2005-06

Annual Report

HCC



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Tala Hydroelectric Power Project, Bhutan

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Cover Photograph: Kudankulam Nuclear Power Project, Tamil Nadu

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2005-06

Highlights

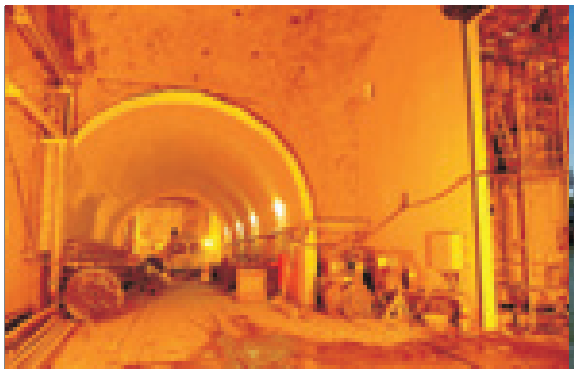
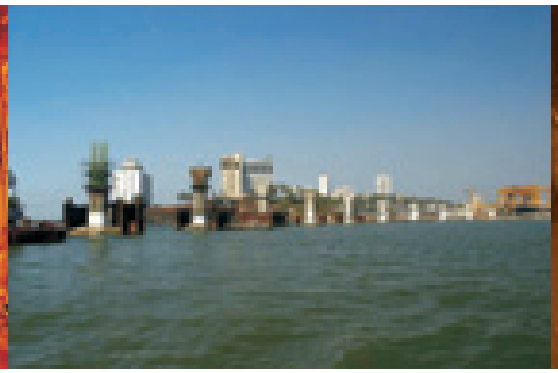
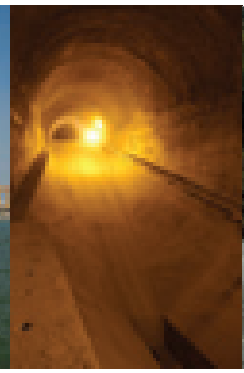
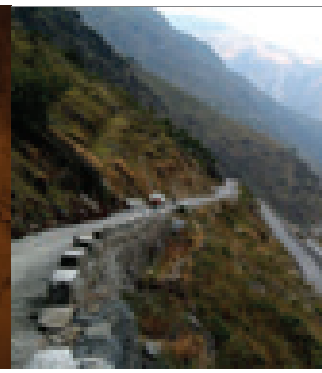
- HCC becomes a Rs 2000 crore turnover Company
- Order backlog increased by 80% to cross Rs 9500 crore
- Successfully placed GDS\FCCB of USD 100 million each
- Net worth more than doubled to Rs 890 crore
- 31% increase in Profit before tax to Rs 98 crore without considering the extraordinary income
- Company floated a 100% subsidiary to enter Real Estate business

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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, 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
- ▲ 18. Four-laning of NH-54, Package EW-II (AS23)

BIHAR

19. Sone Barrage
20. Ganga Bridge at Mokameh
21. Civil works for Barauni Thermal Power Plant
22. Chandil Dam
23. Crossing over river Ganga for BSEB
24. Panchet Powerhouse for DVC
- 25. 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 Mehsana to Palanpur
39. Periodic renewal of Mehsana Radhanpur Road & Bhuj-Bhachau Road.
- ■ 40. Gujarat State Highways Project, Phase IIA, Package GSHP- 6 Mehsana to Palanpur
- 41. Civil and associated works for all pumping stations of Saurashtra Branch Canal Pumping Scheme.
- ▲ 42. Kalol Mehsana Gas Pipeline Project

HARYANA

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

HIMACHAL PRADESH

46. Power Tunnel and underground Powerhouse for Chamera Hydel Power Project
47. Head Race Tunnel for Nathpa Jhakri Joint Venture Hydroelectric Project
- ▲ 48. Chamera Hydroelectric Project, Stage- III, Lot 1

