

HCC



Contents

CHAIRMAN'S LETTER	4
COMPANY INFORMATION	6
MANAGEMENT DISCUSSION AND ANALYSIS	13
CORPORATE GOVERNANCE	26
SHAREHOLDER INFORMATION	37
NOTICE	49
BOARD'S REPORT	71
AUDITORS' REPORT	115
FINANCIALS	118
CONSOLIDATED FINANCIAL STATEMENTS	144

Highlights 2014-15

- Group turnover crossed the ₹ 10,000-crore mark and is currently at ₹ 10,353 crore
- HCC E&C Orderbook is at ₹ 14,451 crore
- Honourable Prime Minister Shri Narendra Modi inaugurated three HCC constructed hydroelectric power projects in Jammu & Kashmir - Chutak, Nimoo Bazgo and URI stage II
- HCC created a World Record in Long Distance Concrete Pumping at its Sainj Hydroelectric Power Project and successfully completed first Tunnel Boring Machine (TBM) operations in the Himalayan region, for its Kishanganga hydroelectric power project
- HCC's sustainability report received the highest accreditation of A+ for the fifth consecutive year by the Global Reporting Initiative (GRI)
- Steiner AG (100% subsidiary of HCC) registered a Turnover of CHF 854 million (₹ 5,604 crore). Steiner AG continues its profitability streak since taken over by HCC
- Lavasa city is now a popular destination for Film & Advertisement shoots and tourism, with over 9.5 lakh tourist visits during the year. Lavasa received the coveted awards for "India's Smart City in Tourism" and "Best Eco-Tourism"
- HCC Concessions (a stepdown subsidiary of HCC) signed definitive documents to sell its stake in two SPVs - Dhule Palesner in Maharashtra and Nirmal BOT in Andhra Pradesh

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
- ▲ 22. Numaligarh to Jorhat section of NH-37
- ▲ 23. Jamugurihat to Biswanath Chariali bypass of NH-52

BIHAR

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

CHATTISGARH

31. Bhilai Steel Plant
32. Bailadila Project

DELHI

33. Water and Sewage Treatment Plants

34. DMRC - Vishwa Vidyalaya to ISBT
35. DMRC - Airport Metro Express Line Contract AMEL - C1
36. DMRC - Airport Metro Express Line Contract AMEL - C6
- 37. DMRC - Netaji Subhash Palace to Shalimar Bagh
- 38. DMRC - Janakpuri West to Palam Station
- ★ 39. Delhi Faridabad Elevated Expressway
- ▲ 40. DMRC - Dwarka to Najafgarh
- ▲ 41. Flyover linking existing Munirka flyover to Army RR Hospital

GOA

42. Goa Barge Berth at Marmugoa

GUJARAT

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

HARYANA

55. Road Bridge at Palwai
56. Panipat Chimney
57. Hathnikund Barrage

HIMACHAL PRADESH

58. Chamera HEP, Stage I
59. Nathpa Jhakri HEP
60. Chamera HEP, Stage III
- 61. Sainj HEP
- 62. Kashang HEP
- ▲ 63. HRT for Sawra Kuddu HEP

JAMMU & KASHMIR

64. Salal HEP
65. Udhampur - Srinagar - Baramulla Rail
66. Pir Panjal Tunnel (Zone-VA)

67. Pir Panjal Tunnel (Zone-VB)
68. Chutak HEP
69. Nimmo Bazgo HEP
- 70. Uri-II HEP
- 71. Mughal Road
- 72. Kishanganga HEP
- 73. T-48 tunnel on Dharam-Qazigund Section
- 74. T-49 Tunnel on Dharam-Qazigund Section

JHARKHAND

75. Chandil Dam
76. Icha Dam
77. Grand Trunk Road Improvement Project

KARNATAKA

78. Tunnel and Powerhouse at Sharavati
79. Dockwork for MPT at Mangalore
80. Kadra Dam
81. Karnataka State Highways Project
- 82. Cavern for Crude Oil Storage, Padur
- 83. Yettinahole Project - Pkg IV

