RattanIndia Power Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**The company operates a high-quality single-asset power plant in Amravati with a strong 82% Plant Availability Factor (PAF), ensuring consistent fixed-cost recovery despite logistical coal bottlenecks.**	Positive
2	***Revenue contracted by 2.38% YoY to 3,284 Cr, reflecting 100% customer concentration and zero pricing power within a rigid regulatory framework.***	Negative
3	***Operating margins are under severe pressure as the interest coverage ratio of 0.72x confirms that core earnings are insufficient to service existing finance costs.***	Negative
4	**Normalized Net Profit grew 113% YoY to □222 Cr, though this bottom-line improvement is overshadowed by technical insolvency and negative reserves.**	Positive
5	***The balance sheet is distressed with a D/E of 0.79x (distorted by negative equity) and a looming 2027 refinancing cliff for ICDs and Facility C that exceeds current cash generation.***	Negative
6	**Cash flow remains the primary strength with a CFO/PAT ratio of 1.85x, enabling the repayment of □334 Cr in borrowings during the fiscal year.**	Positive
7	Capital allocation is currently focused on debt servicing, yet ROCE of 9% remains significantly below the 20% cost of promoter debt, indicating persistent value destruction.	Neutral
8	***Earnings quality is poor due to aggressive revenue recognition; 71.8% of receivables (1,750.63 Cr) are disputed, and auditors have qualified 6,652.38 Cr of de-recognized liabilities.***	Negative
9	***Governance is a critical concern characterized by predatory 20% interest rates on 2,350 Cr of promoter debt and nepotistic appointments during a period of financial distress.***	Negative
10	***The company faces a binary terminal risk via a pending Section 7 IBC application for 28.72 Cr; admission would trigger cross-defaults on 3,539 Cr of total debt.***	Negative
11	***The outlook is clouded by a "receivables trap" where 645 Cr of dues are aged over three years, creating a high probability of future material write-downs.***	Negative
12	***Investment View: Avoid; the operational strength of the asset is negated by insolvency risks and predatory governance—monitor NCLT orders and disputed receivable collections.***	Negative

1. Business overview (In Bullet Points)

- **Business Segments:** RattanIndia Power Ltd (Rtnpower) is a single-asset power generation company centered on the **1,350 MW Amravati Thermal Power Plant** in Maharashtra.
- **Revenue Drivers:** The primary driver is a long-term Power Purchase Agreement (PPA) for **1,200 MW** with Maharashtra State Electricity Distribution Company Limited (MSEDCL). A marginal portion of revenue (<3%) is derived from merchant power sales of 28 MW surplus on the Indian Energy Exchange (IEX).
- **Cost Drivers:** Fuel logistics are the dominant cost factor, with **73.89% of revenue** consumed by fuel, power, and water costs. High-cost debt servicing (up to 20% interest on promoter ICDs) is a secondary but critical cost driver.
- **Industry Position:** The Amravati plant is a high-quality asset with an **82% Plant Availability Factor (PAF)**, performing in the top tier of Indian thermal plants amidst a macro environment of 250 GW peak demand.

- **Expansion & Capacity:** The company operates five units of 270 MW each. While management discusses "strategic acquisitions," no concrete capacity additions were executed in FY25.
- **Geographical Presence:** Operations are concentrated entirely in Amravati, Maharashtra, creating a single-state regulatory and counterparty dependency.
- **Fuel Logistics:** The company has 100% Fuel Supply Agreements (FSA) with SECL (Coal India). However, a logistical bottleneck exists where SECL supplies only **75% of coal via rail**, forcing the remaining 25% to be sourced via more expensive road transport.

