



2000
2001
Profit before tax increased by 74.4%
from Rs.24.60 crore to Rs.42.90 crore.

Project at Mumbai.

Achieved a record net profit of Rs.26.54 crore, an
 Achieved a record net profit of Rs.26.54 crore, an
 increase of 24% over 1999-2000

 Operating margin
 increased from 18.2% in 1999-2000 to 22.1%

 Completed two major projects, the Kurichu Dam at Bhutan and Naraj Barrage at Orissa, ahead of schedule.
 Secured new orders amounting to Rs.1312 crore during the year. Order book swells to nearly Rs.1900 crore
 Awarded two prestigious projects: a section of Delhi Metro Rail Project and the Bandra-Worli Sea Link

HCC'S CONTRIBUTION TO NATION BUILDING



BANDRA INFLUENT-EFFLUENT PLANT



BHILAI STEEL PL



KOYNA HYDROELECTRIC POWER PROJECT



ARGAR AIR FORCE RESIDENTIAL COMPLEX



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JAMMU & KASHMIR

1. Spillway, Dam and Powerhouse for Salal Hydel Project

PUNJAB

2. 140 M high Chimney at Ropar 3. Rail Coach Factory at Kapurthala

HARYANA

- 4. Road Bridge at Palwai
- 5. Panipat Chimnev
- 6. Hathnikund Barrage at Yamunanagar

RAJASTHAN

- 7.Foundation, Structures and other civil works for Raiasthan Atomic Power Project, Kota, Units 1 & II
- 8. Chambal Bridge at Dholpur
- 9. Raiasthan Atomic Power Project Units 3 & 4

GUJARAT

- 10. Kandla Oil Jetty for Kandla Port Trust, Kandla
- 11. 180M high Chimney at Wanakbori
- 12. Narmada Drift Project
- 13. Tapi Road Bridge
- 14. Kakrapar Atomic Power Project 15. Natural Draught Cooling Towers at
- Kakrapar 16. Two Cooling Towers at Gandhinagar for
- Gujarat State Electricity Board 17. Gujarat State Highways Project -
- Mehsana to Palanpur

MAHARASHTRA

- 18. Gas Turbine Project and LPG Station at Uran
- 19. Bhandup Complex
- 20. Reactor Building, Main Building and other structures for BARC 21. SSSF Project at Tarapur
- 22. Sina Aqueduct 23. Panvel Creek Bridge
- 24. Barvi Expansion Project
- 25. Bridges over Vasai Creek at Western Railway
- 26. Bhorghat Tunnels for Central Railway 27. Factory civil works for Premier
- Automobiles Limited
- 28. Ambernath/Ulhasnagar STP
- 29. Water Treatment Plant, Pune
- 30. Underground Powerhouse for Koyna Project
 - 31. Kolkewadi Dam
- 32. Bridge over River Ulhas
- 33. Trombay Chimney Works
- 34. Nhava Sheva WTP Works, Raigad 35. Tunnel between Sewri and Futka for
- MCGB 36. Koyna Stage IV Powerhouse Complex
- 37. Tunnel between E Moses Road and Ruparel College, Mumbai
- 38. Aerated Lagoons at Ghatkopar and Bhandup, Mumbai
- 39. Bandra Influent and Effluent Disposal Works, Mumbai
- 40. Housing Complex for Kharghar, Navi Mumbai
- 41. Construction of Concrete Spillway for Gosikhurd Spillway Dam, Nagpur
- 42. Construction of Mumbai-Pune Expressway, Section B, Chowk, Adoshi
- 43. Construction of High Level Tunnel at Ghatkopar, Mumbai
- 44. Construction of Water Supply Tunnel from Bhandup to Charkop, Mumbai

45. Bandra – Worli Sea Link Project -Construction of a cable stayed bridge.

GOA

46. Goa Barge Berth at Marmagoa

KARNATAKA

47. Tunnel and Powerhouse at Sharavati 48. Dockwork for MPT at Mangalore 49. Kadra Dam

KERALA

50. Tanker Terminal and Fertiliser Berth at Cochin

BANDRA - WORLI SEA LINK PROJECT

TROMBAY CHIMNE

BREAKWATERS FOR

NEW ENNORE PORT

GODAVARI BRIDGI

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PUNE EXPRESSWAY

- 51. Dam across Kulamavu
- 52. Dam of Peppara 53. Dam across Idamalayar
- 54. Double Curvature Arch Dam at Idukki and Dam across river Cheruthoni
- 55. Lower Periyar Tunnel Power Project 56. Dam across Moozhiyar and Veluthodu,
- (Kakkad) 57. Sebarigiri Dam
- 58. Wellington Bridge Works, Cochin
- 59. Lower Periyar Dam and Powerhouse
- 60. Brahmapuram Diesel Power Plant

