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Highlights 2010-11

- Group turnover crossed ₹7,000 crore post-acquisition of Karl Steiner AG, Switzerland
- Turnover improved by 7% to ₹4,144 crore
- PBDIT/Net Income at 13.1%, up from 11.8% in the previous year
- Karl Steiner AG order backlog crossed CHF 1 billion
- Lavasa posted turnover of ₹541 crore and PAT of ₹112 crore
- HCC Infrastructure's first toll-based project, *dfskeyway*TM became operational in November 2010

HCC'S PROJECTS AT A GLANCE

ANDHRA PRADESH

01. Ramagundam Thermal Power Project
02. Vizag Monolith, West Wall Protection
03. Godavari Barrage at Rajahmundry
04. Papavinasam Dam
05. Chimney at Vijayawada
06. Railway Bridge over River Godavari
07. Vijayawada Tunnel Works
08. Godavari LIS Phase I
- 09. Godavari LIS Phase II
- 10. Polavaram Project Right Main Canal
- ★ 11. North-South Corridor NHDP Phase II Package AP-8
- 12. Cavern for Crude Oil Storage, Vishakhapatnam
- 13. Rajiv Dummugudem LIS
- 14. Pula Subbaiah Veligonda Tunnel
- 15. JCR Devadula LIS Phase III
- 16. Pranahita Chevella LIS

ARUNACHAL PRADESH

- 17. Pare HEP

ASSAM

18. Brahmaputra Bridge
19. Civil Works for Refinery at Guwahati
- 20. Four-laning of NH-54 (AS23)
- 21. Railway Tunnel No.1 between Dholakal and Kalmai
- 22. Railway Tunnel No. 12 between Jiribam and Tupul

BIHAR

23. Sone Barrage
24. Ganga Bridge at Mokameh
25. Barauni Thermal Power Plant
26. Panchet Powerhouse
27. Rail-cum-Road Bridge Munger
- ▲ 28. Muzaffarpur Thermal Power Plant

CHATTISGARH

29. Bhilai Steel Plant
30. Bailadila Project

DELHI

31. Water and Sewage Treatment Plants
32. DMRC - Vishwa Vidyalaya to ISBT

- 33. DMRC - Airport Metro Express Line Contract AMEL - C1
- 34. DMRC - Airport Metro Express Line Contract AMEL - C6
- ★ 35. Delhi Faridabad Elevated Expressway

GOA

36. Goa Barge Berth at Marmugoa

GUJARAT

37. Kandla Oil Jetty
38. 180 m High Chimney at Wanakbori
39. Tapi Road Bridge
40. Kakrapar Atomic Power Project
41. Two Cooling Towers at Gandhinagar
42. Gujarat State Highways Project - Mehsana to Palanpur
- 43. Saurashtra Branch Canal Pumping Scheme
44. Kalol Mehsana Gas Pipeline Project
- 45. Pumped Water Supply Scheme from Kesaria to Sonari (NC-25)
- ▲ 46. Kachchh Branch Canal

HARYANA

47. Road Bridge at Palwai
48. Panipat Chimney
49. Hathnikund Barrage at Yamunanagar

HIMACHAL PRADESH

50. Chamera HEP, Stage I
51. Nathpa Jhakri HEP
- 52. Chamera HEP, Stage III
- 53. Kashang HEP
- ▲ 54. Sainj HEP

JAMMU & KASHMIR

55. Salal HEP
56. Udhampur - Srinagar - Baramulla Rail
- 57. Uri-II HEP
- 58. Pir Panjal Tunnel (Zone-VA)
- 59. Pir Panjal Tunnel (Zone-VB)
- 60. Mughal Road
- 61. Sawalkote HEP
- 62. Chutak HEP
- 63. Nimmo Bazgo HEP
- 64. Kishanganga HEP

JHARKHAND

65. Chandil Dam
66. Icha Dam
67. Grand Trunk Road Improvement Project

KARNATAKA

68. Tunnel and Powerhouse at Sharavati
69. Dockwork for MPT at Mangalore
70. Kadra Dam
71. Karnataka State Highways Project
- ▲ 72. Cavern for Crude Oil Storage, Padur

