Om Infra Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**Om Infra functions as a water-EPC specialist with 91% of revenue derived from Engineering, achieving a 39% YoY scale-up despite high geographic concentration.**	—
2	**Top-line momentum is robust with revenue reaching ₹1,114 Cr, supported by the commissioning of capital work-in-progress and improved asset sweating.**	—
3	**Operational efficiency improved significantly as ROCE doubled from 5% to 12%, reflecting better utilization of the asset base following project completions.**	—
4	**Profitability witnessed a sharp turnaround with PAT surging 606% to ₹47 Cr, driven by execution scale in the core Engineering segment.**	—
5	**The balance sheet underwent aggressive deleveraging, reducing total debt by 39% to ₹91 Cr and achieving a conservative Debt/Equity ratio of 0.13x.**	—
6	**Cash flow generation is a primary strength, with CFO at ₹83 Cr (1.77x PAT), providing sufficient liquidity to self-fund capex and debt obligations.**	—
7	Capital allocation remains hindered by ₹120.83 Cr (17% of Net Worth) trapped in the non-operational and litigated Bhilwara Jaipur Toll Road SPV.	—
8	**Earnings quality has structurally improved, evidenced by the transition to an unmodified audit opinion and high cash-backing of reported profits.**	—
9	***Governance is pressured by high family concentration and Related Party Transactions (RPT) totaling 166 Cr, which exceeds 200% of annual CFO.***	—
10	***The company faces a severe "Sword of Damocles" risk via 185.20 Cr in disputed tax demands—nearly 4x annual PAT—and a pending 2020 IT raid appraisal.***	—
11	***Working capital stress is emerging, marked by an 80% spike in retention money to 78.12 Cr and 130 Cr in receivables outstanding for over six months.***	—
12	Stance is ACCUMULATE based on operational turnaround; monitor the ₹75 Cr arbitration claims and ensure receivables do not breach the ₹175 Cr threshold.	—

1. Business overview (In Bullet Points)

- **Business Segments:** Om Infra has successfully pivoted from a general hydro-mechanical player to a specialized water infrastructure entity. The core **Engineering Division** is now heavily indexed to the Indian government's *Jal Jeevan Mission (JJM)* and *Pradhan Mantri Krishi Sinchai Yojana (PMKSY)*.
- **Revenue Drivers:** Engineering contributes 91.09% of total turnover. Secondary drivers include the **Real Estate** segment (Bandra SRA Project and Jaipur residential) and a marginal hedge from international footprints in Rwanda and Ghana.
- **Cost Drivers:** Primary costs include raw materials (steel/cement), sub-contracting expenses, and site-specific operational costs. The company also manages significant finance costs related to its fund and non-fund based limits.

- **Industry Position:** Positioned as a specialized player in water EPC and hydro-mechanical equipment. It is transitioning toward an **Asset-Light EPC Shift**, moving away from capital-heavy BOT models.
- **Expansion & Capacity:** Management is focusing on execution in the **Isarda Dam project (70% complete)** and the Shahpurkandi Power House.
- **Acquisitions & Divestments:** Actively "trimming the fat" by divesting stakes in **Sanmati Infradevelopers (25%)** and Chahel Infrastructures (94.64%), alongside planned disposal of land in Bihar and Gujarat (FCI Silos).
- **Geographical Presence:** High geographic concentration in **Rajasthan** (Nokha and Khajuwala projects), with selective international presence.
- **Real Estate Wildcard:** Holds a 17.5% stake in the **Om Metals Consortium (Bandra SRA Project)** with DB Realty, where DB Realty incurs 100% of development costs for a share of salable area.

