

IRCON International

HOLD

To watch for execution

Summary

IRCON Q4FY24 adj. PAT came lower than our estimate. Reported PAT has one off gain of Rs660mn from prior period claims. Operating performance was weak as Q4FY24 Revenue declined by 1% and & adjusted EBITDA margin at 6.2% was flat QoQ. IRCON guides revenue growth to be flat on YoY basis in FY25 & EBITDA margins to be maintained at the same level. Its order win has been lukewarm and order book has seen weakness at Rs272bn (FY24) vs Rs351bn YoY. This we understand could impact revenue of FY25E/26E, partially could be seen in Q4FY24. Opportunity remains huge for IRCON and thus awaits order win. We value IRCON on SOTP with TP of Rs268. TP implies valuation of ~26x FY26E EPS and book value basis at 3.6x FY26E BV. Retain HOLD rating on the company, stock catalyst execution uptick and order win.

Key Highlights and Investment Rationale

- **Q4FY23 Snapshot:** IRCON Revenue was down 1% YoY at Rs36bn. EBITDA at Rs2.4bn improved 24% YoY and 42% QoQ. EBITDA margin stood at 6.8% vs. 5.4% YoY vs. 6.2% QoQ. Segment wise, margin improved from international orders, which reported EBIT margin of 55% vs 28% YoY, Q4 EBIT margin in domestic projects was at 8% vs 6% YoY. Other income increased by 42% to Rs1476mn and PAT was up 15% YoY.
- **FY25E Guidance:** IRCON expects revenue to have flat growth in FY25. Order book at Rs272bn in Q4FY24, IRCON has bidded in multiple projects & also expecting new bids to float. If IRCON receives new order worth Rs100-150bn then might see better revenue growth in FY25. The margins for the year would be maintained in the same range & the PAT margins will be maintained at around 7-7.5% for FY25.

TP Rs268

CMP Rs279

Potential upside/downside -4%

Previous Rating HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	25.6	23.7	240.3
Rel to Sensex	24.8	22.2	220.5

V/s Consensus

EPS (Rs)	FY25E	FY26E
IDBI Capital	10	10
Consensus	15	18
% difference	(31.5)	(45.1)

Key Stock Data

Bloomberg/Reuters	IRCON IN /IRCN.BO
Sector	Infrastructure
Shares o/s (mn)	941
Market cap. (Rs mn)	262,498
3-m daily avg Trd value(Rs mn)	246.7
52-week high / low	Rs301 / 78
Sensex / Nifty	74,221 / 22,598

Shareholding Pattern (%)

Promoters	65.2
FII	4.6
DII	1.2
Public	29.0

Financial snapshot

(Rs mn)

Year	FY22	FY23E	FY24	FY25E	FY26E
Revenue	69,102	99,212	119,504	126,639	139,303
Change (yoy, %)	39	44	20	6	10
EBITDA	3,771	5,833	7,639	8,112	9,193
Change (yoy, %)	2	55	31	6	13
EBITDA Margin(%)	5.5	5.9	6.4	6.4	6.6
Adj.PAT	5,443	7,768	8,629	8,951	9,873
EPS (Rs)	6	8	9	10	10
Change (yoy, %)	34.5	42.7	11	4	10
PE(x)	48.2	33.8	30	29	27
Dividend Yield (%)	0.9	1.1	1	1	1
EV/EBITDA (x)	55.3	36.6	27.8	26.1	22.8
RoE (%)	12.1	15.9	16	15	15
RoCE (%)	6.8	9	10	10	10

