

Om Infra Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline (Operational Miss but Margin Resilience) **One-line:** Management sacrificed short-term top-line growth (affected by macro headwinds) to preserve bid capacity for high-margin pumped storage and hydro-mechanical projects, maintaining a healthy 10-12% EBITDA floor.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss (Top-line) / Beat (Margins)	Revenue fell 36% YoY; Engineering EBIT margins held at 12%.	□
Earnings Quality	High (Core driven)	No significant one-offs; profitability maintained despite execution slowdown.	□
Guidance Confidence	Neutral	Significant ramp-up required to meet FY24 levels; reliant on H2 execution.	□
Management Credibility	Strong	Honest about election/heatwave impact; strategic "selective bidding" shows discipline.	□
Business Quality Signal	Stable	Pivot from low-margin JJM to high-margin Hydro-mechanical/Pumped Storage.	□
Key Q&A Exchange	Q5 + Pumped Storage Contribution	Management quantified that their scope in PSP is 5-10% of total project cost.	□
The Street's Primary Anxiety	Zero order inflows for 1.5 years	Mgmt explained this is a deliberate strategy to save BG/bid capacity.	□
Capital Cycle Stage	Consolidation	Focus on reducing creditors and lowering interest-bearing debt.	□
Margin / Return Ratio Trajectory	Improving (Mix-driven)	Shift toward Hydro-mechanical (high-margin monopolistic business).	□
Pricing Power	Expanding	Limited competition in high-end hydro-mechanical engineering.	□
FCF Conversion & Quality	Strong	Received ₹64 Cr in claims; used to reduce debt/creditors.	□
Competitive Moat Signals	Stable	Dominant position in specialized Hydro-mechanical gates and hoists.	□
Balance Sheet Strength	Improving	Net Debt reducing; focus on lowering working capital intensity.	□
Working Capital Efficiency	Improving	Return of Bank Guarantees and reduction in interest-bearing creditors.	□
Mgmt Guidance Track Record	Mixed	Historically conservative on execution, aggressive on potential.	□
Key Vulnerability / Red Flag	Order Inflow Stagnation	No new orders for 18 months; necessitates high success rate in H2.	□
Management Tone	Prudent & Selective	Focused on "bottom line over top line" growth.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** Management is pivoting toward **Pumped Storage Projects (PSP)** and Hydro-mechanical work, which offer higher margins (12-14%+) compared to basic irrigation. Balance sheet health is improving through the recovery of arbitration claims (₹64 Cr received) and disciplined working capital management. The order book at ₹2,050 Cr provides ~2 years of revenue visibility despite the recent lack of new wins. * **Negatives:** Execution was significantly hit by the prolonged general elections and a severe heatwave, leading to a 36% YoY revenue decline. The Bandra real estate project (ongoing since 2006) remains stuck in arbitration/planning with no clear timeline for cash flow. * **The Street's Concern:** Analysts are worried about the "zero order inflow" over the last 18 months. Management's response is that they are being "conservative and selective" to save bidding capacity for massive upcoming hydro-interlinking projects. * **Watchpoint:** Success in converting the ₹500–1,000 Cr order pipeline in H2 FY25 is critical to validating the selective bidding strategy.

2. BUSINESS PERFORMANCE

2A. KEY METRICS PPT not available for Q1 FY25 — numbers extracted from Concall Transcript. Discrepancy noted: MD states 169 Cr revenue; CFO states 165 Cr.

Metric	Current Qtr (Q1FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹Cr)	169.00	↓ 36.0%	↓ (First entry)	↓	Impacted by severe heatwave (labor availability) and general elections (govt standstill).
EBITDA (₹Cr)	17.00	↓ 15.0%	↓ (First entry)	↓	Volume deleverage offset by better project mix.
EBITDA Margin %	10.1%	↑ 250 bps	↑ (First entry)	↑	Engineering business maintained 12% EBIT margins.
PAT (₹Cr)	13.00	↑ 0.0%	→ (First entry)	→	Interest cost reduction supported the bottom line.
Order Book (₹Cr)	2,050.00	→ Stable	→ (First entry)	→	2.0x FY24 revenue; well-diversified mix of Hydro/Water/JJM.
Order Inflows (₹Cr)	0.00	→ Stable	→ (First entry)	→	Zero additions in 1.5 years; strategic decision to save bid capacity.
Net Debt (₹Cr)	60.30 (FY24 base)	↓ (Target)	↓ (Target)	↑	Used ₹64 Cr claim receipt to lower interest-bearing creditors and debt.
Interest Coverage	2.47x (FY24 base)	↑	↑	↑	Finance costs decreasing due to returned BGs and reduced limit utilization.
Execution Rate	8.2%	↓	↓	↓	Calculated as Q1 Revenue / Opening Order Book. Needs to double in H2.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Engineering (EPC)	~169.00	↓ 36%	12% (EBIT)	→	Higher	Execution slowdown; focus on Hydro-mechanical equipment.
Real Estate (Jaipur)	Not stated	N/A	N/A	↓	Lower	Received OC for Pallacia; appointing new agency for faster sales.
Real Estate (Bandra)	0.00	0.0%	N/A	→	N/A	Arbitration award partially in favor; pending appeal for remaining matters.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Match or surpass FY24 levels (₹1,114 Cr).	Needs ~₹315 Cr/qtr for the next 3 quarters. Historical avg is ~₹278 Cr.	Mixed	High (Miss risk)
Guidance	New Order Inflows	₹500 - ₹1,000 Cr in FY25.	Requires ~₹250-500 Cr/qtr for remainder of FY.	Strategic pause	Moderate
Guidance	Margins	11% - 14% EBITDA range.	Current Q1 at 10.1%; needs high-margin Hydro mix to kick in.	Consistent	Low
Strategy	Selective Bidding	Save BG/Bid capacity for high-margin Pumped Storage.	Dependent on government tendering timelines for PSP/ Hydro.	New Strategy	Moderate
Balance	Debt / Leverage Target	Lower interest-bearing liabilities.	Using claim receipts (₹64 Cr) effectively for deleveraging.	Delivering	Low
Real Estate	Pallacia Sales	Increase sales velocity post-OC.	Dependent on new agency performance and Jaipur luxury market.	Delayed	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Rahil Shah, Crown Capital	Order Outlook & Growth	Outlook	Why has growth slowed and what is the inflow target?	Management attributed the slowdown to the prolonged general election and confirmed a target of ₹500-1,000 Cr in new orders for FY25. This implies a significant H2 recovery is necessary to maintain the historical growth trajectory.	None	4.0	Directional with evidence
2	3.5	Soumya, Insightful Investments	Long-term Guidance	Outlook	What is the 2-3 year revenue and margin outlook?	Management reiterated the 2x revenue order book coverage and guided for 11-14% EBITDA margins. The focus remains on peak execution of the existing ₹2,050 Cr book.	None	3.0	Vague but consistent
3	4.5	Tejas Shah, Laser Securities	Bandra Project	Real Estate	What is the status of the Bandra project partnership and costs?	Management clarified the stake dilution to 17.5% and explained that Valor Estate is seeking a branded development partner. This indicates that while the asset is valuable,	Exact slum clearing timeline.	3.0	Specific but dependent on 3rd party

