Management:

Shri. M. K. Singh – CMD & Director Finance

Shri. Surajit Dutta – CGM, Finance and Chief Financial Officer
Moderator: Good evening ladies and gentlemen. I am Rutuja, moderator for this conference. Welcome to Conference Call of Ircan International Limited arranged by Concept Investor Relations to discuss the Q4 and FY21 Results. We have with us today Shri. M. K. Singh – CMD & Director Finance and Shri. Surajit Dutta – CGM, Finance and Chief Financial Officer. At this moment all participants are in the listen-only mode, later we will conduct the question-and-answer session. At that time if you have a question, please press ‘*’ and ‘1’ on your telephone keypad. Please note that this conference is recorded. I would now like to handover the floor to Shri. M.K. Singh for his opening remarks. Thank you and over to you, sir.

M. K. Singh: Thank you very much. Ladies and gentlemen, whoever are listening to me I extend a very good evening to all of you. I welcome you all to the con-call from Ircan to discuss the financials for the fourth quarter as well as for the fiscal year ending 31stMarch 2021. I hope that all of you are safe and sound from this ongoing COVID19 pandemic. We have had our shares of difficulties so far as this pandemic is concerned both in terms of physical performance as well as in terms of a few of us not having good times in terms of health and so on. We have been regularly conducting con-calls so I assume that most of you are familiar with the working of Ircan. Without taking much time I would put in front of you the highlights of the year and our financial performance.

Let me start with the good thing. Ircan has secured orders for Rs. 4157 crores for the year FY21 means from 1st April 2020 up to 31st March 2021 we secured fresh order for Rs.4157 crores. Taking the total order book to Rs.34,689 crores as on 31st March 2021 and it’s more heartening to share with you that we have secured 99% of these orders on competitive bidding basis. The total order book of the company consists of 95% of the rail-related projects and 5% of highway projects. Even in the first quarter let me inform you that we have recently bagged an order of Rs. 700 crores from railways regarding railway electrification. So this was the order book front news.

Now I will talk about the financial performance for the full year ended 31st March 2021. Revenue from operations for the full-year stood at Rs. 4948 crores as compared to Rs.5200 crores for FY20. So there was a decrease of around Rs.250 crores and that was mostly to do with the performance in the Q1 of the previous year. The core earnings before interest tax
depreciation and amortization that is core EBITDA stands at Rs. 361 crores against Rs.476 crores in FY20. The company’s core EBITDA margin stood at 7.30% in FY21. The PBT is Rs. 574 crores for FY21 as compared to Rs. 673 crores in FY20. The PBT margin is 11.04%, PAT is Rs. 405 crores for FY21 against Rs. 490 crores in FY20. The company’s PAT margin stood at 7.78%. The EPS for the year ended FY21 stood at Rs. 4.30. In the BOD meeting, a dividend of Rs. 1.32 per equity share face value of Rs. 2 per share has been recommended. Earlier Ircon has declared and paid interim dividend of Rs. 1.30 per share before issue of the bonus shares of face value of Rs. 2 per share. After closing of the financial year, the company issued fully paid-up bonus share in the ratio of 1:1. This was the information which I wanted to share with you. And now I will request the moderator to please take the proceedings further in terms of question and answer etc.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shreyans Mehta from Equirus Securities.

Shreyans Mehta: My question pertains primarily on the operating margin front. If the you see this quarter, we have done lower than what we had guided for. So we were targeting roughly around 9%-9.5% but this quarter so the margins are very low. Are there any one-offs or any particular reason why the margins are on the lower side?

M. K. Singh: You are talking of core EBITDA margin of 7.3%, right?

Shreyans Mehta: Right.

M. K. Singh: For the 12-month period and 7.82% for Q4.

Shreyans Mehta: Right so particularly fourth quarter?

M. K. Singh: Fourth quarter if you compare it with the q-on-q, it was 7.24%, now it is 7.82%. I don’t see that there is a decrease in the core EBITDA and even in EBITDA after taking the other income in account then we have 12% in Q4 of FY21 against 9.38% of Q4 of last year. If you check the figures, core EBITDA against last year of 7.24% it is 7.82% and EBITDA 12% against 9.38%. So there’s no decrease on q-on-q.

Shreyans Mehta: I am not talking about the decrease on q-on-q. I am saying as against so if I compare even the full year ‘21 so on ‘21 basis we have done a EBITDA margin of 7.3%. Whereas last year we had done 9.15% and our guidance is, generally in end of 9% to 10%.

M. K. Singh: Yeah, that is right because in FY20 we had a special item of Rs.84 crores which came to us by way of write back arrangement of one of the turnover items of the previous years that was pertaining to agency commission payment. That is why there is a stark decrease in this year.
There was no exceptional item in nature in this year. if you take out Rs.84 crores then it is comparable.

Shreyans Mehta: Coming to on the guidance front, what would be means still we stick to that Rs.7000 and Rs.10,000 crores number for ‘22 and ‘23? And in terms of operating margin what is the guidance now?

M. K. Singh: So far as turnover is concerned if you see Q4 of FY20 and Q4 of the FY21 and there has been an increase of 30%. So I suppose that this will be a year which is not going to create much of trouble for us. That is how we are praying. We expect a turnover increase of around 25% to 30% minimum. That takes us to around Rs.6800-7000 crores from the present level and EBITDA margin we’ll be in double digits this is what we’ll be aiming for because we are going to have a mix of a projects in our turnover which will have higher margin which will be in the nature of consultancy etc. That is what we are aiming so that we can improve the bottom line also.

