Shanti Gold International 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

Reported earnings are entirely decoupled from liquidity, evidenced by a negative Cash Flow from Operations (CFO) of ₹260.6 Cr against a Net Profit of ₹140 Cr; this implies that every ₹1 of paper profit was offset by ₹1.86 in cash consumption, leaving the company completely dependent on IPO proceeds to fund operations.

Inventory levels ballooned by 159.4% to ₹347.5 Cr—surpassing the 82.4% revenue growth rate by nearly 2x—suggesting either aggressive overstocking or potential obsolescence risks that effectively trapped the year's entire EBITDA in the warehouse.

A significant governance breach was identified as the audit trail and edit log facilities were non-operational across eight key branch locations, including high-volume hubs like Chennai and Bangalore, preventing the auditor from verifying the integrity of transaction logs during the company’s first year as a listed entity.

Credit risk is rising as trade receivables surged 99.8% to ₹362.9 Cr, with the 6-12 month aging bucket tripling to ₹7.1 Cr; however, management maintains an aggressive 0% Expected Credit Loss (ECL) provision, which likely overstates the quality of the balance sheet.

Earnings quality was further obscured by a voluntary shift in inventory valuation from FIFO to Weighted Average Cost (WAC), which reduced Profit Before Tax by ₹70.35 Cr (27.6%) in the listing year, effectively resetting the earnings base and masking the impact of record-high gold prices.

Capital allocation remains inefficient as ₹5.95 Cr of the Jaipur facility project—representing 60% of total Capital Work-in-Progress—has been stalled for over three years with no defined budget or timeline, contradicting the management's "expansion-led" growth narrative.

While the Debt/Equity ratio improved to 0.36x following the ₹360 Cr IPO infusion, the debt profile remains high-risk with 91.7% of borrowings (₹198.3 Cr) classified as short-term or repayable on demand, creating substantial rollover risk in a volatile interest rate environment.

Export momentum serves as the sole fundamental silver lining, with foreign exchange earnings growing 108.5% to ₹82.9 Cr, supported by the strategic incorporation of a Dubai subsidiary to target the GCC and Western markets.

Stance: **AVOID**. Monitorables for re-evaluation: CFO/PAT conversion returning to positive territory (>0.5x), the formal commissioning and revenue contribution of the Jaipur facility, and the implementation of operational audit trails across all branch locations.

#	Analytical Point	Sentiment
1	***Reported earnings are decoupled from liquidity, with a negative CFO of 260.6 Cr against a PAT of 140 Cr, indicating 100% of profit is non-cash and operations are dependent on external capital.***	□
2	***Inventory bloat of 159.4% significantly outpaced revenue growth of 82.4%, consuming the entire year's EBITDA and suggesting high risk of obsolescence or liquidity strain.***	□
3	***Internal control failure identified as audit trail/edit log facilities were non-operational at 8 branches, limiting the auditor's ability to verify transaction integrity.***	□
4	***Trade receivables doubled to 362.9 Cr while 6-12 month overdue debts tripled; the maintenance of a 0% ECL provision indicates aggressive accounting for credit risk.***	□
5	***Voluntary shift to WAC inventory valuation depressed PBT by 70.35 Cr (27.6%) in the listing year, suggesting a strategic reset of the earnings base.***	□
6	***Jaipur CWIP of 5.95 Cr has been stalled for over three years with no budget or timeline, raising concerns over capital misallocation and project execution.***	□
7	***Short-term debt constitutes 91.7% of total leverage, creating high rollover risk despite the temporary D/E improvement provided by IPO proceeds.***	□
8	**Foreign exchange earnings grew 108.5% to □82.9 Cr, signaling successful early traction in export markets and geographical diversification.**	□
9	Stance: AVOID. Monitor for positive CFO/PAT conversion, Jaipur project commissioning, and rectification of branch-level audit trail failures.	□

1. BUSINESS OVERVIEW

Shanti Gold International Ltd (SGIL) operates as an integrated manufacturer specializing in 22KT Cubic Zirconia (CZ) studded gold jewellery. The company utilizes a B2B wholesale and job-work model, serving organized retail chains and large wholesalers.

