



“Om Infra Limited Q2 FY24 Earnings Conference Call”

November 22, 2023



**MANAGEMENT: MR. VIKAS KOTHARI – MANAGING DIRECTOR AND
CEO, OM INFRA LIMITED
MR. SUNIL KUMAR JAIN – CHIEF FINANCIAL OFFICER,
OM INFRA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q2 and H1 FY24 Om Infra Limited Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Mehta. Thank you and over to you, sir.

Vishal Mehta: Thank you, Nirav. Good afternoon, everyone. I, on behalf of Stellar Investor Relations, welcome you all to Om Infra Limited Q2 and H1 FY24 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the 2nd Quarter and Half Year Ended September 30, 2023.

We have with us today the senior Management Team of Om Infra Limited, Mr. Vikas Kothari – Managing Director and CEO and Mr. Sunil Kumar Jain – Chief Financial Officer.

Before we begin, I would like to state that some of the statements made in today’s discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the company’s financial performance have already been uploaded on the website and the stock exchanges.

I now invite Mr. Vikas Kothari to share his initial remarks on the company’s performance for the quarter and half year. Thank you and over to you, sir.

Vikas Kothari: Thank you very much, Vishal and the team and I welcome you all to our company’s conference call. Hope you all have been able to go through our “Investor Presentation” for Q2 and H1 FY24. Starting with the quarterly performance, we are pleased to report yet another stellar financial and operational performance with continued momentum in our order execution, enhanced profitability and a healthy current order book.

The execution run rate has been improving consistently and our half yearly revenues stood at its highest ever in the history of our company at Rs. 547 Crores, which is up by almost 125% year-on-year and as against Rs. 799 Crores in FY23, which itself had grown at 3-year CAGR of 62% over FY20.

Profitability for the operating and net margins has also improved this fiscal year both year-on-year and quarter-on-quarter. In Q2 FY24, the EBITDA margin clocked in at almost 15% and net margin at 8.4%.

Order book remains robust with Rs. 2,805 Crores as on 30th September '23, forming 3.5x of our FY23 revenues and provides a good revenue visibility over the next question is from the line of 2-3 years.

On the arbitration front with regards to NTPC Tapovan and Koldam projects, we have filed settlement claims under Vivaad Se Vishwas Scheme for receiving 65% of the awarded amount, which we are expecting in this year to be close to about Rs. 45 Crores. With regards to Bandra MHADA, the consortium had appealed to arbitration against MHADA due to delays in the project, and the matter was heard, and award is received with FSI enhancement subject to premium payable at applicable rates. The matter is still sub judice and we have appealed against the arbitration judgment in the court in order to get more release from MHADA.

Our CFO – Mr. S. K. Jain, will share more details on the quarterly performance in a bit. But before that, I would like to take some time to reiterate our business competencies and growth opportunities in the sector.

We are one of the leading players in Turnkey execution contracts for hydro irrigation, pump storage, power generation, water supply projects and Jal Jeevan mission projects. We are one of the largest companies in India, which is into equipment like hydro-mechanical equipment like gates, liners, trash racks, mechanical and hydraulic hoists. There is a very niche area and a monopolistic business where we are one of the market leaders.

Our order book has been consistently growing and quadrupled from March 18 to March 23 and currently stand at Rs. 2,805 Crores as of September '23, which is almost 3.5x of our FY23 revenues. The order book is well diversified with a good mix of Hydro and Water projects and Jal Jeevan mission project. Hydro and water projects are typically irrigation, dam building, hydro-mechanical equipments and are executed over the next 2-3 years and give us a good 18% to 20% EBITDA margin. Revenues for these projects are recorded on a project completion basis.

On the other hand, Jal Jeevan mission projects have two major components, pipe procurement and laying and other EPC related works, including overhead tanks, pump houses, etc. These projects are to be executed over a period of 2-3 years with a healthy EBITDA margin of about 12% to 15%. However, the nature of these projects requires

us to upfront some of the expenses while book revenues upon completion of the section of the milestones causing some volatility in our quarterly numbers, including gross margin.

Our current outstanding order book for JJM project is Rs. 1,678 Crores out of which Rs. 995 Crores is from UP and Rs. 683 Crores is from Rajasthan. Once executed, these projects will open the doors for other similar projects with the central government and state governments.

