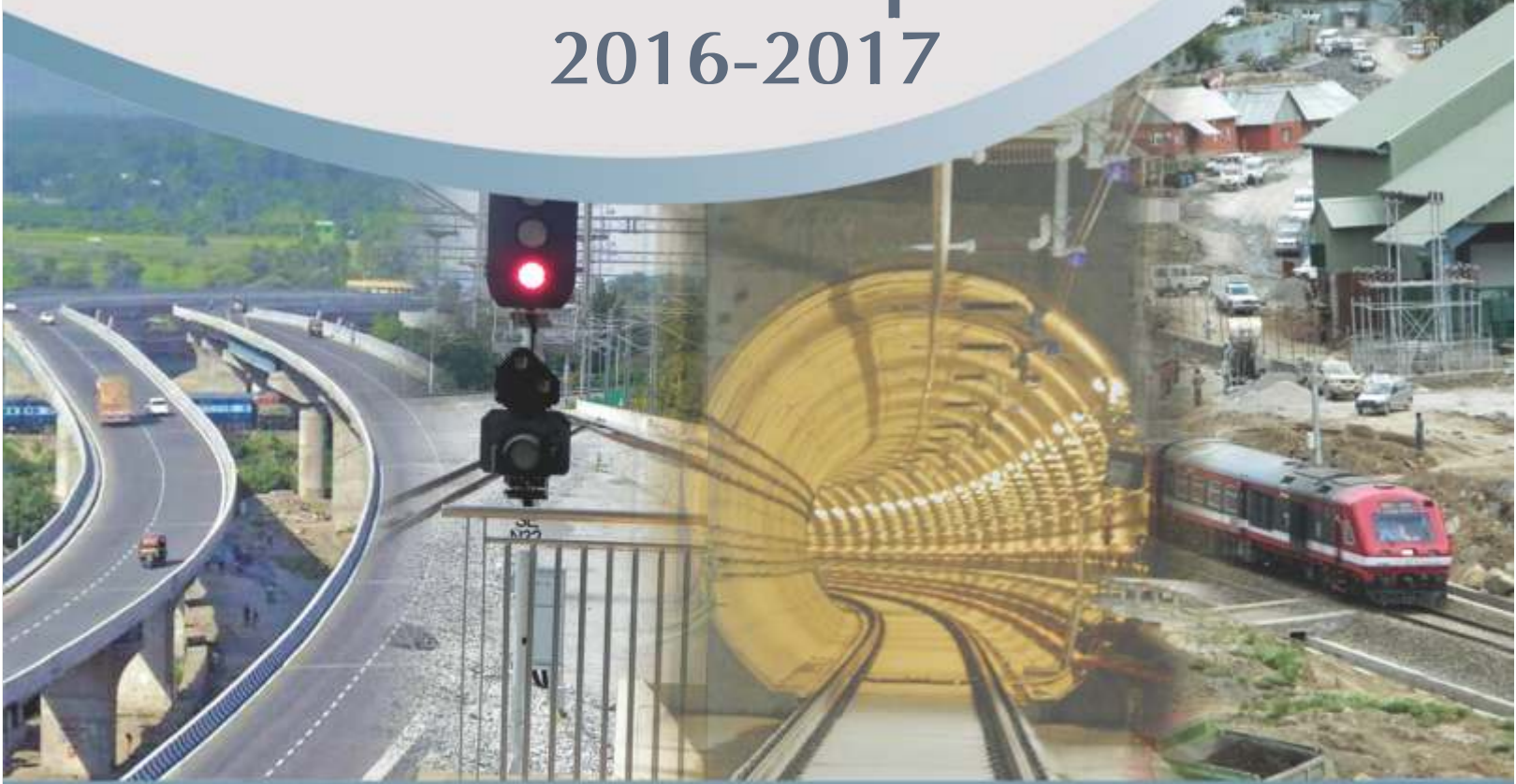




Annual Report 2016-2017



इरकॉन इन्टरनेशनल लिमिटेड
IRCON INTERNATIONAL LIMITED



VISION

To be recognised nationally and internationally as a construction organisation comparable with the best in the field covering the entire spectrum of construction activities and services in the infrastructure sector.



MISSION

- i) To effectively position the Company so as to meet the construction needs of infrastructure development of the changing economic scenario in India and abroad.
- ii) To earn global recognition by providing high quality products and services in time and in conformity with the best engineering practices.



