



## Press Release

**Ircon International Limited**  
**Nov 22, 2024**

### Ratings

<b>Instrument/ Facility</b>	<b>Amount (Rs. crore)</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Bank Facilities / Short Term Bank Facilities	9000.00	IVR AAA/ Stable (IVR Triple A with Stable Outlook) / IVR A1+ (IVR A One Plus)	-	Assigned	<b><u>Simple</u></b>
<b>Total</b>	<b>9000.00</b>	<b>Rupees Nine Thousand Crore Only</b>			

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

### Detailed Rationale

Infomerics Ratings (IVR) has assigned the long-term rating of IVR AAA with Stable Outlook and & short-term rating of IVR A1+ for the bank loan facilities of Ircon International Limited (IRCON).

The rating assigned to the IRCON takes into consideration established track record of operations and significant linkages with the Government of India & the Ministry of Railways along with experienced management. The ratings also take into consideration robust financial risk profile, healthy order book position and low counterparty risk. However, these rating strengths are partially offset by exposure to the group companies, besides project execution risk & susceptibility to adverse raw material fluctuations risk and competition.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the IRCON's business & financials risk profile will be maintained over the medium term on the back of IRCON's established long track record of operations and strong project execution capabilities.

IVR has principally relied on the standalone audited financials of IRCON up to 31 March 2024 (refers to 1 April 2023 to 31 March 2024) & given company projected financial of FY25 (refers to 1 April 2024 to 31 March 2025), and publicly available information/clarifications provided by the company's management.

### Key Rating Sensitivities:

**Upward Factors :** NA

### Downward Factors

- GoI shareholding falling below 51%.



## Press Release

- Moderation in scale of operations led by moderation in order book and/or profitability impacting the debt protection metrics/liquidity

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

#### **Established track record and significant linkages with the Government of India & the Ministry of Railways along with experienced management**

Government of India (GoI) has the majority shareholding of 65.17% as on 30 Sep,2024. Earlier, the company was 'Mini Ratna' category and subsequently in Oct,2023 it has been upgraded to 'Navratna' and it is a Central Public Sector Enterprise (CPSE) under the Ministry of Railways (MoR) signifying strong linkages with GoI and MoR. IROCN has long established track record of successfully running business for more than 48 years since its inception in 1976 and demonstrated strong execution capabilities over the years. It has operations in several states in India and in other foreign countries namely Nepal, Bangladesh, Sri Lanka, Myanmar, Algeria etc. IRCON has completed a total of over 401 domestic projects and 128 international projects for diverse clients, maintaining client satisfaction and timely delivery with quality and has been one of the main companies through which MoR has implemented railway projects over the period since its inception.

The management of the company is well experienced & qualified, having decades of experience viz. As on Sep,2024, the company is headed by Mr. Hari Mohan Gupta, Chairman & Managing Director, graduated in Civil Engineering in 1988 from University of Roorkee and he has also been a director of DFCCIL (Dedicated Freight Corridor Corporation of India Limited) and executive director in Ministry of Railways. He is well assisted by other directors having overall more than decades of experience viz. Ms. Ragini Advani (Director- Finance), qualified Chartered Accountant and Cost Accountant, Mr. Parag Verma (Director- Works), postgraduate in Engineering, Mr. Anand Kumar Singh (Director-Projects), qualified Civil Engineer from I.I.T. Delhi and M.B.A. (Finance) from MDI, Gurugram. In addition to that, the company has two non-executive - nominee directors and four independent directors on board to assist the company. GoI Shareholding, managerial and financial linkages with the MoR will continue to remain a key monitorable.

#### **Comfortable financial risk profile**

Over the years, the company has shown consistent growth, with CAGR of ~34% in last 3 fiscal years (FYs) grown. Total operating income of the company improved by ~20.5% from Rs 9921.20 crores to Rs 11950.40 crores on the account of healthy order book contribution and efficient execution of projects during the period, wherein registered total revenue including other income of Rs 12387.85 crores against Rs 10261.63 crores, representing an increase of ~20.7% in FY24. During Q1FY25, the company registered TOI of Rs 2180.48 crores in