2. Management commentary & outlook

- Management has shifted its tone from "debt-restructuring" in FY24 to an "aggressive growth" stance in FY25, actively evaluating distressed asset resolutions and strategic acquisitions.
- The company is pivoting toward a "tech-enabled" narrative, highlighted by the appointment of the Chairman's son as "Head, Artificial Intelligence" to drive sustainable innovation.
- Strategic focus remains on maintaining high operational availability (PAF) to ensure full recovery of fixed capacity charges from MSEDCL.
- Management highlights the sale of surplus power on the IEX as a growth lever to capture peak pricing, despite its currently small contribution to the total capacity.
- There is a stated commitment to "operational excellence" and navigating the logistical challenges of coal procurement through additional road-mode sourcing.
- The long-term vision involves transitioning the company into a "post-stress" growth phase, though this is complicated by ongoing litigation regarding preference shares.
- Management Tone: The tone is increasingly opportunistic and confident, attempting to project a narrative of recovery and modernization. However, there is a visible disconnect between the "AI-driven growth" rhetoric and the legacy reality of a thermal power plant facing technical insolvency and terminal legal risks. The verdict on management tone is **Cautiously Aggressive but Divergent from Financial Reality.**

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	3,284	3,364
Sales Growth %	-2.38	4.11
Expenses	2,699	2,718
Manufacturing Cost %	75	74
Employee Cost %	2	2
Other Cost %	5	5
Operating Profit	585	646
OPM %	18	19
Other Income	357	10,976
Exceptional items	0	10,635
Other income normal	357	341
Interest	479	2,363
Depreciation	241	382
Profit before tax	222	8,876
Tax %	0	0
Net Profit	222	8,897
Minority share	0	0
Exceptional items AT	0	10,635
Profit excl Excep	222	-1,738
Profit for PE	222	-1,738
Profit for EPS	222	8,897
Profit Growth %	113	7
EPS (□)	0.41	16.57
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	5,370	5,370
Reserves	-785	-1,006
Borrowings	3,615	3,562
Long term Borrowings	3,262	3,099
Short term Borrowings	277	438
Lease Liabilities	75	24
Preference Capital	377	377
Other Borrowings	-377	-377
Other Liabilities	1,596	1,640
Non controlling int	0	0
Trade Payables	173	157
Advance from Customers	0	0
Other liability items	1,424	1,483
Total Liabilities	9,796	9,566
Fixed Assets	6,253	6,412
Land	380.62	380.62
Building	353.40	319.27
Plant Machinery	7,284.68	7,261.53
Equipments	10.01	7.28
Computers	5.22	4.91
Furniture n fittings	6.75	3.49
Railway sidings	565.40	565.40
Vehicles	11.83	10.42
Intangible Assets	0	0
Other fixed assets	6.38	6.15
Gross Block	8,624.29	8,559.07
Accumulated Depreciation	2,371.57	2,147.18
CWIP	65	67
Investments	0	0
Other Assets	3,478	3,087
Inventories	263	238
Trade receivables	2,435	2,064
Receivables over 6m	1,581	1,248
Receivables under 6m	854	817
Prov for Doubtful	0	0
Cash Equivalents	363	462

Line item	Mar 2025	Mar 2024
Loans n Advances	13	11
Other asset items	404	312
Total Assets	9,796	9,566

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	410	1,306
Profit from operations	893	957
Receivables	-371	414
Inventory	-25	-111
Payables	16	24
Loans Advances	0	0
Other WC items	-103	30
Working capital changes	-483	356
Direct taxes	1	-7
Cash from Investing Activity	87	-462
Fixed assets purchased	-117	-99
Fixed assets sold	0	0
Capital WIP	0	0
Investments purchased	0	0
Investments sold	0	8
Interest received	55	27
Dividends received	0	0
Invest in subsidiaries	0	0
Redemp n Canc of Shares	0	0
Inter corporate deposits	0	0
Other investing items	148	-398
Cash from Financing Activity	-440	-902
Proceeds from shares	0	0
Proceeds from borrowings	0	1,149
Repayment of borrowings	-334	-1,692
Proceeds from deposits	0	0
Interest paid fin	-98	-351
Financial liabilities	-8	-8
Other financing items	0	0
Net Cash Flow	57	-58
Free Cash Flow	293	1,207
CFO/OP	70	203

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	271	224
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	271	224
Working Capital Days	198	124
ROCE %	9	8

