

IRCON INTERNATIONAL LIMITED (IRCON) ANNUAL REVIEW ON THE PERFORMANCE / ACTIVITIES FOR THE YEAR 2020-21

BACKGROUND

Ircon International Limited (IRCON) is a Central Public Sector Enterprise (CPSE) under Ministry of Railways. It is an integrated engineering and construction company, specializing in major infrastructure sectors, including, railways, highways, bridges, flyovers, tunnels, aircraft maintenance hangars, runways, Extra High Voltage (EHV) sub-stations, electrical and mechanical works, commercial and residential properties, development of industrial areas, and other infrastructure activities. The Company is a Schedule 'A', and a Mini Ratna – Category I, public sector listed company.

So far, IRCON has delivered 128 projects in 25 countries across the globe and 395 projects in India. IRCON has been ranked at '180' in 2020 by total revenue, and ranked '10' in terms of sector performance under the 'Construction and Infrastructure' Sector in the Business Standard BS1000 Annual Magazine released in March 2021. As per the 2021 edition of the USA's Engineering New Record (ENR), IRCON is the only Indian PSU to make it to the list of top 250 international contractors.

FINANCIAL HIGHLIGHTS

During the financial year 2020-21, the Company has earned total income of Rs.5,200 Crore and operating turnover of Rs.4,948 Crore, on a standalone basis.

Some important indicators of financial performance of the Company for the year 2020-21 vis-à-vis 2019-20 are given below:

Sl. No.	Particulars	2020-21 [Rs. in Crore]	2019-20 [Rs. in Crore]	Increase / (Decrease) [in %]
1.	Total income / turnover	5,200	5,442	(4.44 %)
2.	Total Operating income / turnover	4,948	5,202	(4.89 %)
3.	Operating income from Foreign Projects	582	443	31.38 %

4.	Operating income from Indian Projects	4,366	4,759	(8.26 %)
5.	Profit before tax	574	673	(14.65 %)
6.	Profit after tax	405	490	(17.40 %)
7.	Net worth	4,406	4,161	5.90 %
8.	Dividend (Final & Interim)	221	223	(0.09 %)

The Company has declared an interim dividend of Rs.1.30 per equity share (on the face value of Rs.2/- each) amounting to Rs.61.13 Crore (approx.), in February 2021 and a final dividend (over and above the interim dividend) of Rs.1.70 per equity share on the face value of Rs.2/- each amounting to Rs.159.80 Crore at the AGM. With this, the total dividend for the FY 2020-21 is aggregating to Rs.221.02 Crore (approx.) i.e. 117.50% on the paid-up equity share capital of Rs.188.10 Crore which works out to 54.63% of the post-tax profits and 5.01% of net worth as on March 31, 2021.

SHARE CAPITAL & DISINVESTMENT

(A) OFFER FOR SALE OF SHARES

In the FY 2020-21, the Government of India by way of Offer for Sale (OFS) through Stock Exchange mechanism disinvested 16% of paid-up capital of the Company (i.e. 5,26,68,882 equity shares to non-retail investors on March 3, 2021 and 2,25,72,378 equity shares to retail investors on March 4, 2021 in aggregate to 7,52,41,260 equity shares) at the rate of Rs.89.75/- per share amounting to Rs.677.07 Crore (including gross of stock exchange transaction charges and all applicable taxes and charges). The shareholding of President of India now stands at 73.18% of the paid-up equity share capital of the Company, thereby making the Company compliant with the Minimum Public Shareholding (MPS) requirements specified in Rule 19(2) and Rule 19A of the Securities Contracts (Regulations) Rules, 1957.

(B) SPLIT OF SHARES

IRCON has undertaken split of one (1) equity share of the face value of Rs.10/- each into five (5) equity shares of the face value of Rs.2/- each, during FY 2019-20. The effect of change in the face value of the share was reflected on the share price w.e.f. April 3, 2020 at the Stock Exchanges where the Company is listed (BSE and NSE) and corporate action of credit of shares of the face value of Rs.2/- each was completed on April 8, 2020. Thus, post-split and as on 31st March 2021, the authorized share capital of IRCON is Rs.400 Crore (consisting of 200 Crore equity shares of Rs.2/- each) and the issued and paid-up equity share capital stood at Rs.94.05 Crore (consisting of 470,257,870 equity shares of Rs.2/- each).

(C) BONUS SHARES

After the close of the FY 2020-21, IRCON has issued fully paid-up bonus shares of the face value of Rs.2/- each in the ratio of 1:1 i.e. one (1) new fully paid-up equity share of Rs.2/- each for every one (1) existing equity share of Rs.2/- each and the shares were allotted on May 23, 2021. After receipt of in-principle approvals from BSE and NSE on May 25, 2021, the corporate action of credit of bonus shares was completed on June 1, 2021. Accordingly, the paid-up share capital of IRCON has increased from Rs.94.05 Crore to Rs.188.10 Crore (consisting of 94,05,15,740 equity shares of Rs.2/- each).

IRCON ranks among top 500 listed companies in India in terms of market capitalization as on March 31, 2021, with market capitalization of Rs.4152.38 Crore.

IMPACT OF COVID-19

Financial performance: Due to the impact of lockdown during the first quarter of the FY 2020-21 and pressure on supply chain to some extent in the 2nd quarter, the revenue and profitability target was revised keeping a steep target in the 2nd half of the year. The Company did well during the 2nd half of the year and surpassed its previous year's performance during this period and ultimately able to achieve the turnover near to the target set by the Ministry of Railways. However, the result for the year ended are, to that extent, not comparable with those for the previous periods.

