Carysil Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**Carysil maintains a strong manufacturing moat as a premium kitchen interior player with 81% export revenue and significant operating leverage potential from 35% idle capacity.**	Positive
2	**Revenue grew 19.3% to ₹816 Cr, driven by 22.4% export momentum capturing "China + 1" tailwinds, though domestic premiumization remains a secondary driver.**	Positive
3	***Operating margins (OPM) contracted from 19% to 17% as a 48.8% spike in freight costs significantly outpaced export revenue growth, highlighting structural logistics vulnerability.***	Negative
4	**Net profit growth is decoupled from cash generation, with CMD remuneration growth (15.4%) outpacing EBITDA growth (6.9%), signaling poor alignment with minority shareholders.**	Neutral
5	**Balance sheet health improved via a ₹125 Cr QIP infusion, reducing Debt/Equity from 0.88x to 0.52x and providing a necessary capital cushion.**	Positive
6	***Cash conversion is severely impaired by a 290-day inventory cycle, with 48 Cr in cash trapped in stock buildup and CFO failing to cover PAT.***	Negative
7	**Capital allocation has shifted toward discipline, with capex reduced to ₹47 Cr (1.27x CFO coverage) and capital commitments dropping to a minimal ₹3.38 Cr.**	Positive
8	***Earnings quality is diluted by high Related Party Transactions (RPT/CFO at 54.7%) and the fact that 8.8% of group assets remain unaudited and management-certified.***	Negative
9	***Governance standards are weakening, characterized by high promoter extraction (CMD pay at 10.9% of PAT) and regulatory penalties for NRC non-compliance.***	Negative
10	***International operations act as a significant drag, with Carysil USA and United Granite reporting combined losses of 14.83 Cr.***	Negative
11	Near-term outlook is stable but fragile, dependent on the turnaround of US subsidiaries and the absorption of existing manufacturing capacity.	Neutral
12	Investment Stance: Watch; key monitorables include the reduction of inventory days below 240 and US subsidiaries achieving a combined PAT > ₹5 Cr.	Neutral

1. Business overview (In Bullet Points)

- **Business Segments:** Carysil is transitioning from a niche manufacturer of quartz sinks into a "one-stop solution" for premium kitchen and bath interiors, including built-in appliances (wine chillers, hobs, ovens), faucets, and "smart" products like 3-in-1 taps.
- **Revenue Drivers:** Growth is heavily export-led (81.42% of revenue), benefiting from the "China + 1" strategy and the UK FTA. Domestic revenue is driven by a premiumization strategy and an expanding dealer network.
- **Cost Drivers:** Key costs include raw materials (quartz and resins), global freight and insurance (highly sensitive to the Red Sea crisis), and rising employee benefit expenses to support scale.
- **Industry Position:** Holds a manufacturing moat in quartz sinks via "German Technology." It is a dominant Indian exporter but faces hyper-competitive landscapes in the appliances and faucets segments.

- **Expansion Plans:** Aggressive focus on "Project Business" in the GCC (UAE, Qatar) and a brand-led B2C strategy in India through "Experience Centers."
- **Acquisitions:** Integration of UK and US acquisitions (United Granite LLC) is central to the global strategy.
- **Capacity Additions:** Quartz sink capacity reached 1 million units p.a.; however, current utilization sits at 65%, indicating significant unabsorbed overheads.
- **Segment Performance:** Robust export growth (22.44%) contrasted with muted domestic growth (5.56%).
- **Geographical Presence:** Strong footprint in the UK and USA, with a growing focus on the Middle East and a domestic network of 4,000+ dealers.

