# Om Infra Ltd — FY 2023 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 | 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

*Source: Screener.in — all monetary values in ₹ Crores. Use these numbers directly.*

## P&L Statement (□Crores)

| Line Item | Mar 2023 | Mar 2022 |
|---|---|---|
| Sales - | 799.00 | 313.00 |
| Sales Growth % | 155.31 | 32.84 |
| Expenses - | 762.00 | 269.00 |
| Material Cost % - | 52.36 | 11.25 |
| Raw material cost | 298.00 | 102.00 |
| Change in inventory | 121.00 | -67.00 |
| Manufacturing Cost % | 35.16 | 52.17 |
| Employee Cost % | 3.72 | 8.12 |
| Other Cost % | 4.05 | 14.53 |
| Operating Profit | 38.00 | 44.00 |
| OPM % | 5.00 | 14.00 |
| Other Income - | 30.00 | 22.00 |
| Exceptional items | 16.28 | 11.37 |
| Other income normal | 13.52 | 10.31 |
| Interest | 28.00 | 36.00 |
| Depreciation | 7.00 | 8.00 |
| **Profit before tax** | 32.00 | 22.00 |
| Tax % | 60.00 | 11.00 |
| **Net Profit -** | 13.00 | 26.00 |
| 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 in Rs | 1.34 | 2.75 |
| Dividend Payout % | 37.00 | 9.00 |

## Balance Sheet (₹Crores)

| Line Item | Mar 2023 | Mar 2022 |
|---|---|---|
| Equity Capital | 10.00 | 10.00 |
| Reserves | 673.00 | 652.00 |
| Borrowings - | 149.00 | 140.00 |
| Long term Borrowings | 41.00 | 50.00 |
| Short term Borrowings | 85.00 | 64.00 |
| Lease Liabilities | 2.00 | 2.00 |
| Other Borrowings | 21.00 | 24.00 |
| Other Liabilities - | 708.00 | 398.00 |
| Non controlling int | 46.00 | 0.00 |
| Trade Payables | 179.00 | 111.00 |
| Advance from Customers | 248.00 | 223.00 |
| Other liability items | 236.00 | 63.00 |
| **Total Liabilities** | 1,540.00 | 1,199.00 |
| Fixed Assets - | 505.00 | 147.00 |
| Land | 41.00 | 41.00 |
| Building | 31.00 | 30.00 |
| Plant Machinery | 33.00 | 50.00 |
| Equipments | 1.00 | 1.00 |
| Computers | 1.00 | 0.00 |
| Furniture n fittings | 2.00 | 2.00 |
| Vehicles | 5.00 | 5.00 |
| Intangible Assets | 4.00 | 7.00 |
| Other fixed assets | 440.00 | 60.00 |
| Gross Block | 558.00 | 197.00 |
| Accumulated Depreciation | 53.00 | 50.00 |
| CWIP | 11.00 | 9.00 |
| Investments | 45.00 | 79.00 |
| Other Assets - | 979.00 | 965.00 |
| Inventories | 544.00 | 659.00 |
| Trade receivables - | 242.00 | 86.00 |
| Receivables over 6m | 76.00 | 56.00 |
| Receivables under 6m | 168.00 | 31.00 |
| Prov for Doubtful | -2.00 | -1.00 |
| Cash Equivalents | 75.00 | 44.00 |
| Loans n Advances | 23.00 | 13.00 |
| Other asset items | 96.00 | 162.00 |

| Line Item | Mar 2023 | Mar 2022 |
| --- | --- | --- |
| **Total Assets** | 1,540.00 | 1,199.00 |

## Cash Flow Statement (Crores)

| Line Item | Mar 2023 | Mar 2022 |
| --- | --- | --- |
| Cash from Operating Activity - | 25.00 | 19.00 |
| Profit from operations | 62.79 | 53.68 |
| Receivables | -155.79 | 22.49 |
| Inventory | 114.99 | -64.50 |
| Payables | 67.79 | 30.61 |
| Loans Advances | 0.00 | 0.00 |
| Other WC items | -46.19 | -13.24 |
| Working capital changes | -19.19 | -24.64 |
| Direct taxes | -18.28 | -10.28 |
| Cash from Investing Activity - | -285.00 | 21.00 |
| Fixed assets purchased | -371.40 | -0.01 |
| Fixed assets sold | 30.47 | 10.83 |
| Capital WIP | 0.00 | 0.00 |
| Investments purchased | -0.59 | -4.55 |
| Investments sold | 0.34 | 0.00 |
| Interest received | 2.63 | 1.51 |
| Dividends received | 0.00 | 0.00 |
| Investment in group cos | 0.00 | 0.00 |
| Redemp n Canc of Shares | 0.05 | 0.00 |
| Acquisition of companies | 0.00 | 0.00 |
| Other investing items | 53.73 | 12.80 |
| Cash from Financing Activity - | 277.00 | -38.00 |
| Proceeds from shares | 45.69 | 0.00 |
| Proceeds from borrowings | 200.66 | 1.95 |
| Repayment of borrowings | 0.00 | 0.00 |
| Investment subsidy | 0.00 | 0.00 |
| Interest paid fin | 0.00 | -35.83 |
| Dividends paid | 0.00 | -3.85 |
| Financial liabilities | 0.00 | -0.38 |
| Other financing items | 30.23 | 0.00 |
| **Net Cash Flow** | 17.00 | 1.00 |
| Free Cash Flow | -316.00 | 30.00 |
| CFO/OP | 116.00 | 67.00 |

