



**Annual Report
2005-2006**

IRCON INTERNATIONAL LIMITED

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REGISTERED OFFICE :

Palika Bhawan, Sector-XIII
R. K. Puram,
New Delhi-110 066
website : www.irconinternational.com

STATUTORY AUDITORS

Gupta & Gupta
Chartered Accountants
4/8, Asaf Ali Road,
New Delhi-110 002

STOCK EXCHANGES WHERE SHARES LISTED

The Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
Mumbai - 400 001

MAIN BANKERS

State Bank of India
Indian Overseas Bank
J & K Bank

The Delhi Stock Exchange Association Limited

DSE House,
3/1, Asaf Ali Road,
New Delhi - 110 002

Board of Directors

As on AGM Day 27-09-06

Chairman

Part-time Director (Official)



J. P. Batra

Whole-time Directors



Ankush Krishan
Managing Director



Sudhir Mathur
Director Finance



Mohan Tiwari
Director Projects

Part-time Director (Official)



Sabita Gopal

Company Secretary



Lalitha Gupta

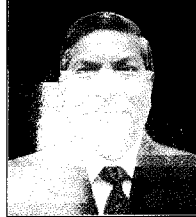


Board of Directors

As on 31-03-06

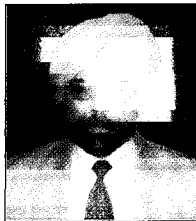
Chairman

Part-time Director (Official)

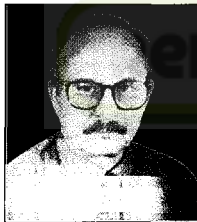


R. S. Varshney

Whole-time Directors



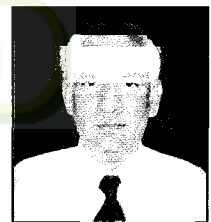
B. S. Kapur
Managing Director



Ankush Krishan
Director Works



Mohan Tiwari
Director Projects



Sudhir Mathur
Director Finance

Part-time Director (Official)



Sabita Gopal

Company Secretary



Lalitha Gupta



CHAIRMAN'S ADDRESS

Distinguished Shareholders,

It gives me immense pleasure in welcoming you all to this 30th Annual General Meeting of IRCON.

Congratulations to IRCON and its shareholders on becoming a Schedule "A" Company w.e.f. 15th May 2006. After thirty years of hard work and proven expertise, timely and qualitative performance to the satisfaction of customers, and consistency in its operations and profitability, your Company has earned this status.

Reminiscence

Allow me to reminisce and trace our growth for a while at this juncture ! IRCON was incorporated in 1976 as a private limited company, with a paid-up share capital of Rs. 1.002 million fully owned by the Government of India. This became nearly Rs. 49.5 million in 1985. 100% share capital of the Company was owned by the Government of India till May 1992 when 0.27% shares were disinvested. Thus the Company was converted into a public limited company and shares were listed with Delhi and Mumbai Stock Exchanges. Shares of IRCON though listed are neither quoted nor traded. However, it is derived, from the recent transfer of 24,400 shares held by UTI to IRFC in September 2006, that IRCON's shares of Rs. 10/- each have a market value of Rs. 817/- per share.

The paid-up share capital stands doubled to Rs. 98.98 million w.e.f. 1st April 2005 by virtue of issue of bonus shares in the ratio of 1:1 to the shareholders. Your Company complies in letter and spirit with all the requirements expected of a listed company except that independent directors are not in place for the last one year. Their appointment is under process by the Government.

The Company secured its first contract in 1976-77 with a strict time schedule from Kudremukh Iron Ore Company Limited in Bangalore (Karnataka). This entailed construction in the thickly wooded forests of Malur Ghats. This was completed well ahead of time and resulted in the first profit of Rs. 1.68 lakhs for the Company during 1977-78.

The Company had its first breakthrough in the international arena by winning a major contract in Iraq in 1981-82 for construction of Mussayeb-Kerbala Samawa Railway at a value of Rs. 4000 million. This was soon followed by projects at Saida and Benisaf in Algeria, and then in Malaysia. IRCON established its reputation for timely execution of work to exacting international standards. It became the first ISO certified construction company in India in 1995, and a "Mini Ratna" in 1998.