2. Management commentary & outlook

- Strategy is pivoting from B2B/OEM-heavy exports toward a brand-led B2C lifestyle ecosystem.
- Management has set an aspirational revenue target of □1,000 Cr, anchored by the theme "Accelerating Momentum."
- Guidance suggests a turnaround for United Granite LLC (USA), claiming it achieved positive EBITDA in FY25 and expects full profitability by FY26.
- Demand environment is viewed as positive in the GCC region, which is being targeted as the next growth leg for FY26 through large-scale project business.
- Competitive intensity is increasing as the company enters the built-in appliance market, requiring higher R&D and SKU complexity.
- New product launches include the "World's First Eco-friendly Green Sink" (Bio-quartz) and AI-driven smart appliances to align with EU ESG mandates.
- Marketing strategy is being centralized under Rhea Parekh (VP - International Marketing), focusing on influencer marketing and localized digital presence.
- Operational focus is shifting toward digitalization and process innovation, including SCADA integration and energy transition to solar/PNG.
- Long-term vision involves becoming a global leader in premium kitchen solutions while maintaining a "Sustainability Moat."
- Management Tone: The tone is hyper-optimistic and promotional, heavily emphasizing growth targets and "momentum." However, there is a conspicuous lack of commentary regarding the deteriorating cash conversion cycle, inventory bloat, and negative free cash flow. The narrative focuses on future "Project Business" to offset current idle capacity, reflecting a high-growth mindset that may be overlooking underlying working capital stresses. (Hyper-Optimistic)

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	816	684
Sales Growth %	19.28	15.13
Expenses	675	553
Material Cost %	34.09	32.45
Raw material cost	304	250
Change in inventory	-26	-28
Manufacturing Cost %	23.29	24.55
Employee Cost %	9.79	8.86
Other Cost %	15.63	15.01
Operating Profit	140	131
OPM %	17	19
Other Income	9	5
Exceptional items	-0.35	0.15
Other income normal	9.83	5.19
Interest	26	23
Depreciation	36	32
Profit before tax	88	81
Tax %	27	28
Net Profit	64	58
Minority share	-1	0
Exceptional items AT	0	0
Profit excl Excep	65	58
Profit for PE	64	58
Profit for EPS	64	58
Profit Growth %	11	10
EPS (□)	22.43	21.59
Dividend Payout %	11	9

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	6	5
Reserves	521	349
Borrowings	276	312
Long term Borrowings	89	115
Short term Borrowings	176	184
Lease Liabilities	11	14
Other Borrowings	0	0
Other Liabilities	182	178
Non controlling int	5	4
Trade Payables	80	87
Advance from Customers	5	2
Other liability items	93	85
Total Liabilities	985	845
Fixed Assets	414	404
Land	51	50
Building	103	100
Plant Machinery	146	124
Equipments	118	103
Furniture n fittings	25	21
Vehicles	10	12
Intangible Assets	157	156
Other fixed assets	6	6
Gross Block	615	572
Accumulated Depreciation	201	168
CWIP	12	10
Investments	0	0
Other Assets	560	430
Inventories	221	173
Trade receivables	146	138
Cash Equivalents	68	13
Loans n Advances	66	64
Other asset items	58	42
Total Assets	985	845

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	60	58
Profit from operations	141	137
Receivables	-12	-34
Inventory	-48	-43
Payables	-10	10
Other WC items	10	7
Working capital changes	-60	-59
Direct taxes	-21	-19
Cash from Investing Activity	-109	-102
Fixed assets purchased	-47	-93
Fixed assets sold	0	1
Investments purchased	0	-10
Interest received	5	0
Invest in subsidiaries	0	0
Acquisition of companies	0	0
Other investing items	-67	0
Cash from Financing Activity	53	48
Proceeds from shares	122	0
Proceeds from borrowings	0	77
Repayment of borrowings	-33	0
Interest paid fin	-23	-21
Dividends paid	-6	-6
Financial liabilities	-3	-3
Other financing items	-3	0
Net Cash Flow	4	5

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	65	74
Inventory Days	290	285
Days Payable	105	143
Cash Conversion Cycle	251	216
Working Capital Days	49	25
ROCE %	15	17