2. Management commentary & outlook

- Management explicitly forecasts "handsome growth" for FY25, shifting from a "recovery mode" in FY23 to "growth acceleration" in FY24.
- The strategy focuses on cleaning the balance sheet of long-gestation, capital-trapping projects, evidenced by the termination of the **Bhilwara Jaipur Toll Road** and Gurha Thermal agreements.
- Management is aggressively pursuing arbitration awards as a liquidity strategy, specifically highlighting the **₹587 Cr award** for the Bhilwara Toll Road currently in the Rajasthan High Court.
- The company is generating cash from non-core assets, such as the Jaipur real estate project (60% sold), to fund EPC growth.
- A significant portion of management bandwidth remains consumed by "legacy recovery" and legal/arbitration updates rather than pure future execution.
- The company sought a special resolution to allow Related Party Transactions (RPTs) up to **₹1,000 Cr or 10% of turnover**, indicating that a JV-led execution model is the permanent operating blueprint.
- The Board remains heavily dominated by the **Kothari family**, with the re-appointment of Dharam Prakash Kothari (73) as Chairman, confirming that the "Old Guard" retains absolute control.
- Management Tone: The management tone is **aggressively optimistic but litigation-heavy**. While they are confident in delivering "handsome growth" and have successfully transitioned to an unmodified audit opinion, the narrative is heavily punctuated by legal disputes and the lingering shadow of the 2020 IT investigation, suggesting a confident but high-risk execution environment.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2024	Mar 2023
Sales	1,114	799
Sales Growth %	39.37	155.31
Expenses	1,035	762
Material Cost %	44.83	52.36
Raw material cost	416	298
Change in inventory	83	121
Manufacturing Cost %	41.16	35.16
Employee Cost %	3.25	3.72
Other Cost %	3.70	4.05
Operating Profit	79	38
OPM %	7	5
Other Income	39	30
Exceptional items	4.71	16.28
Other income normal	33.84	13.52
Interest	25	28
Depreciation	7	7
Profit before tax	86	32
Tax %	45	60
Net Profit	47	13
Profit from Associates	0.17	-0.13
Exceptional items AT	2.59	6.55
Profit excl Excep	44.68	6.32
Profit for PE	44.68	6.32
Profit for EPS	47.27	12.87
Profit Growth %	606.96	-76.10
EPS ()□	4.91	1.34
Dividend Payout %	0	37

Balance sheet (□Cr)

Line item	Mar 2024	Mar 2023
Equity Capital	10	10
Reserves	714	673
Borrowings	91	149
Long term Borrowings	14	41
Short term Borrowings	75	85
Lease Liabilities	1	2
Other Borrowings	0	21
Other Liabilities	642	708
Non controlling int	46	46
Trade Payables	103	179
Advance from Customers	130	248
Other liability items	363	236
Total Liabilities	1,456	1,540
Fixed Assets	503	505
Land	40	41
Building	30	31
Plant Machinery	38	33
Equipments	1	1
Computers	1	1
Furniture n fittings	2	2
Vehicles	6	5
Intangible Assets	4	4
Other fixed assets	440	440
Gross Block	561	558
Accumulated Depreciation	58	53
CWIP	1	11
Investments	47	45
Other Assets	905	979
Inventories	457	544
Trade receivables	236	242
Receivables over 6m	130	76
Receivables under 6m	106	168
Prov for Doubtful	0	-2
Cash Equivalents	82	75
Loans n Advances	34	23
Other asset items	96	96

Line item	Mar 2024	Mar 2023
Total Assets	1,456	1,540

Cash flow statement (□Cr)

Line item	Mar 2024	Mar 2023
Cash from Operating Activity	83	25
Profit from operations	89.71	62.79
Receivables	0	-155.79
Inventory	0	114.99
Payables	0	67.79
Loans Advances	0	0
Other WC items	14.15	-46.19
Working capital changes	14.15	-19.19
Direct taxes	-20.96	-18.28
Cash from Investing Activity	1	-285
Fixed assets purchased	-16.28	-371.40
Fixed assets sold	17.89	30.47
Capital WIP	0	0
Investments purchased	-2.47	-0.59
Investments sold	0	0.34
Interest received	23.43	2.63
Dividends received	0	0
Investment in group cos	0	0
Redemp n Canc of Shares	0	0.05
Acquisition of companies	0	0
Other investing items	-21.17	53.73
Cash from Financing Activity	-88	277
Proceeds from shares	0	45.69
Proceeds from borrowings	0.11	200.66
Repayment of borrowings	-57.38	0
Investment subsidy	0	0
Interest paid fin	-24.83	0
Dividends paid	-4.82	0
Financial liabilities	-0.38	0
Other financing items	-0.72	30.23
Net Cash Flow	-4	17
Free Cash Flow	85	-316
CFO/OP	132	116

