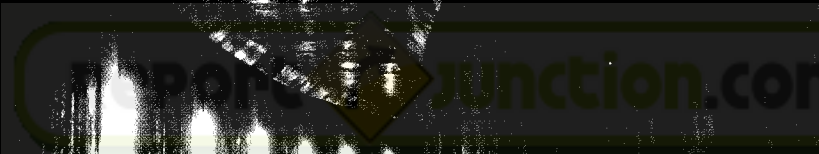


ANNUAL REPORT
2003 - 04



HINDUSTAN CONSTRUCTION CO LTD





DELHI METRO RAIL PROJECT

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2003 - 04

H i g h l i g h t s

HCC has become a Rs.1,000 crore company

Income from operations increased by 48.4 per cent from Rs.789.2 crore in 2002-03 to Rs.1171.4 crore in 2003-04. This is the highest annual revenue in your company's history

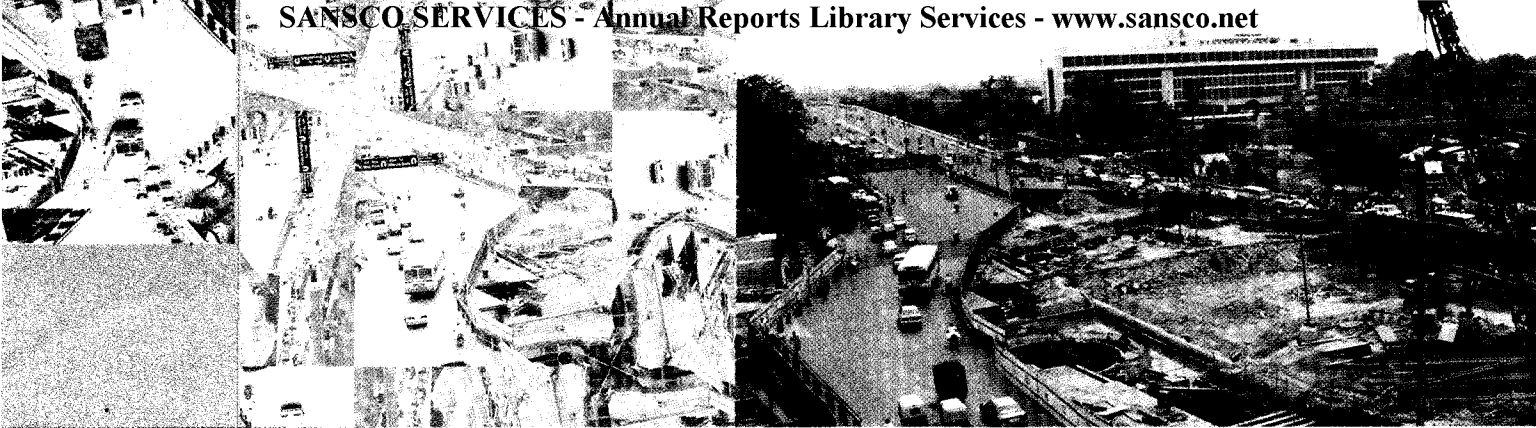
During 2003-04, HCC secured four new projects worth Rs.1,381 crore

During the year, three on-going projects have each yielded revenue exceeding Rs.100 crore

Profit before depreciation, interest and tax (PBDIT) increased by 21.1 per cent from Rs.118.3 crore in 2002-03 to Rs.143.3 crore in 2003-04

Interest outgo has reduced by 10.6 per cent from Rs. 42.1 crore in 2002-03 to Rs.37.6 crore in 2003-04

Profit after tax (PAT) has increased by 24.5 per cent from Rs. 28.6 crore in 2002-03 to Rs. 35.7 crore in 2003-04



