



**Ahluwalia Contracts
(India) Limited**

**Solid
foundations.
Sustained
progress.**



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Board of Directors

Mr. Bikramjit Ahluwalia
Chairman & Managing Director

Mr. Shobhit Uppal
Deputy Managing Director

Mrs. Sudershan Walia
Whole-time Director

Mr. Vikaas Ahluwalia
Whole-time Director

Mr. Vinay Pal
Whole-time Director

Mr. Arun K. Gupta
Director

Mr. S.K. Chawla
Director

Mr. Balbir Singh
Director

Dr. Sushil Chandra
Director

Mr. S.S. Kohli
Director

Compliance Officer
Mr Vipin Kumar Tiwari
GM (Corporate) &
Company Secretary

Auditors
M/s Arun K. Gupta & Associates
Chartered Accountants
D-58, 1st Floor, East of Kailash,
New Delhi-110065

Bankers

Allahabad Bank
Axis Bank Ltd.
Bank of India
Bank of Maharashtra
Canara Bank
CitiBank N.A.
ICICI Bank Ltd.
IDBI Bank Ltd.
IndusInd Bank Ltd.
ING Vysya Bank Ltd.
Kotak Mahindra Bank Ltd.
Punjab & Sind Bank
Standard Chartered Bank
State Bank of Patiala
Syndicate Bank
Yes Bank Ltd.

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Chairman's Message

Dear Shareholders,

We meet at the end of another challenging year of your company, which has been moving ahead confidently on the road to progress, prosperity, growth, expansion and development.

In line with its forward-looking vision, your company has been growing remarkably well, successfully achieving its various targets over the past four decades. The year gone by saw the company's growth scale new levels as we continued to march towards achievement of new goals and realization of new dreams.

During the year, we set certain objectives, goals and targets, and achieved them with relative ease despite several challenges on our way. The year saw the company expand, sectorally and geographically, to add many new projects across diverse verticals.

SUSTAINED REVENUE AND GROWTH

The growth of any company is manifested best and most in its numbers. The year 2010-11 saw the company achieve a major landmark in this regard, crossing the ₹1,650 crore revenue mark during the year. It gives me great pleasure to inform you that your company has approx. ₹5,850 crore worth of orders in hand, of which around ₹1,200 crore will be completed this year.

Your company will be adding another ₹1,500 crore worth of orders to its portfolio, making it a whopping ₹6,000 crore orders in hand by year end.

Notwithstanding the challenging environment in the construction industry, your company continued to sustain its growth levels of the last several years.

MOVING FAST ON BOT TRACK

As we continued to expand our position in the traditional sectors of growth within the construction industry – residential, commercial, industrial, hotels, etc. Our focus shifted increasingly to the BOT space. Your company, on the platform of its solid foundations and intrinsic strengths, is well-positioned to grasp the opportunities in the BOT space and is moving fast on the BOT track.

We have already bagged a prestigious BOT (Build Operate Transfer) Project at Kota, Rajasthan, comprising a bus terminal with commercial complex, valued at ₹ 72 crores to be licensed for 40 years. The company is also in various stages of negotiation for other BOT projects, which we feel shall augment our revenues manifold, going ahead.

NEW FORAYS, NEW GOALS

Undoubtedly, the company's growth over the years has been remarkable, enabling us to set the pace for future progress. However, we do realize that the key to the sustained progress of a company is dependent as much on its ability to de-risk as on its strengths and capabilities.

In line with this philosophy, and in an effort to continuously leverage the opportunity matrix across new lines of business, it has been your company's consistent effort to move into new areas of business and set new goals to take it to the next level.

Our plans to foray into construction of power projects – a highly lucrative business opportunity in my opinion, are aimed at making the most of the potential in this field. We are currently in discussion for pre-qualification with a number of players and see in this business a huge growth opportunity for your company.



“ The year gone by saw the company’s growth scale new levels as we continued to march towards achievement of new goals.”

Another area of future growth, I personally feel, lies in water and sewage treatment projects. At present, Residential and Commercial contributes 47% of the company’s order book while the infrastructure segment contributes 11%. A crash in the real estate market in 2008-09 resulted in muted order inflow for the company. With this in view, the company has identified JNNURM funded urban infrastructure projects as the next driver of growth.

On the basis of Union Government initiatives and our own research, we believe the sewage treatment sector will provide a boost to our bottom line. We were a part of the Sonia Vihar water treatment project and have a number of other such projects in the pipeline. The company is currently scouting for potential acquisition target with capabilities in implementation of water & sewage treatment projects.

