firm orders.	Dependent on timely OEM delivery and client site-readiness.	Consistent with "moat" strategy.	Moderate
Macro	Sector Mix	Windmill sector dominates revenue (44% YTD).	Requires stability in wind policy and site clearances.	Shifted from 49% (LY) to 44% (YTD).	Moderate

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2)	This Quarter (Q3)	Direction
Capex Strategy	Slashed H2 guidance to ₹70-80 Cr (Preservation).	Accelerated Q4 guidance to ~₹150 Cr (Growth).	↑
Operating Margins	49% (Stabilizing).	38% (Diluted by EPC and Yield).	↓
Blended Yield	2.15% (Holding floor).	1.97% (Broken floor).	↓
One-off Reliance	Not a major P&L driver.	₹22.49 Cr (27% of EBITDA) from asset sales.	□
Order Book Size	₹898 Cr.	₹995 Cr.	↑
Liquidity Position	₹153 Cr in MF/Bonds.	₹178 Cr in MF/Bonds.	↑

INVESTOR NOTES: * **Thesis Impact:** The long-term thesis of SML as a high-margin crane utility is being tested by its transition into a lower-margin EPC player. While the order book is growing, the quality of earnings has deteriorated this quarter due to yield erosion and reliance on asset sales. * **Yield vs. Utilization:** The divergence is concerning. Utilization rose 200 bps QoQ, but yields fell 18 bps. This suggests "buying" utilization through lower pricing—a dangerous trend if sustained. * **Capex Pivot:** The sudden jump to ₹150 Cr Q4 Capex (after guiding for conservation in Q2) indicates management sees a demand window for high-capacity cranes that they cannot afford to miss, likely in the 110T-800T range. * **Red Flag:** The Wind EPC segment is currently a "black hole" for margins. YTD EBITDA of ₹26.66 Cr on ₹64.20 Cr revenue looks okay, but Q3 specifically saw expenses jump significantly relative to revenue.

STOP HERE.