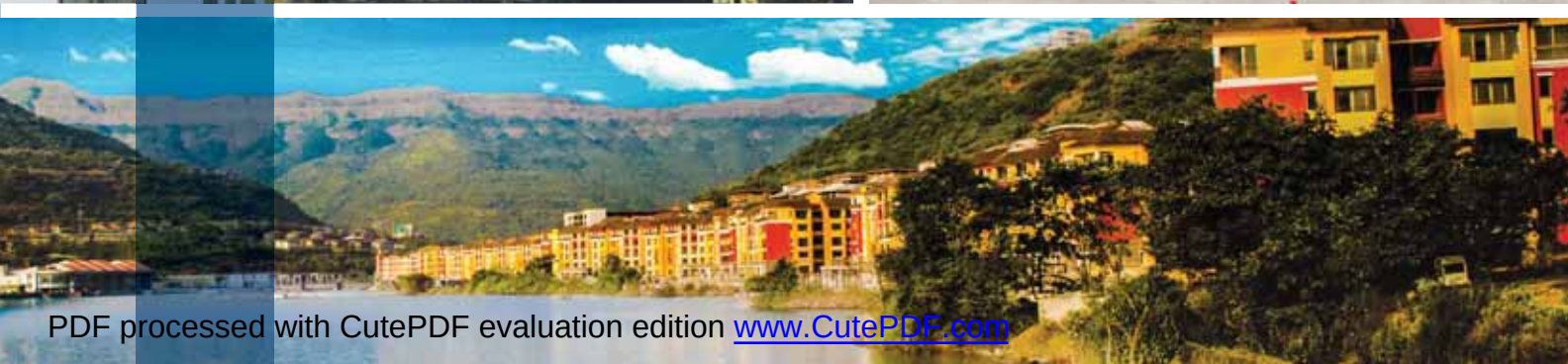
Annual Report 2013-14

HCC









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Highlights 2013-14

- Group turnover at ₹ 9,688.3 crore
- HCC E&C Order book at ₹ 14,249 crore
- HCC Standalone Turnover at ₹ 4,113.5 crore and Net Profit of ₹ 80.6 crore, after reporting losses for 2 years
- HCC's sustainability report received highest accreditation A+ by the Global Reporting Initiative (GRI) for the fourth time
- HCC Group is now 100% shareholder of Steiner AG with acquisition of remaining 34% stake. Steiner AG continues to be profitable for four consecutive years since taken over by HCC
- Lavasa construction work commenced around 5,000 workers on ground. Appx. 500 units handed over to the customers. Lavasa: witnessed 8 lakh tourists' footfalls during the year
- First leg of the 250 km, ₹ 3,200 crore, PPP highway development in West Bengal (NH34) commissioned in May 2014; significant progress achieved for second section from Farakka to Raiganj
- Dhule Palesner Highway started tolling for its second phase of development one year in advance of schedule
- Highbar Technologies adds 14 new customers during the year including 2 in Middle East region

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. Bogibeel Bridge

BIHAR

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

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. DMRC - Netaji Subhash Palace to Shalimar Bagh
36. DMRC - Janakpuri West to Palam Station
37. Delhi Faridabad Elevated Expressway

GOA

38. Goa Barge Berth at Marmugoa

GUJARAT

39. Kandla Oil Jetty
40. 180 m High Chimney at Wanakbori
41. Tapi Road Bridge
42. Kakrapar Atomic Power Project
43. Two Cooling Towers at Gandhinagar
44. Gujarat State Highways Project - Mehsana to Palanpur
45. Kalol Mehsana Gas Pipeline
46. Pumped Water Supply Scheme from Kesaria to Sonari (NC-25)
47. Saurashtra Branch Canal Pumping Scheme
48. Swarnim Gujarat Kutch Water Grid, NC-31 Pipeline
49. Kachchh Branch Canal
50. Reliance J3 Jamnagar

HARYANA

51. Road Bridge at Palwai
52. Panipat Chimney
53. Hathnikund Barrage

HIMACHAL PRADESH

54. Chamera HEP, Stage I
55. Nathpa Jhakri HEP
56. Chamera HEP, Stage III
57. Kashang HEP
58. Sainj HEP

JAMMU & KASHMIR

59. Salal HEP
60. Udhampur - Srinagar - Baramulla Rail
61. Pir Panjal Tunnel (Zone-VA)
62. Pir Panjal Tunnel (Zone-VB)
63. Chutak HEP
64. Nimmo Bazgo HEP
65. Uri-II HEP
66. Mughal Road
67. Kishanganga HEP
68. T-48 tunnel on Dharam-Qazigund Section
69. T-49 Tunnel on Dharam-Qazigund Section