Metric	Details
Core Product	22KT CZ-studded casting gold jewellery (Bridal, Festive, and Daily Wear)
Current Capacity	6,700 kg p.a. (Andheri: 2,700 kg; Marol: 4,000 kg)
Expansion Status	Jaipur facility (1,200 kg p.a.) in progress; Marol facility commissioned June 2026
Client Base	400+ customers across 18 Indian states and 4 international markets

Revenue Drivers and Market Positioning Revenue is driven by a mix of volume growth through organized retail expansion and a shift toward higher-value design-led products. The industry is witnessing a structural shift where organized retailers increasingly outsource manufacturing to specialized players like SGIL to ensure hallmarking compliance and design consistency. The company's integrated model—covering CAD design, casting, and BIS hallmarking under one roof—serves as a primary competitive moat.

Cost Structure and Operating Leverage The business is highly working-capital intensive, with gold prices serving as the primary cost driver. SGIL manages this through a mix of Gold Metal Loans (GML) and open market purchases, alongside hedging on the MCX. As capacity expands from 2,700 kg to nearly 8,000 kg p.a. (inclusive of Jaipur), the company is positioned to harvest significant operating leverage, provided capacity utilization (currently noted as "moderate") improves.

Geographical Presence and Diversification While historically concentrated in South India due to regional gold affinity, SGIL is aggressively expanding into North India. Export revenue is a growing focal point, with a 108.5%

YoY increase in foreign exchange earnings (₹82.93 Crore in FY26 vs ₹39.77 Crore in FY25). The incorporation of a Dubai subsidiary in May 2026 signals a strategic pivot toward the GCC and Western markets (US/UK).

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management characterizes FY2026 as "The Beginning of Beyond," marking the transition from a private entity to a listed organization following the IPO in August 2025.
- The long-term strategy focuses on reimagining jewellery manufacturing by blending "timeless artistry with advanced technology," with key growth pillars being the Marol and upcoming Jaipur units.
- Management intends to diversify the product mix beyond CZ-casting into machine-made plain gold and Turkish jewellery to capture wider market segments.
- The demand environment is viewed as resilient, particularly in the non-discretionary bridal segment, with a clear trend toward "premiumization" and "lightweighting" to counter record-high gold prices.
- Digitalization is being integrated into the manufacturing process to enhance precision and reduce lead times, supported by a team of over 400 CAD designers.
- Management highlights a focus on retaining skilled artisans, noting a 15% average salary increase for non-managerial staff compared to 11% for managerial personnel.
- Shareholder approval has been sought to double borrowing limits from ₹1,000 Crore to ₹2,000 Crore, indicating an aggressive stance on future capital expenditure and inventory stocking.
- The company is guiding for "profitability stabilization" by focusing on operational efficiencies to offset gold price volatility.
- Candid acknowledgment of headwinds includes gold price volatility, geographical concentration, high capital intensity, and regulatory risks regarding import duties.
- Re-appointment of CMD and WTD was approved with a salary increase effective Feb 2026, signaling confidence in the post-IPO growth trajectory despite current negative cash flows.
- Management tone is highly optimistic and growth-oriented, emphasizing "expansion" and "scale" backed by specific capacity timelines; the request to double borrowing power suggests a high-conviction, high-leverage growth phase is imminent.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

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

Basis: CONSOLIDATED.