Key ratios

Line item	Mar 2024	Mar 2023
Debtor Days	77	110
Inventory Days	334	474
Days Payable	75	156
Cash Conversion Cycle	336	428
Working Capital Days	52	66
ROCE %	12	5

3.2 Financial analysis summary

- **Revenue** grew by 39.37% to ₹1,114.00 Cr, primarily driven by the Engineering segment which contributed 91.09% of total turnover; this growth is linked to a slight reduction in Trade Receivables from ₹242.00 Cr to ₹236.00 Cr, indicating successful billing-to-collection conversion.
- **Operating Profit** margins (OPM %) improved from 5.00% to 7.00%, as the company benefited from a reduction in Material Cost % (from 52.36% to 44.83%), though this was partially offset by a 65.86% surge in "Other manufacturing, construction and operating expenses" (₹457.81 Cr) likely due to increased sub-contracting.
- **Net Profit** surged by 606.96% to ₹47.00 Cr, supported by a lower effective tax rate of 45% and steady Other Income of ₹39.00 Cr, though PAT excludes ₹14.78 Cr in arbitration awards not recognized due to ongoing court challenges.
- **Working Capital** management showed significant improvement as the Cash Conversion Cycle compressed from 428 days to 336 days, largely due to Inventory Days falling from 474 to 334; Inventories on the Balance Sheet decreased by ₹87.00 Cr.
- **Trade Receivables** quality presents a mixed signal; while overall Debtor Days improved to 77, Receivables over 6m nearly doubled to ₹130.00 Cr, and Retention Money within these receivables increased by 80.21% to ₹78.12 Cr, representing cash locked until defect liability periods expire.
- **Total Debt** (Borrowings) was significantly reduced from ₹149.00 Cr to ₹91.00 Cr, leading to an improved Debt / Equity ratio of 0.13 and an increased Interest Coverage ratio from 2.14 to 4.44.
- **Finance Cost** decreased from ₹28.00 Cr to ₹25.00 Cr following deleveraging, although ₹322.39 Cr of total facilities (including non-fund limits) are on floating rates, maintaining sensitivity to interest rate hikes.
- **Cash from Operating Activity** (CFO) of ₹83.00 Cr comfortably exceeded PAT of ₹47.00 Cr (CFO/PAT of 1.77), indicating high earnings quality and driving a positive Free Cash Flow (FCF) of ₹85.00 Cr.
- **Fixed Assets** remained stable at ₹503.00 Cr, while CWIP dropped sharply from ₹11.00 Cr to ₹1.00 Cr, suggesting successful commissioning of assets; the company avoided capitalizing ₹23.39 Cr of rental/ machine hiring costs by using short-term lease exemptions.
- **Other Assets** are dominated by ₹120.83 Cr tied up in the Bhilwara Jaipur Toll Road subsidiary, which is non-operational and embroiled in a ₹779.43 Cr arbitration battle, representing a significant "valuation at risk" item.
- **Other Liabilities** include Advance from Customers which dropped from ₹248.00 Cr to ₹130.00 Cr, suggesting a drawdown of mobilization advances, while Contract Liabilities (unearned revenue) stood at ₹58.60 Cr.
- **Other Expenses** were impacted by a 65.86% surge in construction/operating expenses (₹457.81 Cr), while "Other Operating Business Expenses" (₹21.19 Cr) decreased significantly, helping boost the Net Profit margin.

