Sanghvi Movers Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline / Relative Beat (vs. subdued expectations) **One-line:** Management has successfully stabilized operations during a cyclical trough, matching Q1 performance despite earlier warnings of a deeper Q2 slump, while aggressively de-risking the core business through structural spin-offs and capex rationalization.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline / Relative Beat	Q2 performance achieved "at par" with Q1 despite management previously guiding for a "subdued" Q2.	□
Earnings Quality	Moderate	Heavily reliant on order book execution in H2; current focus is on building "Engine-2" capital (□153 Cr).	□
Guidance Confidence	Neutral	Revised H2 FY25 Capex downwards to □70-80 Cr; emphasizes "structural issues" causing execution delays.	□
Management Credibility	Strong	Proactive restructuring via "Sangreen" subsidiaries and transparent reduction of Capex to preserve cash.	□
Business Quality Signal	Improving (Structural)	Carving out Wind EPC protects the high-moat Crane Rental P&L from higher-risk execution volatility.	□
Key Q&A Exchange	PPT_ONLY: Not applicable.	N/A	□
The Street's Primary Anxiety	Execution Delays	Structural/systemic issues are delaying projects beyond the monsoon; management notes OEM backlogs of 2-3 years.	□
Capital Cycle Stage	Consolidation / Pivot	Transitioning from pure asset rental to a multi-vertical "Engine-1/Engine-2" structure; deferring Capex.	□
Margin / Return Ratio Trajectory	Stable (at trough)	Q2 matching Q1 implies yield/utilization have found a floor after the Q1 drop to 77%.	→
Pricing Power	Stable	Concentration in >100MT cranes remains the primary defense against pricing pressure during execution delays.	□
FCF Conversion & Quality	Improving	Significant cash accruals (□153 Cr) invested in debt instruments rather than being burnt in Capex during a slowdown.	□
Competitive Moat Signals	Widening	Geographic expansion into GCC and vertical specialization in Renewables EPC through dedicated subsidiaries.	□
Balance Sheet Strength	Strong	Surplus cash of □153 Cr; D/E likely remains low as H2 Capex is trimmed.	□
Working Capital Efficiency	Under Pressure	Order book spillover of □200 Cr into FY26 indicates execution friction.	□
Mgmt Guidance Track Record	Reliable	Delivered on the "subdued" warning but managed to avoid a further QoQ dip.	□
Key Vulnerability / Red Flag	Vertical Complexity	Moving 100 employees and hiring C-suite for new subsidiaries adds overhead and execution risk in unfamiliar logistics terrains.	□
Management Tone	Cautious but Strategic	Focus is on "Business Enhancement" and "Five Year Vision" rather than short-term volume growth.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positive: Structural De-risking.** The formalization of *Sangreen Future Renewables* (Wind EPC) and *Sangreen Logistics* as 100% subsidiaries is a major positive. It isolates the high-risk, low-margin EPC business from the high-margin Crane Rental "Core," allowing for cleaner valuation and accountability. * **Positive: Capital Discipline.** Management has slashed H2 FY25 Capex guidance to □70-80 Cr (vs. the ~□125-140 Cr run-rate implied last quarter). This preserves the □153 Cr cash cushion for "Engine-2" opportunities once the macro environment improves. * **Negative: Execution Friction.** The disclosure of "structural/systemic issues" causing delays beyond the monsoon is a concern. While OEM order books are strong (2-3 years), SML's ability to convert its □898 Cr order book depends on ground-level clearances which remain sluggish. * **Negative: Organizational Overhead.** The reactivation of Bain engagements, appointment of new C-suite layers, and formation of a GCC entity will increase fixed costs before the revenue from these initiatives fully scales. * **Watchpoint:** The execution of the □443 Cr order book slated for H2 FY25. Any further "spillover" of the □388 Cr Crane Rental portion would signal that the industry slowdown is more than just seasonal or election-related.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column is based on PPT disclosures.

