



**IRCON International Limited**  
(A Government of India Undertaking)

5th February, 2023

**Ircon International Limited (IRCON)** was incorporated in April 1976 as Indian Railway Construction Company Limited, mainly for the construction of railway projects in India and abroad. It is a Mini Ratna Category-I PSU since 1998. It is a Central Government company under section 617 of the Companies Act, 1956. The company has diversified into roads, buildings, electrical substation and distribution, airport construction, commercial complexes, and metro segments but mainly earns its revenue from the railway segment.

## Investment rationale

- **Government initiatives for the infrastructure sector to benefit the Company:** Government thrust for infrastructure, especially for railways and roadways, will benefit the Company. IRCON will be able to receive many opportunities and capitalize on these opportunities by leveraging its established track record and diversifying its infrastructure know-how.

- **Strong Order Book:** The Company has a strong order book. The order book position as on Sep 30, 2022, stood at around Rs 40,020 crore, which translates into around 4.5x of the total operating income (TOI) in Sep 2022, thereby providing healthy revenue visibility.

- **Rising Geographical Footprints in Domestic and International Markets:** The Company is executing its footprints in domestic as well as international markets. At present, the Company is executing projects in 20 states domestically and five countries internationally. With the established presence in the Indian market, IRCON further intends to cover the unexplored areas within the country. This will help in enhancing its portfolio.

- **Diversifying in Renewable Energy Sector:** Company is exploring new areas of business diversification by entering into the renewable power sector to establish a 500 MW solar power plant.

- **Low Counterparty risk:** The Company is only executing 7% of its projects in foreign countries; hence, it is exposed to limited regulatory risks on account of local conditions in the respective countries.

**Outlook:** At CMP of 57.20, the stock is Trading at a TTM P/E of 7.74 to its TTM EPS of Rs 7.4, IRCON has a long-standing reputation as one of the industry leaders in transportation infrastructure, with proven expertise in railway projects. The company intends to capitalize on this advantageous position in the market both in terms of expertise and financial strength. The company plans to build on a strategy of diversifying across industry segments through new engines of growth. The company is working toward enhancing portfolio with projects in the international markets to achieve healthy profit margins offered by these projects. Various infrastructure initiatives decreed by the Government of India will help in fostering future growth. The company is well-positioned to execute projects under these modes due to its strong technological capabilities and sound financial position. With sound experience and solid performance, we expect to see steady growth in the company's business. Based on above factors we are positive on the company.

### Stock Data

|                     |                |
|---------------------|----------------|
| CMP                 | ₹ 57.20        |
| 52 Week High/Low    | ₹ 66.75/34.80  |
| Face Value          | ₹ 2            |
| Market Cap (In Crs) | ₹ 5,402        |
| NSE                 | IRCON          |
| BSE                 | 541956         |
| Bloomberg           | IRCON:IN       |
| Sector              | Infrastructure |

### Shareholding Pattern (in %)

|                  | Sep-22 | Dec-22 |
|------------------|--------|--------|
| Promoter         | 73.18  | 73.18  |
| FII              | 1.96   | 2.72   |
| DII + Government | 1.34   | 1.82   |
| Public           | 23.52  | 22.28  |

### Price Performance (in%)

| (%)      | 1M     | 6M   | 1Yr   |
|----------|--------|------|-------|
| Nifty 50 | (1.05) | 2.72 | 5.7   |
| IRCON    | (6.08) | 45   | 26.83 |

### Key Ratios

|                |       |
|----------------|-------|
| P/E            | 7.74  |
| Debt To Equity | 0.3   |
| ROE            | 14.1% |
| ROCE           | 9.4%  |
| Dividend Yield | 4.1%  |

## Industry Overview

**Railway Sector:** Indian Railways has 126,611 km of total tracks over a 68,103 km route and 7,337 stations. India has the 4th largest railway network with over 22,593 operating trains (9141 freight and 13,452 passengers) with a daily passenger count of 2.4 cr passengers and 203.88 million tonnes of cargo.

**Growth Initiatives:** The Ministry of Railways received Rs.140,367.13 crores (US\$ 18.40 billion) under the Union Budget 2022-23 from the government.

In order to better serve small farmers and small and medium sized businesses, Indian Railways will provide new products and effective logistical services. Additionally, it will go toward the railroad and postal integration networks to offer seamless parcel delivery solutions.

India is launching 400 Vande Bharat trains, which are anticipated to generate business opportunities worth Rs. 40,000 crores (US\$ 5.24 billion). Measures taken by Indian railways to boost revenue:

**Passenger Earnings:** Running premium special trains with dynamic pricing, operating special trains during busy seasons, and introducing new trains.

**Freight Earnings:** Reduction in the distance of mini rakes, withdrawal of port congestion charge, rationalization of Merry go Round policy.

**Earnings from Parcels:** Liberalizing the parcel policy by renting out parcel space to individuals. Other Earnings Adoption of bulk advertising rights, vinyl wrapping of trains, right of way charges.

Indian Railways is also considering alternative avenues for generating income, such as altering the makeup of coaches so that it may promote the more lucrative AC coach travel, generating additional income by monetizing traffic on its online reservation system IRCTC, and disinvesting in IRCTC.

