

## INITIATING COVERAGE Sanghvi Movers Limited

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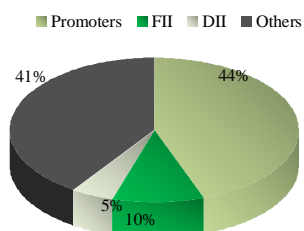
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Investment Details	
CMP (Rs.)	192.7
Tentative Target (Rs.)	230
Upside Potential (%)	19.3
Horizon (Months)	12 M

Profile	
Industry	Capital goods
Market Cap (Rs cr.)	834.2
Face Value (Rs.)	2
52-week high/low (Rs.)	281/138
Book Value (Rs.)	111.9
Price / Book Value	1.8
PE Ratio (TTM)	9.2
Dividend (%)	150
Average Daily Volume (6 m)	15295

### Shareholding



Source: NSE. Figures as on March 31, 2010.

Sanghvi Movers Limited (SML) belongs to the Sanghvi Group, promoted by C P Sanghvi and A P Sanghvi and is the largest domestic crane hiring company. In fact, as per Cranes International magazine, it ranked third in Asia and ninth largest company in the world. It is engaged in the business of providing hydraulic and crawler cranes to various industries in the infrastructure space with a fleet size of around 320 medium-to large-size hydraulic trucks mounted telescopic and lattice boom cranes and crawler cranes with lifting capacity ranging from 20 tons to 800 tons.

Its service network includes various depots located at Pune, Vadgaon, Chakan, Nagpur, Jamnagar, Bharuch, Delhi, Cuttack, Bangalore, Chennai and others. Most of the sectors that SML caters to are priority sectors for the government and attracts sizable investment every year. Wind power, steel, power, refinery, cement, metals, construction and paper are major industries, which it services.

It is continuously expanding its crane business. In FY05 it invested Rs 81 cr and Rs 170 cr during FY06. Further, it invested around Rs 180 cr and Rs 220 cr during FY07 and FY08. Even during FY10, it completed expansion of Rs 160 cr. The company also has operations in power generation wind mills of 5.05 megawatts installed in states of Rajasthan and Karnataka. However, cranes operation remains its main business as it contributes over 98% of total revenues.

### KEY INVESTMENT ARGUMENTS

#### ➤ Large Market share

With a fleet size of around 320 cranes, it enjoys a very high market share. In fact, in the high end crane market, its market share is around 90 per cent. It is well poised to take advantage of pick up in the pace of expansion in infrastructure sector.

#### ➤ Decent Capex plans for FY11

It has a capex plan of around Rs 180 cr to Rs 250 cr for FY11. However, it is relatively lesser than planned earlier due to delay in projects in user industries.

#### ➤ Well sectoral diversification

The company's revenues are well diversified in terms of sectoral contribution. Four sectors—power, wind power, cement and refinery & gas—contributed around 88% of the overall revenues of the company for FY10. The contribution from power sector was highest at 38%. Wind power, cement and refinery & gas contributed around 22%, 18% and 10%, respectively to the total revenues.

#### ➤ Large beneficiary of growth in power sector

The company's strategy to focus on power sector, which is growing exponentially and is a major revenue contributor, augurs well. **Crane wise it has the capability of putting up 100,000 MW power stations at various power projects.** Also, its current business relation with major companies engaged in power sector such as BHEL, Reliance Infrastructure, NTPC, Lanco, BGR Energy, SEEPCO and JSW Energy including many others is likely to help it reaping the benefit.

### FINANCIALS & VALUATIONS

For the last five years, it has posted a net sales and net profit CAGR of 34.2% and 45.9%. But during FY10, both top line and bottom line was hurt on the back of lower utilization and dip in yields. A few heavy duty cranes remained idle for a few months. Despite this, EBIDTA and APAT margins stood at 80.3% and 27.5% for FY10. RONW stood at 19.2%. Currently it is trading at a trailing twelve month P/E and P/B ratio of 9.2 and 1.8. Going forward, business growth is likely to come from pick up in capex plans in infrastructure space and increased fleet size.

We assign a **BUY** recommendation on the stock with a tentative target price of Rs 230.

**A full flagged report on this stock will be released soon.**

Financials: Standalone	Rs. Crores					
	201003	200903	200803	200703	200603	4 yr CAGR %
Share Capital	8.7	8.7	8.8	8.2	7.3	
Net worth	469.6	394.4	303.6	204.1	80.8	
Revenues	328.7	357.5	254.3	178.6	149.1	21.9
PBIT	185.1	210.2	141.5	122.9	63.6	30.6
PBIDT	263.9	278.2	189.0	157.7	99.3	27.7
APAT	90.4	99.1	71.3	47.1	32.0	29.6
Operating Cash Flows		121.8	103.8	70.0	50.6	
Free Cash Flows		-109.8	-118.5	-105.9	-128.3	
Dividend %	150	100	150	125	100	
<b>CEPS (Rs.)</b>	39.1	38.7	26.9	119.1	91.5	
<b>EPS (Rs.)</b>	20.9	23	16.1	76.5	42.7	
Debt-Equity Ratio		1.3	1.3	1.8	2.5	
Interest Coverage Ratio		3.9	4.6	3.9	4.6	
RoNW %	19.2	28.9	28.7	33.1	46.8	
PBIDT Margin %	80.3	77.8	74.3	73.8	66.6	
APAT Margin %	27.5	28.3	28.6	26.4	21.6	
Market Cap/Sales	2.6					
PE Multiple	9.2					
P/BV Ratio	1.8					

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