



IRCON INTERNATIONAL LIMITED

(A Government of India Undertaking)

————— **20th September, 2023** —————



India's Best Performing and Most Customer Centric PMS

Ircon International Limited (IRCON) is a distinguished player in the Indian infrastructure sector, with a rich history dating back to its inception in 1976. Initially focused on railway construction, the company's journey has been one of steady diversification and growth. IRCON has evolved into an integrated engineering and construction Public Sector Undertaking (PSU) known for undertaking large and technologically complex infrastructure projects spanning various sectors, including railways, highways, and more

International Recognition: Ircon International Limited (IRCON) has achieved international acclaim by being one of only five Indian companies to secure a spot among the top 250 international contractors. This recognition underlines its exceptional expertise and capacity to undertake large-scale, globally significant projects

Sectoral Leadership: Within the Indian public sector construction landscape, IRCON stands as a sectoral leader in transportation infrastructure. Its specialization in executing Railway Projects on a turnkey basis demonstrates its prowess and dominance in this critical sector.

Diverse Service Portfolio: IRCON offers a comprehensive range of services, including Project Management Consultancy, Engineering, Procurement & Construction, Public-Private Partnership, and Real Estate development. This diversification enhances its ability to engage in a wide array of infrastructure projects.

Financial Strength: By successfully executing projects using financial models like Build, Operate and Transfer (BOT) and Hybrid Annuity Mode (HAM), it showcases its financial robustness and capability to explore long-term revenue stream projects.

Infrastructural Sector Presence 92% of IRCON's revenue in FY22 is derived from the railway sector underscores its deep-rooted presence and competence in this crucial segment of India's infrastructure development. Apart from railways the other primary revenue driver IRCON's diversified revenue mix includes 7% from highways and 1% from other sectors, providing some level of risk mitigation.

Strategic Expansion: In FY22, IRCON took significant steps to expand its operations by establishing new wholly-owned subsidiary companies. These subsidiaries operate as Special Purpose Vehicles (SPVs) and are dedicated to projects awarded on the Hybrid Annuity Mode (HAM). This strategic move not only enhances IRCON's project portfolio but also showcases its commitment to diversification and long-term sustainability.

Joint Venture in Renewable Energy: Additionally, IRCON formed Ircon Renewable Power as a Joint Venture Company and SPV (JV-SPV) in January 2022, with IRCON holding a significant 76% share. This venture into renewable energy demonstrates IRCON's forward-thinking approach to stay aligned with emerging sectors and contribute to sustainable development. It opens up avenues for new revenue streams and aligns with global trends toward green energy.

Stock Data	
CMP	145
52 Week High/Low	175/38.6
Face Value	2
Market Cap (In Crs)	13,600
Enterprise Value (In Crs)	10,199
NSE	IRCON
BSE	541956
Bloomberg	IRCON:IN
Sector	Civil Construction

Shareholding Pattern (in %)		
	JUN 23	MAR 23
Promoter	73.18	73.18
FII	5.17	3.99
DII	1.06	2.13
Public	20.59	20.71
Others	0	0

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	4.45%	18.72%	14.45%
IRCON	44.14%	169.59%	257.23%

Key Ratios	
P/E	16.9
P/S	1.25
P/B	2.65
Debt To Equity	0.29
ROE	15.5%
ROCE	15.8%
Dividend Yield	2.04%

Q1 FY 24 Result Update

Q1 FY24 Result Comparison (In Rs Cr)					
	Q1 FY24	Q4 FY23	Q1 FY23	QOQ	YOY
Sales	2828	3781	2068	-25.2%	36.75%
EBITDA	238	370	315	-35.6%	17.4%
EBIT	219	334	291	-34.4%	12.8%
Net Profit	187	256	145	-26.95%	76.55%
EPS	1.99	2.73	1.54	-27.11%	29.22%

Result Highlights

IRCON International's financial performance in Q1 FY24 showed a slight quarter-on-quarter decline, primarily attributed to typical fluctuations in the infrastructure sector. Despite this, the company delivered robust year-on-year growth, with sales surging by 36.75% and net profit skyrocketing by 76.55%. IRCON was able to maintain sustainable growth and its steadfast position as a key player in the infrastructure industry.

