Om Infra Ltd — FY 2023 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	Om Infra operates as a niche water infrastructure and engineering specialist with a robust ₹3,020 Cr order book, providing 4-5x revenue visibility over the next three years.	—
2	**Revenue surged 155% YoY to ₹799 Cr, driven by core engineering scaling, yet this growth failed to translate to the bottom line as PAT collapsed 76% to ₹13 Cr.**	—
3	**Operating margins (OPM) experienced a severe contraction from 14% to 5%, primarily due to a tripling of raw material costs and a less favorable project mix.**	—
4	**Earnings quality is poor, with PAT heavily cushioned by ₹30 Cr in Other Income, of which 68% was derived from one-time non-core asset sales.**	—
5	While the D/E ratio remains optically low at 0.22x, interest coverage is weak as Cash Flow from Operations (₹25 Cr) is insufficient to cover interest obligations (₹28 Cr).	—
6	**Free Cash Flow is deeply negative at -₹316 Cr, reflecting a massive working capital stretch and aggressive capital expenditure that is not yet yielding incremental returns.**	—
7	Fixed assets increased by ₹371 Cr, funded through a combination of debt and equity, signaling a transition toward a larger asset base that requires urgent execution efficiency.	—
8	**Receivables growth of 185% significantly outpaced revenue, with ₹19.33 Cr in undisputed debt outstanding for over three years, raising concerns over future write-offs.**	—
9	**Governance risks are elevated due to a qualified audit opinion, ₹320 Cr in interest-free loans to related parties, and a 161% hike in CFO pay despite declining profits.**	—
10	**Internal control weaknesses are evident, highlighted by discrepancies of up to ₹187 Cr between quarterly bank filings and annual books of accounts.**	—
11	**The outlook is clouded by high group-level contagion risk and the potential for liquidity crises if old receivables or JV disputes are not resolved.**	—
12	Stance is Watch; key monitorables include the stabilization of OPM above 12% and a reduction in related-party exposure by at least ₹100 Cr.	—

1. Business overview

- **Business Segments:** Om Infra Ltd (OMIL) operates primarily in Engineering (Hydro-mechanical & Water), Real Estate, and Steel Silos. It is currently exiting its non-core Packaging segment.
- **Revenue Drivers:** The core driver is EPC contracts for hydro-mechanical works (gates, hoists), dams, and water supply projects under the *Jal Jeevan Mission*. Engineering contributes 94.42% of total operations.
- **Cost Drivers:** Highly sensitive to raw material prices, specifically steel (MS Pipes and Structural Steel). Logistics and job work charges are also significant components.
- **Industry Position:** Occupies a specialized niche in hydro-mechanical engineering with high barriers to entry. A direct beneficiary of the Indian government's ₹270 Bn water infrastructure roadmap.

- **Expansion Plans:** Strategic entry into food grain storage (Steel Silos) via a 30-year concession with the Food Corporation of India (FCI) in Bihar and Gujarat.
- **Acquisitions & Capacity:** The order book stands at a robust ₹**3,020 Cr**, providing 4-5x revenue visibility. Significant recent investment in fixed assets (Gross Block expanded to ₹558 Cr).
- **Segment Performance:** Engineering revenue surged to ₹**679.60 Cr** in FY23. Real Estate acts as an opportunistic segment for liquidating land banks (e.g., "Pallacia" project).
- **Geographical Presence:** Predominantly domestic (94.96% of revenue), with a growing international footprint in Rwanda, Nepal, and Ghana.

