

# IRCON INTERNATIONAL LIMITED (IRCON)

## ANNUAL REVIEW ON THE PERFORMANCE / ACTIVITIES FOR THE YEAR 2019-20

### BACKGROUND

Iron 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 over 128 projects in 25 countries across the globe and over 390 projects in India. As per the 2020 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 2019-20, the Company has earned highest ever total income of Rs.5,442 crore and operating turnover of Rs.5,202 crore, on a standalone basis.

Some important indicators of financial performance of the Company for the year 2019-20 vis-à-vis 2018-19 are given below:

Sl. No.	Particulars	2019-20 (Rs. in crore)	2018-19 (Rs. in crore)	Increase / (Decrease) [in %]
1.	Total income / turnover	5,442	4,680	16%
2.	Total Operating income / turnover	5,202	4,415	18%
3.	Operating income from Foreign Projects	443	586	(24)%
4.	Operating income from Indian Projects	4,759	3,829	24%
5.	Profit before tax	673	615	9%
6.	Profit after tax	490	445	10%
7.	Net worth	4,161	3,950	5%
8.	Dividend (Final & Interim)	223.38*	202.63	10.24%

\*Includes proposed final dividend (subject to the approval of shareholders in ensuing AGM).

each) amounting to Rs.126.50 crores (approx.) in February, 2020 and has declared a final dividend of Rs.2.06 per equity share (on the face value of Rs.2/- each) amounting to Rs.96.87 crore at the AGM. With this, the total dividend (including Dividend Distribution Tax) for the year 2019-20 is calculated to Rs.223.38 crore, which is 237.50% on the paid-up equity share capital of Rs.94.05 crores; and works out to 45.60% of the post-tax profits and 5.37% of net worth as on March 31, 2020.

## SHARE CAPITAL & LISTING

During the year 2019-20, the members of the Company through postal ballot have approved splitting 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 and consequent amendment in Capital Clause in Memorandum of Association of the Company. The effect of change in face value of the share was reflected on the share price at the Stock Exchanges where the Company is listed (BSE and NSE) with effect from April 3 2020, and corporate action of credit of shares of the face value of Rs.2/- each was completed on April 8, 2020, as the record date for this purpose was April 7, 2020. Accordingly, the authorised share capital of the Company is changed to Rs.400 crores consisting of 200 crore equity shares of Rs.2/- each and the issued and paid-up share capital of the Company is Rs.94.05 crores consisting of 470,257,870 equity shares of Rs.2/- each.

The Government of India divested 10.53% of the paid-up equity share capital of the Company in FY2017-18, through an Initial Public Offering (IPO). The President of India, holds 89.18% of the paid-up equity share capital of the Company. Further, as per 'Listing Regulations', IRCON being a listed entity is required to comply with the Minimum Public Shareholding (MPS) requirements specified in Rule 19(2) and Rule 19A of the Securities Contracts (Regulations) Rules, 1957. SEBI has allowed up to August 2021 to comply with MPS requirement. Hence, to comply with MPS of 25%, Government of India (GOI) is required to divest its shareholding at least by 14.18% through Further Public Offer (FPO).

IRCON ranks among top 500 listed companies in India in terms of market capitalization as on 31st March, 2020, with market capitalization of Rs.3,584 crores.

## IMPACT OF COVID-19

In view of COVID-19 pandemic and consequent to the nationwide lockdown announced by the Government of India since March 24, 2020, there was a significant adverse impact on the overall Indian economy and hence, on the operations of the Company. Due to COVID-19 outbreak, the Company temporarily suspended the operations in all ongoing projects in compliance with the lockdown instructions issued by the Central and State Governments. These nationwide lockdown

restrictions had impacted the normal operations of the Company by way of interruption of project execution, supply chain disruption and unavailability of personnel during the lockdown period. Construction activities now have started at most of the projects. The Company is taking all necessary measures in terms of mitigating the impact of the challenges being faced in the business. Though the long-term directional priorities of the Company remain firm, in light of COVID-19 and its expected impact on the operating environment, the key priorities of the Company would be to closely monitor the supply chain, conserve cash and control fixed costs, while continuing to invest in some of the growth areas.