P&L Statement (□Crores)

Line Item	Mar 2026	FY Prior
Sales -	2,019.00	—
Expenses -	1,820.00	—
Material Cost % -	89.00	—
Raw material cost	1,995.00	—
Change in inventory	-196.00	—
Employee Cost %	0.00	—
Other Cost %	1.00	—
Operating Profit	199.00	—
OPM %	10.00	—
Other Income -	10.00	—
Other income normal	9.79	—
Interest	18.00	—
Depreciation	6.00	—
Profit before tax	184.00	—
Tax %	24.00	—
Net Profit -	140.00	—
Profit excl Excep	140.00	—
Profit for PE	140.00	—
Profit for EPS	140.00	—
EPS in Rs	18.27	—
Dividend Payout %	0.00	—

Balance Sheet (□Crores)

Line Item	Mar 2026	FY Prior
Equity Capital	0.00	—
Reserves	0.00	—
Borrowings -	0.00	—
Other Liabilities -	0.00	—
Total Liabilities	0.00	—
Fixed Assets -	0.00	—
CWIP	0.00	—
Investments	0.00	—
Other Assets -	0.00	—
Total Assets	0.00	—

Cash Flow Statement (₹Crores)

Line Item	Mar 2026	FY Prior
Cash from Operating Activity -	0.00	—
Cash from Investing Activity -	0.00	—
Cash from Financing Activity -	0.00	—
Net Cash Flow	0.00	—
Free Cash Flow	0.00	—
CFO/OP	0.00	—

Key Ratios (₹Crores)

Line Item	Mar 2026	FY Prior
Debtor Days	0.00	—
Inventory Days	0.00	—
Days Payable	0.00	—
Cash Conversion Cycle	0.00	—
Working Capital Days	0.00	—
ROCE %	0.00	—

3.2 Financial Analysis Summary

- **Revenue** reached **₹2,019.00 Cr**, a growth of **82.4%**, driven predominantly by 22KT Gold Jewellery which accounts for **92.70%** of total sales (**₹1,871.32 Cr**), signaling extreme sensitivity to domestic gold price volatility.
- **Operating Profit** stood at **₹199.00 Cr** with an **OPM %** of **10.00%**, but this was significantly influenced by a voluntary change in **Inventory** valuation from FIFO to Weighted Average Cost (WAC), which reduced **Profit Before Tax** by **₹70.354 Cr**, a material accounting shift during the year of listing.
- **Net Profit** of **₹140.00 Cr** shows a severe disconnect with **Cash from Operating Activity (CFO)**, which was a staggering negative **₹260.627 Cr**, indicating that earnings are not being converted into liquidity and are instead trapped in the **Balance Sheet**.
- **Inventory** levels ballooned by **159.44%** to **₹347.492 Cr**, significantly outstripping the **82.4%** top-line growth, with finished goods specifically surging from **₹124.29 Cr** to **₹319.96 Cr**, posing a high risk of liquidity stress and potential obsolescence.
- **Trade Receivables** surged by **99.81%** to **₹362.94 Cr**, suggesting a potential loosening of credit terms; quality is under pressure as undisputed "good" debts aged 6-12 months tripled from **₹2.32 Cr** to **₹7.105 Cr**, yet the company maintains a **0% Expected Credit Loss (ECL)** provision.
- **Total Debt** of **₹216.244 Cr** is heavily skewed toward **Short Term Borrowings** (**₹198.325 Cr**), constituting **91.7%** of total leverage and creating significant rollover risk, though **Debt/Equity** improved to **0.36** due to **₹360.11 Cr** in **IPO** proceeds.
- **Finance Cost** of **₹18.00 Cr** remains a burden as interest on working capital loans (8-11.5%) and **Lease Liabilities** (discounted at **12%**) continue to consume operating cash flows.
- **Capital Work-in-progress (CWIP)** of **₹10.05 Cr** for the Jaipur Building project shows signs of stagnation, with **₹5.95 Cr** of the balance aged over 3 years with no defined timeline or budget, indicating potential capital misallocation.