KERALA

73. Tanker Terminal and Fertiliser Berth, Cochin
74. Dam across Kulamavu
75. Dam of Peppara
76. Dam across Idamalayar
77. Lower Periyar Tunnel
78. Dam across Moozhiyar and Veluthodu
79. Sebarigiri Dam
80. Wellington Bridge, Cochin
81. Lower Periyar Dam and Powerhouse
82. Brahmapuram Diesel Power Plant

MADHYA PRADESH

83. Satpura TPS
84. Tons Road Bridge
85. Tons HEP
86. Road Bridge over River Indravati

MAHARASHTRA

87. Uran Turbine and LPG Station
88. Bhandup Water Treatment Complex
89. BARC Civil Works
90. SSSF Project at Tarapur
91. Sina Aqueduct
92. Panvel Creek Bridge
93. Barvi Expansion Project
94. Railway Bridges over Vasai Creek
95. Bhorphat Tunnel
96. Factory Civil Works for Premier Automobiles Limited
97. Ambarnath/UIhasnagar STP
98. Water Treatment Plant, Pune
99. Underground Powerhouse, Koyna

100. Kolkewadi Dam
101. Bridge over River Ulhas
102. Trombay Chimney Works
103. Nhava Sheva WTP Works, Raigadh
104. Tunnel between Sewri and Futka
105. Koyna Stage IV Powerhouse Complex
106. Tunnel between E Moses Road and Ruparel College, Mumbai
107. Aerated Lagoons, Mumbai
108. Bandra Effluent and Influent Disposal, Mumbai
109. Housing Complex, Navi Mumbai
- ★ 110. NH-3 MP/Maharashtra Border - Dhule
111. Ghatkopar High Level Tunnel, Mumbai
112. Mumbai-Pune Expressway
113. Vaitarna Dam
114. Satara Kolhapur Road, NH-4
115. Water Supply Tunnel from Bhandup to Charkop, Mumbai
- 116. Bandra-Worli Sea Link
117. Gosikhurd Spillway, Nagpur
- 118. Lavasa, Pune
- ★ 119. Pune Paud BOT Road
- 120. Ghodazari Branch Canal
- 121. Water Supply Tunnel from Maroshi to Ruparel College, Mumbai
- 122. Middle Vaitarna Water Pipeline
- ▲ 123. DGNP Dry-Dock and Wharves, Mumbai
- ▲ 124. VAG Corridor, Mumbai

ORISSA

125. Dam at Upper Kolab
126. Road Bridge across Mahanadi
127. Syphons at Kuakhai and Khushbhadra
128. Naraj Barrage, New Cuttack
129. Paradip Port Road
- 130. Aditya Aluminium Project

PUNJAB

131. 140 m High Chimney at Ropar
132. Rail Coach Factory at Kapurthala

RAJASTHAN

133. Rajasthan Atomic Power Project, Units 1 & 2
134. Chambal Bridge at Dholpur
135. Rajasthan Atomic Power Project, Units 3 & 4

136. Rajasthan Atomic Power Project, Units 5 & 6
137. East-West Corridor Project, Package-EW-II (RJ-7)
- ▲ 138. Rajasthan Atomic Power Project, Units 7 & 8

SIKKIM

- 139. Teesta HEP Stage VI

TAMIL NADU

140. Kadamparai Pumped Storage
141. Lower Mettur Barrages, Substructure and Powerhouse
142. Chennai Ore Berth, Jetty, Wharf
143. Sewage Treatment Plant, Chennai
144. Upper Nirar Tunnel
145. Navamalai Tunnel
146. Ennore Port-Rock Quarrying
147. Ennore Breakwater
148. Mass Rapid Transit System, Chennai
- 149. Kudankulam Nuclear Power Project, Units 1 & 2
150. Tirupur Water Supply Project
- 151. Chennai Bypass, Package CBP2