TAMIL NADU

- 61. Civil Works for Kadamparai Pumped Storage Project
- 62. Lower Mettur Barrages, Substructure and Powerhouse
- 63. Ore Berth, Oil Jetty, Trawler Wharf at Chennai
- 64. Sewage Treatment Plant at Koyambedu, Chennai
- 65. Upper Nirar Tunnel
- 66. Navamalai Tunnel
- 67. Ennore Port-Rock quarrying and Transportation works
- 68. Breakwater Construction for New Port at Ennore, Chennai
- 69. Mass Rapid Transit System, Chennai

ANDHRA PRADESH

- 70. Civil works for Bhadrachalam Paper Board
- 71. Civil works, Earthen Dam and 225M high Chimney for Ramagundam Super Thermal Power Project
- 72. Vizag Monolith and West Wall Protection
- 73. Godavari Barrage at Rajahmundry
- 74. Papavinasam Dam
- 75. Chimney at Vijaywada
- 76. Environmental Engineering works at Hyderabad
- 77. Substructure of bridge over river Godavari, South Central Railway
- 78. Vijaywada Tunnel Works
- 79. Sileru Tunnel Works 80. D.B.K. Railway Project
- 81. Superstructure for Railway Bridge across Godavari

ORISSA

85. Naraj Barrage, New Cuttack

82. Dam at Upper Kolab 83. Road Bridge across Mahanadi

WEST BENGAL

86. Farakka Barrage

87. Mahananda Barrage

84. Syphones at Kuakhai and Khushbhadra

SANSCO SERVIC

- 88. Kolkata Metro Railway Tunnel and Subway structures
- 89. Teesta Barrage
- 90. Haldia Docks Project
- 91. Environmental Engineering Works at Kolkata
- 92. Kalyani Bridge
- 93. Earthworks for Farakka STPP
- 94. Dauk Barrage
- 220 M high RCC Chimney for Kolaghat TPS
 96. Underwater cutting of protective shield and sheet piles for KTPP
- 97. Golden Quadrilateral road project National highway from Kolaghat to Kharagpur

ASSAM

98. Brahmaputra Bridge at Amingaon and Tezpur 99. Civil works for Refinery at Guwahati

BIHAR / JHARKHAND

- 100. Sone Barrage
- 101. Ganga Bridge at Mokameh102. Civil works for Barauni Thermal Power Plant
- 102. Civil works for Barauni Thermai 1 103. Chandil Dam
- 104. Crossing over river Ganga for BSEB
- 105. Panchet Powerhouse for DVC
- 106. Icha Dam

MADHYA PRADESH / CHHATTISGARH

107. Satpura TPS 108. Tons Road Bridge 109. Bhilai Steel Plant 110. Tons Hydel Project, Lot I & II 111. Road Bridge over Indravati River 112. Bailadila Project

UTTAR PRADESH / UTTARANCHAL

- 113. Maneri Bhali Hydel Project
- 114. Civil works for Narora Atomic Power Project
- 115. Rihand Dam
- 116. Civil works and Chimney for Rihand STPP
- 117. Sharda and Ghogra Barrages
- 118. Yamuna Hydel Project
- 119. Gomti Aqueduct
- 120. Sai Aqueduct
- 121. Varanasi Bridge
- 122. Malvika Steel Works
- 123. Dhauliganga Hydro-electric Project, Construction of underground powerhouse
- 124. Construction of a cable stayed bridge across Naini, Allahabad

DELHI

- 125. Water and Sewage Treatment Plants
- 126. Delhi Metro Rail Project from Vishwa Vidyalaya Station to ISBT station

HIMACHAL PRADESH

- 127. Power Tunnel and Underground Powerhouse for Chamera Hydel Power Project
- 128. Head Race Tunnel for Nathpa Jhakri Joint Venture

BHUTAN

- 129. Construction of Concrete Dam and appurtenant works for Kurichu Hydroelectric Project
- 130. Construction of Dam, Intake, Desilting Chamber and part Head Race Tunnel for Tala Hydro-electric Project, (Package C-1)
- 131. Construction of part Head Race Tunnel (Package C-4) for Tala Hydro-electric Project.

NEW PROJECTS





BMC WATER TUNNEL



RAJASTHAN ATOMIC POWER PROJECT



HATHNIKUND BARRAGE

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SUBSIDIARY COMPANIES

59 HINCON TECHNOCONSULT LTD 69 UCCHAR INVESTMENT LTD 78 WESTERN SECURITIES LTD 87 HINCON INTERNATIONAL LTD 94 HCC INFOTECH LTD 「市の市地のため」



DEAR SHAREHOLDERS,

If you ask concerned citizens of India what are the reasons for our country's inability to achieve and sustain a GDP growth rate of 8 per cent per year, most of them will point to the sad state of physical infrastructure.