- **Other Current Assets** surged by **201.54%** to **₹20.420 Cr**, primarily due to **₹13.271 Cr** being stuck in balances with government authorities (GST credits), further exacerbating the negative **CFO**.
- **Other Income** of **₹10.00 Cr** contributed 5.4% to **Profit Before Tax**, but includes non-operating items like rent income and foreign currency gains, which may not be sustainable.
- **Other Expenses** saw **Selling & Distribution** costs spike by **140.20%** to **₹2.844 Cr**, significantly outpacing revenue growth and suggesting higher customer acquisition costs to maintain momentum.
- The dominant financial theme of the year is characterized by aggressive top-line expansion and high paper profitability that is completely undermined by a massive negative cash flow profile and excessive working capital buildup funded by external IPO capital.

3.3 Contingent Liabilities & Commitments

Item (note's own caption)	Current yr	Prior yr	Change	What it means
GST In Dispute	1.894 Cr	1.693 Cr	+11.9%	Pending with Addl. Commissioner / Jaipur
Income Tax In Dispute	1.380 Cr	2.469 Cr	-44.1%	Pending with CIT(A) / ITAT
VAT In Dispute	0.060 Cr	0.060 Cr	0.0%	Pending with JCST Mumbai
Bank Guarantees	0.168 Cr	10.168 Cr	-98.3%	Related to MPCB / Nagar Nigam

- There is a recurring GST dispute of ₹1.693 Cr pending with the Additional Commissioner in Jaipur since 2024.
- Total disputed tax liabilities stand at ₹3.334 Cr; no specific provision has been made in the balance sheet, only disclosure.
- The Jaipur Building project in CWIP (₹9.936 Cr) carries a risk as there is "no defined timeline or budget," signaling potential future capital commitments or impairment.

3.9 Earnings Quality & Forensic Checks

Read	Question	Verdict	Confidence	Checked
1	Is the growth real?	***WATCH***	high	6/6
2	Does profit become cash?	***FLAG***	high	5/5
3	Is the P&L being manufactured?	***FLAG***	high	6/6
4	Is value leaving to insiders?	***WATCH***	high	6/6
5	Can the balance sheet take a hit?	***FLAG***	high	5/5

Read 1 — Is the growth real? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Receivables growth vs sales growth	Rs 181.646 Cr	Rs 362.944 Cr	99.81% increase	□WATCH	Receivables growth outpaced revenue growth (82.46%) by 1,735 bps	Note 7, p.108
Receivables ageing (6-12 months)	Rs 2.322 Cr	Rs 7.105 Cr	206% increase	□WATCH	Tripling of overdue-bucket receivables despite 0% ECL provisioning	Note 7, p.108
Unbilled revenue, contract assets, deferred revenue	not disclosed	not disclosed	n/a	□CLEAN	n/a	Note 2.1a, p.92
Revenue from related parties as % of revenue	not disclosed	not disclosed	n/a	□CLEAN	n/a	Note 32, p.131
Customer concentration	not disclosed	not disclosed	n/a	□ UNRESOLVED	n/a	Note Revenue Metric, p.120
Advances from customers trend	Rs 1.922 Cr	Rs 11.891 Cr	518.68% increase	□WATCH	Adds Rs 9.969 Cr to cash float but creates a future delivery obligation at potentially higher gold prices	Note Advances from Customers, p.119

Mechanism: Revenue growth of 82.46% was heavily supported by a 99.81% jump in trade receivables and a 518% spike in customer advances, suggesting aggressive credit extension and pre-booking to drive top-line momentum. **Aggregate impact:** Growth was disproportionately funded by Rs 181.30 Cr in new receivables and Rs 9.97 Cr in customer advances. **Direction:** deteriorating · **Watch next:** Trade Receivables Ageing 6M-1Y · **Corroborates:** profit_to_cash

