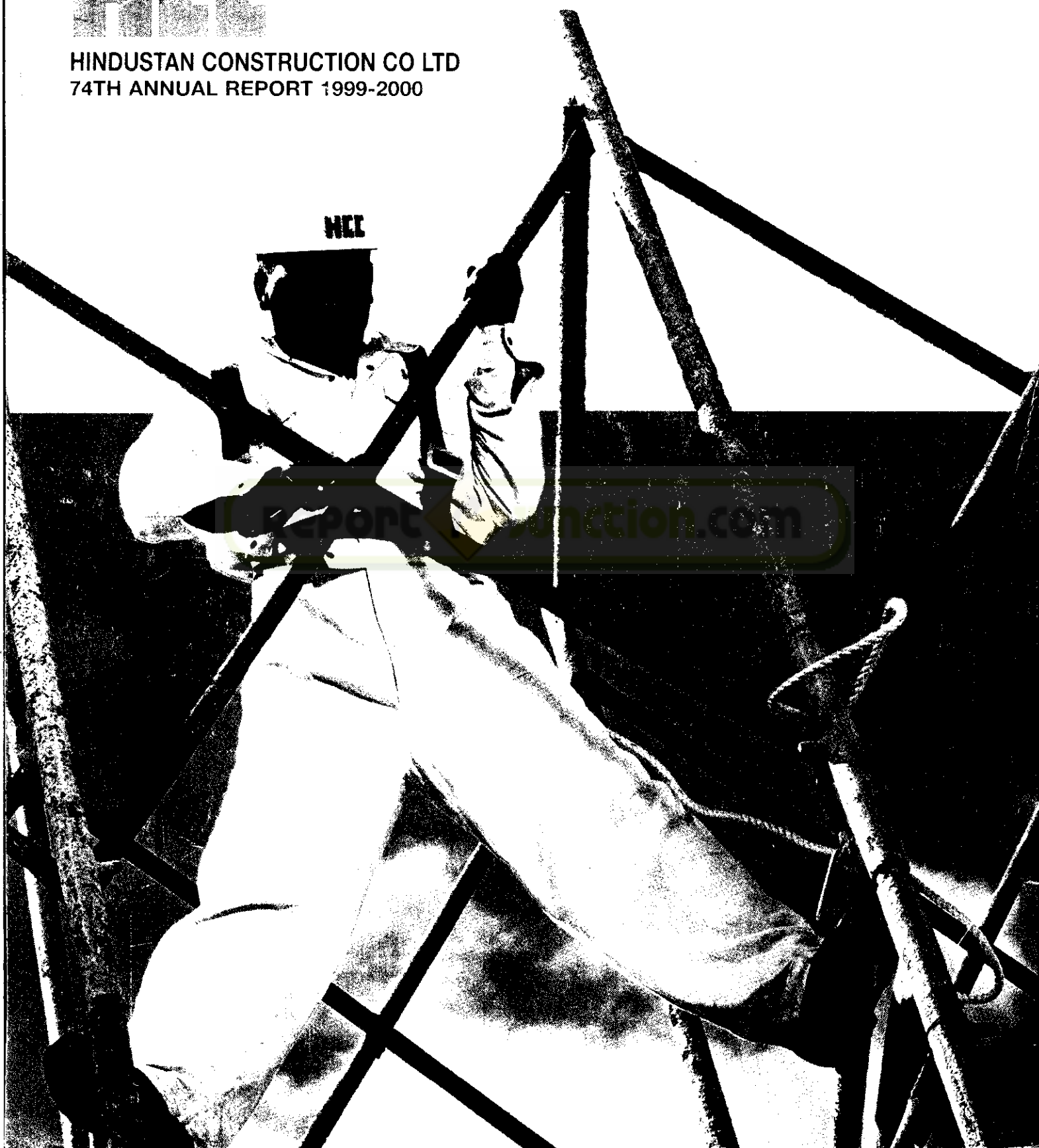
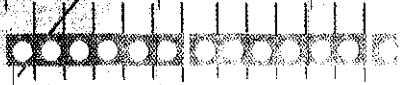