JHARKHAND

70. Chandil Dam
71. Icha Dam
72. Grand Trunk Road Improvement Project

KARNATAKA

73. Tunnel and Powerhouse at Sharavati
74. Dockwork for MPT at Mangalore
75. Kadra Dam
76. Karnataka State Highways Project
77. Cavern for Crude Oil Storage, Padur
78. Yettinahole Project - Pkg IV

KERALA

79. Tanker Terminal and Fertiliser Berth, Cochin
80. Dam across Kulamavu
81. Dam of Peppara
82. Dam across Idamalayar
83. Lower Periyar Tunnel
84. Dam across Moozhiyar and Veluthodu
85. Sebarigiri Dam
86. Wellington Bridge, Cochin
87. Lower Periyar Dam and Powerhouse
88. Brahmapuram Diesel Power Plant

MADHYA PRADESH

89. Satpura TPS
90. Tons Road Bridge
91. Tons HEP
92. Road Bridge over River Indravati

MAHARASHTRA

93. Uran Turbine and LPG Station
94. Bhandup Water Treatment Complex
95. BARC Civil Works
96. SSSF Project at Tarapur
97. Sina Aqueduct
98. Panvel Creek Bridge
99 Barvi Expansion Project
100. Railway Bridges over Vasai Creek
101. Bhorghat Tunnel

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

MANIPUR

● 132. Railway Tunnel No.1 between Jiribam and Tupul
● 133. Railway Tunnel No. 3 between Jiribam and Tupul
● 134. Railway Tunnel No. 10 between Jiribam and Tupul
● 135. Railway Tunnel No. 12 between Jiribam and Tupul

ORISSA

136. Dam at Upper Kolab
137. Road Bridge across Mahanadi
138. Syphons at Kuakhai and Khushbhadra
139. Naraj Barrage, New Cuttack
140. Paradip Port Road
● 141. Aditya Aluminium Project

PUNJAB

142. 140 m High Chimney at Ropar
143. Rail Coach Factory at Kapurthala

RAJASTHAN

144. Chambal Bridge at Dholpur
145. East-West Corridor Project,
146. Rajasthan Atomic Power Project, Units 1 & 2
147. Rajasthan Atomic Power Project, Units 3 & 4
148. Rajasthan Atomic Power Project, Units 5 & 6 Package-EW-II (RJ-7)
● 149. Rajasthan Atomic Power Project, Units 7 & 8

SIKKIM

● 150. Teesta HEP Stage VI

TAMIL NADU

151. Kadamparai Pumped Storage
152. Lower Mettur Barrages, Substructure and Powerhouse
153. Chennai Ore Berth, Jetty, Wharf
154. Sewage Treatment Plant, Chennai
155. Upper Nirar Tunnel
156. Navamalai Tunnel
157. Ennore Port-Rock Quarrying
158. Ennore Breakwater
159. Mass Rapid Transit System, Chennai
160. Kudankulam Nuclear Power Project, Units 1 & 2
161. Tirupur Water Supply Project
162. Chennai Bypass, Package CBP2
▲ 163. Building works for Fast Reactor Fuel Cycle Facility

UTTAR PRADESH

164. Maneri Bhali Hydel Project
165. Narora Atomic Power Project
166. Rihand Dam
167. Rihand STPP
168. Shards and Ghogra Barrages
169. Yamuna Hydel Project
170. Gomti Aqueduct
171. Sai Aqueduct
172. Varanasi Bridge
173. Malvika Steel Works
174. Naini Cable Stayed Bridge
175. Allahabad Bypass Road
176. Lucknow-Muzaffarpur National Highway Project LMNHP-EW II (WB)

UTTARAKHAND

177. Dhauliganga HEP
● 178. Tehri Pumped Storage
▲ 179. Vishnugad Pipalkoti HEP

WEST BENGAL

180. Farakka Barrage
181. Mahananda Barrage
182. Kolkata Metro
183. Teesta Barrage
184. Haldia Docks Project
185. Environmental Engineering Works at Kolkata
186. Kalyani Bridge
187. Earthworks for Farakka STPP
188. Dauk Barrage
189. RCC Chimney for Kolaghat TPS
190. Underwater works for KTPP
191. Golden Quadrilateral Road Project - Kolaghat to Kharagpur
192. Purulia Pumped Storage Project
● 193. Teesta Low Dam HEP Stage IV
● 194. Elevated Road from Park Circus to E.M. Bypass, Kolkata
✸ 195. Four-laning of Bahrampore-Farakka Section of NH-34
✸ 196. Four-laning of Farakka-Raiganj Section of NH-34
✸ 197. Four-laning of Raiganj-Dalkhola Section of NH-34

BHUTAN

198. Kurichhu Hydroelectric Dam Project
199. Tala HEP, Package C-1
200. Tala HEP, Package C-4
● 201. Punatsangchhu HEP - Powerhouse
● 202. 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,

This is a letter of travails and optimism. The travails and difficulties relate to the terrible state of the economy, of governance and of the infrastructure sector over the previous two years. The optimism is about what we hope the new Bharatiya Janata Party (BJP) led National Democratic Alliance (NDA) government under Prime Minister Narendra Modi will deliver for the country's economic growth and prosperity.

