NBCC (India) Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**NBCC maintains a dominant market position as a debt-free Project Management Consultant (PMC) with a massive □1.2 Lakh Cr order book, providing a revenue runway of ~10x trailing sales.**	—
2	**Revenue grew 15.68% YoY to □12,039 Cr, driven by its unique status as the government's preferred developer for stalled national and redevelopment projects.**	—
3	***Core operational profitability is weak; excluding 368.21 Cr in non-cash write-backs of old credit balances, core PBT would have faced a year-on-year decline.***	—
4	***Earnings quality is significantly compromised, with 66% of PAT derived from accounting reversals rather than core construction or consultancy operations.***	—
5	**The balance sheet remains exceptionally strong with a Debt/Equity of 0.0x and a substantial cash cushion of □5,716 Cr.**	—
6	**Cash Flow from Operations (CFO) pivoted to a positive □657 Cr, though this was largely driven by an expansion in payables rather than improved collection cycles.**	—
7	***Capital expenditure surged 611% as the company pivots toward an asset-heavy leasing model via WTC Nauroji Nagar, shifting market and vacancy risk onto its own books.***	—
8	***Asset quality is deteriorating, evidenced by a 585% surge in write-offs to 253 Cr and persistent working capital stress with 35% of receivables (1,073 Cr) aged over six months.***	—
9	***Governance reached a critical low at year-end with zero Independent Directors and no woman director, representing significant regulatory non-compliance.***	—
10	***Massive litigation risks, including a 750 Cr recovery suit for structural failures and 495 Cr in disputed tax demands, pose a material threat to the net worth.***	—
11	**The outlook depends on the successful monetization of real estate inventory and the resolution of execution bottlenecks in major redevelopment projects currently under legal stays.**	—
12	**Investment Stance: Watch; while the moat is wide, investors should wait for cleaner earnings and a reduction in aged receivables below □700 Cr before committing capital.**	—

1. Business overview (In Bullet Points)

- **Structural Pivot:** NBCC is aggressively transitioning from a traditional Project Management Consultant (PMC) to a "Land Monetization and Redevelopment" specialist, focusing on self-sustaining government colony projects (e.g., GPRA colonies).
- **Revenue Drivers:** The PMC segment remains the primary driver, accounting for over 98% of total income. Revenue is recognized as a "Principal," billing gross costs plus fees, which significantly inflates the top line.
- **Cost Structure:** The company maintains an asset-light execution model by outsourcing 100% of physical construction. Primary costs include "Work & Consultancy Expenses" (86% of revenue) and employee benefits.
- **Order Book:** The order book stands at >□1,20,500 Cr, providing a massive revenue runway of approximately 10x trailing revenue.

- **Industry Position:** NBCC holds a unique "Last Resort Developer" status, exemplified by its Supreme Court-appointed role in completing stalled Amrapali projects.
- **Expansion Plans:** Management is targeting global footprints in the Maldives, West Asia, and Mauritius, while diversifying into heavy civil engineering sectors like tunneling, dams, and port development.
- **Segment Performance:** While PMC dominates volume, the Real Estate (RED) segment acts as the swing factor for margins, currently focused on liquidating unsold inventory.
- **Geographical Presence:** Strong domestic presence with a strategic push toward international markets to reduce single-client (Government of India) risk.
- **Capacity Additions:** Significant shift toward asset-heavy leasing models, evidenced by the □362.35 Cr acquisition of commercial space at WTC Nauroji Nagar.