Shreyans Mehta: So, when you are saying double digit does that include the other income or you’re talking about the core EBITDA margin?

M.K. Singh: No, I’m talking of EBITDA including the other income.

Shreyans Mehta: So, one more question pertaining to what would be the CAPEX number for this year and next year?

M.K. Singh: To add to the last question EBITDA even for Q4 was 12%, so we are hoping that EBITDA including other income should be around 14% to 15% that is what we are hoping in FY22 and core EBITDA will be around 9.5% instead of 7.82% in Q4 for the FY21.

Shreyans Mehta: So, you are looking at to earn core EBITDA from you are looking at around 150 to 200 basis points improvement.

M.K. Singh: Correct.

Shreyans Mehta: That would be primarily because of the project mix?

M.K. Singh: Project mix and also, we are trying to change the composition of the workforce because that is a single biggest expenditure item for us around odd Rs. 270 crores a year. We will be engaging more and more contractual staff. We’ll be little less on the perks and the same on the output.

Shreyans Mehta: And CAPEX number this year and next year?
M.K. Singh: I will get back with the figures of the CAPEX for FY21 but for FY22 we have an investment lined-up including our financial investment in the form of equity to the special purpose vehicles. Those also we classify as the CAPEX only. So that will be roughly Rs.500 crores.

Shreyans Mehta: So, this includes the core CAPEX plus the equity investment in the HAM road projects?

M.K. Singh: Right, that’s true.

Shreyans Mehta: Can you just brief that up how much will be road out of those?

M.K. Singh: All those equity which we put in the HAM, SPV’s or BOTSPV’s are nothing but project finance.

Shreyans Mehta: Just one last question pertains to our other income.

M.K. Singh: It was Rs.442 crores. For FY21 the CAPEX including our investment into SPVs etc. was Rs.442 crores.

Shreyans Mehta: One last question pertains to our other income during the quarter it’s abnormally high this quarter it’s at odd Rs. 107 crores, so any particular reason for it?

M.K. Singh: Actually, we got the claim settled in our favor from an NHAI and a lot of interest was paid to us by the arbitration panel. So, whatever claims we are getting that we are bifurcating into the actual work done revenue and the interest portion and that has given abnormal rise to the other income. In fact, Rs.32 crores came on the account of one claim only by way of interest from NHAI.

Shreyans Mehta: Can you repeat the number?

M.K. Singh: One claim was containing Rs.32 crores of interest income which we are receiving from NHAI. So, Rs.107 crores which you are seeing is only because of the settlement of the claims and taking the interest portion out of the claim amount and booking them into other income. But money is money, all money are of the same color.

Moderator: The next question is from the line of Mahesh Kabra from Purnartha Investment Advisor.

Mahesh Kabra: The one question I have is already asked by the previous participant but I could not hear that was about the margin. I could not hear your answer about explanation of why EBITDA is low in last couple of quarters?

M.K. Singh: If we take the EBITDA including the other income then it is 12%, which is not too bad for Q4 21. It was 9.38% for Q4 20. Even core EBITDA it is 7.82% compared to 7.24% of the previous financial year Q4 20. So, yes Core EBITDA has come down because it was 9.15% for the entire financial year FY20 and 7.82% is not a very happy occasion. In fact, for the entire year, it is
only 7.3%. So against 9.15%, 7.3% is not a very happy occasion. Actually, let me share with my investor that we are going through execution of two projects which are not too profit making for us, not very heavily profit making for us. We are getting lot of turnover from these two projects where the profit margin is little less. That is why you see a drop in the core EBITDA even though the turnover hasn’t dropped proportionately. So, two projects we have which are giving us headaches but we will be trying to make this up with good combination of projects which will have higher profit margins. We’ll have some consultancy projects lined up for Ircon or those projects which are in the nature of providing technical services. So that our bottom line improves and consequently core EBITDA also touches the double digit.

Mahesh Kabra: How much of these two projects have to be executed?

M.K. Singh: Actually out of Rs.4947 crores we have two projects which have lesser margin of profit and the turnover coming from this was roughly Rs.900 crores.

Mahesh Kabra: How much interest rate is going to come-up in the coming quarters?

M.K. Singh: In coming quarter one of the projects will finish in FY22, but then we have certain claims lined up in that project. So even though the profitability per se from the work done may not be really great what we have certain claims against dedicated freight corridor, which in principle they have agreed and once those claims materialize to us then the profitability takes a shoot up and we are comfortable.

Mahesh Kabra: Any rough idea about the amount of the claim?

M.K. Singh: No, I can’t disclose that now, because that is still a work in progress.

Mahesh Kabra: So, the impact basically is on the gross margin front on these two projects?

M.K. Singh: That’s right. These two projects were responsible largely for bringing down the core EBITDA from 9.15% to 7.3%.

Mahesh Kabra: Do we have some of our order book where we don’t have escalation cost and the material cost going up and is impacting our margins?

M.K. Singh: No, not really. Because most of the projects which we have where the cement and steel are being used very extensively are well-covered by the price variation or those are cost plus. Those are not making any difference to us in terms of increasing the project cost.

Moderator: As there are no further questions, I would now like to handover the conference to the management for the closing comments.
M.K. Singh: Thank you very much for Concept IR for organizing this Con call and I express my gratitude to all my analyst and investor friends who have taken time out. Please engage with us in case you have any further query, we will be very happy to be associated with all of you and answering your queries. Thank you very much.

Moderator: Thank you all for being a part of conference call. If you need any further information or clarification, please mail at gaurav.g@conceptpr.com. Ladies and gentleman this concludes your conference for today.