



“Ircan International Limited  
Q2 & H1 FY2020 Earnings Conference Call”

November 14, 2019



**ANANDRATHI**



**ANALYST: MR. RACHIT KAMATH – ANAND RATHI SHARES & STOCK BROKERS**

**MANAGEMENT: MR. S.K. CHAUDHARY – CHAIRMAN & MANAGING DIRECTOR – IRCAN INTERNATIONAL LIMITED  
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**Moderator:** Good day, ladies and gentlemen and a warm welcome to the Ircon International Q2 & H1 FY2020 Earnings Conference Call hosted by Anand Rathi Share & Stock Brokers. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rachit Kamath from Anand Rathi. Thank you and over to you Sir!

**Rachit Kamath:** Thank you Ali. Good morning and a warm welcome to all the participants on behalf of Anand Rathi Shares and Stock Brokers, we thank the management to have given us opportunity to host and Q1 and & H1 FY2020 earnings conference call. Today from the management, we have Shri. S.K. Chaudhary, Chairman & Managing Director and Shri. M.K. Singh, Director of Finance. We shall start the call with brief updates on the management for Q2 & H1 FY2020 and then proceed with Q&A session. Without any further ado, I will hand over the call to the management. Thank you and over to you Sir!

**S.K. Chaudhary:** Good morning and welcome to this concall for the financial results period ending September 2019 of the call. I am S. K. Chaudhary, Chairman and Managing Director and with me and I have Director Finance, M.K. Singh. Yesterday, the company announced unaudited financial results for Q2 FY2020. Now I would brief the financial highlights of this quarter and after that we would have the Q&A session.

The company has shown excellent growth in topline as well as in the bottomline in Q2 FY2020 as compared to corresponding period of FY2018-2019. Operating turnover of the company has increased to Rs.1161 Crores in Q2 from Rs.960 Crores in corresponding period of FY2018-2019, registering a growth of 20.69% over the corresponding period of FY2018-2019.

PAT of company marginally increased Rs.87.7 Crores in Q2 from Rs.83.57 Crores in corresponding quarter of FY2019-2020; however, EBITDA of the company for Q2 has increased to Rs.146.25 Crores from Rs.133.09 Crores in corresponding period of FY2019-2020. Further the core EBITDA for Q2 FY2019-2020 was Rs.89.36 Crores that is 7.7% of operating revenue against Rs.62.82 Crores in Q2 FY2019-2020, which is 6.53% operating revenue thereby registering an increase of 17.92% on quarter-to-quarter basis.

The company has an order book of Rs.32393 Crores as on September 30, 2019, which consists of 95% of domestic orders and 5% of foreign orders. Sector wise the order book of company is of 94% of railway projects and 6% of road projects and there are other projects also which we have clubbed in railways and road projects only. The total cash and bank



*Ircon International Limited*  
*November 14, 2019*

balance as on September 30, 2019 is Rs.2703 Crores, which comprises client fund of Rs.2412 Crores and approximately Rs.291 Crores of own fund.

Now I request the moderate to take your questions please.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Mayank Goel from SBICAP Securities. Please go ahead.

**Mayank Goel:** Good morning Sir. Thanks for the opportunity. I had few questions Sir where are we in terms of the foreign orders in the last quarter you are speaking about orders from Malaysia and Bangladesh so were we able to convert some of them in this quarter or we still long time to get those orders?

**S.K. Chaudhary:** We have submitted a bid in Abu Dhabi for Etihad Railway and it has been negotiated. We expect some concrete result to come within the next 15 to 20 days. This bid has been submitted in partnership along with us with the L&T and Ircon together. We hope that we will get it technically we are the strongest among all the three bidders and price negotiations also taken place. Three meetings have already been over and now let us see what happens. As far as Malaysia is concerned there are some few developers centrally which has taken place in the political circle. We must be aware of that but we are still trying to get that. Hopefully it will take time not so early because two developments have taken place you must be knowing recently with the statements given by the various political parties' different things and in Bangladesh no new work has come for tenders where we could participate but we hopefully we will get something there.

**Mayank Goel:** Sir this Abu Dhabi project for which has submitted bid any rough idea the quantum of the projects in terms of value?

**S.K. Chaudhary:** It will be approximately around \$350 million.

**Mayank Goel:** Sir next question was on the BKC land monetization, we were supposed to get some approval for if we are increasing and supposed to come with bids?

**S.K. Chaudhary:** Yes that meeting was to take place but after two days only the election were announced and it could not be done because the elections were in Maharashtra and high level of delegations meeting was called and we were supposed to go along with various people from our RLDA and Railway Board, at the last moment it was cancelled because the elections were announced. We hope that once the government is stabilized we will be able to get it through.