Source: IDBI Capital Research

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Conference call takeaways

- Order book stood at Rs272bn in Q4FY24, of which 51% stood at Nomination basis & 49% stood at competitive basis. 91% orders are from domestic markets & 9 % are from international markets. 78% orders come from Railways, 21% orders from roads & remaining from other sectors.
- IRCON is expecting Order book to grow to extent of Revenue for FY25, IRCON is awaiting for the bids & tenders to float out post-Election Results.
- IRCON has received order inflow of Rs10bn in FY24, with Rs6bn project of Aizawl Tunnel, Rs1.2bn for Signalling project in Imphal & balance are the small projects, order inflow for the year was little subdued. Expecting order inflow to gain up pace from Q2FY25.
- In terms of Guidance, IRCON is expecting Revenue growth to be flat in FY25 & same is the case for FY26 , but if IRCON receives order inflow of Rs100-150bn during FY25, then Revenue growth of 10% might be seen in FY26. In terms of EBITDA margins the margins will be maintained at same level, & PAT margins will be maintained at around 7-7.5% for FY25.
- Cumulative Equity Infusion, in JV's /SPV's stood at around Rs20-22bn, IRCON is planning to infuse more Rs10bn in next 2 years & this will be majorly in Highway & Road projects.
- The Cash outflow of Rs5bn is to be done in FY25, in Renewable projects IRCON infused Rs1120mn till date & will infuse more Rs890mn in FY25 & the whole share will be of IRCON itself.
- The Share of HIGH Speed projects in current order book stands at around 20% at Rs52bn, IRCON has executed Rs10bn worth orders in this segment, the target is to open 1st stretch in FY25-26, Second stretch in FY27 & full line in FY28.
- IRCON is expecting more order once government approves more high speed corridors, Currently only IRCON & Larsen & Toubro have credentials for High Speed Rail Project.

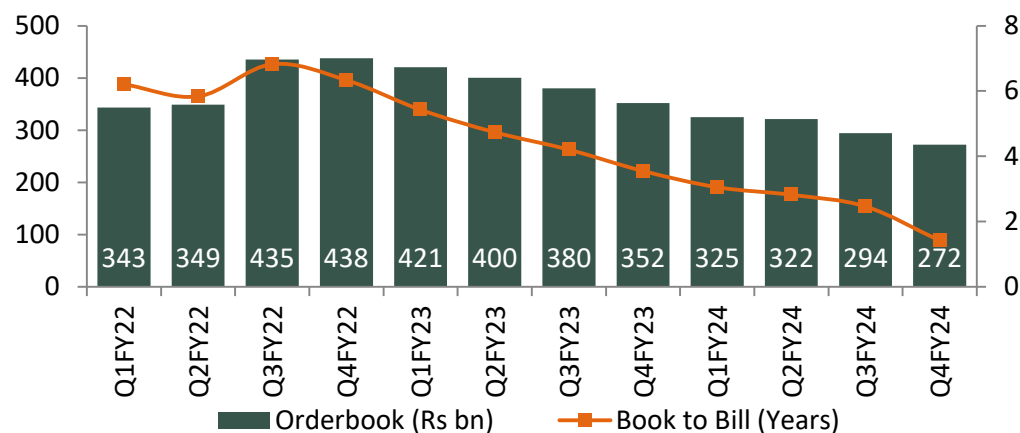
Exhibit 1: Quarterly Snapshot

(Rs mn)

Particulars	Q4FY24	Q4FY23	YoY Chg (%)	Q3FY24	QoQ Chg (%)
Net Sales	36,490	36,699	-1	27,921	31
EBITDA	2,465	1,993	24	1,741	42
<i>EBITDA margin (%)</i>	6.8	5.4	133 bps	6.2	52 bps
Other income	1476	1040	42	836	77
PBIDT	3,942	3,033	30	2,577	53
Depreciation	92	174	-47	92	0
Interest	21	16	30	25	-17
Pre-tax profit	3,829	2,844	35	2,460	56
Tax	972	363	168	609	60
Tax rate	25	13	1263 bps	25	65 bps
Profit after tax	2,857	2,481	15	1,851	54