Let me begin with the toils of the last few years, and how your Company has dealt with the myriad problems that have plagued infrastructure.

Fiscal year 2013-14 has been the second terrible year for the economy. According to the latest forecast by the Government of India's Central Statistical Organisation (CSO), real GDP growth for 2013-14 will be 4.9%. Coming on the back of 4.5% growth in 2012-13, this will be the first time after several years that India will have languished at a sub-5% growth for two successive years. The estimated growth of construction activities in 2013-14 will be a mere 1.7%. Surely, India deserves much better.

The quarterly data are just as depressing. In April-June 2013, India grew at just 4.4%. There was a minor improvement in July-September 2013 with growth at 4.8%. Then it fell in October-December 2013 to 4.7%.

With such quarterly rates of growth, I doubt whether India will actually achieve 4.9% GDP for 2013-14. The reason is simple enough: with the poor quarterly growth rates in Q1, Q2 and Q3, India will have to achieve 5.7% growth in Q4 for the annual growth to average 4.9%. Quite honestly, I haven't seen anything in January-March 2014 that suggests 5.7% quarterly growth.

Not surprisingly, in such an economic milieu, the construction sector has been badly hit. The CSO estimates for 2013-14 suggest just 1.7% growth in construction. While this might be a tad better than the previous year, when the growth had dropped to 1.1%, it is significantly worse than the 10.8% growth that the sector enjoyed in 2011-12.

Tomorrow's growth is defined by today's real investments. The general consensus is that achieving 7.5% GDP growth on a sustained basis requires gross fixed capital formation (GFCF) to be in the region of 37% to 38% of GDP. The negative political and governance environment of the last two years has led a pessimistic investment climate resulting in GFCF dropping to 32.5% of GDP in 2013-14, versus 33.9% in the previous year. In Q3 of 2013-14, this ratio had dropped to 31.2% — one of the lowest in a long time.

A truly damning tale of India's recent decline can be found in the World Bank's recent survey, Doing Business, 2014, which deals with the business environment across 189 countries in the world. Here are some sad facts:

- India's overall rank was 134th versus 131st in the previous year. Here are some countries ranked better than us: Turkey (69th); Sri Lanka (85th); Russia (92nd); China (96th); Nepal (105th); Philippines (108th) Pakistan (110th); Brazil (116th); Indonesia (120th); Argentina (126th); and Bangladesh (130th).
- We were 182nd out of 189 countries in the time taken to issue construction permits.
- We were 158th in the problem dealing with payment of taxes.
- And we were 186th out of 189 in the speed and efficacy of enforcing contracts.

This is the discreditable framework under which we work in India. And a sector which is affected the most is infrastructure. Let me share with you the problems that are endemic to our industry.

First, environmental clearances continue to be a major hurdle to new infrastructure projects. If anything, clearances from the Ministry of Environment and Forests (MoEF) became even more difficult to obtain under the dispensation of a minister who was brought in to replace her activist predecessor. The number of critical infrastructure projects that have been blocked simply because the MoEF have not chosen to clear the files are now legion. In my letter to you last year, I wrote, "the norms are often not defined in a clear and objective manner; there are significant differences in such norms between the level of the state and the MoEF; and there is too much centralisation which delays decision making." Nothing has improved since.

Second, there is complete paralysis in decision-making. Over the last two years, the civil service's response to reports by the Comptroller and Accountant General (CAG), observations by the Supreme Court as well as investigations and interrogation carried out by the Central Bureau of Investigations (CBI) has been that of masterly inaction. Senior-level bureaucrat close to retirement have observed that taking executive decisions, however good these may be for economic development, open up the hazards of investigation; but taking no action costs neither career nor reputational risks. The choice, then, becomes obvious: do nothing. Not surprisingly, therefore, less infrastructure projects have been awarded and closed.