Read 2 — Does profit become cash? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CFO vs clean EBITDA (cash conversion)	not disclosed	-130.97%	n/a	□FLAG	CFO of negative Rs 260.627 Cr against EBITDA of Rs 199.00 Cr	Note CFO vs PAT Divergence, p.84
Pre-tax operating conversion (CFO + tax paid) / EBITDA	not disclosed	not disclosed	n/a	□ UNRESOLVED	Total tax expense was Rs 44.221 Cr	Note 2, p.31
Inventory absorption of operating cash	Rs 133.941 Cr	Rs 347.492 Cr	159.44% increase	□FLAG	Inventory buildup of Rs 213.55 Cr consumed more than the entire year's EBITDA	Note 6, p.108
Working-capital movement	not disclosed	not disclosed	n/a	□FLAG	Rs 360.11 Cr IPO proceeds were primarily used to fund Rs 200.00 Cr of working capital	Note 13, p.33
Cash tax paid vs book tax	Rs 16.989 Cr	Rs 44.221 Cr	160.3% increase	□WATCH	Tax expense grew in line with PAT (159%), showing no major deferred tax buffer	Note 2, p.31

Mechanism: Reported EBITDA of Rs 199.00 Cr failed to generate any cash, resulting in a negative CFO of Rs 260.627 Cr due to a massive Rs 213.55 Cr inventory surge and Rs 181.30 Cr receivable spike. **Aggregate impact:** Cash deficit of Rs 260.627 Cr was bridged entirely by equity infusion (IPO) rather than operations. **Direction:** deteriorating · **Watch next:** Cash Flow from Operations (CFO) · **Corroborates:** revenue_real, bs_stress

Read 3 — Is the P&L being manufactured? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Valuation-method or accounting-policy change	FIFO	Weighted Average Cost (WAC)	n/a	☐FLAG	Reduced PBT by Rs 70.354 Cr (27.6% of FIFO-basis PBT)	Note 26, p.123
Non-operating / other income as % of PBT	Rs 6.060 Cr	Rs 9.788 Cr	61.5% increase	☐CLEAN	Contributed 5.3% to PBT of Rs 184.375 Cr	Note 2, p.31
Exceptional items and their effect on PBT	nil	nil	n/a	☐CLEAN	n/a	Note 2, p.31
Deferred tax movement and cash-vs-book tax	not disclosed	not disclosed	n/a	☐ UNRESOLVED	n/a	Note 2, p.31
Provision reversals credited to income	not disclosed	not disclosed	n/a	☐ UNRESOLVED	n/a	Note 24, p.123
Depreciation policy / useful-life change	not disclosed	Rs 0.60 Cr	n/a	☐CLEAN	Immaterial impact on PBT	Note P&L Statement

Mechanism: The company undertook a massive voluntary change in inventory valuation (FIFO to WAC) in the year of listing, which depressed PBT by Rs 70.35 Cr, effectively resetting the earnings base during a high gold-price environment. **Aggregate impact:** Earnings were 'reset' lower by Rs 70.354 Cr due to accounting policy changes. **Direction:** deteriorating · **Watch next:** Inventory Valuation Method

Read 4 — Is value leaving to insiders? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
KMP / director remuneration vs PAT	Rs 2.166 Cr	Rs 2.406 Cr	11.08% increase	□CLEAN	Remuneration is only 1.7% of PAT, well within limits	Note 21, p.122
Salary to Relatives	Rs 0.730 Cr	Rs 0.948 Cr	29.8% increase	□WATCH	Four relatives of directors are on payroll, increasing costs by Rs 0.218 Cr	Note 32, p.131
Loan Repayment to Promoters	Rs 2.976 Cr	Rs 1.118 Cr	62.4% decrease	□CLEAN	Company repaid unsecured loans to promoters post-IPO	Note 32, p.131
CSR spend and shortfall	Rs 0.502 Cr	Rs 0.930 Cr	85.26% increase	□CLEAN	Fully spent with no shortfall reported	Note xx, p.82
New related-party counterparties this year	none	Shanti Gold Jewellery Trading LLC SOC (Dubai)	n/a	□WATCH	Rs 1.38 Cr spent on preliminary expenses for new Dubai WOS	Note 16, p.33
Promoter pledge / encumbrance	not disclosed	not disclosed	n/a	□ UNRESOLVED	n/a	Note 11 & 14, p.116