The other added opportunity is that these projects and also hydropower projects also carry a component of O&M, which gives us steady revenue over 5-10 year period from the same projects. We believe that there is huge opportunity in hydro and water space in India, hydroelectric power generation and water supply projects and with our experience and competencies we are well placed to capture a meaningful share of this opportunity. The new and exciting space in form of pump storage projects also offers a great amount of growth opportunities for players like us.

Let me highlight some of the key potentials of pump storage projects and why do we need them in India:

Pump storage projects uses energy to pump water at higher level and then let it descend and produce electricity when needed. So, it is a battery storage kind of a project, and the central government is quite focused on development of pump storage potential in India. Pump hydro projects differ from conventional hydroelectric power plants and they generate more electricity than they need because of the hydroelectric and hydraulic and electric losses that occurred throughout the pumping cycle from lower to upper reservoir. Despite this, plants may be quite helpful in balancing the load throughout the whole power system, because they are usually very efficient. Because of the pricing difference between peak and off-peak periods and their ability to supply essential ancillary grid services, pump storage facilities may be extremely cost effective.

India has been a laggard in development of pump storage projects and so far, only has generation capacity of 4700 megawatts as compared to 36,000 megawatts in China and 22,000 megawatts in US and Japan each.

Over the past decade, the Indian energy sector, energy transition has resulted in substantial shift from fossil fuel backed sources to renewable energy. As the share of renewable energy, intermittent energy source increases to 50% by 2030. There will be a need for storage systems to provide energy when wind and solar will not be operating

at peak capacity. The government has identified huge opportunities in PSP and estimates potential of about 1,03,000 megawatts.

As per CEA, Central Electricity Authority in a report on January '22, 2800, megawatts of PSP are under construction, whereas 24,000 megawatts of PSP are under different stages of development. The government has introduced a number of industry drivers, Union Ministry of Power has recently recommended a cut in GST in hydropower projects, so a lot of benefits are being given for development of hydropower projects and pump storage projects. You may have recently heard about Coal India also utilizing its depleted coal mines for converting them into pump storage projects also. So, this goes to show the team focus by both the central and state governments on development of water energy.

In conclusion:

Over the past few years, we have continued to build on our strengths and have increased the scale of operations of our company.

With a large order book at hand and our demonstrated track record and leading position in hydro and water infrastructure, we believe that we are well placed to capitalize on the opportunities in this space and post strong growth in the coming quarter.

I now request Mr. S. K. Jain to take you through our "Financial Performance." Over to you, Jain.

Sunil Kumar Jain:

Thank you, Vikasji. You have almost covered the top line and bottom line in your presentation.

I would like to highlight one thing that we are constantly reducing our debt from our balance sheet and vis-a-vis March '23, we had reduced our debt in September '23 also, which is well reflected in the presentation sent and the data published to the Bombay Stock Exchange after the date of result. We are constantly reducing our debt and with the onset of an arbitration award, which is scheduled anytime for the next 3 to 6 months in Tapovan NTPC, we will further reduce our debt, and this will be reflected in the March '24 or June '24 balance sheet hopefully.

Other than this, I will invite a Q&A on the financial part if any. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jinesh from Niveshaay Investment Advisory. Please go ahead.

Jinesh: I have couple of questions, first thing is, we see ample of projects coming ahead with PSP's or hydro, so what opportunity size do we see for us, like is there any specific area where we have a focus or what like, I just want to understand the vision what we have?

Vikas Kothari: So, the idea is that there is a big boon in all the industries that we are present in, primarily these 3-4 verticals, water infrastructure, water supply, hydroelectric power generation, irrigation and of course pump storage projects. So, the idea is to tap into the enormous potential available in all these four industries and have an order book of close to about Rs. 4,000 to Rs. 5,000 Crores over the next few quarters which gives us strong revenue growth visibility also over the next few years.

Jinesh: And sir, another question was, what are the upcoming tenders in which you are wishing to participate?

Vikas Kothari: I will not be able to give you the names of the project, but there is enormous pipeline from both central government and the state government on all the sectors that we are talking about. Specifically, I do need to mention the names of the project but there is enough budgetary allocation to both Jal Jeevan Mission projects by the central government and the state governments, and also by the Central Government PSUs like NHPC, NTPC, SJVNL, THDC, NEEPCO, they have a huge pipeline of projects which are coming up for bidding.

