INVasset Corporate Insights

IRCON

1st January, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Established in 1976, Ircon International Limited (IRCON) has evolved from its roots as a dedicated railway construction company to emerge as a prominent integrated engineering and construction Public Sector Undertaking (PSU). With a rich history spanning over four decades, IRCON has become synonymous with excellence in executing large and technologically intricate infrastructure projects across diverse sectors, including railways, highways, and beyond. It stands as a stalwart in the infrastructure sector, with a storied history, a robust order book, strategic alliances, and a clear vision for sustained growth.

Brand Reputation: IRCON holds a unique distinction as the sole Indian PSU and one of merely five Indian companies featured in the prestigious list of top 250 international contractors. This recognition underscores the company's global standing and its commitment to delivering projects of the highest standards. Within the Indian landscape, IRCON stands out as a sectoral leader in transportation infrastructure with the execution of turnkey railway projects.

Projects and Services: IRCON's diverse service portfolio encompasses Project Management Consultancy, Engineering, Procurement & Construction, Public-Private Partnership, and Real Estate. The company's adaptability is further showcased through its engagement in projects on Build, Operate and Transfer (BOT) / Hybrid Annuity Mode (HAM) basis, reflecting a holistic approach to infrastructure development.

Subsidiaries & Jvs: IRCON's strength is further accentuated by its diverse portfolio of subsidiaries and joint ventures. The IRCON Group comprises 11 subsidiary companies and 7 joint venture companies, augmenting its operational capabilities and enabling strategic partnerships for mutual growth.

Future Plans: IRCON's vision for the future is characterized by a dual focus on international expansion and strategic diversification. The company aims to enhance its global portfolio, tapping into the lucrative profit margins in international projects. As part of its diversification strategy, IRCON has ventured into the renewable power sector, with plans to establish a 500 MWh solar power plant. The company aspires to transition from being solely a construction entity to a diversified corporation.

Strategic Alliances: Demonstrating its forward-thinking strategy, IRCON engaged in a substantial joint venture with the Cochin Port Authority. This strategic partnership was established to participate in the bidding process for a prospective harbor project in a neighboring nation. This move underscores IRCON's dedication to venturing into fresh opportunities and broadening its presence in global markets. It reflects the company's proactive stance in pursuing international ventures and highlights its commitment to growth and diversification beyond its domestic operations. This collaboration showcases IRCON's determination to remain at the forefront of the infrastructure and construction industry.

Manufacturing and Distribution: Strategically headquartered in Saket, New Delhi, IRCON orchestrates its vast business operations through 54 project offices and 4 regional offices spread across India. The company's global footprint is strengthened by 5 overseas project offices in key locations such as Sri Lanka, Bangladesh, Malaysia, South Africa, and Algeria. This extensive network enables seamless project execution and underscores IRCON's commitment to quality and efficiency on a global scale.

Stock Data	
CMP (01-01-2024)	174.55
52 Week High/Low	181.60/50.10
Face Value (In Rs.)	2
Market Cap (In Crs)	16,356
Enterprise Value (In Crs)	12,510
NSE	IRCON
BSE	541956
Bloomberg	IRCON:IN
Sector	Civil Construction

Shareholding Pattern (in %)		
	SEP 23	JUN 23
Promoter	73.18	73.18
FII	4.01	5.17
DII	0.36	0.80
Government	0.26	0.26
Public	22.17	20.59

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	8.19	14.60	19.52
IRCON	5.02	108.54	189.95

Key Ratios	
P/E	18.50
P/S	1.39
P/B	2.95
Debt To Equity	0.30
ROE	15.40%
ROCE	15.70%
Dividend Yield	1.72%

Q2 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q2 FY24	Q1 FY24	Q2 FY23	QOQ	YOY
Sales	2987	2717	2239	9.94%	33.41%
EBITDA	392	315	281	24.44%	39.50%
EBIT	365	296	250	23.31%	46.00%
Net Profit	251	187	174	34.22%	44.25%
EPS	2.67	1.99	1.85	34.17%	44.32%

