Om Infra Ltd — May 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Revenue) / Inline (Operational) **One-line:** Om Infra has successfully transitioned into a high-execution phase with record revenues, though current profitability is masked by a "lag effect" in price escalation claims and high initial costs in the Jal Jeevan Mission (JJM) ramp-up.

Dimension	This Quarter (Q4 FY23 / FY23)	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Revenue)	FY23 Revenue □799.2 Cr vs □313 Cr YoY (155% growth); Q4 record □347 Cr.	□
Earnings Quality	Moderate	PAT includes inventory carrying costs for Real Estate; EBITDA compressed by lag in price variation recognition.	□
Guidance Confidence	Strong	Guidance for □1,000 Cr+ Engineering revenue in FY24; □1,894 Cr cash flow potential from non-core.	□
Management Credibility	Strong	Successfully ramped JJM execution; settled NEEPCO dispute; liquidated 90% of Bhilwara road debt.	□
Business Quality Signal	Improving	Transition from "stalled asset holder" to "active execution engine" with a □3,000 Cr+ order book.	□
Key Q&A Exchange	Q7: Real Estate Margin	Management expects 20% pre-tax margins for Pallacia; Mumbai MHADA value still purely estimated.	□
The Street's Primary Anxiety	Margin Compression	EBITDA margins fell from 14% to 5% YoY; Mgmt blames RM lag and real estate accounting.	□
Capital Cycle Stage	Growth / Harvesting	Investing in JJM/Hydro execution while harvesting legacy Real Estate and Arbitration claims.	□
Margin / Return Ratio Trajectory	Temporarily Deteriorating	EBITDA margins at 5%; management expects return to double-digits as price variations kick in.	□
Pricing Power	Stable (Specialized)	Specialized hydro-mechanical status provides a moat; JJM is more commoditized but scalable.	□
FCF Conversion & Quality	Improving	Receivables spiked (□242 Cr) due to unbilled revenue accounting, but interest costs are declining.	□
Competitive Moat Signals	Stable	Maintaining ~50% bid-win ratio in core hydro-mechanical works.	□
Balance Sheet Strength	Adequate	Net Debt/Equity at 0.07; Road debt largely liquidated.	□
Working Capital Efficiency	Deteriorating	Receivables increased 3x; CFO claims this is "unbilled revenue" under new Ind-AS.	□
Mgmt Guidance Track Record	Reliable	Delivered on the pivot to JJM and the recovery of initial road funds (□191 Cr).	□
Key Vulnerability / Red Flag	Arbitration Timelines	Thesis relies heavily on □1,800 Cr+ cash inflows from legal/ RE, which have historically seen "inordinate delays."	□
Management Tone	Confident	Bullish on "record execution" and Government focus on hydro energy transition.	□

Key Takeaways (Positives & Negatives): * **Positives:** The business has reached an inflection point in execution, with FY23 revenue growing 155% YoY. The core hydro-mechanical business remains a monopoly-like moat, while the JJM entry has provided massive scale. De-leveraging is evident as interest expenses fell from □35.6 Cr to □27.8 Cr. The NEEPCO settlement (□30-40 Cr) proves management's ability to close long-standing disputes. * **Negatives:** EBITDA margins at 5% are significantly below the historical 15-20% range. While management attributes this to price-variation lags and real estate inventory costs, it creates an earnings overhang. The working capital cycle is stretching, with unbilled revenue pushing receivables to □242 Cr. * **Street Concern:** Analysts are skeptical of the "lag effect" explanation for low margins and the long timelines for the Mumbai MHADA project. Management's response emphasizes that price indices take two quarters to reflect, suggesting a margin recovery in H2 FY24. * **Forward Watchpoint:** Monitor the execution of the □1,100 Cr Bhandup Wastewater project and the timing of the Bhilwara equity award (□579 Cr); these are the primary triggers for a valuation re-rating.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary. FY22 Prior Context used for Trend.

Metric	Current Qtr (Q4) / FY23	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□Cr)	347 (Q4) / 799.2 (FY)	↑ 155%	↑ 40% (est)	↑	Driven by rapid JJM execution and Hydro-EPC.
EBITDA (□Cr)	21 (Q4) / 37.5 (FY)	↓ 14%	↑	↓	FY23 margin 4.7% vs 14% (FY22).
EBITDA Margin %	6% (Q4) / 4.7% (FY)	↓ 920 bps	↑	↓	Impacted by RM volatility and lag in price variation.
PAT (□Cr)	8 (Q4) / 12.9 (FY)	↓ 51%*	↑	↓	FY22 had □11.3 Cr one-time discontinued ops gain.
Net Debt / (Cash)	0.07 (Ratio)	↓	First entry	↑	Debt significantly reduced via asset monetization.
Order Book (□Cr)	3,020	↑ 62%	→	↑	4-5x FY23 sales; strong visibility for 2-3 years.
Order Inflows (□Cr)	1,100 (Bhandup JV)	New	First entry	↑	JV with 30% share (□330 Cr net to Om).
Interest Coverage (x)	1.35x	↓	First entry	↓	Lower EBITDA pressured the ratio despite lower interest.
Interest Cost (□Cr)	27.8	↓ 22%	First entry	↑	Reduction from □35.6 Cr in FY22.
Receivables (□Cr)	242.0	↑ 181%	First entry	↓	Spike due to Ind-AS "unbilled revenue" recognition.

