

IRCON International Limited

March 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	-	-	Reaffirmed at CARE AAA; Stable / CARE A1+ and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE AAA; Stable / CARE A1+' assigned to bank facilities of IRCON International Limited (IRCON) with immediate effect. The above action has been taken at the request of IRCON and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings.

The rating continues to derive strength from its strong managerial linkages with Government of India (GoI) and 65.17% of ownership. Ratings also factor its significant project execution capabilities in railways established by its long track record of implementing domestic and overseas railway projects, and healthy order book position as on December 31, 2024, with ~47% projects from the Ministry of Railways (MoR) on a nomination basis having a cost-plus margin structure. The revenue visibility for IRCON, though adequate at present has moderated compared to the past due to diminution in order addition considering increased competitive intensity. The company's orderbook as on December 31, 2024, stood at ~1.8x the FY24 revenue from operations (PY: 3.20x). Ratings continue to favourably factor in the low counterparty risk for the orderbook primarily backed by strong government entities as counterparties. Low leverage with minimal reliance on external debt and strong liquidity position are the other credit strengths.

However, rating strengths are partially tempered by its working capital intensive operations, investments, loans and advances extended to subsidiaries and joint ventures (JVs), high contingent liabilities in the form of corporate guarantees (CGs) extended to its subsidiaries and the competitive and fragmented industry amid rising input costs, which has resulted in moderation of profitability margins. CARE Ratings expects the company's margins to remain moderate in the medium term as a significant proportion of the projects have been acquired through competitive bidding.

Analytical approach: Standalone; factoring parent notch up due to GoI ownership and also considering the equity commitments/support and CGs provided or to be provided in underlying subsidiaries/joint ventures.

Outlook: Stable

The outlook for IRCON is expected to be 'Stable' considering its strong financial flexibility on account of its majority GoI holding. Low leverage, adequate orderbook position backed by strong counterparties and strong liquidity is expected to render stability to the company's risk profile.

Detailed description of key rating drivers:

Key strengths

Significant linkages with the GoI and the MoR

IRCON was incorporated in 1976 and subsequently granted a Mini Ratna Category-I public sector undertaking (PSU) status in 1998 and has been upgraded to 'Navratna' status in October 2023 by the Department of public enterprises (DPE), Ministry of Finance. GoI holds 65.17% equity in IRCON and IRCON is one of the few agencies through which the MoR has implemented railway projects throughout the country for over four decades and has completed ~400 infrastructure projects in India. IRCON has also completed ~128 projects in 25 countries across the globe.

As on December 31, 2024, the board of IRCON is headed by Hari Mohan Gupta, chairman and managing director (CMD). He holds a civil engineering degree from the Indian Institute of Technology (IIT), Roorkee, with over three decades of rich and varied experience in railways, especially in execution and management of railway projects. IRCON holds strong linkages with the MoR and is professionally managed by the board of directors comprising four functional directors, and the CMD and one government nominee director.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications

Healthy order book position

IRCON caters domestic and international markets and receives orders on a tender basis. Earlier, the company used to receive orders by way of nomination from MoR, which shifted to a competitive bidding basis since October 2021. The order book position as on December 31, 2024, stood at ~₹21,939 crore (₹32,486 crore as on September 30, 2023) which translates to ~1.8x of the total operating income (TOI) in FY24 providing moderate revenue visibility. The sharp shrinkage in the orderbook is largely considering sharp increase in TOI from ₹9,925 crore in FY23 to ₹12,158 crore in FY24 against a subdued order addition in FY24 and year-to-date-FY25 compared to the order additions in previous years due to competitive bidding. Of the total order book outstanding as on December 31, 2024, ~47% orders are received on a nomination basis from the MoR. Addition of large orders and diversification of order book is crucial to the growth of the company considering discontinuation of nomination and intense competition in the sector.

The projects received on nomination from the MoR are 'cost-plus' where IRCON receives non-interest-bearing advances from the MoR for project execution. These project advances serve as working capital for the execution of the projects. IRCON is not required to furnish performance or advance bank guarantees (BGs) for these cost-plus projects.