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						immediate cash flows are unlikely as the project is still in the planning/partner-search phase.			
4	3.0	Shruti Vasani, Stellar AMC	BG Limits	Financials	How much Bank Guarantee (BG) capacity is needed for new orders?	Management indicated a requirement of 10-15% of order value (Performance + Advance BGs). This confirms that a ₹1,000 Cr inflow would require ~₹150 Cr in new BG limits, which management is preserving capacity for.	None	5.0	Specific and quantified
5	5.0	Anurag Hinge, Sunidhi Securities	Pumped Storage (PSP)	Strategy	What is the revenue contribution and opportunity size in PSP?	Management stated that hydro-mechanical equipment accounts for 5-10% of total PSP project costs (e.g., ₹250-500 Cr for a 1GW project). This positions the company as a specialized beneficiary of the ₹5,000-7,000 Cr/GW PSP capex cycle.	Revenue contribution for next 2 years.	4.0	Directional with data
6	4.0	Tejas Shah, Laser Securities	Competition	Strategy	Does the demise of Patel Engineering's	Management clarified that Patel Engineering	None	5.0	Clear and quantified

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					MD change the competitive landscape?	was a competitor in Civil EPC but not in the specialized Hydro-mechanical space where Om Infra dominates. This underscores the company's "engineering moat" in a niche sector with limited competitors.			
7	3.5	Akshaya Malani, Ind. Investor	Conversion Ratio	Strategy	What is the success rate for bidding?	Management claimed a 30-40% success rate in Hydro-mechanical bids compared to general construction. This high conversion rate supports the strategy of selective bidding for high-end engineering works.	None	4.0	Directional with evidence
8	4.0	Akshaya Malani, Ind. Investor	Real Estate Exit	Strategy	When will the real estate values be fully realized?	Management expects full realization of current projects over the next 2-3 financial years and has no plans for new real estate projects. This confirms the transition to a	None	3.0	Vague but consistent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						pure-play infrastructure/engineering firm.			

PATTERN FLAGS & SENTIMENT * **Theme: Order Inflow Stagnation.** Analysts repeatedly questioned the 1.5-year gap in order inflows. Management's posture was defensive but logical, framing it as a "strategic wait" to avoid clogging bid capacity with low-margin projects before the high-margin Pumped Storage and Interlinking tenders arrive. This remains a live concern until H2 wins materialize. * **Theme: Real Estate Value Unlock.** Questions focused on Bandra and Jaipur realization. Management was cautious on timelines but clear about the "exit-only" mode for this segment. The concern is shifting from "will they do more" to "how fast can they exit."

Analyst Sentiment Verdict: Analysts were cautiously optimistic, acknowledging the margin discipline but skeptical of the revenue recovery path. The friction point remains the Bandra project's long-drawn timeline. Management's credibility improved due to the clear focus on "bottom-line over top-line" and the receipt of arbitration claims.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (FY24) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | |-----|-----|-----|-----|-----| | Revenue Growth | High double-digit growth. | Q1 Revenue fell 36%. | Macro headwinds caused a significant execution gap. | High - Needs 115% growth in H2 to meet targets. | | Bandra Project | Impending development. | Still searching for a brand partner; slum clearing timeline unknown. | Project remains in the "hope" category for short-term valuation. | Moderate - Continued overhang. |

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Revenue Run-rate	N/A	Slowdown (₹169 Cr)	↓
Strategic Focus	N/A	Selective Bidding for PSP	↑
Cash Inflow	N/A	₹64 Cr Claim Received	↑
Real Estate Status	N/A	OC Received for Pallacia	↑
Management Tone	N/A	Prudent/Margin-focused	↑

CFO-to-PAT Analysis: Q1 PAT was ₹13 Cr. While a full CFO number for the quarter wasn't provided, the receipt of ₹64 Cr in claims significantly boosted cash availability, allowing the company to reduce creditors and interest-bearing debt. This indicates high-quality cash flow management despite the accounting-level execution slowdown.

Conclusion: The thesis remains intact as the execution miss is macro-linked and temporary. The core value driver—specialized hydro-mechanical engineering—is seeing a massive total addressable market (TAM) expansion via Pumped Storage Projects, and management is showing the discipline required to capture high-margin work.