

IRCON International Limited - OFS Report

04 - March - 2021

OFFER BACKGROUND

The President of India, acting through and represented by the Ministry of Railways, Government of India, is the promoter of IRCON International Ltd (the "Promoter"). The Promoter (the "Seller") proposes to sell up to 4,70,25,787 Equity Shares of the Company, (representing 10% of the total issued and paid up equity share capital of the Company) ("Base Offer Size"), with an option to additionally sell 2,82,15,473 Equity Shares (representing 6% of the total issued and paid up equity share capital of the Company) (the "Oversubscription Option" and in the event that the Oversubscription Option is exercised, the Equity Shares forming part of the Base Offer Size and the Oversubscription Option will represent 16% of outstanding Equity Shares of the Company, i.e. 7,52,41,260 Equity Shares, representing 16% of the total paid up equity share capital of the company.

THE SYNOPSIS OF THE OFFER FOR SALE IS AS FOLLOWS:

Name of the Seller (Promoter /Promoter Group)	The President of India, acting through and represented by the Ministry of Railways, Government of India
Name of the company whose shares are proposed to be sold and ISIN	IRCON International Limited
Name of the stock exchanges where orders shall be placed	NSE and BSE
Name of the designated stock exchange	BSE
Date and time of opening and closing of the sale	Date: March 03, 2021 for Non-Retail; Open: 9.15am; Close: 3.30 pm Date : March 04, 2021 for retail; Open : 9:15am; Close : 3.30pm
Total number of equity shares being offered in the Sale	Sell up to 4,70,25,787 Equity Shares of the Company, (representing 10% of the total issued and paid up equity share capital of the Company) ("Base Offer Size"), with an option to additionally sell 2,82,15,473 Equity Shares (representing 6% of the total issued and paid up equity share capital of the Company)
Name of the broker(s)	Antique stock Broking Limited
Retail Discount	No discount
Floor Price	Rs.88
Allocation Methodology	The allocation shall be at or above the Floor Price on price priority method at multiple clearing prices ("Clearing Prices") basis in accordance with the SEBI OFS Circulars.

Stock Data

Latest Data as on 3rd March, 2021	
Latest Equity(Subscribed)	94.05
Latest Reserve	470257870
Latest EPS -Unit Curr.	7.15
Latest Bookvalue -Unit Curr.	89.14
Face Value	2
Stock Exchange	BSE
Latest Market Price--Unit Curr.	97.85
Latest P/E Ratio	13.69
Latest P/BV	1.1
52 Week High -Unit Curr.	108.4
52 Week High-Date	11/2/2021
52 Week Low -Unit Curr.	58.2
52 Week Low-Date	24/03/2020
Market Capitalisation	4601.47
Dividend Yield -%	4.85

P\B Chart



AVERAGES – Turnover (NSE)

	Total Turnover	Avg. Turnover
Weekly	813560768	1627121605
Fornightly	1656469888	16564699210
Monthly	9204570112	46022851220
Quarterly	15253232640	24601988862
Half Yearly	18624770048	148998160125
Yearly	35186122752	140744496250

AVERAGES – VOLUME (NSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	8390230	1678046	5
Fornightly	17168700	1716870	10
Monthly	93465872	4673293.5	20
Quarterly	160395792	2587029	62
Half Yearly	201556688	1612453.5	125
Yearly	354538336	1418153.4	250