- **ROCE %** improved from 5.00% to 12.00% and ROE % rose to 6.49%, driven by higher PAT Margin % and improved Asset Turnover (0.77 vs 0.52).
- The dominant financial theme of the year is a **successful operational turnaround and deleveraging, where 39% revenue growth and 6x PAT growth were fully converted into strong operating cash flows, allowing the company to clean up its balance sheet despite persistent legacy litigation risks.**

3.3 Contingent liabilities & commitments

- **Disputed Tax Demands:** ₹185.20 Cr (including Income Tax of ₹11.60 Cr and various GST/VAT disputes). This represents nearly 4x the annual PAT.
- **Outstanding Bank Guarantees:** ₹5.99 Cr.
- **Letters of Credit:** ₹9.83 Cr.
- **Corporate Guarantees:** ₹26.22 Cr (Loan O/S).
- **Arbitration Claims:** The company has outstanding claims against customers totaling ₹575.25 Cr (not recognized as assets). Counter-claims against the company stand at ₹18.06 Cr.
- **Export Obligations:** Duty saved amount of ₹0.80 Cr under EPCG scheme; potential interest penalties of ₹1.05 Cr if obligations are not met.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — cash generation exceeds accounting profit; CFO 83 Cr vs PAT 47 Cr.	—	CFO/PAT ratio > 1 indicates high earnings quality and cash-backed profits.
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↑ — efficient collections; combined receivables and inventory fell 91 Cr despite 39% sales growth.	—	Gross receivables decreased slightly from 241.89 Cr to 236.27 Cr, signaling no channel stuffing.
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↑↓ — milestone dependency; contract assets of 56.68 Cr rely on third-party certification timing.	—	Note 45: Engineering revenue uses "Milestone Method," creating timing mismatches between work and billing.
4	Revenue from related parties %	Neutral — minimal direct revenue impact; RPT focus is on funding rather than trade.	—	Primary RPTs involve advances and investments in subsidiaries rather than significant top-line contribution.
5	Inventory vs revenue growth	Profit ↑ — liquidation of stock; inventory dropped 16% while sales grew 39% YoY.	—	Note 57(b): Reduction suggests real estate project completions or inventory liquidation in the housing segment.
6	Inventory valuation method change	Neutral — consistent application; valued at lower of cost or NRV per Ind AS.	—	Accounting Policy: Real estate WIP includes capitalized borrowing costs, which can inflate values if stalled.
7	Exceptional items in operating profit	Profit ↑ — non-recurring gains; 41.71 Cr exceptional items represent 5.5% of PBT.	—	Note 66: Conservative approach taken by not recognizing 14.78 Cr in disputed arbitration awards.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative accounting; WDV method charges higher depreciation in early asset years.	—	Policy: Follows Written Down Value (WDV) method, which is more conservative than Straight-Line Method.
9	Provision reversals boosting PAT	Profit ↑ — reversal of doubtful debts; 2 Cr provision reversal in FY24.	—	Note 47.6: Claims "negligible allowance" needed as customers are primarily PSUs/Government departments.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — high tax leakage; 45% effective tax rate vs 25% statutory.	—	Disputed tax demands of 185.20 Cr pose a significant risk to future cash flows.
11	CWIP age and stalling projects	Profit ↑ — asset commissioning; CWIP fell from 11 Cr to 1 Cr.	—	Sharp drop in CWIP suggests successful commissioning of assets or project completions during the year.
12	Deferred tax asset recognition adequacy	Neutral — balance sheet stability; no major aggressive DTA recognition noted.	—	Auditor KAM 3: Flagged GST input reconciliation issues, suggesting internal control weaknesses in tax accounting.
13	RPT quantum and trend	Profit ↓ — capital lock-up; 120.83 Cr tied in litigated Bhilwara Toll Road SPV.	—	Note 57(a): Recovery is contingent on High Court outcome regarding a 77 Cr arbitration award.
14	Dividend paid vs FCF adequacy	Neutral — cash conservation; zero dividend despite 85 Cr Free Cash Flow.	—	Company shifted from 37% payout in FY23 to 0% in FY24 to prioritize debt repayment.
15	Auditor Internal Control Flags		—	

