Hindware Home Innovation Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Hindware is undergoing a high-stakes structural turnaround, pivoting toward a leaner manufacturing-led model following the commissioning of the Roorkee plant and exit from loss-making consumer categories.**	□
2	***Top-line performance remains stagnant at 2,510 Cr, with revenue stability bought at the cost of aggressive 43.7% trade discounts (1,902 Cr) to maintain market volumes.***	□
3	**Operating margins are being prioritized through the strategic rationalization of the P&L, including a □53 Cr one-time cleanup of non-core, high-loss business segments.**	□
4	***Bottom-line quality is compromised by 30.91 Cr in non-cash write-backs and a negative PAT that renders KMP compensation (3.76 Cr) disproportionate to earnings.***	□
5	***Balance sheet health is strained by a D/E of 0.95x and a severe liquidity mismatch, with 455.63 Cr in debt maturing within one year against a cash buffer of only 33 Cr.***	□
6	**Cash flow generation showed a significant pivot, with CFO surging to □258 Cr (2.01x capex coverage) driven by aggressive working capital liquidation and receivable collections.**	□
7	**Capital expenditure of □128 Cr was successfully self-funded, resulting in a □115 Cr reduction in CWIP and transitioning the company into a growth-ready phase.**	□
8	***Earnings quality is under scrutiny due to a critical forensic red flag: the audit trail (edit log) was not enabled at the database level, compromising financial data integrity.***	□
9	***Governance concerns are elevated by high Related Party Transaction (RPT) leakage, with 17.44% of CFO flowing to promoter entities, and non-audit fees exceeding 51% of auditor pay.***	□
10	***Operational risks are evident in the aging of assets, with 80.96 Cr in trade receivables outstanding for over three years and a doubling of MSME dues to 103.95 Cr.***	□
11	**The outlook is contingent on the demerger's success and the Roorkee plant hitting 80% utilization to drive a bull-case 15% EBITDA margin and subsequent rerating.**	□
12	**Investment View: WATCH; stance remains cautious until Net Debt/EBITDA falls below 2.0x and internal control deficiencies regarding the audit trail are fully resolved.**	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Operates primarily in three segments: Bathware (Sanitaryware and Faucets), Plastic Pipes & Fittings, and Consumer Appliances (Chimneys, Hobs, Cooktops).
- **Revenue Drivers:** Bathware remains the primary cash cow (60% of revenue), followed by Consumer Products (27%) and Plastic Pipes & Fittings (13%).

- **Cost Drivers:** Major costs include raw materials (vitreous china, PVC resin), traded goods procurement, power and fuel (up 10.6% YoY), and freight/transportation.
- **Industry Position:** Leading player in the Indian Bathware market with a focus on premiumization through brands like *Queo* and *Hindware Italian Collection*.
- **Expansion Plans:** Focus on the "New Hindware" thesis involving a composite scheme of arrangement to demerge Consumer Products and merge Bathware/Pipes into Hindware Limited.
- **Acquisitions & JVs:** Strategic retreat from the Hintastica JV (sold manufacturing assets for ₹115 Cr) and liquidation of the "Evok" retail business.
- **Capacity Additions:** Successful commissioning and capitalization of the Roorkee pipes facility, significantly reducing CWIP.
- **Segment Performance:** Building Products revenue grew slightly to ₹2,193.40 Cr, while Consumer Products revenue declined to ₹318.06 Cr due to category rationalization.
- **Geographical Presence:** Strong pan-India distribution network with a growing focus on "Online-First" consumers for AI-enabled appliances.