Mechanism: While director remuneration is modest relative to PAT, there is evidence of family-wide payroll (4 relatives) and the initiation of a Dubai-based subsidiary that already accounts for preliminary expense outflows. **Aggregate impact:** Related party outflows (salaries and WOS setup) totaled approximately Rs 4.73 Cr. **Direction:** stable · **Watch next:** Balances due from Dubai Subsidiary

Read 5 — Can the balance sheet take a hit? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CWIP ageing and stalled projects	not disclosed	Rs 9.936 Cr	n/a	□FLAG	Rs 5.954 Cr of Jaipur CWIP is aged > 3 years with 'no defined timeline'	Note 3b, p.102
Contingent liabilities vs net worth	Rs 14.39 Cr	Rs 3.502 Cr	75.7% decrease	□ CLEAN	Represents < 1% of Net Worth (Rs 598.39 Cr)	Note 27, p.123
Borrowing terms, security, covenants	Rs 213.571 Cr	Rs 198.325 Cr	7.1% decrease	□ WATCH	91.7% of debt is short-term/ repayable on demand, creating rollover risk	Note 11 & 14, p.116
Dividend vs free cash flow	Rs 0.00 Cr	Rs 0.00 Cr	nil	□ CLEAN	No dividend declared due to negative cash flows	Note 7, p.31
Audit Trail Availability	not disclosed	Partial failure	n/a	□FLAG	Audit trail (edit log) not operational for 8 branches including Chennai and Bangalore	Note h(vi), p.78

Mechanism: The balance sheet appears strong due to IPO proceeds (D/E 0.36), but significant risks exist in the form of stalled Jaipur CWIP (aged > 3 years) and a critical failure of the audit trail feature across 8 branches, which limits auditor oversight. **Aggregate impact:** Rs 5.95 Cr of stalled capital and a governance gap in transaction tracking across 8 branches. **Direction:** deteriorating · **Watch next:** Jaipur CWIP Commissioning Date · **Corroborates:** profit_to_cash

Material notes captured

Note	Discloses	Prior	This year	Impact	Signal
26 (p.123)	***Voluntary change in inventory valuation from FIFO to Weighted Average Cost***	FIFO	WAC	Reduced PBT by Rs 70.354 Cr in FY26	negative
h(vi) (p.78)	***Audit trail/edit log facility was not operational for 8 branch locations***	not disclosed	Failed for 8 branches	Auditor unable to comment on transaction log integrity for those branches	negative
3b (p.102)	***Jaipur Building project in CWIP has no defined timeline or budget***	not disclosed	Rs 9.936 Cr total	Rs 5.954 Cr aged over 3 years indicates potential impairment risk	negative

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit opinion type:** Unqualified.
- **Key Audit Matters (KAMs):** The Auditor's Report for FY 2025-26 does not contain any qualifications, reservations, or adverse remarks. Specific KAMs regarding inventory valuation and revenue recognition were addressed through standard audit procedures.
- **Auditor change during the year:** RAAM & Associates LLP resigned as Secretarial Auditors; MNB & Co. LLP was appointed July 15, 2025. No change in Statutory Auditors (J. Kala & Associates).
- **Auditor Fees:** Total fees of 0.15 Cr (Statutory Audit 0.132 Cr; Tax Audit 0.018 Cr) appear modest relative to operational complexity and □2,019 Cr revenue scale, raising questions about depth of coverage.
- **Governance Gap:** Audit trail/edit log facility was not operational for 8 branch locations including Chennai and Bangalore, limiting auditor oversight of transaction integrity.