Result Highlights

The quarterly results for IRCON for Q2 FY24 show a positive trend across various financial metrics when compared to both Q1 FY24 and Q2 FY23. The sales have increased from 2717 crore in Q1 FY24 to 2987 crore in Q2 FY24, marking a quarter-over-quarter (QOQ) growth of 9.94%. Year-over-year (YOY), the sales have risen by 33.41% from 2239 crore in Q2 FY23. EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) has gone up from 315 crore in Q1 FY24 to 392 crore in Q2 FY24, showing a QOQ growth of 24.44% and a significant YOY increase of 39.50% from 281 crore in Q2 FY23. EBIT (Earnings Before Interest and Taxes) for Q2 FY24 stands at 365 crore, up from 296 crore in Q1 FY24 and 250 crore in Q2 FY23. This reflects a QOQ increase of 23.31% and a YOY increase of 46.00%. Net Profit has also shown growth, with Q2 FY24 reporting 251 crore compared to 187 crore in Q1 FY24, and 174 crore in Q2 FY23. This is a QOQ increase of 34.22% and a YOY increase of 44.25%.Earnings Per Share (EPS) have improved from 1.99 in Q1 FY24 to 2.67 in Q2 FY24, and from 1.85 in Q2 FY23, translating to QOQ and YOY increases of 34.17% and 44.32%, respectively.

Global Presence and Diversification Strategy: IRCON's widespread geographical presence, with headquarters in Saket, New Delhi, and project offices across India and internationally, highlights its global footprint. Having successfully delivered over 128 projects in 25 countries and more than 401 projects in India, the company demonstrates a commendable track record. Furthermore, the strategic focus on diversification, aiming to evolve from a construction-centric entity to a diversified company, reflects IRCON's adaptability to changing market dynamics and a proactive approach to sustainable growth.

Technological Expertise in High-Speed Rail: The company's involvement in high-speed rail projects, particularly the bullet train initiative with technology from Japan, showcases IRCON's commitment to technological innovation. This expertise positions the company as a pioneer in the sector, providing a competitive edge. The collaborative learning experience with international partners, especially in niche areas like high-speed rail tracks, positions IRCON as a knowledge leader, paving the way for future opportunities in this specialized domain.

Strategic Disinvestment and Financial Prudence: IRCON's strategic disinvestment by the Government of India, involving the sale of 16% equity share capital, reflects financial prudence and aligns with the company's growth trajectory. This move indicates a balanced approach to capital management and a commitment to maintaining a healthy financial position.

Focus on Renewable Energy:IRCON's strategic foray into the renewable power sector through a 500 MWh solar power plant joint venture signifies its forward-looking approach and commitment to sustainability. This diversification aligns with the global shift towards renewable energy sources and positions IRCON as an environmentally conscious player in the infrastructure industry. The company's entry into this sector not only contributes to a cleaner energy landscape but also opens up new avenues for revenue generation and long-term sustainability.

Concall Highlights

Navratna Status: The significant recognition status of Navratna on Ircon marks a crucial milestone for the company, poised to augment its capabilities in undertaking more extensive Public-Private Partnership (PPP) projects. The conferment of Navratna status is not just a symbolic accolade but is expected to play a pivotal role in elevating IRCON's market credibility. The company underscores the newfound ability to bid for larger PPP projects, reinforcing its standing as a key player in the infrastructure sector. This strategic positioning aligns with IRCON's overarching goal of diversification and growth. The company aims to capitalize on this recognition to secure higher-value projects, as reflected in its targeted bid pipeline of Rs.30,000 crores. Significantly, projects worth Rs.5,000 crores are currently in the evaluation stage, underscoring the proactive approach to future opportunities. This strategic bid pipeline emphasizes Ircon's commitment to securing a diverse range of projects and maintaining a robust growth trajectory. It positions Ircon favorably for impactful contributions to the infrastructure landscape.

Financial Performance Q2 Fy24: The company proceeds to highlight its robust financial performance in the second quarter of FY24. Despite facing seasonally weak conditions, IRCON achieved its highest-ever total revenue turnover. This represents an impressive 30-35% increase compared to the same period in the previous fiscal year. Notably, Profit After Tax (PAT) witnessed a substantial surge, rising by 44.25% to reach Rs.251 crores. The Core Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) also registered a noteworthy increase of 39.50%. The earnings per share exhibited substantial growth, climbing from Rs.1.85 in Q2 FY23 to Rs.2.67 in Q2 FY24.

Order Book and Revenue Mix: An essential aspect covered during the conference call is the company's order book status. Having an impressive order book of Rs.32,152 crores reflects the company's strong market presence and its ability to secure substantial projects. Further insight is provided into the revenue mix, with the railway sector contributing a dominant 94%, followed by highways at 5%, and other sectors at 1%.