Some of key Achievements in Indian railways

**M Ticketing E Ticketing:** Indian Railways decided to begin accepting soft copies of papers stored in customer's Digi Lockers in July 2018. IRCTC launched its mobile Android app in May 2018 for IRCTC E wallet subscribers to use while purchasing E rail tickets. Internet ticketing made up about 12.35 cr of IRCTC's income in FY 19.

**Bullet Trains:** For the upcoming Mumbai Ahmedabad bullet train project, 24 bullet train sets are planned to be acquired from Japanese companies through a tendering process. The estimated project value is Rs 1,20,109 cr which will reduce the duration of the journey by 2 hours. Construction of the corridor is expected to be completed by 2023.

Average speed of faster trains will increase from the existing 110-130 kmph to 160-200 kmph, respectively.

**New Railway Projects**

100 PM Gati Shakti Cargo Terminals for multimodal logistics facilities will be developed over the next three years.

In February 2021 Minister of Railways Mr Piyush Goyal dedicated 88 Railway projects the country worth Rs 1000 crore (US 138.14 million) in the states of Kerala, Tamil Nadu, Madhya Pradesh, West Bengal and Karnataka.

Indian Railways Udhampur Srinagar Baramulla rail link project in Jammu and Kashmir is expected to be completed by 2023.

## Company Background

Ircon International Limited (IRCON), a comprehensive engineering and construction company, has developed expertise in a number of key infrastructure areas, including railways, highways, bridges, flyovers, tunnels, metro, railway electrification, EHV sub-stations, electrical and mechanical works, commercial and residential buildings, and railway production units, among others. For various infrastructure projects, it provides Engineering Procurement and Construction (EPC) services on a lump-sum turnkey, EPC, and item-rate basis. In a cooperative venture with other CPSEs under the Ministry of Coal, IRCON intends to implement coal connectivity products to increase coal evacuation from states like Odisha, Jharkhand, and Chhattisgarh. Additionally, IRCON uses the financial strength of the Company to execute projects in the Build, Operate, and Transfer (BOT) and Hybrid Annuity Modes (HAM) in order to create long-term wealth.

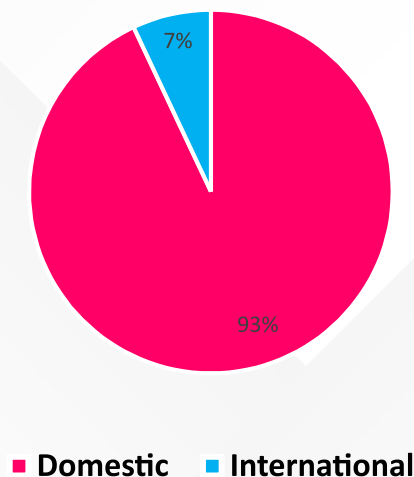
Among the public sector construction firms in the nation, IRCON has a solid reputation as a sectoral leader in transportation infrastructure with a focus on the execution of railway projects on a Turnkey basis or otherwise. The company is well-known for its reliable performance, dedication, and high-quality solutions.

In the previous 46 years, IRCON has completed numerous historic construction projects in both domestic and international markets. The Company has actively worked to diversify its infrastructure portfolio in terms of industry and geography. IRCON started operating as a railroad construction company in 1976. Since 1985, the Company has steadily expanded throughout the whole spectrum of infrastructure services and construction-related operations. IRCON just entered the field of solar power development. However, the railway industry has remained firmly rooted in its fundamental emphasis and strength.

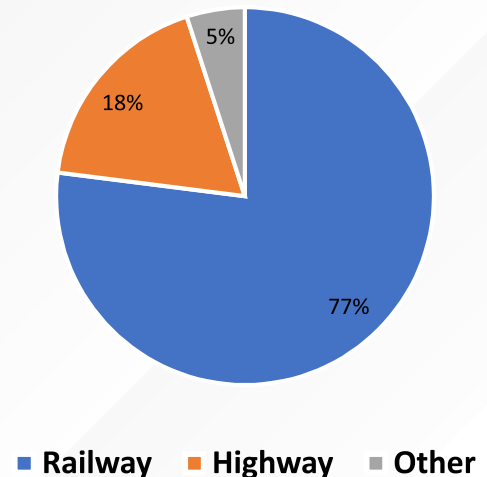
IRCON is among the few construction companies in the public sector to have earned substantial foreign exchange for the country and has consistently paid dividends to the Government.

Over the years, IRCON has grown its business footprints in different geographies such as Algeria, Afghanistan, Bangladesh, Bhutan, Brazil, Indonesia, Iran, Iraq, Liberia, Malaysia, Mozambique, Myanmar, Nepal, Nigeria, Saudi Arabia, South Africa, Sri Lanka, Turkey, UK, and Zambia.

Geographical Order Book Distribution



Segment wise order Distribution



## Major Achievements of IRCON Projects:

**Jayangar (India) - Bijalpura (Nepal) Project:** Cross border rail section from Jayangar (Km. 0.00) fourth (Km. 34.90) Inaugurated by the Hon'ble Prime Minister of India and the Hon'ble Prime Minister of Nepal on April 02, 2022

**Udhampur Srinagar Barmula rail link Project:** Excavation of about 11 Km in Main Tunnel of T15 completed on January 18, 2022.  
Excavation of Main Tunnel of longest tunnel T-49 of 12.76 Km in USBRL Project on February 15, 2022

**Udhampur Srinagar Barmula rail link Project:** Excavation of about 11 Km in Main Tunnel of T15 completed on January 18, 2022. Excavation of Main Tunnel of longest tunnel T-49 of 12.76 Km in USBRL Project on February 15, 2022

**Haripur Bachwara Doubling Project:** CRS inspection (Commission of Railway Safety inspection) of Hajipur-Akshaywat Rai Nagar (11.5 km) was held on March 24, 2022 and the section was commissioned at a maximum speed of 80 KMPH  
CRS inspection of Shahpur Patoree-Sahdei Buzurg (12.41km) was held on January 07, 2022 and section got commissioned at maximum speed of 90 KMPH.