As a nation, we constantly talk about the need for greater investment in infrastructure. Unfortunately, it remains exactly that — talk, without necessary action. In my letter to you in the previous year's annual report, I had said, "Despite numerous policy pronouncements and statements of lofty intent, infrastructure is perhaps the most neglected area of economic activity in India." Sadly for our country, that sentence remains true a year later. If anything, our infrastructure has become even worse.

In the past year, we have often heard of the economic threat from China — the other one billion plus country in the world. Soon to be a member of the World Trade Organisation, China is expected to use its cost advantages to aggressively enter the Indian market and further increase its share of world trade. Moreover, while virtually every country is suffering from a global slowdown, China continues to post a GDP growth in excess of 7.5 per cent per year. At \$940, China's per capita income is more than double that of India. In the next six years, it is expected to double to \$1,880. If we continue plodding at our present growth rate of under 6 per cent, our per capita income in 2007 will be around \$680 — or a little over a third of China's per capita GDP. Unless we quickly get our act together, we are going to comprehensively lose this race.

Why has China succeeded in notching an average GDP growth of 7 per cent in the 1980s and over 9 per cent in 1990s, compared to our 5.5 per cent over the same period? The answer is to be found in infrastructure. Every important city and town in eastern and northern China is linked by concrete six-to-eight lane superhighways. The port of Shanghai is soon going to challenge Singapore as the most sophisticated facility in Asia. In the last five years, the average infrastructure spend in China on roads and major dams alone has been in excess of \$70 billion (Rs.329,000 crore). One big dam project — the Three Gorges on the River Yangtze — is budgeted at over \$3 billion. Add to that China's spectacular growth in telecommunications. Today, China has over 117 million mobile phone subscribers, and their monthly growth in mobile telephony is greater than the annual growth in India. With such a concerted effort at building world class infrastructure, it is hardly surprising that China is set to grow at more than 8 per cent throughout the first decade of this new century.

The contrast with India couldn't be starker. Public as well as private investment in infrastructure continue to remain at unacceptably low levels. According to the Rakesh Mohan Committee Report, the economy requires infrastructure investments of 7 to 8 per cent of GDP, or an investment of Rs.400,000 crore to

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Rs.450,000 crore in 2000-01 and 2001-02. We have not even spent Rs.50,000 crore — and even that is an optimistic estimate.

Why is this so? As far as public investment is concerned, much has to do with the growing fiscal crisis of the central government and the bankruptcy of almost all state governments. Today, the most conservative estimate of the combined fiscal deficit of the central and state governments is around 11 per cent of GDP. If we add the burden of bankrupt state and central institutions like public sector undertakings, state electricity boards, various municipalities and other non-corporate, off-balance sheet bodies, the amount is estimated in excess of 13 per cent of GDP. Revenue deficits are far worse. Simply put, the revenues collected by the central and state governments are insufficient to cover basic government expenditure such as wages and salaries and interest obligations.

Small wonder then that virtually no municipality or state government has the ability to financially close any major infrastructure project. Consequently, companies engaged in infrastructure face four negative fallouts. First, while there is talk on infrastructure, there is a virtual freeze on infrastructure spending by all government departments, both at the central and state levels. Second, there is overall inefficiency in policy-making and implementation regarding infrastructure projects. Thus, even when projects are announced, they often do not achieve financial closure. Third, when projects are announced and sanctioned, there is a considerable and unnecessary time lag between allocation and commencement of work. The reasons for delays are well known: time consuming bureaucratic procedures; dysfunctional state-level laws and procedures that create multiple bottlenecks; severe fiscal constraints; and the lack of long and medium term debt instruments that can finance private sector projects. And fourth, there are longer delays between completion of a project and final payment by the concerned authority — resulting in growth of needless and expensive receivables for any major construction company.

These factors have once again affected your company's top-line. Despite efforts at bagging several new projects, Hindustan Construction Company's (HCC's) gross operational income has increased by a modest 6.6 per cent, from Rs.530.8 crore in 1999-2000 to Rs.565.9 crore in 2000-01. I say modest because, if the economy was growing at over 7 per cent per year, infrastructure spend would have increased by almost 20 per cent.

