



Script Details

BSE Group	A
BSE Code	541956
NSE Code	IRCON
Bloomberg Code	IRCON IN
Market Cap (INR Cr.)	5,836
Free Float (%)	26.8%
52wk Low/High	65/35
Beta (1yr Nifty 50)	0.60
Face Value (INR)/ D. Yield (%)	2/4
Total paid Up Shares (Mn.)	940.5

Share Holding Pattern (%)

Promoters	Public	Others
73.2%	26.8%	-

Share Price Relative Performance



IRCON INTERNATIONAL LTD.

Buy at CMP: Rs 65 | Target: Rs 87 (34%)

Sector

Dec 07, 2022

Infrastructure

Ircon International Limited is a public sector construction company domiciled in India and incorporated under the provisions of the Companies Act applicable in India with specialization in execution of Railway projects on turnkey basis and otherwise. After commencing business as a railway construction company it diversified progressively to roads, buildings, electrical substation and distribution, airport construction, commercial complexes, as well as metro rail works.

Investment Rationale

- ◆ **Order Book is 6.56(x) Times the Market Cap. of Company:** IRCON international Ltd has a Market cap of Rs 6,099 Cr and holds an Order book worth Rs. 40,020 Cr which is 6.56(x) of its Market Cap. and 5.42(x) times of its FY22 revenue. The order book is largely comprised by Railways (77%) followed by highways (18%). From the management Input, company is expected to add another Rs 9,500-10,000 Cr of Order block in H2FY23.
- ◆ **Picked up Execution to Drive Earnings Momentum:** IRCON has picked up execution in Railways and highway space and reported a 3yr sales/ profit CAGR of 15%/10%. On TTM basis, revenues/ profits are up by 21%/17% from FY22 depicts continuation of execution pace. Management has guided for 8.5 - 9% EBITDA margins at consolidate levels, its PAT margins does not deviate significantly from EBITDA margins as Other income largely compensate for the gap. Company has received ~50% of order book by Nominations and rest through bidding. Modernization of railway Infrastructure is key positive trigger for IRCON.
- ◆ **Robust Execution capabilities with Sound Financial Profile:** Company has demonstrated history of timely project completion and provides confidence to complete existing large order book. It has a gearing of 0.29(x) and has strong cash flow generation ability which reflecting in its payout to shareholders (3 yr avg. of 33%). IRCON offers a dividend yield of 3.86% with earnings visibility in near term future. IRCON offers an Value Buy opportunity through its Comfortable order book positioning and cheap valuations.
- ◆ **Outlook and Valuations:** We estimate a 11% CAGR in revenues over FY22-25E, with EBITDA margins as per guidance of 8.5%, which implies a forward PE (x) and EV/EBITDA (x) of 6.5/ 1.8 for FY 25E. We value it with a earnings multiple of 9.1x (4yr avg Median) to FY25 earnings estimate which results in per share value of Rs 87 and recommend BUY on IRCON at CMP of Rs. 64.8 with Target price of Rs. 87 (34.3%).

Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY22	8,955	698	696	8.4	2.7
FY23E	9,940	845	726	8.0	2.2
FY24E	11,034	938	805	7.2	2.0
FY25E	12,247	1,041	894	6.5	1.8