3.2 Financial analysis summary

- **Revenue** from operations declined by 2.38% YoY to □3,284.00 Cr, with 100% of sales concentrated on a single customer, MSEDCL, creating extreme counterparty risk. This Revenue includes □720.96 Cr (21.95% of total) as Income from Embedded Lease and □2,562.87 Cr from electricity sales, while Trade Receivables surged by 17.96% to □2,435.00 Cr, signaling a severe disconnect between billing and collections.
- **Operating Profit** fell to □585.00 Cr with OPM % contracting to 18.00% from 19.00%, primarily driven by Cost of Fuel, Power & Water which consumes 73.89% of Revenue (□2,426.59 Cr). Other Expenses increased by 17.97% YoY to □246.24 Cr, outpacing revenue growth due to inflationary pressures on maintenance and administrative overheads.
- **Net Profit** of □222.00 Cr in FY2025 appears as a 113% growth in normalized terms (excluding the FY2024 exceptional gain of □10,635.00 Cr from the Sinnar subsidiary deconsolidation), yet Interest Coverage remains critically low at 0.72x, indicating that operating earnings are insufficient to cover the □479.00 Cr Finance Cost.
- **Working Capital** stress is evident as Trade Receivables (□2,435.00 Cr) now represent 74.15% of annual Revenue, with □1,750.63 Cr (71.8%) classified as "Disputed." This led to a massive cash drain in the Cash Flow Statement, where Working capital changes of -□483.00 Cr reduced CFO from □1,306.00 Cr in FY2024 to just □410.00 Cr in FY2025.
- **Total Debt** stands at □3,615.00 Cr, heavily reliant on promoter-linked funding through "Elevated" and "Subordinate" ICDs totaling □2,350.58 Cr with interest rates as high as 20% p.a. A significant liquidity risk exists due to a 2027 "refinancing cliff" where bullet repayments for Facility C and ICDs coincide, alongside an IBC Section 7 application filed by a holder of □28.72 Cr in Redeemable Preference Shares.
- **Fixed Assets** (Net Block) decreased to □6,253.00 Cr as Depreciation of □241.00 Cr outpaced Capex of □117.00 Cr. CWIP of □65.00 Cr includes □45.48 Cr older than 3 years, suggesting stalled projects and potential future impairment risks despite management's claims of temporary supply chain delays.
- **Cash Flow** quality is mixed; while CFO / PAT is healthy at 1.85x, the CFO is artificially supported by the non-payment of interest on promoter ICDs (□247.24 Cr accrued but not due). Free Cash Flow of □293.00 Cr was primarily utilized for Repayment of borrowings (□334.00 Cr), leaving no room for dividends or significant growth reinvestment.
- **Return metrics** show a marginal improvement in ROCE % to 9.00%, but ROE % remains low at 4.84% due to the drag of negative Reserves (-□785.00 Cr) and high leverage. Asset Turnover is stagnant at 0.34x, indicating the company is not sweating its □8,624.29 Cr Gross Block efficiently amidst regulatory disputes and collection delays.
- **Other Assets** include a 107% jump in Advances for Goods & Services to □165.26 Cr without corresponding revenue growth, which, combined with the Lease Equalisation Reserve of □824.18 Cr (a non-cash liability), suggests complex accounting treatments that mask underlying liquidity pressures and potential cash leakage.

- **Other Expenses** were impacted by Investment/Balances Written Off of □36.80 Cr (down from □1,290.22 Cr in FY24), indicating a reduction in one-time write-offs but persistent drag from non-core asset adjustments.
- The dominant financial theme for RattanIndia Power is one of severe liquidity constraint and regulatory dependency, where stagnant **Revenue** and high fuel costs are compounded by a massive □2,435.00 Cr Trade Receivables trap and high-cost promoter debt, leaving the Balance Sheet vulnerable to a 2027 refinancing cliff and ongoing legal challenges.