- Mayank Goel:** Okay so in terms of getting developer on board the timelines will get stretched here too?
- S.K. Chaudhary:** It will yes definitely because Maharashtra Government certain things they have to do it so until and unless the government does not form in the Maharashtra it will be not possible.
- Mayank Goel:** Can you give us some update on the road projects that we have especially the two under construction HAM projects?
- S.K. Chaudhary:** Already under construction HAM projects, we are in line and Vadodara project we are already achieved first milestone and in near Bengaluru and Karnataka which we are doing, three milestones have already been achieved and payments received approximately 60% work has been done in that and we hope that by March or April it will be able to commission this project, but Vadodara can take by the April 2021 yes.
- Mayank Goel:** One last question, one bookkeeping question, what is the amount of investment that we have done in subsidiaries both equity and as on Q2 end?
- S.K. Chaudhary:** So far we have done invested in Q2 FY2020 Rs.64 Crores as equity and we have also given unsecured loan to our subsidiaries only that is Rs.201 Crores.
- Mayank Goel:** Sir Rs.64 Crores we are saying equity investment is the subsidiaries because in last quarter it was somewhere around Rs.937 Crores?
- S.K. Chaudhary:** I am telling only in Q2.
- Mayank Goel:** Additional in Q2?
- S.K. Chaudhary:** Additional so if we put together that when it will be quite high then the value will be, if you go together in the road projects alone it is Rs.553 Crores and if you take our road connectivity whether subsidiaries also then it will be around Rs.1001 Crores. Last quarter I said figure was Rs.937 Crores.
- Mayank Goel:** That is it from my side. Thank you Sir and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Parth Agarwal from Purnartha Investment Advisors. Please go ahead.
- Parth Agarwal:** Thank you for the opportunity. My question is in the segment report of consolidated your segment revenue for international is decreased, but profit before tax has increased eight times from Rs.1.17 Crores and Rs.8.63 Crores, can you share insight on what has happened?



- M.K. Singh:** Domestic share is 92% and international share is 8% up to September 30, 2019 consolidated results and PBT is domestic is 11.08%. Previous question is that your profitability has increased in the international project so what is the reason?
- S.K. Chaudhary:** The reason is that in one of the project that is Algeria so we had certain amounts, which were in the deposit and not classified as turnover for sometime so that was one reason and then second was write back agency commission was also on the account of foreign projects only.
- Parth Agarwal:** But last quarter you said that the commission was last time that you have written off?
- S.K. Chaudhary:** I am talking was H1 & FY2020.
- M.K. Singh:** No but in quarterly also there is an increase if we see quarter-on-quarter basis.
- S.K. Chaudhary:** Anyway in the mean time, we will search this. You can ask the next question. They will tell you. Percentage wise we are not good taken it all for quarter-to-quarter for foreign and Indian, September 2018 quarter or September 2019 quarter? I will tell you. September quarter six months it is not a high figure.
- M.K. Singh:** You are asking about PBT of the international compared to last Q2 and current Q2 right, if I understand your question well?
- Parth Agarwal:** Yes.
- M.K. Singh:** So for Q2 of last year, there was loss of Rs.0.22 Crores and this year there is a gain of Rs.8 Crores bringing into positive profit of Rs.7.65 Crores in international segment.
- Parth Agarwal:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.
- Chintan Sheth:** Thanks for the opportunity Sir and good set of execution. Sir one booking question RLDA related advances which was Rs.2500 Crores last year March ending sitting under the current assets? What is the figure as of September now?
- S.K. Chaudhary:** This is Rs.2564 Crores.
- Chintan Sheth:** Okay is it still the same?



**S.K. Chaudhary:** This will be annual repayment and it is paid from the consolidated funds of India so this will pay somewhere again in the February or March.

**Chintan Sheth:** Because there were loans has come off by around Rs.500-odd Crores from March to September. I was hoping that the advances related to RLDA will also come down to that extent on this?

**S.K. Chaudhary:** No, RLDA separate issue. This is not which we have not taken and repayment method is also different. It is just on the books but we are pass through entry in this.

**Chintan Sheth:** Yes that I understand?

**S.K. Chaudhary:** There is no liability of the company to repay it.

**Chintan Sheth:** No I am not talking about loans and I am talking about the advances which had to be accounted in current asset because you are accounting liability but corresponding assets needs to be accounted on the asset side as well right? By the time you check it out for me second question is one what is the update on so much of divestment where are we currently at?

**S.K. Chaudhary:** We invited the bids for **(inaudible) 16.28** and three bidders for interested, but all the three bidders did not submit their bid for the two reasons where they quoted, they said that the projects from the NHAI were announced, which were having long period of their investment of fund and our period were told in left in this project is around 6.5 years so they were saying period is too short so will not be able to do that then we also took a decision since it is profit making project and we are getting revenue but it is not coming so we will continue it.

**Chintan Sheth:** Okay partner is also agreeing to it?

**S.K. Chaudhary:** Partner is agreeing or he already trying to find somebody to sell his that part.

**Chintan Sheth:** But we would not invest into it right, we will speak to our 50%?

**S.K. Chaudhary:** Yes we will speak to our 50%. By that time we will begin if we agree to do that business we can get a fresh business, which we are trying in NHAI.

**Chintan Sheth:** Right and Sir execution has been very strong first off, how do we see second half execution to continue the way we have?