Geographic Presence and Customers: IRCON emphasizes its widespread geographic presence, with headquarters located in Saket, New Delhi, and project offices strategically positioned across India and in five overseas locations. The company boasts a rich portfolio, having successfully delivered 128 projects in 25 countries and over 401 projects within India. Notable clients include esteemed entities such as BHEL, NTPC, Ministry of Transport (Sri Lanka), and Bangladesh Railways, underscoring IRCON's global footprint and client diversity.

Subsidiaries & Joint Ventures: The company provides an overview of its corporate structure, detailing that the IRCON Group comprises 11 subsidiary companies and 7 joint venture companies, showcasing a robust ecosystem of collaborations and strategic partnerships. The mention of specific alliances, like the joint venture with Cochin Port Authority for a proposed harbor, further highlights IRCON's commitment to fostering meaningful partnerships.

Financial Details and Cash Position: Detailed financial insights are provided, with IRCON showcasing a robust cash and bank balance close to Rs.750 crores. The overall cash position is stated to be in excess of Rs.5,000 crores, illustrating the company's financial strength. The utilization of these funds for equity investments and dividends is highlighted, underscoring a prudent financial management approach.

Strategic Initiatives and Competitive Edge: IRCON highlights its strategic initiatives aimed at maintaining a competitive edge. The company emphasizes its involvement in technologically sophisticated projects, such as the high-speed rail tracks, specifically the bullet train project, where it collaborates with Japanese technology. This niche expertise is positioned as a unique selling proposition, providing IRCON with a competitive advantage in the market.

Infrastructure Diversification and International Expansion: IRCON's future plans include a strategic move toward diversification, aiming to transform from a construction-centric entity to a diversified corporation. The company outlines its intent to venture into the renewable power sector through a joint venture for a substantial solar power plant. Additionally, a focus on international market expansion is highlighted as a key element of IRCON's growth strategy.

Bid Success Ratio and Revenue Contribution: During the Q&A session, an inquiry is made about the bid success ratio. The response underscores the complexity of quantifying the bid success ratio due to the diverse nature of projects. The revenue contribution from the top five projects for the half-year is disclosed to be approximately Rs.2,600 crores, offering insight into the company's revenue distribution and project portfolio.

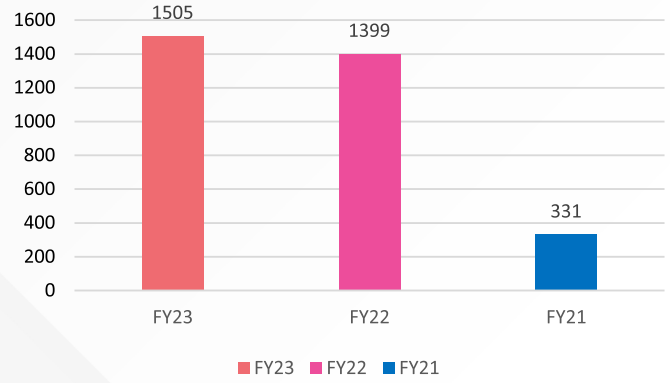
Asset Consolidation and Disinvestment Impact: The strategic consolidation of its operations and assets from IRSDC into RLDA is pivotal decision is underscored by the anticipation of efficiency gains and operational streamlining, aligning with the company's forward-looking plans, is a part of the broader restructuring initiated by the Ministry of Railways. It will also emphasize the efficiency gains and streamline operations In alignment with the government initiatives in the railway sector.

Future Plans: The conference call delves into IRCON's future plans, illustrating a multifaceted strategy. The company articulates a focus on expanding into international markets to ensure healthy profit margins. Additionally, there is a strategic move toward entering the renewable power sector through a joint venture for a 500 MWh solar power plant. The overarching goal is a diversification strategy, transitioning IRCON from being solely a construction company to a diversified entity capable of tapping into varied sectors.