2. MANAGEMENT COMMENTARY & OUTLOOK

- The company is undergoing a major strategic restructuring via a Composite Scheme of Arrangement to separate the high-margin Bathware/Pipes business from the volatile Consumer Appliances segment to unlock shareholder value.
- Management has launched the "Designed for Sukoon" philosophy, signaling a shift from fragmented brand-building to a cohesive, premium-focused identity.
- A "Portfolio Rationalization" strategy is in place, explicitly exiting loss-making consumer categories like air purifiers, water purifiers, and fans to focus on core strengths.
- The focus in Bathware has shifted toward luxury (*Queo*) and aspirational (*Hindware Italian Collection*) segments to combat margin pressure.
- Operational efficiency is being targeted through the deployment of robotic glazing and high-pressure casting in sanitaryware plants to improve "First-Time-Right" yields.
- The commissioning of the Roorkee plant marks a pivot into PTMT and Double Wall Corrugated (DWC) pipes, diversifying into infrastructure and rural markets.
- Management guidance points toward "double-digit revenue growth," though specific recovery timelines for ROCE (previously 4%) remain undisclosed.
- The demand environment is being addressed through AI-integrated products (24 new SKUs of chimneys) to defend against new-age competitors.
- The sale of Hintastica JV manufacturing assets for ₹115 Cr signals a strategic retreat to recover capital and stop the impairment cycle.
- Management Tone: The tone has shifted from "Expansionary" to "Consolidation & Efficiency," emphasizing internal cost optimization and margin protection. While the "Sukoon" narrative pitches ease to shareholders, the underlying tone reflects the urgency of a necessary corporate surgery to fix legacy execution and governance frictions. (Narrative Verdict: Cautiously Optimistic/Consolidating).

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	2,510.00	2,523.00
Sales Growth %	-0.50	-9.89
Expenses -	2,313.00	2,380.00
Material Cost % -	55.00	28.00
Raw material cost	1,434.00	688.00
Change in inventory	-61.00	18.00
Manufacturing Cost %	4.00	34.00
Employee Cost %	16.00	17.00
Other Cost %	18.00	15.00
Operating Profit	198.00	143.00
OPM %	8.00	6.00
Other Income -	-18.00	12.00
Exceptional items	-53.00	-28.00
Other income normal	35.00	40.00
Interest	70.00	89.00
Depreciation	117.00	123.00
Profit before tax	-8.00	-57.00
Tax %	-53.00	-12.00
Net Profit -	-39.00	-68.00
Profit from Associates	-36.00	-18.00
Minority share	0.00	0.00
Exceptional items AT	-41.00	-24.00
Profit excl Excep	2.00	-44.00
Profit for PE	1.00	-44.00
Profit for EPS	-40.00	-68.00
Profit Growth %	103.00	-273.00
EPS in Rs	-4.74	-8.16
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	17.00	17.00
Reserves	720.00	760.00
Borrowings -	856.00	889.00
Long term Borrowings	253.00	355.00
Short term Borrowings	456.00	365.00
Lease Liabilities	148.00	169.00
Other Borrowings	0.00	0.00
Other Liabilities -	859.00	862.00
Non controlling int	9.00	9.00
Trade Payables	436.00	407.00
Advance from Customers	0.00	10.00
Other liability items	413.00	436.00
Total Liabilities	2,452.00	2,528.00
Fixed Assets -	999.00	875.00
Land	0.00	114.87
Building	0.00	370.02
Plant Machinery	0.00	525.02
Equipments	0.00	15.57
Computers	0.00	23.99
Furniture n fittings	0.00	194.18
Vehicles	0.00	24.13
Intangible Assets	5.35	2.27
Other fixed assets	0.00	12.31
Gross Block	0.00	1,282.36
Accumulated Depreciation	0.00	406.92
CWIP	94.00	209.00
Investments	39.00	73.00
Other Assets -	1,321.00	1,370.00
Inventories	614.00	601.00
Trade receivables -	420.00	508.00
Receivables over 6m	0.00	138.00
Receivables under 6m	0.00	444.00
Prov for Doubtful	0.00	-74.00
Cash Equivalents	33.00	25.00
Loans n Advances	12.00	32.00
Other asset items	241.00	204.00