**S.K. Chaudhary:** It will continue rather it will increase further.



*Ircon International Limited*  
*November 14, 2019*

- Chintan Sheth:** There was one news article related to our J&K project, which was now being supervised or monitored by PMO directly? How different it will be now in terms of execution space or it will be much faster or it requires more if you look at, which will need to?
- S.K. Chaudhary:** As far as the disturbances have been reduced now, so progress will definitely increase but the issues remains with the position of the various contractors, construction agencies who are working on it those financial position is bad. There is a big company who were working there Gammon is working then Patel Engineering is working, NCC is working so we are trying because we are helping them in payments in times so we try that they should not divert the funds from our projects to another projects that we are keeping watch on this. Secondly we have already started the second biggest projects of Sikkim Rangpo which was hold for quite a long time so all the packages we have awarded the tunnels and the people are mobilizing there and that will also pick up the pace so both the projects are in the list of Prime Minister Office.
- Chintan Sheth:** Okay what will be the side of the Sikkim project?
- S.K. Chaudhary:** That will be as so far it is Rs.4000 Crores but we expect with the revised estimates it will go somewhere around Rs.5000 to Rs.6000 Crores.
- Chintan Sheth:** Okay and what will be the order inflow this quarter and first half so if you can provide that?
- S.K. Chaudhary:** We said the figure is Rs.32393 Crores as on September 30, 2019 quarter, no need business has been added.
- Chintan Sheth:** Sir I will join back in queue Sir.
- M.K. Singh:** I will tell you about that loan thing. At the end of first quarter that is Rs.36219 Crores and balance loan of Rs.2556 Crores and interest during Q1 was Rs.47.31 Crores and during Q2 also Rs.47 Crores so if we take the Q2 balance and it was Rs.2650 Crores out of which Rs.96 Crores have been paid by way of interest by government because that was last year due and there were some calculation error so they paid further Rs.96 Crores during the current year pertaining to the previous year.
- Chintan Sheth:** Okay so balance will be net of this Rs.96 Crores from Rs.2560 Crores.
- M.K. Singh:** That is right.
- Chintan Sheth:** Okay Sir thanks. I will join back in queue.



*Ircon International Limited*  
*November 14, 2019*

**Moderator:** Thank you. The next question is from the line of Saurav Poddar from Lucky Investment Managers. Please go ahead.

**Saurav Poddar:** Congratulations on a great set of numbers. Really heartening to see the progress, the company has making. I just had a few general questions regarding the business to understand it better for example in 2019 you had total cash of Rs.383 Crores out of which clients fund was Rs.2253 Crores and own cash was Rs.827 Crores out of it Rs.827 Crores how much was surplus cash for us and how much would be working capital needs and that brings up to my second question what is the nature of working capital like you do not consider customer advances, what would be your receivables, they have payable during inventory days and what is your working capital days been total?

**S.K. Chaudhary:** See inventory days for 42 days in which we realized our company payments from the client and this has also been watched by Department of Public Sector Enterprise. It is a part of MoU parameter so we are achieving in 42 days quite good period and in nomination projects of railway projects where we are working as an engineer and project management consultant their we get that advance and then there is a slight advances since Rs.2703 Crores so out of that some advances are also from the Ministry of Railways.

**M.K. Singh:** So just to add to what CMD has said our working capital essentially requirement consists of projects like DFCC which we have won on bidding and where we have to fund the project till we get it from the clients number one. Number two, we have certain projects where we have to temporarily fund it in terms of cash assistance because of the payments structure being such that temporarily we have to fund them at arm's length basis where we charge the interest to the project so that is working capital requirement minus that whatever cost plus projects we have for that we have already get cash from advance cash from government so that is not an issue and the rest of money depositors as treasury investment.

**Saurav Poddar:** Okay so if you have to quantify for example last year like at the end of 2019 you had Rs.827 Crores, what would roughly be your excessive cash like which you will not require?

**M.K. Singh:** Whatever was the balance at the end of certain period that was excessive cash only?

**Saurav Poddar:** Okay got it and one final questions Sir I think in terms of government in terms of secured assets and all, the budget is in a difficult spot if not on divestment done on the larger scale they might fall short or they might have to cut down on expenditures so do you see any threat in terms of railway capex being cut down in the next one or two years or 160 years may be and what impact I could possibly happen?





- M.K. Singh:** See Railways is totally was not exploited to the extent which requires exploitation and a lot of focus was on Highway Ministry but railway has tied up with funds properly and there was a long-term agreement with the LIC and Government of India has also giving the grant to them so there is no issues as far as these projects have concerned because these are all projects are declared and projects of national importance so funding is no issue for our projects at all.
- Saurav Poddar:** Thank you Sir and congratulations.
- Moderator:** Thank you. The next question is from the line of Sarika Thorat from Union Mutual Fund. Please go ahead.
- Sarika Thorat:** Thank you for the opportunity Sir. I wanted to move that your own fund is Rs.291 Crores as on Q2 FY2020 so what was this number for Q4 FY2019?
- M.K. Singh:** Q2 FY2019?
- Sarika Thorat:** Q4 FY2019?
- M.K. Singh:** Okay that was Rs.676 Crores.
- Sarika Thorat:** Sir one more question Sir how is your subsidiary this Ircon Infrastructure which is into the station development? Sir how is performance of that subsidiary will you just tell us?
- S.K. Chaudhary:** See our joint venture company is Indian Railway station Development Corporation, IRSDC so which is doing these station development and other partner RNDI so there is high level committee has been formed now by the Prime Minister Office added by Mr. Amitabh Khan and members are there including from Finance Ministry so some stations they have put in fast track and we hope that funding for this projects will be also come from Government of India directly around 17 stations has been taken on the first list where the work will commence immediately and this is the second meeting is being highlighted today.
- Sarika Thorat:** Will you able to tell us what is the revenue this subsidiaries currently generating and may be EBITDA or PAT numbers for this subsidiaries?
- S.K. Chaudhary:** Our wholly owned subsidiary Ircon Infrastructures Services Limited that has PMC jobs various clients and there are Concor, Ministry of Foreign Affairs Department of Science and Technology and different state governments so they have done operating turnover was this September 30, 2019 is Rs.45 Crores and their profit before tax is Rs.6.23 Crores. This is one subsidiary. Rest are all the road subsidiaries which are functioning well and their total operating are lower if you put together of all these five subsidiaries are around Rs.557



Crores. I would like to share one more thing during this quarter we have already started the first coal connectivity project where the operation of the trains have started. This is in Chhattisgarh and this is the first in the country of any PPP projects, which has been done in the railway sector.