Established track record and proven project execution capabilities

The company began operations in 1976 as a railway construction company and diversified progressively in other construction activities. Railways and highways continue to be the core areas of operations, reflected by ~83.83% (PY: 93.87%) and 15.80% (PY: 5.88%) revenue contributed by these two segments, respectively, in FY24. The company has demonstrated capabilities for executing projects of large scale in domestic and international markets (having a presence in Bangladesh, South Africa, Algeria, Sri Lanka, Myanmar and Nepal).

Low counterparty risk

Domestic projects made up the bulk of the order book, with ~90% order book to be executed within India as on December 31, 2024. The company's client list is dominated by central and state government undertakings, such as zonal railways, the National High-Speed Rail Corporation Limited (NHSRCL), the Dedicated Freight Corridor Corporation of India Limited (DFCCIL), and the National Highways Authority of India (NHAI), among others, which largely mitigates the counterparty risk. As on December 31, 2024, the company is also executing 10% projects in foreign countries; hence, it is exposed to regulatory risks considering local conditions in the respective countries.

Comfortable financial risk profile

The company continues to enjoy a favourable financial risk profile considering its project management capability, allowing the company to scale up its operations to ensure healthy cash generation. IRCON reported ~22% growth (PY: y-o-y growth at 44%) in its TOI, of ~₹12,158 crore in FY24, against ~₹9,925 crore in FY23. However, the company's profitability margins continue to be at modest level with the profit before interest, lease rentals, depreciation and taxation (PBILDT) at 6.38% (PY: 5.99%) and profit after tax (PAT) at 7.10% (PY: 7.83%), owing to rising input prices and increase in mix of executed orders from competitive bidding.

The company does not have fund-based working capital limits and has low reliance on external borrowings for meeting business requirements. For its operations, IRCON depends on project advances, mobilisation advances, and internal accruals. The majority project advances availed by the company are interest-free (primarily for railway projects); however, the NHAI charges interest at bank rates for the mobilisation advances availed. The overall gearing (including mobilisation advances) improved as on March 31, 2024, at 0.46x (PY: 0.76x). Going forward, with the increase in proportion of order book based on competitive bid, CARE Ratings expects that the reliance on fund based working capital will increase moderating the leverage.

Key weaknesses

Exposure to the group, associates and subsidiaries

As on March 31, 2024, IRCON has 10 special purpose vehicles (SPVs) for executing the NHAI road projects, of which three toll road projects and two HAM projects are operational and five HAM projects are under construction. IRCON is also a stakeholder in five JV projects incorporated to undertake rail connectivity from coal fields, where it holds a 26% stake and the balance is held by the respective Coal India Limited (CIL) subsidiaries operating the coalfield and state governments. IRCON is also executing a 500-megawatt (MW) solar power project with a 76:24 shareholding with Ayana Renewable Energy Limited.

IRCON's total equity investments in its subsidiaries and JVs as on December 31, 2024, stood at ₹900 crore in the projects to be met in the next two years. IRCON generated annual accruals to the tune of ₹890 crore in FY24 and has a cash balance of ~₹820 crore as on December 31, 2024, which is adequate to fund these equity commitments.

IRCON also has loans and advances to SPVs outstanding as on March 31, 2024, at ₹279 crore. As such, the total exposure including loans and advances to subsidiaries and JVs as on March 31, 2024, stands at ₹2,429 crore (PY: ₹2,258 crore) forming 42% of the tangible net worth (TNW).

IRCON has extended a limited period of CGs for its under-construction HAM projects, which also increases the company's potential indebtedness. With increase in exposure to subsidiaries, IRCON's ability to unlock its capital in those projects upon achievement of COD shall be crucial.

Moderate profit margins

CARE Ratings notes the company's profitability parameters have been moderate within the range of 5-7%, and the margins are expected to be range bound as the projects acquired through competitive bidding will form a higher proportion of the turnover. Going forward, sustaining adequate profitability is crucial considering increased execution of competitively bid orders.

Inherent challenges associated with the construction industry

The disproportionate hike in the commodity prices compared to inflation indexation, aggressive bidding, delay in the achievement of financial closure, or delay in project progress due to the unavailability of regulatory clearances may affect the credit profile of the contractors and exert pressure on the margins of the entities in the industry.

