Hindware Home Innovation Ltd — FY 2025 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 transitioning into a pure-play building products entity following the strategic exit from the loss-making Evok retail business and a pivot toward premiumization via the "Club Maestro" architect program.**	□
2	***Revenue contracted 9.12% YoY to 2,523 Cr, reflecting significant demand headwinds across both the Building Products and Consumer Appliances segments.***	□
3	***EBITDA margins collapsed from 9.47% to 5.67% due to rising manufacturing overheads and an inability to maintain pricing power amidst volume declines.***	□
4	***The bottom line swung to a Net Loss of 68 Cr (from a 28 Cr profit YoY), weighed down by operational deleveraging and impairments related to joint venture interests.***	□
5	**Total debt was reduced to □719.89 Cr following a □249.70 Cr Rights Issue, with promoters demonstrating high "skin in the game" by contributing □150.34 Cr of the capital.**	□
6	***Financial stability remains fragile with an Interest Coverage Ratio of 0.36x, indicating that operating profits are insufficient to service debt obligations without external capital.***	□
7	***Free Cash Flow (FCF) remains negative at - 6 Cr, as cash generation is stifled by a deteriorating working capital cycle, specifically inventory bloating to 311 days.***	□
8	***Capital allocation efficiency has eroded with ROCE falling to 4.00%, well below the cost of debt, compounded by 144.83 Cr in overdue Capital Work-in-Progress (CWIP).***	□
9	***Earnings quality is under pressure as receivables grew 12% against a 9% sales decline, suggesting aggressive credit terms to support the top line, alongside P&L cushioning from related-party fees.***	□
10	***Governance and human capital risks are acute, evidenced by an astronomical 85% employee turnover rate and technical internal control failures regarding the audit trail at the database level.***	□
11	The near-term outlook is contingent on the successful capitalization of overdue projects and the stabilization of the Consumer Appliances segment to prevent further equity dilution.	□
12	Investment View: WATCH; stance remains cautious until EBITDA margins recover to >9% and the institutional crisis reflected in staff churn is resolved.	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **The Structural Pivot:** The defining event of FY25 is the **Composite Scheme of Arrangement**, effectively demerging the company into two distinct listed entities: **Hindware Limited** (Building Products: Bathware, Tiles, Pipes) and **HHIL Limited** (Consumer Appliances).

- **Segment Performance:**
    - **Building Products (85.9% of Revenue):** Remains the core bedrock but saw a 7.81% revenue decline to ₹2,170.71 Cr. Focus has shifted toward **premiumization** (Queo brand) and **architect-led sales** via the "Club Maestro" program (4,500+ architects).
    - **Consumer Appliances (14.1% of Revenue):** Revenue slumped 20.04% to ₹356.19 Cr. The segment is dominated by Kitchen Appliances (71%) and is transitioning from a trading model to an in-house manufacturing model.
- **Strategic Exit:** Management has officially **discontinued the Retail Division (Evok)**, exiting the furniture and furnishings business to eliminate a persistent drain on capital and management bandwidth.
- **Revenue Drivers:** Growth is being sought through "Smart" IoT-enabled products (chimneys/water heaters) and expanding the distribution reach, though currently offset by "muted consumption" and intense competition.
- **Cost Drivers:** High fixed-cost base, particularly in marketing (IPL sponsorships like RCB and Punjab Kings). Manufacturing costs rose to 34.21% of sales as the company pivots to in-house production.
- **Capacity & Expansion:** Significant shift toward manufacturing integration with expansions at the Roorkee plant and Isnapur. However, **CWIP has spiked to ₹209 Cr**, with ₹144.83 Cr of projects currently overdue.
- **Geographical Presence:** Maintains a pan-India presence with a strengthening focus on tier-2 and tier-3 cities for the Building Products segment.