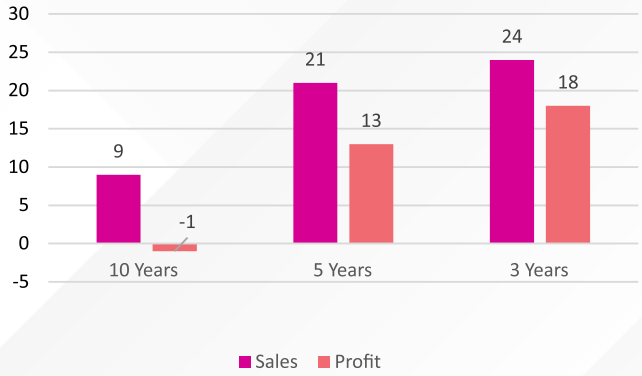
Renewable Power Sector Entry: The company's entry into the renewable power sector is unveiled, with plans for a 500 MWh solar power plant joint venture. This strategic move aligns with broader industry trends and showcases IRCON's forward-looking approach to diversification, ensuring a balanced portfolio in the evolving energy landscape.

Story Through Charts

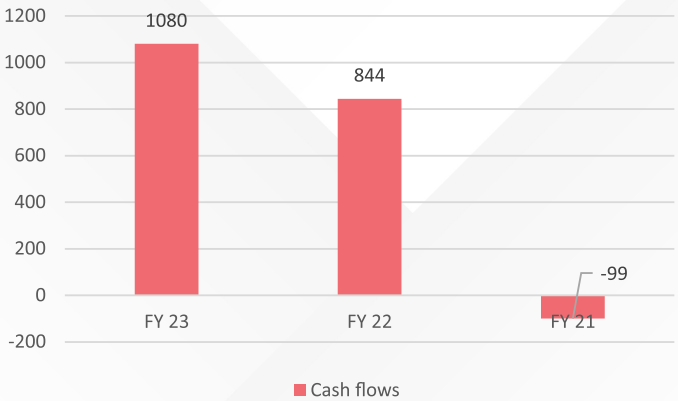
Borrowings (In Crs)



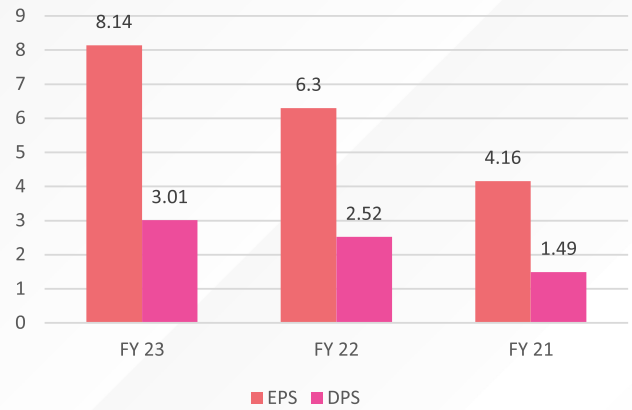
Compounded Growth (In %)



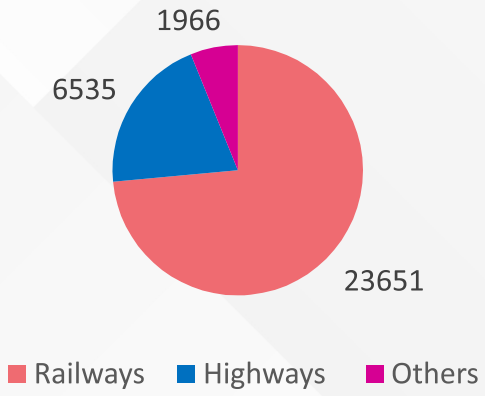
Cash flows (In Crs)