JAMMU & KASHMIR

49. Spillway, dam and powerhouse for Salal Hydel Project
- 50. Udhampur-Srinagar-Baramulla Rail Line project, Laola Qazigund section
- 51. Adit and access shaft for Pir Panjal Tunnel
- ▲ 52. Uri-II Hydroelectric Project Lot 1
- ▲ 53. Pir Panjal Tunnel (Zone-VA)
- ▲ 54. Pir Panjal Tunnel (Zone-VB)
- ▲ 55. Mughal Road from Bafliaz (Poonch) to Shopian (Pulwama)
- ▲ 56. Sawalkote Hydroelectric Project

JHARKHAND

- 57. Icha Dam
- 58. Grand Trunk Road Improvement Project, Package VB

KARNATAKA

59. Tunnel and powerhouse at Sharavati
60. Dockwork for MPT at Mangalore
61. Kadra Dam
- 62. Karnataka State Highways Project, Phase I, Package U3

KERALA

63. Tanker terminal and fertiliser berth at Cochin
64. Dam across Kulamavu
65. Dam at Peppara
66. Dam across Idamalayar
67. Double curvature arch dam at Idduki and dam across river Cheruthoni
68. Lower Periyar tunnel power project
69. Dam across Moozhiyar and Veluthodu, (Kakkad)
70. Sebarigiri Dam
71. Wellington Bridge Works, Cochin
72. Lower Periyar dam and powerhouse
73. Brahmapuram Diesel Power Plant

MADHYA PRADESH

74. Satpura TPS
75. Tons Road Bridge
76. Tons Hydel Project, Lot I & II
77. Road bridge over Indravati river

MAHARASHTRA

78. Gas Turbine Project and LPG station at Uran
79. Bhandup Complex
80. Reactor building, main building and other structures for BARC
81. SSSF Project at Tarapur
82. Sina Aqueduct
83. Panvel Creek Bridge
84. Barvi Expansion Project
85. Bridges over Vasai Creek at Western Railway
86. Bhorghat Tunnel for Central Railway
87. Factory civil works for Premier Automobiles Limited
88. Ambernath/Ulhasnagar STP
89. Water Treatment Plant, Pune
90. Underground powerhouse for Koyna Project
91. Kolkewadi Dam
92. Bridge over River Ulhas

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93. Trombay Chimney Works
94. Nhava Sheva WTP Works, Raigad
95. Tunnel between Sewri and Futka for MCGB
96. Koyna Stage IV Powerhouse Complex
97. Tunnel between E Moses Road and Ruparel College, Mumbai
98. Aerated Lagoons at Ghatkopar and Bhandup, Mumbai
99. Bandra Effluent and Influent Disposal Works, Mumbai
100. Housing Complex for Kharghar, Navi Mumbai
101. Ghatkopar High Level Tunnel, Mumbai
102. Mumbai-Pune Expressway, Section B, Chowk to Adoshi
103. Vaitarna Dam
- 104. Four-laning of Satara Kolhapur Maharashtra state border section of NH-4, Package V.
- 105. Water supply tunnel from Bhandup to Charkop, Mumbai
- 106. Bandra-Worli Sea Link Project, Mumbai
- 107. Gosikhurd Spillway, Nagpur
- 108. Lavasa Project, Pune
- 109. Improvement to Pune Paud Road (SH 60) and Pirangut Mutha Road (SH 57) on BOT basis

ORISSA

110. Dam at Upper Kolab
111. Road bridge across Mahanadi
112. Syphones at Kuakhai and Khushbhadra
113. Naraj Barrage, New Cuttack
- 114. 4-laning of Chandikhole-Paradip section of NH-5A, Package : OR (Paradip)

PUNJAB

115. 140 M high chimney at Ropar
116. Rail Coach Factory at Kapurthala

RAJASTHAN

117. Foundation, structures and other civil works for Rajasthan Atomic Power Project, Kota Units I & II.
118. Chambal Bridge at Dholpur
119. Rajasthan Atomic Power Project, Units 3 & 4
- 120. Rajasthan Atomic Power Project, Units 5 & 6
- ▲ 121. East-West Corridor Project, Package-EW-II (RJ-7)