Key Findings

- IRCON International is an engineering and construction, specialized in transport infrastructure and is wholly owned by the Ministry of Railways. As on 31 December 2020, the Government of India held 89.18% stake in IRCON International.
- IRCON International announced opening the 30 km section between Korichhapar to Dharamjaigarh within the targeted date i.e., 31.12.2020. A trial run was carried on 31 December 2020. The cost of this line is approximately Rs 325 crore and the work is executed by Ircon International under an SPV named Chhattisgarh East Railway. South Eastern Coalfields, IRCON and Chhattisgarh Government are shareholders for the Chhattisgarh East Railway.
- A section of 44 km length between Kharsia to Korichhaporis already made operational by IRCON in October 2019. Now, with the completion of Korichhapar-Dharamjaigarh, the complete section of 74 km between Kharsia-Dharamjaigarh is functional. Commencement of this section will help in evacuation of coal from North Chhattisgarh Area. This 74 km is the first stretch being commissioned under the PPP model. Following this development, the goods train can reach upto Durgapur, Baroud and Chhaal mines of South Eastern Coalfields.
- On a consolidated basis, the company's consolidated net profit declined by 28.3% to Rs 102.10 crore on a 11.7% rise in net sales to Rs 1353.03 crore in Q3 FY21 over Q3 FY20.
- IRCON International had furnished corporate guarantee to Punjab National Bank for loan to wholly-owned subsidiary, Ircon Davanagere Haveri Highway (IrconDHHL). IrconDHHL has refunded the loan of Rs 326.72 crore to Ircon International.
- During December, 2020, announced that it has been awarded the work of up gradation of Gurgaon- Pataudi-Rewari section of NH-352 (design length of 46.11 km) as a feeder route in the state of Haryana by National Highways Authority of India (NHAI). The order has been awarded on a Hybrid Annuity Mode and is valued at Rs 900 crore. The project will be undertaken & executed by a Special Purpose Vehicle (SPV) which shall be incorporated by the company as its wholly-owned subsidiary company, Ircon International said.
- In current financial year, IRCON has already secured orders worth Rs.3,983 crore including Rs.1,623 crore orders secured in Q3FY21.
- In Q3FY21, IRCON has been awarded an order for Design, Supply, Installation, Testing and Commissioning of Receiving Sub-Stations and associated works on Viaduct & Tunnel from Sarai Kale Khan to Duhai (EPE) [including Jangpura Stabling Yard and Duhai Depot] and SCDA system for Complete Corridor of Delhi-Ghaziabad-Meerut RRTS Corridor of NCRTC worth Rs.318Crores (approx.). The tenure for execution of works is 50months.
- Ircon has won an order for Design, Supply, Installation, Testing and Commissioning of Receiving Sub-Stations and associated works on Viaduct & Tunnel from Duhai (EPE) to Modipuram [including Modipuram Depot] for Delhi-Ghaziabad-Meerut RRTS Corridor of NCRTC for Rs. 405 crores approx. The tenure for the same is 54 months.
- An order worth Rs.900 crores, has been awarded to Ircon on a competitive bidding basis, for the up-gradation of Gurgaon-Pataudi,-Rewari section of NH-3S2W (design length of 46. 110 km) as feeder route in the state of Haryana on Hybrid Annuity Model.

Conclusion

The company is doing well and healthy order book and huge investments taking place in Railways, Highways and other infrastructure projects by the Government of India and the company is confident that the accelerated growth of company will continue in years to come. This increase was due to orders flowing in from various infrastructure projects in railways, metros, highways/ roads segments. The focus of the management is to ensure timely execution of these orders with quality standards and complete client satisfaction.

On the valuation part, for short term looking good on CMP of Rs.91.10 and we expect the stock to see a price target of Rs.107 in 8-10 month a current P/Ex 12.74 and FY21 EPS of Rs.8.36. (approx. target by 15% from current level).

**View : Fundamentally good for long term purpose
Size of offer : Rs.413.82 crore if oversubscribed Rs.662 crore**

Shareholding Pattern (%)

Description as on	31/12/2020	30/09/2020	30/06/2020
Total Foreign	0.77	0.66	0.51
Total Institutions	1.79	2.04	2.9
Total Non-Promoter Corporate Holding	0.7	0.87	1.42
Total Promoters	89.18	89.18	89.18
Total Public & Others	7.56	7.26	5.99

Shareholding of securities of persons belonging to the category Public and holding more than 1% of the total number of shares