Given this rather subdued top-line scenario, your company has done very well to increase profits. During 2000-01, HCC has posted its highest ever profits. Profit before tax has increased by 74.4 per cent — from Rs.24.6 crore to Rs.42.9 crore. Post-tax profit also rose by 24 per cent — from Rs.21.4 crore in 1999-2000 to Rs. 26.5 crore in 2000-01. I'm sure that you will agree with me that having net profits rise almost four times more than gross turnover is a creditable achievement.

Your company's net profit margin (net profit as a percentage of net operational income) has increased from 4.6 per cent in 1999-2000 to 6.1 per cent in 2000-01. Its pre-tax profit margin has done better — up from 5.2 per cent to 9.8 per cent over the same period.

This rise in profits is mostly due to improvements in internal efficiency. Your company's construction expenses have reduced by 16.2 per cent, from Rs.310.7 crore in 1999-2000 to Rs.260.4 crore in 2000-01. This is the third successive year where construction expenses as a percentage of income has come down — from 77 per cent in 1998-99 to 66 per cent in 1999-2000 to under 60 per cent in 2000-01. The absolute and relative fall in construction expenses have been achieved by increasing on-site productivity and reducing the construction cycle. Optimising procurement efficiencies has also helped. Your company has an effective centralised procurement division that handles purchases of key inputs and capital goods as well as controls inventory and sub-contracting. HCC is now implementing a fully automated supply chain management system, which should be fully operational by March 2002.



In addition to improved operational efficiencies, your company has succeeded in reducing interest costs. Total secured debt has been brought down from Rs.186.8 crore in 1999-2000 to Rs.142.7 crore in 2000-01. Moreover, HCC has taken advantage of falling interest rates and replaced high cost loans with low cost ones. Consequently, interest costs have decreased from Rs.39.1 crore in 1999-2000 to Rs.29.7 crore in 2000-01, a decline of 24 per cent.

Information Technology (IT) is another area where your company is placing great emphasis. The company is currently in the process of automating and integrating the business processes of all its departments to enable access of quicker and more reliable information to the management for more effective decision-making. The integrated system will then be transformed into a web-based construction enterprise resource planning package (ERP). Moreover, your company has also floated a subsidiary called HCC Infotech Limited. Its objective is to design and develop software solutions and to provide software engineering services to the construction industry worldwide.

I now move to return on capital employed (ROCE). Despite a 13.9 per cent rise in profits before interest and taxes (PBIT), your company has posted lower ROCE -14.3 per cent this year versus 15.5 per cent in 1999-2000. This is primarily due to the growth in advances from various projects, which get classified as unsecured loans. For the coming year, HCC will do all that is needed to bring the ROCE up to at least the 1999-2000 level.

The good news is that return on net worth (RONW) has increased significantly. In 1999-2000, it stood at 21.8 per cent. This year, your company's RONW has increased to 22.1 per cent — which is a very healthy ratio for any company, especially one in the construction industry. We will strive to maintain, if not better, this return on shareholder funds in the coming year.

To sum up, in a gloomy infrastructure scenario, your company has managed to do quite well. HCC won 7 new contracts in 2000-01, whose total value is Rs.1,312 crore. Consequently, the total balance work on hand of your company as on 30 June 2001 stands at Rs.1,902 crore. Decisions are awaited for tenders submitted by HCC for 19 projects amounting to Rs.4,536 crore. Your company has been pre-qualified for 5 projects amounting to about Rs.825 crore; and has submitted pre-qualification bids for 12 projects worth Rs.1,757 crore. Thus, HCC's order book should be bigger and healthier in the coming years. That, along with sustained operational efficiencies and cost cutting, should result in higher profits.

However, let me end in a sombre note. By not focusing adequately on infrastructure, we are missing the bus. As a nation, we have to substantially increase our infrastructure spend. This has to be the number one priority for India. All of us must make enough political noise to create the will to build infrastructure throughout this nation. It is the only way that we can be globally competitive.

+ Sunlabachand

AJIT GULABCHAND

		Contraction of the
BOARD OF DIRECTORS	Ajit Gulabchand	
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	Bhalchandra R Sule	
	D M Popat	
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	Fred Moavenzadeh	
	Sharad M Kulkarni (w.e.f.10.8.2001)	
	Nirmal P Bhogilal (w.e.f.10.8.2001)	· .
	K G Tendulkar (Executive Director, Operations)	*
	M D Khattar (Executive Director, Technical & Business Development)	
COMPANY SECRETARY	Vithal P Kulkarni	
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	Federal Bank Ltd	
REGISTRAR & SHARE	MCS Ltd. Sri Venkatesh Bhawan	
TRANSFER AGENT	Plot No 27, Road No 11, Andheri East, Mumbai 400 093	
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The Osterberg Cell Load Test being conducted at the site of the Bandra-



Simulated 3D view of the Bandra-Worli Sealink.





