

**REVIEW OF ANNUAL REPORT AND AUDITED ACCOUNTS OF IRCON INTERNATIONAL LIMITED FOR THE YEAR 2011-12**

**1. BACKGROUND**

Ircon has a long standing reputation as a consistent sectoral leader amongst the public sector construction companies in the Country with specialization in Railway and Highway constructions on turnkey basis and otherwise. The Company is having the status of Mini Ratna Category-I since 1998 and ISO certified since 1995. Ircon has been consistently earning profits and foreign exchange and paying dividend every year, without exception.

**2. FINANCIAL HIGHLIGHTS**

During 2011-12, the Company achieved its highest ever turnover of Rs. 3782 crores. Further, it has achieved a quantum jump of 50% in profit before tax from Rs. 401 crores in 2010-11 to Rs. 602 crores in 2011-12. The profit after tax has also increased by 95%. Most of the targets under the MOU for 2011-12 have been achieved/ surpassed which would bring the Company under "Excellent" MOU rating.

Ircon is one of the five companies from India which could make it to the list of top 225 International Contractors of the World 2012 ranked by Engineering News Record (ENR). During the last five years, the Company has recorded a compounded annual growth rate of 19.63% in turnover and 40.24% in terms of profit before tax.

The Company has paid a record dividend of Rs. 94.03 crores for the year 2011-12 (including interim dividend of Rs. 29.69 crores paid in December 2011) which works out to 950% of the paid-up share capital and amounts to 20.01% of the post-tax profits of Rs. 470 crores. The cumulative dividend so far paid to shareholders up to 2011-12 stands at Rs. 426.54 crores. The Company has also issued bonus shares during the year in the ratio of 1: 1.

Railways and Highways continued to be the primary sectors of interest. During 2011-12, Railways accounted for 81% of operating income, Highways accounted for 14%, and the balance 5% was contributed by buildings, electrical sub-stations etc. Foreign projects contributed 51% to total operating income during the year.

Some important indicators of financial performance of the Company for the year 2011-12 vis-a-vis 2010-11 are given below:

Particulars	(Rs. in crores)		
	2011-12	2010-11	%age increase
1. Total income/Gross sales	3782	3254	16%
2. Operating income	3601	3175	13%
3. Profit before tax	602	401	50%
4. Gross margin	670	440	52%
5. Net worth	1743	1382	26%

### 3. OPERATIONAL HIGHLIGHTS

The on-going projects abroad are in Malaysia, Sri Lanka, Philippines, Afghanistan, and Algeria.

Important projects under execution in India include Rail-cum-road bridge across river Ganga, Road over Bridges in the State of Rajasthan and Bihar, New Rail Coach Factory at Rae Bareilly (U.P), Sivok-Rangpo new rail line project, apart from the Nation building projects under Pradhan Mantri Gram Sadak Yojana (PMGSY) and Rashtriya Sam Vikas Yojana (RSVY) and J&K Rail Link Project.

In foreign countries, the Company has completed Seremban to Sungai Criket section (Phase-I) of the SGT Malaysia project and entire project of upgradation of Colombo-Matara coastal railway line, soon after the close of the year, six months ahead of schedule.

The Company has also completed four projects in India which include construction of Road over Bridges in Northern Region (J&K and Punjab), six Road over Bridges in the State of Tamil Nadu, Delhi MRTS Project Phase II (contract B-8), and vertical expansion of Main Academic Building of Central Institute of Fisheries Education (CIFE), Versova, Mumbai. Aligarh Ghaziabad Rail Project was completed after close of the year and opened to traffic on 17<sup>th</sup> May, 2012.

Iron's wholly owned subsidiary, 'Iron Infrastructure & Services Limited', incorporated in September 2009, has earned profit before tax of Rs. 3.32 crores and profit after tax of Rs. 2.56 crores during 2011-12.

Iron has formed another subsidiary, 'Indian Railway Stations Development Corporation Limited' in April 2012. Iron and Rail Land Development Authority hold equity share capital in the ratio of 51:49 in IRSDC.

### 4. AWARDS

The Company has so far received 45 awards from PEPC (formerly known as Overseas Construction Council of India (OCCI)) and 23 awards from EEPC. The awards received during the year include: Gold Award under India Pride Awards instituted by Dainik Bhaskar and Daily News & Analysis (DNA) for Excellence in Central PSUs in Transport for 2011, Vishwakarma Award from Construction Industry Development Council in the category of best professionally managed company having turnover exceeding Rs. 1000 crores, Dun & Bradstreet's India's Top PSUs 2012 award in the category of best PSU in Engineering & Construction for the year 2012.

### 5. Conservation of Energy & Environmental Concerns

Various state of the art systems have been installed and environment friendly technology has been adopted in the Corporate Office building to conserve energy. The Company has successfully implemented Environmental Management System - ISO 14001:2004 during the year.

## 6. Sustainable Development

The Company has a BoD approved SD Plan and Board level SD Committee. During 2011-12, the Company took initiatives like use of recycled water for general consumption like garden, etc. at Corporate Office, Centre for Construction Management at Gurgaon, and Central Inspection Cell at Noida, incorporation of Green building features in design for buildings in Rae Bareilly Coach Factory project, etc.

## 7. CSR

Ircon has a CSR policy matching with its long term business plan in tune with DPE CSR Guidelines. During the year CSR projects focused on development of infrastructure and other logistics in ITI Dholpur; disbursement of books, bag, fee, etc. to identified schools; installation of solar lights in villages; creation of primary health centre and providing ambulance and medical equipment; installation and commissioning of emergency medical equipments for a Trauma Centre in Jodhpur, etc.

## 8. Corporate Governance

The Company has in place a Fraud, Prevention, Detection, and Control Policy along with a Whistle Blower Policy. The Board Charter of the Company contains the Corporate Governance Objectives and Role & Responsibilities of Directors and the Management. This apart, the Company duly complies with the DPE Corporate Governance Guidelines.

## 9. IT/PMIS

The Company is maintaining state of the art data center facilities. The Data Centre is connected to national and international projects at all times with dedicated leased lines. Project Management Software like Primavera is effectively used for efficient monitoring and control of domestic and international projects.

## 10. Risk Management

The Company has a formal Risk Management Framework in place which is implemented by a two-tier team. Reports for managing and mitigating risks are submitted to Audit Committee.

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