UTTAR PRADESH

152. Maneri Bhali Hydel Project
153. Narora Atomic Power Project
154. Rihand Dam
155. Rihand STPP
156. Shards and Ghogra Barrages
157. Yamuna Hydel Project
158. Gomti Aqueduct
159. Sai Aqueduct
160. Varanasi Bridge
161. Malvika Steel Works
162. Naini Cable Stayed Bridge
163. Allahabad Bypass Road, Package ABP2
- 164. Lucknow-Muzaffarpur National Highway Project Package LMNHPEW II (WB)-1
- 165. Lucknow-Muzaffarpur National Highway Project Package LMNHPEW II (WB)-2
- 166. Lucknow-Muzaffarpur National Highway Project Package LMNHPEW II (WB)-3
- 167. Lucknow-Muzaffarpur National Highway Project Package LMNHPEW II (WB)-4

UTTARAKHAND

168. Dhauliganga HEP

- ▲ 169. Alaknanda HEP

WEST BENGAL

170. Farakka Barrage
171. Mahananda Barrage
172. Kolkata Metro
173. Teesta Barrage
174. Haldia Docks Project
175. Environmental Engineering Works at Kolkata
176. Kalyani Bridge
177. Earthworks for Farakka STPP
178. Dauk Barrage
179. RCC Chimney for Kolaghat TPS
180. Underwater works for KTPP
181. Golden Quadrilateral Road Project - Kolaghat to Kharagpur
182. Purulia Pumped Storage Project
- 183. Teesta Low Dam HEP Stage IV, Lot I
- 184. Elevated Road Corridor from Park Circus to E.M. Bypass, Kolkata
- ★ 185. Four-laning of Bahrapore-Farakka Section of NH-34
- ★ 186. Four-laning of Farakka-Raiganj Section of NH-34
- ★ 187. Four-laning of Raiganj-Dalkhola Section of NH-34

BHUTAN

188. Kurichhu Hydroelectric Dam Project
189. Tala Hydroelectric Project, Package C-1
190. Tala Hydroelectric Project, Package C-4
- 191. Punatsangchhu Hydroelectric Project - Powerhouse
- 192. Dagachhu Hydro Power Plant (Civil Works), 114 MW

- Projects completed in the year
- Projects in progress
- ▲ New projects
- ★ BOT projects

Chairman's Letter

Dear Shareholder,

My letters to you in previous annual reports have typically covered the nation's economic progress as well as the performance of your Company. On this occasion, I wish to focus on two key issues that should concern us as citizens of this country: the state of infrastructure and, more importantly, the risk of increasing over-reach of the State in business and day-to-day life. Your Company's performance during 2010-11 is adequately described in the chapter on Management Discussion and Analysis, which I urge you to read.

In the last Lok Sabha elections, the Congress returned to power with a significantly improved mandate that reduced its extreme dependence on coalition partners. With this, hopes soared that the reform agenda would be pursued with speed and determination. Yet, it has floundered. To some it appears to have been even abandoned.

New tax regimes like the Goods and Services Tax which would make India a common market have been put on hold. New tools were necessary to contain inflation in a country which has 50% of its economy outside the banking system. These were not put in place when we had the time to do so. Administrative reforms necessary to improve governance and to make for effective implementation of government policies and programmes once again slid to the bottom of the agenda. Environment protection was sought to be implemented in an arbitrary manner - stopping projects in midstream instead of laying down objective and measurable standards for sustainability to encourage compliance. The lack of transparent policies and procedures in many ministries resulted in the surfacing of serious scams. All these have stalled government decision making and caused bureaucratic inaction.

Corporate entities already contending with global competition now have also to contend with uncertainty and unpredictability in government policies and actions. Frequent changing of goalposts has considerably enhanced the risk of doing business in the country. Our governments - in the Centre and the States - are yet to modernise their working to suit the needs of a modern and globalised world, and to better understand the requirement of businesses which operate in a market economy. All these have adversely affected investment flows and slowed the implementation of infrastructure.

The state of physical infrastructure in India is woefully inadequate to meet the essential needs of a fast growing economy. It is now beginning to be an obstacle to growth.