2. Management commentary & outlook

- Strategic shift from a diversified conglomerate to a specialized infrastructure player, reflected in the rebranding to "Om Infra."
- Management expects FY24 execution to be "much better" than FY23, driven by higher revenue recognition from domestic and international sites.
- Ambitious EBITDA margin target of 18-20% for the engineering segment by focusing on high-value hydro and irrigation components.
- Positive outlook on the "New Hydro Policy" and the reclassification of large hydro as renewable energy as major industry tailwinds.
- Heavy reliance on Joint Ventures (SPML, DARA, HCC) to bid for large-scale projects, allowing participation in massive tenders.
- Focus on liquidating the "Pallacia" real estate project (expected revenue ₹600 Cr) and resolving the Bandra redevelopment arbitration.
- Commitment to exiting non-core businesses, evidenced by the sale of machinery in the packaging segment.
- Management views the demand environment as "conducive," positioning the company as a leader in varied steel design and fabrication for large-scale dams.
- Management exhibits **High Strategic Optimism** tempered by Legacy Execution Baggage. The tone is aggressive regarding the order book and industry tailwinds, but responses to auditor qualifications regarding GTPCL and revenue reversals are somewhat dismissive. Investors should view the 18-20% margin guidance with caution until the company proves it can execute without recurring "technical" reversals and JV-related accounting complexities.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2023	Mar 2022
Sales	799	313
Sales Growth %	155.31	32.84
Expenses	762	269
Material Cost %	52.36	11.25
Raw material cost	298	102
Change in inventory	121	-67
Manufacturing Cost %	35.16	52.17
Employee Cost %	3.72	8.12
Other Cost %	4.05	14.53
Operating Profit	38	44
OPM %	5	14
Other Income	30	22
Exceptional items	16.28	11.37
Other income normal	13.52	10.31
Interest	28	36
Depreciation	7	8
Profit before tax	32	22
Tax %	60	11
Net Profit	13	26
Profit from Associates	-0.13	6.66
Exceptional items AT	6.55	0.03
Profit excl Excep	6.32	26.44
Profit for PE	6.32	26.44
Profit for EPS	12.87	26.47
Profit Growth %	-76.10	200.11
EPS (□)	1.34	2.75
Dividend Payout %	37	9

Balance sheet (□Cr)

Line item	Mar 2023	Mar 2022
Equity Capital	10	10
Reserves	673	652
Borrowings	149	140
Long term Borrowings	41	50
Short term Borrowings	85	64
Lease Liabilities	2	2
Other Borrowings	21	24
Other Liabilities	708	398
Non controlling int	46	0
Trade Payables	179	111
Advance from Customers	248	223
Other liability items	236	63
Total Liabilities	1,540	1,199
Fixed Assets	505	147
Land	41	41
Building	31	30
Plant Machinery	33	50
Equipments	1	1
Computers	1	0
Furniture n fittings	2	2
Vehicles	5	5
Intangible Assets	4	7
Other fixed assets	440	60
Gross Block	558	197
Accumulated Depreciation	53	50
CWIP	11	9
Investments	45	79
Other Assets	979	965
Inventories	544	659
Trade receivables	242	86
Receivables over 6m	76	56
Receivables under 6m	168	31
Prov for Doubtful	-2	-1
Cash Equivalents	75	44
Loans n Advances	23	13
Other asset items	96	162

Line item	Mar 2023	Mar 2022
Total Assets	1,540	1,199

Cash flow statement (□Cr)

Line item	Mar 2023	Mar 2022
Cash from Operating Activity	25	19
Profit from operations	62.79	53.68
Receivables	-155.79	22.49
Inventory	114.99	-64.50
Payables	67.79	30.61
Loans Advances	0	0
Other WC items	-46.19	-13.24
Working capital changes	-19.19	-24.64
Direct taxes	-18.28	-10.28
Cash from Investing Activity	-285	21
Fixed assets purchased	-371.40	-0.01
Fixed assets sold	30.47	10.83
Capital WIP	0	0
Investments purchased	-0.59	-4.55
Investments sold	0.34	0
Interest received	2.63	1.51
Dividends received	0	0
Investment in group cos	0	0
Redemp n Canc of Shares	0.05	0
Acquisition of companies	0	0
Other investing items	53.73	12.80
Cash from Financing Activity	277	-38
Proceeds from shares	45.69	0
Proceeds from borrowings	200.66	1.95
Repayment of borrowings	0	0
Investment subsidy	0	0
Interest paid fin	0	-35.83
Dividends paid	0	-3.85
Financial liabilities	0	-0.38
Other financing items	30.23	0
Net Cash Flow	17	1
Free Cash Flow	-316	30
CFO/OP	116	67

