Om Infra Ltd — Apr 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Revenue Beat / Margin Miss **One-line:** Om Infra is successfully scaling its topline via the Jal Jeevan Mission (JJM), but the pivot to low-margin water projects and unrecovered steel price escalations have gutted operating margins, making the investment thesis entirely dependent on non-core asset monetization and legal awards.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Revenue Beat / Significant Margin Miss	Revenue grew 215% YoY; EBITDA margins collapsed to 5% from 20%.	□
Earnings Quality	Low (Tax/One-off driven)	Q3 PAT (₹8.7 Cr) was aided by a ₹4.1 Cr tax credit; 9M PAT is only ₹5.2 Cr.	□
Guidance Confidence	Neutral	Non-core cash flow targets (₹1,841 Cr) are highly contingent on litigation/govt.	□
Management Credibility	Neutral	Execution on JJM is visible, but margin protection was absent.	□
Business Quality Signal	Deteriorating	Shift from specialized Hydro-mechanical (high margin) to commoditized Water supply.	□
Key Q&A Exchange	Section not applicable — investor presentation only.	N/A	□
The Street's Primary Anxiety	Margin sustainability in the JJM segment.	Mgmt notes 8-12% target for JJM, yet current blended EBITDA is <5%.	□
Capital Cycle Stage	Investment / Working Capital Build-up	Massive topline growth is consuming cash to fund JJM execution.	□
Margin / Return Ratio Trajectory	Deteriorating	9M EBITDA margin at 4% vs 21% in 9MFY22.	□
Pricing Power	Eroding	Lag effect in passing through steel cost escalations.	□
FCF Conversion & Quality	Weak	High revenue growth on 4% EBITDA suggests negligible FCF post-interest.	□
Competitive Moat Signals	Shrinking	Increased reliance on JJM (civil work) vs specialized Hydro-gates.	□
Balance Sheet Strength	Adequate	Real estate debt is low (₹7 Cr), but recovery of dues/claims is slow.	□
Working Capital Efficiency	Deteriorating	Inventory and Debtors likely rising to support 215% revenue growth.	□
Mgmt Guidance Track Record	Mixed	Revenue growth delivered; profitability targets significantly missed.	□
Key Vulnerability / Red Flag	Low Core Profitability	Interest expenses (₹19.1 Cr 9M) exceed EBITDA (₹16.6 Cr 9M).	□
Management Tone	Optimistic on Cash Inflows	Heavy focus on ₹1,841 Cr potential from non-core/ awards.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives):

Positives: * **Massive Execution Ramp-up:** Revenue of ₹209.2 Cr in Q3 is a 3x jump YoY, proving the ability to mobilize and execute large-scale Jal Jeevan Mission (JJM) contracts. * **Strong Potential Liquidity:** The pipeline of "Estimated Cashflows" from Real Estate and Arbitration stands at ₹1,841 Cr, which is several times the current market cap, providing a deep "sum-of-the-parts" safety net if realized. * **Low Debt in Real Estate:** Debt of only ₹7 Cr against real estate projects with ₹430 Cr in remaining realizable value (Pallacia + Kota) is a significant credit positive.

Negatives: * **Operational Unprofitability:** Core EBITDA (₹16.6 Cr) for 9M is insufficient to cover Interest Expenses (₹19.1 Cr), meaning the business is currently not generating enough operating cash to service its debt. * **Margin Cannibalization:** The pivot to JJM projects (which garner 8-12% margins) and raw material price spikes have reduced EBITDA margins from a historical ~20% level to a meager 4-5%. * **Uncertain Recovery Timelines:** While the Bhilwara Toll Road (₹579 Cr) and NEEPCO awards are favorable, the actual timing of cash receipt remains "3 to 4 years" or "awaiting board approval," making them unreliable for near-term liquidity. * **Low Quality PAT:** The reported 9M profit is heavily supported by tax adjustments and "profit from discontinued operations" in prior periods rather than core engineering margins.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary absent.

Metric	Current Qtr (Q3FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹Cr)	209.2	↑ 215.5%	↑ 15.3%	↑	Driven by JJM execution scale-up.
EBITDA (₹Cr)	9.9	↓ 24.4%	↑ 135.7%	↓	YoY decline despite revenue surge.
EBITDA Margin %	4.7%	↓ 1,500 bps	↑ 240 bps	↓	Impacted by steel prices and JJM mix.
PAT (₹Cr)	8.7	↑ 50.0%	↑ 278.3%	↑	Aided by ₹41 Cr tax credit.
Order Book (₹Cr)	Not in doc	First entry	First entry	→	Not specifically updated in PPT.
Net Sales (9M FY23)	452.5	↑ 136.4%	N/A	↑	Massive scale in JJM projects.
Interest Exp (9M)	19.1	↓ 12.8%	N/A	↑	High relative to operating profit.
Raw Material Cost %	61.4%	↑ 5,900 bps	↓ 120 bps	↓	Steel price lag effect cited.
Real Estate Debt	7.0	First entry	First entry	□	Negligible debt in RE projects.
Cashflow Potential	1,841	First entry	First entry	→	Significant non-core asset value.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Margin (Est)	Trend	vs Co Avg	Key Development
Engineering	Not Split	N/A	High	↓	Above	Core hydro-mechanical work.
JJM (Water)	Not Split	N/A	8 - 12%	↑	Below	Rapidly becoming the main driver.
Real Estate	Not Split	N/A	High	→	Above	Jaipur project 74% sold (sqft).

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	JJM Margins	8% - 12% EBITDA Margin	Requires doubling current 9M margin (4%).	Missed (9M @ 4%)	High
Guidance	Cash Inflow (RE)	1,180 Cr (2-5 years)	59 Cr - 147 Cr per quarter.	Ongoing (Jaipur)	Medium
Guidance	Cash Inflow (Legal)	661 Cr (0-4 years)	Highly binary outcome based on court/PWD.	Slow execution	High
Macro	Renewable Energy	450 GW RE capacity 2030	Large Hydro reclassified as RE helps.	Sector tailwind	Low
Macro	Water Infrastructure	$270 Bn spend (5-15 yrs)	Govt. focus on 'Har Ghar Jal' is the driver.	Policy dependent	Low
Balance	Monetization	Exit non-core assets	Targeted 1,841 Cr total inflow.	Historically slow	High

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

STOP HERE.