## Press Release

Q1FY25 against Rs 2625.64 crores in Q1FY24, decline in revenue in Q1FY25 due to completion of some of large projects nearing completion or have completed, besides geographical factors led to decline in the revenue. Over the last 3 FYs, average EBITDA excludes other income (earnings before interest, taxes, depreciation, and amortization) & PAT (profit after tax) margins remain at ~ 5.5% and ~ 6.4% respectively. EBITDA (excluding other income) margins of the company stood moderate at 6.39% in FY24 against 5.88% and PAT stood at 6.97% in FY24 against 7.57% in FY23. Debt protection of the company remains robust having no fixed term obligation against long term debt on standalone basis and interest service coverage ratio (ISCR=EBITDA/ finance charges) stood comfortable at 79.49x in FY24 (PY: 208.32x). Current ratio is comfortable at 1.60x in FY24 (PY: 1.49x). Company has prudent operating cycle of less than 8 days owing to comfortable debtor period & inventory holding period of 29 days & 7 days only respectively.

### **Healthy order book position and low counterparty risk**

The company has healthy order book of ~Rs 26,034 crores as on 30 June 2024 providing revenue visibility in medium term and indicates revenue visibility for next 3 years, wherein about 51% orders are on competitive basis and balance on nomination. On average order in the range of INR 10,000 crores to INR 12,000 crores keeping the order book for the full year. The major new orders are from railway of ~Rs 20,420 crores and from of highway project of ~Rs 5,531 crores. The company has low counterparty risk since majority of the orders are from central & state government undertakings, MoR, such as Ministry of Railway transport, National Highways Authority of India (NHAI), NTPC Limited (National Thermal Power Corporation), NMDC Limited (formerly National Mineral Development Corporation, North Western Railway, National Capital Region Transport Corporation, National High Speed Rail Corporation Limited, Northeast Frontier Railway Northern, Northeast Frontier Railway, East Central Railway, Government of Jammu & Kashmir, National Highways & Infrastructure Development Corporation Limited, Ministry of Road Transport & Highway, Indian Renewable Energy Development Agency Ltd. (IREDA), Airport Authority of India. The company has order book of ~9% in foreign countries which exposes the company to regulatory and geographical risks associated with that region and country.

### **Key Rating Weaknesses**

#### **Exposure to the group companies**

IRCON has 11 subsidiaries, out of subsidiaries, 9 are special purpose vehicles (SPVs) for executing the NHAI road projects. Out of 9 road projects 2 HAM projects are operational, and 5 HAM projects are under construction, besides there are 2 toll road projects. Subsidiary named 'Ircon Renewable Power Limited' was setting up of 500 MW Grid connected Solar PV Power Projects in India under Central Public Sector Undertaking (CPSU) Scheme Phase-II (Government Producer Scheme), whereas ~100 MW connected to grid. The company also



## Press Release

has stake as a Joint Ventures (JVs), out of 7 JVs, 5 JVs are related to railway related projects in Chhattisgarh, Jharkhand mainly and holds a 26% stake, 1 JV is for station development program and holds a 26% stake, 1 is for collecting toll road project in Maharashtra and holds a 50% stake. The Group companies has not received any grants or donations during the fiscal years ending on March 31, 2024, and March 31, 2023. One of its subsidiaries viz. IRCON Renewable Power Limited, has received viability gap funding (VGF) of Rs 112.35 Crore during the current fiscal year.

The Company has also given corporate guarantee to various banks on behalf of and in respect of term loan facility for its subsidiary company, whereas balance of term loan taken by subsidiaries from banks, as on 31.03.2024 is Rs 1,575.27 crore (PY: Rs 1464.21 crores), besides IRCON has given letter of comfort on behalf of one of its subsidiary of Rs 2.05 crore (PY: Rs 11.39 crores) as on 31.03.2024. In addition to that, company has investment in its group companies to the tune of Rs ~2150 crore, (PY: ~ Rs 1912 crores), besides given loan & advances to its group companies of ~Rs 314 crores (PY: ~Rs 345 crores). Adjusted gearing is still comfortable as on 31 March,2024, while calculated on adjusted net worth (outflow due to investment, loan & advances given to group companies) & adjusted debt owing to given corporate guarantee to group companies. IRCON's ability to maintain strong liquidity, unlocking capital from the group companies upon completion of project, exposure towards group companies reflected in adjusted gearing will be key monitorable.