KERALA

84. Tanker Terminal and Fertiliser Berth, Cochin
85. Dam across Kulamavu
86. Dam of Peppara
87. Dam across Idamalayar
88. Lower Periyar Tunnel
89. Dam across Moozhiyar and Veluthodu
90. Sebarigiri Dam
91. Wellington Bridge, Cochin
92. Lower Periyar Dam and Powerhouse
93. Brahmapuram Diesel Power Plant

MADHYA PRADESH

94. Satpura TPS
95. Tons Road Bridge
96. Tons HEP
97. Road Bridge over River Indravati

MAHARASHTRA

98. Uran Turbine and LPG Station
99. Bhandup Water Treatment Complex
100. BARC Civil Works
101. SSSF Project at Tarapur
102. Sina Aqueduct

103. Panvel Creek Bridge	143. Road Bridge across Mahanadi	181. Allahabad Bypass Road
104. Barvi Expansion Project	144. Syphons at Kuakhai and Khushbhadra	182. Lucknow-Muzaffarpur National Highway Project LMNHP-EW II (WB)
105. Railway Bridges over Vasai Creek	145. Naraj Barrage, New Cuttack	▲ 183. Indo Nepal Border to Rudhauri of NH - 233
106. Bhorphat Tunnel	146. Paradip Port Road	
107. Factory Civil Works for Premier Automobiles Limited	■ 147. Aditya Aluminium Project	
108. Ambarnath/Ulhasnagar STP	PUNJAB	UTTARAKHAND
109. Water Treatment Plant, Pune	148. 140 m High Chimney at Ropar	184. Dhauliganga HEP
110. Underground Powerhouse, Koyna	149. Rail Coach Factory at Kapurthala	● 185. Tehri Pumped Storage
111. Kolkewadi Dam	RAJASTHAN	● 186. Vishnugad Pipalkoti HEP
112. Bridge over River Ulhas	150. Chambal Bridge at Dholpur	WEST BENGAL
113. Trombay Chimney Works	151. East-West Corridor Project,	187. Farakka Barrage
114. Nhava Sheva WTP Works, Raigadh	152. Rajasthan Atomic Power Project, Units 1 & 2	188. Mahananda Barrage
115. Tunnel between Sewri and Futka	153. Rajasthan Atomic Power Project, Units 3 & 4	189. Kolkata Metro
116. Koyna Stage IV Powerhouse	154. Rajasthan Atomic Power Project, Units 5 & 6 Package-EW-II (RJ-7)	190. Teesta Barrage
117. Tunnel between E Moses Road and Ruparel College, Mumbai	● 155. Rajasthan Atomic Power Project, Units 7 & 8	191. Haldia Docks Project
118. Aerated Lagoons, Mumbai	SIKKIM	192. Environmental Engineering Works at Kolkata
119. Bandra Effluent and Influent Disposal, Mumbai	● 156. Teesta HEP Stage VI	193. Kalyani Bridge
120. Housing Complex, Navi Mumbai	TAMIL NADU	194. Earthworks for Farakka STPP
121. Ghatkopar High Level Tunnel, Mumbai	157. Kadamparai Pumped Storage	195. Dauk Barrage
122. Mumbai-Pune Expressway	158. Lower Mettur Barrages, Substructure and Powerhouse	196. RCC Chimney for Kolaghat TPS
123. Vaitarna Dam	159. Chennai Ore Berth, Jetty, Wharf	197. Underwater works for KTHP
124. Satara Kolhapur Road, NH-4	160. Sewage Treatment Plant, Chennai	198. Golden Quadrilateral Road Project - Kolaghat to Kharagpur
125. Water Supply Tunnel from Bhandup to Charkop, Mumbai	161. Upper Nirar Tunnel	199. Purulia Pumped Storage Project
126. Bandra-Worli Sea Link	162. Navamalai Tunnel	● 200. Teesta Low Dam HEP Stage IV
127. Gosikhurd Spillway, Nagpur	163. Ennore Port-Rock Quarrying	● 201. Elevated Road from Park Circus to E.M. Bypass, Kolkata
● 128. Lavasa, Pune	164. Ennore Breakwater	★ 202. Bahrapore - Farakka Section of NH-34
★ 129. Pune Paud BOT Road	165. Mass Rapid Transit System, Chennai	★ 203. Farakka - Raiganj Section of NH-34
● 130. Ghodazari Branch Canal	166. Kudankulam Nuclear Power Project, Units 1 & 2	★ 204. Raiganj - Dalkhola Section of NH-34
★ 131. NH-3 MP/Maharashtra Border - Dhule	167. Tirupur Water Supply Project	
● 132. Water Supply Tunnel Maroshi Ruparel College, Mumbai	168. Chennai Bypass, Package CBP2	BHUTAN
133. Middle Vaitarna Water Pipeline	● 169. Building works for Fast Reactor Fuel Cycle Facility	205. Kurichhu Hydroelectric Dam Project
● 134. DGNP Dry-Dock and Wharves, Mumbai	UTTAR PRADESH	206. Tala HEP, Package C-1
■ 135. VAG Corridor, Mumbai	170. Maneri Bhali Hydel Project	207. Tala HEP, Package C-4
● 136. Bhama Askhed Pipeline	171. Narora Atomic Power Project	● 208. Punatsangchhu HEP - Powerhouse
▲ 137. Bhandup Pipeline	172. Rihand Dam	■ 209. Dagachhu Hydro Power Plant (Civil Works), 114 MW
MANIPUR	173. Rihand STPP	
● 138. Railway Tunnel No. 1 between Jiribam and Tupul	174. Shards and Ghogra Barrages	
● 139. Railway Tunnel No. 3 between Jiribam and Tupul	175. Yamuna Hydel Project	
● 140. Railway Tunnel No. 10 between Jiribam and Tupul	176. Gomti Aqueduct	
● 141. Railway Tunnel No. 12 between Jiribam and Tupul	177. Sai Aqueduct	
ORISSA	178. Varanasi Bridge	
142. Dam at Upper Kolab	179. Malvika Steel Works	
	180. Naini Cable Stayed Bridge	