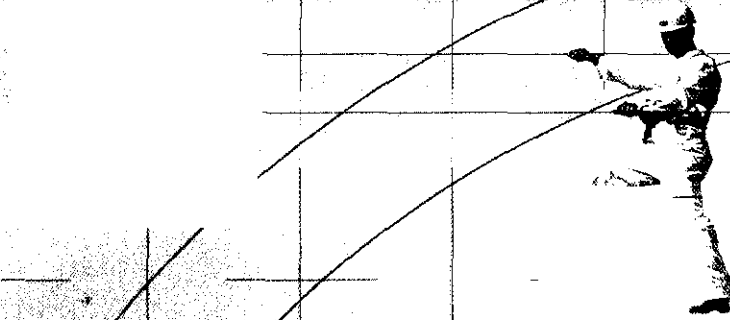
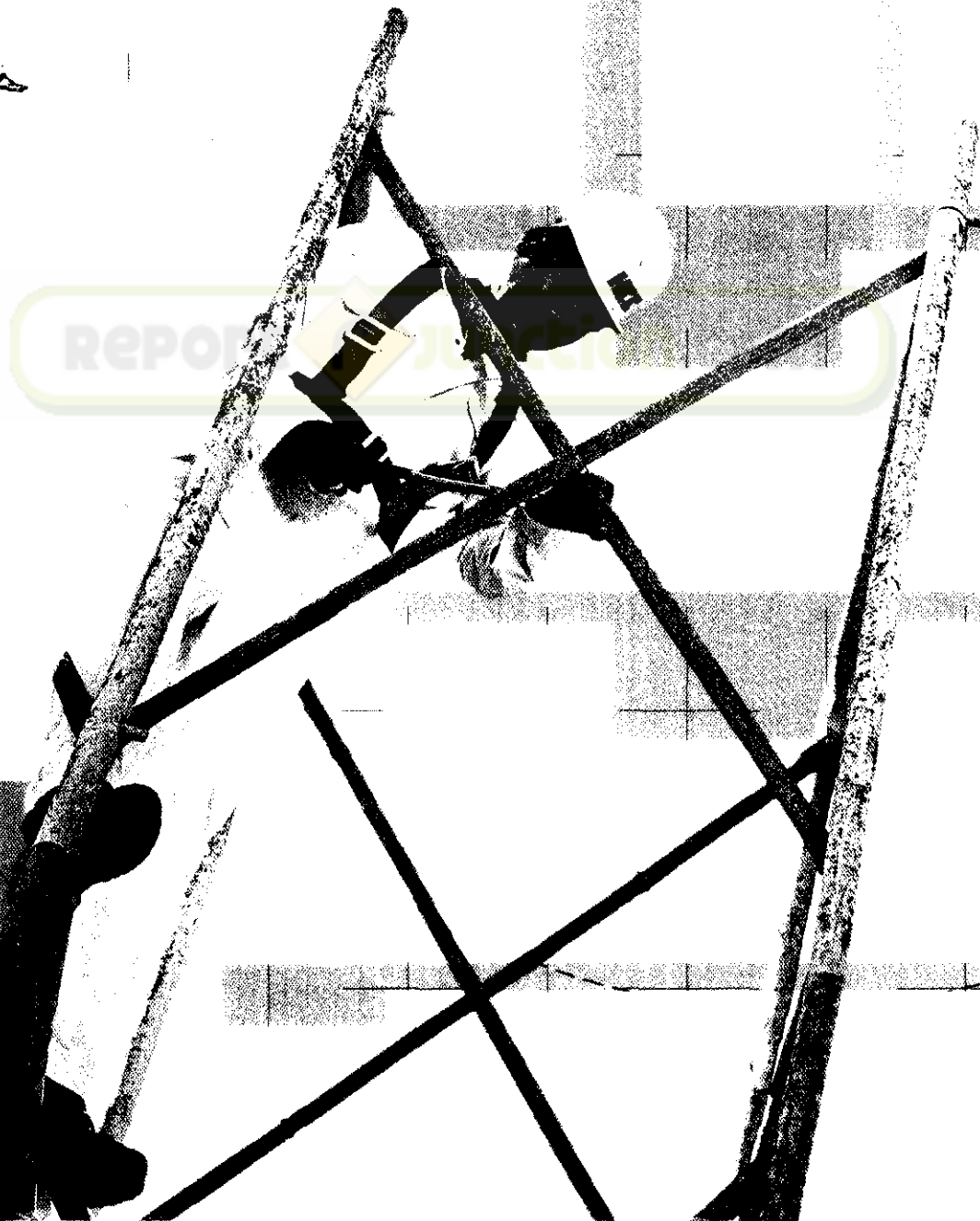