**HCC's CONTRIBUTION
TO NATION BUILDING**

ANDHRA PRADESH

1. Civil works for Bhadrachalam Paper Board
2. Civil works, earthen Dam and 225M high chimney for Ramagundam Super Thermal Power Project
3. Vizag Monolith and West Wall Protection
4. Godavari Barrage at Rajahmundry
5. Papavinasam dam
6. Chimney at Vijaywada
7. Environmental Engineering works at Hyderabad
8. Substructure of bridge over river Godavari South Central Railway
9. Vijaywada Tunnel Works
10. Sileru Tunnel Works
11. D.B.K. Railway Project
12. Superstructure for Railway Bridge across Godavari
13. Godavari Lift Irrigation Scheme

ASSAM

14. Brahmaputra Bridge at Amingaon and Tezpur
15. Civil works for Refinery at Guwahati

BIHAR/JHARKHAND

16. Sone Barrage
17. Ganga Bridge at Mokameh
18. Civil works for Barauni Thermal Power Plant
19. Chandil Dam
20. Crossing over river Ganga for BSEB
21. Panchet Powerhouse for DVC
22. Icha Dam
23. Grand Trunk Road Improvement Project, Package VB
24. Rail cum road bridge across river Ganga at Munger.

BHUTAN

25. Kurichu Hydroelectric Dam Project
26. Tala Hydroelectric Project, Package C-1
27. Tala Hydroelectric Project, Package C-4

DELHI

28. Water and sewage Treatment Plants.
29. Delhi Metro Rail Project from Vishwa Vidyalaya Station to ISBT station

GOA

30. Goa Barge Berth at Marmugoa

GUJARAT

31. Kandla Oil Jetty for Kandla Port Trust, Kandla
32. 180M high Chimney at Wanakbori
33. Narmada Drift Project
34. Tapi Road Bridge
35. Kakrapar Atomic Power Project
36. Natural Draught Cooling Towers at Kakrapar
37. Two Cooling Towers at Gandhinagar for Gujarat State Electricity Board
38. Gujarat State Highways Project, Phase I, Package 2 – Mahesana to Palanpur
39. Periodic renewal of Mahesana – Radhanpur Road & Bhuj – Bhachau Road.
40. Saurashtra Branch Canal Pumping Scheme.
41. Gujarat State Highways Project, Phase IIA, Package GSHP- 6 – Mahesana to Palanpur

HARYANA

42. Road Bridge at Palwai
43. Panipat Chimney
44. Hathnikund Barrage at Yamunanagar

HIMACHAL PRADESH

45. Power Tunnel and Underground Powerhouse for Chamera Hydel Power Project
46. Head Race Tunnel for Nathpa Jhakri Joint Venture hydroelectric project

JAMMU & KASHMIR

47. Spillway, Dam and Powerhouse for Salal Hydel Project
48. Udhampur - Srinagar - Baramulla Rail Line Project, Laola - Qazigund section

KARNATAKA

49. Tunnel and Powerhouse at Sharavati
50. Dockwork for MPT at Mangalore
51. Kadra Dam
52. Karnataka State Highways Project, Phase I, Package U3

KERALA

53. Tanker Terminal and Fertiliser Berth at Cochin
54. Dam across Kulamavu
55. Dam of Peppara
56. Dam across Idamalayar
57. Double Curvature Arch Dam at Idduki and Dam across river Cheruthoni
58. Lower Periyar Tunnel Power Project
59. Dam across Moozhiyar and Veluthodu, (Kakkad)
60. Sebarigiri Dam
61. Wellington Bridge Works, Cochin
62. Lower Periyar Dam and Powerhouse
63. Brahmapuram Diesel Power Plant

MADHYA PRADESH/CHATTISGARH

64. Satpura TPS
65. Tons Road Bridge
66. Bhilai Steel Plant
67. Tons Hydel Project, Lot I & II
68. Road Bridge over Indravati River
69. Bailadila Project

