



## Ircon International Limited

15<sup>th</sup> September 2018

### IRCON INTERNATIONAL LIMITED

(A Government of India Undertaking)

Ircon International is a 99.69% subsidiary of Government of India with a specialisation of infrastructure projects, especially railway and highway construction, which contributes about 66% of its top line. Its operations are geographically widespread in India and Worldwide. In 2016, the company was ranked number 248 in the list of the top 250 international contractors by Engineering News Record (ENR) of the United States. As of March 2018, Ircon has a very healthy order book of about 22K Crores which will contribute around 93% of its domestic revenues and 80% of the orders are for Railways.

### Valuation

Opening with Rs 475 per share the company's market capitalisation will be Rs 4467 Crore, this will lead to PE Multiple of 11 times for FY2018. The expected PE for FY2019 is 10 times which is attractive. It is difficult to find a listed Peer as there are limited players in the Railway Contracts segment. Most of the companies in the given segment will have High operating margins and ROE's, but will have high debt levels and hence net profits will be low, along with High PE multiples. Hence, Ircon along with the Government has considered all the issues and offered an attractive price.

### Objective of the Issue

The Issue is a 100% OFS (Offer for Sale) where the Government is trying to offload its shareholding. Hence, the funds collected from the IPO will not flow into the company. Post IPO the government shareholding will decline to 89% from the current holding of 99%.

### Recommendation

The IPO seems to be decently priced as per its valuation, and one can look at investing in the IPO from a listing gains perspective. However, from a long-term perspective one would need to evaluate its financial performance regularly (Quarter on Quarter).

**We feel that the IPO is reasonably priced and would recommend the investors to "APPLY" in limited numbers to make short term listing gains.**

## Recommendation: APPLY

Details of Issue	
Price Band (INR)	470-475
Issue Size (INR Cr)	465.54 to 470.49
Opening Date	17-Sep-18
Closing Date	19-Sep-18
Face Value (INR)	10
Bid Lot	30
Listing on	NSE, BSE
Retail Discount(INR)	10

Key Ratios	FY2018	FY2017	FY2016
DE Ratio	0.42	0	0
Current Ratio	1.79	2	1.91
FA Turnover Ratio	4.68	4.34	4.56
Inventory Turnover Ratio	27.82	21.61	18.98
Debtors Turnover Ratio	7.09	5.39	3.81
Asset Turnover Ratio	0.55	0.56	0.55
EBITDA%	15.67	17.72	27.86
ROCE (%)	8.5	9.67	14.72
RONW (%)	10.31	8.54	11.25
Payout (%)	51.79	52.72	24.12
ROE(%)	10.31	8.54	11.25