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

Dear Shareholder,

It has been a year since the BJP-led National Democratic Alliance (NDA) government under Prime Minister Narendra Modi has come into power. Although things could have been, perhaps, a bit better, India has certainly witnessed positive developments on the economic front.

The extent of the disastrous effect of the policies of the previous Government is now becoming apparent. It is clear now that it will take longer for the economy to return to good health than was earlier expected. Yet the new Government has done well to start the process of laying a solid foundation for economic growth. The world had forgotten India and is once again looking forward to India playing a big role and is hopeful of the Indian economy once again growing fast.

According to the Central Statistical Organisation, real Gross Value Added (GVA), the new measure of national income for 2014-15 (FY 2015) grew by 7.5% versus 6.6% in FY 2014. This has been accompanied by some revival in investment. Though at an early stage, growth in gross fixed capital formation, which has hit a low of - 0.3% in FY 2013 has improved to 4.1% in FY 2015. The construction sector's growth also has picked up from - 4.3% in FY 2013 to 2.5% in FY 2014 and then to 4.5% in FY 2015. However, it must be said while trends are in the right direction, India has not yet seen the kind of investments needed in the real sectors of the economy to regain its earlier high growth trajectory.

Equally, there have been two positive trends in FY 2015. First, there has been fresh interest in India from foreign investors — not only in portfolio investments but also in foreign direct investment (FDI). For the April-February period, for which data is available, FDI into India increased by 23% from US\$ 26.5 billion in FY 2014 to US\$ 32.7 billion in FY 2015.

Second, inflation seems to be under control. Thanks to sharp drop in crude oil and food prices, the consumer price index (CPI) inflation was at 5.2% in March 2015. It has been the lowest rate in three months and is significantly below the CPI inflation rate between 2012 and end - 2014, when it averaged 8.7%.

In the context of a benign inflationary outlook, a comfortable current account situation, and the fact that the Government of India maintained the tight fiscal deficit target that it had set for itself for FY 2015, many of us expected the Reserve Bank of India (RBI) to significantly ease up on interest rates. While the RBI has cut the benchmark repo rate in two instalments of 25 basis points each to 7.5%, it could have done more. I, along with others in various industries, believe that it is time for the RBI as well as the commercial banks to further cut interest rates at least by 200 to 400 basis points — without which it will be difficult to increase the rate of growth of infrastructure and, thus, the economy. At the present interest rates projects must earn IRRs of at least 20%. Projects with such high earnings are too few and too risky to find interest from entrepreneurs and investors. It must be understood that the IRR requirement of any project/new investment must come down to 14% for evincing a robust response from entrepreneurs and investors.

