



**Ircon International Limited**

Turnkey Infrastructure Construction Company

—— 14th February, 2024 ——



India's Best Performing and Most Customer Centric PMS

Ircon International Limited, Founded in 1976, (IRCON) embarked on its journey as a distinguished railway construction company, laying the groundwork for India's expansive rail network. Over the years, IRCON's trajectory has been characterized by dynamic evolution and diversification. Since 1985, it has transitioned into an integrated engineering and construction public sector undertaking (PSU), catalyzing monumental infrastructural advancements across diverse sectors. Specializing in large-scale and technologically intricate projects, IRCON has left an indelible mark on India's landscape, particularly in the domains of railways, highways, and beyond. This research report delves into the multifaceted journey of IRCON, unraveling its pivotal role in shaping the nation's infrastructure and fostering sustainable development.

**Projects & Services:** Ircon International Limited stands as a powerhouse in infrastructure development, offering a list of services tailored to diverse project needs. From Project Management Consultancy services to innovative Engineering solutions and seamless Procurement & Construction capabilities. Moreover, its expertise extends to fostering Public-Private Partnerships, driving collaborative efforts for sustainable development. In addition, IRCON ventures into the dynamic realm of Real Estate, crafting bespoke properties that redefine urban living. Embracing innovative financing models such as Build, Operate, and Transfer (BOT) alongside Hybrid Annuity Mode (HAM), IRCON optimizes project outcomes while mitigating risks, cementing its reputation as a leader in infrastructure excellence. It generates 95% of revenue from Railways sector, 5% from Highways sectors

**Order Book:** As of Q1FY24, Ircon International Limited (IRCON) boasts a robust order book position, totaling approximately ₹32,500 crores. Notably, around 73%, are attributed to the railways sector, with highways accounting for approximately 21%, and the remaining 6% emanating from other sectors. Impressively, a significant portion of the order book, approximately 91%, comprises domestic contracts, underscoring a strong presence in the Indian market. The company has succeeded in securing international contracts with 9% of the order book attributed to overseas projects. IRCON's diverse procurement strategies, with 55% of orders secured through competitive bidding and approximately 45% through nomination, highlight its agility and adaptability in navigating the competitive landscape.

**Subsidiaries & JV:** IRCON Group comprises 11 subsidiary companies and 7 joint venture companies.

**Strategic Alliance:** IRCON entered into a JV with Cochin Port Authority for bidding for a proposed Harbor in a neighboring country.

**Future Plans:** IRCON plans to enhance its portfolio within the international markets to achieve healthy profit margins. It has entered into the renewable power sector to establish a 500 Mwh solar power plant with a JV partner. The Company's goal is to move ahead from being a construction company to a diversified company having a portfolio of BOT, DBFOT, EPC, and other contracts as well as project development and operation through Subsidiaries and JVs.

| Stock Data                |                       |
|---------------------------|-----------------------|
| CMP (14-02-2024)          | 222.65                |
| 52 Week High/Low          | 280.85 / 50.10        |
| Face Value                | 2                     |
| Market Cap (In Crs)       | 20,940                |
| Enterprise Value (In Crs) | 17,057                |
| NSE                       | IRCON                 |
| BSE                       | 541956                |
| Bloomberg                 | IRCON:IN              |
| Sector                    | Railways and Highways |

| Shareholding Pattern (in %) |        |        |
|-----------------------------|--------|--------|
|                             | DEC 23 | SEP 23 |
| Promoter                    | 65.17  | 73.18  |
| FII                         | 4.11   | 4.01   |
| DII                         | 0.93   | 0.36   |
| Government                  | 0.26   | 0.26   |
| Public                      | 29.51  | 22.17  |

| Price Performance (in%) |       |        |        |
|-------------------------|-------|--------|--------|
| (%)                     | 1M    | 6M     | 1Yr    |
| Nifty 50                | -0.25 | 12.41  | 22.90  |
| IRCON                   | 14.15 | 115.64 | 316.56 |

| Key Ratios     |      |
|----------------|------|
| P/E            | 22.3 |
| P/S            | 1.69 |
| P/B            | 3.71 |
| Debt To Equity | 0.30 |
| ROE            | 15.4 |
| ROCE           | 15.7 |
| Dividend Yield | 1.35 |

## Q3 FY 24 Result Update

| Q3 FY24 Result Comparison (In Rs Cr) |         |         |         |        |        |
|--------------------------------------|---------|---------|---------|--------|--------|
|                                      | Q3 FY24 | Q2 FY24 | Q3 FY23 | QOQ    | YOY    |
| Sales                                | 2884    | 2987    | 2347    | -3.45% | 22.88% |
| EBITDA                               | 378     | 392     | 232     | -3.57% | 62.93% |
| EBIT                                 | 341     | 355     | 202     | -3.94% | 68.81% |
| Net Profit                           | 245     | 251     | 190     | -2.39% | 28.95% |
| EPS                                  | 2.60    | 2.67    | 2.02    | -2.62% | 28.71% |