Diversification

The Company, which started exclusively as a railway construction company, has over the years acquired expertise in highways, metro construction, and is considered a turnkey construction company of international repute. With its excellent track record, now IRCON is looking for new challenges and new vistas for growth considering the vast opportunities that have opened up in the infrastructure sector. Some of the sectors in which IRCON will be playing a major role in the next five years are Railways, Highways, High Tension Sub Stations, Metro and Light Rail Transit, Signalling and Telecommunication.

International Business to be thrust area

In the last 10 years, the compounded growth of the Company has been more than 10% in terms of turnover, profit before tax, and net worth. During 2005-06, Indian projects have contributed 91% to the total income of the Company and profit before tax from domestic projects has increased by 52% reflecting significant improvement made in the domestic sector. Yet, one cannot overlook the fact that international business which contributed almost half of the total income in 2000-01 has significantly declined. With considerable investments planned in the core competence areas of IRCON in India, it is expected that lot more companies would enter traditional areas of its operation putting further stress on the margins. International business for IRCON is an imperative. Your Company has renewed its efforts which would be kept up to enhance the international business by harnessing the synergies that are now available in the Country and are considered in the vanguard internationally.



Business Development Initiatives

IRCON has completed during 2005-06 six projects abroad - three road projects in all in Bangladesh and Indonesia, and three projects for providing engineering services in Brazil, Liberia, and U.K. & Ireland. Presently, IRCON is executing projects in Bangladesh, Ethiopia, Malaysia, Mozambique, Nepal, Afghanistan and UK. Your Company is pursuing a Rs. 11000 million rail project in Sudan on turnkey basis. Efforts are on to secure contracts in several countries, in particular, Brazil, Malaysia, Venezuela, and Liberia.

Future lies in strategic synergy

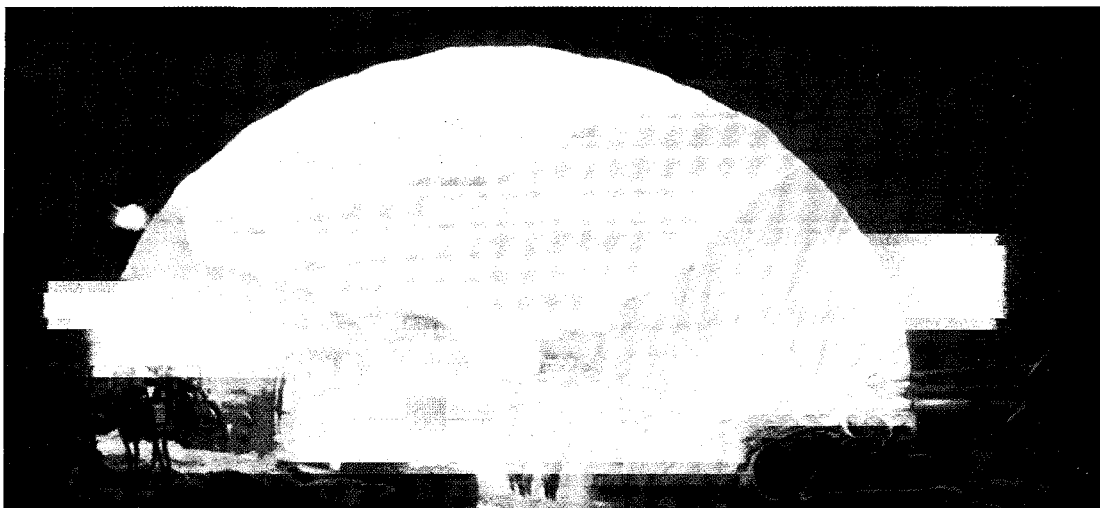
Your Company is already executing BOT Concession Projects in Mozambique and also in India through special purpose vehicles (SPVs). IRCON is now increasingly focussing on mega rail projects abroad. Specific synergetic engineering is required for these projects, available only with agencies specialized in interpretation of satellite imagery, digital terrain modeling, traffic evaluation, environmental impact, etc. Your Company has initiated steps to enter into umbrella MOUs with agencies like National Remote Sensing Agency (NRSA), Hyderabad, and Indian Institutes of Technology.