B. Related Party Transactions

Party	Relationship	Nature	Amount (□Cr)	Concern
Pankajkumar Jagawat	CMD / Promoter	Loan Repaid	1.04 Cr	***Liquidity Leakage***
Manojkumar Jain	WTD / Promoter	Loan Repaid	0.08 Cr	***Liquidity Leakage***
Kavita, Suman, Krish, Vansh	Relatives of Promoters	Salary	0.95 Cr	***Value Tunneling***
Pankajkumar Jagawat	CMD	Remuneration	1.20 Cr	Neutral
Manojkumar Jain	WTD	Remuneration	1.20 Cr	Neutral
Manojkumar Jain	WTD	Loan Payable	0.096 Cr	□Outstanding balance

- **Monitor:** Repayment of promoter loans (□1.12 Cr) and high salaries to four family members (□0.95 Cr) occurred during a year of massive negative CFO (-□260.63 Cr). Salary to relatives increased from □0.73 Cr to □0.95 Cr YoY.

C. Shareholding

- **Promoter and Promoter Group:** 74.89% (5,39,89,200 shares)
- **Public (Resident Individuals):** 16.43%
- **FPI / AIF:** 4.31%

- **Pledged shares:** 0.00%

D. Board Composition + KMP Compensation

- **Total Directors:** 6 (50% Independent; 2 Women Directors).
- **KMP Compensation:** Pankajkumar Jagawat (CMD) and Manojkumar Jain (WTD) each received □1.20 Cr (11.11% YoY growth). Total KMP pay represents 1.4% of operating profit.
- **Family Links:** CMD Pankajkumar Jagawat and Non-Executive Director Shashank Jagawat share the same family name.
- **Management Focus:** Non-managerial staff saw 15% salary hikes compared to 11% for KMPs, indicating a focus on retention of skilled labor.

F. Capital Allocation & Capex

Action	FY Current (□Cr)	FY Prior (□Cr)	% of CFO	Signal
Working Capital Investment	542.79 Cr	—	N/M	□
Capex	9.94 Cr	—	N/M	**Growth**
Interest Payments	18.00 Cr	—	N/M	□
Equity Issuance (IPO)	360.11 Cr	—	N/M	**Capital**

- **CAPEX Analytical Notes:** CFO coverage is negative; capex is funded entirely by IPO proceeds. The Jaipur project (9.94 Cr) is a concern as 60% of CWIP (5.95 Cr) is aged > 3 years with no defined timeline, raising impairment risks.
- **One-line verdict:** Value-neutral — IPO proceeds are funding aggressive working capital build-up (Inventory +159%) rather than organic growth.

G. Revenue Recognition Policy

- Revenue is recognized at a point in time when control transfers.
- **Forensic Signal:** Policy uses the "expected value method" for volume discounts, introducing management judgment. A **0% Expected Credit Loss (ECL)** provision despite a 100% jump in receivables is considered **highly aggressive** for the gems/jewellery sector.

H. Risks

- **Gold Price Volatility (High):** Exposed to price fluctuations in 22KT gold impacting margins.
- **Working Capital Intensity (High):** 159% inventory jump to 347.49 Cr causing liquidity strain.
- **Revenue Concentration (Med):** 92.7% reliance on 22KT jewellery sensitive to domestic cycles.
- **Project Delay (Med):** Jaipur CWIP stalled for >3 years indicates execution failure/impairment risk.
- **Audit Failure (High):** Lack of audit trail at 8 branches prevents transaction log verification.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	92.7% Revenue in 22KT Gold; 82.4% Sales Growth	High volume growth but extreme product and price sensitivity.
Financial Health	2	↓	CFO -□260.6 Cr; D/E 0.36x (IPO-driven)	Liquidity is entirely dependent on IPO cash due to negative CFO.
Earnings Quality	1	↓	CFO < PAT; -□70.35 Cr WAC adjustment; 0% ECL	Aggressive accounting and poor cash conversion profile.
Management & Governance	2	↓	Stalled CWIP; Failed Audit Trail; RPT Salaries	Governance concerns regarding project oversight and internal controls.
Capital Allocation & Earnings Visibility	2	↓	Inventory grew 159% vs 82% Sales; Stalled Capex	Value-dilutive working capital expansion and stalled growth projects.

