2001
2002

HINDUSTAN CONSTRUCTION CO LTD

2001 2002 HIGHLIGHTS

- Gross income from operations has gone up by 27.2 per cent from Rs.364.8 crore to Rs.463.9 crore
- Income from operations (excluding income from integrated joint ventures) has gone up by 44.7 per cent — from Rs.272.9 crore to Rs.394.8 crore
- Profit before tax (PBT) has increased by 279.1 per cent from Rs.15.3 crore to Rs.58.0 crore
- Total post tax profit has gone up from Rs.7.8 crore to Rs.42.8 crore
- Post Tax profit excluding extraordinary income has grown by 193 percent to Rs. 22.8 crore
- Return on net worth (RONW) has increased from 22.1 per cent to 35.8 per cent.

"All comparisons (except RONW) are between the nine-month ended 31 March 2002 with the corresponding nine-month period in fiscal year 2001"

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 Chimney
6. Hathnikund Barrage at Yamunanagar

RAJASTHAN

7. Foundation, structures and other civil works for Rajasthan Atomic Power Project, Kota Units I & II
8. Chambal Bridge at Dholpur
9. Rajasthan Atomic Power Project Units 3 & 4
▶ 10. Rajasthan Atomic Power Project, Units 5 & 6

GUJARAT

11. Kandla Oil Jetty for Kandla Port Trust, Kandla
12. 180M high Chimney at Wanakbori
13. Narmada Drift Project
14. Tapi Road Bridge
15. Kakrapar Atomic Power Project
16. Natural Draught Cooling Towers at Kakrapar
17. Two Cooling Towers at Gandhinagar for Gujarat State Electricity Board
● 18. Gujarat State Highways Project, Phase I, Package 2 – Mahesana to Palanpur
▶ 19. Reconstruction of bridge on Mahesana – Radhanpur Road & Bhuj – Bhachau Road.
▶ 20. Civil and Associated works for all pumping stations of Saurashtra Branch Canal Pumping Scheme

MAHARASHTRA

21. Gas Turbine Project and LPG Station at Uran
22. Bhandup Complex
23. Reactor building, main building and other structures for BARC
24. SSSF Project at Tarapur
25. Sina Aqueduct
26. Panvel Creek Bridge
27. Barvi Expansion Project
28. Bridges over Vasai Creek at Western Railway
29. Bhorghat Tunnel for Central Railway
30. Factory civil works for Premier Automobiles Limited
31. Ambernath/Ulhasnagar STP
32. Water Treatment Plant, Pune
33. Underground Powerhouse for Koyna Project
34. Kolkewadi Dam
35. Bridge over River Ulhas
36. Trombay Chimney Works
37. Nhava Sheva WTP Works, Raigadh
38. Tunnel between Sewri and Futka for MCGB
39. Koyna Stage-IV Powerhouse Complex
40. Tunnel between E Moses Road and Ruparel College, Mumbai
41. Aerated Lagoons at Ghatkopar and Bhandup, Mumbai
● 42. Bandra Effluent and Influent Disposal Works, Mumbai
43. Housing Complex for Kharghar, Navi Mumbai
● 44. Construction of Concrete Spillway for Gosikhurd Spillway Dam, Nagpur
45. Construction of Mumbai-Pune Expressway section B chowk, Adoshi
● 46. Construction of High level tunnel at Ghatkopar, Mumbai
● 47. Construction of a Water Supply Tunnel from Bhandup to Charkop, Mumbai
● 48. Bandra – Worli Sea Link Project – Construction of a Cable stayed bridge.
▶ 49. Four laning of Satara – Kolhapur Maharashtra State border section of NH-4, Package V.

GOA

50. Goa Barge Berth at Marmagoa

KARNATAKA

51. Tunnel and Powerhouse at Sharavati
52. Dockwork for MPT at Mangalore
53. Kadra Dam
▶ 54. Karnataka State Highways Project, Phase I, Package U3 – Upgradation of road from Hattigudur to Bidar.