We are now also looking at a higher degree of engagement in Inorganic Growth through acquisition or joint venture opportunities in urban infrastructure segment and real estate, which will provide synergy to existing business and enable us to generate higher returns.

READY TO FACE FUTURE CHALLENGES

As we face the future, we do so with the knowledge that we are

fully capable of addressing all challenges, on the back of our robust strengths on which we have built the foundation for our sustained progress.

So let us be more aggressive in incorporating expansion possibilities in our growth plans. And let us ensure that our strategies and our actions will enable us to always LIVE THE FUTURE! I am confident that we can count on your continued support and commitment to achieve greater heights in the years ahead.

On this positive note, let me take this opportunity to express my heart-felt gratitude to all our patrons, shareholders, financiers, bankers, stake holders, employees and also to record our sincere appreciation for the co-operation extended by the Central & State Governments, other statutory authorities and others associated with your company.

Warm Regards,

Bikramjit Ahluwalia
Chairman & Managing Director



Management Discussion and Analysis Report

1. ECONOMY AND MARKET

Construction is essential part of Country's infrastructure and industrial development. Broadly, construction can be classified into three segments: Infrastructure, Industrial and Real estate. Infrastructure Segment involves construction projects in different sectors like roads, ports, rails, irrigation, power, telecom, etc. Construction industry, with its backward and forward linkages supports various other industries such as Cement, Steel, Pipes, Paint, Electric Appliances, Tiles & Fittings & Construction equipment. Size of Construction Industry was estimated to be about ₹978 billion in FY10.

In India, Construction is second largest economic activity after agriculture. Construction accounts for nearly 65 per cent of total investment in infrastructure and is expected to be the biggest beneficiary of surge in infrastructure investment over the next five years. ₹14400 bn is likely to be invested in the infrastructure sector over the next 5 to 10 years-in power, roads, bridges, city infrastructure, ports, airports, telecommunications, which would provide the necessary impetus to the construction industry as a whole which has been overdue for long. Thus, infrastructure sector has been seeing lot of action for past three years and they are:

- Government's aim to develop infrastructure,
- Government's funding,
- Allowing foreign agencies for funding, and,
- Encouraging Public Private Participation (PPP).

With this, considerable investments have been made especially in road, power, housing, airport and port sectors by Government as well as private sector. As opportunities in the sector continue to come to the fore, foreign direct investment has been surging. The real estate and construction sectors received FDI of ₹12.96 bn in the first half of the FY 2010-11. The tremendous opportunities in the construction industry can be witnessed by the ever increasing order book by the key players in the market. It is worthy to note that the areas of order book have been in the segments of power, airports and urban development.

Economic Growth, as measured by the GDP, improved to 8.5% in 2010-11 from 8% in 2009-10 due to better than farm output and construction activities and financial services performances. Growth of Construction Sector stood at 8.1% as against 7% in previous year. In fact, there has been consistent deceleration in the pace of growth from robust 9.4 per cent in the quarter ended March 2010 to 9.3 per cent in the quarter ended June 2010, which gave way for 8.9 per cent growth in the quarter ended September 2010 and 8.3 per cent in the quarter ended December 2010. Now, even 8 per cent is broken down, and the country has settled with mere 7.8 per cent growth in GDP in the quarter ended March 2011.

As per the Annual Plans and documents of the Planning Commission for the 11th Five Year Plan, the roads, bridges, rail, civil aviation, telecommunication, power generation, water supply, ports and irrigation sectors are going to witness investments of ₹595.91 bn during 2011-12.





Investments in key industrial sectors are expected to soar up to ₹2056.15 bn over the next five years.

Among the infrastructure sectors, electricity, transport and telecommunication are key sectors for raising the overall economic growth rate and sustaining the economy in the long term.

Govt. of India has put strong impetus on infrastructure development in the current budget by allocating a significant portion of the planned allocation towards infrastructure development. Sustained focus of the Government to improve infrastructure especially roads, power and housing would result in strong order book for the players in the construction industry.

2. INDUSTRY PERFORMANCE

Indian Construction Industry is an integral part of the economy and a conduit for a substantial part of its development investment, is poised for growth on account of industrialization, urbanization, economic development and people's rising expectations for improved quality of Living.

The Construction sector in 2010-11 stood at ₹591,864 Crores at current prices by economic activity, showing a growth of 18 per cent over previous year's ₹501,706. But the overall contribution to the GDP decreased marginally to 8.1 percent compared to 8.2 percent.

At the constant prices (2004-05), the construction sector showed a growth of 8.1 percent in 2010-11 compared to 7 percent growth in 2009-10. It contributed ₹384,629 (7.9 percent) to the GDP at constant prices.