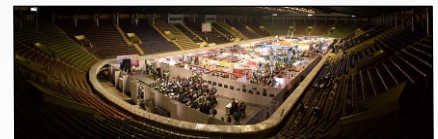
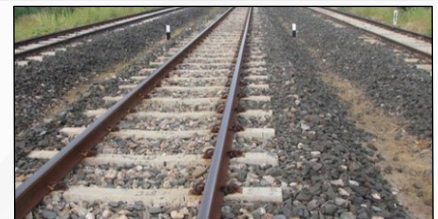
**East Rail Corridor (Phase1) Kharsia:** Korichhapar to Dharamjaygarh Section of 30 Km opened for operation of Goods train with Diesel traction on June 21, 2021

Gharghoda to Bhalumuda section of 14 Km [Spur(Single)Line] commissioned for Goods train on February 25, 2022

**Dedicated Freight Corridor project CTP 12:** IRCON has set the record of manufacturing and launching the largest precast PSC segmental twin shell box (measuring 18.47 metres in length, 15.8 meters in width and 9.73 metres in height in four days) at Road Over Bridge (ROB) Valsad between Valsad and Pardi Railway Stations, Gujarat.

**Indoor Stadium at Behala Inaugurated in May 2022:** Fully air-conditioned multi-purpose Indoor Stadium with state-of-the-art facilities was developed with a seating capacity of about 1,100 in a two-tier viewer gallery

**Katni Singrauli Doubling project:** New Katni Jn.-Katangi Khurd section of 7.80 Commissioned on June 14, 2021  
Deoragram Majhauri section of 8.30 km commissioned at a maximum speed of 90 KMPH on September 07, 2021  
Mahediya-Singrauli section of 5.90 km commissioned on February 11, 2022  
Salhana-Pipriya-Khanna Banjari section of 21.33 commissioned on February 13, 2022



## Company's Clintele

Some of company's major clients:

|                                         |                                                                                     |                                         |                                                                                       |
|-----------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------|
| Indian Railways                         |    | Kochi Metro Rail Limited                |    |
| Northern Railway                        |    | Kolkata Port Trust                      |    |
| Western Railway                         |    | Metro Railway, Kolkata                  |    |
| Southern Railway                        |    | NMDC                                    |    |
| National Highway Authority of India     |    | NTPC                                    |    |
| Power Grid Corporation of India         |   | RVNL                                    |  |
| BHEL                                    |  | SECL                                    |  |
| Border Roads Organization               |  | CMDA                                    |  |
| Central Agricultural University, Imphal |  | Public Works Department                 |  |
| Dedicated Freight Corridors             |  | Government of Goa                       |  |
| Delhi Metro                             |  | Madhya Pradesh Raja Vidyut Mandal       |  |
| Damodar Valley Corporation              |  | Airports Authority of India             |  |
| Gail                                    |  | Greater Noida                           |  |
| Coal India                              |  | Rajasthan Raja Vidyut Utpadan Nigam Ltd |  |
| Indian Oil                              |  |                                         |                                                                                       |

## Business Division

**Business Development:** IRCON's Business Development Department has a strong team to drive order books, develop & evaluate bidding strategies as well as to identify new business opportunities to generate & grow the future business of the Company in a competitive environment. In the past years, the Business Development department of IRCON has secured projects in railway, highway, tunnel, metro, electrical & mechanical, signaling & telecommunication, buildings etc., both on a competition & nomination basis. The Railway Board has changed its policy, and works are now being awarded through an open bidding process, and IRCON through its Business Development department competes with the other players, including private players and participates in tenders of various railways and secures works on the basis of competitive bidding.

In FY 2021-22, the Department of IRCON secured 12 Projects worth Rs 6180.71 Crore. This includes two packages from the prestigious National High-Speed Rail Project in India amounting to Rs 6857 Crore, four road projects of NHAI worth Rs 4528 Crore, one road project in Myanmar worth Rs 1780 Crore, 500 MW Solar Power Plant Project worth Rs 1960.04 Crore, one Railway Electrification Project worth Rs 658.64 Crore, Track work project for Chennai Metro Rail Limited worth Rs 337 Crore, one PMC Project for Airport Authority of India worth Rs 11.74 Crore and One Workshop Project of Indian Railways worth Rs 48.06 Crore.

The Department is also involved in the process of formation of Strategic MOUs and alliances to explore new business opportunities and to frame and review the Corporate Plan of the Company.

The department is aggressively pursuing infrastructure projects in countries such as Bangladesh, Maldives, Malaysia, Myanmar, Nepal, and Sri Lanka which will help in fostering future growth of IRCON.