**Moderator:** Thank you. The next question is from the line of Darshan Mehta from Ambit Capital. Please go ahead. As there is no response we moved to the next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

**Ravi Naredi:** Chaudhary Ji, just you have announced, what is the railways project, the coal project?

**S.K. Chaudhary:** This is Chhattisgarh East Railway Line, CERL, this is a project which we have done in three partners were there. This is the Coal India subsidiaries, South Eastern Coalfield Limited then Government of Chhattisgarh and Ircan so this railway line of 44 kilometers has already started operating where the trains are now taking the coal and balance 34 kilometers will have done by March 2020 and this is the first project in the country which has been done in the railway sector on PPP basis.

**Ravi Naredi:** Okay and how much investment we have done?

**S.K. Chaudhary:** Total investment in this project is the form of equity is Rs.122 Crores.

**Ravi Naredi:** Total is 78 kilometer or 44 kilometers?

**S.K. Chaudhary:** Total is 78 kilometers full equity.

**Ravi Naredi:** Rs.122 Crores?

**S.K. Chaudhary:** Yes.

**Ravi Naredi:** Sir in this Ircan is a very good company why not you give investor presentation immediately after the results so we can know?

**S.K. Chaudhary:** We will try to do that but we should come to Mumbai sometime and explained you what is the company is, but again today there is a meeting I was just telling about IRSDC meeting and currently my other director is the meeting with the Foreign Minister so we had just stuck up here and there but definitely.

**Ravi Naredi:** We can well understand but you can prepare this investor presentation before one week to given the results so we can expect more information from the presentation, will be beneficial.



- S.K. Chaudhary:** We are in complete discussion there.
- Ravi Naredi:** Every investor is not living in Mumbai so if you give me it will be very beneficial them also?
- S.K. Chaudhary:** Can we give it on website or somewhere where you want it.
- Ravi Naredi:** You give the BSE site or NSE site so we can expect we can see from there?
- S.K. Chaudhary:** Okay we will do that. It is good suggestion and we will do that.
- Ravi Naredi:** Thank you Sir and next one Sir what is the acceptance for whole year topline and margin percentage this year March 2020?
- S.K. Chaudhary:** I expect somewhere around touching a figure of Rs.5500 Crores roughly.
- Ravi Naredi:** Rs.5500 Crores and margins will be same as last year or it may differ?
- S.K. Chaudhary:** It will be the same. It may be slightly margin.
- Ravi Naredi:** Same margin?
- M.K. Singh:** Little better.
- S.K. Chaudhary:** They are better.
- Ravi Naredi:** Sir what is the execution of order is very slow in Q2 any specific reason?
- S.K. Chaudhary:** We do not want to take much orders and keep on waiting for this. The orders is no issue at all. I always say that execution is a main thing so we have so many works in our hand that we do not want to just keep putting on the orders and sitting on it.
- Ravi Naredi:** Chaudhary Ji I am asking why the execution of order is slow in Q2?
- S.K. Chaudhary:** We have not focused on any of these projects in this quarter. Our name focus was foreign projects which we have tried our best. Again we are trying for new country, Ghana so minister has invited us and I will be visiting in the last week of this month where we will try railway line project there.
- Ravi Naredi:** All the best Sir and why other income down in Q2?



- M.K. Singh:** Because we had cash of Rs.676 Crores of own cash at the beginning of the year now it is Rs.291 Crores. As I explained that we were required to give cash assistance to few of our projects in the first half year so the amount of cash available for earning interest have gone down that is number one and refund of income tax had been accounted for last year to a tune of Rs.24 Crores in the corresponding period so that is not available for the current first half year so that is why you see a drop in other income.
- Ravi Naredi:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead. As there is no response we move the next question from the line of Nilesh Wagle from Suyash Advisors. Please go ahead.
- Nilesh Wagle:** Good morning. Like the previous participants, I wanted to suggest to put out the small press release summarizing the key highlights of the quarter, just as the pointer you can look at your sister company which has also declared results at the same time and simple two page realized which highlight the key developments in the quarter goes a long way in summarizing and clarifying the results to the investors just a humble suggestion.
- M.K. Singh:** Well taken. Thank you. We will do that.
- Nilesh Wagle:** My other question was is there dividend expectation you usually have an interim dividend and final dividend, I did not see any dividend declaration in this half-year?
- S.K. Chaudhary:** We will do that but not in this quarter and next quarter it would be.
- M.K. Singh:** If you see our trend we have been usually taking it in third quarter, the interim portion.
- Nilesh Wagle:** So the dividend policy will continue to be 40% payout on profits for the full year.
- S.K. Chaudhary:** That is what we feel it should be. Investors should get the equal amount of dividend and definitely not less than 40%.
- Nilesh Wagle:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial. Please go ahead.
- Dikshit Doshi:** Thanks for the opportunity. Couple of question firstly, you mentioned Rs.32400 Crores order book, can you just give us a sense what would be the execution timeline for this Rs.33000 Crores order book?