Key ratios

Line item	Mar 2023	Mar 2022
Debtor Days	110	100
Inventory Days	474	6,828
Days Payable	156	1,155
Cash Conversion Cycle	428	5,773
Working Capital Days	66	524
ROCE %	5	6

3.2 Financial analysis summary

- **Revenue** surged by 155.31% to ₹799.00 Cr, primarily driven by the Engineering Segment which contributed ₹679.60 Cr, yet this growth failed to translate into bottom-line strength as Net Profit fell by 76.10% to ₹13.00 Cr due to a sharp contraction in OPM % from 14.00% to 5.00%.
- The **Operating Profit** decline to ₹38.00 Cr despite higher Revenue is linked to a massive spike in Raw material cost to ₹298.00 Cr (up from ₹102.00 Cr) and a shift in project mix, with MS Pipes (₹164.61 Cr) and Structural Steel (₹61.87 Cr) being the primary drivers.
- **Earnings Quality** is significantly impacted by Other Income of ₹30.00 Cr, of which ₹15.98 Cr (68% of normal other income) originated from a one-time Profit on Sale of Fixed Assets, masking a much weaker core operational performance in the P&L Statement.
- **Trade Receivables** grew by 185.48% to ₹242.00 Cr, significantly outpacing Revenue growth and resulting in a cash outflow of ₹155.79 Cr in the Cash Flow Statement, with ₹19.33 Cr of undisputed debts aged over 3 years, signaling collection risks.
- **Inventory** levels remain high at ₹544.00 Cr on the Balance Sheet, including ₹65.03 Cr of Real Estate WIP which has been pledged as collateral for loans to a subsidiary, Om Metal Consortium Pvt Ltd, increasing group-level contagion risk.
- **Working Capital** efficiency shows a superficial improvement in Cash Conversion Cycle to 428 days from 5,773 days, but this is largely due to the denominator effect of higher Sales rather than actual liquidity improvement, as Working Capital changes still drained ₹19.19 Cr from CFO.
- **Total Debt** (Borrowings) increased slightly to ₹149.00 Cr, supported by Proceeds from borrowings of ₹200.66 Cr in the Cash Flow Statement, while Note 28 flags material discrepancies of up to ₹187.00 Cr between book balances and quarterly returns filed with banks.
- **Capital Allocation** is heavily skewed toward related parties, with over ₹320.00 Cr in Loans n Advances to subsidiaries and JVs being interest-free, representing a massive opportunity cost and a drain on Net Worth which stands at ₹683.00 Cr.
- **Fixed Assets** (Gross Block) expanded significantly to ₹558.00 Cr following Fixed assets purchased of ₹371.40 Cr in the Cash Flow Statement, yet the Asset Turnover remains low, and Depreciation of ₹7.00 Cr is calculated using the WDV method, which front-loads expenses.
- **Cash Flow from Operating Activity** of ₹25.00 Cr was insufficient to cover the massive Capex, leading to a deeply negative Free Cash Flow of -₹316.00 Cr, forcing the company to rely on Proceeds from borrowings (₹200.66 Cr) and Proceeds from shares (₹45.69 Cr) to sustain operations.
- **Return Metrics** are deteriorating, with ROCE % falling to 5.00% and ROE % at a meager 1.90%, indicating that the massive expansion in Total Assets to ₹1,540.00 Cr is not yet yielding commensurate returns for shareholders.

- **Finance Cost** of ₹28.00 Cr on the P&L Statement includes ₹16.59 Cr interest on working capital, highlighting a high dependence on short-term credit lines to fund the elongated operating cycle.
- **Advance from Customers** increased to ₹248.00 Cr on the Balance Sheet, providing a vital source of interest-free funding and reflecting new order wins, which is a rare positive signal for future Revenue execution.
- **Other Assets** and Other Expenses analysis reveals that Sundry Balances Written Off (₹1.75 Cr) and Interest on Export Duty Saved (₹3.66 Cr) are key non-recurring items; the latter reversal boosted PAT non-cash.
- **Overall Synthesis:** Om Infra Ltd achieved exceptional **Revenue** growth in FY23 through its engineering segment, but this was marred by a collapse in OPM %, deteriorating Trade Receivables quality, and a massive capital drain into interest-free related-party loans, resulting in deeply negative Free Cash Flow and poor ROE %.