3.2 Financial analysis summary

- **Revenue** grew by 19.28% to ₹816.00 Cr, primarily driven by a 22.44% surge in Export Sales (₹664.00 Cr), which now constitute 81.42% of total turnover; however, Export Freight and Insurance costs spiked 48.85% to ₹28.40 Cr, contributing to OPM % contraction from 19.00% to 17.00%.
- **Operating Profit** of ₹140.00 Cr translated into a PAT of ₹64.00 Cr (up 11%), but value was eroded by a ₹26.00 Cr Finance Cost and a 31.83% rise in Employee Cost % (₹79.44 Cr), suggesting rising operational overheads.
- **Working Capital** management deteriorated significantly as Inventory grew by 27.69% to ₹221.00 Cr, outpacing Revenue growth and leading to a ₹48.00 Cr cash outflow, which pushed Inventory Days to 290 and the Cash Conversion Cycle to 251 days.
- **Trade Receivables** remained stable at ₹146.00 Cr, improving Debtor Days to 65.00, but Trade Payables decreased by 8.02% to ₹80.00 Cr, indicating reduced supplier credit and further straining CFO.
- **Balance Sheet** strength improved as Total Debt to Net Worth fell from 0.88 to 0.52, following a ₹125.00 Cr QIP which boosted Reserves to ₹521.00 Cr, though Short term Borrowings still represent 51.5% of total debt.
- **Fixed Assets** increased to ₹414.00 Cr with Capex of ₹47.00 Cr; while CWIP stands at ₹12.00 Cr, a sharp drop in Capital Commitments to ₹3.38 Cr suggests the current expansion phase is nearing completion.
- **Cash Flow** quality is under pressure with a CFO / PAT ratio of 0.94, as Working capital changes absorbed ₹60.00 Cr; the company is not currently generating positive FCF after accounting for Capex and ₹67.00 Cr in other investing items (QIP funds in FDs).
- **ROCE %** diluted from 17.00% to 15.00% and ROE % dropped to 12.14%, reflecting the impact of equity infusion and combined losses of ₹14.83 Cr from Carysil USA and United Granite.
- **Intangible Assets** include ₹113.53 Cr of Goodwill, a Key Audit Matter where any future impairment would significantly impact Net Profit without affecting CFO.
- **Related Party Transactions** show purchases from Acrycol Minerals at ₹22.75 Cr (7.38% of material cost) and a ₹2.24 Cr trade advance, while CMD remuneration of ₹7.03 Cr represents a high 10.9% of consolidated PAT.
- **Other Assets** increased due to ₹15.63 Cr in new Term Deposits (unutilized QIP funds) and ₹14.21 Cr in Capital Advances, while Other Liabilities rose due to a 55.5% spike in Statutory Liabilities (₹15.41 Cr), indicating pending regulatory payments.
- **Other Expenses** were impacted by a large, non-granular "Other Manufacturing Expenses" bucket of ₹60.57 Cr (7.43% of Revenue), which masks specific operational inefficiencies, though partially offset by a reduction in Bad debts & Provisions to ₹1.46 Cr.
- The dominant financial theme of the year is **"Equity-Funded Deleveraging vs. Operational Working Capital Stress,"** where a successful QIP repaired the balance sheet, but chronic inventory bloat and logistics inflation severely constrained organic cash generation and return ratios.

3.3 Contingent liabilities & commitments

- **Contingent Liabilities:** Negligible at ₹0.45 Cr (Other matters), suggesting low litigation risk relative to company size.
- **Capital Commitments:** Unexecuted capital contracts dropped significantly from ₹10.54 Cr to ₹3.38 Cr, indicating the end of a major capex cycle.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; ₹48 Cr inventory build absorbs CFO conversion.	—	CFO/PAT ratio < 1.0 due to working capital absorption in inventories.
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↑↓ — channel stuffing risk; receivables + inventory rising 27% vs sales 19%.	—	Inventory growth (27.7%) significantly outpaced revenue growth (19.3%) (Note 8 & 21).
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↑ — aggressive recognition; customer advances rose 150% while revenue grew 19%.	—	Note 1.3.k: Revenue uses "expected value method" for returns, introducing estimation risk.
4	Revenue from related parties %	Neutral — minimal top-line impact; RPT focus is on procurement rather than sales.	—	Note 36 focuses on material purchases (₹22.75 Cr) and CMD remuneration.
5	Inventory vs revenue growth	Profit ↓ — margin risk; inventory growth of 27.7% outpaces sales growth of 19.3%.	—	Finished goods inventory rose 21%, suggesting potential overproduction or slowing demand.
6	Inventory valuation method change	Neutral — consistent policy; weighted average cost used for valuation across both years.	—	Note 1.3.f: Inventory valued at lower of cost (weighted average) or NRV.
7	Exceptional items in operating profit	Profit ↓ — non-recurring drag; ₹0.35 Cr expense reduces reported PBT from operations.	—	Small quantum relative to PBT; does not mask core operational performance.
8	Depreciation rate vs useful life policy	Profit ↑ — aggressive accounting; mix of WDV and SLM methods may understate depreciation.	—	Note 1.3.c: Buildings/Plant use SLM while others use WDV, complicating YoY efficiency checks.
9	Provision reversals boosting PAT	Profit ↑ — non-cash boost; bad debt provisions decreased significantly in FY25.	—	Reduction in provisions by ₹3.63 Cr directly improved the bottom line (Other Expenses).
10	Tax rate consistency + cash tax vs P&L tax	Neutral — tax alignment; P&L tax rate (27%) aligns with statutory corporate rates.	—	Minor timing differences; no significant red flags in tax reconciliation.
11	CWIP age and stalling projects	Neutral — project completion; CWIP remains low at 2% of fixed assets.	—	Note 33-B: Capital commitments dropped to ₹3.38 Cr, indicating capex cycle tail-end.
12	Deferred tax asset recognition adequacy	Neutral — conservative stance; no large DTA recognized for loss-making foreign subsidiaries.	—	Note 37: Losses in USA/United Granite subsidiaries not used to aggressively create DTAs.
13	RPT quantum and trend	Profit ↓ — value leakage; trade advance of ₹2.24 Cr to associate entity Acrycol.	—	CMD remuneration is 10.9% of PAT; trade advances to associates warrant monitoring.
14	Dividend paid vs FCF adequacy	Profit ↓ — liquidity strain; dividends paid despite negative FCF after heavy capex.	—	Dividends funded by QIP proceeds/ borrowings rather than free cash flow.
15	Auditor Oversight Risk	Neutral — Information risk; 8.8% of group assets (₹86.74 Cr) were unaudited and management-certified.	—	Auditor noted reliance on management-certified accounts for overseas operations.
16	Goodwill Impairment Risk		—	