Consider highways, which are the veins and arteries of a nation. Work that began with such a promise has now slowed down to a trickle.

The National Highway Authority of India (NHAI) projects have made little headway. As I write this letter, the NHAI remains leaderless for over seven months. Projects under Phase-III of the National Highway Development

Programme (NHDP) have added only 657 km in 2010-11, at a completion rate of 1.8 km per day; while the NHDP Phase-V programme has added 327 km at 0.9 km per day.

So, too, is the story of power. Only 60% of the planned generation capacity was achieved in thermal power; 47% in hydroelectric; and a mere 18% in nuclear. This in a country which is starved of electricity across most of its states.

Everyone recognises that India desperately needs physical infrastructure. To achieve a steady 9% growth in GDP, there has to be 12% to 14% growth in real infrastructure spends - in roads, power, ports, airports, telecom, urban facilities, and much else.

It isn't happening today. In my view, a reason for the nation's underperformance in infrastructure is dissipated governance, both at the centre and across many states. While all in power speak of the need for infrastructure, none seems to be responsible for delivering on targets.

Dissipated governance creates another negative force which, in my mind, is potentially more dangerous. Within the executive, it creates multiple, quasi-independent authorities of power - authorities that are insufficiently questioned, critiqued or corrected at the level of the Cabinet. Such authorities, even if well intentioned, soon become larger than life and begin to over-reach - often to the detriment of the economic life of the nation. Just go back two decades to the pervasive licence-control-permit raj that existed in 1991 to realise that it does not take much for essentially well meaning people to collectively stifle economic and commercial freedoms. Dissipated governance is often fertile territory for building energy sapping, sector-specific permit raj.

This brings me to Lavasa, of which you have doubtlessly read reams of reports in newspapers and magazines, and seen its coverage on television channels. I don't want to go into the details of the case. But I do want to raise a set of fundamental questions.

- First, while it is nobody's case to minimise environmental or sustainability issues, least of all your Company's, but shouldn't there be clear, objective and measurable standards regarding environmental protection? Are there such standards? So that any reasonably educated citizen of India can discover whether an environmental law or regulation has been breached? And if so, to what material extent?
- Second, regarding these environmental cases - not just the one instituted against your Company, but across many others - should most of the power lie upon the central government? Or should an essentially local matter such as environment be more a domain of the State governments and local authorities? This over-reach of the Central government has a great bearing on the real devolution of power between the centre, the states, the localities and the panchayats.
- Third, without going into the details, it is fair to state that many so-called environmental violation cases have been

based on arbitrary interpretation of the laws and regulations. There have been several instances where investigative bodies appointed by the Ministry of Environment and Forests (MoEF) have gone well beyond their environmental brief to construct lists of alleged violations which, even if true, have no relationship with the acts and regulations that define environmental issues. Indeed, in matters relating to environmental clearances, the goalpost has often changed arbitrarily depending upon the case on hand.

- Fourth, in many of the MoEF's cases, the lines between environmental laws and regulations, affirmative action, and other socio-political activist issues have been blurred - sometimes deliberately so. The job of the MoEF is to ascertain whether or not a project has contravened centrally legislated environmental laws. Focussing on other laws to prepare a bulkier brief is outside the remit of the MoEF, and thus can be legally unjust.
- Fifth, when needed, many environmental deviations can be redressed without the necessity to stop all work on a project. Unfortunately, this is often ignored by the MoEF.

Let me quote from an article on Lavasa written by Madhu Kishwar, the founder of Manushi, a social activist and no great friend of industry. "On 25th November, 2010, the Ministry of Environment and Forests issued a show cause notice to Lavasa Corporation on the charge of violating the provisions of Environment Impact Assessment Notification, 1994 as amended in 2004 and 2006. Through this notice, Lavasa was ordered to not only stop all work on the project but also to restore the status quo ante. This would have meant demolishing all the buildings, structures, roads, water harvesting structures, waste management plant, water purification plant, a world-class school for the children of local residents, the high tech water supply system, institutions of professional education like hotel management, hotels, restaurants as well as uprooting nearly 6 lakh new trees planted by Lavasa. The total absence of due process in MoEF's interventions is evident from the fact that it ordered a stay on all further construction activities and demanded status quo ante solely on the basis of charges filed by the National Alliance of People's Movements without as much as a preliminary investigation through its own official team to confirm whether such drastic action was indeed merited. [The MoEF's] stop work order amounted to punishing without due process - 10,000 workers who lost their jobs in one stroke. Lavasa has been incurring a loss of ₹2 crore per day since 26th November, 2010."