Looking at the bigger picture, IRCON International remains committed to its strategic goals and anticipates a 10% revenue growth over the previous fiscal year. The company's core EBITDA margin reflects its emphasis on sustainable pricing practices. As it continues to focus on securing orders, IRCON International is poised for further growth while navigating the challenges posed by a competitive landscape and external market dynamics.

Steady Growth Strategy: The company's strategy for steady revenue growth of around 10% for the fiscal year underscores its cautious yet optimistic approach. This approach is driven by its diversified portfolio, allowing IRCON to tap into various infrastructure sectors for growth.

Project Diversification: IRCON's diverse project portfolio is a key strength. The company operates across sectors such as railways, roads, highways, and international projects. This diversification not only mitigates risk but also enables it to capture opportunities in different segments of the infrastructure market.

Prudent Financial Planning: With cash reserves of 800 to 900 crores and planned investments totaling 1150 to 1200 crores over the next couple of years, IRCON demonstrates prudent financial planning. These investments align with its growth strategy and the need to remain competitive.

Order Book Strength: The company's strong order book composition, with approximately 70% dedicated to railway projects, highlights its core competence in the sector. Targeting an order book of about 35,000 crores by year-end demonstrates IRCON's intent to maintain a robust project pipeline.

Global Engagement: IRCON's history of executing projects in over 25 countries underscores its global footprint. While global economic conditions impact international opportunities, the company remains committed to exploring and securing projects abroad, further solidifying its global presence and capabilities.

Competitive Landscape: Acknowledging increased competition in the infrastructure sector, IRCON maintains its focus on securing projects where it can maximize its technical expertise. This strategy is vital for sustaining its competitive edge in the market.

Market Adaptation: IRCON International is well-prepared to adapt to market fluctuations and external factors such as monsoons, client decisions, and political influences. The company's cautious yet forward-looking approach ensures it remains resilient in the face of uncertainties.

Concall Highlights

- **Revenue Growth Expectation:**

IRCON International, a prominent player in the infrastructure sector, has set its sights on achieving a 10% growth in revenue compared to the previous fiscal year.

However, the management acknowledges the presence of external variables that could impact revenue performance, leading to a cautious but optimistic approach.

- **JV Bastar Railway:**

IRCON International holds an equity investment valued at approximately 76.34 crore in the JV Bastar Railway project. This project is currently at a preliminary stage of development, having successfully completed initial tasks such as land acquisition and early earthwork.

The Indian Railways has given an in-principle approval for taking over the project. Subsequent negotiations will determine the final terms and details of this takeover.

- **Order Inflows and Targets:**

IRCON International's strategy includes a concerted effort to secure new orders, with a particular focus on the latter half of the fiscal year.

While specific order inflow targets were not provided in the disclosed information, the company remains committed to securing orders that fully utilize its technical capabilities and expertise.

- **Core EBITDA Margins:**

The management acknowledged that the core EBITDA margins have experienced a gradual decline in recent years. Factors contributing to this decline include heightened competition within the infrastructure sector, including increased participation from private sector players.

IRCON International anticipates sustaining core EBITDA margins in the range of approximately 7.5% to 8.5%.

The management emphasized that the margins achieved previously, around 11%, were considered exceptional and not sustainable in the current competitive landscape.

It is important to note that the core EBITDA margin excludes other income sources, which may include annuity income generated from HAM (Hybrid Annuity Model) projects.

- **Focus on Sustainable Growth:**

IRCON International's pursuit of sustainable growth is driven by its understanding of the evolving market dynamics and the competitive landscape.

The company's strategic approach involves managing risks associated with various external factors, including the impact of monsoons, client decisions, and broader political and economic conditions.

While the company achieved substantial growth in the first quarter of the fiscal year, approximately 35-36%, it remains cautious about potential challenges in the coming months.

- **Revenue Growth vs. Order Book Addition:**

Although the potential addition of new orders in the current year could result in a higher growth rate, IRCON International emphasizes its cautious approach.

The company understands that external factors may significantly influence actual revenue growth.

To mitigate uncertainties, IRCON aims to maintain a minimum of 10% growth.

- **Impact of Political and Economic Factors:**

IRCON International acknowledges that political and economic conditions, both domestically and internationally, can significantly influence the infrastructure sector.

The management emphasizes the need to closely monitor and adapt to changes in government policies, regulations, and macroeconomic trends.