2. MANAGEMENT COMMENTARY & OUTLOOK

- **Strategic Shift:** Management describes FY25 as a "valuable inflection point," shifting focus from aggressive expansion to "sweating assets" and improving operational agility.
- **Deleveraging Strategy:** A successful ₹249.70 Cr Rights Issue was utilized as a "lifeline" to stabilize the balance sheet, with ₹151.14 Cr specifically used for debt repayment.
- **Manufacturing Pivot:** Strategy involves moving away from outsourcing to in-house production to control quality and capture better long-term margins.
- **Digital & Innovation:** Heavy emphasis on IoT-enabled "Smart" appliances to differentiate in a crowded market and drive premiumization.
- **Joint Venture Outlook:** Management continues to support the 50:50 JV with Groupe Atlantic (Hintastica) for water heaters, despite recognizing a ₹29.60 Cr impairment this year, viewing it as a long-term technology play.
- **Demand Environment:** Management acknowledges a "muted consumption" environment and hyper-competitive intensity, necessitating high marketing spends to maintain mindshare.
- **Long-term Vision:** Post-demerger, the goal is to eliminate the "conglomerate discount," allowing the Building Products business to be valued as a cash-generative leader and Appliances as a high-growth brand play.
- **Management Tone:** Management is attempting to project a narrative of "Enduring Success" and "Legacy," but the underlying data suggests a business in the midst of a painful, high-stakes overhaul. While they are making the right "big-picture" moves (exiting Retail, demerging segments, raising equity), the operational execution is lagging, as evidenced by massive employee turnover (85%) and a credit downgrade to CARE A- (RWD). The tone is restructuring-resilient but operationally strained.

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 2025	Mar 2024
Sales -	2,523.00	2,776.00
Sales Growth %	-9.12	-3.34
Expenses -	2,380.00	2,514.00
Material Cost % -	27.97	31.84
Raw material cost	688.00	848.00
Change in inventory	18.00	37.00
Manufacturing Cost %	34.21	28.35
Employee Cost %	16.92	15.36
Other Cost %	15.23	14.98
Operating Profit	143.00	263.00
OPM %	6.00	9.00
Other Income -	12.00	15.00
Exceptional items	-28.06	-21.11
Other income normal	39.57	36.17
Interest	89.00	93.00
Depreciation	123.00	119.00
Profit before tax	-57.00	66.00
Tax %	-12.00	45.00
Net Profit -	-68.00	28.00
Profit from Associates	-18.00	-9.00
Minority share	0.00	-2.00
Exceptional items AT	-24.00	0.00
Profit excl Excep	-44.00	28.00
Profit for PE	-44.00	26.00
Profit for EPS	-68.00	26.00
Profit Growth %	-273.00	-55.00
EPS in Rs	-8.16	3.08
Dividend Payout %	0.00	11.00

Balance Sheet (₹Crores)

Line Item	Mar 2025	Mar 2024
Equity Capital	17.00	14.00
Reserves	760.00	583.00
Borrowings -	889.00	1,046.00
Long term Borrowings	355.00	339.00
Short term Borrowings	365.00	498.00
Lease Liabilities	169.00	210.00
Other Borrowings	0.00	0.00
Other Liabilities -	862.00	776.00
Non controlling int	9.00	9.00
Trade Payables	407.00	312.00
Advance from Customers	10.00	11.00
Other liability items	436.00	445.00
Total Liabilities	2,528.00	2,420.00
Fixed Assets -	875.00	918.00
Land	114.87	114.87
Building	370.02	407.82
Plant Machinery	525.02	488.54
Equipments	15.57	13.01
Computers	23.99	23.46
Furniture n fittings	194.18	165.82
Vehicles	24.13	25.38
Intangible Assets	2.27	2.27
Other fixed assets	12.31	11.78
Gross Block	1,282.36	1,252.95
Accumulated Depreciation	406.92	335.42
CWIP	209.00	55.00
Investments	73.00	104.00
Other Assets -	1,370.00	1,344.00
Inventories	601.00	589.00
Trade receivables -	508.00	453.00
Receivables over 6m	138.00	126.00
Receivables under 6m	444.00	398.00
Prov for Doubtful	-74.00	-70.00
Cash Equivalents	25.00	29.00
Loans n Advances	32.00	37.00
Other asset items	204.00	235.00