**Civil engineering:** IRCON has emerged as one of the leading construction Companies in the country, and Civil Engineering Department is the backbone of the Company by earning a major share of the revenue for the Company. This Department is led by a professionally experienced senior management team from premier engineering & business schools and supported by a large pool of highly motivated and skilled civil engineers who graduated from prestigious institutes in India such as IITs, NITs, etc. At present, the total strength of Civil Engineers is 597 nos. which constitutes 46% of the total staff strength.

IRCON always endeavors to execute projects with the adoption of the latest technology to deliver projects without major time and cost overrun. With a highly qualified and experienced employee base, IRCON has thoroughly enhanced its competitiveness in the existing business. The Company has a good track record of growth and expansion in the construction of Railways, Highways, Bridges, Flyovers, Airports, Commercial & Industrial Buildings, Tunnels, Water Treatment Plants, Residential Quarters, etc. Civil Engineers of IRCON are adapted to work in the remotest areas of the country and abroad for project execution, from its inception to completion, using the latest state-of-the-art modern Project Management Tools, such as Primavera, TILOS, MS Project, etc. Most of the Civil Engineers of the Department are trained in the latest surveying techniques available all over the world, such as GPS Surveying, Aerial LIDAR Surveying with Drones, Total Station Surveying, etc.

The Department has developed expertise in tunneling in the Himalayas with the latest technology, such as NATM and takes pride in having more than 200 trained tunnel engineers. It takes pride in the completion of more than 100 km of tunnel mining in the Himalayas. The longest transport tunnel of 12.75 km is under the advanced stage of completion.

The Department has successfully completed many Mega Projects and exhibited competency in the Electrical Department. As leading turnkey project execution Company in Railway Sector, Railway Electrification wing supports the project in end-to-end solution. The Electrical Department provides expertise in 25 kV Railway Electrification Works, HT Grid & Traction Sub-station of voltage classes up to 400 kV, EHT Transmission line, EHV cabling work, Industrial Electrification of mega industrial plants & Loco Sheds, Power supply distribution network for Cities, Metro Railways (AC & DC Systems) and Airports, Tunnels Power Supply and Ventilation System, Electrification including Power Supply sub-stations in Metro Railways and Renewable Solar Energy works.

In the FY 2021-22, this department bagged major construction contracts for IRCON on competitive bidding and negotiation. This department plays a pivotal role and provides leadership in the effective execution of large value of composite projects. Thus the input, and leadership is essential for smooth execution of a vast number of project awarded to IRCON.

**Signal & Telecom:** Since its inception in 1976, IRCON has been providing turnkey signaling solutions in India and abroad; and has the unique distinction of executing Signaling & Telecom projects in various countries as per their local codes, manuals and standards. With in-house design, construction and project management capabilities, all projects have been delivered satisfactorily on agreed timelines. IRCON has executed a number of state-of-the-art signaling projects, starting from Relay Interlocking to Computer Based Interlocking (CBI), Automatic Train Protection (ATP), Centralized Traffic Control (CTC) systems and unique Rail Infra Condition Monitoring System (CAS). No other organization in India has experience of such diverse and state-of-the-art signaling projects. IRCON has been at the forefront of technology in the execution of telecom works and has recently executed Multiprotocol Label Switching (MPLS) and Synchronous Digital Hierarchy (SDH) technology projects in Sri Lanka, South Africa, Malaysia and India. Based on this technology, IRCON has executed IP-EPABX, IP-CCTV, PA system and Passenger Amenity item

**Design and Development:** IRCON's Design and Development Cell (DDC) is dedicated to developing in-house civil designs review designs submitted by consultants as per relevant CODAL provisions, value engineering, estimation of quantities for bidding of various big-ticket national & international projects and other civil engineering solutions to most of IRCON's projects. Sophisticated design software such as Bentley Open Rail/Open Roads (for Alignment Design), STAAD Pro & Midas (For Structural design and Bridge Design), IITPAVE & KGPBACK (Pavement & Overlay Design), SLIDE (For Slope Stability Analysis of Soil) are being used with the help of efficient CAD Engineers.

The in-house design team has extensive experience in Alignment Design, Bridge Design, RCC/Steel Structures Design, Buildings Design, Highway Pavement Design, Geo-Technical Solutions and Hydrological Studies etc. The in-house design team has a specialized group consisting of experienced Civil Engineers who graduated from top-ranking Engineering Colleges in India, such as IITs, NITs and other reputed colleges. The team is ably supported by other departments viz. Civil Engineering, Electrical and Signaling. Through DDC, IRCON is member in the following code/standard committees and shares the knowledge and contributes in developing/modifying codes:

IS Codal Committee CED54: concrete reinforcement sectional committee: Standardization in the field of reinforcement for concrete including pre-stressing steel

Standardization of Bridge Girders: Designing Long Span Steel-based road bridges, convened by Ministry of Steel, Government of India. Finalizing designs of various domestic projects as well as international projects, viz. DFCCIL CTP-12, CERL Dharamjaigarh-Kharsia section including spur line and feeder line, Agartala-Akhaura (India Portion) Viaduct Project, 2-tier Road cum Railway Bridge across River Ganges in Bihar at Digha Ghat, Bikaner-Phaloudi Road Project, CEWRL Gevra-Pendra Section, Gurgaon-Rewari Highway Project and Buildings of RAPDRP, Jammu etc.; and Railway link in Northern province of Sri Lanka, Railway Bridges of Jaynagar - Bardibas Railway Project (India and Nepal), Seremban-Gemas Electrified double track Railway Project (SGEDT) in Malaysia, Beira Rail Project, Mozambique including Dona Ana Bridge across the mighty River Zambezi etc.