TAMIL NADU

122. Civil Works for Kadamparai Pumped Storage Project
123. Lower Mettur Barrages, substructure and powerhouse
124. Ore Berth, Oil Jetty, Trawler Wharf at Chennai
125. Sewage Treatment Plant at Koyambedu, Chennai
126. Upper Nirar Tunnel
127. Navamalai Tunnel
128. Ennore Port-rock quarrying and transportation works
129. Breakwater Construction for New Port at Ennore, Chennai
130. Mass Rapid Transit System, Chennai
- 131. Kudankulam Nuclear Power Project, Units 1&2 Package III
- 132. Kudankulam Nuclear Power Project, Units 1&2 Package C6
- 133. Tirupur Water Supply Project
- 134. Chennai Bypass, Package CBP2

UTTAR PRADESH

135. Maneri Bhali Hydel Project
136. Civil works for Narora Atomic Power Project
137. Rihand Dam
138. Civil works and chimney for Rihand STPP
139. Sharda and Ghogra barrages
140. Yamuna Hydel Project
141. Gomti Aqueduct
142. Sai Aqueduct
143. Varanasi Bridge
144. Malvika Steel Works
145. Cable stayed bridge across Naini, Allahabad
- 146. Allahabad Bypass Project, Package ABP2
- ▲ 147. Lucknow Muzaffarpur National Highway Project, Package LMNHP-EW II (WB)-1
- ▲ 148. Lucknow Muzaffarpur National Highway Project, Package LMNHP-EW II (WB)-2
- ▲ 149. Lucknow Muzaffarpur National Highway Project, Package LMNHP-EW II (WB)-3
- ▲ 150. Lucknow Muzaffarpur National Highway Project, Package LMNHP-EW II (WB)-4

UTTARANCHAL

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

WEST BENGAL

152. Farakka barrage
153. Mahananda barrage
154. Kolkata Metro Railway-tunnel and subway structures
155. Teesta barrage
156. Haldia Docks Project
157. Environmental Engineering Works at Kolkata
158. Kalyani Bridge
159. Earthworks for Farakka STPP
160. Dauk Barrage
161. 220 M high RCC chimney for Kolaghat TPS
162. Underwater cutting of protective shield and sheet piles in front of intake gates for KTPP
163. Golden Quadrilateral Road Project - National Highway from Kolaghat to Kharagpur
- 164. Purulia Pumped Storage Project, West Bengal
- ▲ 165. Teesta Low Dam HEP Stage IV, Lot I

BHUTAN

166. Kurichu Hydroelectric Dam Project
- 167. Tala Hydroelectric Project, Package C-1
- 168. Tala Hydroelectric Project, Package C-4

SAUDI ARABIA

- 169. Restoration of piers, King Abdul Aziz Naval Base

■ Projects completed in the year
• Projects in progress
▲ New projects

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Bandra Worli Sea Link, Mumbai



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Chairman's Letter



Dear Shareholders,

In my letter in last year's Annual Report, I had the pleasure to share with you that your Company's revenues had crossed the Rs.1,500 crore mark. If you will recollect, I had also hoped that 2005-06 would see your Company's total income surpass the Rs.2,000 crore milestone.

I am delighted to inform you that this target, too, has been achieved. Your Company's revenues from operations have further increased by 28.7 % to Rs. 2,028 crore.

Over the last three years, while I expressed my satisfaction at your Company's achievements, I also voiced deep concerns about the state of our nation's infrastructure specifically how we were neglecting it to our longer term economic detriment. Today, I am happy to say that the need to rapidly build physical infrastructure has finally occupied the centre-stage of policy-making and implementation, both in New Delhi and in the state capitals.

To my mind, there are two reasons for this. First, the impressive growth of the economy over three consecutive years. After 8.5% GDP growth in 2003-04, India grew at 7.2% in 2004-05 followed by an estimated 8.1% in 2005-06 which will, in all likelihood, rise to 8.3% when the final figures are published. These three years of rapid growth have demonstrated the strength of India's entrepreneurial capability and its powerful demand drivers. Today, Indians and international experts alike, believe that we have it in us to maintain an 8.5% growth trajectory for the next decade, provided we invest heavily and consistently in building physical infrastructure.