Liquidity: Strong

The company's liquidity profile remains strong with free cash and bank balances of ~₹820 crore as on December 31, 2024. IRCON has not availed working capital bank lines. The working capital requirement for the projects is mainly met through client advances. As on March 31, 2024, the overall cash, including client funds pertaining to cost-plus projects earmarked for project execution stood over ₹4,429 crore. The company has been generating steady cash accruals in the range of ~₹800 crore per annum against no long-term debt servicing obligations.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

The ESG issues are credit neutral or have only a minimal credit impact on IRCON. The same have been enlisted below:

	Risk factors	Mitigating measures
Environmental	<ol style="list-style-type: none"> 1. Material selection 2. Water consumption 3. Method of construction 4. Waste management 5. Greenhouse emissions 6. Recycling 	The company nominates environment officers for major Indian projects to monitor environment management system (EMS) and compliance of the environmental laws at their respective projects and the same is also incorporated in General Conditions of Contract (GCC) of the Company for implementation of Environmental Management Standards by the Contractor while carrying out the work. Environmental checklists have been developed and maintained by all projects. Further, environmentally-friendly equipment such as solar panels have been installed and are being installed at offices/projects. Wastewater is recycled at the corporate office through sewage treatment plant (STP), and the same is used for horticulture work. STPs are also being constructed at IRCONs buildings at Noida and Gurugram.
Social	<ol style="list-style-type: none"> 1. Workmen safety 2. Community impact 3. Emergency response planning 	Focussing on the Annual Theme – 'Health & Nutrition' as announced by the DPE and to give preference to the Aspirational districts under their CSR, the CSR & sustainability activities of the company comprised conducting health awareness and 66 medical camps in the districts of Jammu & Kashmir for creating general health awareness among the villagers; establishing a Vision Centre in Aspirational district Jaisalmer of Rajasthan for detection of visual defects among school children preventing the progress of eye disease through proper care and treatment; empowerment of women through "Skill Development Training Programmes" in Khora Colony, Dist. Ghaziabad, Uttar Pradesh by M/s Bisnouli Sarvodaya Gramodyog Sewa Sansthan (BSGSS).
Governance	<ol style="list-style-type: none"> 1. Stakeholder engagement, supply chain management 2. Internal controls 3. Composition of the board 4. Diversity 5. Code of conduct 	IRCON is utilising SAP S/4 Hana as Enterprise Resource Planning (ERP) application software in Finance, Controlling and Human Resource Management functions to a large extent. IRCON has a transparent reporting system governed by a board of four functional directors, four independent directors, and one government nominee. There is a defined whistle-blower mechanism, regular internal and external checks for maintaining robust control. Vendor selection, distribution of contracts, etc., are also done through public channels having complete transparency.

Applicable criteria

[Definition of Default](#)
[Factoring Linkages Government Support](#)
[Factoring Linkages Parent Sub JV Group](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)
[Construction](#)
[Infrastructure Sector Ratings](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

IRCON was incorporated in April 1976 as Indian Railway Construction Company Limited, mainly for the construction of railway projects in India and abroad. IRCON was a Mini Ratna Category-I PSU since 1998 and subsequently upgraded to Navratna status in October 2023. It is a central government company under Section 617 of the Companies Act, 1956, with a 65.17% shareholding held by the GoI. Although the company has diversified in roads, buildings, electrical substation and distribution, airport construction, commercial complexes, and metro segments, it mainly earns its revenue from the railway segment. The company raised funds through an initial public offering (IPO) in September 2018 through an offer for sale and was listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) on September 28, 2018.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	9,925	12,158	6,950
PBILDT	594	776	341
PAT	777	863	519
Overall gearing (times)	0.76	0.46	NA
Interest coverage (times)	58.28	33.07	68.20

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Non-fund-based - LT/ ST-BG/LC		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	1)CARE AAA; Stable / CARE A1+ (11-Mar-25)	1)CARE AAA; Stable / CARE A1+ (12-Dec-23)	1)CARE AAA; Stable / CARE A1+ (04-Oct-22)	1)CARE AAA; Stable / CARE A1+ (06-Oct-21)

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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