**Estate Management:** Over the years, from diversification into the entire spectrum of infrastructure, your Company's nature of business has also changed from a construction company to a project development and operating company. Your Company is undertaking a full gamut of activities like BOT/HAM projects, leasing and consultancy services, real estate and commercial operations, among other activities.

With the objective of growth in the Real Estate Business in the medium and long terms, viz., development of the plots, construction of buildings, leasing and/ or selling out of the immovable properties and other matters related to the properties like tax and legal matters, IRCON has set up the Estate Management Department. This department is professionally managed and constituted to manage IRCON's existing real estate and undertake real estate development projects, including property tax matters.

Among real estate projects, IRCON has constructed many commercial institutional buildings, railway stations and townships etc., in India, like multi-storied commercial complexes for CIDCO in Navi Mumbai, 500 bedded hospital in Bhopal, a Veterinary Science Animal Husbandry college campus in Aizwal, three major residential townships at Jhansi, Bhopal and Allahabad for Ministry of Defense, projects connected to Pusa University, Banaras Hindu University, CIFE, Mumbai, Vashi Railway Station, Multi-Functional Complexes (MFCs), Rail Coach Factory at Kapurthala as well as at Raebareli, etc. IRCON has developed its own corporate office, which is a modern and smart office featuring all elements of Green Building. Foreseeing the growth in Real Estate Sector, IRCON has accumulated a large portfolio of real estate properties and assets in metropolitan cities such as Mumbai, Chennai, Kolkata, Bengaluru, Noida and Gurugram etc., for commercial development.

**Electrical Department:** As a leading turnkey project execution Company in Railway Sector, the Railway Electrification wing supports the project in the end-to-end solution. The Electrical Department provides expertise in 25kV Railway Electrification Works, H.T. Grid & Traction Sub-station of voltage classes up to 400 kV, EHT Transmission lines, EHV cabling work, Industrial Electrification of mega industrial plants & Loco Sheds, Power supply distribution network for Cities, Metro Railways (A.C. & D.C. Systems) and Airports, Tunnels Power Supply and Ventilation System, Electrification including Power Supply sub-stations in Metro Railways and Renewable Solar Energy works.

IRCON undertook its first major Railway Electrification Project of the Delhi - Ring - Railway in 1980 and offered environment-friendly electric traction services to a passenger in Asian Games organized in 1982. Thereafter, in its journey of 4 decades, the Company has executed more than 6500 TKM of Railway Electrification work in India and abroad and established itself as a leader in the market.

IRCON has executed many H.T. sub-station work up to 400 kV in India and abroad. The majority of sub-station works in all three phases of DMRC are executed by IRCON. IRCON has also acquired the capability to execute Gas Insulated Sub-station (GIS) and Transmission Line projects up to 220 kV.

Tunnel Ventilation and its power supply in the long Rail Tunnel is highly technical and challenging work which was successfully executed in Pir-Panjal Rail Tunnel, Jammu Kashmir. With the experience and expertise of your Company in the Electrical field, it has entered into a new field of India's first Semi-High-Speed Rapid Transit System and is executing electrical works in Delhi-Meerut Section. This is an emerging field in Railway traction. In the prestigious Mission Railway Electrification of the Ministry of Railways, Government of India, IRCON is executing more than 2700 RKM, and 29 sub-station works. IRCON has also entered into the Renewable Energy business and is executing the Setting up of a 500 MW Grid Connected Solar Power Plant under the (CPSU) Scheme Phase-II (Government Producer Scheme).

**Mechanical Engineering Department:** It has a team of proficient, experienced as well as young, dynamic & energetic mechanical engineers. It has the talent of designing, installation & starting new rolling stock production units, workshops, diesel sheds other than re-engineering the existing units with the objective of increasing out-turn in an efficient and economical way by having the optimum utilization of resources as per the requirement of the end use customer from domestic as well as foreign market. The Department is also capable of handling all domain areas of operation and maintenance of rolling stock assets i.e. right from areas of construction of facilities to maintenance of assets along with business process re-engineering of existing facilities.

The Department delivers the projects on time as per the customer's requirement by utilizing the latest project management tools such as MS Project, Six sigma, Primavera etc., along with the mobilizing of physical resources across the globe.

This Department has not only set up the modern and state-of-the-art Stainless-Steel Coach Production units at Raebareli in a record time and beating the targets by a leap. Recently, it has also upgraded the diesel sheds at Vishakhapatnam so that it can take simultaneously home Diesel as well as Electric Locomotives. The Department is presently looking after the composite works (Civil, Electrical and Mechanical) involving the construction of Industrial Shops with PEB in connection with detachment-free rake examination facilities at the Exchange yard of Bondamunda, South Eastern Railways.

The coach production facility at Raebareli is an engineering marvel and is an integrated unit having all the facilities for turning out a finished coach from basic raw materials such as rolled steel sheets. This facility has Coach/Shell fabrication Line, Robotized welding equipped Bogie Fabrication Shop, furnishing, finishing shop, Wheel Shop.