Eventually, sense will prevail; and I am sure that there will be a sensible conclusion to the Lavasa episode. But, the story is more than Lavasa. It is about the rule of law; about transparency; about the devolution of decision making powers between the Centre, the State, and local authorities; and the real dangers of overarching remit.

I am an optimist. I believe that while there may be irritating deviations in the short run, sanity and growth will prevail. The time of India has come - an India of hope, of opportunities, of all kinds of entrepreneurship, of work, and of growth. Despite being occasionally lost in transit, two decades of reforms have fundamentally changed the DNA of this nation. It will demand the things it needs for more growth and higher employment. And the elected representatives will perform or have to provide these, or be punished.

Therefore, I am sure that sooner than later, things will improve. We will see infrastructure efforts being kick started yet again, as we will see environmental protection walking in tandem with development. It is this hope that keeps me optimistic about our country. And of our youth, who rightly demand a better life.

Jai Hind.



Ajit Gulabchand

Chairman & Managing Director



Company Information

BOARD OF DIRECTORS

Ajit Gulabchand
(Chairman & Managing Director)

Y. H. Malegam

K. G. Tendulkar

Rajas R. Doshi

Ram P. Gandhi

Prof. Fred Moavenzadeh

D. M. Popat

Sharad M. Kulkarni

Nirmal P. Bhogilal

Anil C. Singhvi

Arun V. Karambelkar
(Whole-time Director
w.e.f. 29th April, 2011)

COMPANY SECRETARY

Vithal P. Kulkarni

AUDITORS

K.S. Aiyar & Co., Chartered Accountants

ADVOCATES & SOLICITORS

Mulla & Mulla & Craigie Blunt & Caroe

Amarchand & Mangaldas &

Suresh A Shroff & Co.

BANKERS/FINANCIAL INSTITUTIONS

ICICI Bank Ltd.

Punjab National Bank

State Bank of India

IDBI Bank Ltd.

Indian Bank

Oriental Bank of Commerce

The Jammu & Kashmir Bank

Canara Bank

State Bank of Patiala

Union Bank of India

Bank of Baroda

Vijaya Bank

IFCI Ltd.

Yes Bank Ltd.

United Bank of India

Toronto Dominion (Texas) LLC

Standard Chartered Bank

The Federal Bank Ltd.

The Hong Kong & Shanghai Corporation Ltd.

Axis Bank Ltd.

Exim Bank of India

State Bank of Travancore

Bank of Maharashtra

DBS Bank Ltd.

State Bank of Bikaner & Jaipur

Catholic Syrian Bank

REGISTRAR & SHARE TRANSFER AGENTS

TSR Darashaw Ltd.

6-10 Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.

REGISTERED OFFICE

Hincon House, Lal Bahadur Shastri Marg,

Vikhroli (West), Mumbai - 400 083.



Management Discussion and Analysis

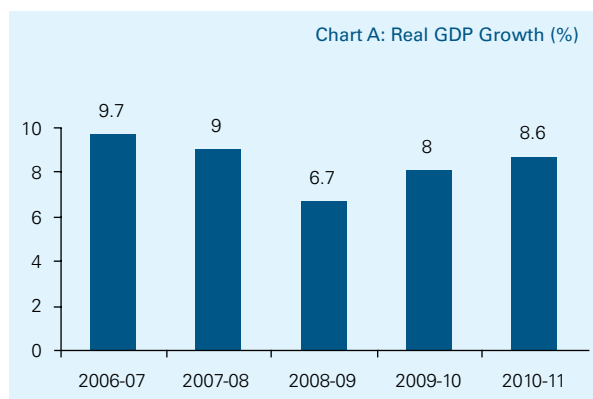
Having executed some of the largest and most technically challenging projects, Hindustan Construction Company ('HCC' or 'the Company') has been at the forefront of the Indian construction sector. The Company has always invested in cutting-edge technologies, adopted best work practices and stressed on global operational standards to promote responsible infrastructure development in the country. Firmly committed to this ethos for over eight decades, HCC has anchored itself to India's development efforts. The Company's business and financial performance continues to have a strong correlation with the progress of infrastructure development in India.