- S.K. Chaudhary:** Four-and-a-half years to five years.
- Dikshit Doshi:** Secondly Sir, you mentioned you are expecting around Rs.5500 Crores of topline and last year we did around Rs.4500 Crores, do not you think that given the size of the order book the execution is 18% to 20% is a bit subdued?
- S.K. Chaudhary:** I told you the scenario in the country of the contractors what is the scenario as a whole. We had two meetings on Finance Minister on this topic that how to increase the execution capacity and how to do the expenditure of Rs.1 lakh Crores, so contractors are in great distress, because of various issues of under quoting and diversion of funds what was they have done, so it is a problem definitely and that is why we are not able to increase it more than 18% to 20%, otherwise we can definitely increase to 30%.
- Dikshit Doshi:** Last question from my side, in one of the earlier question you mentioned that in international EBIT there was a gain of around Rs.7 Crores, Rs.8 Crores this year for EXIM and last year there was loss of around couple of crores.
- M.K. Singh:** Loss of Rs.22 lakhs.
- Dikshit Doshi:** Okay and this year there was gain of Rs.7 Crores right?
- M.K. Singh:** Yes.
- Dikshit Doshi:** If I exclude that Rs.7 Crores then there is almost no margin on Rs.100 Crores topline of international revenues, so if you can just explain what kind of margin we do in the international revenue?
- M.K. Singh:** The margins which are coming out from two projects are present, one is in Bangladesh and another in Nigeria and it is plus 5% at any given point of time.
- Dikshit Doshi:** Okay cost plus 5%.
- S.K. Chaudhary:** These projects are funded by LOC, so the DPR prepared by the clients already value of the project has increased by 50%, so we have asked for the new rate which they have agreed to, but the process of every country takes time, so the margin will definitely go around 11%, once this revised rates are accepted which will take around another one to two months.
- M.K. Singh:** We hope to end the year with the double-digit profit margin in international segment also.
- Dikshit Doshi:** For the full year segment?



- M.K. Singh:** Yes.
- Dikshit Doshi:** Okay, understood, thank you.
- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Thanks for taking my question. Just wanted to understand given that second quarter the new order inflows were not there, but how is your outlook for the second half of the year and which segment what kind of projects are there pipeline in roads and railways?
- M.K. Singh:** You are rightly saying that we have two segments highways and road and railways, so as CMD pointed out we have participated in a bid in Abu Dhabi and we hope to have the result in next 15, 20 days so that is one which we are keenly watching then there are certain railway projects which are being considered in Ministry of Railways for the distribution amongst PSUs, so we also our actively in the race and we hope to land up with at least few projects from railways also, then we will be participating in a big way in NHAI projects where the model is BoT, so with these three we expect to land up with good projects in second half of the current year.
- S.K. Chaudhary:** In EPC projects in NHAI again that same business has started under cutting, so we are not coating for EPC projects. If you see the recent trends if we are following the trends in the markets then all the companies are again started the same thing and these are the very new companies which has come up in the last seven, eight years and if they keep on quoting like this I think in the next three, four years they will also be in the same problem as this is the big contractors are. So we are not in that business, so we are going again shifting from now this BoT and BoT since equity is finished in the market, so we will be doing investment there and we have already identified five projects where we will be bidding. Only thing is that these projects dates are being extending in NHAI.
- Ankita Shah:** Okay, by when do you think these projects would get?
- S.K. Chaudhary:** We have done all survey, investigations, we have done our costing, we are ready, as soon as these are announced, we will be bidding that may be individually may be in partnership with some companies.
- Ankita Shah:** On what stretches are these, is it like in the north, west and kind of thing?
- S.K. Chaudhary:** We should leave this.
- Ankita Shah:** In railways, when you say that some projects are coming up for distribution amongst PSU?



- S.K. Chaudhary:** What happens railways generally what is our execution is done in railways, is done by three organizations primarily. One is by the railway themselves, construction wing, second is Ircon and third is by RVNL, so the work is distributed among them for construction works, so some policy is being changed as minister has said that this requires some policy change, on which the board is working and I believe that it should be finalized within next 10 days and after that we should get these works somewhere in December end or January first week, so this will be worked again quite large value works may be works around Rs.5000 Crores to Rs.6000 Crores, so hopefully we will get that.
- Ankita Shah:** This will be competitive bidding end of projects?
- S.K. Chaudhary:** This is the bidding amongst the PSUs on the PMC basis. All the PSUs they worked on project management consultancy basis, as they do their design or bridges then design on management everything and the government incurs the actual cost plus PMC.
- Moderator:** Thank you. The next question is from the line of Siddharth Mohta from Principal India. Please go ahead.
- Siddharth Mohta:** Good morning Sir. My first question is on this Abu Dhabi project that you have mentioned, so what can be an expected EBITDA margin or operating margin in this project?
- S.K. Chaudhary:** Let us get it first. We should get it first. In every country, the way of working is quite different and everywhere is not a transparent kind of a bidding, it is their own funds, they choose people from their own method, so I cannot say disclose it now, let it be finalized.
- Siddharth Mohta:** Because earlier within the export project our margin used to be in high double digit between 12% and 15%.
- S.K. Chaudhary:** It is quite good, you get something like that, and we earn 30% also.
- Siddharth Mohta:** But it used to be on a nomination basis, but it is on the bidding basis and hence this change of bid?
- S.K. Chaudhary:** Over the periods everybody has become intelligent than they are becoming intelligent and the world is global world now, so things travel very fast, so every country try to gain knowledge and use that knowledge further for cutting the cost. So it is whether Africa or whether it is Middle East or whether it is Far East, everywhere the situation is same nowadays.
- Siddharth Mohta:** Regarding this revenue estimation for FY2020, you have mentioned Rs.5500 Crores that is for standalone or that is for consolidation?