The second reason for infrastructure occupying a prime place in the policy-makers' line of sight is precisely the converse. Everybody now realises that without focusing on infrastructure as the country's number one priority, India will face severe supply-side bottlenecks which could quickly choke off growth prospects in the future.

Thus, the integral relationship is now established in the minds of policy-makers: rapid growth needs infrastructure; and without infrastructure, the growth process would sputter to the detriment of the nation. It is this recognition which has led to a slew of infrastructure initiatives hitherto absent in India.

After a slowdown of six months during 2003-04, the national highways programme has again gained considerable momentum. Over 90 per cent of the 5,846 km long Golden Quadrilateral has been 4-laned and the remaining 10 per cent is being completed. A total of 74 per cent of the 7,300 km North-South-East-West highway project is either complete or under implementation. Over 92 per cent of 380 km of 4 to 6-laned roads linking ports to National Highways, has been completed, or is in the process of being so. Indeed, 36 per cent of the 17,161 km of national highways projects has been completed; and another 37 per cent is actually being implemented. Without doubt, this is the fastest pace of implementation of any road programme in India.

In power, too, there has been an upsurge in investments especially in generation. Given a 13.3% shortfall between power supply and peak demand, it is essential that an extra 100,000 MW of power be generated between now and 2012. Again, for the first time in recent history, we are seeing both central and state governments actively committed to this sector. Already, private sector investments in power projects of 5,000 MW have reached financial closure; and another 10 projects with a capacity of over 11,000 MW are under consideration. In his budget speech in February 2006, the Finance Minister has promised the financial closure of five ultra-mega power projects of 4,000 MW each by the end of the current fiscal year.

There has also been renewed activity in ports. And with the government finally going ahead with the privatisation of Mumbai and Delhi airports on 31 January 2006, I expect additional investments in this sector as well.

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Therefore, I feel more confident than before, that your Company will enjoy an ever increasing order book in the years ahead.

Let me now turn to the financial performance of your Company in 2005-06. HCC's order book position increased by almost 80 per cent from Rs.5,381 crore on 31 March 2005 to Rs.9,672 crore on 31 March 2006. This is the largest absolute growth in the size of the order book in the history of your Company. Profits after tax increased by 68.6 per cent from Rs.74 crore to Rs.124.8 crore in 2005-06. And earnings per share grew from Rs.3.70 in 2004-05 to Rs. 5.44 in 2005-06.

As I had mentioned in my previous letter to you, the construction industry witnessed a fall in operating margins in recent years due to intense competition. It has been no different for your Company. This year, operating margins (PBDIT to net income) have reduced marginally from 10.8 per cent in 2004-05 to 9.5 per cent. We will continue our efforts to improve efficiencies in asset utilisation to arrest this decline, if not improve it. Meanwhile, recent trends in bids opened do indicate that there could be a reversal and margins may start to improve, but it would be foolhardy for anyone in the pure-play construction business to expect margins to go up significantly.

The strategy therefore, is to attain much higher scales of operation which is precisely what your Company aims to achieve. In the last quarter of 2005-06, we raised an additional US$ 100 Million through a GDSs placement and US$ 100 Million as unsecured loans by issuing Foreign Currency Convertible Bonds (FCCBs). This incremental US$ 200 Million (Rs. 878.7 crore net of issue expenses) of low cost international capital, will be utilised to increase the scale of your Company's business and finance investments in key construction assets.

The other way of maintaining profitability is to diversify into related higher value businesses. This too, is a focus area of your Company. As real estate development is booming in India, your Company intends to leverage opportunities in township development through its wholly owned subsidiary Hincon Realty Limited. By this time next year, I should be in a position to share with you details about this new and exciting venture.

Today, I am confident of the future of your Company and of the country's economy. There is no reason India should not be growing at over 8% in the near future. And if so, there is absolutely no reason why your Company's turnover should not annually increase at impressive double digits. We have sizeable orders; we have the capital to finance growth; we have the managerial bandwidth; and we are hungry for scale. Thus, I see better times ahead.