Line Item	Mar 2026	Mar 2025
Total Assets	2,452.00	2,528.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	258.00	192.00
Profit from operations	207.00	178.00
Receivables	63.00	-75.00
Inventory	-6.00	-12.00
Payables	-10.00	93.00
Other WC items	21.00	11.00
Working capital changes	67.00	17.00
Direct taxes	-18.00	-3.00
Other operating items	2.00	0.00
Cash from Investing Activity -	-129.00	-215.00
Fixed assets purchased	-128.00	-202.00
Fixed assets sold	2.00	4.00
Investments purchased	-5.00	0.00
Investments sold	0.00	0.00
Interest received	1.00	0.00
Investment in group cos	0.00	-17.00
Acquisition of companies	0.00	0.00
Other investing items	0.00	0.00
Cash from Financing Activity -	-120.00	18.00
Proceeds from shares	0.00	250.00
Proceeds from borrowings	115.00	164.00
Repayment of borrowings	-134.00	-273.00
Interest paid fin	-78.00	-94.00
Dividends paid	0.00	-3.00
Financial liabilities	-23.00	-25.00
Other financing items	0.00	-1.00
Net Cash Flow	8.00	-4.00
Free Cash Flow	133.00	-6.00
CFO/OP	139.00	137.00

Key Ratios (□Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	61.00	73.00
Inventory Days	163.00	311.00
Days Payable	116.00	210.00
Cash Conversion Cycle	108.00	174.00
Working Capital Days	-11.00	11.00
ROCE %	7.00	4.00

3.2 Financial Analysis Summary

- **Revenue** remained stagnant at **□2,510.00 Cr** compared to **□2,523.00 Cr** in the previous year, but this top-line stability was heavily "bought" through aggressive trade incentives where **□1,902.13 Cr** (43.7% of gross contract price) was sacrificed in discounts, which helped liquidate **Trade Receivables** to **□420.00 Cr** and improved **Debtor Days** from **73.00** to **61.00**.
- While **Operating Profit** grew to **□198.00 Cr** with an **OPM %** of **8.00%**, the bottom line reported a **Net Profit** loss of **□-39.00 Cr** due to a **□53.00 Cr Exceptional Items** charge for discontinuing loss-making consumer lines and a **□36.00 Cr** loss from associates, leading to a negative **EPS** of **□-4.74**.
- **Finance Cost** decreased by **21%** to **□70.00 Cr**, partially due to debt repayment and partially because the Group capitalized **□6.53 Cr** of interest into **Fixed Assets** and **CWIP**, which optically protected the P&L while **Total Debt** on the **Balance Sheet** remained high at **□856.00 Cr**.
- **CFO** improved significantly to **□258.00 Cr** from **□192.00 Cr**, driven by a **□67.00 Cr** positive movement in **Working Capital**, specifically a **□63.00 Cr** reduction in **Trade Receivables**; however, this was offset by a spike in **Trade Payables** to **□436.00 Cr**, where dues to MSMEs doubled to **□103.95 Cr**, signaling significant payment pressure on small vendors.
- **Inventory** levels remained elevated at **□614.00 Cr**, with **Inventory Days** at **163.00**, and 62% of this is stock-in-trade, highlighting a heavy reliance on a trading model that traps cash and contributes to a severe liquidity mismatch where **□455.63 Cr** of debt matures within one year against **Cash Equivalents** of only **□33.00 Cr**.
- **Fixed Assets** increased to **□999.00 Cr** as **CWIP** dropped from **□209.00 Cr** to **□94.00 Cr** following the commissioning of the Roorkee plant, a transition reflected in the **Cash Flow Statement** through **Capex** of **□128.00 Cr**, which finally allowed the company to generate a positive **Free Cash Flow** of **□133.00 Cr**.
- **ROCE** saw a marginal recovery to **7.00%** from **4.00%**, yet **Net Worth** eroded to **□720.00 Cr** due to the net loss, keeping the **Debt/Equity** at a high **95%** and making the Group highly sensitive to interest rate fluctuations on its floating-rate borrowings.
- **Other Operating Revenue** was supported by **□30.91 Cr** of non-cash "liabilities written back," while **□19.76 Cr** of pre-operative expenses (including **□6.96 Cr** of employee costs) were capitalized into the **Balance Sheet**, deferring P&L impact.
- **Other Assets** are impacted by **Balances with Government Authorities** (GST/Tax receivables) which remain high at **□73.35 Cr**, indicating a slow tax refund cycle that traps liquidity.
- **Other Expenses** were pressured by a **280%** spike in **Loss on Foreign Exchange** to **□5.38 Cr**, highlighting unhedged exposure to USD/CNY imports.
- The dominant financial theme of the year is a **strenuous liquidity-driven pivot**, where aggressive discounting and working capital liquidation were used to fund the completion of the **Capex** cycle and debt reduction, amidst structural losses from discontinued operations and internal control weaknesses.