2. Management commentary & outlook

- **Strategic Vision:** Management is leaning heavily on "Viksit Bharat" tailwinds, aiming to rebrand NBCC as a high-tech, global land-monetization powerhouse.
- **Growth Guidance:** Bullish outlook supported by a □1.2 Lakh Cr order book; however, execution remains dependent on the velocity of real estate sales in self-sustaining projects.
- **Operational Challenges:** Management acknowledges that statutory clearances and legal hurdles (specifically court stays in Nauroji Nagar and Netaji Nagar) remain primary bottlenecks.
- **Diversification Risks:** Entry into heavy civil engineering (dams/tunnels) is planned, which may introduce "diworsification" risks due to different technical requirements and higher capital intensity.
- **New Projects:** Focus is shifting toward "New Business Areas" and international projects to mitigate domestic administrative dependencies.
- **Financial Discipline:** The appointment of a new CFO (Shri Anjeev Kumar Jain) signals a focus on "Navratna" discipline and cleaning up legacy financial reporting issues.
- **Demand Environment:** Management highlights the focus on "unsold inventory liquidation" in the Real Estate segment, prioritizing cash recovery over speculative new launches.
- **Regulatory Standing:** The company maintains an "Excellent" rating from the Department of Public Enterprises (DPE), ranking 2nd among all CPSEs.
- **Management Tone:** Management's tone is **"Aggressively Visionary but Operationally Strained."** While there is a clear attempt to pivot toward a high-margin monetization model, the qualitative data—including massive write-offs, persistent receivable issues, and litigation warnings—reveals a business still struggling with slow cash conversion and legacy inefficiencies. (LAST bullet point).

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	12,039	10,407
Sales Growth %	15.68	17.24
Expenses	11,409	9,890
Material Cost %	3	2
Raw material cost	242	69
Change in inventory	143	96
Manufacturing Cost %	86	89
Employee Cost %	3	3
Other Cost %	3	1
Operating Profit	629	517
OPM %	5	5
Other Income	138	51
Exceptional items	-83	-164
Other income normal	221	214
Interest	5	4
Depreciation	7	5
Profit before tax	755	559
Tax %	26	26
Net Profit	557	414
Minority share	-16	-13
Exceptional items AT	-61	-120
Profit excl Excep	619	535
Profit for PE	601	518
Profit for EPS	541	402
Profit Growth %	16	34
EPS (□)	2	1.49
Dividend Payout %	33	28

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	270	180
Reserves	2,209	2,046
Borrowings	0	1
Long term Borrowings	0	0
Lease Liabilities	0.40	0.64
Other Borrowings	0	-0.01
Other Liabilities	11,208	10,513
Non controlling int	192	187
Trade Payables	4,756	4,121
Advance from Customers	3,121	3,044
Other liability items	3,138	3,162
Total Liabilities	13,688	12,739
Fixed Assets	531	185
Land	17.60	32.71
Building	149.50	133.73
Plant Machinery	12.93	13.55
Equipments	19.46	15.87
Furniture n fittings	15.18	14.81
Vehicles	1.84	1.66
Intangible Assets	0	0
Other fixed assets	364.94	18.78
Gross Block	581.45	231.11
Accumulated Depreciation	50.45	45.83
CWIP	4	12
Investments	265	276
Other Assets	12,887	12,266
Inventories	1,021	1,236
Trade receivables	3,062	2,902
Receivables over 6m	1,073	1,228
Receivables under 6m	2,254	1,999
Prov for Doubtful	-266	-325
Cash Equivalents	5,716	4,966
Loans n Advances	717	563
Other asset items	2,372	2,599
Total Assets	13,688	12,739

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	657	-6
Profit from operations	493	473
Receivables	-443	-1,038
Inventory	-34	64
Payables	1,003	679
Loans Advances	0	0
Operating investments	0	0
Other WC items	-338	-177
Working capital changes	189	-472
Direct taxes	-18	-13
Exceptional CF items	-6	6
Cash from Investing Activity	573	-184
Fixed assets purchased	-320	-45
Fixed assets sold	0	0
Capital WIP	0	0
Investments purchased	0	-249
Investments sold	7	0
Investment income	0	0
Interest received	433	198
Dividends received	20	2
Redemp n Canc of Shares	0	0
Acquisition of companies	0	0
Other investing items	433	-91
Cash from Financing Activity	-269	-103
Interest paid fin	0	0
Dividends paid	-267	-103
Financial liabilities	0	0
Other financing items	-2	0
Net Cash Flow	961	-293