The working of the Company has been streamlined with work from home norms and roster for the employees as per the guidelines issued by the Government authorities. Further, e-office is being encouraged among the officers for faster working, meetings through video conferencing (VC) are being done to maintain social distancing. In addition, the Company has put in place Standard Operating Procedures (SOPs) in line with Government guidelines for ensuring safety at the workplace.

With the commencement of works at projects, the Company is constantly reviewing its operation and is making every possible effort to make up for the lost time due to the pandemic.

## OPERATIONAL HIGHLIGHTS

### Foreign Projects

The following are the three on-going foreign projects in Bangladesh, Algeria and Sri Lanka 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 awarded by 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 works awarded by Sri Lankan Railways under the Ministry of Transport and Civil Aviation, Government of Sri Lanka.

During the year 2019-20, the Company has secured one project in Sri Lanka which includes upgradation of Railway Line from Maho to Omanthai under Indian Line of Credit, Track Rehabilitation and ancillary works. The project is awarded by Sri Lankan Railways under the Ministry of Transport and Civil Aviation, Government of Sri Lanka at a value of approximately 637.22 crores.

### Domestic projects

During the financial year 2019-20, IRCON has completed three domestic projects in India viz.,

- a. Setting up of new Rail Coach Factory at Rae Bareilly including additional works, for Ministry of

- Railways at a value of Rs.2,605 crores.
- b. Construction of Road Over Bridges (ROBs) in the State of Bihar, for Ministry of Railways, Government of Bihar at a value of Rs.671 crores.
  - c. Construction of ROBs in the State of Rajasthan, for Ministry of Railways, Government of Rajasthan at a value of Rs.649 crores.

In addition to the above, IRCON is also undertaking the **commercial development of 4.3-hectare railway land at Western Express Highway, Bandra East, Mumbai for 99 years**. For this, IRCON has also entered a Memorandum of Understanding on 26<sup>th</sup> March 2018 with the Rail Land Development Authority (RLDA) for transfer of lease hold rights to IRCON for commercial development on the said land parcel. In consideration of its role and responsibilities, IRCON is entitled to receive from RLDA, a fee for an amount equivalent to a total of 3% of the Upfront Lease Premium for which a tripartite loan agreement was entered between IRCON, RLDA and Indian Railway Finance Corporation Limited (IRFC).

In terms of the Corporate Plan, IRCON has identified **Real Estate Sector** for selective diversification, keeping in view the tremendous potential in this sector. Considering the properties of the Company located at NOIDA and Gurgaon, and other immovable assets of the Company distributed across the country, the Company has established a separate Estate Management Department to look after the real estate business of the Company.

### **ORDER BOOK**

During the year 2019-20, IRCON has secured works worth Rs.633.48crore. The order book value as on 31<sup>st</sup> March 2020 stood at Rs.30,713crore (approx.) as compared to Rs.33,901crore (approx.) as on 31<sup>st</sup> March 2019.

### **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'.

Further, the Company has won 7th FICCI Quality Systems Excellence Award for Industry, ET NOW: Stars of the Industry Award, 16th ICMAI National Awards for Excellence in Cost Management, Golden Peacock Award in two areas viz. Risk Management and Shivpuri Guna Highway Project, ET NOW: World HRD Congress Award, 7th PSU Governance Now Award, SKOCH Order of Merit for various categories.

The CSR Budget for the financial year 2020 was Rs. 9.88 crores 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 FY2020, IRCON has spent Rs.10.04 crore on its CSR initiatives, and the total fund donated to Prime Minister's Citizen Assistance and Relief in emergency Situation Fund (PM CARES Fund) is Rs.4.5 crores against the balance budget of Rs.5.38 crores. After the close of the year 2019-20, IRCON has contributed an additional amount of Rs. 15.50 crore in PM CARES Fund.

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