3.3 Contingent Liabilities & Commitments

- **Tax Disputes:** Total tax-related contingent liabilities stand at ₹**42.05 Cr**, comprising ₹**15.39 Cr** in Excise/Service/Income/Sales tax demands and ₹**26.66 Cr** in GST demands under appeal.
- **Guarantees:** Corporate guarantee for the Hintastica JV was reduced from ₹**69.50 Cr** to ₹**25.00 Cr**.
- **Capital Commitments:** Outstanding capital commitments reduced to ₹**26.79 Cr** (from ₹**56.65 Cr**) following the Roorkee plant commissioning.
- **Litigation:** Claims not acknowledged as debt total ₹**6.61 Cr**. A 1-acre land parcel at the Bibinagar plant (carrying value ₹**1.09 Cr**) is currently under litigation regarding title deeds.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — earnings overstate cash	□	CFO □258 Cr, Net Profit -□39 Cr.	CFO is healthy despite losses due to □117 Cr depreciation and □63 Cr receivable collection.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — channel stuffing risk	□	Discounts □1,902 Cr on Gross □4,348 Cr.	Note 36(iii): Aggressive trade discounting suggests top-line is heavily incentivized to maintain market volumes.
3	Revenue timing	Revenue ↑ — order book buildup	□	Advances □20.24 Cr vs □9.60 Cr.	Note 36(ii): Increase in unsatisfied performance obligations suggests a strengthening order book for FY27.
4	Revenue from related parties %	Neutral — minimal direct revenue	□	Management fees from JV □7.97 Cr.	Note 49: Revenue from RPTs is negligible; focus is on cost-sharing and management support.
5	Inventory vs revenue growth	Profit ↓ — inventory build absorbs cash	□	Inventory □614 Cr (up 2%) vs Sales -0.5%.	Note 14: Finished goods doubled to □72.32 Cr, indicating potential slowdown in off-take or overstocking.
6	Inventory valuation method change	Neutral — no change in method	□	No policy change reported.	Standard accounting policy for inventory valuation consistently applied across periods.
7	Exceptional items in operating profit	Profit ↓ — non-recurring charges	□	Exceptional items □53 Cr (P&L).	Note 45: Includes □24.97 Cr ECL on trade receivables for discontinued product lines like air purifiers.
8	Depreciation rate vs useful life policy	Profit ↑ — capitalization of costs	□	Depreciation □117 Cr (down 5%).	Note 5: Capitalization of □6.96 Cr employee costs and □6.53 Cr interest defers P&L impact.
9	Provision reversals boosting PAT	Profit ↑ — non-cash boost	□	Other Operating Revenue □62.67 Cr.	Note 36(@): Significant portion of operating income is from non-recurring liability write-backs.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — non-cash tax credit	□	Tax % -53.00, Direct Taxes □18 Cr.	P&L shows tax credit of □31 Cr (calc) while Cash Flow shows □18 Cr tax paid.
11	CWIP age and stalling projects	Neutral — project commissioning	□	CWIP □94 Cr vs □209 Cr.	Note 65: Commissioning of Roorkee pipes plant led to capitalization of assets from CWIP.
12	Deferred tax asset recognition adequacy	Profit ↑ — recoverability risk	□	Net DTA □84.83 Cr.	Note 12: DTA is primarily driven by business losses (□28.88 Cr) and ECL provisions (□34.27 Cr).
13	RPT quantum and trend	Profit ↓ — margin pressure	□	Rent to AGI □21.60 Cr.	Note 49: Significant ongoing rent and purchase transactions with promoter-influenced entity AGI Greenpac.
14	Dividend paid vs FCF adequacy	Neutral — cash conservation	□	Dividend Payout 0%, FCF □133 Cr.	Company prioritized debt repayment and liquidity over dividends given the □39 Cr net loss.
15	Audit Trail (Edit Log) Deficiency	Neutral — data integrity risk	□	Note 60: ERP audit trail not enabled at database level.	Significant internal control weakness regarding data integrity and potential manual overrides.
16			□		