BUSINESS POSITIVES (for this company this year) * □**Revenue Growth:** Strong top-line expansion of 82.4% reaching □2,019 Cr. * □**IPO Infusion:** Successfully raised □360.11 Cr, improving Debt/Equity from 1.77 to 0.36. * □**Export Momentum:** Foreign exchange earnings grew 108.5% YoY to □82.93 Cr. * □**Capacity Expansion:** Commissioned Marol facility (4,000 kg p.a.) and established Dubai subsidiary. * □**Zero Pledging:** Promoters have 0.00% shares pledged despite high leverage in operations.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Cash Flow Mismatch:** PAT of □140 Cr vs CFO of negative □260.63 Cr; 100% of profit is non-cash. * □**Inventory Bloat:** Inventory levels surged 159.4% to □347.49 Cr, nearly double the rate of revenue growth. * □**Receivable Quality:** Trade receivables aged 6-12 months tripled, yet company maintains a 0% ECL provision. * □**Accounting Shift:** Voluntary change to WAC valuation reduced PBT by □70.35 Cr (27.6%) in the listing year. * □**Governance Red Flag:** Audit trail feature failed across 8 branch locations; auditor unable to verify transaction logs. * □**Stalled Project:** □5.95 Cr of Jaipur CWIP aged > 3 years with no defined budget or timeline. * □**Debt Profile:** 91.7% of total debt (□198.3 Cr) is short-term/repayable on demand, creating high rollover risk.

OVERALL SCORECARD SUMMARY Shanti Gold is on a **deteriorating** trajectory despite optically strong revenue growth. The business exhibits high earnings quality risks, with profitability entirely trapped in ballooning inventory and receivables. Governance is weakened by failed internal audit controls at multiple branches and stalled capital projects. While the IPO provided a temporary liquidity buffer, the aggressive working capital burn suggests the business model is not currently self-sustaining.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.39)
2	Promoter pledge = 0?	□	0.00% pledged (Worker 1B)
3	KMP pay < 5% of PAT?	□	Total KMP pay is ~1.7% of PAT
4	RPT quantum < 5% of revenue?	□	RPT is 0.22% of revenue
5	Board > 50% independent?	□	3 out of 6 directors are Independent
6	At least 1 woman director?	□	2 Women directors (Independent)
7	No statutory dues outstanding?	□	Disputed GST/IT of □3.33 Cr (p.123)
8	No fraud reported?	□	None reported by auditors
9	Audit trail enabled?	□	Failed for 8 branches including major cities (p.78)
10	Frequent Auditor change	□	Secretarial auditor change; Statutory auditor stable
Final line: "Total: 8/10 □— Governance Rating: 2"			

Part C: Investor Verdict

THESIS: SGIL is a high-growth B2B jewellery manufacturer currently sacrificing cash flow and governance quality for aggressive top-line expansion.

OVERALL STANCE: AVOID

RATIONALE: The massive disconnect between PAT and CFO (-1.86x), combined with audit trail failures and aggressive inventory valuation shifts, makes the earnings profile unreliable. RE-EVALUATE WHEN: CFO/PAT turns positive (>0.5x) and the Jaipur facility is commissioned with a clear revenue contribution. BULL CASE: Successful scaling of Turkish/machine-made jewellery in Dubai/International markets could double export margins. BEAR CASE: A sharp correction in gold prices combined with high short-term debt (92% of total) could trigger a liquidity crisis. KEY MONITORABLE: Trade Receivables Ageing: 6-12 month bucket (currently □7.10 Cr → Watch for >□15 Cr).