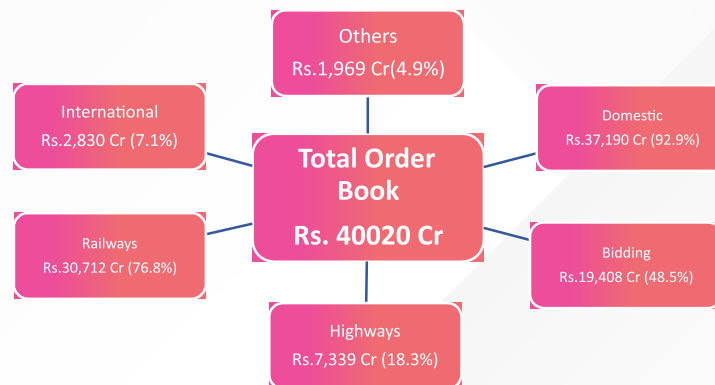
State of the art Paint Shop along with all the subsidiary systems such as Material auto storage and retrieval system etc., Power sub-station along with one of the largest solar parks of 3MW in the area, a residential colony for working personnel as well as for top management along with 100 bedded hospital, cricket stadium, athletic track, FIH certified hockey stadium and 18-hole golf course apart from other facilities. This makes the unit as a self-sustaining unit.

This Department has undertaken and completed various projects, viz. Setting up of Wheel Shop at Rail Coach Factory, Kapurthala; Augmentation of Diesel Loco Shed, Vishakhapatnam; Supply of 10 (Ten) units YDM4 (Meter Gauge) Locomotives to Royal Railways, Cambodia; Supply of 6 (Six) units 2300HPAC/ DC (Broad Gauge) Locomotives with Co-Co bogies to Sri Lankan Railways, Sri Lanka; Leasing and Maintenance of Diesel Loco to KTMB, Malaysia wherein more than 85% availability of rolling assets has been obtained for a span of more than two decades, this itself reflects the exceptional capability of IRCON for maintaining rolling assets.

## Comprehensive Investment Rationale

Government initiatives for the infrastructure sector to benefit Company: The infrastructure sector has been one of the main priorities of the Government, particularly the Railway & Road sector. Union Budget of the past few years also has focused its concern on infrastructure development, and a large amount is reserved for Capex in railway and road sectors. In recent years, the Government is emphasizing boosting renewable power, and we have seen major Capex in this sector. With the rising interventions of the Government to develop infrastructure, IRCON has been able to receive multiple opportunities for its business. Company aims to capitalize on these opportunities by leveraging its established track record and diversifying its infrastructure know-how into transportation engineering, civil and industrial construction, renewable power and other infrastructure projects.

Strong order book position: IRCON caters to both domestic as well as international markets and receives orders on a tender basis. Earlier, the company used to be nominated by the MoR for various railway projects, which shifted to a competitive bidding basis in FY21. The order book position as on Sep 30, 2022, stood at around Rs 40,020 crore, which translates into around 4.5x of the total operating income (TOI) in Sep 2022, thereby providing healthy revenue visibility. IRCON procures a significant proportion of the orders through competitive bidding; IRCON will continue to secure a significant portion of such tenders under the bidding system of its long-standing experience in executing railway projects. Of the total order book outstanding as on Sept 30, 2022, around 51% of the orders are received on a nomination basis from the MoR. The projects on nomination from the MoR are 'cost-plus' in nature, wherein IRCON receives non-interest-bearing advances from the MoR for project execution. These project advances serve as working capital for the execution of the projects. IRCON is not required to furnish performance or advance bank guarantees (BGs) for these cost-plus projects.



**Rising Geographical Footprints in Domestic and International Markets:** IRCON has mainly concentrated on becoming a diversified infrastructure player, both in terms of sector and geographical coverage and has extended its expertise into transportation engineering, civil and industrial construction, renewable power and other infrastructure projects. Currently, the Company is executing projects in 20 states domestically and five countries internationally. With the established presence in the Indian market, IRCON further intends to cover the unexplored areas within the country. The Company believes that this will help in enhancing its portfolio with projects proposed by the Government of India that would further consolidate its position in the infrastructure sector. IRCON plans to build its strategy of diversifying across industry segments through new engines of growth. Also, while it continues to focus its efforts in the railway sector, through portfolio diversification, it hopes to hedge against risks in specific areas or projects and protect itself from market variations resulting from business concentration in particular industry sectors and/or limited geographical areas. IRCON endeavors to enhance its portfolio with projects in the international markets to achieve healthy profit margins offered by these projects. With sound expertise and solid performance, increasing experience and success, the Company expects to see steady growth in its business with a rate of expansion comparable to or better than the best in the construction industry. The Company aims to persist in its strategy of diversifying across industry segments and increasing orders from international markets to capture healthier profit margins as compared to domestic projects.

Significant linkages with the GoI and the MoR: IRCON was incorporated in 1976 and has been a Mini Ratna Category-I public-sector undertaking (PSU) since 1998, wherein the GoI holds 73.18% equity. IRCON is one of the few agencies through which the MoR has implemented railway projects throughout the country for over four decades and has completed more than 398 infrastructure projects in India. The board of IRCON is headed by Yogesh Kumar Misra, Chairman and Managing Director (CMD). He holds BTech. Degree in Civil Engineering from the Indian Institute of Technology (IIT), Delhi, with over three decades of rich and varied experience in railways, project development, and consultancy for turnkey railway and highway projects involving detailed survey, alignment design, tunnels, bridges, etc. IRCON holds strong linkages with the MoR and is professionally managed by the board of directors comprising four whole-time directors along with the CMD and one government nominee director.