#	Check	Impact	Status	Evidence	Notes Detail
	MSME Payment Delays	Profit ↓ — regulatory/liquidity risk		Interest of □7.38 Cr accrued and unpaid to MSMEs.	Dues to MSMEs spiked to □103.95 Cr; indicates severe working capital pressure.
17	Zombie Receivables	Profit ↓ — asset quality risk	□	□80.96 Cr of receivables are >3 years old.	Significant portion of the balance sheet comprises aged debt requiring aggressive provisioning.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified. * **KAM - Audit Trail (Note 60):** The auditor reported that the audit trail feature in the ERP was **NOT enabled at the database level** and for certain financial tables due to "associated costs." This represents a significant internal control weakness regarding data integrity. * **KAM - Impairment of Investment in JV (Note 45/47):** Scrutiny of the valuation of Hintastica Private Limited. A **□3.65 Cr impairment loss** was recognized in consolidated accounts, reflecting the JV's inability to meet cash flow projections. * **KAM - Discontinued Operations (Note 58):** Review of the "Evok" retail business liquidation. Auditor focused on the valuation of slow-moving inventory and recoverability of advances as segment revenue collapsed to □1.04 Cr. * **Auditor Independence:** Non-audit fees represent **51.25%** of total compensation (0.36 Cr vs 0.34 Cr audit fee), which is a significant governance flag.

B. Related Party Transactions | Party | Relationship | Nature | Amount (Cr) | Concern | |:---|:---|:---|:---|:---| | ***AGI Greenpac Limited*** | Promoter Influenced | Rent Paid | 21.60 Cr | Fixed cash drain to promoter entity despite consolidated net loss | | ***AGI Greenpac Limited*** | Promoter Influenced | Purchase of Goods | 23.42 Cr | Significant ongoing procurement from related party | | ***Hintastica Private Limited*** | Joint Venture | Management Fees (Recd) | 7.97 Cr | P&L cushioned by fees from a loss-making JV | | ***AGI Greenpac Limited*** | Promoter Influenced | Management Fees (Recd) | 0.00 Cr | Sharp drop from 19.64 Cr in FY25; loss of high-margin subsidy | | ***Hintastica Private Limited*** | Joint Venture | Corporate Guarantee | 25.00 Cr | Residual off-balance sheet exposure to impaired JV |

Note: RPTs represent **17.44% of CFO**, indicating high sensitivity to promoter-linked cost allocations.

C. Shareholding * **Promoters:** 52.74% (Pledged: 0.00%) * **FIIs:** 3.65% * **DIIs:** 7.06% * **Public:** 36.55%

D. Board Composition + KMP Compensation * **Total Directors:** 6 (Independent: 66.67%; Women: 1 - Ms. Sonali Dutta). * **KMP Compensation:** * Naveen Malik (CEO & CFO): □1.95 Cr (YoY Growth: 11.41%; 0.98% of EBITDA). * Payal M Puri (CS & Legal): □1.81 Cr (YoY Growth: 17.36%; 0.91% of EBITDA). * **Analysis:** Aggregate KMP compensation grew by ~14.2%, well below the **38.46% growth in Operating Profit**. No compensations within the same family were identified.

F. Capital Allocation & Capex | Action | FY Current (Cr) | FY Prior (Cr) | % of CFO | Signal | |:---|:---|:---|:---|:---| | ***Capex (Fixed Assets)*** | 128.00 Cr | 202.00 Cr | 49.61% | **Positive** | | ***Interest Payments*** | 78.00 Cr | 94.00 Cr | 30.23% | □| | ***Repayment of Debt*** | 134.00 Cr | 273.00 Cr | 51.94% | □| | ***Statutory Dues Payable*** | 63.33 Cr | 79.49 Cr | 24.55% | □|

CAPEX Analytical Notes: * **CFO Coverage of Capex:** Ratio is **2.01x**, a major improvement from 0.95x in FY25. * **Nature of Capex:** Focused on the **commissioning of the Roorkee pipes plant**, reducing CWIP from **□208.52 Cr to □93.49 Cr**. * **Deployment Efficiency:** Revenue remained flat (-0.50%) despite capitalization, suggesting a **lag in capacity utilization**.

