

ANNUAL REPORT

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Shaulinganga Hydro Electric Project, Uttarakhand



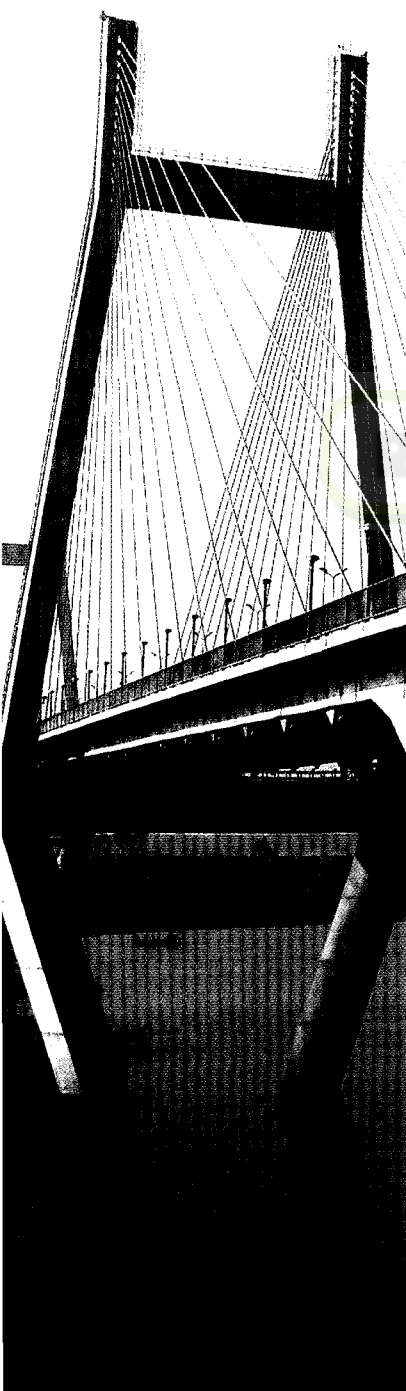


## HIGHLIGHTS

- Crossed yet another milestone to become a Rs 1500 crore entity
- Order book at an all time high of over Rs 5000 crore
- Rs 131 crore raised by issue of equity shares on a preferential basis @ Rs 450 per share
- 115% increase in net worth from Rs 164 crore to Rs 353 crore
- 35% increase in turnover from Rs 1171 crore to Rs 1577 crore
- Profit after tax has more than doubled from Rs 36 crore to Rs 74 crore
- Awarded first BOT (Build, Operate and Transfer) road project in Pune
- Secured an international project in Saudi Arabia worth Saudi Riyal 131 Million

# HCC's

## CONTRIBUTION TO NATION BUILDING



main Cable Stayed Bridge, Uttar Pradesh

### 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, Phase I
- 14. Godavari Lift Irrigation Scheme, Phase II
- 15. Polavaram Project Right Main Canal, Package-3

### ASSAM

16. Brahmaputra Bridge at Amingaon and Tezpur
17. Civil works for Refinery at Guwahati

### BIHAR

18. Sone Barrage
19. Ganga Bridge at Mokameh
20. Civil works for Barauni Thermal Power Plant
21. Chandil Dam
22. Crossing over river Ganga for BSEB
23. Panchet Powerhouse for DVC
- 24. Rail cum road bridge across river Ganga at Munger.
- 25. Concrete blocks casting for Rail cum Road Bridge across river Ganga at Munger

### CHHATTISGARH

26. Bhilai Steel Plant
27. Bailadila Project

### 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. Civil and Associated works for all pumping stations of 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
- 49. Adit and access shaft for Pir Panjal Tunnel

### JHARKHAND

- 50. Icha Dam
- 51. Grand Trunk Road Improvement Project, Package VB

### KARNATAKA

52. Tunnel and Powerhouse at Sharavati
53. Dockwork for MPT at Mangalore
54. Kadra Dam
- 55. Karnataka State Highways Project, Phase I, Package U3