IRCON remains agile in responding to potential shifts in the business environment to ensure its projects and operations remain resilient and adaptable to external influences

• **Innovation and Technology Adoption:**

The company is actively exploring opportunities to incorporate cutting-edge technologies such as artificial intelligence, digitalization, and automation into its project execution processes. By harnessing these advancements, IRCON aims to enhance project efficiency, reduce costs, and deliver high-quality infrastructure solutions to its clients.

• **Environmental and Regulatory Compliance:**

The company recognizes the growing importance of adhering to stringent environmental regulations and safety standards.

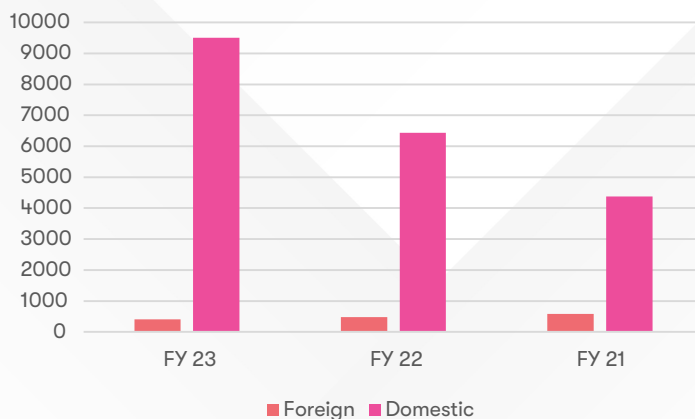
IRCON continues to invest in technology and practices that reduce the environmental footprint of its projects, ensuring responsible and eco-friendly infrastructure development.

Client Portfolio

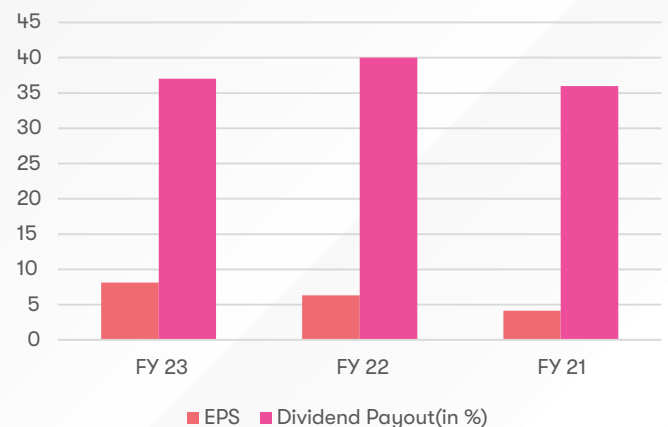


Story Through Charts

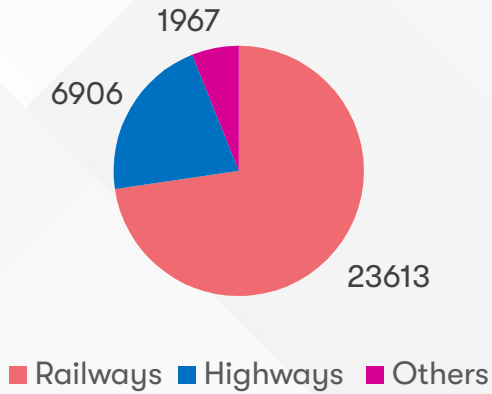
Revenue Segment (In Crs)