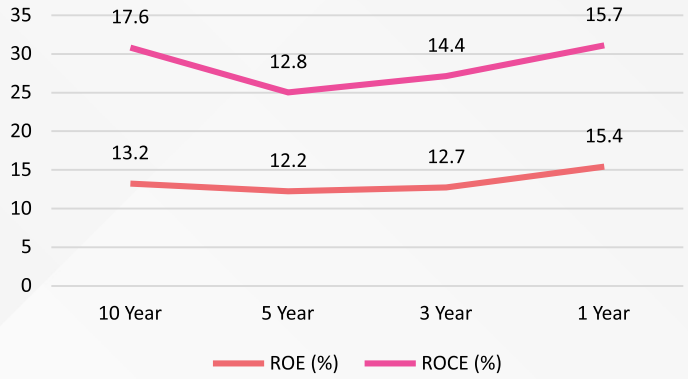
Earnings & DPS



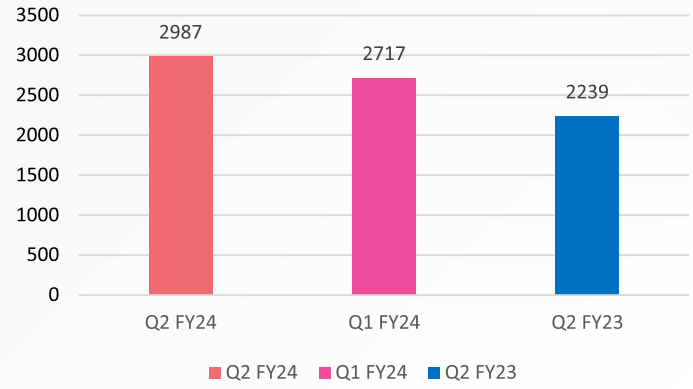
Order Book (In Cr)



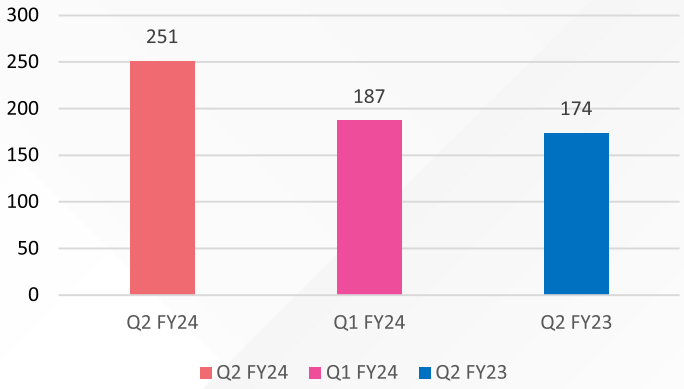
Returns (In %)



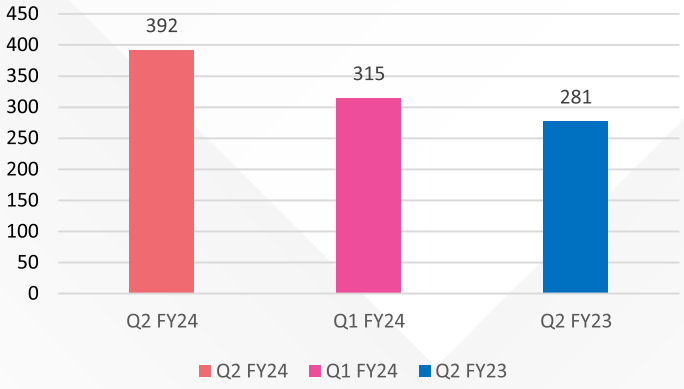
Revenue (In Cr)



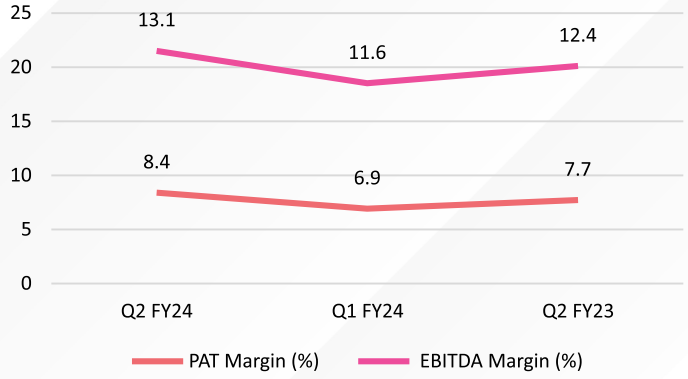
PAT (In Cr)



EBITDA (In Cr)



Margin (In %)



Technical Outlook



The stock data for IRCON International Ltd demonstrates a consistent upward trajectory as shown by the ascending trendline. Moving Averages across various time frames are increasing, which reflects a strong ongoing uptrend.

The Relative Strength Index (RSI) stands at 58.81 for the daily chart, indicating stable momentum, and at 71.57 for the weekly chart, showing robust weekly gains. The overall trend indicates positive momentum in the stock's performance.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	171.07	171.45
10	170.70	170.31
20	168.99	168.43
50	159.91	160.10
100	144.26	144.34
200	110.24	120.05

Pivot Levels : FIBONACCI		
R1 173.97	Pivot 170.57	S1 167.17
R2 176.07		S2 165.07
R3 179.47		S3 161.67

Relative Strength Index (RSI)	Daily	Weekly
	58.81	71.57

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