3.3 Contingent liabilities & commitments

- **Litigation:** Section 7 IBC application filed by REC Limited (regarding 0.001% Redeemable Preference Shares) for □**28.72 Cr**. The hearing is concluded and the order is reserved.
- **Tax Disputes:** Pending GST dispute of □**7.57 Cr** for the period 2012-2017, currently before the Appellate Tribunal. Only □0.57 Cr has been paid under protest.
- **Guarantees/Claims:** Claims against RPS redemption of □**28.72 Cr** are currently contested.
- **Capital Commitments:** Not explicitly disclosed as a specific figure in the annual report snippets, though maintenance capex is ongoing.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — CFO of ₹410 Cr exceeds PAT of ₹222 Cr via non-cash lease adjustments.	—	CFO is supported by non-cash Lease Equalisation adjustments and non-payment of interest on promoter ICDs.
2	Receivables & channel-stuffing signal	Revenue ↓ — receivables rose 18% despite 2.4% sales drop; signals aggressive revenue recognition.	—	Note 12: 71.8% of receivables (₹1,750.63 Cr) are disputed; ₹645.53 Cr are older than 3 years.
3	Revenue timing (unbilled/contract assets)	Revenue ↑ — Change in Law claims recognized on management estimates before final regulatory orders.	—	Note 25: Revenue includes "Change in Law" claims based on best management estimates and regulatory orders.
4	Revenue from related parties %	Revenue ↑↓ — 100% revenue concentration with MSEDCL creates extreme counterparty and liquidity risk.	—	Note 25: Single customer dependency makes the going concern viability sensitive to MSEDCL payment delays.
5	Inventory vs revenue growth	Profit ↓ — inventory grew 10.5% while sales fell 2.4%; suggests potential overstocking or obsolescence.	—	Note 11: Includes a provision of ₹10.07 Cr for write-down to net realizable value in stores.
6	Inventory valuation method change	Neutral — no change in valuation method; stores and spares valued at lower of cost.	—	Note 2: Accounting policy for inventory valuation remains consistent with previous periods.
7	Exceptional items in operating profit	Profit ↓ — FY24 profit was inflated by ₹10,635 Cr gain from subsidiary deconsolidation.	—	Forensic Alert: Group has history of thin margins excluding the one-time Sinnar subsidiary deconsolidation gain.
8	Depreciation rate vs useful life policy	Profit ↑ — depreciation expense decreased significantly despite gross block additions; suggests life extensions.	—	Note 30: Depreciation decreased by 37% YoY; audit KAM highlights judgment in asset useful life estimations.
9	Provision reversals boosting PAT	Profit ↑ — lack of provision for doubtful disputed receivables (₹1,750 Cr) inflates PAT.	—	Note 12: Management considers disputed receivables "Good" despite ₹645 Cr being aged over 3 years.
10	Tax rate consistency	Neutral — zero tax rate consistent with large unabsorbed losses and restricted DTA.	—	Note 2: Prudent approach of restricting DTA recognition to the extent of DTL due to uncertainty.
11	CWIP age and stalling projects	Profit ↓ — ₹45.48 Cr of CWIP is aged over 3 years; risks future impairment.	—	Note 7: Management cites "temporary delays" in CWIP; long-standing balances often precede future write-offs.
12	Deferred tax asset recognition adequacy	Neutral — DTA not recognized for carry forward losses; prevents overstatement of net assets.	—	Note 2: Policy acknowledges uncertainty of future taxable profits despite having large unabsorbed tax losses.
13	RPT quantum and trend	Profit ↓ — promoter ICDs of ₹2,350 Cr at 20% interest create compounding future liability.	—	Note 17: High interest accrual indicates compounding debt; ₹250 Cr interest-free loan given to related party PPDL.
14	Dividend paid vs FCF adequacy	Neutral — no dividends paid; cash conserved for debt servicing and high interest costs.	—	Note 17: Liquidity is tight; IBC Section 7 application by RPS holder signals imminent legal/financial pressure.
15	Auditor Qualification (STPL Debt)	Neutral — Auditor cannot verify ₹6,652.38 Cr of de-recognized liabilities from Sinnar deconsolidation.	—	Legal finality of the "accounting divorce" from STPL is not yet settled; potential for liability reversal.
16	Audit Trail Non-Compliance		—	

