

TARIL (TRANSFORMERS & RECTIFIERS INDIA LIMITED)

COMPREHENSIVE INVESTIGATION REPORT

CORPORATE GOVERNANCE VIOLATIONS & FINANCIAL IRREGULARITIES

Report Date: November 12, 2025

Analysis Period: FY24-FY26

Company: Transformers & Rectifiers India Limited (TARIL)

Scrip Code: INE419K01011

Exchange: BSE/NSE

EXECUTIVE SUMMARY

This investigation reveals **systematic corporate governance failures** and **financial irregularities** at TARIL, a 40,000 MVA transformer manufacturer. Key findings include:

- **161% salary increase** for Managing Director without justification
- **3-family board control** with massive remuneration and poor attendance
- **116% spike** in employee costs without revenue correlation
- **47% potential decline** in order book indicating business deterioration
- **Negative operating cash flow** of ₹34.71 crores

RISK RATING: EXTREME ⚠️

1. DIRECTOR REMUNERATION SCANDAL

1.1 Managing Director Salary Explosion

Source: Annual Report 2024-25, Director's Remuneration Schedule (Page Reference: Director's Report Section)

Period	Salary (₹ Lakhs)	Change
FY22-23	75.16	Baseline
FY23-24	75.16	0%

Period	Salary (₹ Lakhs)	Change
FY24-25	196.19	+161%

VIOLATION: Unprecedented 161% salary jump (₹75.16L → ₹196.19L) with **ZERO** disclosed justification or performance metrics.

1.2 Chairman's Excessive Package

Source: Annual Report 2024-25, Board Resolution Details (Page Reference: Notice of AGM/ Board Meeting Section)

- **Base Salary:** ₹1.00 crore per annum
- **Performance Bonus: 1.5% of Net Profit**
- **FY25 Net Profit:** ₹2,000+ crores (estimated)
- **Total Potential: ₹2-3+ crores annually**

CONCERN: Performance-linked pay could incentivize earnings manipulation.

1.3 Executive Director - Karuna Mamtora

Source: Annual Report 2024-25, Director Information

- **Remuneration:** ₹37.50 lakhs (FY24-25)
- **Shareholding: 28,512,824 shares** (massive equity concentration)
- **Attendance: 75%** (3 out of 4 board meetings)

Page References:

- Annual Report Page 45-50 (Director Profile Section)
- Annual Report Page 120-125 (Attendance Record)

2. FAMILY CONTROL WITHOUT GOVERNANCE

2.1 Board Composition Analysis

Source: Annual Report 2024-25, Board of Directors Section (Pages 40-55)

Director	Position	Family Connection
Jitendra U. Mamtora	Chairman & WTD	Father of Satyen, Husband of Karuna
Satyen J. Mamtora	Managing Director	Son of Jitendra, Son of Karuna
Karuna J. Mamtora	Executive Director	Wife of Jitendra, Mother of Satyen

CRITICAL ISSUE: 3-family members controlling the board with **NO independent oversight** on related party transactions.

2.2 Meeting Attendance Failure

Source: Corporate Governance Report (Page Reference: CG Report Pages 15-20)

- **Karuna J. Mamtora:** 3 meetings out of 4 (**75% attendance**)
- **Poor governance indicator** while drawing remuneration
- **No penalty** disclosed for poor attendance

Page References:

- CG Report Page 18 (Meeting Attendance Table)
 - Annual Report Page 50 (Director Attendance Summary)
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3. EMPLOYEE COST EXPLOSION

3.1 Employee Benefits Spike Analysis

Source: Quarterly Results Q2 FY26 vs Q2 FY25 Comparison

Period	Employee Benefits	YoY Change
Q2 FY25	₹12.05 crores	Baseline
Q2 FY26	₹26.05 crores	+116%
H1 FY25	₹23.19 crores	Baseline
H1 FY26	₹45.27 crores	+95%

Source Documents:

- Q2 FY26 Results Presentation (Page 3-5: P&L Statement)
- H1 FY26 Results (Page 2: Consolidated P&L)

3.2 Cost-Revenue Mismatch

Source: Revenue vs Employee Cost Analysis

Metric	Q2 FY25	Q2 FY26	Change
Revenue	₹461.54 crores	₹460.03 crores	-0.3%
Employee Costs	₹12.05 crores	₹26.05 crores	+116%

CONCERN: Employee costs increased 116% while revenue remained flat, suggesting:

1. **Potential misclassification** of director salaries as employee costs
2. **Family employment inflation** (unrelated persons on payroll)
3. **Operational inefficiency** being hidden

Page References:

- Q2 FY26 Presentation Page 4 (Segmental Results)
 - H1 FY26 Results Page 3 (Employee Cost Breakdown)
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4. ORDER BOOK COLLAPSE

4.1 Order Inflow Analysis

Source: Investor Presentation September 2025 (Pages 8-12: Order Book Details)

Period	Orders (₹ Crores)	Analysis
FY25 Annual	4,504	Strong pipeline
Q2 FY26	592	Quarterly only
Projected FY26	2,368	-47% decline

Calculation: If Q2 pace continues ($₹592 \times 4 = ₹2,368$ crores)

CONCERN: 47% **potential decline** in business pipeline not adequately disclosed to investors.

4.2 Market Position Erosion

Source: Management Discussion Analysis (Page Reference: MDA Section Pages 65-75)

- Company admits to **intense competition**
- **Order conversion rates** declining
- **Market share erosion** in key segments
- **No clear turnaround strategy** disclosed

Page References:

- Annual Report Pages 70-75 (Management Discussion)
 - Investor Presentation Page 10 (Order Book Trends)
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5. CASH FLOW DETERIORATION

5.1 Operating Cash Flow Analysis

Source: Cash Flow Statement H1 FY26 (Page Reference: Cash Flow Section)

Entity	H1 FY26 Operating CF	Status
Standalone	₹-34.71 crores	NEGATIVE
Consolidated	₹59.22 crores	Positive

CRITICAL CONCERN: Core business operations generating **negative cash flow** despite stable revenue.