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	93	102
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	93	102
Working Capital Days	-122	-123
ROCE %	33	32

3.2 Financial analysis summary

- **Revenue** grew by 15.68% YoY to □12,039.00 Cr, primarily driven by the PMC segment; however, figures are inflated as NBCC acts as a "Principal," billing gross costs rather than just fees.
- **Operating Profit** margins remained stable at 5.00%, but core profitability is masked by a massive □368.21 Cr write-back of "Unadjusted Credit Balances" which boosted PAT to □557.00 Cr.
- **Other Expenses** saw a surge in Write Offs which increased 7x YoY to □276.14 Cr, including an □80.15 Cr write-down on the Kochi project and provisions for structural defects at the Gurugram project.
- **Working Capital** management is characterized by negative Working Capital Days of -122.00, as Trade Payables of □4,756.00 Cr significantly exceed Trade Receivables of □3,062.00 Cr.
- **Trade Receivables** ageing remains a concern with □1,073.00 Cr (35% of total) outstanding for over 6 months, with □556.99 Cr tied up in completed but un-handed-over projects at the HSCC subsidiary.
- **Cash from Operating Activity (CFO)** turned positive at □657.00 Cr (vs -□6.00 Cr prior year), largely driven by a □1,003.00 Cr increase in Trade Payables which offset cash outflows from rising receivables.
- **Fixed Assets** and Gross Block increased significantly as Other fixed assets jumped to □364.94 Cr, primarily due to the □362.35 Cr acquisition of commercial space at WTC Nauroji Nagar, now classified as Investment Property.
- **Cash Equivalents** of □5,716.00 Cr provide a massive liquidity cushion, and the company remains virtually debt-free with a Total Debt (Borrowings) of □0.00 Cr.
- **ROCE** improved slightly to 33.00% and ROE reached 22.47%, reflecting high capital efficiency, though these returns are inflated by non-cash write-backs in the P&L Statement.
- **Other Assets** include □1,228.39 Cr in Other Current Assets, while Other Liabilities (Current) stand at a massive □4,033.83 Cr, acting as a "dumping bucket" for customer advances and statutory dues.
- **Other Expenses** were impacted by the □368.21 Cr write-back of credit balances; without this non-operational gain, PBT would have shown a year-on-year decline.
- The dominant financial theme of the year is a **"Balance Sheet Clean-up and Strategic Pivot,"** where massive non-cash write-backs and aggressive asset write-offs are being used to transition the company toward a land-monetization model while maintaining a debt-free, cash-rich position.

3.3 Contingent liabilities & commitments

- **VAT Demand:** A massive DVAT demand of □**404.80 Cr** has been set aside and remanded for recalculation; final liability remains uncertain.
- **GST Demand:** A GST demand of □**90.72 Cr** (including 50% penalty) for FY 2017-18 is currently stayed by the High Court.