#	Check	Impact	Status	Notes detail
		Neutral — Edit logs (audit trail) not enabled at the database level for the Holding Company.		Risk of unauthorized data manipulation and lack of transparency in financial records.
17	Related Party Loan Diversion	Profit ↓ — ₹250 Cr interest-free ICD provided to non-operational subsidiary Poena Power (PPDL).	—	Cash is trapped in a non-core entity while the parent pays 20% interest on its own borrowings.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Qualified Opinion. * ***KAM 1: Revenue Recognition & Recoverability:*** The auditor flagged the estimation of "Change in Law" claims as a significant risk due to high judgment. Management recognizes revenue based on "best estimates" despite ₹1,750.63 Cr being disputed by the customer (MSEDCL). * ***KAM 2: Litigation & Contingent Liabilities:*** Auditor highlighted the complexity of estimating outflows for legal cases, specifically the Section 7 IBC application by an RPS holder, which could trigger cross-defaults. * ***Emphasis of Matter:*** The auditor drew attention to the **Section 7 IBC application filed by REC Limited** for ₹28.72 Cr, noting it may have an adverse effect on the company's functioning. * ***Material Weaknesses:*** The audit report notes the **Audit Trail (edit log) was not enabled at the database level** for the Holding Company; FY 2025 notes continue to show technical non-compliance in data integrity controls.

B. Related Party Transactions | Party | Relationship | Nature | Amount (₹Cr) | Concern | | :--- | :--- | :--- | ---: | :--- | | Promoter Group | Promoters | Elevated Inter-Corporate Deposits | 892.93 Cr | ***Interest rates up to 20% p.a.*** | | Promoter Group | Promoters | Subordinate Inter-Corporate Deposits | 1,457.65 Cr | ***High-cost debt keeping entity afloat*** | | Promoter Group | Promoters | Interest Accrued (Non-Cash) | 247.24 Cr | ***Liability compounding rapidly*** | | Poena Power (PPDL) | Subsidiary | Interest-free ICDs Provided | 250.00 Cr | ***Cash trapped in non-operational subsidiary*** | | Dhruv Rattan Nashier | Relative of Chairman | Proposed Remuneration | 0.60 Cr | ***Appointment of Chairman's son*** |

- **% of Revenue:** 71.58% (Total ICDs ₹2,350.58 Cr / Revenue ₹3,283.83 Cr) → **critical flag**
- **% of CFO:** 573.31% (Total ICDs ₹2,350.58 Cr / CFO ₹410 Cr) → **critical flag**
- **RPT Verdict:** Governance Concern. The company is structurally dependent on promoter debt at predatory interest rates (20%). The accrual of ₹247.24 Cr in interest without cash payment creates a "debt bomb" for 2027.

C. Shareholding | Holder | Mar 2025 (%) | Mar 2024 (%) | | :--- | ---: | ---: | | Promoters | 44.06 | 44.06 | | FIIs | 0.14 | 0.14 | | DIIs | 0.04 | 0.04 | | Public | 55.76 | 55.76 |

D. Board Composition + KMP Compensation * **Total Directors:** 6 | **Independent %:** 50.00% | **Women Directors:** 1 (Pritika Poonia). * **Rajiv Rattan (Chairman):** ₹7.40 Cr (164.35x median employee pay). * **Dhruv Rattan Nashier (Head, AI):** Proposed ₹0.60 Cr. This is a compensation within the **SAME family** (son of Chairman). * **YoY Growth:** Aggregate KMP compensation for top directors decreased ~48%, while Operating Profit decreased 9.44%. However, the median employee remuneration **decreased by 2.09%**, showing a lack of alignment.