Jinesh: And sir, in Jal Jeevan Mission, we are stronghold in Rajasthan and the state of Uttar Pradesh, any plans about extending our range because I see majority of projects we do in just two states, but the potential is enormous across all the states as well?

Vikas Kothari: No, we are present in quite a lot of other states also. We are present in Gujarat, MP, Maharashtra, Tamil Nadu, Himachal, Uttarakhand, in the Northeast also we are present. So, right now, we have just shown you UP and Rajasthan has our current existing orders for Jal Jeevan Mission alone. Other than that, if you see the details of our order book, we have presence in every, and a lot of other states also. Historically, we have completed projects.

Jinesh: It is only Jal Jeevan mission only?

- Vikas Kothari:** No, Jal Jeevan mission also, we will execute projects in whichever state we find a good opportunity. We are not focused on only UP and Rajasthan.
- Jinesh:** And sir, next question is, are you saying Dewas-III & IV was awarded to Dipip, Dibang HEP was awarded to Patel, so do we see any further orders coming from them for our specialty in hydro-mechanical parts?
- Vikas Kothari:** We don't like to work with the private sector. We prefer not to work in the private sector and not as a subcontractor. There are enough and more opportunities and there is enough and more projects which we can bag and which we will bag directly from the clients. We also bid for Dewas, and we were not L1, Dilip Buildcon was aggressive and therefore they bagged the project, but there are enough projects in the pipeline.
- Jinesh:** And any execution targets for FY24 and FY25?
- Vikas Kothari:** This existing order book alone will have to be executed in FY24 and FY25. Over the next two years this existing order book has to be executed to over the next 2-3 years. So, that itself shows a good revenue growth visibility and of course we will add more orders within the next 2-3 years, which will further increase the revenue visibility and the revenue growth for the next two financial years itself.
- Jinesh:** And sir, on the last question, are we seeing any slowdown due to elections coming forward?
- Vikas Kothari:** During the election because of the election code of conduct, definitely some slowdown happens because they can't award new projects, but it is only a temporary sale. I think the new governments will get formed in all of these states in the next 1-2 months and the projects which are on the table will be announced, so not much impact. Yes, there is quarter delay in avoiding new projects at best.
- Moderator:** Thank you. Next question is from the line of Mahesh Shah, an Investor. Please go ahead.
- Mahesh Shah:** So, I just wanted to know what was the order inflow in the 2nd Quarter and in the first half of the financial year?
- Sunil Kumar Jain:** In this financial year after April, there is no any order inflow and the order is same as it was in March '23.

- Mahesh Shah:** And apart from that, like anything on the margin guidance and when it comes to the sustainability of margins, so anything on that front?
- Sunil Kumar Jain:** 12% to 14% EBITDA is looking safe for our company, looking into the projects we are executing in Jal Jeevan and hydromechanical, civil engineering and 12% to 14% we are looking safe at this time.
- Moderator:** Thank you. Next question is from the line of Dharmesh Shah, an Investor. Please go ahead.
- Dharmesh Shah:** Any update on the Bandra project that we have?
- Vikas Kothari:** Yes, as of now there is no update. We received the arbitrator judgment, but that arbitrator judgment is not covering all the release that we expected from that, so we are hoping to get, we want more release on our dispute with MHADA and hence we have to reappeal that arbitrator judgment in the courts and that is about it. The matter is sub judice as of now.
- Dharmesh Shah:** Any timeline when it can be resolved or anything?
- Vikas Kothari:** No, not really. There can't be any timelines in Indian judicial systems.
- Moderator:** Thank you. Next question is from land of Sandip Sabharwal from Asksandipsabharwal.com. Please go ahead.
- Sandip Sabharwal:** Just wanted to find out that you won a lot of orders in a short period and that execution is going on now, but last 6 months we have seen a lull in the order win, but do you think you will be able to add something over the next 6 months which can create visibility because once you get the projects then for the execution to start also it takes time?
- Vikas Kothari:** Let me give you a brief before answering that question. What happens is, whenever any project is taken up for development, the first step is DPR, the DPR is prepared, feasibility is prepared, then these are approved by the cabinet, which takes sometimes years also. Once the financial sanctions are cleared by the cabinet, then these corporations like NHPC, NTPC, they take up these projects for development. Within that also, they first award the infrastructural works packages for the project, then they award the civil construction packages and then they award the hydromechanical packages. So, by the time the tenders come out for hydromechanical packages, it takes a good amount of time. That is why we are seeing a bit of a lull right now in terms of