Diversifying in Renewable Energy Sector: IRCON is exploring new emerging areas for business diversification. As part of its diversification strategy, the Company has entered into the renewable power sector to establish a 500 MW solar power plant with a joint venture partner. With the government's thrust on the renewable power sector, there are immense opportunities in this sector, and Company is very hopeful of doing well in this sector. The renewable power sector will ensure regular revenue and will also strengthen its profitability.

Revenue Generation by PPP mode: IRCON is slowly moving from generating income only through individual projects to regularly generating revenue and profits through its Subsidiaries and Joint Venture companies (Jvs). The Subsidiaries and JVs of IRCON are likely to generate revenue and profits on a regular basis because of the continued operation of existing projects and new projects. 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.

**Low counter party risk:** Domestic projects made up the bulk of the order book, with around 93% of the order book to be executed within India as on September 30, 2022. The company's client list is dominated by Central and state government undertakings such as zonal railways, the National High-Speed Rail Corporation Limited (NHSRCL), the Dedicated Freight Corridor Corporation of India Ltd (DFCCIL), and the National Highways Authority of India (NHAI), among others, which mitigates the counterparty risk to a large extent. As on September 30, 2022, the company is only executing 7% of its projects in foreign countries; hence, it is exposed to limited regulatory risks on account of local conditions in the respective countries.

**Established track record and proven project execution capabilities:** The company began operations in 1976 as a railway construction company and diversified progressively into other construction activities. Railways and highways continue to be the core areas of operations, reflected by around 77% and 18% revenue contributed by these two segments, respectively. The company has demonstrated capabilities for executing projects of large scale in both, domestic and international markets (having a presence in Bangladesh, South Africa, Algeria, Sri Lanka, and Nepal).

**Qualified and experienced employees and proven Management team:** IRCON International Ltd. has a qualified and trained workforce to take on large-scale projects with demanding timelines on deliverables., the senior management team includes Key Management Personnel, with an average of 31 years of experience and association for an average of 13 years. The skillsets of employees give flexibility to adapt to the needs of its clients and the technical requirements of various projects that are being undertaken.

## Key Risk & Concerns:

**Competition Risk:** Considering changes in Government policies & the huge potential in the sector, IRCON now has to compete with other PSUs as well as private companies to secure the orders.

**Volatility in Commodity Prices:** Due to geo-political reasons and the war situation in Russia and Ukraine, there is high volatility and the sharp increase in commodity prices such as oil, ferrous and non-ferrous metals, cement etc. which may impact the profitability of the company in short to medium term.

**Energy Transition:** There is a renewed focus on Energy Transition across the world, with most Governments supporting the Climate Action Plan. This transition involves risks in the form of switching to a new business model.

**Global Slowdown:** In recent times, inflation has been going up, and in some countries, it is at a multi-decade high. To cope with high inflation, central banks of all over the world are taking aggressive steps. In this inflationary environment, there is the menace of a global slowdown, which may negatively impact to the infrastructure sector.

**Moderate profit margins:** The profitability parameters of the company have been moderate within the range of 7-9%, and the margins are expected to be range bound as the projects acquired through competitive bidding will form a higher proportion of the turnover. Going forward, significant deterioration in profitability impacting the debt protection metrics shall be a key rating sensitivity.



## Technical Outlook



Ircon International has given a **Multi-Year Breakout** and has retested the breakout line followed by a sharp reversal. Even after the recent correction in the Index, Ircon has managed to hold higher levels. The stock price shot up by almost 45% in past 6 months.

Additionally, breakout was supported by **massive volume accumulation**. For the past 4 months the volume have significantly increased which adds enormous strength to the breakout.

This strong trend is supported by Moving Averages as the **20 Days Moving Average > 100 Days Moving Average > 200 Days Moving Average**. This further indicates that improvement in the fundamentals is rewarded with the upward price movement which add rationale to the bullish momentum.

| Moving Averages Days | Simple Moving Average (Daily TF) | Exponential Moving Average (Daily TF) |
|----------------------|----------------------------------|---------------------------------------|
| 5                    | 58.30                            | 58.05                                 |
| 10                   | 58.75                            | 58.65                                 |
| 20                   | 59.70                            | 59.15                                 |
| 50                   | 60.30                            | 58.10                                 |
| 100                  | 52.90                            | 54.30                                 |
| 200                  | 46                               | 49.80                                 |

| Pivot Levels : FIBONACCI |                |          |
|--------------------------|----------------|----------|
| R1 58.42                 | Pivot<br>57.22 | S1 56.01 |
| R2 59.16                 |                | S2 55.27 |
| R3 60.37                 |                | S3 54.07 |

On the upper side the stocks looks ready for targets of 66.75, 72 and 80. On the lower side the weakness shall kick in below 47 on closing basis

## Quarter 2 Result Analysis

| Particulars Rs in Cr | Q2 FY23 | Q1 FY23 | Q2 FY22 | Q-O-Q | Y-O-Y |
|----------------------|---------|---------|---------|-------|-------|
| Net Revenue          | 2,239   | 2,003   | 1,523   | 11.8% | 47%   |
| EBITDA               | 200     | 160     | 139     | 25.0% | 43.9% |
| PBT                  | 226     | 186     | 169     | 21.5% | 33.7% |
| PAT                  | 174     | 145     | 126     | 20%   | 38.1% |
| EPS                  | 1.9     | 1.5     | 1.3     | 20.1% | 38.1% |

Revenue from operation grew by 47% YoY and 11% QoQ to Rs 2,239 cr, led by a healthy order book and execution.

