Sejal Glass Ltd — FY 2023 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**Revenue surged 90.87% YoY to ₹46.43 Cr, driven by a strategic shift toward high-value architectural glass and improved capacity utilization at the Dadra plant.**	Positive
2	***Reported PAT of ₹8.59 Cr is of exceptionally low quality, as it is entirely derived from a ₹9.03 Cr non-cash Deferred Tax Asset (DTA) credit; core PBT is a marginal ₹0.02 Cr.***	Negative
3	***Operating margins are under pressure from rising maintenance costs (up 108%) and power/fuel expenses, though some operating leverage was realized as employee costs lagged revenue growth.***	Neutral
4	***Finance costs more than doubled to ₹2.31 Cr, with a concerning 79% of total interest outgo directed to a promoter-linked entity (Dilesh Roadlines).***	Negative
5	***The balance sheet remains levered with a D/E of 2.12x and an interest coverage ratio of only 1.41x, indicating limited cushion for operational volatility.***	Negative
6	***Cash Flow from Operations (CFO) remains negative at -₹1.09 Cr, signaling that the business is currently unable to fund its own working capital or debt obligations.***	Negative
7	***Working capital stress is evident as trade receivables grew 123%, significantly outstripping revenue growth and stretching DSO to 81 days.***	Negative
8	**The company successfully exited its Resolution Plan by refinancing high-stress debt with a fresh ₹12.76 Cr facility from HDFC Bank, providing a cleaner credit profile.**	Positive
9	***Liquidity was bolstered by a ₹6.13 Cr asset sale to a related party (RCG Ventures LLP), highlighting a continued reliance on non-core disposals to meet financial commitments.***	Neutral
10	**Governance shows structural improvement with a 66% independent board and two women directors, though high RPT concentration and a tax-attached bank account remain red flags.**	Neutral
11	***The outlook is clouded by the Key Audit Matter regarding DTA realization; failure to generate significant future taxable profits could lead to a material reversal of reported net worth.***	Negative
12	***Investment View: Watch; maintain a cautious stance until CFO turns positive (> ₹2 Cr) and the business demonstrates self-sustaining operational profitability without accounting artifacts.***	Negative

1. Business overview (In Bullet Points)

- **Business Segments:** Sejal Glass operates primarily in the value-added glass processing sector, focusing on architectural glass products including Laminated, Toughened, and Insulating glass.
- **Revenue Drivers:** Growth is primarily volume-led, driven by the restoration of operational capacity and re-establishment of supply chain relationships post-restructuring. Laminated Glass (up 109%) and Insulating Glass (up 158%) are the fastest-growing segments.
- **Cost Drivers:** Key costs include raw materials (₹30.72 Cr), finance costs (₹2.31 Cr), and power/fuel (₹2.40 Cr). Machinery repairs increased by 108% to support higher utilization.
- **Industry Position:** The company is a small-cap turnaround player in the premium architectural glass market, competing with larger players like Saint-Gobain and AIS.

- **Expansion Plans:** Current focus is on maximizing the utilization of the existing Dadra facility to service recovering real estate and infrastructure sectors.
- **Acquisitions & Capacity:** No new acquisitions; the company recently exited a resolution process. Capacity additions are currently focused on "sweating" existing assets rather than fresh greenfield capex.
- **Segment Performance:** Glass processing is the sole operating segment. Laminated glass accounts for 41.31% of revenue, followed by Toughened glass at 38.08%.
- **Geographical Presence:** Operations are concentrated in a single geography (India), with the primary manufacturing base in Dadra (UT of Dadra and Nagar Haveli).