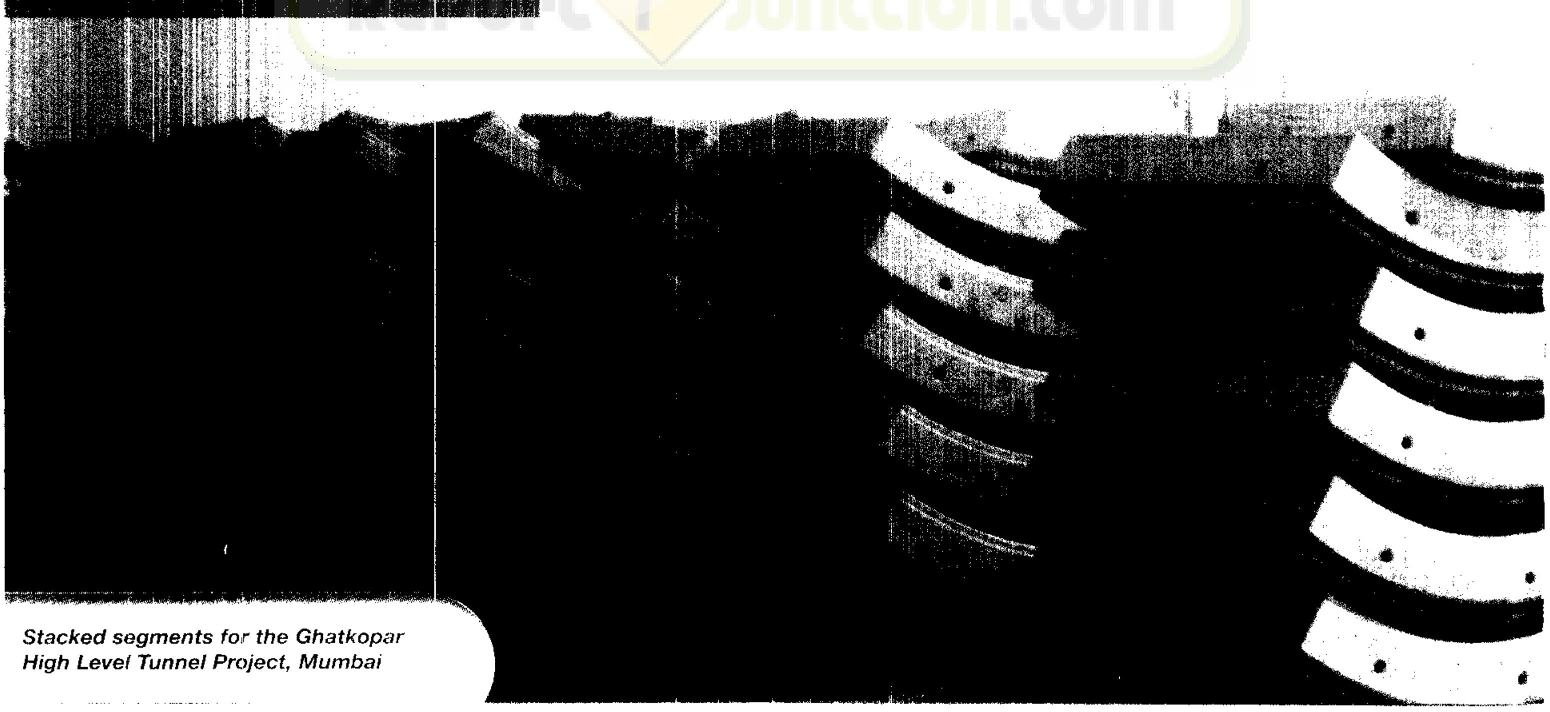
KERALA

55. Tanker Terminal and Fertiliser Berth at Cochin
56. Dam across Kulamavu
57. Dam of Peppara
58. Dam across Idamalayar
59. Double Curvature Arch Dam at Idduki and Dam across river Cheruthoni
60. Lower Periyar Tunnel Power Project
61. Dam across Moozhiyar and Veluthodu, (Kakkad)
62. Sebarigiri Dam
63. Wellington Bridge Works, Cochin
64. Lower Periyar Dam and Powerhouse
65. Brahmapuram Diesel Power Plant