CONTENTS

Board of Director	3
Chairman's Address	5-6
Directors' Report	7-31
Report on CSR & Sustainability Activities.....	32-37
Management Discussion and Analysis Report.....	38-43
Corporate Governance Report.....	44-64
Secretarial Audit Report.....	65-68
Extract of Annual Return (Form No.MGT-9).....	69-76
Related Party Transactions (Form No.AOC-2).....	77-79
Annexure to Director's Report.....	80-81
Awards and Certificates	82-83
Financial Highlights of Itron	84
Standalone Financial Statements	
Auditor's Report.....	86-95
Balance Sheet.....	96-97
Statement of Profit & Loss.....	98
Cash Flow Statement.....	99
Statement of Changes in Equity.....	100-101
Notes of Financial Statements – Notes 1 to 55.....	102-191
C & AG Comments.....	192
Consolidated Financial Statements	
Form AOC-1 (Statement containing salient features of the Financial Statement of subsidiaries/ associate companies/joint ventures	194-195
Auditors' Report.....	196-202
Balance Sheet.....	203-204
Statement of Profit & Loss.....	205-206
Cash Flow Statement.....	207-208
Statement of changes in equity.....	209-210
Notes to Financial Statements – Notes 1 to 58.....	211-294
C & AG Comments.....	295-296

BOARD OF DIRECTORS

Chairman & Managing Director



S. K. Chaudhary
(w.e.f. 29.10.2016)

Whole-time Directors



M.K. Singh
Director Finance
(w.e.f. 01.05.2016)



Deepak Sabhlok
Director Projects



Hitesh Khanna
Director Works

Part-Time (Official) Directors



Rajiv Chaudhry
(w.e.f. 17.11.2016)



S. C. Jain
(w.e.f. 03.01.2017)

Independent Directors



S. K. Singh
(w.e.f. 05.04.2016)



Avineesh Matta
(w.e.f. 08.04.2016)



Prof. Vasudha V. Kamat
(w.e.f. 22.04.2016)



Dr. C.B. Venkataramana
(w.e.f. 28.09.2017)



Registered Office

C-4, District Centre, Saket, New Delhi-110017
Tel.: +91-11-29565666, Fax : +91-11-26522000 / 26854000
E-mail: info@ircon.org Website: www.ircon.org CIN: U45203DL1976GOI008171

Company Secretary

Sumita Sharma

Statutory Auditors

M/s. K. G. Somani & Co.
Chartered Accountants

Cost Auditor

M/s. Chandra Wadhwa & Co.
Cost Accountants

Secretarial Auditor

M/s. Vishal Agarwal & Associates
Company Secretaries

Main Bankers

Indian Overseas Bank
State Bank of India
HDFC Bank



Corporate Office Building of Ircon at Saket, New Delhi

CHAIRMAN'S ADDRESS



Distinguished Shareholders,

It is a great pleasure and privilege for me to welcome you all on the occasion of 41st Annual General Meeting of your Company. The year has witnessed improvement in the performance of your Company than that of the previous year which can be gauged from the audited annual accounts and other related reports for the year ended 31st March 2017 which are before you.

I would like to highlight some salient features.

Financial Profile

The operating income of your Company has registered an increase of 24% from Rs. 2419 crore in 2015-16 to Rs. 2995 crore in 2016-17, though profit before tax has decreased by 12% from Rs. 602 crore to Rs. 532 crore during the corresponding period. Indian projects have contributed 90% to the total income of Rs. 3254 crore.

Your Company has allotted bonus shares in January 2017 in the ratio of 4:1 i.e. four bonus (equity) shares for every one equity share held by the shareholders thereby increasing the paid-up capital from Rs. 19.796 crore to Rs. 98.98 crore.

The Company has already paid total interim dividend of Rs. 95.15 crore. The Company now proposes final dividend

amounting to Rs. 97.25 crore which is 278% of the paid up share capital, including proportionate dividend on enhanced share capital. Thus, the total dividend for 2016-17 would sum up to Rs. 192.40 crore which is 550% of the paid-up share capital and 52.15% of the post-tax profits. After the proposed final dividend, the accumulated dividend to shareholders would amount to Rs. 1299.91 crore against the seed capital of Rs.5 crore (approx.).

The Company also proposes to buy-back its own shares from the existing shareholders, on proportionate basis, up to 5% of net worth amounting to Rs. 3822.21 crore in accordance with letter dated 23rd August 2017 from Department of Investment and Public Asset Management (DIPAM).

Listing of the shares of your company is also on the anvil, and for this purpose due diligence process and other formalities are underway through Legal Advisers and BRLMs appointed by DIPAM.

Operational Profile

During 2016-17, your Company completed four projects, two in India and one each in Bhutan and Bangladesh. Your Company is having pan India presence through more than 25 projects across various states of India. In addition, the Company is executing projects in Bangladesh, Algeria, and South Africa.



The product mix of your company is varied and includes signaling projects, electrical sub-stations, road over bridges, buildings, road projects from NHAI, apart from railway projects of track laying, upgradation, doubling, railway sidings, coal connectivity projects, re-development of stations, etc.