Line Item	Mar 2025	Mar 2024
Total Assets	2,528.00	2,420.00

Cash Flow Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Cash from Operating Activity -	192.00	241.00
Profit from operations	178.00	263.00
Receivables	-75.00	-97.00
Inventory	-12.00	94.00
Payables	93.00	38.00
Other WC items	11.00	-17.00
Working capital changes	17.00	18.00
Direct taxes	-8.00	-41.00
Other operating items	4.00	0.00
Cash from Investing Activity -	-215.00	-219.00
Fixed assets purchased	-202.00	-183.00
Fixed assets sold	4.00	2.00
Investments purchased	-5.00	0.00
Investments sold	5.00	0.00
Interest received	0.00	0.00
Invest in subsidiaries	-17.00	0.00
Investment in group cos	0.00	-25.00
Other investing items	0.00	-12.00
Cash from Financing Activity -	18.00	-2.00
Proceeds from shares	250.00	0.00
Proceeds from borrowings	164.00	211.00
Repayment of borrowings	-273.00	-86.00
Interest paid fin	-94.00	-92.00
Dividends paid	-3.00	-4.00
Financial liabilities	-50.00	-31.00
Other financing items	24.00	0.00
Net Cash Flow	-4.00	20.00
Free Cash Flow	-6.00	59.00
CFO/OP	139.00	107.00

Key Ratios (□Crores)

Line Item	Mar 2025	Mar 2024
Debtor Days	73.00	60.00
Inventory Days	311.00	243.00
Days Payable	210.00	129.00
Cash Conversion Cycle	174.00	174.00
Working Capital Days	11.00	-4.00
ROCE %	4.00	11.00

3.2 Financial Analysis Summary

- The company's **Revenue** declined by 9.12% YoY to **□2,523.00 Cr**, primarily driven by a 20.04% slump in the **Consumer Products** segment and a 7.81% drop in the core **Building Products** segment, while pricing pressure forced discounts and rebates to consume 44.95% of gross contract prices (□2,029.98 Cr).
- **Operating Profit (EBITDA)** contracted sharply by 45.6% to **□143.00 Cr**, leading to an **EBITDA Margin** compression from 9.47% to 5.67%, as **Manufacturing Cost %** rose to 34.21% and **Employee Cost %** increased to 16.92% despite a 25.18% tactical cut in marketing expenses.
- A significant **Net Profit** loss of **□68.00 Cr** was reported (vs. □28.00 Cr profit in FY24), exacerbated by an **Exceptional item** impairment of **□29.60 Cr** on the loss-making Hintastica JV and an **□18.00 Cr** loss from associates, resulting in a negative **ROE** of -8.75%.
- **Trade Receivables** rose by 12.01% to **□508.00 Cr** despite falling sales, causing **Debtor Days** to deteriorate from 60 to 73 days; a high credit risk is evident with **□65.81 Cr** of receivables aged over 3 years and a substantial **Provision for ECL** of **□74.35 Cr**.
- **Inventory** levels remained bloated at **□601.00 Cr**, causing **Inventory Days** to spike to 311 days from 243 days, which forced the company to stretch **Trade Payables** to **□407.00 Cr** (210 days) to manage liquidity.
- **CFO** of **□192.00 Cr** was insufficient to cover the **Capex** of **□202.00 Cr**, resulting in a negative **Free Cash Flow (FCF)** of **□6.00 Cr**, signaling that the business cannot currently self-fund its expansion.
- The **Balance Sheet** was deleveraged via a **□249.70 Cr Rights Issue**, which funded the **Repayment of borrowings** of **□273.00 Cr**, successfully reducing **Total Debt** to **□719.89 Cr** and improving the **Debt/Equity** ratio to 1.14.
- **Interest Coverage** has reached a critical level of **0.36x**, as **Finance Cost** of **□89.00 Cr** nearly consumes the entire **EBIT** of **□32.00 Cr**, making the company highly vulnerable to floating interest rates (REPO + 200bps).
- **CWIP** surged to **□209.00 Cr** from **□55.00 Cr**, with **□144.83 Cr** of projects classified as overdue, indicating significant execution delays that are stalling the conversion of capital into **Revenue**-generating **Fixed Assets**.
- **Other Income** of **□39.57 Cr** includes **□28.40 Cr** of management support fees from related parties, which effectively acts as a subsidy for core operational losses and masks the true extent of the **EBITDA** decline.
- **Other Assets** include **□67.16 Cr** in balances with government authorities (GST credits), representing stuck liquidity that is not being utilized quickly due to lower domestic tax liability.
- **Other Expenses** were impacted by a 25% cut in advertising, yet "Other Operating Revenue" was boosted by **□14.30 Cr** of liabilities written back, which is a low-quality earnings driver.
- **ROCE** has diluted from 11.00% to 4.00%, reflecting the combined impact of margin contraction, stalled **CWIP**, and an expanding **Net Worth** that is not yet yielding incremental operating returns.