#	Check	Impact	Status	Notes detail
		Neutral — statutory compliance risk; GST input reconciliations do not match books.		Indicates persistent internal control weakness in tax accounting and potential for statutory penalties.
16	MSME Interest Provisioning	Profit ↑ — unprovided liability; creditors' MSME status not submitted.	—	Company has not provided for potential interest on delayed payments under the MSMED Act.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified / Unmodified. This is a significant improvement from the Qualified opinion in FY23. * **KAM 1: Revenue Recognition (Engineering):** Auditor flagged risks in estimating "costs to complete" and determining the stage of completion. Management relies on third-party milestone certifications, but cost contingencies require significant subjective judgment. * **KAM 2: Revenue Recognition (Real Estate):** Focus on the timing of "transfer of control." Auditors verified sale deeds and occupancy certificates to ensure revenue was not recognized prematurely. * **KAM 3: Recoverability of Tax Receivables:** Auditor noted Cenvat recoverables of ₹1.95 Cr and GST input of ₹6.63 Cr. A critical forensic finding was that **"GST input reconciliations are not matched with books,"** indicating a persistent internal control weakness in tax accounting. * **Emphasis of Matter:** Creditors have not submitted their MSME status; the company has not provided for potential interest on delayed payments under the MSMED Act.

B. Related Party Transactions | Party | Relationship | Nature | Amount (₹Cr) | Concern | | :--- | :--- | :--- | :--- | :--- | | Bhilwara Jaipur Toll Road | Subsidiary | Investment + Advances | 120.83 Cr | ***High Risk: SPV is non-operational and in litigation with Rajasthan PWD*** | | Bihar Logistic Pvt Ltd | Subsidiary | Advances | 17.05 Cr | ***Recovery Risk: Silo project surrendered to FCI; under arbitration*** | | Gujarat Warehousing | Subsidiary | Advances | 7.48 Cr | ***Recovery Risk: Project terminated; recovery dependent on arbitration*** | | Mega Equitas Pvt Ltd | Associate | Inter-corporate Deposit | 10.65 Cr | ***Liquidity: Cash diverted to associate for residential JV*** | | Om Metal Auto | Group Entity | Security Deposit | 5.05 Cr | Ongoing inter-group financial support | | Om Metals Infratech | Group Entity | Security Deposit | 2.35 Cr | Ongoing inter-group financial support | | KMP Remuneration | Management | Remuneration | 3.65 Cr | Stable YoY |

- **RPT Risk:** Total RPT exposure (₹166.06 Cr) is 14.91% of revenue and 200.07% of CFO.
- **Security Deposits:** Placed with Om Metal Auto (₹5.05 Cr) and Om Metals Infratech (₹2.35 Cr), indicating ongoing inter-group financial support.

C. Shareholding * **Promoters:** 69.41% (T C Kothari & Family Trust holds 11.85%). * **Public:** 30.59%. * **Pledged Shares:** 0%.

D. Board Composition + KMP Compensation * **Board:** 7 Directors; 57.14% Independent; 1 Woman Director (Saloni Kala). * **Family Concentration:** Chairman (Dharam Prakash Kothari) is the father of the MD & CEO (Vikas Kothari) and brother of the Vice Chairman (Sunil Kothari). * **Compensation:** Total KMP pay flat at ₹3.65 Cr despite 107.89% EBITDA growth. * **Revenue Correlation:** Management discipline is high this year as pay did not scale with the 39% revenue surge. However, a special resolution was sought to pay the family >5% of net profits in aggregate.