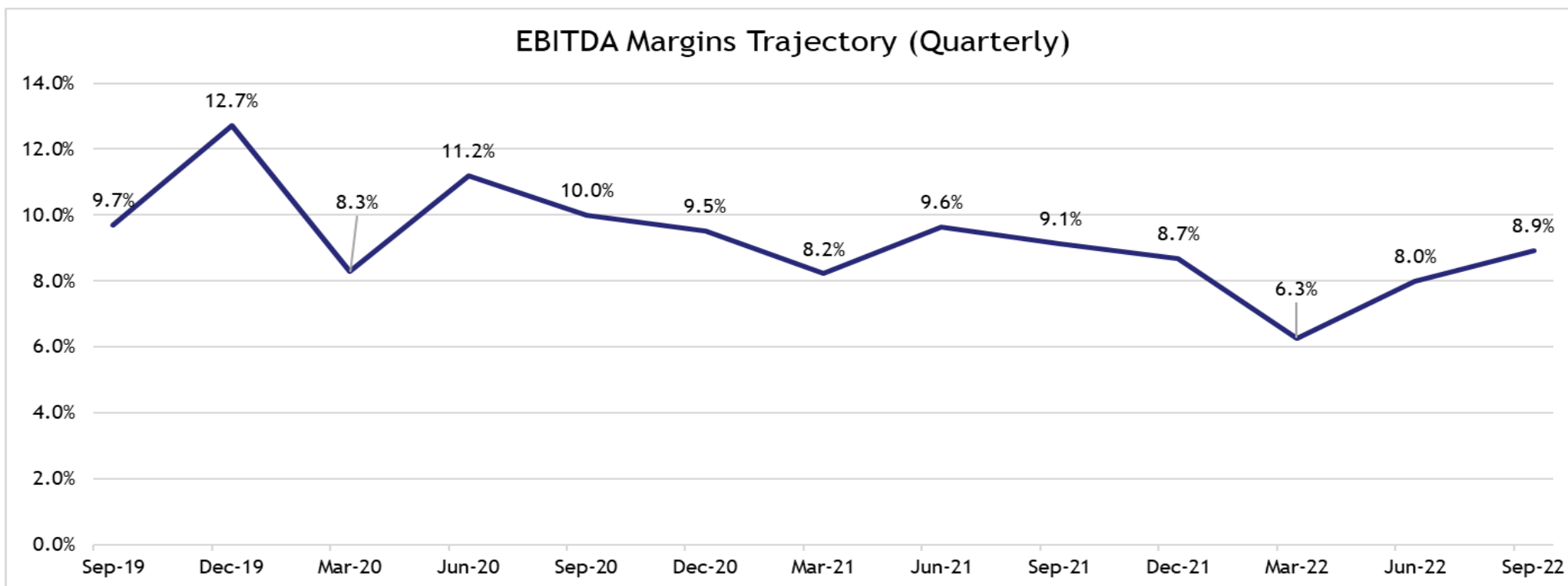
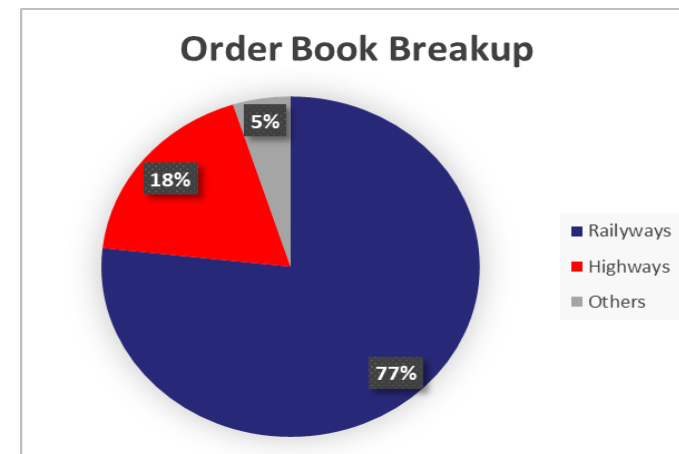
Source: Company Data, Ace Equity, GEPL Research

KEY CHARTS

Category	Value (Rs Cr)	% of Total
Railways	30,712	77%
Highways	7,339	18%
Others	1,969	5%
Total	40,020	100%

Secured Via	Value (Rs Cr)	% of Total
Nomination	20,612	52%
Bidding	19,408	48%
Total	40,020	100%

Type	Value (Rs Cr)	% of Total
Domestic	37,190	93%
International	2,830	7%
Total	40,020	100%





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