### **Project execution risk & exposure to tender-based operations, & susceptible to raw material fluctuation risk and competition**

Given the nature and size of the projects the company is exposed to inherent risk in terms of delays in project execution & cost overrun of certain orders which may arise due to arranging infrastructure, delay in land acquisitions & environmental clearances, besides delay in sanctioning of mobilization advances for the completion of orders, may result in a delay in the realization of revenue growth & could affect the profit margins adversely. In the past railways projects are awarded through nomination and as on June,2024 ~51% orders are on competitive basis and balance on nomination, however going forward the company is competing with peers for competitive bidding This exposes the company to the risk associated with the tender-based business, which is characterized by intense competition from peers which could exert on the pricing of the tender which further may affect the profit margin. However, risk mitigates to an extent since IRCON's Business Development Department (BDD) has a dedicated team to grow order book, develop and evaluate bidding strategies as well as to identify new business opportunities to generate and nurture future business of the company in India as well as in foreign geographies and in the past, IRCON has secured projects in railway, highway, tunnel, metro, solar, electrical & mechanical, signalling & telecommunication, buildings etc. both through competitive bidding and on nomination basis



## Press Release

w.r.t current o/s order book position. In addition to that, the company is susceptible to raw material fluctuation risk since construction raw materials price tends to fluctuate as per demand & supply in the market besides other external factors, However, price variation clause in the orders mitigates risk to an extent. Addition of new large orders through competitive bidding, diversification of order book and timely execution of project will be key monitorable considering discontinuation of nomination & intense competition from the peers.

**Analytical Approach:** Standalone and Parent notch up.

**Applicable Criteria:**

- [Rating Methodology for Infrastructure Companies](#)
- [Financial Ratios & Interpretation \(Non-Financial Sector\)](#).
- [Criteria for assigning Rating outlook.](#)
- [Rating Criteria for Government Support](#)
- [Rating Criteria for Parent/Group Support](#)
- [Policy on Default Recognition](#)
- [Complexity Level of Rated Instruments/Facilities](#)

**Liquidity – Strong**

Liquidity of the company is adequate marked by the gross cash accruals of Rs 890.38 crores in FY24 against no fixed term obligations. The company has not availed fund based working capital limits, whereas non-fund-based utilization stood at ~ 53% as on 31 March,2024. The company had cash & cash equivalent of Rs 1,828.88 crore at the end of March,2024.

**About the Company**

Ircon International Limited (IRCON), is a government company incorporated by the Central Government (Ministry of Railways) on 28 April 1976 under the name Indian Railway Construction Company Limited is a leading turkey construction company mainly for the construction of railway projects and roads & highways, besides it is also engaged in construction of Extra High Tension substation engineering and construction, airports, buildings etc. IRCON is specialized construction covering the entire range of spectrum of construction activities, and services in the infrastructure sector, however railway and Highway construction, EHP substation (engineering & construction) and MRTS (Mass Rapid Transit System) are the core competence areas of IRCON, besides the company has also entered solar segment, high speed rail and dedicated freight corridor. The company mainly generates its revenue from the railway segment, besides road & highways segment.

**Financials (Standalone):**

(Rs. crore)



## Press Release

For the year ended/ As on*	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	9921.20	11950.40
EBITDA	583.29	763.91
PAT	776.83	862.90
Total Debt	0.00	0.00
Tangible Net Worth	5052.60	5639.53
EBITDA Margin (%)	5.88	6.39
PAT Margin (%)	7.57	6.97
Overall Gearing Ratio (x)	0.00	0.00
Interest Coverage (x)	208.32	79.49

\* **Classification as per Infomerics' standards.** Total operating income & EBITDA does not include other income. Tangible Net Worth excludes long term deferred tax assets & intangible asset.

Status of non-cooperation with previous CRA: NA  
Any other information: NA

### Rating History for last three years:

Sr. No.	Name of Security /Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Non-Fund Based Long Term/Short Term bank Facilities	Long Term/ Short Term	7940.00	IVR AAA/ Stable (IVR Triple A with Stable Outlook) / IVR A1+ (IVR A One Plus)	-	-	-
2.	Proposed	Long Term/ Short Term	1060.00	IVR AAA/ Stable (IVR Triple A with Stable Outlook) / IVR A1+ (IVR A One Plus)	-	-	-

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### About Infomerics:



## Press Release

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Secu Rity	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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## Press Release

Non-Fund-Based Bank Facilities BG/ LC	-	-	-	-	7940.00	IVR AAA/ Stable (IVR Triple A with Stable Outlook) / IVR A1+ (IVR A One Plus)
Proposed	-	-	-	-	1060.00	IVR AAA/ Stable (IVR Triple A with Stable Outlook) / IVR A1+ (IVR A One Plus)

**Annexure 2: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-IRCON-nov24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for combined analysis:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).