#	Check	Impact	Status	Notes detail
		Profit ↓ — Potential non-cash charge; ₹113.53 Cr Goodwill depends on uncertain CGU cash flows.		Auditor flagged as KAM due to significant judgment in impairment testing.
17	Regulatory Compliance Lapse	Neutral — Oversight weakness; penalty paid for non-compliance with NRC composition.	—	Paid to BSE/NSE for listing non-compliance; suggests weak governance oversight.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Unqualified. * **KAM 1: Revenue Recognition:** Auditor identified risks regarding the timing of transfer of control and cut-off, particularly under Ind AS 115. Management uses the "expected value method" for returns and discounts, which involves significant estimation. * **KAM 2: Carrying Value of Goodwill:** Auditor flagged the **113.53 Cr** Goodwill as a high-risk area due to the "significant judgment" required for impairment testing and cash flow forecasting for overseas Cash Generating Units (CGUs). * **Other Matter:** The auditor noted that four subsidiaries, representing **86.74 Cr** (8.8% of group assets), were unaudited and relied on management-certified accounts. This introduces a layer of information risk regarding the accuracy of international operations. * **Auditor Fees:** Total Legal and Professional Fees stood at 8.20 Cr; the auditor (P A R K & Company) has remained consistent.

B. Related Party Transactions | Party | Relationship | Nature | Amount (₹Cr) | Concern | | :--- | :--- | :--- | ---: | :--- | | Acrycol Minerals Limited | Associate | Purchase of Materials | 22.75 Cr | ***Supply Chain Dependency (7.38% of RM)*** | | Chirag Parekh | CMD | Remuneration | 7.03 Cr | ***High Quantum (10.9% of PAT)*** | | Acrycol Minerals Limited | Associate | Trade Advance | 2.24 Cr | ***Potential Cash Leakage*** | | Ashwanilla Charitable Trust | KMP-linked | CSR/Donations | 0.80 Cr | Potential Tunneling | | Related Party Sales | Various | Sale of Goods | 48.56 Cr | Revenue Concentration | | Related Party Loans/Advances | Various | Outstanding Balance | 14.47 Cr | ***Liquidity Risk*** |

- **% of Revenue:** 5.95%
- **% of CFO:** 54.70% (High Risk)
- **Trend:** CMD remuneration rose 15.43% (7.03 Cr vs 6.09 Cr) while PAT grew 10.34%. Trade advances to associates suggest preferential liquidity treatment.

C. Shareholding | Category | Mar 2025 (%) | Mar 2024 (%) | | :--- | ---: | ---: | | Promoter | 43.90 | 43.90 | | FII | 4.86 | 4.86 | | DII | 0.00 | 0.00 | | Public | 51.24 | 51.24 |

- **Promoter Pledged Shares:** 0.00%
- **Equity Dilution:** QIP raised 122.00 Cr, increasing paid-up capital from 5.00 Cr to 5.68 Cr.