Metric	Current Qtr (H1/ Q2)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□Cr)	Not in document	N/A	N/A	□	PPT focus on Order Book (□898 Cr) and H1 performance "at par".
EBITDA	Not in document	N/A	N/A	□	Yield stabilization suggests margins are holding QoQ.
PAT	Not in document	N/A	N/A	□	No specific P&L figures provided in this PPT.
Order Book (Total □ Cr)	898	First entry	First entry	↑	Robust book; includes □400 Cr for Wind EPC.
H2 Execution Target (□Cr)	443	First entry	First entry	→	Split: □388 Cr (Crane) and □55 Cr (EPC).
Net Debt / (Cash)	(153)	N/A	N/A	↑	Reflects surplus cash invested in MF/CPs (Cash accruals).
Capex Guidance (H2)	70 - 80	↓	↓	↓	Revised downwards to maintain capital discipline.
Wind EPC Spillover (□Cr)	200	First entry	First entry	□	Delayed to FY26 due to structural issues.
Revenue Booked (H1 □Cr)	255	N/A	N/A	□	Implied H1 revenue based on order book depletion.
Headcount Shift	100 Employees	N/A	N/A	□	Transferred to new Wind EPC entity.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Crane Rental	388 (H2 Est)	Not stated	Not stated	→	Baseline	Focus on geographic expansion (GCC) and high-capacity fleet.
Wind EPC	55 (H2 Est)	Not stated	Not stated	↓	Lower	Carved out into "Sangreen Future Renewables"; □200 Cr spillover.
Logistics	Not stated	N/A	Not stated	→	New	"Sangreen Logistics" formed to handle end-to-end WTG movement.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	H2 Revenue	Execute ₹443 Cr in H2 FY25.	Requires ~₹221 Cr per quarter; H1 achieved ₹255 Cr (~₹127 Cr/qtr). Significant ramp-up needed.	Met Q2 warning (at par with Q1).	High
Guidance	Capex Plan	₹70-80 Cr for H2 FY25.	Down from previous implied guidance; indicates selective spending.	Revised Downwards.	Low
Strategy	Restructuring	Spin-off Wind EPC and Logistics into separate 100% subsidiaries.	Entities effective Oct 1, 2024; 100 employees moved.	On track.	Moderate
Strategy	Expansion	Proposed formation of company in GCC; geographic expansion of crane business.	Dependent on C-suite hires and consultant guidance.	New initiative.	Moderate
Macro	Industry Headwinds	Structural/systemic issues causing execution delays.	Recovery pinned on "next 2-3 years" OEM execution cycle.	Acknowledged delay.	High
Balance	Cash Usage	₹153 Cr invested for "Engine-2" opportunities.	Funding for core adjacencies and GCC expansion.	Surplus generated over 21 months.	Low

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	This Quarter	Direction
Performance Expectations	Guidance for a "subdued" Q2.	Performance "at par" with Q1; avoided the feared deep dip.	↑
Capex Guidance	Implied ~₹125-140 Cr remaining for H2.	Revised to ₹70-80 Cr for H2 FY25.	↓
Corporate Structure	Single entity (Project Samruddhi planning).	Formation of 2 new 100% subsidiaries: Sangreen Future Renewables and Sangreen Logistics.	□
Cash Position	Debt focused (Net Debt ₹317 Cr).	Highlighted ₹153 Cr surplus cash invested in MF/Bonds for Growth Capital.	↑
Management Depth	Core team focus.	Appointment of C-suite employees and reactivation of Bain Engagement.	↑
Order Book Visibility	General outlook.	Quantified: ₹898 Cr total; ₹443 Cr for H2 FY25; ₹200 Cr spillover to FY26.	↑
Risk Factors	Seasonal/Election slowdown.	"Structural/Systemic" issues identified as the cause for execution delays beyond monsoon.	□

INVESTOR NOTES: * **Earnings Quality Check:** The stabilization of Q2 "at par" with Q1 is a positive signal that the yield compression (previously 77%) has likely plateaued. However, the spillover of □200 Cr into FY26 confirms that the "waiting period" identified last quarter will be extended. * **Capital Cycle:** Management is moving into a "Capital Preservation and Structural Design" phase. By reducing Capex and parking □153 Cr in liquid investments, they are preparing for a long-cycle recovery rather than chasing short-term utilization. * **Thesis Impact:** The long-term thesis is reinforced by the structural split. Separating the "Crane Rental" (Asset Heavy, High Moat) from "Wind EPC" (Service Heavy, Higher Risk) protects the core valuation. The expansion into GCC suggests management recognizes the need to diversify away from the Indian wind execution bottlenecks.

STOP HERE.