In terms of the business environment, 2010-11 was a mixed year - while the long term signals were largely positive, there were some industry-specific concern areas that adversely affected business.

Macro-Economic Environment

The global economy is recovering steadily from the lows of 2008. After shrinking by 0.6% in 2009, world economic output was back on positive track registering 5% growth in 2010. Much of the new growth impetus came from developing and emerging economies that witnessed 7.1% growth in 2010 compared to 2.6% in 2009. Even the advanced economies recovered from a 3.6% contraction in output in 2009 to a growth of 3% in 2010. These positive trends have led to lower risk perceptions, greater global financial stability and improved business sentiments.

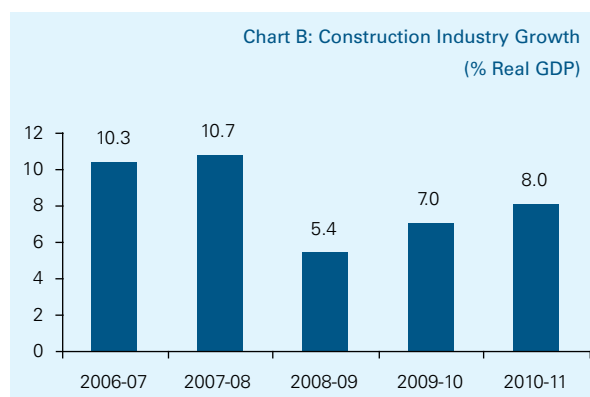
Having said so, there are some other problematic factors that may impact the future growth. There is economic instability in some countries in Europe. Ireland, for example, is facing threats of a complete banking collapse. Also, there has been a surge in prices of commodities and oil leading to high levels of inflation, which has hit normal life especially in emerging economies like India. There is growing unrest in the Middle East and North African region which has affected Asian trade and market sentiments.



Source: CSO, Government of India

The Indian economy, is well on its way to regaining the high growth momentum seen in the period immediately prior to the economic meltdown of 2008. Advanced estimates suggest that real GDP growth will be 8.6% in 2010-11 (see Chart A).

The secular growth in GDP has contributed to a significant improvement in construction activities. Chart B shows that after falling to a low of 5.4% in 2008-09, construction growth recovered to 7% in 2009-10 and has improved further to 8% in 2010-11. While this growth level is still below what was seen in 2006-07 and 2007-08, the trend over the last two years is in the right direction.



Source: CSO, Government of India

Clearly, 2010-11 brought in good news on the macro-economic front in terms of growth. And economic growth and infrastructure development share a reciprocal relationship. While positive growth sentiments drive higher infrastructure investments, such investments and provision of adequate infrastructure support is essential to sustain over 8% growth over a period of time. In fact, the Planning Commission's XIth Five-Year Plan (2007-12) estimates a 15% compounded annual growth rate in infrastructure investment during the period. As a result, its share in GDP is expected to rise from 5.71% in 2006-07 to 8.37% in 2011-12. The infrastructure industry in India is thus poised for significant growth.

While there has been an impetus in the sector, the pace of development is still not in sync with the demands of a rapidly growing economy. Already, there are signs that the existing infrastructure base in India is grossly inadequate. This has manifested in high cost push inflation which has been witnessed since the beginning of 2010. Driven primarily by significant increase in food prices, inflation has remained at over 8% since then. Clearly, the commodity supply chain within the economy is not able to sustain the surge in