## Result Highlights

In the Q3 of FY24, the company shown remarkable resilience in navigating through economic fluctuations, underscoring its commendable financial fortitude. Despite a marginal decline in operating revenue, the company managed to sustain a positive trajectory in its total revenue, signaling a strategic diversification in its income streams. This comprehensive report examines the financial stewardship of the company, offering a deep dive into various facets such as profitability trends, strategic insights, and the drivers behind bottom-line growth. Moreover, it sheds light on the company's sustained performance within the dynamic market landscape, placing a particular emphasis on crucial aspects including operating revenue dynamics, the effectiveness of cost management strategies, the performance of core EBITDA, and overall profitability. Additionally, the report underscores the significance of the company's diversified income streams, which have played a pivotal role in mitigating risks associated with revenue fluctuations. Furthermore, it delves into the company's commitment to delivering value to its shareholders through robust shareholder returns and a comprehensive assessment of income. Overall, this report serves as a testament to the company's ability to thrive amidst challenges, showcasing its resilience and strategic acumen in navigating complex economic environments.

**Revenue Dynamics and Diversification Strategy:** Operating Revenue Dynamics: During the third quarter of fiscal year 2024, the company experienced a minor contraction in its operating revenue compared to the previous quarter. However, a remarkable year-over-year growth of 22.9% showcased the company's resilience in expanding its revenue streams despite temporary market fluctuations. This growth suggests that the company has been successful in leveraging its strengths to capitalize on emerging opportunities.

**Diversification Strategy:** The marginal decrease in operating revenue was counterbalanced by a slight uptick in total revenue, indicating a strategic diversification in revenue sources. This diversification could be attributed to the company's efforts to introduce new product lines or venture into new markets, thereby mitigating any potential impact of fluctuations in operational revenue.

**Profitability Trends and Strategic Insights** In the third quarter, there was a slight retraction in Profit After Tax (PAT) and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) compared to the previous quarter. However, these adjustments may signify deliberate reinvestments or strategic realignments to navigate changing market dynamics effectively. It showcases the company's agility in responding to challenges while maintaining a focus on long-term sustainability.

**Strategic Initiatives:** The substantial year-over-year increase of 28.71% in Earnings Per Share (EPS) points towards the effectiveness of strategic initiatives and collaborative ventures in enhancing profitability. This growth underscores the company's commitment to innovation and partnership-driven strategies to drive sustainable financial performance amid evolving market landscapes.

**Financial Stewardship and Comprehensive Assessment:** Cost Management Efficacy: Despite the slight decrease in total expenses from the previous quarter, the company demonstrated robust cost management practices aligned with its expansion efforts. Concurrently, the expansion of core EBITDA and margins on a year-over-year basis signifies the success of these initiatives in driving improved profitability and operational efficiency.

**Shareholder Returns and Comprehensive Income:** While there was a quarter-over-quarter decrease in EPS and PAT, the year-over-year increases in these metrics indicate the company's commitment to enhancing shareholder value over the long term. Additionally, the overall positive trend in total comprehensive income, despite a minor quarterly decrease, reflects the company's sustained efforts towards profitability and financial stability.

## Concall Highlights

**Overview:** The financial performance of the company in Q3 FY24 presents a mixed picture, with year-over-year growth overshadowed by a quarter-over-quarter decline. The operating revenue registered a 3.45% decrease from Q2 FY24 but showcased a robust increase of 22.88% compared to Q3 FY23, indicating significant growth over the annual period. The consistent YoY improvement in core EBITDA margins and a increase in other income highlight the company's ability to improve its operational efficiency. The increase in finance costs and a slight dip in QoQ performance may warrant a closer look to ensure sustained growth in the future. Overall, the company's financial health appears to be sound, with positive indicators for its long-term trajectory.

**Revenue and Expenses:** Operating revenue stood at INR 2884.22 crore, reflecting a dip from the previous quarter's INR 2986.83 crore but a substantial increase from Q3 FY23's INR 2346.51 crore. The total expenses, excluding depreciation and finance costs, followed a similar pattern, with a minor QoQ decrease but a 22.5% YoY rise. This parallel movement suggests that while the company has managed to scale its operations over the year, it has faced recent challenges that have impacted its revenue and expenses alike.