### Key Ratios (₹Crores)

| Line Item | Mar 2023 | Mar 2022 |
| --- | --- | --- |
| Debtor Days | 110.00 | 100.00 |
| Inventory Days | 474.00 | 6,828.00 |
| Days Payable | 156.00 | 1,155.00 |
| Cash Conversion Cycle | 428.00 | 5,773.00 |
| Working Capital Days | 66.00 | 524.00 |
| ROCE % | 5.00 | 6.00 |

## 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 | Evidence | Notes Detail |
|---|---|---|---|---|---|
| 1 | PAT vs CFO trend | Profit ↑ — earnings quality remains high as cash conversion exceeds reported net profit. | ☐ | PAT ₹13 Cr vs CFO ₹25 Cr (FY23). | 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. | ☐ | Receivables ₹242 Cr (up 185%) vs Sales growth 155%. | 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. | ☐ | Advance from customers ₹248 Cr (FY23). | 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. | ☐ | Rental income from RPs ₹1.32 Cr. | 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. | ☐ | Inventory ₹544 Cr (FY23) vs ₹659 Cr (FY22). | 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. | ☐ | Inventory valued at lower of cost or NRV. | 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. | ☐ | Exceptional items ₹16.28 Cr in P&L. | 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. | ☐ | Depreciation ₹7 Cr (FY23) vs ₹8 Cr (FY22). | 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. | ☐ | Interest on export duty saved ₹3.66 Cr. | 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. | ☐ | Tax % 60.00 (FY23) vs 11.00 (FY22). | 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. | ☐ | CWIP ₹11 Cr (FY23) vs ₹9 Cr (FY22). | 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. | ☐ | Tax % at 60% in FY23. | 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. | ☐ | Loans to RPs > ₹320 Cr (FY23). | Note 10: ₹200 Cr loan to Om Metals Consortium is interest-free and non-current. |
| 14 | Dividend paid vs FCF adequacy | | ☐ | Dividend Payout 37%; FCF -₹316 Cr. | |

| # | Check | Impact | Status | Evidence | Notes Detail |
|---|---|---|---|---|---|
| | | Neutral — dividend payment of 37% despite negative FCF indicates reliance on financing. | | | Negative FCF driven by 3□71 Cr fixed asset purchase and related party lending. |
| 15 | Bank Reporting Integrity | Neutral — material discrepancies in bank filings suggest internal control gaps. | □ | Discrepancies up to 1□87 Cr in quarterly bank returns. | 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. | □ | 6□15 Cr revenue booked in JV without approval. | 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. | □ | 7□97 Cr tied up in GTPCL. | 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 □1,020 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 □1,020 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 □197 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 | Evidence |
|---|---|---|---|
| 1 | Audit opinion clean? | □ | Qualified opinion on GTPCL non-provisioning (p.54). |
| 2 | Promoter pledge = 0? | □ | No pledge disclosed in shareholding data. |
| 3 | KMP pay < 5% of PAT? | □ | Total KMP pay ~□1.67 Cr is ~13% of PAT (□13 Cr). |
| 4 | RPT quantum < 5% of revenue? | □ | Loans to RPs (□320 Cr) are 40% of Revenue. |
| 5 | Board > 50% independent? | □ | 3 out of 6 directors are independent. |
| 6 | At least 1 woman director? | □ | Saloni Kala (p.103). |
| 7 | No statutory dues outstanding? | □ | No major defaults reported. |
| 8 | No fraud reported? | □ | No fraud reported by auditors. |
| 9 | Audit trail enabled? | □ | Confirmed in auditor's report. |
| 10 | Frequent Auditor change | □ | No; 5-year term in progress. |
| **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.

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