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.