- S.K. Chaudhary:** Standalone.
- Siddharth Mohta:** Regarding this Noida commercial state, if you can just highlight?
- S.K. Chaudhary:** Both the projects are ready and we have taken consent to establish, completion that we get and we are in the process of inviting bid, reinvited bid earlier then we found that by this method, we are not getting the full revenue and the money which you get, so we are not changing the strategy of bidding and shortly the bid will come out and will offer that mall and we will put it on rental, somewhere by January of next year and second office complex we are selling it one of the government organization.
- Siddharth Mohta:** If you can quantify what can be the revenue from both the project actually?
- S.K. Chaudhary:** The sales amongst the revenue can be somewhere around Rs.150 Crores and second project we expect some upfront payment and some kind of revenue share which people will offer, so let the bid come on the second one we are not fully clear how much will be the revenue, but will be a long term lease of around 21 to 27 years, because there will be mall operators who will be operating these malls. So we are not in that business but that is why we are putting a mall operator on that.
- Siddharth Mohta:** Regarding this BOT project within road segment you said that equity it is dried up, so what is our expected return on those project which we have bidded for?
- S.K. Chaudhary:** BoT we will be bidding it and definitely on a healthy margin, we will be bidding it.
- Siddharth Mohta:** Can you just quantity in your earlier concall if I remember you have mentioned 18%, 20%?
- S.K. Chaudhary:** Definitely you are right. You should get the market when nobody is there to compete, now the situation is already come where only is three to four people are available to have equity in the country, so we hope that we will be able to get that 18% to 20%.
- Siddharth Mohta:** Correct, last two questions. One is on this road monetization you have mentioned like Maharashtra and other projects, so any update on that you have mentioned earlier in the call but I could not gather that?
- S.K. Chaudhary:** ISTPL, Dhole Pimpalgaon project we try to sell it on, we put everything our financial advisor and consultant did lot of hard work, we also did lot of hard work, all data was put on the record on the low data on cloud. Three bidders showed the interest to take it over, but the last moment some BoT where NHAI were announced and since two issues they said that your period is very less. We have tolling period left is around six-and-a-half years, they said that we want to invest only in the longer period.





- Siddharth Mohta:** After that I could get it that, okay.
- S.K. Chaudhary:** We have already found out some partners for bidding together in international market as well in Indian market and we have also partnered with some funds to put the equity in our projects.
- Siddharth Mohta:** Regarding our remaining toll project, if you can highlight where the execution is on where the closure is and might be after a couple of here what can be the total revenue contribution from a toll subsidiary and how much it can contribute your bottomline. Thank you and best wishes for upcoming quarters.
- S.K. Chaudhary:** I think we have to work it out because this figure is not, readily available in my hand. We will work it out and Mr. Dutta will send it reply on the e-mail.
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Management. Please go ahead. As there is no response, we will move to the next question from the line of Manav Shah from Arjava Partners. Please go ahead. As there is no response, we move to the next question from Siddhart Grover from Equirus Portfolio Management. Please go ahead.
- Siddhart Grover:** Good morning. Thank you for the opportunity. I have basic question. What is the difference between the railway orders that you get versus RITES versus RVNL?
- S.K. Chaudhary:** RVNL has also not got any orders during this period because the policy being changed in the railway board, so once this policy is finalized then only the orders will flow.
- Siddhart Grover:** In terms of nature of orders, is there any difference between the projects that you get versus RVNL?
- S.K. Chaudhary:** We get the more challenging projects which are more tough projects, because Ircon is considered as a more better organization, we have the large number of engineers compared to them and we have a different experience of international which they do not have that is why the Jammu & Kashmir and Sikkim project has been given to us which are projects of national importance and if the project of this alignment which is being done for Nepal, Kathmandu if it is finalized within a period of two countries that we do it then that will also come in execution and we will be executing that project.
- Siddhart Grover:** Okay and Sir what is the change in the policy that you referred in terms of ordering inflow from Indian Railways?



- S.K. Chaudhary:** This is a policy so far we were being given this allotted some works, you do this, you do that, so now they want some kind of competitiveness among ourselves.
- Siddhart Grover:** In terms of PMC, the management fees that, most of the PMC get, so is there are bidding on that management fees front or in terms of the overall project execution?
- S.K. Chaudhary:** Management fees.
- Siddhart Grover:** That is it from my side. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Anurag Patil from Roha Asset Management. Please go ahead.
- Anurag Patil:** Thank you for the opportunity. Can you share some update on the Bandra line parcel that you are planning to monetize?
- M.K. Singh:** Bandra as I mentioned it in the beginning and I am M.K. Singh, Director of Finance, there are certain issues regarding the FSI between MMRDA and Government of Maharashtra they have to take a decision whether the FSI lot permitted to us will be five or seven, so on that crucial decision we are still waiting to be taken on behalf of state government once that is done then we will go ahead for looking for developer, so clarity on that has to come.
- Anurag Patil:** Okay, so in Malaysia just you are trying for some projects earlier, so any success there?
- M.K. Singh:** In Malaysia, as mentioned in the earlier part of the concall by CMD, in Malaysia, the political scenario has undergone a change vis-à-vis Indian positions, so there is a cold approach to the entire commercial aspect also, so even though we have eyed and they have included that project in their own survey budget, annual budget of that country which they are supposed to be giving to us, so still not much progress is happening because of the relationship getting not too rosy these days.
- Anurag Patil:** That is it from my side. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Saurabh Poddar from Lucky Investment Managers. Please go ahead.
- Saurabh Poddar:** Sorry for being repetitive. Just to build on my working capital question, I understand rightly that you have customer advances coming in and like I have mentioned 42 days for inventory, so overall do we sit on an negative working capital cycle or is it in terms of receivables, inventories and payables, what would be the quantity 10 days, 20 days, 30 days, 50 days or is it negative working capital cycle for us overall?