H. Risks * ***Audit Trail Failure:*** Edit logs not enabled at database level; high risk of undetected manual overrides. (Severity: □High) * ***Zombie Receivables:*** **□80.96 Cr** of receivables are >3 years old; potential for further massive write-offs. (Severity: □High) * ***JV Impairment:*** Hintastica JV is loss-making; **□25 Cr** guarantee remains a risk. (Severity: □Medium) * ***MSME Liquidity Stress:*** **□7.38 Cr** interest unpaid to MSMEs; regulatory and supply chain risk. (Severity: □Medium) * ***Tax Litigation:*** Contingent liabilities of □**42.05 Cr** represent 107% of the year's net loss. (Severity: □Medium)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	43.7% discount leakage; flat revenue	Stable demand but limited pricing power and high competitive intensity.
Financial Health	2	↑	D/E 0.95x; CFO □258 Cr > PAT	Improved CFO but high debt/equity and severe maturity mismatch persist.
Earnings Quality	2	↓	Audit trail deficiency; □30.91 Cr write-backs	Significant internal control gaps and reliance on non-cash income boosts.
Management & Governance	2	↓	51% non-audit fees; RPTs = 17% of CFO	High RPT leakage and auditor independence concerns offset restructuring efforts.
Capital Allocation & Earnings Visibility	3	↑	Roorkee plant commissioned; FCF □133 Cr	Disciplined capex completion, but revenue conversion from new capacity is stalled.

BUSINESS POSITIVES (for this company this year) * □**Strong Cash Flow Generation: CFO** improved to □**258 Cr**, providing **2.01x** coverage for capex. * □**Successful Capex Execution:** Commissioning of the **Roorkee plant** reduced **CWIP** by □**115 Cr**, moving the company into growth-ready mode. * □**Strategic Rationalization:** Exited high-loss consumer categories, resulting in a □**53 Cr** one-time cleanup of the P&L. * □ **Debt Reduction:** Utilized □**151.14 Cr** from Rights Issue proceeds to repay borrowings, reducing **Finance Costs** by **21%**. * □**Positive Free Cash Flow:** Generated □**133 Cr** in **FCF**, a significant pivot from the previous year's cash burn.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Internal Control Failure: Audit Trail** was not enabled at the database level, a critical forensic red flag (Note 60). * □**Aggressive Discounting: 43.7%** of gross contract value (□**1,902 Cr**) was sacrificed in discounts to maintain flat revenue. * □**Asset Quality Stress:** □**80.96 Cr** of **Trade Receivables** are >3 years old, indicating significant "zombie" assets. * □**Liquidity Mismatch:** □**455.63 Cr** of debt matures within one year against only □**33 Cr** in cash. * □**MSME Payment Delays:** Dues to MSMEs doubled to □**103.95 Cr** with □**7.38 Cr** in unpaid interest, signaling severe working capital pressure. * □**Auditor Independence:** Non-audit fees exceeded **51%** of total auditor compensation.

OVERALL SCORECARD SUMMARY Hindware is in the midst of a high-stakes corporate "surgery," successfully improving its cash flow profile and completing major manufacturing capex. However, the financial health remains fragile due to high leverage and a severe near-term liquidity mismatch. Governance and earnings quality are the primary detractors, evidenced by critical audit trail deficiencies and aggressive trade discounting to sustain volumes. The business is on a **stable but high-risk trajectory**, where the success of the demerger is contingent on fixing deep-seated internal controls and middle-management execution.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion issued.
2	Promoter pledge = 0?	□	0.00% pledged.
3	KMP pay < 5% of PAT?	□	PAT is negative; KMP pay is □3.76 Cr.
4	RPT quantum < 5% of revenue?	□	RPTs are ~2.11% of revenue.
5	Board > 50% independent?	□	66.67% (4 out of 6).
6	At least 1 woman director?	□	Ms. Sonali Dutta.
7	No statutory dues outstanding?	□	□63.33 Cr statutory dues payable.
8	No fraud reported?	□	No fraud reported in CARO.
9	Audit trail enabled?	□	Not enabled at database level (Note 60).
10	Frequent Auditor change	□	No frequent change reported.
Total: 7/10 □— Governance Rating: 2			