2. Management commentary & outlook

- The management's primary focus has shifted from legal and financial survival to operational execution and business building.
- Strategic priority is the utilization of the Dadra facility to service the recovering real estate and infrastructure sectors, particularly premium architectural glass (toughened, insulated, and laminated).
- The appointment of a diverse board, including four Independent Directors, signals an intent to improve corporate governance and move away from the "promoter-driven" distress era.
- Management has successfully re-engaged with the market, evidenced by a 90.8% YoY revenue growth, reclaiming market share in the architectural glass segment.
- The company is positioning itself to benefit from the trend toward glass-heavy facades in urban centers and commercial real estate recovery.
- The challenge remains high competitive intensity from larger, more capitalized players and the need to demonstrate "true" bottom-line profitability from core operations.
- Management is prioritizing debt restructuring and asset disposal over capacity expansion in the near term to meet Resolution Plan obligations.
- The management tone is **Restorative and Execution-Focused**, reflecting a "Phoenix" rising narrative; however, the reliance on tax assets for reported profits and rising finance costs suggest the company remains in a fragile, high-stakes early stage of its turnaround.

3. Financial analysis

3.1 Financial statements

3.2 Financial analysis summary

- **Revenue** surged 90.87% YoY to 46.43 Cr, primarily driven by high-value architectural products like Laminated Glass (19.18 Cr, up 109%) and Insulating Glass (8.14 Cr, up 158%), yet this growth is decoupled from liquidity as Trade Receivables on the Balance Sheet ballooned 123% to 10.36 Cr.
- The reported **PAT** of 8.59 Cr is of low quality as it is entirely comprised of a non-cash Deferred Tax credit of 9.03 Cr recognized against legacy losses, masking a core Profit Before Tax of only 0.02 Cr on the Income Statement after accounting for a 0.93 Cr Exceptional Loss from asset sales.
- **Finance Cost** more than doubled to 2.31 Cr as the company transitioned from resolution debt to a fresh 12.76 Cr facility from HDFC Bank, while remaining heavily reliant on Unsecured Inter-Corporate Deposits (18.52 Cr) which constitute 59.2% of Total Debt, resulting in a thin Interest Coverage of 1.41x.
- **Operating Leverage** is visible as Employee Benefit Expense (4.90 Cr) and Power and Fuel (2.40 Cr) grew at 29% and 53% respectively, significantly lagging the 91% Revenue growth, yet the business remains a cash trap with CFO estimated at -1.09 Cr due to 5.72 Cr being absorbed by Trade Receivables.

- **Working Capital** efficiency is deteriorating with Receivable Days stretching from 70 to 81 days, further complicated by the fact that 27% of "Good" receivables (2.78 Cr) are due from related parties like Sejal Intelligent Façade, creating a risk of circular funding.
- **Net Worth** improved to 14.74 Cr largely due to an accounting adjustment netting off 174.11 Cr of reserves against accumulated losses and the Deferred Tax asset recognition, rather than organic earnings or fresh equity infusion, which artificially lowered the Debt/Equity ratio to 2.12.
- **Cash Flow from Investing Activities** was positive at 5.20 Cr due to the 6.13 Cr sale of non-core property to a related party (RCG Ventures LLP) as part of the resolution plan, which provided the liquidity to fund Financing CF repayments of 3.78 Cr in the absence of positive CFO.
- **Asset Turnover** and ROCE (7.08%) remain suppressed as the company's Gross Block requires high maintenance (Repairs up 108% to 0.48 Cr) to support increased utilization, while the Balance Sheet is still burdened by 2.43 Cr in legacy doubtful advances and security deposits.
- **Other Assets** are heavily burdened by legacy doubtful items (2.43 Cr in doubtful deposits and advances), which are 100% provided for but remain on the gross balance sheet, while Other Expenses were impacted by a 0.93 Cr Exceptional Loss on asset sales and a 108% spike in machinery maintenance, indicating the aging nature of the Dadra plant.
- Sejal Glass is executing a high-growth turnaround characterized by a shift toward value-added glass products and successful debt refinancing, yet the business remains fundamentally fragile due to its inability to convert **EBITDA** margins into positive CFO, leaving its PAT Margin and ROE as misleading indicators of financial health.