EBITDA grew by 43.9% YoY and 25% QoQ to Rs 226 cr, led by healthy growth in the top line and better operational efficiency margins remain flat on a YoY basis and rose by 94 bps QoQ to 9%.

PAT grew by 38% YoY and 20% QoQ to Rs 174 cr, led by higher operating profit and higher other income.

### Con Call Highlights:

Order book at Rs 40,020 cr, which is expected to be completed in 3-4 years with Railways/ Highways/ Others contributing to 77% / 18% / 5%. 48.5% of OB is won on a competitive bidding basis.

The company expects revenue to increase by 10-15% in FY23E and EBITDA margin to be ~8% with a nomination at -1% from average and competitive at +1% from average. And with increased other income, the EBITDA margin could go up to 10%.

Fixed price contracts account for less than 1% in OB, hence cost inflation pass-through is possible.

Mumbai-Ahmedabad High-Speed Rail, where a company will be working on track work, physical execution will begin from FY24E. In FY23E, the company plans for material ordering for the same. Mobilization advance allowed is 10%.

For FY23E, depreciation is guided at Rs 25-30 cr.

500MW solar power plant project won under IREDA already has 2.1GW of operational assets, and commissioning is expected to be in Aug'24. The tariff is at an MNRE rate at Rs 2.45/kWh, and Railway is a buyer of the power generated.

## Peer Comparison on TTM basis: (Rs in cr)

|                  | IRCON | RVNL   | BITES  |
|------------------|-------|--------|--------|
| CMP (05/02/2023) | 57.20 | 72.45  | 330.15 |
| Revenue          | 8,955 | 21,036 | 2,805  |
| EBITDA           | 698   | 1,324  | 760    |
| PAT              | 696   | 1,350  | 571    |
| EBITDA Margin    | 7.8%  | 6.0%   | 27%    |
| PAT Margin       | 7.8%  | 6.4%   | 20.3%  |
| ROCE             | 9.4%  | 16.8%  | 30.2%  |
| ROE              | 14.1% | 19.2%  | 22.1%  |
| Debt To Equity   | 0.3   | 0.9    | 0.0    |
| EPS              | 7.4   | 6.5    | 22.7   |
| P/E              | 7.74  | 11.18  | 14.45  |

## Financial Snapshot

| Particulars               | FY 19  | FY 20  | FY 21  | FY 22  | TTM(Sep) |
|---------------------------|--------|--------|--------|--------|----------|
| <b>Financial Position</b> |        |        |        |        | (₹In Cr) |
| Equity Share Capital      | 94     | 94     | 94     | 188    | 188      |
| Reserve & Surplus         | 3,870  | 4,077  | 4,309  | 4,478  | 4,746    |
| Net worth                 | 3,964  | 4,171  | 4,403  | 4,666  | 4,934    |
| Borrowing                 | 3,077  | 0      | 331    | 1,399  | 1,430    |
| Fixed Asset               | 1,890  | 1,982  | 1,922  | 1,845  | 1,853    |
| Total Asset/Liability     | 13,318 | 10,181 | 11,254 | 14,446 | 15,147   |
| <b>Operating Results</b>  |        |        |        |        | (₹In Cr) |
| Revenue                   | 4,798  | 5,391  | 5,350  | 7,380  | 8,955    |
| Operating Expenditure     | 4,320  | 4,787  | 4,845  | 6,793  | 8,258    |
| EBIDTA                    | 479    | 604    | 505    | 587    | 698      |
| Interest                  | 15     | 28     | 23     | 69     | 102      |
| Depreciation              | 52     | 83     | 92     | 95     | 97       |
| Profit/(Loss) Before Tax  | 624    | 672    | 578    | 689    | 813      |
| Provision For Tax         | 174    | 187    | 187    | 97     | 117      |
| Profit/(Loss) After Tax   | 450    | 485    | 391    | 592    | 696      |
| <b>Cash Flow</b>          |        |        |        |        | (₹In Cr) |
| Cash flow from operation  | -1,185 | -136   | 518    | 1405   | 276      |
| Cash flow from Investing  | 616    | 447    | -785   | -1241  | 331      |
| Cash flow from Financing  | -93    | -275   | 169    | 679    | -19      |
| Net Cash flow             | -662   | 36     | -99    | 844    | 588      |
| <b>Ratios</b>             |        |        |        |        |          |
| EBIDTA Margin             | 10%    | 11%    | 9%     | 8%     | 7.8%     |
| PAT Margin                | 9.4%   | 9.0%   | 7.3%   | 8.0%   | 7.8%     |
| ROE                       | 11.4%  | 11.6%  | 8.9%   | 12.7%  | 14.1%    |
| ROCE                      | 9%     | 12%    | 13%    | 14%    | 9.4%     |
| D/E                       | 0.8    | 0.0    | 0.1    | 0.3    | 0.3      |
| P/E                       | 12.5   | 11.6   | 14.3   | 9.6    | 8.1      |
| EPS                       | 4.8    | 5.2    | 4.2    | 6.3    | 7.4      |

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