Sanghvi Movers Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss (on Profitability and Yield) / Beat (on Revenue) **One-line:** SML has successfully scaled its "Engine-2" (Wind EPC) to drive top-line growth, but the transition is proving violently margin-dilutive, with consolidated PAT essentially evaporating in H2 FY25 despite record quarterly revenues.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	EBITDA margins (41%) and PAT (□0.00 Cr) in Q4 missed the high-margin historical profile of the business.	□
Earnings Quality	Low	PAT for Q3 and Q4 combined was negative/zero (□-0.98 Cr and □-0.00 Cr) despite □195 Cr in combined EBITDA.	□
Guidance Confidence	Neutral	Management is doubling down on growth with a massive □246 Cr Capex plan for FY26 despite yield pressure.	□
Management Credibility	Neutral	Successfully executed the Wind EPC ramp-up (□228 Cr FY25) but at the cost of bottom-line stability.	□
Business Quality Signal	Deteriorating (Structural Shift)	The business is moving from a high-margin "Crane Utility" to a capital-intensive "EPC Contractor."	□
Key Q&A Exchange	PPT_ONLY: Not applicable	N/A	□
The Street's Primary Anxiety	Bottom-line Collapse	Revenue is at all-time highs, but PAT has plummeted from □42.81 Cr in Q1 to □0.00 Cr in Q4.	□
Capital Cycle Stage	Aggressive Re-investment	Proposing □246 Cr Capex for 56 new cranes to maintain market share in high-capacity segments.	□
Margin / Return Ratio Trajectory	Deteriorating	Consolidated EBITDA margin fell from 63% in FY24 to 45% in FY25.	↓
Pricing Power	Eroding	Blended yields fell to 2.05% for FY25 vs 2.20% in FY24, suggesting pricing pressure.	□
FCF Conversion & Quality	Weak	DSO blew out to 123 days; Cash Accruals (□85 Cr) barely cover interest and maintenance.	□
Competitive Moat Signals	Stable (Asset-heavy)	96% of Gross Block is now cranes >100 MT; focus on 110T-800T cranes maintains entry barriers.	□
Balance Sheet Strength	Adequate	Net Debt/Equity remains low at 0.33x, but Net Debt increased by □89 Cr YoY.	□
Working Capital Efficiency	Deteriorating	Average receivable days jumped from 95 to 123 days, indicating EPC-related collection delays.	□
Mgmt Guidance Track Record	Mixed	Met revenue growth targets but failed to protect margins during the EPC transition.	□
Key Vulnerability / Red Flag	Working Capital / Interest	The massive jump in Debtors and Debt levels is eating the cash flow generated by the rental business.	□
Management Tone	PPT_ONLY: Not applicable	Expansionary / Growth-focused	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives): * **Positive: Scaling "Engine-2".** The Wind EPC segment delivered □228.94 Cr in revenue for FY25 (28% of total), proving SML can win large-scale integrated contracts. * **Negative: The Profitability "Black Hole."** The most alarming data point is the PBT trajectory: Q1 (□59.53 Cr), Q2 (□16.33 Cr), Q3 (□-1.31 Cr), and Q4 (□-0.00 Cr). Even with high EBITDA, the bottom line has been decimated by rising interest and depreciation costs associated with the new business mix. * **Negative: Working Capital Stress.** Receivables surged to □318.42 Cr (vs □187.91 Cr YoY). The DSO spike to 123 days suggests that the new EPC clients have significantly weaker payment terms than traditional rental clients. * **Negative: Yield Contraction.** Blended yields of 2.05% for the year (and 1.97% in Q3) indicate that SML is losing pricing power or over-allocating to lower-yielding long-term EPC contracts. * **Forward-looking Watchpoint:** The execution of the □246 Cr Capex for FY26. If these 56 new cranes do not immediately contribute to high-margin rental revenue, the interest burden could push the company into sustained net losses.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q4)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□ Cr)	273.83	First entry	↑ 27.8%	↑	Driven by peak Wind EPC execution (□99.64 Cr).
EBITDA (□Cr)	113.32	First entry	↑ 37.8%	↑	Volume growth offset margin percentage compression.
EBITDA Margin %	41%	First entry	↑ 300 bps	↑	Improved from Q3 trough (38%) but far below Q1 (55%).