### KERALA

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

### MADHYA PRADESH

67. Satpura TPS
68. Tons Road Bridge
69. Tons Hydel Project, Lot I & II
70. Road Bridge over Indravati River

### MAHARASHTRA

71. Gas Turbine Project and LPG Station at Uran
72. Bhandup Complex
73. Reactor building, main building and other structures for BARC
74. SSSF Project at Tarapur
75. Sina Aqueduct
76. Panvel Creek Bridge
77. Barvi Expansion Project

- 78. Bridges over Vasai Creek at Western Railway
- 79. Bhorphat Tunnel for Central Railway
- 80. Factory civil works for Premier Automobiles Limited
- 81. Ambernath/Ulhasnagar STP
- 82. Water Treatment Plant, Pune
- 83. Underground Powerhouse for Koyna Project
- 84. Kolkewadi Dam
- 85. Bridge over River Ulhas
- 86. Trombay Chimney Works
- 87. Nhava Sheva WTP Works, Raigadh
- 88. Tunnel between Sewri and Futka for MCGB
- 89. Koyna Stage IV Powerhouse Complex
- 90. Tunnel between E Moses Road and Ruparel College, Mumbai
- 91. Aerated Lagoons at Ghatkopar and Bhandup, Mumbai
- 92. Bandra Effluent and Influent Disposal Works, Mumbai
- 93. Housing Complex for Kharghar, Navi Mumbai
- 94. Gosikhurd Spillway, Nagpur
- 95. Mumbai-Pune Expressway, Section B, Chowk to Adoshi
- 96. Ghatkopar High Level Sewage Tunnel, Mumbai
- 97. Water Supply Tunnel from Bhandup to Charkop, Mumbai
- 98. Bandra-Worli Sea Link Project
- 99. Four laning of Satara-Kolhapur Maharashtra State border section of NH-4, Package V
- 100. Lavasa Project, Pune
- 101. Improvement to Pune Paud Road (SH 60) and Pirangut Mutha Road (SH 57) on BOT basis

#### ORISSA

- 102. Dam at Upper Kolab
- 103. Road Bridge across Mahanadi
- 104. Syphons at Kuakhai and Khushbhadra
- 105. Naraj Barrage, New Cuttack
- 106. 4-laning of Chandikhole-Paradip section of NH-5A, Package : OR (Paradip)

#### PUNJAB

- 107. 140 M high chimney at Ropar
- 108. Rail Coach factory at Kapurthala

#### RAJASTHAN

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

#### TAMIL NADU

- 113. Civil Works for Kadamparai Pumped Storage Project
- 114. Lower Mettur Barrages, substructure and powerhouse
- 115. Ore Berth, Oil Jetty, Trawler Wharf at Chennai
- 116. Sewage Treatment Plant at Koyambedu, Chennai
- 117. Upper Nirar Tunnel

- 118. Navamalai Tunnel
- 119. Ennore Port-rock quarrying and transportation works
- 120. Breakwater Construction for New Port at Ennore, Chennai
- 121. Mass Rapid Transit System, Chennai
- 122. Kudankulam Nuclear Power Project, Units 1&2 Package III
- 123. Kudankulam Nuclear Power Project, Units 1&2 Package C6
- 124. Tirupur Water Supply Project
- 125. Chennai Bypass, Phase II

#### UTTAR PRADESH

- 126. Maneri Bhali Hydel Project
- 127. Civil works for Narora Atomic Power Project
- 128. Rihand Dam
- 129. Civil works and Chimney for Rihand STPP
- 130. Sharda and Ghogra Barrages
- 131. Yamuna Hydel Project
- 132. Gomti Aqueduct
- 133. Sai Aqueduct
- 134. Varanasi Bridge
- 135. Malvika Steel Works
- 136. Cable stayed bridge across Naini, Allahabad
- 137. Allahabad Bypass project, Package ABP2

#### UTTARANCHAL

- 138. Dhauliganga Hydroelectric Project, Stage I, Lot 2 Construction of underground powerhouse