new order book additions on hydromechanical side and hydropower side of the business, but in the next maybe 6 to 12 months, there will be enough and more projects which will come up for bidding and you can see the project pipeline at each of these corporation's websites also, all these central government websites as well as the state government's water resources department. So, in terms of pipeline, there is no shortage of business in the next 10, 20, 30 years also, but it just takes a little while for it to get converted into an order book. So, that is why and we also wanted it to be a bit of a slow order intake because all of our projects we have had, our hands are full right now and all of our projects are at peak of their execution. So, we were not very aggressive in taking orders. That is why our bidding was all done at healthy margins and therefore, we have not added any orders, but I think you will see a bit of an order book addition within the next few quarters itself. The good part is that all this order book addition will be at very healthy margins.

Sandip Sabharwal: And you have indicated in your presentation that from the Pallacia project, I think Rs. 300 Crores order of cash flows is what you are expecting, now there is a lot of buoyancy in the real estate market, so how do you see the sales pickup out there, cash flow generation like is it picking up or the rates for you also moving up? How is that?

Vikas Kothari: See, the sales velocity is not picking up. It is stable, every quarter we have a few apartments which are sold, but I see there are two things to this. One is there is no competition for us in the location that we are in, and number two is the project completion has just happened, so people's visibility and people moving in will bring in the velocity. People have now started moving in, so therefore that will also bring velocity to the same. My sense is in the next 2 financial years, the entire inventory should get sold.

Moderator: Thank you. Next question is from the line of Aadesh Gosalia from Ajcon Global. Please go ahead.

Aadesh Gosalia: I had a couple of questions, one was regarding the NTPC Tapovan arbitration award that you were expecting to receive in the next 3 to 6 months, so in that you have mentioned that we have applied which was to reward I think under the government scheme and we are going to get 65% of the amount in that, so any particular plan where we are going to utilize this one?

Sunil Kumar Jain: As of now, we are thinking of reducing our debt with this amount, partially with debt and partially we use in this working capital for the project.

Vikas Kothari: Also, the idea is to create deposits in the banks also because what our raw material for our growth in the engineering business is bank guarantees and bank guarantees, we can negotiate better terms when we have surplus deposit line at the banks. We can command the terms with our bank both in terms of non-fund-based limits required for bank guarantees for bidding for new projects etc. So, the primary utilization will also be for that.

Aadesh Gosalia: And sir, after this 65% completion, is there any possibility for us to recover the remaining amount or if we get the 65% then we are done with this arbitration award?

Vikas Kothari: No, this is full and final. We can't contest this, and we can't claim the remaining balance.

Aadesh Gosalia: And sir, any target that we have kept for our order book between Jal Jeevan and hydro and water projects?

Vikas Kothari: No, our idea is that we need to add new orders at healthy margin, healthy bottomline. So, there is no specific target in terms of what, how much order we want to back in Hydro, how much order we want to back in the Jal Jeevan mission. We will keep looking for opportunities in each of these sectors and in the pump storage sector and in the water irrigation sector. And my sense is that in the next few quarters, we should add a good amount of water could be in the range of Rs. 500 – Rs. 1000 Crores.

Moderator: Thank you. Next question is from the line of Harshh Saraswat, Individual Investor. Please go ahead.

Harshh Saraswat: Sir, my question is similar to what Sandipji asked earlier, as our country would be going into elections in next 6 months, does that affect the ordering bidding and all? Does it cause a slowdown in that? How does it work out at the time of elections, ordering and all?

Vikas Kothari: Actually, these central government elections don't have much of an impact because the central government projects are largely governed by the PSU and PSUs are all independent corporations, so they are not affected by elections at all. As regards to Jal Jeevan mission and the water supply projects, they are all state projects, so not much impact because of the central government election.

Harshh Saraswat: That doesn't affect the pipeline of the orders?

Vikas Kothari: No.