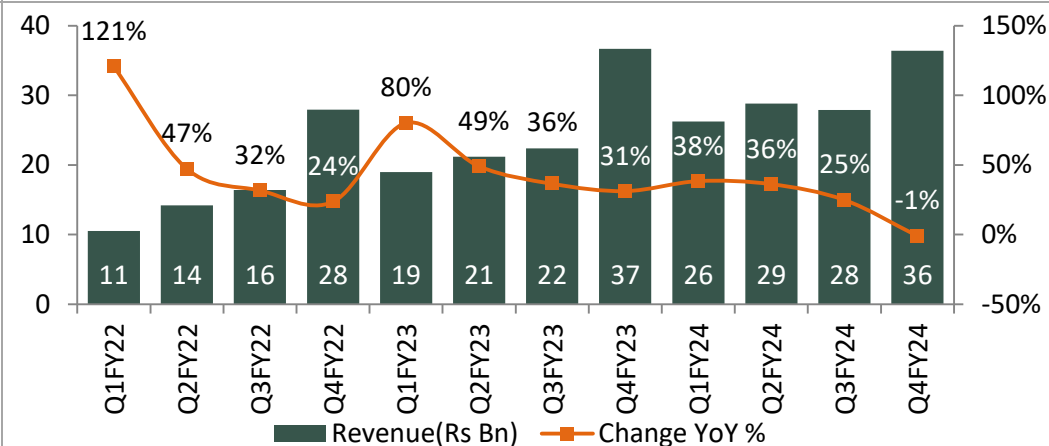
Source: Company

Exhibit 2: Order-book at 1.5x TTM revenue

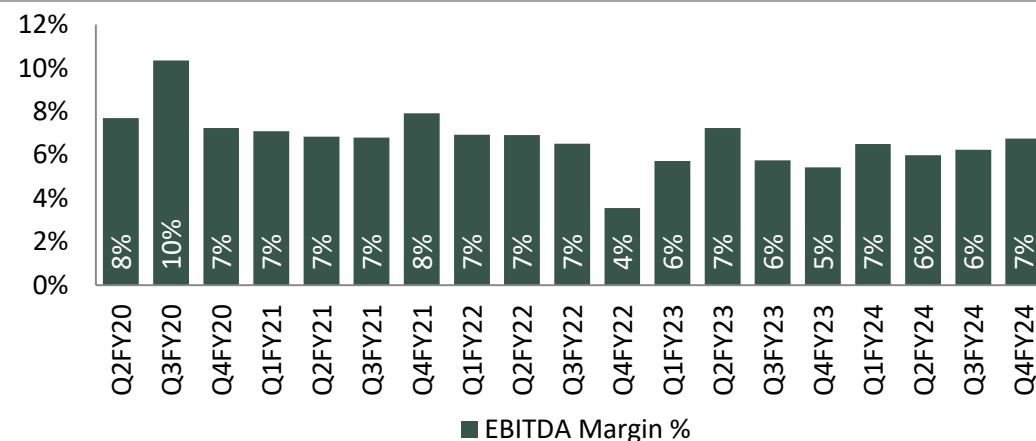


Source : Company

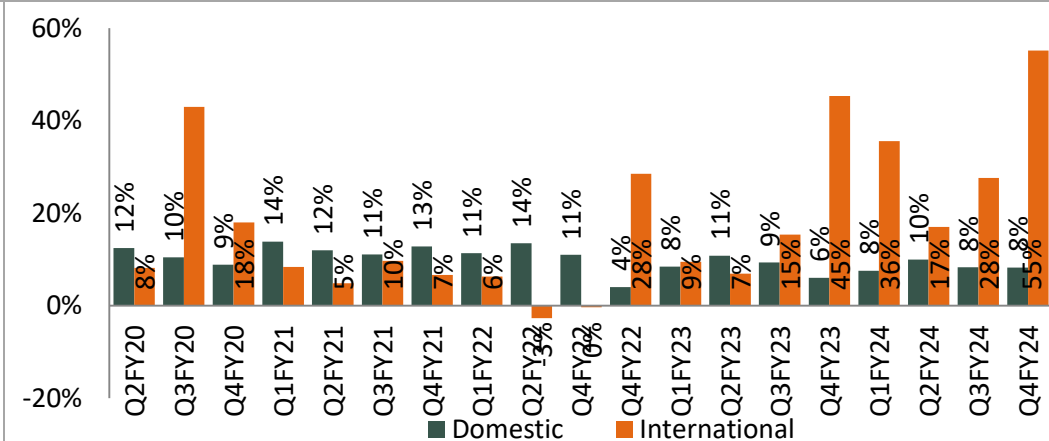
Exhibit 3: Revenue for Q4FY24 at Rs36bn and is flat YoY