#### WEST BENGAL

- 139. Farakka Barrage

- 140. Mahananda Barrage
- 141. Kolkata Metro railway Tunnel and subway structures
- 142. Teesta Barrage
- 143. Haldia Docks Project
- 144. Environmental Engineering Works at Calcutta
- 145. Kalyani Bridge
- 146. Earthworks for Farakka STPP
- 147. Dauk Barrage
- 148. One 220 M high RCC Chimney for Kolaghat TPS
- 149. Underwater cutting of protective shield and sheet piles in front of intake gates for KTHP
- 150. Golden Quadrilateral Road Project - National Highway from Kolaghat to Kharagpur
- 151. Purulia Pumped Storage Project

## PROJECTS OUTSIDE INDIA

#### BHUTAN

- 152. Kurichu Hydroelectric Dam Project
- 153. Tala Hydroelectric Project, Package C-1
- 154. Tala Hydroelectric Project, Package C-4

#### SAUDI ARABIA

- 155. Restoration of Piers, King Abdul Aziz Naval Base

- Projects in progress
- New projects

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*Cover Photograph : Naini Cable Stayed Bridge, Uttar Pradesh*



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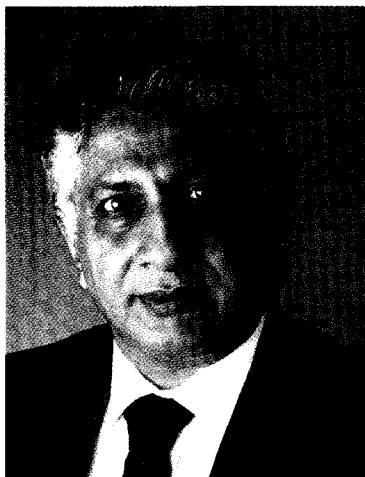
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**AJIT GULABCHAND**  
CHAIRMAN & MANAGING DIRECTOR

## CHAIRMAN'S LETTER

Dear Shareholders,

I began last year's letter by informing you that HCC had become a greater than Rs. 1,000 crore Company. This year I have the honour and pleasure to share with you the fact that your Company has now crossed yet another milestone to become a Rs. 1,500 crore entity. Income from construction operations grew by almost 35 per cent from Rs. 1,171 crore in 2003-04 to over Rs. 1,577 crore in 2004-05. I am delighted with this performance and hope that my next year's letter to you will present an even better performance.

2004-05 has been a good year for the economy, and a bit of a mixed bag for infrastructure. Despite less than normal monsoon, India achieved a GDP growth of 6.9 per cent which, I suspect, will be more in the region of 7.1-7.2 per cent when the final national income estimates are released. This is a very creditable achievement in itself; and more so when we recognise that it has come on the back of 8.5 per cent growth in 2003-04. Everything tells me that India is now transiting to a higher growth trajectory.

Sustaining a GDP growth rate in the neighbourhood of 7.5 per cent per year for the next decade crucially depends on infrastructure investments. And this is where the story is somewhat mixed. The good news has to do with roads and highways. After six months of slowing down, the National Highways Development Programme (NHDP) has achieved its earlier momentum, and the National Highways Authority of India has again expedited the process of tendering and awarding of contracts. More than 80 per cent of the Golden Quadrilateral project has been completed, and work is in progress on the remaining 20 per cent. Since less than 10 per cent of the North-South-East-West project has been completed, and given that works under NHDP Phase III is now being tendered, your Company sees considerable scope in this sector.

For 2004-05, HCC has been involved in 13 transportation projects in India, including its first build-operate-transfer (BOT) road project near Pune on State Highway 60 and 57, in joint venture with Lavasa Corporation Ltd. In addition, your Company has secured an international contract for the restoration of the piers of the King Abdul Aziz naval base in Jubail, Saudi Arabia.

While road projects are moving along at a healthy pace, that is not the case for either power or water supply. Despite policy reforms such as the passing of the Electricity Act, 2003, and the unbundling of the state electricity boards, there has not been enough investments on the ground towards building additional power generation or transmission capacities. Nevertheless, your Company is involved in five power projects, three in hydel and two in nuclear.