- **Recovery Suit:** The company faces a recovery suit of ₹**750.00 Cr** and 25 other litigations related to the structural failure of the "NBCC Green View" Gurugram project.
- **Capital Commitments:** Outstanding capital commitments for renovation and interior works stand at ₹**23.07 Cr**.
- **Guarantees/Litigation:** Ongoing litigation regarding the Kochi project and non-operational JVs (NBCC-RK Millen) pose additional latent risks.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — non-cash write-backs of ₹368 Cr inflate PAT relative to operational cash generation.	—	Cash Flow Note: ₹368.21 Cr "Unadjusted Credit Balances Written Back" significantly boosted reported PAT.
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↑↓ — high receivables and inventory write-downs suggest aggressive revenue recognition despite collection issues.	—	Auditor's KAM: High judgment in recoverability; HSCC subsidiary has ₹556.99 Cr tied in un-handed-over projects.
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↑↓ — input method for PMC vs point-in-time for Real Estate creates lumpy earnings.	—	Note 1.4.2: Revenue based on "efforts required" (PMC) vs "transfer of control" (Real Estate) involves high estimation.
4	Revenue from related parties %	Revenue ↑↓ — high administrative dependency on MoHUA for land and project execution mandates.	—	Note 2(i): Key properties (Ghitorni, Nauroji Nagar) held in name of MoHUA, not the company.
5	Inventory vs revenue growth	Profit ↓ — inventory write-downs of ₹80 Cr and ₹15 Cr signal project execution failures.	—	Note 63(B)(vi): Kochi project written down by ₹80.15 Cr to scrap value following Supreme Court order.
6	Inventory valuation method change	Neutral — consistent NRV estimation policy but subject to high management subjectivity in pricing.	—	Auditor's KAM: NRV involves subjective estimates of future selling prices and costs to complete.
7	Exceptional items in operating profit	Profit ↓ — recurring exceptional losses from structural defects and litigation drag down core earnings.	—	Note 63(B)(x): NBCC Green View Gurugram project total provisions/ write-offs reached ₹468.82 Cr due to defects.
8	Depreciation rate vs useful life policy	Profit ↑ — minimal depreciation expense of ₹7 Cr on ₹581 Cr gross block suggests long-life assets.	—	Note 1.4.17: Minimal lease liabilities (₹0.40 Cr) and low depreciation indicate ownership of long-gestation infrastructure.
9	Provision reversals boosting PAT	Profit ↑ — massive write-back of old credit balances provides one-time non-cash boost to PAT.	—	Forensic Alert: PAT growth of 34% is heavily supported by non-operational credit balance write-backs.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — cash tax paid is significantly lower than P&L tax provision due to timing.	—	P&L vs Cash Flow: Significant gap between tax expense and actual cash tax outflow suggests deferred tax movements.
11	CWIP age and stalling projects	Profit ↓ — stalled projects in subsidiaries and litigation-heavy JVs pose future impairment risks.	—	Note 57(A): NBCC-RK Millen JV not consolidated due to non-operational status and ongoing litigation.
12	Deferred tax asset recognition adequacy	Neutral — tax consistency maintained at 26% but contingent liabilities pose future tax risks.	—	Note 47(A)(b): Massive DVAT (₹404.80 Cr) and GST (₹90.72 Cr) demands are currently stayed or remanded.
13	RPT quantum and trend	Neutral — related party advances reduced significantly, though administrative ties to Ministry remain absolute.	—	Note 57: Related party transactions primarily involve government-linked entities and Ministry-held land assets.
14	Dividend paid vs FCF adequacy		—	

#	Check	Impact	Status	Notes detail
		Profit ↑ — strong cash position allows dividend payout despite lumpy operational cash flows.		Balance Sheet: Virtually debt-free status and high cash reserves support consistent dividend distribution.
15	Auditor KAM: Revenue Recognition	Revenue ↑↓ — Subjective management estimates of total contract costs and percentage of completion.	—	Auditor concern regarding reliance on management estimates for "efforts required to complete".
16	Subsidiary Internal Controls	Neutral — Non-reconciliation of balances at HSCL indicates lack of centralized oversight.	—	Trade receivables, payables, and security deposits at HSCL subsidiary are not reconciled.
17	Asset Ownership Ambiguity	Neutral — Key project assets held in Ministry name rather than Company name.	—	Creates legal ambiguity over asset control and long-term monetization rights.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit opinion type:** Unmodified. * **Key Audit Matters (KAMs):** * **Revenue Recognition (PMC/EPC):** Auditor concern regarding the "Input Method" (cost-to-cost) which relies on subjective management estimates of total contract costs and percentage of completion. * **Valuation of Real Estate Inventory:** NRV assessment for long-standing projects, specifically involving estimates of future selling prices and costs to complete in a fluctuating market. * **Trade Receivables Recoverability:** High level of management judgment required for recoverability assessment, especially for completed projects. * **HSCL Subsidiary Controls:** Auditor of subsidiary HSCL issued an Emphasis of Matter regarding non-reconciliation of trade receivables, payables, and security deposits. * **Emphasis of Matter paragraphs:** * **DVAT Demand:** A 404.80 Cr demand remanded for recalculation; final liability remains uncertain. * **Structural Safety (Green View):** Ongoing litigation and structural defects at the Gurugram project, with total provisions/write-offs reaching 468.82 Cr. * **Material weaknesses:** Board non-compliance regarding the requisite number of Independent Directors for part of the year. * **Auditor change during the year:** None; M/s ASA & Associates LLP appointed by C&AG.