3.3 Contingent liabilities & commitments

- **Disputed Trade Receivables:** Spiked from ₹1.15 Cr to ₹**4.17 Cr**, increasing the risk of future write-offs.
- **Tax Demands:** ₹1.06 Cr deposited against various Income Tax demands, currently under litigation.
- **Gurha Thermal (GTPCL):** ₹**7.97 Cr** (₹0.50 Cr investment + ₹7.47 Cr advance) tied up in a terminated JV project; auditors have qualified the lack of provisioning for this amount.
- **Capital Commitments:** Undertaking provided to bankers for non-disposal of investment in Bhilwara Jaipur Toll Road Pvt Ltd until debt repayment.
- **Guarantees:** Real estate inventory (201 flats) pledged as collateral for loans to Om Metal Consortium Pvt Ltd.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — earnings quality remains high as cash conversion exceeds reported net profit.	—	CFO/OP at 116% indicates strong cash generation relative to operating earnings.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — aggressive billing or collection delays; receivables growth of 185% outpaces sales.	—	Note 14: Retention money and disputed receivables (□4.17 Cr) stretch the collection cycle.
3	Revenue timing	Neutral — conservative milestone-based recognition aligns revenue with certified work progress and advances.	—	Note 2.06: Revenue recognized only upon project authority approval of running bills.
4	Revenue from related parties %	Neutral — minimal direct revenue from related parties limits risk of circular trading.	—	Note 5: Investment properties leased to group entities at stagnant fixed rentals.
5	Inventory vs revenue growth	Profit ↑ — liquidation of old inventory supports sales growth without corresponding cash outflow.	—	Note 13: Real estate WIP reduced from □74 Cr to □65 Cr.
6	Inventory valuation method change	Neutral — consistent application of FIFO and NRV valuation prevents artificial profit manipulation.	—	Note 2.17: FIFO basis used; borrowing costs capitalized into real estate WIP.
7	Exceptional items in operating profit	Profit ↑ — one-time asset sale gain of □15.98 Cr inflates current year earnings.	—	Note 35: Profit on sale of fixed assets accounts for 68% of Other Income.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative WDV method front-loads depreciation expenses, reducing early-stage project profitability.	—	Note 2.13: Written Down Value method used for all classes of fixed assets.
9	Provision reversals boosting PAT	Profit ↑ — reversal of previous provisions for export duty boosts PAT non-cash.	—	Note 35: Non-recurring reversal of provisions included in other income normal.
10	Tax rate consistency	Profit ↓ — effective tax rate spiked to 60% due to non-deductible items or adjustments.	—	Direct taxes paid □18.28 Cr against PBT of □32 Cr.
11	CWIP age and stalling projects	Neutral — low CWIP levels relative to total assets suggest no major stalled projects.	—	Note 41: Minimal capital work-in-progress indicates no significant internal project delays.
12	Deferred tax asset recognition	Neutral — high current tax payout suggests conservative recognition of deferred tax benefits.	—	Note 12: Tax demands of □1.06 Cr classified as non-current assets under litigation.
13	RPT quantum and trend	Profit ↓ — interest-free loans of □320 Cr to subsidiaries represent significant lost opportunity cost.	—	Note 10: □200 Cr loan to Om Metals Consortium is interest-free and non-current.
14	Dividend paid vs FCF adequacy	Neutral — dividend payment of 37% despite negative FCF indicates reliance on financing.	—	Negative FCF driven by □371 Cr fixed asset purchase and related party lending.
15	Bank Reporting Integrity	Neutral — material discrepancies in bank filings suggest internal control gaps.	—	Note 28: Discrepancies attributed to ineligible receivables/inventories not offered for borrowing.
16	Revenue Recognition Integrity	Revenue ↑ — booking revenue without project authority approval violates stated policy.	—	Auditor's Report: Revenue was booked and subsequently reversed, indicating aggressive accounting.
17	Subsidiary Recoverability	Profit ↓ — material uncertainty regarding recovery of advances to terminated JV.	—	