The mode of execution of some of these projects is EPC whereas road projects from NHAI are being executed through wholly owned subsidiary companies (WOS) formed for this purpose, and coal connectivity projects are being executed through joint venture companies formed as a strategic alliance with other PSUs, Ircon's equity stake in such JVs being 26%.

I feel delighted to share that Ministry of Railways has recently assigned a very challenging task of raising speed of existing New Delhi to Howrah route to 160/ 200 km per hour so as to reduce the time taken to travel between these two destinations to 12 hours.

Subsidiary and Joint Venture Companies

Ircon had four subsidiary companies viz. IrconISL, IRSDC, IrconPBTL, and IrconSGTL as on 31st March 2017. After the close of the year, one wholly owned subsidiary (WOS) company by the name IrconDHHL got incorporated on 11th May 2017, whereas IRSDC ceased to be a subsidiary company after transfer of 1% equity stake (out of 51% held by IRCON) to RLDA. The present status of IRSDC is joint venture company having 50:50 equity participation by IRCON and RLDA.

Your Company also holds 50% equity stake in ISTPL, another joint venture company with Soma Enterprise Limited. Your Company also holds 26% equity stake in five other joint venture companies viz. CERL, CEWRL, MCRL, JCRL, and BRPL, incorporated mainly for coal connectivity projects in the States of Chhattisgarh, Jharkhand, Odisha.

During the year, Ircon transferred its entire shareholding of 25% in the only joint venture company in Mozambique, CCFB, to Government of Mozambique in terms of Settlement Agreement executed in 21st October 2015.

Corporate Governance, CSR and Sustainability

Your Company is committed to good governance, and complies with the requirements of corporate governance under the DPE Corporate Governance Guidelines, and other legal requirements.

During the year, your Company has spent an amount of Rs. 5.89 crore towards Corporate Social Responsibility (CSR) initiatives. The CSR initiatives, aimed at conducting business in a sustainable manner, broadly comprise of activities in the field of health, sanitation, education, employment enhancing education including education for differently abled, environment, infrastructure development, etc.

To keep pace with new developments in the area of CSR, your Company has revised its CSR and Sustainability policy in May 2017.

Acknowledgement:

Before I conclude, I must express my sincere thanks to our esteemed shareholders, my colleagues on the Board of Directors, and to the Members and Officers of the Railway Board, for their valuable support, advice, and cooperation. I would like to record my gratitude to our esteemed clients both in India and abroad for their continued trust and confidence. I also place on record my appreciation of the good work done by all the employees of the Company.

An organization has to be alert and keep re-orienting itself to meet the future demands. Therefore, it is said that "it is not where we stand that's important, but in what direction we are moving". I am confident that IRCON with its progressive approach, perspective, and action will endeavor to reach highest echelons of glory and success.

(S.K. Chaudhary)

Chairman & Managing Director
(DIN: 00515672)

Date: 28th September 2017

Place: New Delhi

DIRECTORS' REPORT

DISTINGUISHED SHAREHOLDERS

The Directors of your Company have pleasure in presenting their 41st Report on the affairs of the Company for the financial year 2016-17.

PERFORMANCE HIGHLIGHTS

During the financial year 2016-17, your Company achieved a total operating income of Rs. 2994.80 crore and profit before tax of Rs. 531.72 crore as compared to operating income of Rs. 2418.51 crore and profit before tax of Rs. 602.36 crore achieved during the previous financial year.

The total turnover of your Company has increased by 14% and the operating turnover has registered an increase of 24%. However, the profit before tax has reduced by 12% and profit after tax has declined by 7% on account of substantial income recognized on settlement agreement with Government of Mozambique during 2015-16.

FINANCIAL HIGHLIGHTS

Some important indicators of financial performance of the Company for the year 2016-17 *vis-à-vis* 2015-16 are given below:

A. Financial Performance Indicators:

(Rs. in crore)

Sl. No.	Particulars	2016-17	2015-16	Increase / (Decrease) [in %]
1.	Total income / turnover	3254	2860	14
2.	Total Operating income/turnover	2995	2419	24%
3.	Operating income from Foreign Projects	327	409	(20%)
4.	Operating income from Indian Projects	2668	2010	33%
5.	Profit before tax	532	602	(12%)
6.	Profit after tax	369	395	(7%)
7.	Net worth	3828	3667	4%
8.	Dividend	192.40*	168.26	14%

* Includes interim dividend of Rs. 95.15 crore for 2016-17 paid during the financial year 2016-17 and final dividend of Rs. 97.25 crore for 2016-17 which shall be paid in the year of its approval by AGM as per IndAS.

Operating income from domestic projects increased by 33% from Rs. 2009 crore in 2015-16 to Rs. 2668 crore in 2016-17. On the international front, operating income decreased by 20% from Rs. 409 crore in 2015-16 to Rs. 327 crore in 2016-17.