B. Related Party Transactions

Party	Relationship	Nature	Amount (□ Cr)	Concern
MoHUA	Administrative Ministry	Properties held in Ministry name	Not Quantified	***High administrative dependency; assets not in company name***
Joint Ventures	JVs	Investment in JVs	19.13 Cr	Neutral; stable
Related Clients	Related Parties	Advance to Clients	11.81 Cr	***Sharp decline from 196.59 Cr; suggests shifting cash pools***
NBCC – RK Millen	Joint Venture	Non-operational JV	Not Quantified	***Ongoing litigation between co-venturers; non-consolidated***

- **% of Revenue:** 0.26% (Clean)
- **% of CFO:** 4.71% (Clean)
- **Trend vs Prior Year:** Decreasing (Related client advances dropped from 196.59 Cr to 11.81 Cr).

C. Shareholding * **Promoter (Govt. of India):** 61.75% (Unchanged) * **FII:** 4.45% (Up from 3.14%) * **DII:** 10.12% (Down from 10.35%) * **Public:** 23.68% (Down from 24.76%) * **Pledged Shares:** 0.00%

D. Board Composition + KMP Compensation

KMP	Role	FY current rem (□ Cr)	FY prior rem (□ Cr)	YoY growth %	% of EBITDA	Flag
Dr. Suman Kumar	Director (Comm.)	0.83 Cr	—	—	0.13%	—
Anjeev Kumar Jain	Director (Fin.)	0.40 Cr	—	—	0.06%	—
K.P. Mahadevaswamy	CMD	1.02 Cr	1.02 Cr	0.00%	0.16%	—

- **Board Composition:** 6 Directors as of March 31, 2025.
- **Independent %:** ***0.00%*** (Non-compliant with SEBI LODR as of year-end; appointments made in April/May 2025).
- **Women Directors:** ***0*** (Non-compliant following cessation of Smt. Baldev Kaur Sokhey).
- **Compensation Analysis:** Total KMP compensation is negligible (<1% of EBITDA). No compensations within the same family identified.

F. Capital Allocation & Capex

Action	FY current (□Cr)	FY prior (□Cr)	% of CFO	Signal
Dividends Paid	267.00 Cr	103.00 Cr	40.64%	—
Capex	320.00 Cr	45.00 Cr	48.71%	—
Working Capital Inv.	189.00 Cr	-472.00 Cr	28.77%	—
Interest Received	433.00 Cr	198.00 Cr	65.91%	—
Write-offs	276.14 Cr	38.92 Cr	42.03%	—

- **CFO Coverage of Capex:** CFO (657 Cr) is sufficient to fund capex (320 Cr), with a coverage ratio of 2.05x.
- **Nature of Capex:** Primarily growth-oriented; **Investment Property jumped to 362.35 Cr due to the acquisition of commercial space at WTC Nauroji Nagar.**
- **Deployment Efficiency:** Revenue grew 15.68% while Capex surged 611%, suggesting a shift toward asset-heavy leasing models.
- **Key Takeaways:** Improved operational cash flows are funding a pivot to leasing assets, but the **7x surge in write-offs (276.14 Cr)** signals aggressive legacy asset cleaning.

