Om Infra Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Execution Slowdown but Strategic Rebound) **One-line:** The core investment thesis—pivot from low-margin civil work to high-moat hydro-mechanical engineering—is validated by the end of a 1.5-year order drought with a □410 Cr win in J&K.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss (Revenue) / Beat (Order Inflow)	H1 Revenue (□408 Cr) is 25% lower YoY; but broke 1.5-year order dry spell with □410 Cr win.	□
Earnings Quality	High (Core driven)	PAT is impacted by higher finance costs/lower volume, but supported by claim receipts (□64 Cr).	□
Guidance Confidence	Neutral	Revenue guidance revised slightly lower (□850-1,000 Cr) from matching FY24 (□1,114 Cr).	□
Management Credibility	Strong	Delivered on the promise to break the order drought with a high-margin (15-20%) hydro project.	□
Business Quality Signal	Improving	Shift to specialized Hydro-mechanical (20%+ of OB) and Pumped Storage (PSP) increases moats.	□
Key Q&A Exchange	Q5 + PSP Revenue	Mgmt quantified hydro-mechanical as 5-10% of total PSP project costs (□250-500 Cr/GW).	□
The Street's Primary Anxiety	Order Inflow Stagnation	Ended the 18-month "zero order" streak; now targeting □700-1,000 Cr for FY25.	□
Capital Cycle Stage	Consolidation	Focusing on non-core real estate monetization and debt reduction via arbitration claims.	□
Margin / Return Ratio Trajectory	Stable (Mix-driven)	H1 EBITDA margin 8.5%; targeting 10-12% as high-margin hydro execution scales in H2.	□
Pricing Power	Expanding	Monopolistic positioning in large vertical lift/radial gates (Koldam/Gosikhurd legacy).	□
FCF Conversion & Quality	Strong	□64 Cr claim receipt used to reduce interest-bearing debt; Net Debt/Equity remains low at -0.01x.	□
Competitive Moat Signals	Widening	Only global player for certain turnkey hydro-mechanical equipment; limited domestic competition.	□
Balance Sheet Strength	Strong	Cash & Bank balances at □69 Cr; Total Equity increased to □636 Cr (H1FY25).	□
Working Capital Efficiency	Improving	Strategic pause in JJM bidding reduces BG limit pressure; focus on faster-paying hydro projects.	□
Mgmt Guidance Track Record	Mixed	Accurate on margin resilience; historically optimistic on execution timelines (Real Estate/JJM).	□
Key Vulnerability / Red Flag	Revenue Run-rate	Needs □442-592 Cr in H2 to hit guidance; requires a 40%+ jump from H1 performance.	□
Management Tone	Confident & Selective	Shift from "defensive" in Q1 to "offensive" following the KWAR Hydro win.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** The major overhang of "zero order inflows" has been cleared with the □410 Cr KWAR Hydro project win, which carries superior margins (15-20% EBITDA). The company is successfully transitioning into a niche engineering firm, with Hydro & Water now making up 50% of the □2,138 Cr order book. Balance sheet liquidity is robust following the receipt of □64 Cr in arbitration claims. * **Negatives:** H1 FY25 revenue (□408 Cr) and EBITDA (□35 Cr) show significant YoY declines (25% and 43% respectively), reflecting the macro-induced execution slowdown in the Jal Jeevan Mission (JJM) segment and a higher base from arbitration gains in the prior year. * **The Street's Concern:** Analysts were focused on the timeline for Bandra real estate and the order book burn rate. Management clarified that real estate is now an "exit-only" segment, with Pallacia nearing final realization (□276 Cr remaining value). * **Watchpoint:** Execution of the KWAR project and the conversion of the □1,000 Cr JJM/River-linking bid pipeline in H2 FY25 are critical to meeting the revised revenue guidance.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Infrastructure/EPC Sector)

Metric	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□Cr)	239.00	↓ 14.9%	↑ 41.4%	↓	YoY decline due to macro headwinds in JJM; QoQ rebound as heatwave/election impact receded.
EBITDA (□Cr)	17.60	↓ 58.1%	↑ 1.1%	↓	Margin compression to 7.3% in Q2 vs 10.1% in Q1; impacted by project mix and lower absorption.
EBITDA Margin %	7.3%	↓ 750 bps	↓ 280 bps	↓	Q2FY24 had a high base; H1FY25 average sits at 8.5% vs 10-12% guidance.
PAT (□Cr)	-4.00	↓ 116.7%	↓ 130.7%	↓	Reported loss in Q2Standalone; H1 Consolidated PAT remains positive at □25 Cr.
Order Book (□Cr)	2,138.00	↓ 8.2%	↑ 4.3%	→	Includes □410 Cr new win; book-to-bill at ~2.0x (TTM).
Order Inflows (□Cr)	410.00	↑ (New)	↑ (New)	↑	KWAR Hydro Project win breaks 18-month drought.
Execution Rate (%)	11.2%	↓	↑	□	Calculated as Q2 Revenue / Opening OB; showing recovery from Q1's 8.2%.
Net Debt / Equity (x)	-0.01	→	→	□	Company remains effectively net debt free (Consolidated FY24 base).
Interest Coverage	2.47	↓	↓	□	Based on FY24; Q2 pressured by lower EBITDA and slightly higher finance costs (□7.6 Cr).
ROCE (%)	10.0%	↓	↓	□	Target to return to 15% range as hydro-mechanical revenue scales.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Hydro & Water	~204.00 (H1)	↓ 20%	12%	→	Higher	Pivot to Hydro-mechanical (20% of OB) and Pumped Storage.
JJM (Water Supply)	~204.00 (H1)	↓ 30%	8%	↓	Lower	Execution hit by UP/Rajasthan state budget re-allocations.
Real Estate (Jaipur)	58.00 (Life)	N/A	High	↑	Higher	Received OC for Pallacia; □276 Cr realizable value remaining.
Real Estate (Bandra)	0.00	0.0%	N/A	→	N/A	17.5% stake in JV with Valor Estate; seeking branded partner.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	□850 - 1,000 Cr for FY25.	Needs □221-296 Cr per quarter in H2. Feasible given Q2 run-rate of □239 Cr.	Mixed	Moderate
Guidance	Margins	10% - 12% EBITDA.	H1 is at 8.5%; needs 11.5%+ in H2. Dependent on KWAR/Shapurkandi execution.	Consistent	Moderate
Guidance	Order Inflow	□700 - 1,000 Cr in FY25.	□410 Cr achieved; needs □300-600 Cr in H2. High probability given JJM/River-linking bids.	Improving	Low
Strategy	Asset Monetization	~□700+ Cr in 2-3 years.	Includes □640 Cr arbitration + □276 Cr Real Estate. Dependent on court/sales velocity.	Delivering	Moderate
Balance	Debt Reduction	Lower interest-bearing liabilities.	Using claim receipts (□64 Cr) effectively. H1 finance costs flat YoY at □15 Cr.	Reliable	Low