B. Foreign Exchange Earnings and Outgo

The Company has earned a foreign exchange of Rs. 265 crore during 2016-17 as compared to Rs. 550 crore earned during 2015-16. The foreign exchange outgo stood at Rs. 241 crore during 2016-17 as compared to Rs. 491 crore during 2015-16. Thus, the net foreign exchange earnings have decreased by 59% from Rs. 59 crore in 2015-16 to Rs. 24 crore in 2016-17 due to reduction in operating turnover from foreign projects.

C. Dividend

The Board of Directors (BoD) had declared an interim dividend of Rs. 79.059 crore (approx.) i.e. 226% on the paid-up share capital of Rs. 19.796 crore (for full year) and proportionately on the bonus share capital of Rs. 79.184 crore (for 70 days) in January 2017. The said interim dividend was paid to all the shareholders in February 2017.

The BoD had declared an additional interim dividend (over and above the interim dividend) of Rs. 16.092 crore i.e. 46% on the paid-up share capital of Rs. 19.796 crore (for full year) and proportionately on the bonus share capital of Rs. 79.184 crore (for 70 days) in March 2017. This additional interim dividend was paid to the shareholders in March 2017.

The BoD has recommended final dividend (over and above the interim dividend and the additional interim dividend) of Rs. 97.25 crore i.e. 278 % on the paid-up share capital of Rs. 19.796 crore (for full year) and proportionately on the bonus share capital of Rs. 79.184 crore (for 70 days), for declaration by the shareholders.



With this, the total dividend for the year 2016-17 would sum up to Rs. 192.40 crore i.e. 550 % of paid-up share capital) which works out to 52.15 % of the post-tax profits of Rs. 369 crore (approx.). After approval and payment of the proposed dividend, the cumulative dividend to shareholders up to 2016-17 will stand at Rs. 1299.91 crore.

D. Appropriations/ Tax Provisions/ Reserves

(Rs. in crore)

Sl. No.	Particulars	2016-17	2015-16
1	Interim Dividend (including additional interim dividend)	95.15	79.18
2	Dividend declared and paid	89.08*	102.94**
3	Tax on Interim Dividend	19.37	16.12
4	Tax on dividend declared and paid	18.14*	20.96**

* Pertains to 2015-16 paid in 2016-17

** Pertains to 2014-15 paid in 2015-16

E. Increase in Share capital

1. Authorised Share Capital

Your Company had increased its authorized share capital from Rs. 25 crore to Rs. 100 crore after approval by the shareholders in the Annual General Meeting (AGM) held on 22nd December 2015. The said increase in authorised share capital received assent from the President of India (through administrative ministry) on 13th April 2016.

After the close of the year, the authorized share capital has been further increased from Rs. 100 crore to Rs. 400 crore in terms of approval by the shareholders at the Extra-ordinary General Meeting held on 22nd May 2017. This increase was already approved, vide letter dated 3rd November 2016, by the President of India (through administrative ministry).

2. Paid-up Share capital through Issue of Bonus Shares

Your Company has issued bonus shares in the ratio of 4:1, i.e. four bonus (equity) shares for every one equity share held by the existing shareholders out of free reserves, after getting approval of the

shareholders in the AGM held on 28th September 2016. Consequently, the paid-up share capital of the Company stands increased from Rs. 19.796 crore to Rs. 98.98 crore w.e.f. 5th January 2017.

F. Listing of Shares

The Government of India announced listing of shares of the Company in the budget for 2017-18. Accordingly, Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, has appointed M/s. Crawford Bayley & Co. along with their International consortium partner M/s. Hogan Lovells as Legal Advisors and IDBI Capital Markets & Securities Limited, SBI Capital Markets Limited, and Axis Capital Limited as Book Running Lead Managers (BRLM) for disinvestment of paid-up equity share capital of the Company through Initial Public Offering (IPO) of shares by the Promoters (i.e. Government of India).

Your Company was earlier listed in 1992 at Delhi Stock Exchange (DSE) from 18th August 1992 and Bombay Stock Exchange (BSE) from 16th October 1992, consequent upon disinvestment of 0.27% of the total paid-up share capital of Company in May 1992. However, the Company got delisted at the instance of Ministry of Railways from BSE w.e.f. 3rd November 2011 and from DSE w.e.f. 15th March 2012. The shares of the Company were neither traded nor quoted during earlier listing.

ORDER BOOK

The Company secured works worth Rs. 6,030 crore during the year 2016-17. The work load as on 31st March 2017 stood at Rs. 18,878 crore as compared to Rs. 17,569 crore as on 31st March 2016. The work load as on 30th June 2017 is Rs. 20,010 crore (approx.).

OPERATIONAL PERFORMANCE

A. Foreign Projects Completed:

Your Company has completed two projects (one in Bhutan and another in Bangladesh) during the financial year 2016-17.

Bhutan

1. The turnkey project for dismantling of existing 66/33/11 KV sub-station and Design,