PAT (□Cr)	-0.00	First entry	→	↓	Interest and Depre. fully absorbed operating profit.
Avg. Blended Yield	2.05% (FY)	↓ (vs 2.20%)	N/A	↓	Pricing pressure in the core rental market.
Avg. Utilization	79%	↓ (vs 84% FY)	↑ (vs 70%)	□	Recovery in Q4; still below historical highs.
Order Book (□ Cr)	600.00	First entry	↓ (vs 995*)	↓	*Comparing to mid-quarter Q3 peak reported last Q.
Net Debt (□Cr)	376.26	↑ (vs 286.9)	↑ (vs 324.7)	↓	Rising to fund fleet expansion and EPC receivables.
Net Debt/Equity (x)	0.33	↑ (vs 0.28)	↑ (vs 0.30)	□	Still within safe limits but trending upward.
DSO (Days)	123	↑ (vs 95)	First entry	↓	Significant deterioration in collection efficiency.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	FY25 Total	Margin (Q4)	Trend	vs Co. Avg	Key Development
Crane Rental	151.44	556.03	58%	→	High	Remains the cash cow; margins stabilized at 57-58%.
Wind EPC	99.64	228.94	17%	↓	Low	Volume is high, but 17% margin is highly dilutive.
Project EPC	22.75	37.79	39%	↑	Mid	High-growth, high-margin niche (EBITDA ↑ 85% QoQ).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Order Book	□600 Cr as of 15.04.2025 to be executed in FY26.	High; needs □222 Cr in "new" orders to match FY25 revenue.	Executed □782 Cr vs □426 Cr opening book in FY25.	Moderate
Guidance	Capex Plan	□246 Cr for FY26 (56 cranes + allied equipment).	High; requires significant debt draw or MF liquidation.	Pivot from Q2 "conservation" to massive expansion.	High
Strategy	Fleet Mix	96% of Gross Block now >100 MT capacity.	Aligned with high-entry barrier strategy (110T-800T).	Consistent focus on larger cranes over 5 years.	Low
Strategy	Capacity	Increase Lifting Capacity to ~100,000 MT (from 91,693).	Feasible given proposed 56-crane purchase.	Fleet capacity grew 13% in FY25.	Low
Balance	Debt	Net Debt/Equity ratio target of ~0.33.	Currently at 0.33; little room for further leverage.	Debt increased □89 Cr in FY25.	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 (Q3 Context)	This Quarter (Q4/FY25)	Direction
Profitability Floor	PAT was negative (□0.98 Cr).	PAT stabilized at breakeven (□0.00 Cr).	→
Working Capital Stress	DSO not explicitly flagged.	DSO reached 123 days (70% spike in Debtors YoY).	□
Capex Intensity	Guidance for H2 was conservative.	FY26 Capex set at □246 Cr (highest in years).	↑
Utilization Trough	70% in Q3.	79% in Q4 (showing seasonality/EPC ramp).	↑
Segment Mix	Wind EPC was 38% of revenue.	Wind EPC peaked at 36% of Q4 revenue.	→
Liquidity Position	Net Debt □324.75 Cr.	Net Debt □376.26 Cr.	↓

INVESTOR NOTES: * **Thesis Impact:** The "Engine-2" (Wind EPC) growth story is a double-edged sword. While it has prevented a revenue decline in a tough rental year, it has structurally broken the company's profit margins and cash flow cycle. * **The Bottom-Line Disconnect:** EBITDA of ₹113 Cr resulted in ₹0 PAT. This implies a quarterly "burn" of ~₹113 Cr in interest, depreciation, and tax. With Net Debt rising and a massive Capex plan for FY26, interest costs will remain a major overhang. * **Yield Pressure:** The decline in blended yield from 2.20% to 2.05% YoY suggests that the "integrated" EPC contracts are being won at lower rental realizations. * **Working Capital Warning:** The jump in receivables to ₹318 Cr (vs ₹53 Cr PAT) is a forensic red flag. SML is essentially financing its customers' projects to drive revenue growth. * **Conclusion:** The thesis is under severe pressure. SML is no longer a "dividend-ready" rental play but a "high-risk" EPC integration play. Investors must watch if the FY26 Capex leads to a margin recovery or further debt-fueled stagnation.

STOP HERE.