- The dominant financial theme of the year was a **sharp contraction in operational efficiency and profitability, necessitating a critical equity infusion to prevent a debt spiral amidst deteriorating working capital cycles and significant non-core impairments.**

3.3 Contingent Liabilities & Commitments

- **Tax Demands:** Total tax demands (Excise, IT, Sales Tax) increased to **₹14.58 Cr** (from ₹6.04 Cr).
- **GST Disputes:** GST demands under appeal stand at **₹27.70 Cr**.
- **Total Tax Contingency:** Contingent liabilities for tax demands nearly doubled to **₹42.28 Cr**, indicating increasing litigation risk.
- **Guarantees:** The company has provided a corporate guarantee of **₹69.50 Cr** for its loss-making Joint Venture, Hintastica Private Limited.
- **Capital Commitments:** Remaining capital commitments stand at **₹56.65 Cr**, down from ₹108.18 Cr.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — non-cash depreciation and payable stretching keep CFO positive despite net loss.	□	PAT -□68 Cr vs CFO □192 Cr.	CFO/OP ratio at 139% due to □123 Cr depreciation and □93 Cr payable increase.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — receivables rising 12% against 9% sales decline suggests aggressive credit pushing.	□	Sales -9.12% while Receivables grew +12.01% to □508 Cr.	Note 15: Receivables over 6 months increased to □138 Cr from □126 Cr.
3	Revenue timing	Neutral — customer advances remain stable at □10 Cr, indicating no aggressive revenue pull-forward.	□	Advances from customers at □10 Cr vs □11 Cr YoY.	Note 31: Statutory dues and customer advances show no significant timing manipulation.
4	Revenue from related parties %	Profit ↑ — related party management fees of □28.4 Cr subsidize core operational losses.	□	Management Support Fees received: □28.40 Cr.	Note 46: Fees represent a significant portion of Other Income, cushioning the consolidated loss.
5	Inventory vs revenue growth	Profit ↓ — inventory days spiked to 311 days; rising stocks amid falling sales risk obsolescence.	□	Inventory □601 Cr (flat) vs Sales -9.12%.	Note 14: Stock-in-trade accounts for □367.74 Cr, posing high risk in a declining market.
6	Inventory valuation method change	Neutral — no change in inventory valuation policy reported in the annual report notes.	□	Inventory valued at lower of cost or net realisable value.	Note 2.3: Accounting policy for inventory valuation remains consistent.
7	Exceptional items in operating profit	Profit ↓ — impairment of □29.6 Cr on JV investment significantly drags down reported PAT.	□	Exceptional items: -□28.06 Cr in P&L.	Note 43: Impairment loss recognized on investment in Hintastica Private Limited.
8	Depreciation rate vs useful life policy	Neutral — depreciation remains consistent at ~10% of gross block with no policy shifts.	□	Depreciation □123 Cr on Gross Block of □1,282 Cr.	Note 4: Useful lives of PPE are consistent with Schedule II of Companies Act 2013.
9	Provision reversals boosting PAT	Profit ↑ — write-back of □14.3 Cr in old liabilities provides a non-cash earnings boost.	□	Other operating revenue includes □14.30 Cr write-backs.	Note 34: Sundry balances and liabilities no longer required were written back.
10	Tax rate consistency	Profit ↑ — tax credit on losses reduces net loss; inconsistent with prior year's 45%.	□	Tax rate at -12% vs 45% in Mar 2024.	Note 44: Effective tax rate impacted by unrecognized deferred tax on capital losses.
11	CWIP age and stalling projects	Profit ↓ — overdue CWIP of □144.8 Cr delays returns and risks future impairment charges.	□	CWIP spiked to □209 Cr from □55 Cr YoY.	Note 5: □144.83 Cr of CWIP projects are classified as overdue for completion.
12	Deferred tax asset recognition	Profit ↑ — recognizing □27 Cr DTA on losses assumes future profits despite current downturn.	□	Deferred Tax Assets (Net) increased to □70.76 Cr.	Note 12: □27.06 Cr of DTA recognized on business losses.
13	RPT quantum and trend	Profit ↑ — high reliance on group entities for □28.4 Cr income and operational support.	□	Management fees □28.4 Cr; Rent to AGI Greenpac □20 Cr.	Note 46: Extensive transactions with Somany family entities.
14	Dividend paid vs FCF adequacy	Neutral — minimal dividend of □3 Cr paid despite negative FCF of □6 Cr.	□	Dividend paid □3 Cr vs Free Cash Flow -□6 Cr.	Cash Flow Statement: Dividend payout continued despite negative FCF.