MAHARASHTRA

70. Gas Turbine Project and LPG Station at Uran
71. Bhandup Complex
72. Reactor building, main building and other structures for BARC
73. SSSF Project at Tarapur
74. Sina Aqueduct
75. Panvel Creek Bridge
76. Barvi Expansion Project
77. Bridges over Vasai Creek at Western Railway
78. Bhorghat Tunnel for Central Railway
79. Factory civil works for Premier Automobiles Limited
80. Ambernath/Ulhasnagar STP
81. Water Treatment Plant, Pune
82. Underground Powerhouse for Koyana Project



- 83. Kolkewadi Dam
- 84. Bridge over River Ulhas
- 85. Trombay Chimney Works
- 86. Nhava Sheva WTP Works, Raigadh
- 87. Tunnel between Sewri and Futka for MCGB
- 88. Koyna Stage IV Powerhouse Complex
- 89. Tunnel between E Moses Road and Ruparel College, Mumbai
- 90. Aerated Lagoons at Ghatkopar and Bhandup, Mumbai
- 91. Bandra Effluent and Influent Disposal Works, Mumbai
- 92. Housing Complex for Kharghar, NaviMumbai
- 93. Construction of Concrete Spillway for Gosikhurd Spillway Dam, Nagpur
- 94. Construction on Mumbai-Pune Expressway, Section B chowk, Adoshi
- 95. Construction of High Level Tunnel at Ghatkopar, Mumbai
- 96. Construction of a Water Supply Tunnel from Bhandup to Charkop, Mumbai
- 97. Bandra - Worli Sea Link Project - Construction of a Cable stayed bridge.
- 98. Four laning of Satara - Kolhapur - Maharashtra State border section of NH-4, Package V.
- 99. Lake City Hill Station Development Project

ORISSA

- 100. Dam at upper Kolab
- 101. Road Bridge across Mahanadi
- 102. Syphons at Kuakhai and Khushbhadra
- 103. Naraj Barrage, New Cuttack
- ▶ 104. 4-laning of Chandikhole-Paradip section of NH-5A, Package OR (Paradip)

PUNJAB

- 105. 140 M high chimney at Ropar
- 106. Rail Coach factory at Kapurthala

RAJASTHAN

- 107. Foundation, structures and other civil works for Rajasthan Atomic Power Project, Kota Units I & II.
- 108. Chambal Bridge at Dholpur
- 109. Rajasthan Atomic Power Project Units 3 & 4
- 110. Rajasthan Atomic Power Project, Units 5&6

TAMIL NADU

- 111. Civil Works for Kadamparai Pumped Storage Project
- 112. Lower Mettur Barrages, substructure and powerhouse
- 113. Ore Berth, Oil Jetty, Trawler Wharf at Chennai
- 114. Sewage Treatment Plant at Koyambedu, Chennai
- 115. Upper Nirar Tunnel
- 116. Navamalai Tunnel
- 117. Ennore Port-rock quarrying and transportation works
- 118. Breakwater Construction for New Port at Ennore, Chennai
- 119. Mass Rapid Transit System, Chennai
- 120. Kudankulam Nuclear Power Project, Units 1&2 - Package III
- 121. Kudankulam Nuclear Power Project, Units 1&2 - Package C6
- 122. Tirupur Water Supply Project

UTTAR PRADESH/UTTARANCHAL

- 123. Maneri Bhali Hydel Project
- 124. Civil works for Narora Atomic Power Project
- 125. Rihand Dam
- 126. Civil works and Chimney for Rihand STPP
- 127. Sharda and Ghogra Barrages
- 128. Yamuna Hydel Project
- 129. Gomti Aqueduct
- 130. Sai Aqueduct
- 131. Varanasi Bridge
- 132. Malvika Steel Works
- 133. Dhauliganga Hydroelectric Project, Stage I, Lot 2 - Construction of underground powerhouse
- 134. Construction of a cable-stayed bridge at Naini, Allahabad

WEST BENGAL

- 135. Farakka Barrage
- 136. Mahananda Barrage
- 137. Kolkata Metro railway Tunnel and subway structures
- 138. Teesta Barrage
- 139. Haldia Docks Project
- 140. Environmental Engineering Works at Kolkata
- 141. Kalyani Bridge
- 142. Earthworks for Farakka STPP