HINDUSTAN CONSTRUCTION CO LTD
74TH ANNUAL REPORT 1999-2000





REPORT JUNCTION



highlights

1999-2000

- Highest ever net profit of Rs.21.4 crore, a rise of 131 per cent over 1998-99. ■ Operating margins increased to 18.2 per cent against 10.7 per cent in 1998-99. ■ The return on capital employed has shown significant improvement : 15.5 per cent as against 10.6 per cent in 1998-99.



Completed HCC's section of the prestigious Mumbai-Pune expressway on schedule

- HCC's share of new orders is Rs.124 crore and is the lowest bidder for orders worth Rs.933 crore. ■ Comfortable balance work on hand at Rs. 941 crore.

HCC's CONTRIBUTION TO NATION BUILDING

JAMMU & KASHMIR

1. Spillway, Dam and Powerhouse for Salal Hydel Project

PUNJAB

2. 140 M high Chimney at Ropar
3. Rail Coach factory at Kapurthala

HARYANA

4. Road Bridge at Palwai
5. Panipat Chimney
6. Hathnikund barrage at Yamunanagar

RAJASTHAN

7. Foundation, structures and other civil works For Rajasthan Atomic Power Project, Kota Units I & II
8. Chambal Bridge at Dholpur
9. Rajasthan Atomic Power Project Units 3 & 4

GUJARAT

10. Kandla Oil Jetty for Kandla Port trust, Kandla
11. 180M high Chimney at Wanakbori
12. Narmada Drift Project
13. Tapi Road Bridge
14. Kakrapar Atomic Power Project
15. Natural Draught Cooling Towers at Kakrapar
16. Two Cooling Towers at Gandhinagar for Gujarat State Electricity Board

MAHARASHTRA

17. Gas Turbine Project and LPG Station at Uran
18. Bhandup Complex
19. Reactor building, main building and other structures for BARC
20. SSSF Project at Tarapur
21. Sina Aqueduct
22. Panvel Creek Bridge
23. Barvi Expansion Project
24. Bridges over Vasai Creek at Western Railway
25. Borghat Tunnels for Central Railway
26. Factory civil works for Premier Automobiles Limited
27. Ambarnath/Ulhasnagar STP
28. Water Treatment Plant, Pune
29. Underground Powerhouse for Koyna Project
30. Kolkewadi Dam
31. Bridge over River Ulhas
32. Trombay Chimney Works
33. Nhava Sheva WTP Works, Raigadh
34. Tunnel Between Sewri and Futka for MCGB.
35. Koyna Stage IV Powerhouse Complex
36. Tunnel Between E Moses Road and Ruparel College Mumbai
- ✓ 37. Aerated Lagoons at Ghatkopar and Bhandup, Mumbai
- ✓ 38. Bandra Effluent and Influent Disposal Works Mumbai
39. Housing Complex for Kharghar, Navi Mumbai

- ✓ 40. Construction of Concrete Spillway for Gosikhurd Spillway Dam - Nagpur
- ✓ 41. Construction on Mumbai-Pune Expressway section B chowk, Adoshi

GOA

42. Goa Barge Berth at Marmagao

KARNATAKA

43. Tunnel and Powerhouse at Sharavati
44. Dockwork for MPT at Mangalore
45. Kadra Dam

KERALA

46. Tanker Terminal and Fertiliser Berth at Cochin
47. Dam across Kulamavu
48. Dam of Peppara
49. Dam across Idamalayar
50. Double Curvature Arch Dam at Idukki and Dam across river Cheruthoni
51. Lower Periyar Tunnel Power Project
52. Dam across Moozhiyar and Veluthodu, (Kakkad)
53. Sebarigiri Dam
54. Wellington Bridge Works, Cochin
55. Lower Periyar Dam and Powerhouse
56. Brahmapuram Diesel Power Plant

TAMIL NADU

57. Civil Works for Kadampari Pumped Storage Project
58. Lower Mettur Barrages, substructure and powerhouse
59. Ore Berth, Oil Jetty, Trawler Wharf at Chennai
60. Sewage Treatment Plant at Koyambedu, Chennai
61. Upper Nirar Tunnel
62. Navamalai Tunnel
63. Ennore Port-rock quarrying and transportation works
- ✓ 64. Breakwater Construction for New Port at Ennore, Chennai
- ✓ 65. Mass Rapid Transit System, Chennai

ANDHRA PRADESH

66. Civil works for Bhadrachalam Paper Board
67. Civil works, earthen Dam and 225M high chimney for Ramagundam Super Thermal Power Project

68. Vizag Monolith and West Wall Protection
69. Godavari Barrage at Rajahmundry
70. Papavinasam Dam
71. Chimney at Vijaywada
72. Environmental Engineering works at Hyderabad
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74. Vijaywada Tunnel Works
75. Sileru Tunnel Works
76. D.B.K Railway Project
77. Superstructure for Railway Bridge across river Godavari