D. Board Composition + KMP Compensation * **Total Directors:** 8 (75% Independent; 2 Women Directors). * **CMD Chirag Parekh:** Remuneration of ₹**7.03 Cr** (10.9% of PAT), grew 15.43% YoY vs EBITDA growth of 6.87%. * **Rhea Parekh (VP - Int. Mktg):** Daughter of CMD; remuneration ₹**0.55 Cr**, grew 25% YoY. * **Analysis:** Executive pay growth is disproportionate to operational performance. Family concentration is increasing with the promotion of the CMD's daughter into a key marketing role.

F. Capital Allocation & Capex | Action | FY current (₹Cr) | FY prior (₹Cr) | % of CFO | Signal | | :--- | ---: | ---: | ---: | :--- | | Inventory Investment | 48.00 Cr | 43.00 Cr | 80.00% | — | | Equity Issuance (QIP) | 122.00 Cr | 0.00 Cr | 203.33% | **Positive** | | Capex | 47.00 Cr | 93.00 Cr | 78.33% | — | | Interest Payments | 23.00 Cr | 21.00 Cr | 38.33% | — | | Dividends | 6.00 Cr | 6.00 Cr | 10.00% | — | | Net Debt Change | -36.00 Cr | 77.00 Cr | -60.00% | **Positive** |

CAPEX Analytical Notes: * **CFO Coverage of Capex: 1.27x**. Transitioned to self-funding capex, reducing debt reliance. * **Nature of Capex:** Shifted to **process innovation and digitalization (SCADA integration)**. * **Deployment Efficiency:** Revenue grew 19.28% while Gross Block grew only 7.5%, indicating improved asset utilization. * **Key Takeaways:** The **113.53 Cr Goodwill** remains the largest asset risk; unutilized QIP funds (55.09 Cr) are currently parked in FDs.

H. Risks * ***Export Dependency*** (High): 81.42% of revenue; high sensitivity to Red Sea crisis and global shipping costs. * ***Inventory Bloat*** (High): Inventory days at 290; traps 48 Cr in cash; risk of obsolescence. * ***Subsidiary Losses*** (Medium): US units reported combined losses of 14.83 Cr, dragging on consolidated PAT. * ***Forex/ Interest Rate*** (Medium): 100 bps rate hike impacts PBT by 2.65 Cr. * ***Audit Risk*** (Medium): 8.8% of assets are unaudited/management-certified.

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	81% Export Revenue; 65% Capacity Utilization	Strong manufacturing moat but high cyclical export dependence and idle capacity.
Financial health	4	↑	D/E 0.52x; Interest Coverage 4.38x	QIP infusion significantly deleveraged the balance sheet despite poor FCF.
Earnings quality	2	↓	CFO < PAT; Inventory growth 27.7% > Sales 19.3%	Profits are not converting to cash due to severe inventory bloat and RPT leakage.
Management & governance	2	↓	CMD Pay 10.9% of PAT; NRC Penalty; 8.8% Unaudited Assets	High promoter extraction and compliance lapses signal a small-cap governance mindset.
Capital allocation & earnings visibility	3	→	ROCE 15%; 55 Cr QIP unutilized; US losses 14.8 Cr	Disciplined capex reduction but international acquisitions are currently value-destructive.

Business positives (for this company this year) * **Deleveraging: Debt/Equity** improved from 0.88 to 0.52 following a successful ₹125 Cr QIP. * **Export Momentum: Export Sales** grew by 22.44% to ₹664.00 Cr, capturing "China + 1" tailwinds. * **Capex Discipline: Capex** reduced to ₹47.00 Cr from ₹93.00 Cr, with CFO coverage improving to 1.27x. * **Asset Utilization: Revenue** grew 19.28% while Gross Block grew only 7.5%, showing better use of existing capacity. * **Market Expansion:** Dealer network expanded to **4,000+** outlets to drive domestic premiumization.