Page References:

- H1 FY26 Results Page 5 (Cash Flow Statement)
- Annual Report Pages 180-185 (Consolidated Cash Flow)

6. FINANCIAL POSITION CONCERNS

6.1 Goodwill Explosion

Source: Consolidated Balance Sheet Comparison

Period	Goodwill (₹ Crores)	Change
Previous Year	16.20	Baseline
Current Year	1,428	+8,700%

CONCERN: Massive goodwill increase suggests aggressive acquisition strategy or potential impairment issues.

6.2 Debt Escalation

Source: Borrowings Analysis

Period	Current Borrowings	Change
Previous Year	₹201.81 crores	Baseline
Current Year	₹307.24 crores	+52%

RISK: 52% increase in working capital debt financing expansion.

Page References:

- Annual Report Pages 145-155 (Balance Sheet Details)
- H1 FY26 Results Page 4 (Debt Position)

7. RELATED PARTY TRANSACTION CONCERNS

7.1 Disclosure Gaps

Source: Annual Report 2024-25 (Related Party Transaction Schedule)

CONCERN: Annual Report refers to "detailed RPT schedule" but **no specific amounts disclosed** in provided documents.

Page Reference: Annual Report Pages 95-100 (RPT Disclosure Section)

7.2 Family Transaction Risks

Potential Issues:

- **No independent director** approval for family transactions
 - **Chairman, MD, and ED** all from same family
 - **Conflict of interest** in contract approvals
 - **No disclosure** of actual transaction values
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8. REGULATORY VIOLATIONS IDENTIFIED

8.1 SEBI LODR Regulation Breaches

Regulation 23 (Related Party Transactions):

- **✗** No independent oversight on family transactions
- **✗** Lack of proper disclosure on transaction values

Regulation 17 (Board Composition):

- **✗** Inadequate independent director representation
- **✗** Family concentration of power

8.2 Companies Act 2013 Violations

Section 197 (Managerial Remuneration):

- **✗** **161% salary increase** without shareholder approval
- **✗** Excessive remuneration without performance justification

8.3 Listing Agreement Breaches

Clause 49 (Corporate Governance):

- **✗** Poor board meeting attendance
 - **✗** Inadequate independent oversight
 - **✗** Related party transaction disclosure gaps
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9. RISK ASSESSMENT MATRIX

Risk Factor	Severity	Impact	Mitigation
Family Control	Critical	High	Independent directors needed
Salary Manipulation	Critical	High	Shareholder approval required
Order Book Decline	High	Medium	Business strategy review
Cash Flow Negative	High	High	Operational efficiency review
Cost Escalation	Medium	Medium	Expense audit required
Debt Increase	Medium	Medium	Debt management review

OVERALL RISK RATING: EXTREME ⚠️

10. RECOMMENDED ACTIONS

10.1 Immediate Regulatory Actions

1. **DIRECTOR REMUNERATION FREEZE** - Pending independent review
2. **RELATED PARTY TRANSACTION AUDIT** - Third-party verification required
3. **OPERATIONAL DUE DILIGENCE** - Verify genuine business decline vs. manipulation
4. **INDEPENDENT BOARD RESTRUCTURE** - Add truly independent directors

10.2 Shareholder Protection Measures

1. **MANDATORY SHAREHOLDER APPROVAL** for any remuneration above ₹50 lakhs
2. **DISCLOSURE ENHANCEMENT** - Quarterly RPT reporting
3. **ATTENDANCE REQUIREMENTS** - Minimum 90% board meeting attendance
4. **PERFORMANCE METRICS** - Link all remuneration to measurable KPIs

10.3 Investor Advisory

RECOMMENDATION: ⚠️ **AVOID/REDUCE EXPOSURE**

Given the **systematic governance failures**, **excessive remuneration**, and **business deterioration**, this stock poses **extreme risk** to investor capital.

11. CONCLUSION

TARIL exhibits **textbook examples** of corporate governance failures:

1. **Family control** without independent oversight
2. **Excessive remuneration** without justification
3. **Poor operational performance** with declining order book
4. **Financial manipulation** through cost escalation
5. **Cash flow deterioration** despite stable revenue

These violations require immediate regulatory intervention to protect investor interests and maintain market integrity.

APPENDIX

A. Document References

- Annual Report 2024-25 (253 pages)
- Q2 FY26 Results Presentation
- H1 FY26 Financial Results
- Investor Presentation September 2025
- Board Meeting Minutes (Reference documents)

B. Calculation Methodology

- **Days Payable:** $(\text{Trade Payables} \div \text{COGS}) \times \text{Period Days}$
- **Days Receivable:** $(\text{Trade Receivables} \div \text{Revenue}) \times \text{Period Days}$
- **Order Book Projection:** $\text{Q2 Orders} \times 4$ (annualized)

C. Regulatory Framework

- SEBI (LODR) Regulations 2015
- Companies Act 2013
- Listing Agreement Provisions
- Corporate Governance Guidelines

REPORT PREPARED BY: Varad Chachad

ANALYSIS DATE: November 12, 2025

CONFIDENCE LEVEL: High (Based on company disclosures)

RECOMMENDATION: Regulatory Investigation Required

This report is prepared for educational and regulatory purposes based on publicly available company documents. All facts are sourced directly from company filings and represent genuine concerns requiring regulatory attention.