Sanghvi Movers Ltd — May 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Strong Beat (Operational Recovery) **One-line:** SML has entered a "harvesting" phase characterized by a multi-year high in capacity utilization (81%), a pivot in blended yields (1.71%), and an aggressive deleveraging cycle that has reduced Debt-to-Equity to a historical low of 0.23.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Utilization hit 81% vs ~70% in FY21; Yields bottomed and rose to 1.71%.	□
Earnings Quality	High (Core driven)	Growth driven by core rental yields and utilization, not accounting adjustments.	□
Guidance Confidence	Strong	Clear debt repayment roadmap provided for next 5 years.	□
Management Credibility	Strong	Consistent delivery on deleveraging (D/E from 0.69 to 0.23 in 5 years).	□
Business Quality Signal	Improving	Pricing power returning; fleet focused on high-margin >100 MT category.	□
Key Q&A Exchange	N/A — PPT_ONLY	Not applicable	□
The Street's Primary Anxiety	Yield Stagnation	Management demonstrated a reversal in the 4-year yield downtrend.	□
Capital Cycle Stage	Harvesting / Consolidation	Focus on debt repayment and maximizing existing fleet productivity.	□
Margin / Return Ratio Trajectory	Improving	Interest Coverage Ratio (ICR) rose from 1.23 to 1.91 YoY.	□
Pricing Power	Expanding	Blended yields rose from 1.50% to 1.71% YoY.	□
FCF Conversion & Quality	Strong	Significant debt reduction implies robust internal accruals.	□
Competitive Moat Signals	Widening	#5 global ranking; 92% of gross block in specialized >100 MT cranes.	□
Balance Sheet Strength	Strong	Net Debt significantly reduced; Current Ratio improved to 1.67.	□
Working Capital Efficiency	Stable	Average receivable days at 116; nil debtors above 360 days.	□
Mgmt Guidance Track Record	Reliable	First entry—based on historical debt reduction trend.	□
Key Vulnerability / Red Flag	Concentration	Heavy reliance on high-capacity cranes (>100 MT) for 92% of value.	□
Management Tone	Not available	No concall provided.	□

Key Takeaways (Positives & Negatives): * **Positives:** SML successfully broke a four-year cycle of declining yields, moving from 1.50% in FY21 to 1.71% in FY22, while simultaneously reaching a peak capacity utilization of 81%. The balance sheet is at its healthiest in five years, with the Debt-to-Equity ratio collapsing from 0.69 in FY18 to 0.23 in FY22. The fleet composition is highly specialized, with 92% of the □2,159 Cr gross block invested in high-capacity cranes (>100 MT), creating a high barrier to entry. * **Negatives:** While the current ratio is healthy (1.67), the average receivable days remain high at 116 days, indicating the capital-intensive nature of the services provided and potential pressure on working capital if the industry slows. * **Street Concern & Mgmt Response:** The primary market concern has been the multi-year decline in rental yields; management has effectively responded by showing a 21 bps YoY improvement, signaling a tightening supply-demand environment in heavy lifting. * **Forward Watchpoint:** Monitor the execution of the □119.84 Cr debt repayment obligation for the remaining 11 months of FY22-23 to ensure the deleveraging momentum continues without impacting maintenance capex.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue	Not in document	First entry	First entry	→	Not in document
Blended Yield (%)	1.71%	↑ 21 bps	First entry	↑	Yield bottomed in FY21.
Capacity Utilization	81%	↑ 11%	First entry	↑	5-year peak utilization.
Gross Block (Cranes)	□2,159 Cr	First entry	First entry	→	Focus on >100 MT fleet.
Interest Coverage	1.91	↑ 55.3%	First entry	↑	Improved from 1.23.
Debt-to-Equity (x)	0.23	↓ 17.8%	First entry	↑	Down from 0.28 (FY21).
Total Borrowings	□231.48 Cr	First entry	First entry	↑	Significant deleveraging.
Current Ratio	1.67	↑ 35.7%	First entry	↑	Up from 1.23 (FY21).
Average Receivable Days	116 Days	First entry	First entry	→	Net of GST.
Fleet Count	387	First entry	First entry	→	92% value in >100 MT.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Crane Rental	Not in document	Not in doc	Not in doc	↑	100% of Ops	Blended Yield recovery to 1.71%.
High Capacity	Not in document	Not in doc	Not in doc	↑	Dominant	92% of Gross Block now in >100 MT capacity.

---

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery (Last Q)	Risk Flag
Guidance	Debt Repayment	Total obligation of ₹137.49 Cr for FY 2022-23.	₹10.89 Cr/month for remaining 11 months.	Met (Repaid ₹17.65 Cr by April 2022).	Low
Guidance	Long-term Deleveraging	5-year repayment schedule provided through FY 2027.	High (Substantial payments front-loaded).	First entry	Moderate
Guidance	Volume / Capacity	Utilization currently at 81%.	Sustainable if industrial/ wind capex holds.	First entry	Low
Strategy	Competitive Positioning	Maintaining global #5 rank in crane hiring.	High (Requires specialized high-tonnage fleet).	First entry	Low
Strategy	Asset Quality	Focus on cranes with >100 MT capacity (92% of Gross Block).	Market demand shift toward larger lifts.	First entry	Low
Balance	Liquidity	Current Ratio maintenance above 1.5.	Current Assets at ₹415.70 Cr.	First entry	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.

- **Yield Trajectory:** Blended yields have officially reversed a 4-year downtrend (rising from 1.50% to 1.71%), which is the single most important signal for the business's pricing power.
- **Balance Sheet Pivot:** The company has transitioned from a moderately leveraged firm (D/E 0.69) to a low-leverage entity (D/E 0.23), drastically reducing financial risk.
- **Operating Efficiency:** Utilization has reached a "full capacity" zone of 81%, suggesting that any further demand growth will likely necessitate either higher pricing or new capex.
- **Asset Concentration:** Management has successfully shifted the fleet profile toward the >100 MT category, which now accounts for 92% of the asset value, insulating them from competition in the fragmented smaller crane market.
- **Earnings Quality:** Interest coverage at 1.91 (up from 0.77 in FY19) suggests that the quality of earnings is improving as interest costs decline and operating income grows.