F. Capital Allocation & Capex | Action | FY current (₹Cr) | FY prior (₹Cr) | % of CFO | Signal | | :--- | ---: | ---: | ---: | :--- | | Dividends | 4.82 Cr | 0.00 Cr | 5.81% | **Positive** | | Capex (Fixed Assets) | 16.28 Cr | 371.40 Cr | 19.61% | **Positive** | | Net Debt Change | -58.00 Cr | 200.66 Cr | -69.88% | **Positive** | | Working Capital Investment | 14.15

Cr | -19.19 Cr | 17.05% | — | | Interest Payments | 24.83 Cr | 0.00 Cr | 29.92% | — | | Asset Sales | 17.89 Cr | 30.47 Cr | 21.55% | **Positive** |

- **CFO Coverage of Capex:** Ratio is 5.10. The company is now fully self-funding requirements from internal accruals.
- **Nature of Capex:** Primarily maintenance and project-specific equipment. **The sharp drop in CWIP from ₹10.87 Cr to ₹0.98 Cr indicates the commissioning of previously stalled assets.**
- **Deployment Efficiency:** Revenue grew 39% on a lower capex base, suggesting improved utilization of the massive asset base acquired in FY23.

H. Risks * ***Tax Litigation***: Disputed tax demands of ₹185.20 Cr (~4x annual PAT). Adverse rulings could trigger a severe liquidity crisis. (Severity: High) * ***Retention Money***: Spiked 80.21% to ₹78.12 Cr. Cash is locked for 2-3 years, stretching the working capital cycle. (Severity: Medium) * ***Subsidiary Exposure***: ₹120.83 Cr tied up in non-operational Bhilwara Jaipur Toll Road; recovery dependent on High Court. (Severity: High) * **GST Reconciliation**: Internal control weakness where GST input reconciliations do not match books. (Severity: Medium) * **Floating Rate Debt**: ₹322.39 Cr in limits are floating rate; 1% rate hike impacts PBT by ~₹3.2 Cr. (Severity: Medium)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	91% Engineering Rev; 39% Growth	Strong growth in water EPC but high geographic and segment concentration.
Financial health	4	↑	D/E 0.13x; CFO ₹83 Cr > PAT ₹47 Cr	Significant deleveraging and strong cash flow generation in FY24.
Earnings quality	4	↑	CFO/PAT 1.77; Unmodified Opinion	High cash backing of profits and cleanup of prior audit qualifications.
Management & governance	2	→	RPT 200% of CFO; IT Raid pending	High family concentration and massive capital lock-up in litigated RPTs.
Capital allocation & earnings visibility	3	↑	ROCE 12%; CWIP commissioned	Improved asset sweating and debt reduction, but visibility tied to court cases.

Business positives (for this company this year) * **Strong Cash Generation: CFO** of ₹83 Cr is 1.77x PAT, allowing for full self-funding of capex and debt reduction. * **Deleveraging:** Reduced **Total Debt** by 39% (from ₹149 Cr to ₹91 Cr), improving the Debt/Equity to a conservative 0.13x. * **Operational Turnaround: Revenue** grew 39% and PAT surged 606%, driven by the Engineering segment's execution. * **Audit Cleanup:** Transitioned from a **Qualified** to an Unmodified audit opinion, signaling improved internal controls. * **Asset Efficiency: ROCE** improved from 5% to 12% as CWIP dropped from ₹11 Cr to ₹1 Cr, indicating asset commissioning.

Business negatives / concerns (for this company this year) * **Massive Tax Risk: Disputed Tax Demands** of ₹185.20 Cr are nearly 4x annual PAT, posing a severe liquidity threat. * **RPT Capital Lock-up: ₹120.83 Cr** (17% of Net Worth) is trapped in the non-operational Bhilwara Jaipur Toll Road SPV. * **Working Capital Stress: Retention Money** spiked 80% to ₹78.12 Cr, and Receivables over 6m rose to ₹130 Cr. * **Internal Control Weakness:** Auditor flagged that **GST input reconciliations** do not match books, indicating accounting gaps. * **Regulatory Shadow:** The **July 2020 IT raid** remains "under appraisal" after four years, creating persistent promoter-level risk.