Business negatives / concerns (for this company this year) * **Working Capital Stress: Inventory Days** reached 290, with ₹48.00 Cr of cash trapped in stock buildup. * **Margin Compression: OPM %** contracted from 19% to 17% due to a 48.85% spike in freight costs. * **Governance Flags: CMD Remuneration** at 10.9% of PAT and a ₹2.58 Lakh penalty for NRC non-compliance. * **Subsidiary Drag: Carysil USA** and United Granite reported combined losses of ₹14.83 Cr. * **Information Risk: 8.8% of Group Assets** (₹36.74 Cr) remain unaudited and management-certified. * **Negative FCF:** The company failed to generate positive **Free Cash Flow** after accounting for capex and investments.

Overall scorecard summary Carysil presents a dichotomy of strong top-line export growth and a repaired balance sheet against deteriorating operational efficiency and governance standards. While the QIP has provided a necessary capital cushion, the business is struggling to convert accounting profits into actual cash flow due to a bloated inventory cycle. Governance is a growing concern, characterized by high promoter compensation, family concentration, and minor regulatory penalties. The trajectory is currently stable but fragile,

as future value depends entirely on the turnaround of loss-making US subsidiaries and the absorption of 35% idle manufacturing capacity.

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: 3

Part c: investor verdict

Thesis: A premium manufacturing play on global kitchen interiors that is currently using equity infusions to mask operational cash flow stress and high promoter extraction.

Overall stance: Watch

Rationale: Strong revenue growth and deleveraging are offset by a 290-day inventory cycle and value-destructive international subsidiaries. Re-evaluate when: Inventory Days drop below 220 or US subsidiaries report a combined PAT > ₹5 Cr. BULL CASE: US turnaround and GCC project wins drive 25% PAT growth and ROCE expansion to 20%. BEAR CASE: Red Sea crisis persists and inventory obsolescence leads to a ₹20 Cr write-down, crashing margins to 12%. Key monitorable: Inventory Days: 290 → watch threshold 240.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Capital Allocation	Debt-funded organic expansion (□93 Cr capex) with 0.84 D/E.	Equity-funded deleveraging (□125 Cr QIP) with 0.52 D/E.	The company has pivoted from high-leverage growth to using equity markets to repair a balance sheet strained by negative free cash flow.
Working Capital	Inventory days at 285 with receivables growth doubling revenue growth.	Inventory days worsened to 290, though debtor days improved to 65.	While collection efficiency improved, the core liquidity trap has intensified as inventory bloat continues to outpace sales growth.
Margin Trajectory	OPM at 19% supported by non-operating forex gains.	OPM contracted to 17% due to a 48.8% spike in freight and insurance costs.	Structural margin vulnerability is increasing as external logistics inflation and rising employee costs offset manufacturing scale benefits.
Governance & Tone	Aggressive promoter pay (9.6% of PAT) and family appointments.	Promoter pay rose to 10.9% of PAT alongside regulatory penalties and unaudited subsidiary assets.	Governance standards are deteriorating from aggressive compensation toward active compliance lapses and reduced financial transparency.
Asset Risk	Goodwill at □35.91 Cr following initial overseas acquisitions.	Goodwill surged to □113.53 Cr with □14.8 Cr losses in US subsidiaries.	The balance sheet is increasingly burdened by intangible assets that face high impairment risk due to persistent underperformance in international units.

7.2 Persistent patterns

- **Promoter-Centric Extraction: CMD remuneration consistently exceeds 9% of Net Profit (rising to 10.9% in the current year), significantly outpacing mid-cap governance norms and EBITDA growth.**
- **Chronic Negative Free Cash Flow: Despite shifts in funding sources, the company remains unable to generate positive FCF after capex, remaining perpetually dependent on external capital (Debt in Summary A, Equity in Summary B).**
- **Structural Inventory Bloat: Inventory levels remain stuck above 280 days, indicating either a permanent inefficiency in the global supply chain model or a persistent risk of overproduction/ obsolescence.**
- **High Related Party Leakage: RPTs (purchases and pay) consistently consume over 50% of Operating Cash Flow, suggesting that a majority of generated cash is recycled back to promoter-linked entities or KMPs.**
- **Extreme Export Vulnerability:** With export revenue consistently near or above 80%, the company's bottom line remains a hostage to global shipping disruptions and forex volatility.
- **Information Risk in Subsidiaries:** Both periods highlight audit concerns regarding overseas operations, transitioning from "subject to confirmation" balances to 8.8% of group assets being entirely unaudited.