#	Check	Impact	Status	Evidence	Notes Detail
15	Audit Trail Compliance	Neutral — Edit logs disabled at database level and during upgrade period.	□	Non-compliance with MCA mandates (Dec 2-9, 2024).	Note 56: Risk of undetected manual overrides or data manipulation.
16	Employee Turnover Risk	Profit ↓ — 85% turnover rate for permanent employees.	□	Turnover rose from 63% to 85% in FY25.	BRSR Data (p. 97): Extreme churn signals execution risk and cultural friction.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type:** Unqualified.
- **Key Audit Matters (KAMs):**
  - **Impairment of Investment in Joint Venture:** Auditor scrutinized the valuation of Hintastica Private Limited. Management recognized a **□29.60 Cr impairment loss** due to the JV's failure to meet projected cash flows.
  - **Discontinued Operations (Retail Business):** Auditor focused on the classification of the "Evok" retail business as "Held for Sale," involving judgment on fair value and asset separation.
- **Material Weaknesses: Audit Trail (Edit Log) Deficiency.** The auditor reported that the audit trail feature in the SAP ERP was **NOT enabled at the database level** and was **disabled** during a software upgrade (Dec 2-9, 2024).
- **Auditor Fees:** Total fees of □0.77 Cr. Non-audit fees represent **55.84%** of total compensation, which is unusually high and may impair perceived independence.

B. Related Party Transactions

Party	Relationship	Nature	Amount (Cr)	Concern
AGI Greenpac Limited	Promoter Influenced	Management Support Fees (Recd)	28.40 Cr	Core profit is subsidized by fees from a promoter entity
AGI Greenpac Limited	Promoter Influenced	Purchase of Goods	26.80 Cr	Significant ongoing procurement from related party
AGI Greenpac Limited	Promoter Influenced	Rent Paid	20.01 Cr	Fixed cash outflow to promoter-owned facilities
Hintastica Private Limited	Joint Venture	Investment Made	17.00 Cr	Continued capital infusion into a loss-making entity
Hintastica Private Limited	Joint Venture	Corporate Guarantee	69.50 Cr	High off-balance sheet exposure to impaired JV

RPT Verdict: Governance Concern □RPT outflows (Rent/Purchases/JV Investment) consume **48.03% of CFO**. "Other Income" is heavily padded by □28.40 Cr in management fees from AGI Greenpac, masking the true extent of operating losses.

C. Shareholding

- **Promoters:** 52.74% (Increased from 51.32% in Mar 2024).
- **FIIs:** 3.65% (Decreased from 7.49% in Mar 2024).

- **DIIs:** 7.06% (Stable).
- **Public:** 36.55%.
- **Pledged Shares:** 0.00%.

D. Board Composition + KMP Compensation

- **Independent %:** 66.67% (4/6). **Women Directors:** 1.
- **KMP Compensation:**
    - **Naveen Malik (CEO & CFO):** □1.75 Cr (+9.00% YoY).
    - **Payal M Puri (CS):** □1.54 Cr (+4.32% YoY).
- **Analysis:** Aggregate KMP pay increased by ~6.7% while **EBITDA crashed by 45.6%**. There is a clear disconnect between executive rewards and shareholder value as the company reported a net loss of □68 Cr.