Third, there is the vexatious issue of non-payment of claims by the government and public sector clients. This is faced by all infrastructure construction companies, bar none. As you will appreciate, most construction contracts involve changes of scope, variations and delays that are not attributable to the

contractors. When these occur, the contractors put in claims to recover the extra costs. Elsewhere in the world, such claims are settled based upon the recommendation of the officially appointed and bilaterally recognised 'Engineer to the Contract'. The disputed amount, if any, beyond the Engineer's decision, is referred to a commonly agreed upon Dispute Resolution Board, and beyond that to arbitration. In general, the matters are settled within six to nine months. Only the most difficult and contentious arbitrations take over a year.

Not so in India. Almost every claims dispute that involves a government or public sector client is referred to a third party for decision-making. If that decision goes in favour of the contractor, the client invariably appeals against it in court. Today, there are many thousands of crores worth of awards in court, many of which will be taken by the clients to higher and higher courts lest they be censured by the CAG or the Central Vigilance Commission and be investigated by the CBI.

What is the outcome for the contracting firm? Typically, it has already incurred these costs which have been usually met by additional borrowings from banks. Without these awards being settled, the borrowing burgeons along with the interest liability. Soon enough, contracts find the debt so large as to make it financially impossible for them to meet the interest and principal repayment dues.

In such a situation, most infrastructure contractors and service providers in India are not only highly over-leveraged but also are facing severe financial strain. Some, such as your Company, decided to opt for a formally recognised process of debt restructuring in the last fiscal year under the framework of Corporate Debt Restructuring (CDR). The CDR process is on track; and during 2013-14, HCC has successfully paid its dues as per the conditions of this package with a one month lag.

How has your Company performed in 2013-14? I would say quite well under the circumstances that I have already outlined. Here is a gist of the standalone results for the year.

- With additional order inflow of ₹3,218 crore, HCC's order backlog has increased to ₹14,249 crore by the end of 2013-14.
- Turnover increased by 7.2% to ₹4,113 crore in 2013-14.
- EBIDTA (excluding other income) was ₹640.7 crore in 2013-14— an increase of 67%.
- The EBIDTA margin increased from under 10% in 2012-13 to 15.7% in 2013-14.
- PAT has recovered from losses in 2012-13 to ₹80.6 crore in 2013-14.

In the process, your Company has focused on cutting down costs, with some notable success. It has also worked hard in reducing the breakeven point across almost all its projects. And it is looking forward to monetise the infrastructure assets that it owns — such as the roads and highways — and sell some others to further reduce the debt overhang and thus create greater operational flexibility.

Lavasa is finally back on track, after almost three years of delays on account of government intervention. Your Company's global subsidiary, Steiner AG of Switzerland has taken over the construction work of the project. Consequently, Lavasa is now a pure developer tasked with conceptualisation, design, compliance, sales and marketing functions. The project will need additional funding. Given that all the constraints have been lifted, I expect your Company to get such risk capital in the course of 2014-15 to finance accelerated post-monsoon development.

Steiner AG is now doing well financially. It is a leading total and general contracting company in Switzerland, specialising in turnkey construction, including refurbishments and real estate development. It is now a 100% subsidiary of your Company. Revenues of Steiner increased by 4.8% to CHF 798 million in 2013-14; and net profit remained at last year's level of CHF 8.2 million.

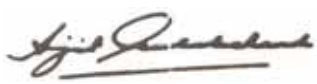
Let me now touch upon the second theme — that of optimism. The voters of India have had their say. We now have a BJP-led NDA government at the centre under Prime Minister Narendra Modi. We in business are now looking forward to a period of stable governance that brings back much needed sanity and predictability of executive action leading to greater development and higher growth. We need the shackles on infrastructure to be rapidly removed. Like any new CEO who has been given an overwhelming mandate by shareholders to restructure, reorient and energise a struggling company, Mr. Modi needs to have a 100-days plan to instil a sense of purpose and confidence, and have in place focused ministers and committed civil servants to deliver every aspect of the plan. Infrastructure badly needs to be kick-started. The issues are obvious: rapid approval of highway projects; expeditious cleaning up of the coal field mess so that thermal power plants can get going; taking a call on natural gas; and ensuring that while the MoEF plays its role in protecting the environment and forest, it does so in a manner that also allows well planned infrastructure projects to see the light of day.

It is a matter of using common sense and taking quick and right decisions for the good of the country — virtues that seem to have lost in the last two years. I am sure Mr. Modi and his team will do what ought to have been done in the lost years. And more.

Even so, it will take some time before India gets back to a higher growth path. Equally, however, the chances of this happening is the highest today compared to the last two to three years. So let us hope that it happens, and that the new government delivers its promise of governance and growth for which it has been democratically elected to power.