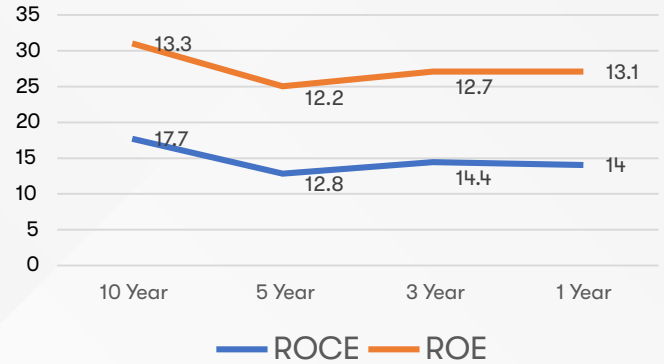
Earnings & Payout



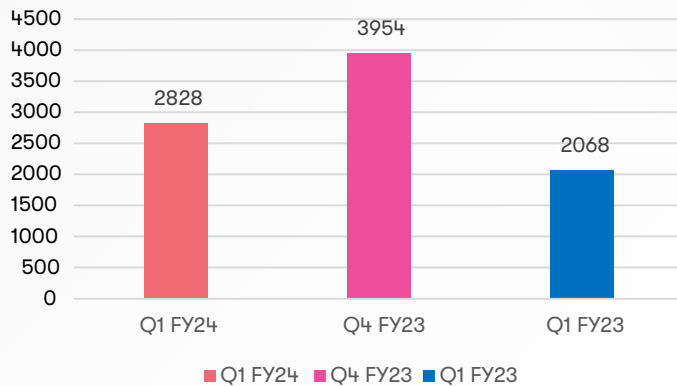
Order Book(In Cr)



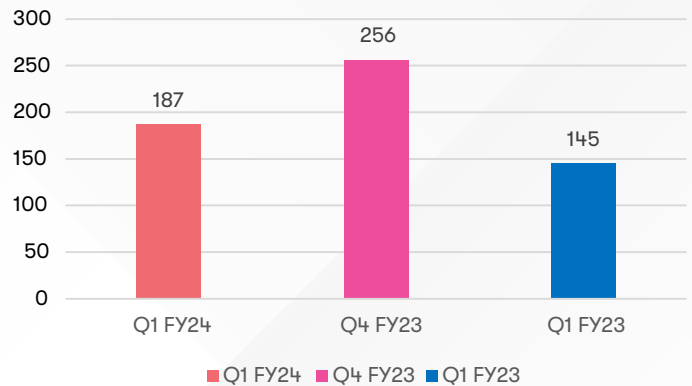
Return Margins(in %)



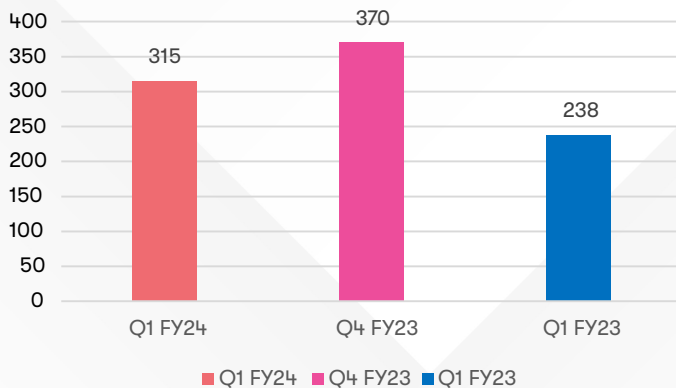
Revenue (In Cr)



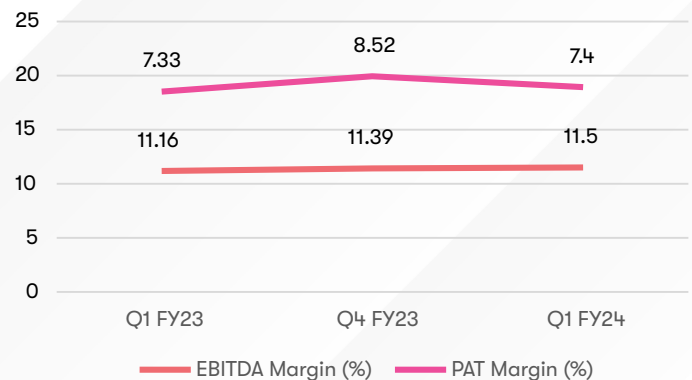
PAT (In Cr)



EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



IRCON has given a Multi-Year Breakout with constant volume accumulation. The share price has shot up more the 254% in last 12 months from a low of 38.60 to a high of 174.45. Stock has given a breakout after a long 3 year consolidation with massive volume accumulation

10 DMA > 20 DMA > 50 DMA > 100 DMA > 200 DMA indicates strong buying momentum in this counter.

Weekly and Monthly RSI trading above 80 indicates the strength of IRCON

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	147.55	145
10	140.20	140.05
20	126.80	130.20
50	107.35	112.95
100	94.70	98.10
200	76.35	82.30

Pivot Levels : FIBONACCI		
R1 678.15	Pivot 613.55	S1 597.70
R2 712.00		S2 551.10
R3 758.60		S3 517.25

Relative Strength Index (RSI)	Daily	Weekly
	64.25	85.04

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