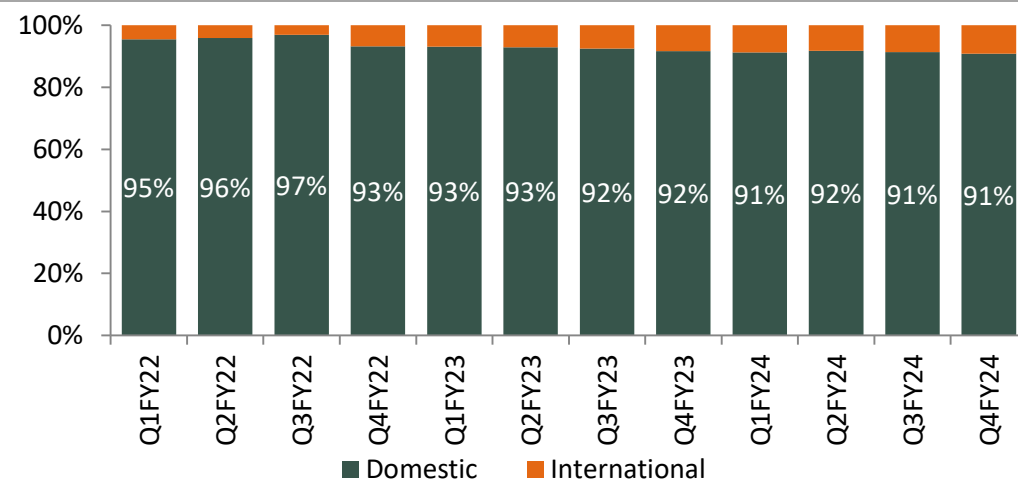
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Exhibit 4: EBITDA margin at 7% in Q4FY24

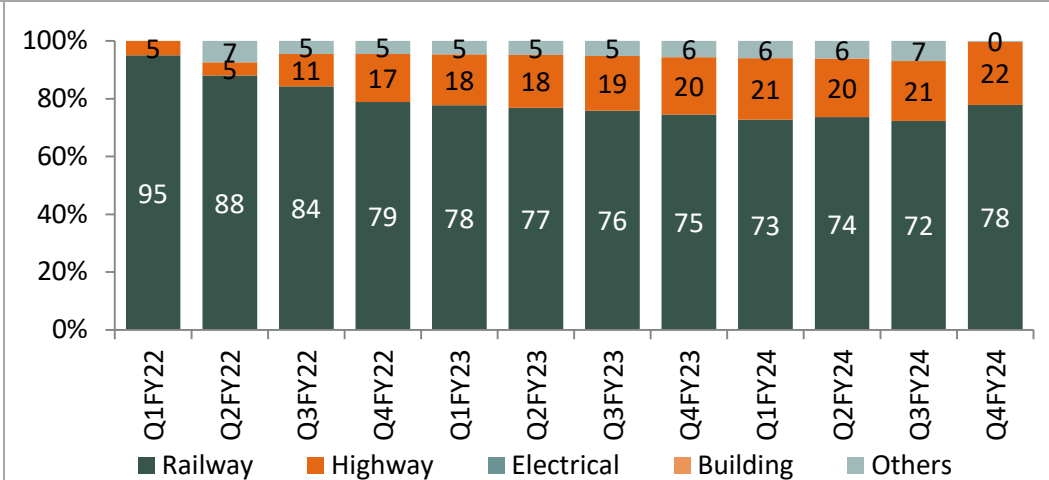
Source : Company

Exhibit 5: Geography wise EBIT margin %

Source : Company

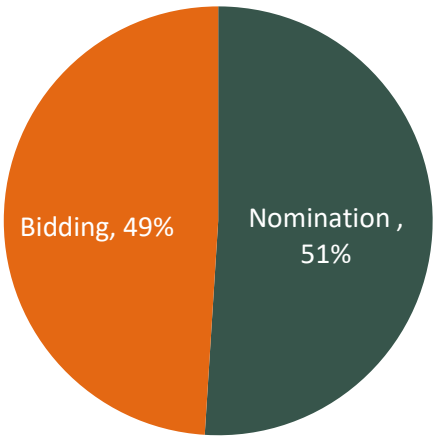
Exhibit 6: Order book composition: Geographic wise