In most parts, water is a state subject. Given the financial distress of most state governments, it is not surprising that, despite the urgent



need for water supply, insufficient funds are allocated to such projects. Even so, HCC is involved in five water supply and irrigation projects of which the largest is the two phases of the Godavari Lift Irrigation Scheme in Andhra Pradesh.

With your Company growing at the rate it has over the last two years, the biggest challenge will be scalability, of how it can scale up from managing 23-25 projects per year to overseeing something like 33-35. This is not simply a matter of hiring more people. It involves putting systems in place that can train people in best-in-class practices of project management, so as to enhance efficiencies along with scale. To my mind, the top two priorities for HCC in the next few years will be to design and implement an HR system that can attract and retain the best talents, and a fast track training programme that can create excellent project managers. These are going to be key areas of focus for your Company in 2005-06 and 2006-07.

More than before, efficiency, productivity and quality will be the critical differentiators which shall separate the winners from also-rans in this industry. Over the next few years, the road sector will continue to award the largest number of projects and will, therefore, attract the greatest number of competitors. As I had written last year, road projects earn lower margins than, say, power. Hence, efficiency issues will become even more critical. Companies that can leverage their best talents with excellent systems and processes will still earn decent profits and return on capital. Others will not. As a leader in the industry, HCC is determined to enhance its talent pool and levels of efficiency to deal with this challenge.

Let me touch upon some of the financials whose details can be found in the chapter entitled Management Discussion and Analysis and in the annual accounts. The order book position of your Company on 31 March 2005 stood at Rs. 5381 crore of which Rs. 2,529 crore worth of orders were secured in 2004-05. There have been considerable improvements in asset utilisation, which show up in a rise in the fixed asset turnover ratio from 2.9 in 2003-04 to 3.8 in 2004-05. Profits before depreciation, interest and taxes (PBDIT) grew from Rs. 145 crore in 2003-04 to Rs. 161.4 crore in 2004-05. Benefitted by tax deductions under section 801A and reduction in Corporate Tax in the budget for 2005, post-tax profits rose by 107.3 per cent, from Rs. 35.7 crore to Rs. 74 crore.

In an early move towards increasing scales, on 31 March 2005, your Company succeeded in raising Rs. 130.8 crore through a preferential issue of 2.9 million equity shares at a very attractive price of Rs. 450 per share. This will help HCC in financing future investments and funding the expansion programme that we have envisaged to lift your Company's operating income to yet another level.

As infrastructure becomes more important for the growth of the economy, the major players will also need to create powerful and distinctive corporate brands. HCC is examining the contours of such a branding exercise, and I may have more to say about it in my next letter.

Let me end by saying that 2004-05 was a good year for the economy and an excellent one for your Company. According to the government's commitments, overall infrastructure expenditure ought to touch 4 per cent of GDP. While it is too early to forecast what it will actually be, I am confident that we will see significantly higher infrastructure spends in the next couple of years. Being one of the industry leaders, I am also confident that your Company will obtain a sizeable portion of the additional outlays.

HCC is firmly set on a high and profitable growth path. With your good wishes, and the commitment of each of your Company's employees, you may be sure that 2005-06 will be an even better year.

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**

### BANKERS

ICICI Bank Ltd

Canara Bank

Punjab National Bank

Oriental Bank of Commerce

Indian Bank

State Bank of India

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 & SHARE TRANSFER AGENTS

**MCS Ltd.,**  
Sri Venkatesh Bhawan,  
Plot No.27, Road No.11,  
MIDC Area, Marol,  
Andheri (E), Mumbai 400 093.

### REGISTERED OFFICE

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

### COMPANY SECRETARY

**Vithal P. Kulkarni**

### AUDITORS

**K. S. Aiyar & Co.,**  
Chartered Accountants

### ADVOCATES & SOLICITORS

**Mulla & Mulla & Craigie Blunt  
& Caroe**

**Kanga & Co.**



Golden Quadrilateral Road Project, West Bengal