- 143. Dauk Barrage
- 144. One 220 M high RCC Chimney for Kolaghat TPS
- 145. Underwater cutting of protective shield and sheet piles in front of intake gates for KTPP
- 146. Golden Quadrilateral road project - National Highway from Kolaghat to Kharagpur
- 147. Purulia Pumped Storage Project, West Bengal

● PROJECTS IN PROGRESS

▶ NEW PROJECTS

CHAIRMAN'S LETTER

COMPANY INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

NOTICE

DIRECTORS' REPORT

AUDITORS' REPORT

FINANCIALS

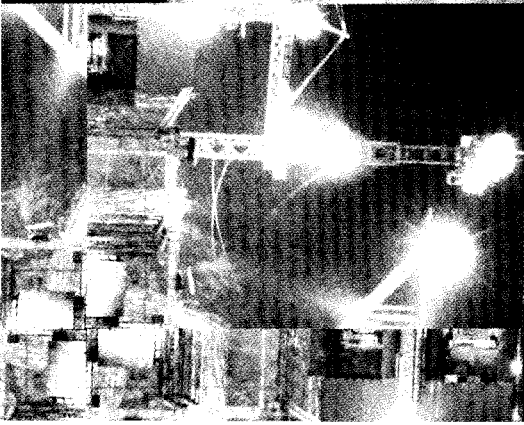
CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL DETAILS OF SUBSIDIARY

COMPANIES

Cover Photograph: Delhi Metro Rail Project

TALA HYDROELECTRIC PROJECT, BHUTAN



Chairman's letter



Dear Shareholders

In more ways than one, 2003-04 has been a good year for your company. Hindustan Construction Company Limited (HCC) has become a Rs.1,000 crore entity.

Income from operations increased by 48 per cent from Rs.789 crore in 2002-03 to over Rs.1,171 crore in 2003-04. This is the highest annual revenue in your company's history.

Those who are unfamiliar with the industry could claim that given India's excellent GDP growth of 8.1 per cent, crossing the Rs.1,000 crore mark is 'par for the course' for your company. That would not be quite accurate. Although the economy has done well on the back of a 9 per cent plus growth in agriculture and an 8.5 per cent growth in services, infrastructure industries have not grown as much as they should have. For instance, growth in electricity generation has been 3.7 per cent in April-December 2003; cement production has risen by only 5.8 per cent, compared to 7.3 per cent a year earlier; and the construction industry as a whole has increased by 6 per cent, versus 7.3 per cent in April-December 2002.

Therefore, your company's top-line growth has occurred in an environment where infrastructure growth has been less than expected. In fact, India is at a cross-road. To generate GDP growth in excess of 7 per cent per year over the next decade will require substantial increase in infrastructure investment. Conversely, without double-digit growth in infrastructure industries and construction, it is difficult — if not impossible — to get an average annual GDP growth of over 7 per cent in the next decade.

As it was last year, the one growth area in infrastructure has been roads. The National Highways Authority of India (NHAI) has plans for four-laning 14,286 kilometres of roads, which includes the Golden Quadrilateral and the North-South, East-West highways. On 31 March 2004, 3,322 kilometres of these highways have been completed, while 4,118 kilometres are under construction and 6,733 kilometres remain to be built. So, there is considerable headroom in this sector — and HCC has been aggressively leveraging this opportunity.

Today, your company has 11 major transportation projects, which have accounted for 33 per cent of HCC's income for 2003-04. Of these, 9 are road-cum-bridge projects.

While the growth of road infrastructure has been godsend for the construction industry, it has come with a price. Traditionally, the margins on road projects have been less than those on other major construction activities. This difference, however, has got exacerbated in the last few years. Simply put, there are far too many construction companies bidding for NHAI's contracts; and, in comparison, there aren't enough contracts to go around.