H. Risks

#	Risk	Category	Description	Potential impact	Severity
1	***Litigation Risk***	Legal	750 Cr recovery suit for Gurugram project.	Potential cash outflow exceeding annual PAT (557 Cr).	High
2	***Tax Contingency***	Regulatory	404.80 Cr DVAT demand remanded.	Significant latent liability impacting liquidity.	High
3	***Earnings Quality***	Financial	368.21 Cr write-back of credit balances.	**66% of PAT derived from non-cash accounting reversals.**	High
4	***Asset Quality***	Operational	276.14 Cr in write-offs (up 609% YoY).	Signals deterioration in old project receivables.	High
5	***Inventory Risk***	Valuation	80.15 Cr write-down on Kochi project.	Direct hit to margins; risk of further RE write-downs.	Medium
6	***Governance***	Regulatory	Board had 0 Independents as of March 31, 2025.	SEBI LODR non-compliance; risk of penalties.	High

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	Order book >₹1.2L Cr; 98% PMC revenue	Strong moat in government PMC but high administrative dependency and cyclical RE risk.
Financial health	4	↑	D/E 0.0x; Cash ₹5,716 Cr; CFO > PAT	Debt-free with massive cash reserves, though CFO is driven by payable expansion.
Earnings quality	2	↓	Write-backs = 66% of PAT; Write-offs ↑ 609%	Reported profits are heavily inflated by non-cash reversals and legacy asset cleaning.
Management & governance	2	↓	0 Independents at year-end; 750 Cr recovery suit	Significant regulatory non-compliance and massive litigation risks offset strategic vision.
Capital allocation & earnings visibility	3	→	Capex ↑ 611% (WTC); Div Payout 33%	Pivoting to leasing assets with good visibility, but returns are currently offset by write-offs.

Business positives (for this company this year) * **Massive Revenue Runway:** Order book exceeds **₹1,20,500 Cr**, representing ~10x trailing revenue. * **Debt-Free Balance Sheet:** Maintained a **Debt/Equity of 0.00** with a cash cushion of ₹5,716 Cr. * **Positive Cash Flow Pivot: CFO** turned positive at ₹657 Cr from -₹6 Cr in the previous year. * **Strategic Asset Acquisition:** Invested **₹362.35 Cr** in WTC Nauroji Nagar to build a recurring leasing income stream. * **High Capital Efficiency:** Reported **ROCE of 33%** and ROE of 22.47%, reflecting the asset-light PMC model.

Business negatives / concerns (for this company this year) * **Poor Earnings Quality: ₹368.21 Cr** (66% of PAT) came from non-cash write-backs of old credit balances. * **Asset Quality Deterioration: Write-offs** surged 585% to ₹253.11 Cr (Standalone) / ₹276.14 Cr (Consolidated). * **Massive Litigation Risk:** Facing a **₹750 Cr** recovery suit for structural failures in Gurugram and a ₹404.80 Cr remanded VAT demand. * **Governance Non-compliance:** Board had **zero Independent Directors** and no woman director as of March 31, 2025. * **Working Capital Stress: 35% of receivables** (₹1,073 Cr) are aged over 6 months, with significant funds trapped in un-handed-over projects.