**Note: PAT comparison vs Prior Context FY22 (Reported 26.5 Cr including one-offs).*

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (Est)	Trend	vs Co. Avg	Key Development
Engineering (EPC)	700.0	↑ 200%	8-12%	↑	Overweight	JJM projects in UP/Rajasthan driving scale.
Real Estate	99.2 (Est)	New	20%	→	Underweight	Pallacia (Jaipur) CC received; sales recognizing now.
Hydro-Mech	Part of Eng	→	18-20%	↑	Primary	Monopolistic core; benefit from new Hydro Policy.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	₹1,000 Cr+ Engineering for FY24.	₹250 Cr/qtr (Current Q4 is ₹347 Cr).	Delivered (Beat FY23).	Monsoon seasonality.
Guidance	Margins	Double-digit EBITDA (12-15% for JJM).	Needs >200% EBITDA growth in FY24.	Missed in FY23 (Lag).	RM Price indices.
Guidance	Cash Flow	₹1,894 Cr from RE & Arbitration (2-5 yrs).	₹380-900 Cr/year.	Mixed (NEEPCO won).	Legal/Court delays.
Strategy	Non-Core	"Real estate is not our core business."	No new land buys; liquidating existing.	Consistent (Pallacia done).	Market absorption.
Strategy	Debt	Reduce term debt to negligible levels.	FCF from RE sales needed.	Improved (Road debt paid).	Working Cap needs.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Tanmay / Motilal Oswal	Financials	Sustenance of double-digit margins post-JJM.	Management confirmed JJM generates 8-12% healthy margins once price variation is factored in, which lags indices by 1-2 quarters. If price variations are recognized, the blended EBITDA should return to >10%.	None	4.0	Clear explanation
2	4.0	Pinaki / AUM Capital	Financials	Spike in Sundry Debtors from ₹86 Cr to ₹242 Cr.	CFO clarified this is primarily "unbilled revenue" (work done but not yet certified) under revised Ind-AS rules. This implies high execution but a potential liquidity gap if certification is delayed.	None	3.5	Technical
3	3.5	Rajneesh Behl	Financials	Milestone-based payments and penalties in Hydro.	Management noted 5-10% advances and stage payments are standard; penalties (5-10%) are rarely incurred as delays are usually client-side. This de-risks the hydro order book from liquidated damages.	None	4.5	Low risk
4	5.0	Gunit Singh	Financials	Sustainability of ₹350 Cr/qtr revenue run-rate.	Management expects Engineering revenue to jump to ₹1,000 Cr+ in FY24, suggesting the Q4 run-rate is the "new normal." This establishes Om as a mid-cap EPC player with ₹100 Cr+ EBITDA potential.	None	4.0	Ambitious but backed

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
5	4.5	Rishikesh Oza	Financials	Real Estate (Mumbai MHADA) margins and timeline.	Management expects ₹600-700 Cr realizable value with minimal additional cost, awaiting arbitration by July/Aug 2023. Successful arbitration could unlock cash equivalent to Om's current market cap.	Timeline specifics	3.0	High impact
6	3.5	Harsh Saraswat	Financials	Bhilwara Toll debt status and challenges.	CFO confirmed 90% of debt is "kicked off" (liquidated) and the ₹579 Cr equity award is being challenged by the Govt in High Court. Resolves balance sheet risk but leaves equity upside in legal limbo.	None	4.0	De-risked
7	4.0	Jagdish Mundhara	Strategy	Bandra MHADA FSI and revenue sharing.	Mgmt explained that for additional FSI (up to 2M sq ft), Om must bear construction/ premium costs, but net realization remains high at ₹750 Cr. This tempers the "free land" thesis but still provides massive cash flow.	None	3.5	Realistic
8	3.0	Harsh Saraswat	Governance	Auditor qualifications on Gurha Thermal and Rwanda.	Management explained Gurha (₹8 Cr) is an arbitration for non-supply of Lignite; Rwanda was a reversed invoice (₹6 Cr) due to spec changes. These are small relative to the balance sheet (₹1,540 Cr total assets).	None	3.5	Minor red flags

PATTERN FLAGS & SENTIMENT Analysts were primarily focused on the **Divergence between Revenue and Profitability**. Multiple questions probed why a 155% jump in revenue only led to a nominal increase in PAT. Management's consistent defense of the "lag in price variation" suggests they are confident the margins will revert, but analysts remain in a "wait-and-watch" mode regarding the High Court challenges for the Bhilwara award.

Analyst Sentiment Verdict: Skeptical but intrigued. The record revenue performance (₹347 Cr in Q4) surprised the Street, but the 6% EBITDA margin was a let-down. Management's credibility improved due to debt reduction and dispute settlements (NEEPCO), but the "unbilled revenue" spike is a live concern for next quarter's cash flow.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (FY22)	This Quarter (FY23)	Direction
Execution Scale	₹313 Cr Annual Revenue	₹799 Cr Annual Revenue	↑ Strong
EBITDA Margin	14% (Normalized)	5% (Impacted by RM/Lag)	↓ Deteriorating
Debt Profile	₹191 Cr Road Debt recovery pending	90% of Road Debt liquidated	↑ Improving
Interest Cost	₹35.6 Cr	₹27.8 Cr	↑ Improving
Order Book Mix	Heavy on Hydro-Mech	59% JJM (Execution focused)	→ Stable
Legal/Disputes	NEEPCO / Kameng pending	NEEPCO settled (₹30-40 Cr)	↑ Positive
Real Estate	Pallacia under construction	Pallacia completed; OC received	↑ De-risked
Receivables	₹86 Cr	₹242 Cr (Unbilled Revenue)	↓ Working Cap Stress

STOP HERE.