3.3 Contingent liabilities & commitments

- **Litigation & Claims:** All contingent liabilities, claims, and obligations pertaining to the period before April 25, 2021, were extinguished as per the NCLT-approved Resolution Plan.
- **Tax Disputes:** A minor liability of □0.01 Cr (Unpaid Dividend) remains stuck because the bank account is attached by Sales Tax Authorities, indicating lingering administrative hurdles.
- **Capital Commitments:** Reported at □0.00 Cr for FY23; all prior capital commitments were extinguished under the Resolution Plan.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash	—	Forensic Alert: PAT is entirely comprised of deferred tax credit; core operations are barely break-even.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — potential aggressive booking	—	Note 10: Receivables growth outstripping sales indicates potential loosening of credit terms post-CIRP.
3	Revenue timing	Neutral — standard industrial recognition	—	Note 2.2.15: Revenue policy allows for volume discounts/rebates, though specific amounts are not quantified.
4	Revenue from related parties %	Revenue ↑ — concentration risk	—	Note 29.15: Related parties represent 27% of current "Good" receivables (□2.78 Cr outstanding).
5	Inventory vs revenue growth	Profit ↑ — efficient turnover	—	Note 28: Power/fuel costs lagging revenue growth suggests improved capacity utilization at the Dadra plant.
6	Inventory valuation method change	Neutral — consistent application	—	Note 2.2.6: Cost determined on First-In-First-Out (FIFO) basis for raw materials and traded goods.
7	Exceptional items in operating profit	Profit ↓ — non-recurring loss	—	Note 29.15: PPE worth □6.13 Cr sold to RCG Ventures LLP as part of the Resolution Plan monetization.
8	Depreciation rate vs useful life policy	Profit ↑ — lower non-cash charge	—	Note 2.2.3: Company elected to use carrying value as of April 1, 2016, as deemed cost for PPE.
9	Provision reversals boosting PAT	Neutral — legacy cleanup	—	Note 13: Legacy governance risks being cleaned up; □4.15 Cr of receivables remain fully provided.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — non-cash gain	—	Note 29.5: DTA recognized based on "future projections" of profitability; without this, a Net Loss would occur.
11	CWIP age and stalling projects	Neutral — no active capitalization	—	Note 29.1: All prior capital commitments were extinguished under the NCLT-approved Resolution Plan.
12	Deferred tax asset recognition adequacy	Profit ↑ — aggressive accounting	—	KAM: Auditor identified DTA as a Key Audit Matter due to high judgment in estimating future income.
13	RPT quantum and trend	Profit ↑↓ — conflict risk	—	Note 29.15: Heavy dependence on Unsecured ICDs (□18.52 Cr) from related parties for working capital.
14	Dividend paid vs FCF adequacy	Neutral — no dividends	—	Note 20: Failure to transfer old dividends to IEPF due to Sales Tax Authority attachment of accounts.
15	Auditor KAM: DTA Realization	Profit ↑ — high management judgment	—	Auditor flagged high degree of judgment regarding future taxable profitability required to realize these assets.
16	Capital Reduction Accounting	Neutral — non-cash equity boost	—	Auditor Emphasis of Matter: Material non-routine adjustment to equity structure per Resolution Plan.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit opinion type:** Unqualified. * **KAM - Recognition of Deferred Tax Assets (DTA):** The auditor flagged the recognition of □9.03 Cr in DTA. The concern involves the high degree of management judgment regarding future taxable profitability required to realize these assets. Management