No Holding

Allocation methodology	<p>A minimum of 25% of the equity shares being offered in the Sale shall be reserved for allocation to mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended ("Mutual Funds") and insurance companies registered with the insurance Regulatory and Development Authority under the Insurance Regulatory and Development Authority Act, 1999, as amended ("Insurance Companies"), subject to receipt of valid bids/orders at the Clearing Prices.</p> <p>In the event of any under subscription by Mutual Funds and Insurance Companies, the unsubscribed portion shall be available to the other bidders.</p> <p>No single bidder other than Mutual Funds and Insurance Companies shall be allocated more than 25% of the size of the Sale.</p>
Oversubscription option	<p>In case the Oversubscription Option is not exercised, the equity shares of the Company forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares") through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited ("NSE", and together with the BSE, the "Stock Exchanges").The Offer shall be undertaken exclusively through the Seller's Brokers named below on a separate window provided by the Stock Exchanges for this purpose.</p>
Conditions for withdrawal of the Sale	<p>The Seller reserves the right to not to proceed with the Sale at any time prior to the time of opening of the Sale on the Sale Date.</p> <p>In such a case, there shall be a cooling off period of 10 trading days from the date of withdrawal before an offer is made again. The Stock Exchanges shall suitably disseminate details of such withdrawal.</p>
Conditions for cancellation of the Sale	<p>In the event (i) the aggregate number of orders received in the Sale at or above the Floor Price is less than the total number of Sale Shares or (ii) of any default in settlement obligations, the Seller reserves the right to either conclude the Sale to the extent of valid bids / orders or cancel the Sale in full. The decision to either accept or reject the Sale shall be at the sole discretion of the Seller.</p>
Conditions for participating in the Sale	<p>Non-institutional buyers shall deposit 100% of the order value in cash up-front with the Clearing Corporation at the time of placing bids for the Sale.</p> <p>In case of institutional investors who place orders with 100% of the order value deposited upfront, custodian confirmation shall be within trading hours.</p> <p>In case of institutional investors who place orders without depositing 100% of the order value upfront, custodian confirmation shall be as per the existing rules for secondary market transactions.</p> <p>The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.</p> <p>Modification or cancellation of orders would be allowed during the duration of the offer only for:</p> <p>(i) Orders placed by institutional investors and by non-institutional investors, with 100% of the order value deposited upfront: Such orders can be modified or canceled at any time during the trading hours.</p> <p>(ii) Orders placed by institutional investors without depositing 100 % of the order value upfront: Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.</p> <p>The buyer shall also be liable to pay any other fees, as may be levied by the Stock Exchanges, including Securities Transaction Tax.</p> <p>In case of any permitted modification or cancellation of the order / bid, the funds shall be released/ collected on a real-time basis by the clearing corporation.</p> <p>In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.</p>

QUARTERLY PERFORMANCE

	Qtr Ending Dec.20	Qtr Ending Dec.19	VAR %
Total Income	1353.03	1210.95	12
OPM (%)	9.44	12.68	
OP	127.70	153.54	-17
Other income	34.68	44.19	-22
PBIDT	162.38	197.73	-18
Net Finance Charges	5.00	12.46	-60
PBDT	157.38	185.27	-15
Depreciation	23.06	21.17	9
PBT before EO	134.32	164.10	-18
EO	0.00	0.00	
PBT after EO	134.32	164.10	-18
Tax expense	32.22	21.67	49
PAT	102.10	142.43	-28

Financial Overview

(Rs. In Crore)

	202003	201903	201803	201703	201603
Equity Paid Up	94.05	94.05	94.05	98.98	19.8
Networth	4171.32	3964.22	3761.23	3816.9	3638.92
Capital Employed	7417.45	8176.16	8276.49	5849.18	4870
Total Debt	2461.23	3076.53	3200	0	0
Gross Block (Excl. Reval. Res.)	2177.41	2012.87	639.69	921.39	930.83
Net Working Capital (Incl. Def. Tax)	2113.38	2381.38	3036.31	3431.01	3462.64
Current Assets (Incl. Def. Tax)	7695.98	7544.1	7546.85	6806.84	6710.92
Current Liabilities and Provisions (Incl. Def. Tax)	5582.6	5162.72	4510.54	3375.82	3248.28
Total Assets/Liabilities (excl Reval & W.off)	13000.05	13338.88	12787.03	9225	8118.28
Gross Sales	5391.51	4798.43	4024.22	3067.31	2492.69
Net Sales	5391.51	4798.43	4024.22	3067.31	2492.69
Other Income	178.61	212.72	189.01	313.34	421.43
Value Of Output	5375.62	4967.8	4034.78	3115.17	2487.65
Cost of Production	4764.93	4161	3543.99	2680.45	2140.44
Selling Cost	7.18	8.64	10.54	8.09	5.15
PBIDT	782.85	690.4	636.98	640.85	685.8
PBDT	754.93	675.87	571.86	582.2	642.5
PBIT	699.91	638.79	620.56	614.17	654.9
PBT	671.99	624.26	555.44	555.52	611.6
PAT after Minority Interest & P/L Asso.Co.	485.31	450.07	408.66	383.98	393.11
Adjusted PAT	464.66	440.86	406.06	335.26	392.55
CP	568.25	501.68	425.08	410.66	424.01
Revenue earnings in forex	0	0	0	0	485.32
Revenue expenses in forex	0	0	0	0	472.29
Capital earnings in forex	0	0	0	0	0
Capital expenses in forex	0	0	0	0	0
Book Value (Unit Curr)	443.52	421.5	399.92	385.62	1838.21
Book Value (Adj.) (Unit Curr)	88.7	84.3	79.98	77.12	367.64
Market Capitalisation	3584.78	3775.7	0	0	0
Financial Years High & Low Prices					
High Date (BSE)	19-Feb-20	17-Dec-18			
High Price (BSE)	119.76	94	0	0	0
Low Date (BSE)	24-Mar-20	25-Oct-18			
Low Price (BSE)	58.2	67.6	0	0	0
Year End Price Date (BSE)	31-Mar-20	29-Mar-19	17-Oct-95	17-Oct-95	17-Oct-95
Year End Price (BSE)	76.23	80.29	61	61	61
High Date (NSE)	19-Feb-20	17-Dec-18			
High Price (NSE)	119.8	94.2	0	0	0
Low Date (NSE)	24-Mar-20	25-Oct-18			
Low Price (NSE)	58	67.6	0	0	0
Year End Price Date (NSE)	31-Mar-20	29-Mar-19			
Year End Price (NSE)	76.21	80.45	0	0	0
CEPS (annualised) (Unit Curr)	60.42	53.34	45.2	39.53	206.01
EPS (ann.) after Minority Interest (Unit Curr)	51.6	47.85	43.45	36.84	190.44
EPS(ann.)afterMinorityInterest(Adjusted)(UnitCurr)	10.32	9.57	8.69	7.37	38.09