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	Mgmt Outlook	Why has growth slowed and what is the inflow target?	Management attributed the slowdown to the general election and heatwave, confirming a □500-1,000 Cr order target. This confirms that growth is currently backend-heavy for FY25 and contingent on H2 bidding success.	None	4.0	Directional with evidence
2	3.5	Soumya, Insightful Inv.	Long-term Guidance	Mgmt Outlook	What is the 2-3 year revenue and margin outlook?	Management reiterated a target of maintaining 2x revenue order coverage and guided for 11-14% EBITDA margins. The implication is a transition to higher-value engineering work which should re-rate the stock if execution holds.	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 noted partner Valor Estate is seeking a branded developer. This signals that while the asset value is high, cash	Specific slum clearing timeline.	3.0	Specific but 3rd party dependent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						realization remains 24-36 months away.			
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 for BGs. This suggests that a □1,000 Cr order win would require □150 Cr in BG limits, which management is actively preserving capacity for.	None	5.0	Specific and quantified
5	5.0	Anurag Hinge, Sunidhi Sec.	Pumped Storage (PSP)	Strategy	What is the revenue contribution and opportunity size in PSP?	Management stated hydro-mechanical equipment accounts for 5-10% of total PSP project costs (□250-500 Cr per GW). This positions the company as a key specialized beneficiary of India's 176 GW PSP potential.	Quarterly revenue breakdown.	4.0	Directional with data
6	4.0	Tejas Shah, Laser Securities	Competition	Strategy	Does the demise of Patel Engineering's MD change the landscape?	Management clarified that Patel Engineering was a competitor in Civil EPC but not in the specialized Hydro-mechanical	None	5.0	Clear and quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						space. This reinforces the "moat" around the company's core engineering competency.			
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. High win rates for specialized work suggest the company can be highly selective and maintain margin floors.	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 years with no plans for new projects. This confirms the transition to a pure-play infrastructure/ engineering firm is irreversible.	Exact month of Jaipur exit.	3.0	Vague but consistent

PATTERN FLAGS & SENTIMENT * **Theme: Order Stagnation & Resolution.** Analysts were highly anxious about the 1.5-year gap in order wins during the Q1 call. Management's posture was defensive then, but the subsequent ₹410 Cr KWAR win (detailed in the Q2 PPT) has effectively neutralized this concern. The strategy of "selective bidding" to save BG capacity for high-margin work is now a proven tactic rather than an excuse. * **Theme: Real Estate De-risking.** A recurring focus on the Bandra and Jaipur projects shows the street wants to see these non-core assets converted to cash. Management remains cautious on timelines but has successfully messaged that these are "harvesting" assets, not growth drivers.

Analyst Sentiment Verdict: Analysts shifted from skeptical in Q1 to cautiously optimistic in Q2. The friction point remains the slow execution in JJM, but the "Engineering Moat" in Pumped Storage (PSP) has become the primary attraction for long-term investors. Management's credibility is high regarding margin discipline but remains under watch for H2 revenue run-rates.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening/Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Revenue Guidance | Match FY24 (₹1,114 Cr). | H1 performance (₹408 Cr) makes this difficult. | Implied ~15% downward revision to ₹850-1,000 Cr. | Low - Market prefers margin over volume. | | Bandra Project | Impending development. | Still searching for a developer partner. | Development timeline remains uncertain. | Moderate - Continued valuation overhang. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY25)	This Quarter (Q2/H1FY25)	Direction
Order Inflow	₹0 (for 1.5 years)	₹410 Cr (KWAR Hydro Win)	↑
Revenue Run-rate	₹169 Cr (Q1)	₹239 Cr (Q2)	↑
Real Estate Status	Awaiting OC for Pallacia	OC Received; ₹276 Cr to realize	↑
Order Book Mix	JJM Dominant	Hydro/Water now 50%	↑
Revenue Guidance	~₹1,100 Cr	₹850 - 1,000 Cr	↓
Management Tone	Defensive (Selective bidding)	Offensive (Winning high-margin bids)	↑

- **CFO-to-PAT Analysis:** H1 PAT is ₹25 Cr. While full cash flow is not in the PPT, the receipt of ₹64 Cr in arbitration claims ensures CFO significantly exceeds PAT for the half-year. This liquidity was used to reduce interest-bearing liabilities, maintaining a "Net Debt Free" status—a rare quality in the civil construction sector.