responded by providing future profitability projections and citing the NCLT order regarding the extinguishment of past tax demands. * **Emphasis of Matter - Capital Reduction:** The auditor highlighted the adjustment of □174.11 Cr from reserves against accumulated losses as per the Resolution Plan. * **Emphasis of Matter - Unpaid Dividend:** Noted non-compliance regarding the transfer of □0.01 Cr to the IEPF due to bank account attachment by sales tax authorities. * **Auditor Change:** M/s. Gokhale & Sathe continue as Statutory Auditors.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | ------- | -------------- | -------- | ---------------- | --------- | | RCG Ventures LLP | Director Influenced | Sale of Property | 6.13 Cr | ***Aggressive: Non-core asset sale to related party*** | | Dilesh Roadlines | Promoter Group | Interest Paid | 1.83 Cr | ***High: Represents 79.22% of total finance costs*** | | Dilesh Roadlines | Promoter Group | Loans Received | 5.00 Cr | ***Dependency: Reliance on promoter-linked ICDs*** | | Sejal Intelligent Façade | Associate/Group | Sale of Goods | 2.40 Cr | ***Concentration: 5.17% of total revenue*** | | Sejal Glass House | Associate/Group | Sale of Goods | 0.37 Cr | Potential tunneling via trade terms |

- **RPT Risk:** Sales to related parties account for 5.9% of total revenue. However, these entities represent □2.78 Cr (27%) of "Good" trade receivables.
- **Verdict:** **Monitor ** — High concentration of interest payments to a promoter entity and the sale of assets to director-linked LLPs warrant close monitoring for potential value leakage.

C. Shareholding * **Pledged Shares:** Not disclosed in the provided financial highlights.

D. Board Composition + KMP Compensation * **Total Directors:** 6 (66.67% Independent; 4 out of 6). * **Women Directors:** 2 (Ms. Neha R. Gada, Ms. Amruta Patankar). * **KMP Compensation:** Specific remuneration for Ashwin S. Shetty (CS) and Chandresh R. Rambhia (CFO) was not disclosed. However, overall Employee benefit expenses (□4.90 Cr) grew by 28.95%, significantly slower than revenue growth (90.87%), suggesting controlled personnel costs.

F. Capital Allocation & Capex | Action | FY current (□Cr) | FY prior (□Cr) | Signal | | :--- | :--- | :--- | :--- | | Asset Sales / Divestments | 6.13 Cr | 0.00 Cr | **Value-neutral: Part of Resolution Plan** | | Net Debt Change | -1.91 Cr | 11.03 Cr | ***: Replacing bank debt with ICDs*** | | Interest Payments | 2.31 Cr | 1.05 Cr | ***: Cost of debt rising 120%*** | | Equity Issuance / Dilution | 0.00 Cr | 10.10 Cr | — | | Impairments / Write-offs | 0.93 Cr | 0.00 Cr | ***: Loss on sale of assets*** |

- **CAPEX Analytical Notes:**
  - **CFO Coverage:** Not self-funding; reliant on asset monetization and Inter-Corporate Deposits (ICDs).
  - **Nature of Capex:** Primarily maintenance-focused; **Machinery repairs increased by 108% to 0.48 Cr**.
  - **Deployment Efficiency:** Revenue grew 90.87% on a shrinking asset base, indicating high sweating of existing assets.
  - **Key Takeaways:** The capex program is currently non-existent as the company prioritizes debt restructuring and asset disposal.

H. Risks * ***DTA Realization (High):*** Reliance on □9.03 Cr DTA for profitability. Impact: Wipeout of FY23 PAT if future profits don't materialize. * ***Debt Concentration (High):*** 59.2% of debt is in Unsecured ICDs. Impact: Rollover risk and high interest outflow to related parties (□1.83 Cr). * ***Working Capital (Medium):*** Receivables growing faster than sales (123% vs 91%). Impact: Cash flow strain and DSO deterioration. * ***Legacy Litigation (Medium):*** Bank account attached by Sales Tax Dept. Impact: Inability to clear unpaid dividends and potential legal hurdles. * ***Asset Concentration (Low):*** Single plant (Dadra) and single geography. Impact: Supply chain vulnerability.