Source : Company

Exhibit 7: Order book Composition: Segment wise

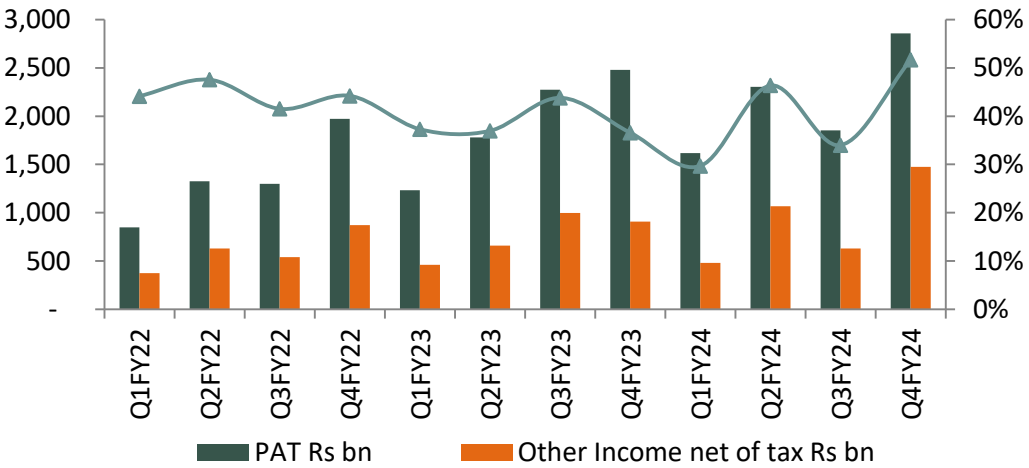
Source : Company

Exhibit 8: Q4FY24 Bid: Nomination %



Source: Company

Exhibit 9: Other Income as % of PAT



Source: Company

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	49,559	69,102	99,212	119,504	126,639	139,303
<i>Change (yoy, %)</i>	(5)	39	44	20	6	10
Operating expenses	(45,867)	(65,331)	(93,379)	(111,865)	(118,527)	(130,110)
EBITDA	3,692	3,771	5,833	7,639	8,112	9,193
<i>Change (yoy, %)</i>	(23)	2	55	31	6	13
<i>Margin (%)</i>	7.4	5.5	5.9	6.4	6.4	6.6
Depreciation	(248)	(275)	(377)	(362)	(414)	(466)
EBIT	3,444	3,496	5,456	7,277	7,698	8,727
Interest paid	(147)	(104)	(28)	(96)	(2)	(2)
Other income	2,444	2,709	3,404	4,375	4,238	4,439
Pre-tax profit	5,740	6,101	8,832	11,555	11,934	13,164
Tax	(1,695)	(657)	(1,064)	(2,926)	(2,984)	(3,291)
<i>Effective tax rate (%)</i>	29.5	10.8	12.0	25.3	25.0	25.0
Minority Interest	-	-	-	-	-	-
Net profit	4,046	5,443	7,768	8,629	8,951	9,873
Exceptional items	-	-	-	-	-	-
Adjusted net profit	4,046	5,443	7,768	8,629	8,951	9,873
<i>Change (yoy, %)</i>	(17)	35	43	11	4	10
EPS	4.3	5.8	8.3	9.2	9.5	10.5
Dividend per sh	2.4	2.5	3.2	3.5	3.6	4.0
<i>Dividend Payout %</i>	54.6	43.2	38	38	38	38