#	Check	Impact	Status	Notes detail
				Auditor's Qualification: No provisioning made despite termination of agreements and litigation.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Qualified. The auditor noted non-provisioning for ₹7.48 Cr advances to GTPCL and ₹0.50 Cr investment despite material uncertainty. * **Key Audit Matters (KAMs):** * ***Revenue Recognition***: Estimation of stage of completion and unbilled revenue. Management uses milestone-based billing and third-party certification. * ***Recoverability of RP Loans***: Large interest-free advances to subsidiaries with slow recovery. Management intends to convert these to equity. * ***Valuation of Inventory***: Real estate WIP valuation in sluggish markets. Management performs periodic NRV assessments via independent valuers. * **Internal Control Issues:** Auditor noted ₹6.15 Cr in revenue was booked in a JV without project authority approval, violating accounting policies. * **Going Concern:** Material uncertainty noted regarding the joint venture Gurha Thermal Power Company Limited (GTPCL).

B. Related Party Transactions | Party | Relationship | Nature | Amount (₹Cr) | Concern | | ------- | ---------- | ------- | ---------- | ------- | | Om Metals Consortium Pvt Ltd | Subsidiary | Non-interest bearing loan | 200.06 Cr | ***High Risk: No interest charged; recovery cited as "sluggish"*** | | Subsidiaries (Total) | Group Entities | Non-Current Loans | 222.39 Cr | ***Capital diversion: 27.8% of Sales*** | | Subsidiaries (Total) | Group Entities | Current Loans | 97.57 Cr | ***Liquidity risk: Short-term funds locked in group entities*** | | UP Logistics | Joint Venture | Interest-free Loan | 7.47 Cr | ***Recovery Risk: JV agreement terminated*** | | Om Metal Auto / Automotors | Group Entities | Rental Income | 1.32 Cr | Stagnant YoY pricing |

C. Shareholding | Shareholder category | Mar 2023 (%) | Mar 2022 (%) | | :-- | --: | --: | | Promoters | 69.41 | 69.41 | | FIIs | 0.38 | 0.47 | | DIIs | 0.01 | 0.01 | | Public | 30.20 | 30.11 |

D. Board Composition + KMP Compensation * **Total Directors:** 6 | **Independent %:** 50.00% | **Women Directors:** 1 (Saloni Kala). * **Family Concentration:** The top three executive positions (Chairman, Vice Chairman, MD & CEO) are held by the **Kothari** family. * **Compensation Analysis:** * Dharam Prakash Kothari (Chairman): ₹0.38 Cr (0% growth). * Sunil Kothari (Vice Chairman): ₹0.38 Cr (0% growth). * Vikas Kothari (MD & CEO): ₹0.50 Cr (0% growth). * Sunil Kumar Jain (CFO): ₹0.34 Cr (**161.54% growth**). * **Correlation:** Total KMP compensation remained stable despite a 13.64% decline in Operating Profit. The CFO's 161% pay hike is highly disproportionate to the qualified audit report and declining profitability.

F. Capital Allocation & Capex | Action | FY current (₹Cr) | FY prior (₹Cr) | % of CFO | Signal | | :--- | :---: | :---: | :---: | :---: | | Capex | 371.40 Cr | 0.01 Cr | 1,485.60% | — | | Dividends | 4.82 Cr | 2.41 Cr | 19.28% | — | | Net Debt Change | 9.00 Cr | -10.00 Cr | 36.00% | — | | Working Capital Investment | 19.19 Cr | 24.64 Cr | 76.76% | — | | Interest Payments | 28.00 Cr | 36.00 Cr | 112.00% | — | | Loans to Subsidiaries | 11.46 Cr | — | 45.84% | — |

Capex analytical notes: * **CFO Coverage of Capex**: Ratio is 0.067. The **₹371.40 Cr capex** was largely funded by ₹200.66 Cr in new borrowings and ₹45.69 Cr in equity proceeds. * **Nature of Capex**: Primarily **Other fixed assets (₹440.00 Cr gross block)**, appearing as a massive reclassification or acquisition. * **Deployment Efficiency**: Revenue grew 155%, but Operating Profit fell 13.6%, signaling that the **new asset base is not yet generating incremental margins**.