ORISSA

78. Dam at upper Kolab
79. Road Bridge across Mahanadi
80. Syphones at Kuakhai and Khushbhadra
- ✓ 81. Naraj Barrage, New Cuttack

WEST BENGAL

82. Farakka Barrage
83. Mahananda Barrage
84. Calcutta Metro Railway Tunnel and subway structures
85. Teesta Barrage



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83. Mahananda Barrage
84. Calcutta Metro Railway Tunnel and subway structures
85. Teesta Barrage



- 86. Haldia Docks Project
- 87. Environmental Engineering Works at Calcutta
- 88. Kalyani Bridge
- 89. Earthworks for Farakka STPP
- 90. Dauk Barrage
- 91. One 220 M high RCC Chimney for Kolghat TPS.
- 92. Underwater cutting of protective shield and sheet piles in front of intake gates for KTHP

ASSAM

- 93. Brahmaputra Bridge at Amingaon and Tezpur
- 94. Civil Works for Refinery at Guwahati

BIHAR

- 95. Sone Barrage
- 96. Ganga Bridge at Mokameh
- 97. Civil works for Barauni Thermal Power Plant
- 98. Chandil Dam
- 99. Crossing over river Ganga for BSEB
- 100. Panchet Powerhouse for DVC
- 101. Icha Dam

MADHYA PRADESH

- 102. Satpura TPS
- 103. Tons Road Bridge
- 104. Bhilai Steel Plant

- 105. Tons Hydel Project, Lot I & II
- 106. Road Bridge over Indravati River
- 107. Bailadila Project

UTTAR PRADESH

- 108. Maneri Bhali Hydel Project
- 109. Civil works for Narora Atomic Power Project
- 110. Rihand Dam
- 111. Civil Works and Chimney for Rihand STPP
- 112. Sharda and Ghogra Barrages
- 113. Yamuna Hydel Project
- 114. Gomti Aqueduct
- 115. Sai Aqueduct
- 116. Varanasi Bridge
- 117. Maivika Steel Works
- ✓ 118. Dhauliganga Hydel Project

DELHI

- 119. Water and sewage Treatment Plants.

HIMACHAL PRADESH

- 120. Power Tunnel and Underground Powerhouse for Chamera Hydel Power Project
- ✓ 121. Head Race Tunnel for Nathpa Jhakri Joint Venture

BHUTAN

- ✓ 122. Construction of Concrete Dam and appurtenant works for Kurichu Hydro-Electric Project
- ✓ 123. Construction of Dam Intake Desilting Chamber and part head race tunnel for Tala Hydro-Electric Project, (Package C-1)
- ✓ 124. Construction of part head race tunnel (Package C-4) for Tala Hydro-Electric Project

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SUBSIDIARY COMPANIES

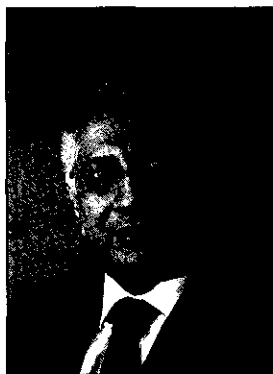
- 65 Ganga Construction Ltd
- 75 ucchar Investment Ltd
- 82 Western Securities Ltd
- 91 Hincon International Ltd

REPORT

✓ Projects in Progress

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Chairman's
letter



Dear Shareholders

Everyone agrees that India desperately needs much greater public well as private investment in infrastructure. However, the sad fact is that, despite numerous policy pronouncements and statements of lofty intent, infrastructure is perhaps the most neglected area of economic activity in India.

Today, most states are desperately short of power. Our roads are in pathetic shape and utterly unable to cope with the present traffic, leave aside the future. Ports are congested beyond belief. Despite the ubiquitous STD/ISD booths, telecom has yet to touch the hemlines of society. It isn't an exaggeration to say that the pathetic state of physical infrastructure in India is the single largest constraint to achieving a sustained GDP growth of 7.5 per cent per year over the next decade.

The time to change is now. Yet, very little seems to be happening at the ground level. And, being in the business, your company knows this better than most. Policies are announced with great regularity. Action, however, remains firmly on the sidelines. There are several reasons for massive delays in getting projects off the ground: time-honoured bureaucratic processes that gives no value to the opportunity cost of lost time, lack of deregulation of many key sectors, state-level laws and procedures that create multiple bottlenecks, severe fiscal constraints of the states and the centre, and the lack of innovative, long and medium term debt instruments that can finance private sector projects. There are delays in formally starting projects; in pre-qualification; in short-listing tenders; in awarding orders; and in making payments.