F. Capital Allocation & Capex

Action	FY Current (Cr)	% of CFO	Signal
Capex	202.00 Cr	105.21%	□
Equity Issuance	249.70 Cr	130.05%	**Positive**
Repayment of Debt	273.00 Cr	142.19%	□
Interest Payments	94.00 Cr	48.96%	□
Investment in JV	17.00 Cr	8.85%	□

CAPEX Analytical Notes: * **CFO Coverage of Capex:** Ratio is **0.95x**. The company cannot self-fund its investment cycle. * **Execution Risk: □144.83 Cr of projects are overdue**, signaling execution delays. * **Efficiency:** Revenue fell 9.12% despite a 10.3% increase in capex, suggesting new capacities are not yet yielding returns. * **Takeaway: CWIP has spiked to □209.00 Cr**, locking up capital during a period of high interest costs.

H. Risks

- **Receivables Divergence (High):** Receivables rose 12% while Sales fell 9%; potential channel stuffing.
- **Audit Trail Failure (High):** Edit logs disabled at database level; risk of undetected data manipulation.
- **JV Solvency (High):** Hintastica JV is loss-making; □69.50 Cr guarantee could be invoked.
- **Interest Rate Sensitivity (Med):** □719.89 Cr debt is floating rate; 100bps hike would further erode thin interest coverage (0.36x).
- **Tax Litigation (Med):** Contingent liabilities for tax demands doubled to □42.28 Cr.
- **Project Delays (Med):** □144.83 Cr of CWIP is overdue, delaying ROI on debt-funded capex.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	↓	Revenue -9.12%; OPM 6%	Strong brand but currently struggling with pricing power and demand.
Financial Health	2	↓	Interest Coverage 0.36x; FCF -□6 Cr	High debt servicing costs and negative FCF despite equity infusion.
Earnings Quality	2	↓	Receivables +12% vs Sales -9%; RPT Subsidy	Top-line pushed via credit; P&L cushioned by related party fees.
Management & Governance	2	↓	85% Employee Turnover; Audit Trail Lapse	Severe human capital crisis and technical internal control failures.
Capital Allocation	2	↓	ROCE 4% < Cost of Debt; Overdue CWIP	Value-destructive reinvestment with delayed project execution.

BUSINESS POSITIVES (for this company this year) * □**Successful Deleveraging:** Raised □**249.70 Cr** via Rights Issue, reducing Total Debt to □719.89 Cr. * □**Strategic Focus:** Exited the loss-making Retail (Evok) business to focus on core segments. * □**Premiumization Traction:** "Club Maestro" program reached **4,500+ architects** to drive high-end Queo brand sales. * □**Promoter Commitment:** Promoters contributed □**150.34 Cr** to the Rights Issue, signaling strong backing.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Operational Collapse:** EBITDA crashed **45.6%** to □143 Cr; Net Loss of □**68 Cr**. * □**Human Capital Crisis:** Astronomical **85% employee turnover** rate signals deep cultural or leadership issues. * □**Working Capital Stress:** Inventory days spiked to **311 days**; Debtor days rose to **73 days** despite falling sales. * □**Governance Red Flag:** Audit trail feature **disabled at database level** and during software upgrades. * □**Poor Capital Efficiency:** ROCE collapsed to **4.00%**, well below the cost of capital. * □**Execution Delays:** □**144.83 Cr** of CWIP projects are classified as overdue for completion.

OVERALL SCORECARD SUMMARY Hindware is currently in a precarious state where financial stability is being maintained by equity infusions rather than operational excellence. While the demerger and debt reduction are positive strategic steps, the core business is suffering from severe margin compression, deteriorating working capital cycles, and a critical human capital crisis (85% turnover). Governance is clouded by RPT-dependent earnings and internal control lapses regarding audit trails. The trajectory is currently **deteriorating** operationally, and the "New Hindware" thesis depends entirely on a successful post-demerger turnaround that has yet to manifest in the numbers.