(Rs. In Crore)

	202003	201903	201803	201703	201603
Dividend (annualised%)	237.5	215.45	204	374.1	850
Payout (%)	31.42	27.01	0	50.53	48.31
Cash Flow From Operating Activities	543.15	-1185.38	-2616.75	919.26	1441.43
Cash Flow From Investing Activities	411.2	615.95	-20.28	-1834.27	47.35
Cash Flow From Financing Activities	-953.36	-92.56	2737.39	-221.93	-219.32
Rate of Growth (%)					
ROG-Net Worth (%)	5.22	5.4	-1.46	4.89	5.37
ROG-Capital Employed (%)	-9.28	-1.21	41.5	20.11	22.37
ROG-Gross Block (%)	8.17	214.66	-30.57	-1.01	4.71
ROG-Gross Sales (%)	12.36	19.24	31.2	23.05	-16.21
ROG-Net Sales (%)	12.36	19.24	31.2	23.05	-16.21
ROG-Cost of Production (%)	9.7	22.93	30.36	28.41	-3.9
ROG-Total Assets (%)	-2.54	4.32	38.61	13.63	24.9
ROG-PBIDT (%)	13.39	8.39	-0.6	-6.55	-22.54
ROG-PBDT (%)	11.7	18.19	-1.78	-9.39	-25
ROG-PBIT (%)	9.57	2.94	1.04	-6.22	-24.14
ROG-PBT (%)	7.65	12.39	-0.01	-9.17	-26.72
ROG-PAT (%)	7.83	10.13	6.43	-2.32	-30.18
ROG-CP (%)	13.27	18.02	3.51	-3.15	-27.53
ROG-Revenue earnings in forex (%)	0	0	0	-100	-42.53
ROG-Revenue expenses in forex (%)	0	0	0	-100	-16.49
ROG-Market Capitalisation (%)	-5.06	0	0	0	0
Key Ratios					
Debt-Equity Ratio	0.68	0.81	0.42	0	0
Long Term Debt-Equity Ratio	0.54	0.75	0.42	0	0
Current Ratio	1.28	1.48	1.82	2.04	2.09
Turnover Ratios					
Fixed Assets Ratio	2.57	3.62	5.16	3.31	2.74
Inventory Ratio	16.52	20.3	28.74	21.91	19.55
Debtors Ratio	8.86	7.16	7.01	6.24	5.08
Total Asset Turnover Ratio	0.69	0.58	0.57	0.57	0.56
Interest Cover Ratio	25.07	43.96	9.53	9.21	15.12
PBIDTM (%)	14.52	14.39	15.83	18.48	27.51
PBITM (%)	12.98	13.31	15.42	17.61	26.27
PBDTM (%)	14	14.09	14.21	16.57	25.78
CPM (%)	10.54	10.46	10.56	11.8	17.01
APATM (%)	9	9.38	10.16	10.93	15.77
ROCE (%)	8.98	7.77	8.79	10.08	14.8
RONW (%)	11.93	11.65	10.79	8.99	11.09
Debtors Velocity (Days)	37	51	61	56	75
Creditors Velocity (Days)	44	47	45	52	72
Inventory Velocity (Days)	25	21	14	19	22
Assets Utilisation Ratio (times)					
Value of Output/Total Assets	0.41	0.42	0.44	0.39	0.42
Value of Output/Gross Block	2.57	3.82	3.39	4.35	4.45



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E-mail: smc.care@smcindiaonline.com



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Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park, A Wing 401 / 402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:

18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

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