In the coming years ahead, the construction industry in India has to overcome various challenges-be it with respect to housing, environment, transportation, power or natural hazards. Technocrats associated with the Indian Construction industry need to employ innovative technologies and skilled project handling strategies to overcome these challenges. The Outstanding performance under demanding situations in the future will stand in good stead and give confidence to the Indian Construction industry to bring about an overall development in the infrastructure of the nation. The gains of large investments in the mega-projects eventually will feedback to the construction industry itself in the form of better economy and improved work conditions.

Monetary tightening over the past couple of months along with volatility in commodity prices has induced delays in Capital Expenditure decisions. Once the macro environment begins to improve, government sector and private sector activity will pick up.

We also expect state governments investment to gather pace. Now, since the elections in some large states are over, however, the focus on containing the fiscal deficit is likely to limit such spends. In terms of Central Government outlay, we expect the momentum in road project awards to continue and hope for speedier investment activity from the railways in FY12.

3. BUSINESS PORTFOLIO

ACIL has always focused on adding value across different elements of the infrastructure delivery chain. In a sense, today, the Company operates a portfolio of different skill



Management Discussion and Analysis Report

sets and operates under varying risk return profiles. The entire gamut of activities is unified under the ACIL value chain. The diverse yet integrated portfolio includes the following businesses:

- **Engineering and Construction**

This is the company's core business, which focuses on residential, commercial, power, water supply and industrial construction projects. The business has been extended to offering complete Engineering Procurement Services (EPC) services.

- **Infrastructure and Real Estate**

ACIL is developing a portfolio of assets from planning and conceptualization to execution, and retains ownership rights on the assets created. Returns are generated from utilization of the assets leading to expansion of value.

ENGINEERING AND CONSTRUCTION

The Company's order backlog as on 31st March, 2011 was ₹ 584,707.00 Lacs. The order backlog is well distributed across various sectors including industrial, commercial, power, residential, hotels, hospitals, BOT, etc.

Some of the few projects are:

- **Commercial**

- Construction of civil and allied works of aluminum smelter project at Jharsuguda, Orissa for ₹24429.65 Lakhs (Private)
- Construction of Commercial complex GYS Vision Sector - 62, Gurgaon for M/s Dignity Buildcon Pvt. Ltd. ₹18937.30 Lakhs (Private)
- Civil & Retrofit Works at Motilal Oswal Project at Prabhadevi, Mumbai for ₹ 2325.99 Lakhs (Private)

- **Hospital**

- Construction of General Building Finishing & miscellaneous works to Tata Medical Centre Kolkata, for ₹ 5000.00 Lakhs (Private)
- Construction of Hospital Building, Medical College, Hostels for Boys & Girls, Admin,

Buildings, Residential Complex for Doctors & Nurses, Clubs, Shopping Complex & Cafeteria at BPS Mahila Vishwadiyalaya, Khanpur Kalan Sonipat for NBCC Ltd. for ₹ 21922.56 Lakhs (Private)

- **Hotels**

- Construction of DIAL AND NOVOTEL Hotel and Commercial Project at New Delhi for Caddie Hotel Pvt. Ltd. for ₹ 17729.36 Lakhs (Private)
- Construction of RCC Shell Work for Hotel Projects at Juhu Mumbai for HDIL for ₹ 6018.00 Lakhs (Private)

BUILDINGS AND HOUSING AND REAL ESTATE

The residential segment accounts for about 5-6 per cent of the country's GDP. Despite this, the country's housing shortage is estimated at 26.53 million houses in the Eleventh Five Year Plan. In the Union budget 2011-12, the government increased urban development allocation from ₹30.6 bn to ₹54 bn, allocation to Housing and Urban Poverty Alleviation was raised from ₹8.5 bn to ₹10 bn, allocation to Indira Awas Yojna from ₹1.5 bn to ₹12.7 bn.

Some of the few projects are:

- **Residential**

- Package for Sub-structured Works at Kolkata Riverside at Bata Nagar, Kolkata for Riverbank Developers Pvt. Ltd. for ₹ 33589.67 Lakhs (Private)
- Civil & Structural Works for Logix Blossom Green Project at Sector 143, Noida for Logix Infratech Pvt. Ltd. for ₹ 23500.00 Lakhs (Private)

- **BOT**

- Construction of Bus Terminal with Commercial Complex & Depot Workshop at DCM Road, Kota for ₹7200.00 Lakhs (Government)

- **Infrastructure**

- Construction of Metro Train Depot cum Workshop at Peenya for Bangalore Metro Rail Corporation Ltd. for ₹ 11644.02 Lakhs (Government)