Balance Sheet

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Shareholders' funds	44,065	46,210	51,785	57,718	63,255	69,362
Share capital	941	1,881	1,881	1,881	1,881	1,881
Reserves & surplus	43,124	44,329	49,904	55,837	61,374	67,481
Total Debt	2	2	4	25	25	25
Other liabilities	6,789	6,390	15,319	18,411	18,496	18,647
Curr Liab & prov	55,790	74,674	69,656	64,687	68,018	71,602
Current liabilities	53,768	72,563	67,645	62,075	65,406	68,990
Provisions	2,022	2,110	2,011	2,612	2,612	2,612
Total liabilities	62,580	81,065	84,979	83,124	86,540	90,275
Total equity & liabilities	106,645	127,275	136,764	140,841	149,795	159,637
Net fixed assets	7,808	7,581	7,466	7,503	7,590	7,624
Investments	29,486	20,156	23,763	25,944	30,944	35,944
Other non-curr assets	1,302	1,142	2,059	4,143	4,143	4,143
Current assets	68,050	98,396	103,476	103,251	107,118	111,927
Inventories	1,176	2,723	2,064	2,324	2,631	2,894
Sundry Debtors	5,046	7,092	8,687	9,465	10,030	11,033
Cash and Bank	32,668	53,900	48,853	49,926	50,921	52,464
Loans and advances	29,160	34,682	43,871	41,537	43,537	45,537
Total assets	106,645	127,275	136,764	140,841	149,795	159,637

Cash Flow Statement

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	5,740	6,101	8,832	11,555	11,934	13,164
Depreciation	248	275	377	362	414	466
Tax paid	(377)	(70)	(514)	(321)	(2,984)	(3,291)
Chg in working capital	4,149	9,178	(7,061)	(5,608)	544	469
Other operating activities	(1,712)	(2,001)	(2,834)	(3,142)	(4,238)	(4,439)
Cash flow from operations (a)	8,049	13,483	(1,199)	2,846	5,671	6,369
Capital expenditure	(8,262)	12,429	598	(339)	(500)	(500)
Chg in investments	(5,405)	(27,093)	10,410	(26)	(5,000)	(5,000)
Other investing activities	6,611	13,502	2,089	(2,891)	4,238	4,439
Cash flow from investing (b)	(7,056)	(1,162)	13,097	(3,256)	(1,262)	(1,061)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(0)	(0)	(9)	(19)	-	-
Dividend (incl. tax)	(1,580)	(3,339)	(2,304)	(2,822)	(3,413)	(3,765)
Chg in minorities	-	-	-	-	-	-
Other financing activities	-	-	(2)	-	-	-
Cash flow from financing (c)	(1,580)	(3,339)	(2,315)	(2,841)	(3,413)	(3,765)
Net chg in cash (a+b+c)	(587)	8,982	9,583	(3,251)	995	1,542

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	47	49	55	61	67	74
Adj EPS (Rs)	4.3	5.8	8.3	9.2	9.5	10.5
Adj EPS growth (%)	-17	35	43	11	4	10
EBITDA margin (%)	7.4	5.5	5.9	6.4	6.4	6.6
Pre-tax margin (%)	11.6	8.8	8.9	9.7	9.4	9.4
Net Debt/Equity (x)	-0.7	-1.2	-0.9	-0.9	-0.8	-0.8
ROCE (%)	6	7	9	10	10	10
ROE (%)	9	12	16	16	15	15

DuPont Analysis

Asset turnover (x)	0.4	0.6	0.8	0.9	0.9	0.9
Leverage factor (x)	2.7	2.6	2.7	2.5	2.4	2.3
Net margin (%)	8.2	7.9	7.8	7.2	7.1	7.1

Working Capital & Liquidity ratio

Inventory days	9	14	8	7	8	8
Receivable days	37	37	32	29	29	29
Payable days	59	56	32	28	28	30

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	64.9	48.2	33.8	30.4	29.3	26.6
Price/Book value (x)	6.0	5.7	5.1	4.5	4.1	3.8
EV/Net sales (x)	4.6	3.0	2.2	1.8	1.7	1.5
EV/EBITDA (x)	62.2	55.3	36.6	27.8	26.1	22.8
Dividend Yield (%)	0.8	0.9	1.1	1.3	1.3	1.4

Source: Company; IDBI Capital Research



Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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