Steps taken for smooth functioning: The Company has continued with stringent monitoring processes for COVID-19 ensuring thermal screening of all employees and visitors, sanitizing the premises and vehicles on regular basis, maintenance of social distancing at all work places and enforcing wearing of masks. Further, the Company initiated several measures to help its employees and their families, including establishing COVID care centers, vaccination centers, and providing them access to medical care facilities.

OPERATIONAL HIGHLIGHTS

Foreign Projects

The following are the on-going foreign projects in Bangladesh, Algeria, Sri Lanka and Nepal viz.,

- (a) Bangladesh- Construction of Embankment, Track, all civil works, major & minor bridges (Except Rupsha Bridge) & culverts and implementation of EMP against WDI under the project Construction of Khulna-Mongla Port Rail Line for Bangladesh Railway.
- (b) Algeria- Installation of double track line (93 kms) in Algeria for ANESRIF, Ministry of Transport, Government of Algeria.

- (c) Sri Lanka-Up-gradation of Railway Line from Maho to Omanthai under Indian Line of Credit, Track Rehabilitation and ancillary for Sri Lankan Railways under the Ministry of Transport and Civil Aviation, Government of Sri Lanka.
- (d) Nepal-The Company is executing the following two projects in Nepal, viz.
- (i) Construction of BG rail line between Jogbani (India)-Biratnagar (Nepal) on Indo-Nepal border;
 - (ii) Construction of BG Line by Gauge conversion Jayanagar (India)-Bijalpura (Nepal) with extension upto Bardibas on India Nepal Border.

Domestic projects

During the FY 2020-21, IRCON has completed five domestic projects in India viz.

- (a) Construction/ upgradation of rural roads including bridges in 5 districts (Garhwa, Gumla, Ranchi, Lohardaga and Simdega) in the State of Jharkhand at a value of Rs.607 Crore.
- (b) Construction of Six-Laning of Davanagere-Haveri from (Km. 260+000) to Km. 338+923) of NH-48 in the State of Karnataka, for Ircon Davanagere Haveri Highway Limited, at a value of Rs.791.19 Crore.
- (c) Mathura-Kasganj-Kalyanpur Railway Electrification Project with Signalling, for North Eastern Railway, at a value of Rs.433 Crore.
- (d) RAPDRP-Part B Project under Jammu Province (Cluster-I, Jammu Left), (Cluster-II, Jammu Right) and (Cluster-IV) Akhnoor, Rajouri, Poonch, Udhampur, Doda, Kishtwar & Bhandarwah for J&K Power Development Department, at a value of Rs.420 Crore
- (e) Railway Electrification work for Katni-Singrauli, for West Central Railway, at a value of Rs.282 Crore.

In addition to the above, in terms of the Corporate Plan, IRCON has identified Real Estate Sector for selective diversification. The Company is developing its properties located at NOIDA, U.P. and Gurugram, Haryana and exploring the possibilities for leasing out / selling the properties.

The Company is also undertaking commercial development on land parcel measuring 4.3 (four points three) Hectare at Bandra East, Mumbai, Maharashtra, for 99 years against the payment of Upfront Lease Premium. For this IRCON has also entered into a Memorandum of Understanding (MOU) on March 26, 2018, with Rail Land Development Authority (RLDA) for transfer of leasehold rights to IRCON for commercial development of the said land parcel. In consideration of its roles and responsibilities, IRCON is entitled to receive from RLDA, a fee for an amount equivalent to 3% (three per cent) of the Upfront Lease Premium and for financing the consideration of Rs.3200 Crore, a tripartite loan agreement was executed between IRCON,

RLDA and Indian Railway Finance Corporation Limited (IRFC) and repayment of the loan together with interest and all expenses thereon are guaranteed by RLDA. Mumbai Metropolitan Region Development Authority (MMRDA) has given its in-principle approval for providing entry and exit route for assimilation in the main traffic and the Plot may now be leased out. The MOU entered on March 26, 2018, has expired on March 31, 2021 and IRCON may not extend it any further.

Apart from the diversification into the Real Estate Sector, the Company intends to foray into the area of Solar Power Development and is participating in a tender floated by Indian Renewable Energy Development Agency Limited (IREDA).

ORDER BOOK

During the year 2020-21, the Company secured works worth Rs.4157.08 Crore, from the Ministry of Railways through competitive bidding among PSUs. The order book as on March 31, 2021, stood at Rs.34,689 Crore (approx.) as compared to Rs.30,713 Crore (approx.) as on March 31, 2020.

MOU RATING/AWARDS

The rating of the Company under the Memorandum of Understanding for the year 2018-19 signed with the Ministry of Railways has been 'Excellent'. The MOU performance for the FY 2019-20 is under evaluation.

Further, the Company has won 'National Award for Excellence in PSU' by World HRD Congress; 'Eltes National PSU Award of Excellence' in three categories viz. for Building Sustainability Infrastructure & Development, for Digital Transformation during COVID-19, and for Smart Infrastructure for Indian Railways; 12th CIDC Vishwakarma Award by Construction Industry Development Council (CIDC) in three categories viz. for Best Professionally Managed Company (in more than Rs. 1,000 Crore turnover category), for Best Construction Project (for Mathura - Kasganj project) and for Cororna Warriors; and 8th FICCI Quality Systems Excellence Award.

CSR & SUSTAINABILITY

The CSR Budget for the FY 2020-21 was Rs.10.42 Crore, which is 2% of the average net profit recorded by the Company from its Indian projects in the period of last three immediately preceding financial years. During FY 2020-21, IRCON has spent Rs. 10.42 Crore on its CSR initiatives. The total fund donated to Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) is Rs.15.50 Crore.