- M.K. Singh:** Overall there are not negative working capital cycle, if you see three, four years trend then cash in hand has been going down over a period of time, so in earlier times when we used to have only the cost plus project there we used to get lots of advances and the advances were much more than the expenditure and outgo of cash, so there we had a negative cycle, but not since last four, five years.
- Saurabh Poddar:** Okay, for the year, so what could be your working capital days, total number of days in terms of working capital?
- M.K. Singh:** It will be 42, 43.
- Saurabh Poddar:** Last question, Sikkim orders are mentioned that already on work or has been awarded, it is part of 32000 executed order book we have?
- M.K. Singh:** That is correct.
- Saurabh Poddar:** Thanks a lot. I really appreciate on that.
- Moderator:** Thank you. The next question is from the line of Siddharth Mohta from Principal India. Please go ahead.
- Siddharth Mohta:** Thanks. Regarding this Bangladesh project you said that some modernization of their workshop it may happen it is a big project, so that is a project that they are going to do for the first time, so if you can just provide some highlight actually?
- S.K. Chaudhary:** Their minister visited India few days back and the presentation was given to him, we said that we will set up that Iircon together, we will setup that workup, but they are now going to appoint one consultant for finding out these things that what is their requirement. So far they have taken a process of awarding consultant first and then the bidding will start.
- M.K. Singh:** These are the initial and preliminary days for that project to fructify in the meaningful manner.
- Siddharth Mohta:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Parimal Mithani from an Individual Investor. Please go ahead.
- Parimal Mithani:** Thanks for the opportunity. I just wanted to know just in terms of annual report, we will see a lot of growth in the foreign project this year Sir in terms of revenue wise and most of the revenue will come from your foreign project this year compared to your EXIM project?



**S.K. Chaudhary:** Foreign projects will definitely be around 10%, but it cannot be more than Indian projects revenue will be 10% in foreign projects.

**Parimal Mithani:** Secondly, coming to your couple of joint ventures and subsidiaries, can you tell us in a snapshot what are the status of and where are we progressing in terms of equity infusion as well as projects that we have awarded for them?

**S.K. Chaudhary:** All the road projects, three have already started connecting tolls and two under construction, equity invested in this till date is Rs.552 Crores, coal connectivity projects, one project the train operation has started partly in 44 kilometers that is first in India, it has been done, in railway sector, no PPP or no joint venture project has been done this is first one. In the second project, we have tied up the loans of around Rs.2800 Crores from various banks and the financial closure is going to open shortly, because lot of mergers have taken place during this period of various banks again it has to go their new bank board's but on a day they have given the latest that we will be doing this closure and the second project will start shortly that has also given in Chhattisgarh where the land has already been acquired in the forest places has been taken, so we were ready and when we inviting tenders shortly, as soon as this financial closure that is done we will be avoiding the works, so this is the second one and the other projects Mahanadi Coalfields Limited, there is a work of around 14 kilometers have already started with the funds of Mahanadi Coalfields Limited themselves that work we have started. In Jharkhand work yet to start, but financial closure has been done, Buxar Railway still some issues are there, so this will take some time.

**Parimal Mithani:** According to your joint ventures, when will you see the revenue is tickling in from?

**S.K. Chaudhary:** First project has already started generating some revenue, so that we have started that in operation on October 1, 2019, so now it is stabilizing and more and more coal we will start loading from this as you know the South Eastern Coalfields Limited, the biggest producing company among the Coal India Limited and South Eastern Central Railway, SECR is also the biggest loading where the 40% to 50% of railway loading, coal is done from there, so we expect that revenue will start from this in a good manner we have 25 rakes will come on this line every day. Right now, the rakes are coming around three to four as it is stabilizing period, so slowly, slowly it will increase.

**Parimal Mithani:** If I am correct from your interaction at the time of IPO, you mentioned the purpose of having equity participation in the subsidiary as well as joint venture should get orders for your construction project and all that, how much construction have we got?

**S.K. Chaudhary:** Wherever report equity we take the construction.



- Parimal Mithani:** What is that amount if you can quantify the amount?
- M.K. Singh:** For all these coal projects it is Rs.16000 Crores.
- Parimal Mithani:** What is the equity infusion Sir?
- M.K. Singh:** Equity infusion in coal is Rs.343 Crores as on date and balance of course it is yet to be done, but till now it is only Rs.343 Crores.
- Parimal Mithani:** That is all the five joint ventures right?
- M.K. Singh:** Yes.
- S.K. Chaudhary:** All equities put together is Rs.343 Crores.
- Parimal Mithani:** Coming to your Indian Railway Station Development, it is a joint ventures between you and RRDC, is there any equity dilution there in terms of other railway companies which are going to participate in it. There was an article in the press you said RRDC will have, the government who wants to have one more participant in the JV?
- S.K. Chaudhary:** So far nobody has come there, government wants it, but nobody has come.
- Parimal Mithani:** While referring to this JV, can you tell us how much project have been awarded till now from this?
- M.K. Singh:** JV as I told you, JV is for the coal connectivity and the total value of work to be awarded...
- S.K. Chaudhary:** You are talking about RRDC. RRDC a high level committee has been formed by the PMO under the chairmanship of CEO Niti Aayog, Mr. Amitabh Khan. Today is the second meeting being held on 14th, where 17 stations have been put on the top priority in different locations of the country, so they will be awarded first and as far as on EPC mode RRDC has awarded already Bhopal that is almost complete, Gandhi Nagar and three more stations they have already awarded that is in Chandigarh, Anand Vihar and Bijwasan in Delhi.
- Parimal Mithani:** They are on the execution phase right now.
- S.K. Chaudhary:** They are all recently awarded.
- Parimal Mithani:** One more question, last question in terms your subsidiary called Ircon Infrastructure Private Limited, can you tell us the potential from you and how do we compete with RITES in this?