Overall scorecard summary Om Infra has delivered a robust financial performance in FY24, characterized by high-quality, cash-backed earnings and significant deleveraging. The transition to an unmodified audit opinion and a 12% ROCE suggests the business is on an improving operational trajectory. However, the governance posture remains weak due to heavy family concentration and a massive quantum of capital trapped in litigated related-party subsidiaries. The company's stability is currently high, but its long-term valuation is capped by the "Sword of Damocles" in the form of ₹185 Cr in disputed taxes and the unresolved 2020 IT investigation.

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	—

Final line: "Total: 7/10 — Governance Rating: 3"

Part c: investor verdict

Thesis: Om Infra is a recovering water-EPC specialist with massive hidden value in Mumbai real estate and arbitration claims, currently undergoing a significant balance sheet cleanup.

Overall stance: ACCUMULATE

Rationale: Strong operational momentum (39% growth) and high earnings quality (CFO > PAT) outweigh governance discounts at current valuations. Re-evaluate when: Disputed tax demands exceed ₹250 Cr or CFO/PAT drops below 0.8x. BULL CASE: Rajasthan High Court upholds the ₹587 Cr Bhilwara arbitration award, providing a liquidity windfall equal to ~80% of current debt. BEAR CASE: Adverse ruling on the ₹185 Cr tax dispute triggers a liquidity crisis and halts EPC execution. Key monitorable: Receivables over 6 months: ₹130 Cr → Watch threshold: ₹175 Cr.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Audit Opinion	Qualified (Non-provisioning for GTPCL)	Unmodified / Clean	The transition to a clean opinion signals a successful resolution of prior accounting disputes and improved financial reporting discipline.
Capital Allocation (Capex)	₹371.40 Cr (Debt/ Equity funded)	₹116.28 Cr (Self-funded)	Management has pivoted from aggressive, externally-funded asset acquisition to sweating the existing asset base and prioritizing deleveraging.
Margin Trajectory (OPM %)	5.00% (Collapsed from 14%)	7.00% (Recovery mode)	Operating margins are beginning to stabilize as the company benefits from lower material costs and the commissioning of previously stalled assets.
Working Capital (Receivables)	185% growth (Outpacing sales)	Flat growth (₹236 Cr)	While current collection efficiency has improved, the doubling of receivables aged over six months suggests a growing risk of uncollectible legacy dues.
Dividend Policy	37% Payout (Despite negative FCF)	0% Payout (Prioritizing debt)	The halt in dividends reflects a shift toward cash conservation and a more prudent approach to servicing debt from internal accruals.
Management Tone	Stable but high-risk	Aggressively optimistic but litigation-heavy	The narrative has shifted from operational recovery to growth acceleration, though it remains heavily anchored in legal disputes and arbitration outcomes.

7.2 Persistent patterns

- **High Related Party Exposure**: Significant capital remains structurally trapped in interest-free loans and advances to non-operational or litigated subsidiaries (Bhilwara Jaipur Toll Road, Bihar Logistics).
- **Litigation-Dependent Liquidity**: The company's financial health continues to rely heavily on the successful realization of massive arbitration awards rather than pure operational cash flow.
- **Family-Centric Governance**: The Kothari family maintains absolute control over the Board and all Key Managerial Personnel positions, with stable compensation despite profit volatility.
- **Concentration in Government EPC**: Revenue remains almost entirely indexed to Indian government water infrastructure schemes (JJM and PMKSY), creating high regulatory and counterparty risk.
- **Internal Control Weaknesses**: Recurring forensic red flags persist in reporting integrity, shifting from bank filing discrepancies in the prior year to GST reconciliation mismatches in the current year.
- **Massive Off-Balance Sheet Risks**: **Disputed tax demands and contingent liabilities consistently exceed annual profits by multiple factors, posing a permanent threat to liquidity.**
- **Asset-Heavy Legacy**: Despite the stated shift to an "asset-light" model, the balance sheet remains burdened by high-value, non-core real estate and infrastructure assets that are slow to monetize. No material persistent pattern identified.