- Construction of Civil Work at Khaprideo, Mumbai for Omkar Realtors and Developers Pvt. Ltd. for ₹7683.93 Lakhs (Private)
- Construction of New Integrated Passenger Terminal Building at Birsa Munda Airport, Ranchi for Airport Authority of India for ₹10,994.70 Lakhs (Government)

■ Industrial

- Construction of ITC Cigarette Factory Modernization Project at Kidder Pore for ITC Ltd. for ₹ 8992.00 Lakhs (Private)
- Civil Works of Cold Rolling Mill (CRM) at Kalinga Nagar Industrial Complex, Orissa for Jindal Stainless Ltd. ₹2703.22 Lakhs (Private)

■ Institutional

- Construction of IInd Corporate Office Building on Plot No. C-4 "G" Block at Bandra Kurla Complex, Mumbai for Bank of India for ₹ 4930.24 Lakhs (Private)
- Construction of Institutional Buildings, Hostels and Residential Accomodations, etc. for Indian Institute of Corporate Affairs, MCA, Govt. of India at Manesar (Haryana) for NBCC Ltd. for ₹10564.15 Lakhs (Government)

■ Power

Some of the few projects are:

- Construction of GCW-II Package-2 for 6x600MW Ultra Mega Power Project, Sasan, MP for

Reliance Infrastructure Ltd. (Reliance Energy) for ₹10,328.54 Lakhs (Private)

- Design, Engineering, Manufacturing & Testing of Equipment, Erection, Commissioning along with other allied works on Turnkey basis at Maliana & Bhatolikalan, Shimla for HPSEB for ₹ 1971.00 Lakhs (Private)

4. OPERATIONAL PERFORMANCE

The Company had entered the year with a healthy order book, and in 2010-11, the Company efficiently executed these orders more or less as per schedule. ACIL is confident that in the Long term, opportunities in the industry are vast and there will be a pick-up in new projects and issues if pending will be resolved at an industry level to get back the growth momentum.

The financial highlights of ACIL's performance on a stand-alone basis in 2010-11 are:

- Order Book at ₹584,707.00 Lacs at the close of 2010-11
- Revenue from operations increased by from ₹ 157,343.36 Lacs in 2009-10 to ₹ 169,576.41 Lacs in 2010-11.
- EBITDA amounts to 9.26%
- PAT amounts to ₹ 7078.61 Lacs
- ROCE in 2010-11 is 14.58%, while RONW is 22.03%

While the Company maintained its top-line growth in line with the project execution schedule for the year, it is commendable that this was achieved by maintaining



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EBITDA margins in an inflationary environment, through a judicious mix of projects and effective monitoring of operational costs across projects.

Interest Costs, on the other hand have been high, largely due to an increase in working capital requirements given the delays in payment and settlement of claims by some clients and this impacted the bottom line. To an extent, the Company has controlled capital requirements by increasing subcontracting activities across its different projects.

5. QUALITY, SAFETY, HEALTH & ENVIRONMENT

The Company firmly believes that without a safe, clean environment and healthy working conditions overall economic growth cannot be achieved and maintained. The Company looks at QSHE as its corporate social responsibility and focuses on energy conservation and maintaining a clean sustainable environment by promoting usage of eco-friendly fuels, recycling of waste and water.

■ QUALITY & SAFETY

- The Company has provided Training at various sites through Head of QA/QC department.
- A large number of persons including Supervisor/Engineer/Project Manager (PM)/Assistant general Manager (AGM) have undergone training through QA/QC department.
- At working Level around 3000 persons have been addressed by head of QA/QC/SHE Department on sound quality and Safety Projects.

■ HEALTH

- A Training program on Safety and Health awareness for workers at:
 - "GYS SITE", Gurgaon, Sector -62
 - "LOTUS SITE", Noida, Sector-100
- "LOGIX BLOSSOM GREEN SITE", Noida, Sector-142
- Free Medical Check-up for staff and workers at Corporate Office at New Delhi

■ ENVIRONMENT

To protect the environment, the company was awarded environment friendly project:

- DLF CYBER GREEN--- India's First Complete Green Building.
- ITC CORPORATE OFFICE, GURGAON---- Complete Green Initiated building.
- TECHNOLIS, KOLKATA----- India's few platinum Rated Green Building.

6. CORPORATE SOCIAL RESPONSIBILITY (CSR)

ACIL's mission statement setting out nation-building as a core theme has ensured that social responsibility is intrinsic to the Company's culture. At ACIL, we firmly believe that an organization's true worth lies beyond its business, and is best reflected by the service it renders to the community and the society.