Let me end by thanking each employee of your Company for their dedication, and each of you for your continued support.

With best wishes,

Yours sincerely,



Ajit Gulabchand
Chairman & Managing Director

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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
Dy. Managing Director
M. D. Khattar (upto 1 August 2005)
Executive Director, Technical & Business Development
S. K. Fotedar (w.e.f. 29 September 2005)
Executive Director & President (Construction)
R. G. Vartak

COMPANY SECRETARY

Vithal P. Kulkarni

AUDITORS

K. S. Aiyar & Co., Chartered Accountants

ADVOCATES & SOLICITORS

Mulla & Mulla & Craigie Blunt & Caroe
Kanga & Co.

BANKERS

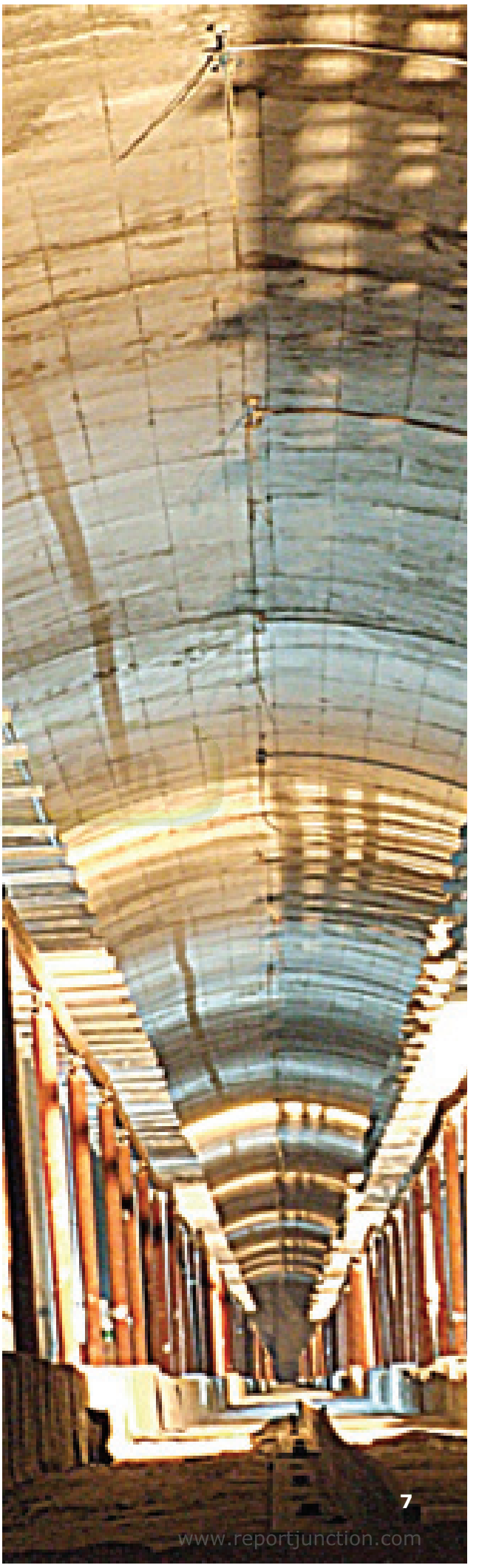
ICICI Bank Ltd
Punjab National Bank
Canara Bank
State Bank of India
Indian Bank
Oriental Bank of Commerce
State Bank of Patiala
Union Bank of India
IDBI Bank Ltd
Federal Bank Ltd
UTI Bank Ltd
Exim Bank
HDFC Bank Ltd
Bank of Bahrain & Kuwait B.S.C.
Citibank N. A.
J. P. Morgan Chase Bank N. A.
Bank of India