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?	□	Net Loss reported; KMP pay □3.29 Cr is > 5% of absolute PAT.
4	RPT quantum < 5% of revenue?	□	Total RPT ~3.65% of Revenue.
5	Board > 50% independent?	□	66.67% Independent.
6	At least 1 woman director?	□	Ms. Sonali Dutta appointed Nov 2024.
7	No statutory dues outstanding?	□	□79.50 Cr statutory dues payable (Note 31).
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	Not enabled at database level; disabled during upgrade.
10	Frequent Auditor change	□	No frequent changes noted.
Total: 7/10 □— Governance Rating: 3			

Part C: Investor Verdict

THESIS: A legacy brand undergoing a high-stakes demerger and manufacturing pivot, currently masked by operational stress and governance friction. **OVERALL STANCE:** WATCH **RATIONALE:** The successful debt reduction provides a temporary cushion, but the 85% employee turnover and negative FCF make a near-term recovery highly uncertain. **RE-EVALUATE WHEN:** EBITDA Margin returns to >9% AND employee turnover drops below 25%. **BULL CASE:** Post-demerger re-rating of the Building Products business as a pure-play leader with ROCE >15%. **BEAR CASE:** Continued loss-making in the Appliances segment and JV leads to further equity dilution or debt spiral. **KEY MONITORABLE:** Overdue CWIP (□144.83 Cr) → Watch for capitalization and revenue conversion.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Debt-funded expansion with capital commitments doubling to ₹108 Cr.	Equity-funded deleveraging via a ₹250 Cr Rights Issue to offset a debt spiral.	The company has pivoted from aggressive growth to survival-mode recapitalization as internal cash generation failed.
Margin Trajectory	EBITDA margins at 9.47% with core Bathware showing resilience at 15.4%.	EBITDA margins collapsed to 5.67% resulting in a consolidated net loss of ₹68 Cr.	Rapidly rising manufacturing and employee costs have broken the operating leverage of the business.
Working Capital	Inventory liquidation (days fell to 243) was used to support cash flow.	Inventory days spiked to 311 while trade payables were stretched to 210 days to manage liquidity.	The working capital cycle has deteriorated significantly, forcing the company to lean heavily on supplier credit.
Project Execution	CWIP at ₹55 Cr supporting upcoming expansion.	CWIP surged to ₹209 Cr with 69% (₹144.8 Cr) of projects now classified as overdue.	Significant execution delays are stalling the transition to manufacturing and preventing ROI on recent capex.
Management Tone	Expansionary but cautious due to leadership churn (2 CEOs in 12 months).	Defensive and restructuring-focused, characterized by a "valuable inflection point" narrative.	Management is using a demerger and equity raise to buy time for an operational turnaround that has yet to materialize.
Human Capital	Leadership instability at the top (CEO exits).	Institutional crisis with a permanent employee turnover rate of 85%.	The astronomical churn rate suggests a total breakdown in corporate culture or internal stability that threatens execution.

7.2 Persistent Patterns

- **Critical Interest Burden:** Interest costs remain stagnant and high (₹92–94 Cr), now consuming nearly the entire EBIT and leaving interest coverage at a precarious 0.36x.
- **Aggressive Revenue Recognition Signals:** A persistent divergence exists where **receivables continue to grow (up 12% in FY25, 22% in FY24) despite falling sales**, signaling potential channel stuffing.
- **Promoter-Linked Cash Outflows:** High-margin payments for rent and management fees to promoter-influenced AGI Greenpac persist regardless of the company's loss-making status.
- **Chronic Audit Trail Deficiencies:** The company has **consistently failed to enable edit logs (audit trails)** at the database level, representing a multi-year internal control failure.
- **Loss-Making JV Drain:** The Hintastica JV remains a **persistent capital sink**, requiring continuous infusions and corporate guarantees (₹69.50 Cr) despite recognized impairments.
- **Stuck Statutory Liquidity:** Unpaid statutory dues remain chronically high at approximately **₹80 Cr**, indicating a sustained inability to clear government liabilities from operational cash.
- **Manufacturing Pivot Dependency:** A structural shift from trading to in-house manufacturing continues to drive high capex requirements that the business cannot self-fund.
- **Low-Quality Earnings Drivers:** Reported figures continue to be influenced by **non-core items** such as liability write-backs and management fees received from related parties.