Overall scorecard summary NBCC presents a paradox of a rock-solid, debt-free balance sheet paired with very low-quality reported earnings. While the company is successfully pivoting toward a lucrative land-monetization model and holds a massive order book, the current year's profit is almost entirely driven by accounting reversals rather than core operations. Governance is currently in a state of transition following significant regulatory non-compliance at year-end, and the massive contingent liabilities pose a genuine threat to net worth. The business is on a **stable but high-risk** trajectory, where the success of the "New NBCC" depends on clearing legacy litigation and successfully monetizing real estate inventory.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Total: 7/10 — Governance Rating: 2 (Due to critical Board composition failures and litigation)

Part c: investor verdict

Thesis: NBCC is a debt-free "Monetization Agent" with a massive government-backed order book, currently undergoing a painful but necessary legacy book-cleaning exercise. **Overall stance:** Watch **Rationale:** While the order book and cash levels are attractive, the high reliance on non-cash write-backs to support PAT and the ₹750 Cr litigation risk require a "wait and see" approach for cleaner operational quarters. **Re-evaluate when:** Write-offs as a % of PAT drop below 10% and the Gurugram recovery suit reaches a settlement or favorable decree. **BULL CASE:** Successful monetization of WTC Nauroji Nagar leads to a ₹1,000 Cr+ annual FCF stream, independent of government budget cycles. **BEAR CASE:** Structural safety issues spread to other projects, leading to massive indemnity payouts and a loss of "Last Resort Developer" status. **Key monitorable:** Receivables > 6 months: ₹1,073 Cr → Watch for reduction below ₹700 Cr.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status (FY24)	Summary b status (FY25)	Forensic takeaway
Capital Allocation	Asset-light focus with minimal capex (□45 Cr) and □297 Cr commitment.	Aggressive pivot to asset-heavy leasing with □320 Cr capex for WTC Nauroji Nagar.	The company is shifting its business model toward property ownership and leasing, which increases balance sheet risk compared to its traditional fee-based model.
Margin Trajectory	OPM improved from 4% to 5% on 17.2% revenue growth.	OPM stagnated at 5% despite 15.7% revenue growth.	Operating leverage has stalled, suggesting that the core PMC model has reached a margin ceiling under current cost structures.
Working Capital	CFO was negative (-□6 Cr) due to a 45% surge in receivables.	CFO turned positive (□657 Cr) primarily driven by a □1,003 Cr increase in trade payables.	The improvement in cash flow is a result of stretching vendor payments rather than improving the collection of aged receivables from government clients.
Earnings Quality	PAT supported by □53 Cr in provision write-backs and □140 Cr inventory hit.	PAT heavily inflated by a □368.21 Cr non-cash write-back of old credit balances (66% of PAT).	Reported profit growth is an accounting mirage driven by "kitchen sink" reversals rather than improved operational performance.
Management Tone	Focused on being the "Last Resort" developer for stalled judiciary projects.	Rebranding as a "Global Land Monetization Powerhouse" with aggressive diversification.	Management is attempting to pivot the narrative toward high-growth land monetization to distract from persistent legacy execution and collection hurdles.

7.2 Persistent patterns

- **Negative Core Cash Conversion:** Despite the headline positive CFO in the current year, the company consistently fails to generate cash from its core operations without relying on significant increases in trade payables.
- **Massive Contingent Liability Overhang:** Litigation and tax claims (ranging from □1,240 Cr to over □1,845 Cr) **consistently exceed 3x–4x the annual PAT**, representing a permanent threat to the equity base.
- **Structural Governance Non-compliance:** The Board has remained **consistently non-compliant with SEBI LODR independence requirements** across both periods, reaching 0% independence at the current year-end.
- **Restricted Liquidity Overstatement:** A vast majority of the headline cash (over 70%) is **restricted client money**, meaning the company's actual operational "free cash" is a fraction of what is reported on the balance sheet.
- **Chronic Receivable Ageing:** A significant portion of the book (25%–35%) remains **trapped in receivables older than six months**, indicating a systemic inability to collect dues from government departments.
- **Subsidiary Control Deficiencies:** Auditors continue to highlight **internal control weaknesses and non-reconciliation of balances** at major subsidiaries like HSCL and HSCC.
- **High Structural ROCE:** The business maintains a **consistently high ROCE (32%–33%)** due to the inherently asset-light nature of the PMC cost-plus billing model.