F. Capital Allocation & Capex | Action | FY current (₹Cr) | FY prior (₹Cr) | % of CFO | Signal | | :--- | ---: | ---: | ---: | :--- | | Interest Payments | 98.00 | 351.00 | 23.90% | — | | Repayment of Borrowings | 334.00 | 1,692.00 |

81.46% | — | | Capex (Fixed Assets) | 117.00 | 99.00 | 28.54% | — | | Loans to Related Parties | 250.00 | 250.00 | 60.98% | — | | Interest Accrued (Non-Cash) | 247.24 | 179.86 | 60.30% | — |

- **CAPEX Analytical Notes:**
  - **CFO Coverage:** CFO/Capex ratio is 3.50x. While CFO covers maintenance, it is insufficient to service the ₹**3,615 Cr total debt**.
  - **Nature of Capex:** Primarily maintenance and regulatory compliance (FGD).
  - **Deployment Efficiency:** The **18% increase in Capex** occurred while Revenue declined by 2.38%, indicating poor incremental capital efficiency.
  - **Key Takeaway:** Borrowing costs (20%) vastly exceed ROCE (9%), indicating **systemic value destruction**.

H. Risks * **Insolvency Litigation:** REC Ltd Section 7 application. **Impact:** Terminal risk; could trigger cross-defaults on ₹**3,539 Cr** debt. (Severity: High) * **Customer Concentration:** 100% Revenue from MSEDCL. **Impact:** Single point of failure; payment delays halt debt servicing. (Severity: High) * **Regulatory Estimation:** ₹**1,750 Cr** disputed receivables. **Impact:** Material write-downs if regulatory outcomes are unfavorable. (Severity: High) * **Related Party Debt Trap:** ₹**2,350 Cr** owed to promoters at 20%. **Impact:** Interest accrual exceeds Net Profit; equity wipeout risk. (Severity: High)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	2	→	100% Revenue Concentration; 25% Coal via Road	Single-asset concentration with logistical bottlenecks and zero pricing power.
Financial health	1	→	D/E 0.79x (but negative reserves); Interest Coverage 0.72x	Technically insolvent with operating earnings unable to cover finance costs.
Earnings quality	1	→	71.8% Receivables Disputed; CFO supported by non-payment of interest	Aggressive revenue recognition of disputed claims and non-cash profit drivers.
Management & governance	1	↓	Promoter son AI appointment; 20% RPT interest; Audit Qualification	Major governance red flags including nepotism and predatory RPT debt terms.
Capital allocation & earnings visibility	1	→	ROCE 9% < Cost of Debt 20%; 2027 Refinancing Cliff	Value-destructive allocation with terminal legal risks clouding visibility.

Business positives (for this company this year) * **High Asset Quality:** The Amravati plant maintained a strong **82% Plant Availability Factor (PAF)**, ensuring fixed cost recovery. * **Normalized Profit Growth: Net Profit** grew 113% YoY on a normalized basis to ₹222.00 Cr. * **Debt Reduction:** The company utilized ₹**334.00 Cr** of cash flow for the Repayment of borrowings. * **Operational Resilience:** Successfully secured **20% additional coal** above schedule to maintain operations despite rail rakes shortages.

Business negatives / concerns (for this company this year) * **Insolvency Risk:** A Section 7 IBC application for ₹**28.72 Cr** is pending order; admission would trigger cross-defaults on ₹3,539 Cr of debt. * **Receivables Trap: Trade Receivables** stand at ₹2,435.00 Cr (74% of revenue), with ₹1,750.63 Cr classified as "Disputed." * **Predatory RPT Debt:** Promoters are charging up to **20% interest** on ₹2,350.58 Cr of ICDs, with ₹247.24 Cr in interest accrued but not paid. * **Governance Red Flag:** Appointment of the Chairman's son to a newly created

"Head, AI" role with ₹60 Lakhs pay during technical insolvency. * **Audit Qualification:** Auditors cannot verify **₹6,652.38 Cr** of de-recognized liabilities, creating a potential "accounting mirage." * **Liquidity Cliff:** Massive bullet repayments for ICDs and Facility C are concentrated in **mid-2027**, exceeding current cash generation.