As India's new Prime Minister has said many times during this election campaign "Achche din aane waale hain". And with the hope that good days truly lie ahead let us all look forward to higher growth; more enterprise; less red-tape; and with these, the next phase of your Company's growth.

Yours,



Ajit Gulabchand
Chairman & Managing Director

Company Information

BOARD OF DIRECTORS

Ajit Gulabchand
Chairman & Managing Director

Rajas R. Doshi

Ram P. Gandhi

Prof. Fred Moavenzadeh

D. M. Popat

Sharad M. Kulkarni

Anil C. Singhvi

Dr. Ila Patnaik
(upto April 30, 2014)

Rajgopal Nogja

Group Chief Operating Officer & Whole-time Director

Arun V. Karambelkar
(President & Whole-time Director upto April 29, 2014)

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

DBS Bank Ltd

The Federal Bank Ltd

Standard Chartered Bank

Exim Bank of India

Toronto Dominion (Texas) LLC

LIC of India

Central Bank of India

Axis Bank Ltd

Bank of Maharashtra

State Bank of Travancore

Syndicate Bank

State Bank of Mysore

United Bank of India

IFCI Ltd

Indian Overseas Bank

State Bank of Hyderabad

NABARD

REGISTRAR & SHARE TRANSFER AGENTS

TSR Darashaw Private Ltd.

6-10 Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road, Near Famous

Studio,Mahalaxmi, Mumbai - 400 011.

REGISTERED OFFICE

Hincon House, 11th Floor,

247Park, Lal Bahadur Shastri Marg,

Vikhroli (West), Mumbai - 400 083.



Dagachhu Hydro Electric Power Project, Bhutan

The 126MW (2x63MW) Dagachhu Hydroelectric Project built on Dagachhu river, a tributary of the Punatsangchhu river in Bhutan, was one of the most challenging project in terms of geology. The project team successfully overcome the geological challenges faced at every component of the project including dam site, headrace tunnel surge shaft and power house. For the first time in the Asian subcontinent, the power house was built using NATM methodology with support systems of permanent anchor bars, SN rock bolts, wire mesh and latice girders.



Bogibeel Rail-cum-Road Bridge

HCC team successfully launched the first steel girder of the Bogibeel Rail-cum-road Bridge. This is a double decked bridge having two railway tracks on the lower deck and a 3-lane road on the upper deck. It has 42 pillars with 125 m spans and a superstructure of composite welded steel truss, each weighing 1900 MT. After assembling the truss at the assembly yard, it was pulled on the pillars by using mechanical pulling system. The length of the bridge is 4.315 kms. This will be the fourth longest bridge in the country and the longest over the mighty Brahmaputra river.



Uri II Hydro Electric Power Project, Jammu & Kashmir

The 240 MW Uri-II Hydel Power Project is a run-of-the river scheme executed by HCC for the National Hydroelectric Power Corporation (NHPC) on the Jhelum River in the Uri area of Baramullah District, in Northern Kashmir. This is the second project to be constructed on the Jhelum River and is a downstream development of Uri-I. Designed to lend further stability to the Northern Grid, the project will supply power to Jammu & Kashmir, Uttarakhand, Uttar Pradesh, Haryana, Delhi, Punjab, Rajasthan and Chandigarh.



Delhi Metro Rail Corporation - Package CC30

The HCC team accomplished the break-through of Delhi Metro's CC30 package on March 13, 2014. The 1,247m long tunnel between Netaji Subhash Place and Shalimar Bagh stations is part of the 59 km long Majlis Park to Shiv Vihar Metro Corridor of Phase III. This was a very challenging job as the tunnel was built without disturbing any structure on the surface and traffic running on the Ring Road above. The tunnel crossed the elevated viaduct of the currently operational Dilshad Garden to Rithala Metro corridor, which also was a major engineering challenge.



Löwenbräu, Zurich, Switzerland

Steiner AG constructed one of Zurich's most exciting new complexes: The former Löwenbräu brewery, which now hosts offices, condominiums, museum and galleries. The industrial past is still very visible, and the historic landmark building from 1897, the chimney and the steel silo have been preserved. An elegant high-rise residential building overlooks the old brewery and further emphasizes the distinct architectural shape of the silos.



Schönberg Ost, Berne, Switzerland

Urban development par excellence: Schönberg Ost is Berne's new neighbourhood with upmarket flats – developed and built by Steiner AG. Around 300 people already live in the 116 condominiums that were built in the first phase of the construction. 250 more units for both letting and owner-occupancy will be finished until 2018. Once finished, Schönberg Ost will offer residential use areas of around 70'000 m^2.