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	—	91% Revenue growth; single plant; architectural glass focus.	Moderate diversification with stable demand but high cyclicality and single-plant risk.
Financial health	2	—	D/E 2.12x; CFO negative (-1.09 Cr); Interest coverage 1.41x.	High debt-to-equity and negative operating cash flow indicate fragility.
Earnings quality	1	—	PAT ₹8.59 Cr vs PBT ₹0.02 Cr; ₹9.03 Cr DTA credit.	PAT is entirely driven by a non-cash tax entry; core operations are barely break-even.
Management & governance	3	—	66% Independent Board; ₹6.13 Cr RPT asset sale; ₹1.83 Cr RPT interest.	Generally compliant post-resolution but high RPT concentration requires monitoring.
Capital allocation & earnings visibility	2	—	ROCE 7.08%; No growth capex; Asset sales funding debt.	Reinvesting only in maintenance; earnings visibility clouded by non-cash tax credits.

Business positives (for this company this year) * **[Revenue Growth]:** Reported a significant 90.87% YoY growth in revenue to ₹46.43 Cr, driven by high-value architectural glass. * **[Operational Turnaround]:** Achieved positive PBT (before exceptional items) of ₹0.95 Cr for the first time in five years. * **[Debt Refinancing]:** Successfully exited Resolution Plan obligations by replacing high-stress debt with a fresh ₹12.76 Cr facility from HDFC Bank. * **[Operating Leverage]:** Employee costs (29% growth) and Power/Fuel (53% growth) lagged revenue growth (91%), showing improved capacity utilization. * **[Clean Slate]:** Extinguishment of all legacy contingent liabilities and claims prior to April 2021 via NCLT order.

Business negatives / concerns (for this company this year) * **[Low Earnings Quality]:** Reported PAT of ₹8.59 Cr is entirely driven by a ₹9.03 Cr non-cash Deferred Tax Asset credit. * **[Negative Cash Flow]:** Cash Flow from Operations (CFO) remained negative at -₹1.09 Cr despite high revenue growth. * **[Working Capital Stress]:** Trade receivables grew by 123%, significantly outstripping revenue growth of 91%, with DSO stretching to 81 days. * **[RPT Dependency]:** High reliance on promoter-linked ICDs (59% of debt) and 79% of total interest paid to a related party (Dilesh Roadlines). * **[Asset Sale to Related Party]:** Sold ₹6.13 Cr of PPE to a director-influenced entity (RCG Ventures LLP) to fund debt repayments. * **[Administrative Hurdles]:** Bank account remains attached by Sales Tax authorities, preventing the transfer of unpaid dividends.

Overall scorecard summary Sejal Glass is in the fragile early stages of a high-growth turnaround, characterized by strong top-line recovery but poor earnings quality. While the balance sheet has been cleaned of legacy liabilities, the reported profitability is an accounting artifact of deferred tax recognition rather than operational cash generation. Governance is improving through a restructured board, yet the heavy reliance on related-party funding and asset sales to promoter-linked entities remains a significant risk. The business is currently on a **stable but high-risk** trajectory, where operational scaling must urgently translate into positive cash flow to sustain the turnaround.

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 high-risk, small-cap turnaround play in the architectural glass segment, currently showing strong revenue recovery but lacking operational cash flow. **Overall stance:** Watch **Rationale:** Reported profits are non-cash (DTA-led), and the company remains heavily dependent on related-party debt and asset sales for liquidity. **Re-evaluate when:** Cash Flow from Operations (CFO) turns positive and stays > □2 Cr for two consecutive quarters. **BULL CASE:** Sustained 50%+ revenue growth leads to genuine PBT margins of 5%+, allowing for self-funded capacity expansion. **BEAR CASE:** Failure to realize the □9.03 Cr DTA due to lack of future profits, combined with a recall of promoter-linked ICDs. **Key monitorable:** Trade Receivable Days: 81 days → Watch for a threshold of >100 days.