- S.K. Chaudhary:** These company is a mixture of RITES and other if you say other PSUs, because it does PMC in different field, it does PMC in the road, it does PMC in the building, it does PMC in the railway, so it does in all three segments, then it also prepare and feasibility studies.
- Moderator:** Thank you. The next question is from the line of Chintan Seth from Sameeksha Capital. Please go ahead.
- Chintan Seth:** Thanks for the followup Sir. On the policy front, which is undergoing change, does it involve the advances which we usually get in the nomination that will also get?
- S.K. Chaudhary:** That will not change.
- Chintan Seth:** That has not changed, but the management will undergo the complete change?
- S.K. Chaudhary:** Whether any PSU, which starts the work on the PMC, some advances always given with the clients, otherwise how you will finalize the contract. You have to give the advances of contractors.
- Chintan Seth:** But the quantum will revise down or advances will be there, but quantum will revise down or something like that nothing else?
- S.K. Chaudhary:** So far it is not either in proposal or anything, so far it is not there.
- Chintan Seth:** On the road subsidiary, you mentioned Rs.550 Crores odd we have booked so far in the first half, what will be the profit over there EBIT or PBIT over there?
- S.K. Chaudhary:** In roads generally we have taken these projects on BoT and two projects are on HAM, so we expect the profit margin of around 10% in construction.
- Chintan Seth:** In construction, but the tolling will have higher margin right?
- S.K. Chaudhary:** It depends on the country scenario, we are very happy that this FASTag is coming from December 1, 2019 because some of the theft which takes place as the toll will reduce and definitely revenue will increase.
- Chintan Seth:** From the cash flow I can see there are few more investments made in the property side this first half, is it related to the same?
- S.K. Chaudhary:** This is related to our three projects which we are out of this two, all three have been completed in Noida and one we will be selling off, so I can we will be renting off and third we are trying what to do, for rent or partly we will use it for us and fourth property which



*Ircon International Limited*  
*November 14, 2019*

we are making in Gurgaon will also be rented out and it will be our training center, where we train our engineers and it is a complete hostel plus training center.

**Chintan Seth:** Okay and Rs.150 Crores of profits we are planning to sell out to the PSU Company, how much we have invested there?

**S.K. Chaudhary:** We have invested around Rs.126 Crores.

**Chintan Seth:** Rs.126 Crores for which we will be selling it out at Rs.150 Crores odd.

**S.K. Chaudhary:** That is that we are trying.

**Chintan Seth:** That is it Sir. I will join back in queue. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Sarika Thorat from Union Mutual Fund. Please go ahead.

**Sarika Thorat:** Thank you for the opportunity. Sir, your own cash balance has reduced from Rs.676 Crores to Rs.291 Crores in this quarter-on-quarter, Sir Will you just explain where this cash has been used?

**S.K. Chaudhary:** The contracting system in the country has been changing to EPC model and milestone methods although this method is not full proof and lot of contractors are stuck in this method. We have one project like that which is dedicated freight corridor and which we are constructing, so our cash there we have bought some new equipments and lot of billing which is stuck because of the method of payment that will not be the sell on it is L&T, it is GMR, it is Tata Projects everybody is facing the same problem in this EPC projects and there is a maximum cash has gone and we have given the financing to our projects in Bangladesh and where we are doing contracts.

**Sarika Thorat:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Dikshit Doshi from Whitestone Financial. Please go ahead.

**Dikshit Doshi:** Thanks for the opportunity again. You mentioned the orders from **(inaudible) 1.09.05** is to the tune of the Rs.16000 Crores right?

**M.K. Singh:** Correct.

**Dikshit Doshi:** And that is included in this Rs.33000 Crores order book or not?



*Ircon International Limited*  
*November 14, 2019*

- M.K. Singh:** Not fully. As we have explained on earlier occasions in the concall that in this Rs.33000 Crores we have included only the executable portion of the order book, so whatever we have started executing the value of that portion is Rs.33000 Crores, so out of Rs.16000 Crores whatever we have started it is included otherwise it is not.
- Dikshit Doshi:** How much that could be out of Rs.16000 Crores?
- M.K. Singh:** For example, out of five coal connectivity, two projects we have not started as yet, so should be roughly Rs.7000 Crores, Rs.8000 Crores.
- Dikshit Doshi:** Rs.7000 Crores, Rs.8000 Crores is included.
- M.K. Singh:** Yes.
- Dikshit Doshi:** Thank you.
- Moderator:** That was the last question. I now hand the conference over to the management for their closing comments.
- S.K. Chaudhary:** We have tried to reply your all the questions, but definitely some of the things we cannot explain over the phone, but the company is strong and it is one of the best company in India among the PSUs and we feel that we will maintain our position and rather improve our position, but yes we do not have much flexibility as required for doing the business as private sector is any more flexibility. Some issues do come in the government company, but company is very transparent. There is no issue of any auditor. There is no issue of any other cases which we keep on rating in the newspaper for various companies, so it is a neat and clean company, nothing wrong and we maintain our position and we are one of the major players in the sector to do the execution part. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Anand Rathi that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.