Let me now turn to the performance of your Company. In a year that continued to see very little growth in infrastructure and deep financial distress of engineering and construction enterprises, your Company has performed quite creditably. Here are some key facts for FY 2015:

- The order book as on 31 March 2015 is ₹ 14,451 crore. Your Company also has a record number of L - 1 positions in bids aggregating to ₹ 3,435 crore.
- Revenue from operations increased by 4.6% to ₹ 4,301 crore.
- EBITDA is ₹ 773.7 crore in FY 2015 — an increase of 20.8% over the previous year. The EBITDA margin has increased from 15.9% in FY 2014 to above 18.8% in FY 2015. There has been an improvement in the EBITDA margin at the project operations level.
- PAT was ₹ 81.65 crore.



As you know, HCC had availed a Corporate Debt Restructuring (CDR) package with a consortium of its bankers. During FY2015, while there were some delays due to challenging market conditions, your Company has paid its dues as per the conditions.

Your Company has also successfully raised ₹ 400 crore through a Qualified Institutional Placement (QIP), which was oversubscribed and closed in April 2015. The proceeds from this QIP has helped balance cash flow and provided necessary working capital for future business.

Let me now dwell upon something that I shared with you last year which affects not just your Company but every player in the engineering and construction sector. This is about claims settlement.

Throughout the world, most if not all construction contracts involve changes of specifications, scope, variations and delays that are often on account of the clients — and not the contractors. In such instances, the contractors place claims upon the clients to recover the additional costs.

In most parts of the world, either these claims are more or less accepted and settled by the clients, or else these go to the officially appointed and bilaterally recognised 'Engineer to the Contract'. When the disputed amount is beyond the Engineer's purview, it is referred to a commonly agreed upon Dispute Resolution Board, and beyond that to arbitration. Usually, such matters are settled within six to nine months. Only the really controversial 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 appeals against it in court. Today, there are thousands of crores worth of awards languishing in courts, many of which will be taken by the public sector and government clients to successively higher courts lest they be censured by the CAG or the Central Vigilance Commission or be investigated by the CBI.

Consider the case of HCC. After going to CDR, your Company has filed for claims over ₹ 10,000 crore due to various project related disputes. Of these, almost ₹ 2,220 crore worth of claims has been awarded to HCC through arbitration. Another approximately ₹ 1,500 crore is currently under arbitration. Unfortunately, these arbitration awards have been further disputed by clients. Thus several awards that were positive to your Company have been taken to the judiciary.

What does this mean for a contracting firm? It has already incurred such additional costs as are being claimed — which have been typically met by additional borrowings from banks. Without the awards being settled, the borrowing has burgeoned along with interest costs. As this continues, the debt so large as

to make it financially impossible for the contractors to meet the interest and principal repayment dues. This is the case of almost all engineering and contracting firms in India.

Thankfully, HCC has a strong contracts management department. Thus, despite clients escalating contract claims up to High Courts and other courts of law, your Company has managed to get cash pay-out against claims worth roughly ₹ 400 crore. However, it is still a tiny fraction of all such claims made by HCC.

The only solution to this problem is to change the laws and regulations to make them more equitable for the contractors than these currently are. The present Government is aware of the problem and wants to settle this issue in a sensible and time-bound manner. I can only hope that we in the construction and engineering industry will see such a resolution by FY 2016.

I am neither an economist nor a soothsayer. However, I believe that FY 2016 will see somewhat higher growth than FY2015. Given the prospects of a less than normal monsoon and relatively little actual infrastructure activity on the ground, I do not expect a significant increase in the growth rate. Indeed, I would be happy to see real GVA growing at 8% or thereabout.

As large economies come out of a trough on to a path of higher growth, sectors such as services, consumer goods and consumer durables are the first to respond. More often than not, infrastructure investments tend to lag by a few quarters. Therefore, even if India were to witness 8% growth in FY 2016, I would still expect infrastructure and, hence, construction growth to remain somewhat muted for the first half of the year.

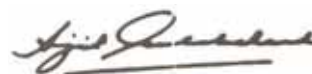
In such a context, your Company will have to continue focusing as before on sharply optimising costs, improving productivity and systematically monetising its non-key assets. We cannot afford to take our eyes off these fundamental drivers. Neither now, nor even in the good days that ought to come.