**Other Income and Earnings:** Other income streams, including interest on financial assets (HAM), decreased slightly by 2.4% QoQ, yet jumped remarkably by 245.2% YoY. This substantial annual increase can be attributed to better yields on financial assets. The profit before tax (PBT) saw a 10.9% decrease QoQ but more than doubled YoY, reflecting the company's stronger earnings capacity over the long term despite recent volatility.

**Taxation and Net Income:** The taxation for the quarter stood at INR 69.09 crore, with no comparative data available for the same quarter in the previous year. The profit after tax (PAT) was INR 244.70 crore, a slight QoQ decline but a 28.8% YoY increase. The PAT margin was 8.12%, a modest decrease from the previous quarter's 8.30% but an improvement from the prior year's 7.85%.

**Comprehensive Income:** The total comprehensive income slightly decreased by 5.8% QoQ to INR 242.40 crore but grew by 28.6% YoY. The earnings per share (EPS) were INR 2.60, indicating a stable return to shareholders.

**Order Book Strength:** Analysis of the total value of the order book (Rs.29,436 crore) in the context of past performance and industry standards. Year-over-year comparison and its implications for growth prospects.

**Segment Analysis:** Railways: Discussion on the 72.3% share of orders attributed to railways, indicating the company's market position in this segment.

**Highways:** Examination of the 20.7% share, including any recent developments or government initiatives impacting this sector.

**Others:** Insight into the 7.0% share of other segments, exploring diversification and innovation strategies.

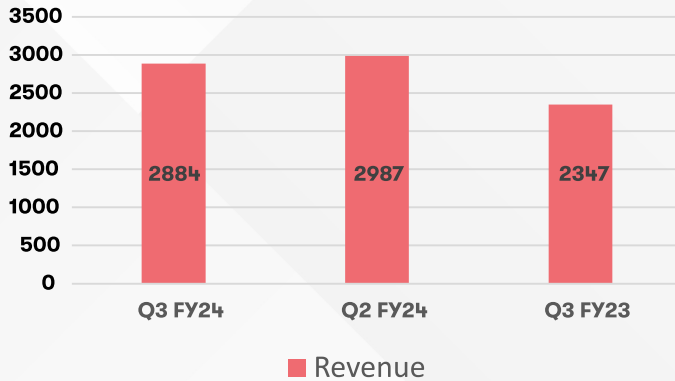
**Domestic:** In-depth look into the domestic share of 91.3%, assessing local market dynamics and competitive landscape.

**International:** Analysis of the 8.7% international orders, exploring global expansion and currency risk factors.

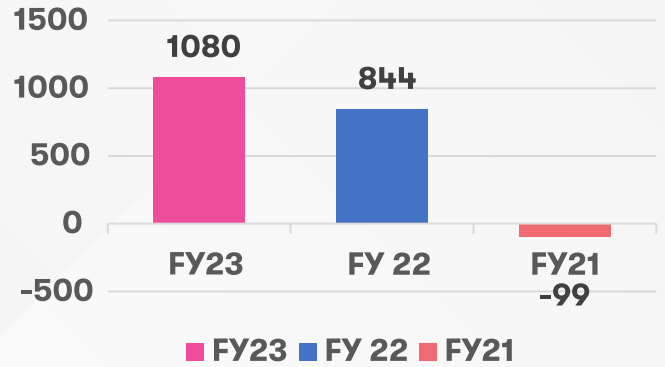
**Competitive Bidding Advantage:** Discussion on the strategic advantage of having more than 50% of the order book won through competitive bidding, and its impact on profitability and market reputation. Evaluation of the 54.1% orders won through competitive bidding, discussing the company's competitive edge and risk assessment. Analysis of the 45.9% orders by nomination, understanding client relationships and reliance on non-competitive awards.

**Strategic Implications:** Recommendations for capitalizing on the strong order book, including investment in capacity expansion and technology upgrades. Strategies for increasing the international orders share and diversifying the order book beyond railways and highways.

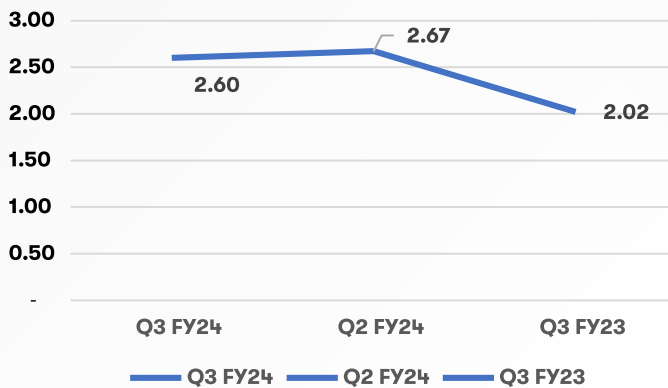
### Revenue (In Cr)