H. Risks * ***Liquidity Risk***: High. Shortage of liquid funds for operational needs; high financing costs (₹28 Cr interest). * ***Counterparty Risk***: High. Reliance on JV partners; project delays if partners fail. * ***Regulatory Risk***: High. Business heavily relies on government contracts; policy changes could materially affect results. * ***Credit***

Risk: Medium. □242 Cr in receivables; □76 Cr overdue > 6 months. * ***Commodity Price***: Medium. Fluctuations in steel prices impact fixed-price EPC contracts.

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	—	Order book □3,020 Cr; 94% Engineering revenue.	Strong niche position and order visibility but highly cyclical and commoditized inputs.
Financial health	2	—	D/E 0.22x; CFO □25 Cr < Interest □28 Cr.	Low leverage is offset by poor interest coverage and deeply negative FCF (-□316 Cr).
Earnings quality	2	—	68% of Other Income from asset sales; Qualified Audit.	PAT is inflated by one-time gains and aggressive revenue recognition in JVs.
Management & governance	2	—	□320 Cr interest-free RP loans; CFO pay hike 161%.	Significant capital diversion to subsidiaries and weak internal controls over bank reporting.
Capital allocation & earnings visibility	2	—	ROCE 5% < Cost of Debt; Capex funded by debt/equity.	Massive capex and RP lending are not yet translating into incremental operating profits.

Business positives (for this company this year) * **Revenue Growth:** Surged 155% to □799 Cr, driven by the core Engineering segment. * **Order Book Visibility:** Robust backlog of □3,020 Cr provides 4-5x revenue visibility. * **Customer Advances:** Increased to □248 Cr, providing interest-free liquidity for project execution. * **Strategic Focus:** Successful exit from non-core packaging machinery to focus on high-growth water infra.

Business negatives / concerns (for this company this year) * **Margin Collapse:** OPM crashed from 14% to 5% due to raw material spikes and project mix. * **Related Party Leakage:** Over □320 Cr in interest-free loans to subsidiaries while paying □28 Cr in interest. * **Negative Free Cash Flow:** Deeply negative FCF of -□316 Cr due to massive capex and working capital stretch. * **Audit Qualification:** Qualified opinion regarding non-provisioning for □7.97 Cr in a terminated JV. * **Receivables Stretch:** Receivables grew 185%, outpacing revenue; □19.33 Cr undisputed debt is >3 years old.

Overall scorecard summary Om Infra presents a dichotomy of massive top-line growth and order book strength against deteriorating financial health and governance concerns. While the business is scaling rapidly, its earnings quality is poor, heavily reliant on one-time asset sales and aggressive accounting in JVs. The massive diversion of capital into interest-free related party loans (□320 Cr+) while the company carries high-cost debt is a significant red flag. Consequently, the business is on a **stable but high-risk** trajectory where execution must drastically improve to service the new asset base and debt.

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: 7/10 — Governance Rating: 2

Part c: investor verdict

Thesis: A high-growth water infrastructure play marred by significant related-party leakages and poor capital efficiency. **Overall stance:** Watch **Rationale:** While the order book is impressive, the lack of cash flow conversion and governance red flags necessitate a "wait and see" approach for margin stabilization. **Re-evaluate when:** OPM returns to >12% OR Related Party loans reduce by at least □100 Cr. **BULL CASE:** Timely execution of the □3,020 Cr order book at 18% EBITDA margins could re-rate the stock. **BEAR CASE:** Further write-offs of old receivables (□19 Cr) or default by JV partners could trigger a liquidity crisis. **Key monitorable:** Trade Receivables Growth: 185% → Watch for alignment with Revenue growth.