Consequently, there is a pronounced tendency for all construction companies to bid at extremely fine rates. Lower margins, per se, would not have been a cause of concern had

there been very significant increases in the volume of such projects. Unfortunately, that is still not the case.

There is yet another issue that faces construction majors such as your company. In order to have the capability to execute diverse and complex projects, HCC has had to steadily invest in equipment. In 1999-00, our gross block in equipment was Rs.261 crore; by 2003-04, it has become Rs.475 crore. This growing pool of equipment needs to be utilised in order to earn a decent return on investment — which has also prompted HCC to overweigh its portfolio in favour of transportation, despite its lower margins.

Hence, your company's more modest growth in profits — especially in comparison with growth of income — has to be viewed in this context. Even so, HCC's profit before depreciation interest and tax (PBDIT) has increased by 21 per cent from Rs.118 crore in 2002-03 to almost Rs.143 crore in 2003-04; and profit after tax (PAT) has grown by 25 per cent from Rs.28.6 crore in 2002-03 to Rs.35.7 crore in 2003-04.

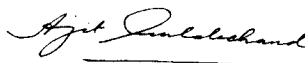
Large construction companies like HCC, therefore, face a conundrum. If they limit themselves to a few highly specialised projects, they may achieve a higher margin, but at the cost of low, even negligible top-line growth. Conversely, if they opt for more projects to utilise their capital and manpower and maximise cash flows, then they face a distinct possibility of lower average margins. HCC has quite consciously opted for the latter strategy. It is our belief that infrastructure growth is on the upswing and that, going forward, lower margins will be partly compensated by higher volumes.

Your company has also been in discharging its corporate social responsibilities. We have actively promoted HIV-AIDS awareness programmes at our construction sites. HCC is one of the founding companies of the World Economic Forum's Disaster Resource Network (DRN) whose objective is to contribute skilled technical resources in response to major disasters. Your company has also successfully used fly-ash — a pollutant from thermal power plants — to produce concrete for its various projects.

As an ardent believer of both democracy and development, I feel the need to make a comment. We should be proud of our electoral process. However, for almost two months prior to the polls— after the Election Commission's "Model Code of Conduct" kicks in — virtually all government funded development work comes to a standstill. For instance, no construction projects are decided upon or awarded during this period; arbitration decisions are not implemented; and extreme risk aversion becomes the norm. Probity does not mean inaction. For a country that seeks rapid development, there has to be a way to continue taking economic decisions during the time of elections.

Let me end by expressing my confidence about the growth of the Indian economy. I clearly see our country on a higher growth path, which should increase the pace as well as the volume of construction activities. With its equipment, skilled manpower and expertise in

Thank you for your support,



Ajit Gulabchand

Company Information

BOARD OF DIRECTORS

Ajit Gulabchand
Chairman & Managing Director

Y H Malegam
Rajas R Doshi
Bhalchandra R Sule
D M Popat
Ram P Gandhi
Dr.N A Kalyani
Fred Moavenzadeh
Sharad M.Kulkarni
Nirmal P.Bhogilal
K G Tendulkar (Executive Director, Operations)
M D Khattar (Executive Director, Technical & Business Development)
R G Vartak

COMPANY SECRETARY

Vithal P Kulkarni

AUDITORS

K S Aiyar & Co, Chartered Accountants

ADVOCATES AND SOLICITORS

Mulla & Mulla & Craigie Blunt & Caroe
Kanga & Co

BANKERS

ICICI Bank Ltd
Canara Bank
Punjab National Bank
Oriental Bank of Commerce
Indian Bank
State Bank of India
Global Trust Bank Ltd
IDBI Bank Ltd
Federal Bank Ltd
State Bank of Patiala
Union Bank of India
ING Vysya Bank Limited
Exim Bank
UTI Bank Ltd
Bank of India
Bank of Bahrain & Kuwait B.S.C.

REGISTRAR AND SHARE TRANSFER AGENTS

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



PURULIA PUMPED STORAGE PROJECT, WEST BENGAL

