MESSAGE FROM THE MANAGING DIRECTOR

SANGHVI

Dear Sanghvi Stakeholders,

The last year has been remarkably challenging and unprecedented with the ongoing pandemic on a global scale. As western countries ease Covid-19 restrictions and economies start firing on all cylinders, it gives the rest of the world some light at the end of the tunnel.

At the beginning of FY 2021, the nation was in a state of complete lockdown. Different states experienced varied levels of intermittent lockdowns till November 2020. In first half of FY 2021, real GDP plunged by 24.4% followed by another 7.3%. However, in the second half there were glimmers of recovery, and the overall sentiment was shifting towards positive. The country's infrastructure sector started experiencing positive momentum and mega projects began to revive. The third quarter of the financial year witnessed a positive GDP growth of 0.4%. Although, with the onslaught of the second wave in India, the economic activity dampened once again.

As Charles Dickens wrote, *"It was the best of times, it was the worst of times…"* Echoing this sentiment, Sanghvi Movers Limited has managed to mitigate these challenging times to emerge stronger and better poised for unlocking our future potential.

Financial Performance for FY 2020-21:

Given the above circumstances, your Company achieved a turnover of Rs. 253 Crores (FY 2020: Rs. 326 Crores), representing a topline degrowth of 22% in FY 2021. The company achieved an average capacity utilization of 56% in FY 2021 (FY 2020: 72%). The decline in utilization has been the result of a deliberate strategy shift to retain customers and protect the topline during the pandemic. Consequently, the average blended yield decreased.

Despite the ongoing challenges, your Company has continued to service its debt on time. We have also achieved several milestones in the last financial year with the support of all our stakeholders and employees:

Your Company repaid loans to the tune of Rs. 109 Crores in FY 2021 and reduced its overall debt from Rs. 542 Crores in FY 2018 to approximately Rs. 197 Crores at the start of FY 2020-21 - a Rs. 345 Crores debt reduction in three financial years. Subsequently, the debt-to-equity ratio has reduced by half from 0.69 to 0.28 in the last 3 financial years.

Looking forward during uncertain times:

Your company has a good visibility of earnings going forward and the order book in the current year is supported by the addition of new clients and order wins across a few of our major revenue sectors. The Company has a secured order book of Rs. 172 Crores and is optimistic about its financial performance in FY 2022. The secured order book has been supported in the current year by the improved deployment of cranes in projects outside the renewable wind energy sector. Furthermore, given the 10,000 MW of new capacity addition awarded by SECI and state power utilities, wind installation will also witness a positive recovery over the next 12-18 months.

Strong demand from diverse upcoming projects:

As your Company builds up it's orderbook, it is focused on capitalizing on exciting opportunities across major sectors which are being built for the development and progress of the Country. In the Power sector several Ultra Mega Power Projects in the 660 - 800 MW class are being executed by NTPC across the nation with a total thermal power capacity addition to the tune of 9,840 MW. The sector is expected to contribute 10-15% to SML's topline in the coming year. The Cement sector is witnessing aggressive capacity addition with greenfield and brownfield expansions to the tune of 18.15 MTPA and your Company expects 10-15% of the topline to be generated from this segment. In the Steel sector, your Company is positioned to garner a 5-10% of turnover from this segment with 13.5 MTPA expected to come online in Kalinganagar, Bellary and Angul. Several expansions, upgradations and new refinery and petrochemical projects are coming up in Barmer, Paradip, Vizag, Baruni, Panipat, Vadodara and Mahul with a combined new capacity of 20.6 MTPA and these projects will contribute around 10% to the topline. The rapid urban infrastructure upgradation has led to the development of metros across various cities such as Mumbai, Ahmedabad, Kanpur, Bangalore, Delhi, Chennai, Bhopal, Agra, and Pune and SML expects to generate 5% of its topline from key civil infrastructure companies. In FY 2022, the wind sector was initially forecasted to add 2,200 MW of new capacity but due to the second wave of the pandemic the estimates have been lowered to 1,500 – 1,700 MW. Your Company has targeted a topline of around 40% from this segment and is closely working with all OEM's and IPP's in the renewable wind energy sector.

The business outlook is cautiously optimistic:

I am confident that by the end of the coming financial year i.e. FY 2021-22, SML will be able to further reduce its debt to Rs. 100-140 crores. We also would be executing Rs. 60-70 Crores of Capex in FY 2021-22, for building up capacity to cater to the upcoming projects. We expect that the existing crane business will continue to generate a minimum of Rs. 125 Crores of Free Cash Flow even if the business plateaus for the next 5 years. We are also exploring various other avenues of growth for the company.

Staying Safe:

We remain confident that, over the long term, our continued efforts will enable SML to surpass the global pandemic and build on its existing foundation. We request all our stakeholders to stay safe and look forward to your continued support.

With Warm Regards,

Rishi Sanghvi

Managing Director