- Moderator:** Thank you. Next question is from the line of Ketan Athavale from RoboCapital.in. Please go ahead.
- Ketan Athavale:** In Pallacia, where no units sold in this quarter, were there any sales of units?
- Sunil Kumar Jain:** In this quarter, I think 2 units were sold.
- Ketan Athavale:** And is this understanding correct that you have Rs. 163 Crores of revenue which you have sold, but you have not recognized, is that correct?
- Sunil Kumar Jain:** Yes.
- Ketan Athavale:** So, by which quarter do you expect to recognize that in books?
- Sunil Kumar Jain:** When these buyers get the unit registered in their name, then this will be recognized.
- Ketan Athavale:** And generally, how much is that lakh between sales and recognition?
- Sunil Kumar Jain:** There are two concepts going on, one is income tax method, one is ROC Company Law method. In income tax method, when we book the revenue as soon as one booking is done, suppose you book a particular flat on day one, in income tax will book as revenue for entire flat, but in Company Law the revenue will when you get the flat registered in your name. Suppose you have paid only 90% and 10% is remaining, then I will not book the revenue in the Company Law. So, this gap will always go on.
- Ketan Athavale:** But I understood that since as per Company Law, you have this Rs. 163 Crores unrecognized, so I was just trying to understand in, say, Rajasthan, how much is the gap between when you sell the unit and when the buyer gets it registered?
- Sunil Kumar Jain:** There are no laws there.
- Moderator:** The next question is from the line of Jagdish Mundhra an Individual Investor. Please go ahead.
- Jagdish Mundhra:** First of all, congratulations to the management, to Mr. Vikas, and Mr. SK for the great set of result. There are not questions to be asked as we are very satisfied in all respect. You all are doing so great that there is no question mark on that, what questions we are supposed to ask? One thing is about these Rs. 45 Crores in commentary Vikas ji has said so these Rs. 45 Crores is receivables or is this total arbitration amount because Rs. 50 Crores it has been said in investor presentation 65% of Rs. 50 Crores come to Rs. 32-33 Crores so what we will get Rs. 32-33 Crores, or we will get 45 Crores?

- Sunil Kumar Jain:** Rs. 45 Crores.
- Jagdish Mundhra:** 65% of Rs. 50 Crores we are considering Rs. 32-33 Crores and you are saying Rs. 45 Crores so it is a very good thing and secondly Bandra as you are saying that if we got the additional land in arbitration, so after that something is pending issue or you have received the land or you are doing the shifting thing though you have given an answer for this, but line got disconnected?
- Sunil Kumar Jain:** Additional land has been awarded to us, but that process to take from MHADA and to take new land for that process will take time it will not happen all of a sudden and we have challenge to court decision the release which we have asked for we haven't got so it will take time.
- Jagdish Mundhra:** You all are more intelligent than me but, in my view, we should forget about these small things, we should compromise and move forward, the more we delay the more the benefit of the realization will go away. Once we get the money and we will earn multiple. Today if any property of Rs. 5 Crores has been unsold, it was selling at Rs. 6 Crores, but they have not sold said they will sell at Rs. 8 Crores now from Rs. 5 Crores it has become Rs. 10 Crores with interest now. So, being a shareholder, we can say that in small amount making a compromise and make Rs. 1,000 Crores, Rs. 1,500 Crores and if we realize Rs. 10 Crores, Rs. 20 Crores more then what will happen. I am in property line people have left the flat for Rs. 50 Lakhs yet it has not been sold if we would have been at 7% interest then it would have been double, triple this is one thing. Secondly, Pallacia's development expenditure has been completed or something has been left?
- Sunil Kumar Jain:** Rs. 5 - 7 Crores is remaining.
- Jagdish Mundhra:** It's not like that whatever flat will be sold that net realization will straight away go to revenue because Rs. 5 - 7 Crores expenditure is left?
- Sunil Kumar Jain:** Yes, it will gradually happen.
- Jagdish Mundhra:** So, any inquiry is coming?
- Sunil Kumar Jain:** Inquiry is coming, and it has been started since demonetization has started after that inquiry is increased, but how it will get culminate in sales we have to see because we are not reducing the price because market is very good, we are not reducing the price.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Vikas Kothari for closing comments.

Vikas Kothari: Thank you very much to everyone for joining our conference call. I will be definitely happy to answer any further questions and any further queries, if you may have. My numbers are shared by the IR company, please feel free to reach out and as I said that we are very bullish about the future growth of the company and very positive, this is our 52nd year and we have achieved a phenomenal progress in this financial year with the highest revenue and highest profits, and we hope to end this financial year also with the highest revenue in the history of our company and with the highest profits also and also going forward achieve the same growth that we had. With that note, I think I will end it. Over to you.

Moderator: Thank you very much. On behalf of Om Infra Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.