Overall scorecard summary RattanIndia Power is a high-quality operational asset trapped within a distressed financial and governance framework. While the plant performs well, the company is technically insolvent with negative reserves and an interest coverage ratio below 1x. Governance is a primary concern, characterized by predatory related-party debt rates and nepotistic appointments. The business is on a **deteriorating trajectory** due to the looming 2027 refinancing cliff and the binary terminal risk posed by the pending NCLT insolvency order.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Total: 5/10 — Governance Rating: 1

Part c: investor verdict

Thesis: RattanIndia Power is an operational gem burdened by a value-destructive capital structure and severe governance risks, making it a high-stakes call option on legal outcomes rather than a fundamental investment. **Overall stance:** Avoid **Rationale:** The combination of a pending insolvency order, 20% interest rates on promoter debt, and a massive disputed receivables trap creates an unacceptable risk-reward profile for equity holders. **Re-evaluate when:** The REC Ltd IBC application is dismissed AND promoter ICD interest rates are restructured below 10%. **BULL CASE:** Favorable Supreme Court ruling on all **₹1,750 Cr** disputed receivables leading to immediate debt paring. **BEAR CASE:** NCLT admits the Section 7 application, triggering CIRP and a total equity wipeout. **Key monitorable:** Trade Receivables Collection: **₹2,435 Cr** → Watch for any write-down > ₹500 Cr.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Capital Allocation & Debt	Debt reduced to □3,562 Cr via accounting deconsolidation of STPL.	Debt increased slightly to □3,615 Cr with a looming 2027 "refinancing cliff."	The company has transitioned from an accounting-led deleveraging event to a period of stagnant debt serviced by predatory 20% interest rates.
Margin Trajectory	OPM at 23% (distorted by prior year adjustments).	OPM contracted to 18% due to fuel and logistics costs.	Operational profitability is being eroded by the necessity of high-cost road transport for 25% of coal requirements.
Working Capital Anomalies	FCF of □1,207 Cr driven by a □414 Cr liquidation of receivables.	FCF dropped to □293 Cr as receivables surged by □371 Cr despite lower sales.	The reversal in working capital efficiency signals a widening disconnect between revenue recognition and actual cash realization from the sole customer.
Management Tone	Focused on "Technical Insolvency" and survival.	Pivoted to "Aggressive Growth" and "AI-driven innovation."	Management is attempting to rebrand a distressed thermal power asset with a technology narrative to distract from terminal legal risks.
Governance & Nepotism	High-cost RPT debt (20%) was the primary governance flag.	Added nepotism flag with the appointment of the Chairman's son as "Head, AI."	Governance risk has escalated from financial extraction via interest rates to direct family-based compensation during technical insolvency.
Audit Integrity	Qualified opinion on STPL debt and audit trail failure.	Qualification persists alongside a 37% decrease in depreciation despite asset additions.	Aggressive accounting persists through the extension of asset useful lives and the continued non-provisioning of aged, disputed receivables.

7.2 Persistent patterns

- **Extreme Customer Concentration:** The company remains 100% dependent on MSEDCL, maintaining a **critical single point of failure** for all cash inflows.
- **Structural Interest Coverage Deficit:** Operating profit consistently fails to cover finance costs (Coverage < 1.0x), indicating a **permanent state of financial distress** regardless of reported PAT.
- **Aggressive Revenue Recognition:** Management continues to accrue "Change in Law" and regulatory claims based on estimates, leaving **71.8% of receivables perpetually disputed**.
- **Predatory Related Party Financing:** The company remains a vehicle for high-cost promoter debt, with **interest rates of 20% p.a.** cannibalizing core operational gains.
- **Audit Trail Non-Compliance:** Edit logs remain disabled at the database level for the Holding Company, representing a **sustained failure in data integrity controls**.
- **Negative Equity Position:** Despite accounting gains, consolidated reserves remain negative, keeping the entity in a **state of technical insolvency**.
- **Operational Excellence vs. Financial Fragility:** The Amravati plant consistently delivers high availability (PAF > 80%), yet these **operational strengths are neutralized by the legacy capital structure**.
- **Terminal Legal Overhang:** The Section 7 IBC application by REC Ltd remains a **binary risk that could trigger a total equity wipeout** at any moment.