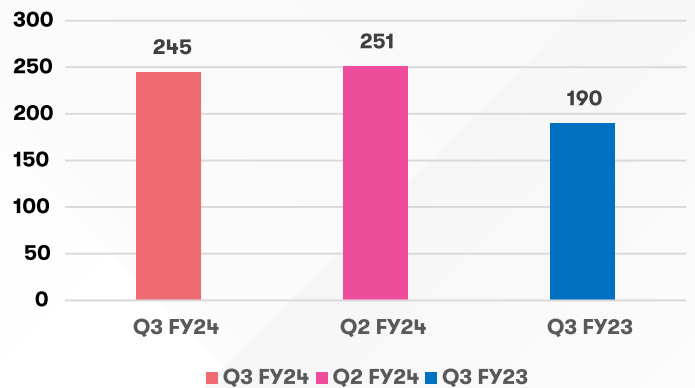
### Cashflow (In Cr)



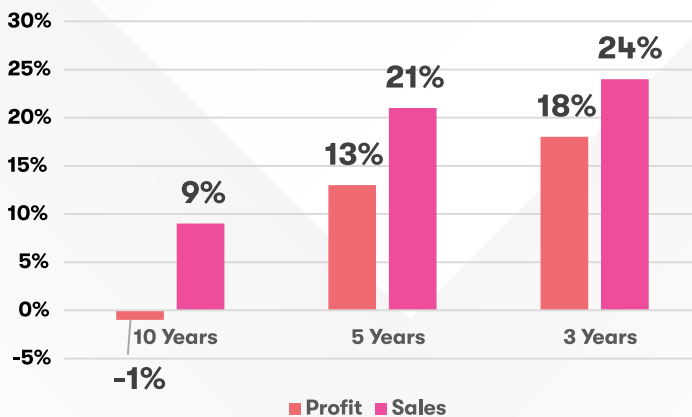
### EPS



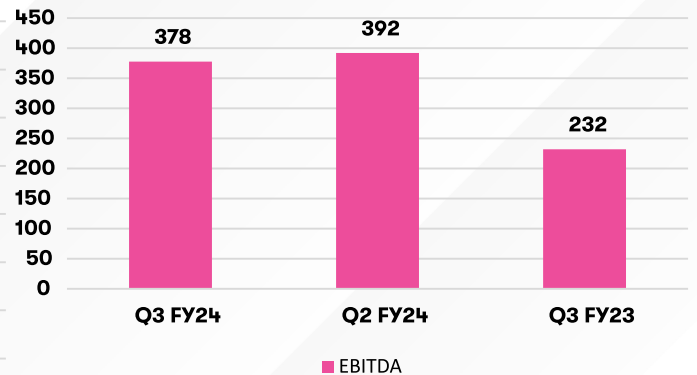
### PAT (In Cr)



### Compounded Growth (In %)



### EBITDA(In Cr)



## Technical Outlook



The chart for Ircon International Ltd shows a price action within an ascending channel, indicating a bullish trend over the observed period. The price has experienced periodic fluctuations, with the blue and red arrows possibly denoting significant points such as resistance (blue arrows) where the price retraced and support (red arrows) where the price bounced back. Notably, there was a significant peak before the last blue arrow, followed by a sharp decline.

The moving averages table complements the chart by providing key trend indicators. The short-term averages (5, 10, and 20 days) are higher than the long-term averages (50, 100, and 200 days), confirming the uptrend. The exponential moving averages (EMA) are slightly lower than the simple moving averages (SMA) for the same periods, suggesting recent prices are weighing down the average slightly, indicating a possible loss of momentum.

Overall, the trend for Ircon International Ltd remains positive, but the recent pullback and the EMA's indication of a potential slowdown suggest investors might be proceeding with caution. The price action remains above the long-term moving averages, which typically signals that the long-term uptrend is still intact..

| Moving Averages Days | Simple Moving Average | Exponential Moving Average |
|----------------------|-----------------------|----------------------------|
| 5                    | 217.2                 | 214.6                      |
| 10                   | 224                   | 220.2                      |
| 20                   | 227.5                 | 219                        |
| 50                   | 196.1                 | 201                        |
| 100                  | 172.8                 | 177                        |
| 200                  | 133.8                 | 144.8                      |

| Pivot Levels : FIBONACCI |              |           | Daily                         |       | Weekly |
|--------------------------|--------------|-----------|-------------------------------|-------|--------|
| R1 218.97                | Pivot 205.38 | S1 197.32 | Relative Strength Index (RSI) | 52.85 | 66.60  |
| R2 227.03                |              | S2 183.73 |                               |       |        |
| R3 240.62                |              | S3 175.67 |                               |       |        |

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