Such concerted procrastination has affected your company's revenues. In 1999-2000, HCC's operational income stood at Rs.530.8 crore. This was a decline of 15 per cent over the Rs.625.4 crore reported in 1998-99.

Despite these adverse circumstances — which were entirely due to external factors — I am happy to inform you that your company generated substantially higher profits. HCC increased its profits before tax from Rs.10.6 crore in 1998-99 to Rs.24.6 crore in 1999-2000 — a rise of 132 per cent. Profits after tax also increased by 131 per cent — from Rs.9.3 crore in 1998-99 to Rs.21.4 crore during 1999-2000. As the chapter on Management Discussion and Analysis shows, this growth in profitability occurred due to significant improvements in project management and operational efficiencies. I would refer you to that chapter for greater details about HCC's operations and finances during 1999-2000.

Here, I would like to highlight five features that might be of interest to you as the owners of HCC.

First, indicators suggest that HCC will achieve somewhat higher levels of operational income in 2000-01, and a significantly larger amount in 2001-02. This is not fortune telling, but based on the order book position and realistic estimates of HCC's share in future infrastructure spend



— not imaginary projects, but those which are in the process of getting awarded, and where HCC has every chance of being the selected contractor. So, the top line should be better than before.

Second, we intend to sweat capital and squeeze profits more than ever before. For 1999-2000, our operating margins as share of operating income was in excess of 18 per cent. Although relatively high — especially compared to 10 per cent in 1998-99 — we are not satisfied with this. The management will do its utmost to raise this margin, and I shan't be satisfied unless it crosses the 20 per cent mark. So, I expect to see not just larger revenue and profits, but a higher profit rate from a greater base.

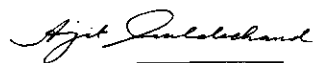
Third, we have begun IT in a big way, and are going to be a fully IT-enabled company. We are determined to use every possible aspect of IT to streamline operations, increase efficiency, get closer to the customers and deliver higher profits. IT is not a fad with us. It is a key driver for greater competitiveness and profitability. Your company is sparing no expense in this regard.

Fourth, HCC is making a determined effort to be at the forefront of corporate governance. Again, this is not a fad, but a deep rooted commitment of the management of your company that everything must be run in a transparent manner. Being competitive requires investments. Investors come with trust. And the best standards of corporate governance create and sustain such trust from shareholders, creditors, customers, suppliers, sub-contractors, employees and all other stakeholders of a company.

Our commitment to corporate governance is reflected in this annual report. Technically, being a Group B1 company in the Mumbai Stock Exchange, your company need not have complied with the SEBI Corporate Governance code until 2001-02. But we voluntarily chose to do so in 1999-2000.

Finally, corporate governance must eventually translate to greater shareholder value. To my mind, that translates to a simple axiom: consistently raise the return on capital employed (ROCE), and increase corporate value by widening the gap between the cost of, and the return on, capital. I'm happy to inform you that your company's ROCE for 1999-2000 is 15.5 per cent — well above 10.6 per cent of the previous year. We are committed to raise this further.

Despite a gloomy infrastructure scenario, HCC has posted relatively good results. Something tells me that the next few years will see a distinct upturn in infrastructure spending. When that happens, HCC will be waiting to grab a larger slice of business. And in the process, deliver better shareholder value.



Ajit Gulabchand

DIRECTORS

Ajit Gulabchand
Chairman & Managing Director

R S Shastri (upto 26.8.99)

Y H Malegam

Rajas R Doshi

Bhalchandra R Sule

D M Popat

S R Halbe (upto 21.1.2000)

D M Savur

K G Tendulkar (Executive Director, Operations)

M D Khattar (Executive Director, Technical & Business Development)

Ram P Gandhi

Dr.N A Kalyani (wef 26.10.1999)

Fred Moavenzadeh (wef 25.4.2000)

SECRETARY

Vithal P Kulkarni

K S Aiyar & Co, Chartered Accountants

SOLICITORS

Mulla & Mulla & Craigie
Blunt & Caroe
Kanga & Co

State Bank of India

Indian Bank

State Bank of Patiala

Union Bank of India

Bank of Baroda

Dena Bank

The Vysya Bank Ltd

Global Trust Bank Ltd

ICICI Banking Corporation Ltd

IDBI Bank Ltd

Punjab National Bank

Federal Bank Ltd

**REGISTRAR & SHARE
TRANSFER AGENT**

MCS Ltd, Sri Venkatesh Bhawan
Plot No 27, Road No 11, Andheri East, Mumbai 400 093

REGISTERED OFFICE

Hincon House
Lal Bahadur Shastri Marg
Vikhroli (West)
Mumbai 400 083