I am cautiously optimistic about your Company's prospects in FY 2016. Cautious of the rate of growth of the top-line and the number of new and significant projects that will be tendered. And optimistic of the fact that we shall never again take our eyes off the fundamentals of performance — that is, maximising productivity with an unwavering attention to controlling costs.

We have turned the corner from the dark days of loss-making. The CDR taught us very important lessons. Today, more than ever before, a leaner, more productive and focused HCC is back on the path of profitable growth. May this journey continue.

As always, thank you for your support.

Yours,



Ajit Gulabchand
Chairman & Managing Director

Company Information

BOARD OF DIRECTORS

Ajit Gulabchand
Chairman & Managing Director

Rajas R. Doshi

Ram P. Gandhi

D. M. Popat

Sharad M. Kulkarni

Anil C. Singhvi

Harsha Bangari (w.e.f. July 31, 2014)

Dr. Omkar Goswami (w.e.f. April 30, 2015)

Rajgopal Nogja
Group Chief Operating Officer & Whole-time Director

Shalaka Gulabchan Dhawan
Whole-time Director w.e.f. April 30, 2015

COMPANY SECRETARY

Vithal P. Kulkarni

AUDITORS

Walker Chandiok & Co.,LLP Chartered Accountants

ADVOCATES & SOLICITORS

Mulla & Mulla & Craigie Blunt & Caroe

Cyril Amarchand Mangaldas

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 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,
247 Park, Lal Bahadur Shastri Marg,
Vikhroli (West), Mumbai - 400 083.



Sainj Hydro Electric Power Project, Himachal Pradesh

HCC has created a 'World Record' in the Long Distance Concrete Pumping by successfully pumping concrete to a distance of 2432 meters during the construction of Head Race tunnel of 100MW (2x50MW) Sainj Hydroelectric Project in Kullu district of Himachal Pradesh. While implementing the project, HCC team overcame various geological, technical and logistical challenges to complete the project in time.



First TBM success in Himalayan Terrain by HCC - Kishanganga Hydel Power Project, Jammu & Kashmir

HCC has created history by successfully completing the first tunnel constructed by a Tunnel Boring Machine (TBM) in the Himalayan Terrain for its 330 MW Kishanganga Hydroelectric Power Project in Jammu and Kashmir. The tunnel boring machine completed 14.75 km section of the 23.2km long head race tunnel on June 10, 2014. The balance 8.14 km tunnel was constructed by conventional drill and blast method.



Polavaram Right Main Canal Package - III, Andhra Pradesh

HCC has successfully completed the 31.712 km long Package-3 of the right main canal of Polavaram Project. Polavaram Project is a multi-purpose irrigation project consisting of 174 km Polavaram to Vijayawada link canal that will transfer surplus water from the Godavari River basin to the Krishna River basin in Andhra Pradesh. HCC has constructed Package-3 of this project on EPC basis. The project aims to irrigate 5.82 lakh hectares land in Andhra Pradesh.



Delhi Metro Rail Corporation - Package CC34

HCC team made a rare double TBM breakthrough on August 04, 2014, when its two powerful tunnel boring machines broke through simultaneously at the Dabri Mor station. Such double TBM breakthrough has happened for the first time in India and only the second time in the World. These boring machines were engaged in construction of twin tunnels at the 4.475 km underground metro line between Janakpuri West and Palam Metro Stations of Delhi Metro.



SkyKey, Zurich, Switzerland

SkyKey, a new landmark in Zurich North and a key to greater sustainability and energy efficiency, has been inaugurated in October 2014. The project was developed as well as executed by Steiner AG as general contractor. This will be the first building in Switzerland with highest level of LEED certification, the Platinum v2009. The SkyKey has also received the pilot certification for the 'Swiss Standard for Sustainable Construction'.



Allmendingen, Berne, Switzerland

The foundation stone for the second building phase of the housing development, Schlosspark Allmendingen, was celebrated on September 12, 2014 in Allmendingen near Berne. The project with a total of 41 owner-occupied apartments lies in an idyllic setting, next to Allmendingen Castle. It offers individual architecture with spaciouly designed apartments. Building is scheduled for completion in spring 2016.