Recent Landmark works in India

During the year 2005-06 and till now the Company has executed several projects in India which include the underground metro corridor(MC-1B), SYS2 electrification, and ballastless track for DMRC, four laning and strengthening of Allahabad-Khaga Road Project, and Super structure box girder between Dum Dum Cant and NSCB International Airport for Metro Railway, Kolkata. The works being executed in J&K, namely, Qazigund-Srinagar-Baramulla and Laole-Qazigund New broad gauge Rail Link Projects, have been accorded the status of projects of National Importance by the Government. This involves construction of longest tunnel (10.7 Kms) -- 75% is tunneling, 23% is bridging, and could be considered as world's most complex Railway project.

The ongoing works of cable stayed bridge in Patna and construction of superstructure for Metro Railway, Kolkata, are also significant. These apart, your Company is executing significant highway projects in the Country in eleven major States.

Some jobs of complex nature being executed in National Interest by IRCON are participation in Golden Quadrilateral, Married Accommodation Projects for defence personnel, Pradhan Mantri Gram Sadak Yojana and Rashtriya Sam Vikas Yojana. Your Company also plans to associate itself with the massive Dedicated Freight Corridor (DFC) projects.



South Portal of Pir Panjal Tunnel

Financial Highlights

Your Company has displayed an impressive performance during 2005-06 and I am sure you would have gone through the Annual Accounts and the Auditors' Report for the year. Your Company has recorded its highest ever turnover of Rs. 11128 million and a Profit Before Tax of Rs. 1109 million. Total dividend



for 2005-06 works out to Rs. 257.35 million @ 260% of the paid-up share capital which is nearly 32% of post-tax profits. This is the highest ever dividend so far. Out of this, the Company has paid Rs. 252.40 million by way of interim dividend in February 2006.

The Company has a record order book position of more than Rs. 50000 million as on date, this should result in a higher turnover.

“Nothing is more crushing for your laurels than sitting on them.” The Company is doing well in terms of turnover and profitability; yet, to excel one's own performance is the hallmark of excellence.

Looking Ahead

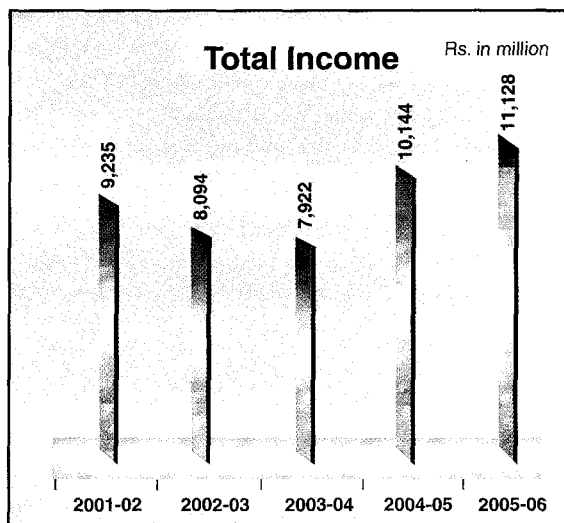
To meet the changing business environment, the Corporate Plan for 2006-11 envisages a turnover of Rs. 17,500 million and an order book of Rs. 63,000 million by 2010-11 based on natural progression. These targets of turnover and order book when viewed from market share scenario, should be Rs. 24,000 million and Rs. 86,950 million respectively. Steps have already been taken for implementing the ERP based Integrated Information System. This will streamline our business processes using state of the art technology. This in turn will increase the operational efficiency.

With the support the Company enjoys from the parent Ministry and guidance from shareholders, it should be able to exceed the targets. There is buoyancy in the market of infrastructure -- private and public. In the process Talent is at a premium at all levels. A liberalized atmosphere with professional freedom to operate and to take commercially prudent decisions would only provide the right ambience for IRCON to flourish in the highly competitive construction business.

Acknowledgements

I take this opportunity to record our gratitude and appreciation for all the employees of IRCON, past and present, for their discipline, dedication and devotion. I would like to place on record our thanks to all the predecessors and present directors on the Board of Directors of the Company. The Company is grateful for the co-operation and support extended by all the members of the Railway Board, through times, as well as other Government bodies, embassies, shareholders, etc. Our esteemed clients are invaluable to us and we are thankful to them for the trust and confidence reposed in IRCON.