Part C: Investor Verdict

THESIS: A high-leverage turnaround play where structural demerger and manufacturing commissioning are fighting against severe governance gaps and liquidity pressure. **OVERALL STANCE:** WATCH **RATIONALE:** While FCF has turned positive, the audit trail deficiency and aggressive discounting suggest the "New Hindware" still carries "Old Hindware" baggage. **RE-EVALUATE WHEN:** Net Debt/EBITDA falls below 2.0x AND Audit Trail deficiency is confirmed as resolved. **BULL CASE:** Post-demerger Bathware entity achieves 15% EBITDA margins as Roorkee plant utilization hits 80%, driving a 2x rerating. **BEAR CASE:** Liquidity mismatch forces a distressed equity raise or 85% employee turnover leads to operational failure at new plants. **KEY MONITORABLE:** MSME Dues: □103.95 Cr → Watch for reduction below □50 Cr.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Survival-mode recapitalization via ₹250 Cr Rights Issue to prevent a debt spiral.	Pivot to self-funded growth with CFO (₹258 Cr) now covering capex 2.01x.	The company has successfully transitioned from emergency equity dependency to generating positive free cash flow to fund its manufacturing pivot.
Margin Trajectory	EBITDA margins collapsed to 6% with a massive ₹68 Cr net loss.	EBITDA margins recovered to 8% while net loss narrowed to ₹39 Cr.	Operating leverage is beginning to return as the company exits loss-making consumer categories, though bottom-line breakeven remains elusive.
Working Capital	Severe bloat with 311 inventory days and 73 debtor days trapping cash.	Aggressive liquidation reduced inventory days to 163 and debtor days to 61.	Management "bought" liquidity by sacrificing 43.7% of gross revenue in discounts to flush out inventory and accelerate collections.
Project Execution	Execution paralysis with ₹144.8 Cr (69% of CWIP) classified as overdue.	Commissioning of the Roorkee plant reduced CWIP by ₹115 Cr.	The company has finally cleared its project backlog, converting stalled capital into operational assets ready for revenue generation.
Management Tone	Defensive and restructuring-focused, emphasizing a "valuable inflection point."	Consolidation-focused, emphasizing "Portfolio Rationalization" and "Sukoon" (brand cohesion).	The narrative has shifted from crisis management to a disciplined cleanup of the product portfolio to protect future margins.
Liquidity Source	External equity (Rights Issue) was the primary source of liquidity.	Stretching of trade payables (MSME dues doubled to ₹103.95 Cr) became a key liquidity lever.	Financial stress has been pushed down the supply chain, with the company increasingly leaning on small vendors to manage its cash mismatch.

7.2 Persistent Patterns

- **Audit Trail Non-Compliance**: The recurring failure to enable edit logs at the database level across both years represents a **systemic internal control deficiency** that compromises data integrity.
- **Promoter-Linked Cash Leakage**: Significant fixed cash outflows for rent and procurement to AGI Greenpac persist regardless of the company's loss-making status.
- **Low-Quality Earnings Drivers**: Management consistently relies on **non-cash liability write-backs** (₹14.3 Cr in A; ₹30.91 Cr in B) to artificially cushion operating profits.
- **JV Capital Sink**: The Hintastica JV remains a **structural drag on the balance sheet**, requiring continuous impairments and corporate guarantee exposure despite manufacturing asset sales.
- **Strained Statutory Liquidity**: A persistent inability to clear large balances of statutory dues (ranging from ₹63 Cr to ₹79 Cr) indicates **chronic underlying cash flow friction**.
- **High Leverage Sensitivity**: Despite debt repayments, the company remains highly vulnerable to interest rate fluctuations due to a **95% Debt/Equity ratio** and floating-rate borrowings.
- **Aggressive Revenue Tactics**: The reliance on heavy trade incentives and discounting to maintain market share remains a **permanent feature of the sales strategy**, limiting organic pricing power.