REGISTRAR & SHARE TRANSFER AGENTS

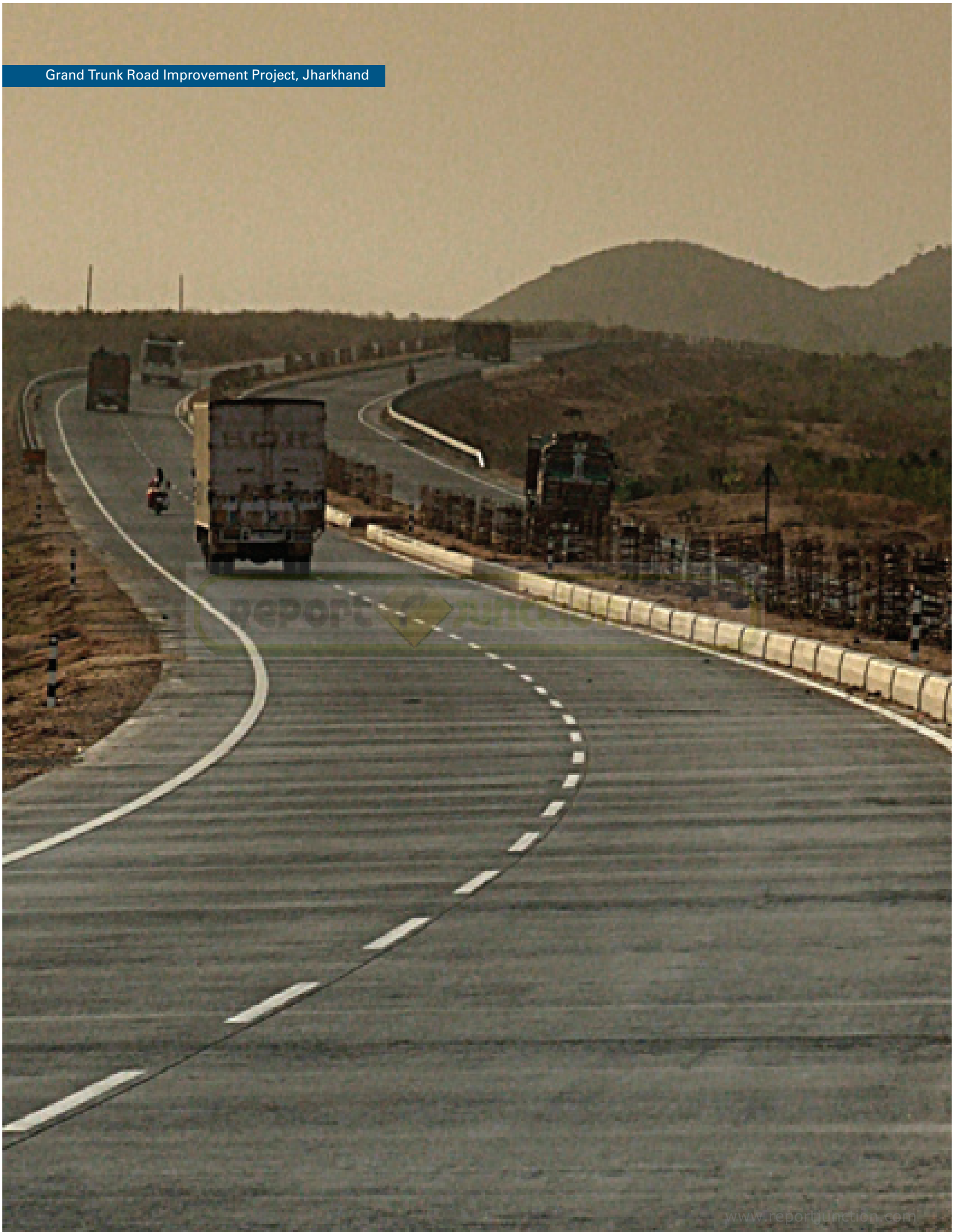
MCS Ltd,
Harmony, Plot No. 6,
Sector 1, Khanda Colony,
New Panvel (W),
Dist. Raigad, Maharashtra - 410 206

REGISTERED OFFICE

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



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Grand Trunk Road Improvement Project, Jharkhand