The Mission of IRCON is “to be recognized nationally and internationally as a reputed specialized construction organization comparable with the best in the field covering the entire spectrum of construction activities in the infrastructure sector”. Your Company's sights are high. I can assure that we will not be found lacking in “effort” or “will” in enhancing our competitive edge. To meet new challenges, the Mission shall be fulfilled.



New Delhi

Dated : 27.9.2006

(Ankush Krishan)
Managing Director
Ircon International Limited
and
Chairman of the Meeting



AWARDS AND CERTIFICATES



Mr. Ankush Krishan, Managing Director, IRCON (the then Director works), receiving the award from Mr. EVKS Elangovan, Hon'ble Minister of State for Commerce & Industry.

| From Institution/Authority | Nature of Award | Years |
|--|---|---|
| Ministry of Commerce Government of India | National Export Award *(Received from the President of India) | 1982-83, 1983-84 1990-91 and 1992-93* |
| Ministry of Programme Implementation, Department of Public Enterprises | "Award for Excellence" in performance as leading international railway and road construction company | 1987-88 |
| Engineering Export Promotion Council (EEPC) | i. All India Top Exporters shield for Export Excellence ii. Regional Top Exporters Shield-civil engg. contractors iii. All India Special Shield in the field of export iv. All India Trophy for Highest Exports (Turnkey Industrial Project Exporters-NON-SSI) v. All India Trophy for Top Exporters in the category of "Merchant Exporters" vi. All India Shield for Star performer as Large Enterprise in the field of Project Exports | 1985-86 to 1992-93 1994-95 and 1995-96 1993-94, 1996-97 1996-97 1997-98 1998-99 to 2001-02 and 2003-04 2004-05 |
| (20 Awards in all since inception) | | |
| Project Export Promotion Council of India (PEPC) (previously known as Overseas Construction Council of India (OCCI)) | i. Maximum foreign exchange earned and repatriated to India from overseas construction contracts ii. Second best performance in maximum foreign exchange earned and repatriated to India from overseas construction projects iii. Maximum turnover in overseas Construction Projects iv. Second best performance in turnover from overseas projects. v. Maximum foreign works secured in new areas in construction contracts vi. Maximum foreign business attempted vii. Maximum foreign exchange earned and repatriated from overseas service contract. | 1984-85, 1988-89 to 1992-93 1994-95, 1996-97, 1999-2000 2001-02 and 2003-04 1993-94, 2000-01, 2002-03 and 2004-05 1984-85 to 1988-89, 1991-92 to 1993-94, 1995-96, 1998-99, 2000-01 and 2001-02 1989-90, 1990-91, 1994-95 and 1999-2000 1994-95, 1995-96 1999-2000 and 2000-01 1994-95 to 1997-98 2001-02 and 2003-04 2000-01 and 2002-03 |
| (43 awards in all since inception) | | |
| TUV Management Service GmbH, Munich, Germany | ISO 9001:2000 Certificate for quality system of IRCON for construction of railway track, highways, bridges, tunnels, workshops, aircraft hanger, MS buildings railway electrification, S&T, works and project management and servicing. | 2005-2008 |



Management Service

ZERTIFIKAT ◆ CERTIFICATE ◆ 認証証書 ◆ СЕРТИФИКАТ ◆ CERTIFICADO ◆ CERTIFICAT

CERTIFICATE

The Certification Body
of TÜV Management Service GmbH
Trading as TÜV South Asia Private Limited
certifies that

IRCON INTERNATIONAL LIMITED
PALIKA BHAWAN,
SECTOR XIII, R. K. PURAM,
NEW DELHI -110 066, INDIA

has established and applies
a Quality Management System for

**Construction of Railway Track, Highways, Bridges, Tunnels,
Workshops, Aircraft Hanger, MS Buildings, Railway Electrification,
Electric Substations S&T Works, and Project Management & Servicing**

An audit was performed, Report No. 70002115

Proof has been furnished that the requirements
according to

ISO 9001: 2000

are fulfilled. The certificate is valid until **2008-09-28**

Certificate Registration No. **12 100 6434 TMS**



M. Hagele

Munich, 2005-09-29



TGA-ZM-07-82

TÜV Management Service GmbH · TÜV SÜD Gruppe · Zertifizierstelle · Ridlerstrasse 65 · 80339 München · Germany