TAMIL NADU

66. Civil Works for Kadamparai Pumped Storage Project
67. Lower Mettur Barrages, substructure and powerhouse
68. Ore Berth, Oil Jetty, Trawler Wharf at Chennai
69. Sewage Treatment Plant at Koyambedu, Chennai
70. Upper Nirar Tunnel
71. Navamalai Tunnel
72. Ennore Port-rock quarrying and transportation works
73. Breakwater Construction for New Port at Ennore, Chennai
● 74. Mass Rapid Transit System, Chennai
▶ 75. Kudankulam Atomic Power Project, Units 1&2.

HCC's CONTRIBUTION TO NATION BUILDING



Stacked segments for the Ghatkopar High Level Tunnel Project, Mumbai

ANDHRA PRADESH

76. Civil works for Bhadrachalam Paper Board
77. Civil works, earthen Dam and 225M high chimney for Ramagundam Super Thermal Power Project
78. Vizag Monolith and West Wall Protection
79. Godavari Barrage at Rajahmundry
80. Papavinasam dam
81. Chimney at Vijaywada
82. Environmental Engineering works at Hyderabad
83. Substructure of bridge over river Godavari South Central Railway
84. Vijaywada Tunnel Works
85. Sileru Tunnel Works
86. D.B.K. Railway Project
87. Superstructure for Railway Bridge across Godavari

ORISSA

88. Dam at upper Kolab
89. Road Bridge across Mahanadi
90. Syphones at Kuakhai and Khushbhadra
91. Naraj Barrage, New Cuttack

WEST BENGAL

92. Farakka Barrage
93. Mahananda Barrage
94. Calcutta Metro railway Tunnel and subway structures
95. Teesta Barrage
96. Haldia Docks Project
97. Environmental Engineering Works at Calcutta
98. Kalyani Bridge
99. Earthworks for Farakka STPP
100. Dauk Barrage
101. One 220 M High RCC Chimney for Kolaghat TPS
102. Underwater cutting of protective shield and sheet piles in front of intake gates for KTPP

● 103. Golden Quadrilateral road project - National highway from Kolaghat to Kharagpur

▶ 104. Purulia Pumped Storage Project, West Bengal

ASSAM

105. Brahmaputra Bridge at Amingaon and Tezpur
106. Civil works for Refinery at Guwahati

BIHAR / JHARKAND

107. Sone Barrage
108. Ganga Bridge at Mokameh
109. Civil works for Barauni Thermal Power Plant
110. Chandil Dam
111. Crossing over river Ganga for BSEB
112. Panchet Powerhouse for DVC
113. Icha Dam

▶ 114. Grand Trunk Road Improvement Project – Four laning and strengthening of existing two lane section from Kahudag to Baratani Bypass.

MADHYA PRADESH / CHATTISGARH

115. Satpura TPS
116. Tons Road Bridge
117. Bhilai Steel Plant
118. Tons Hydel Project, Lot I & II
119. Road Bridge over Indravati River
120. Bailadila Project

UTTAR PRADESH / UTTARANCHAL

121. Maneri Bhali Hydel Project
122. Civil works for Narora Atomic Power Project
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125. Sharda and Ghogra Barrages
126. Yamuna Hydel Project
127. Gomti Aqueduct
128. Sai Aqueduct
129. Varanasi Bridge
130. Malvika Steel Works

● 131. Dhauliganga Hydro-electric Project, Stage I, Lot 2 – Construction of underground powerhouse

● 132. Construction of a cable stayed bridge across Naini, Allahabad

DELHI

133. Water and sewage Treatment Plants.

● 134. Delhi Metro Rail Project from Vishwa Vidyalaya Station to ISBT station

HIMACHAL PRADESH

135. Power Tunnel and Underground Powerhouse for Chamera Hydel Power Project

● 136. Head Race Tunnel for Nathpa Jhakri Joint Venture

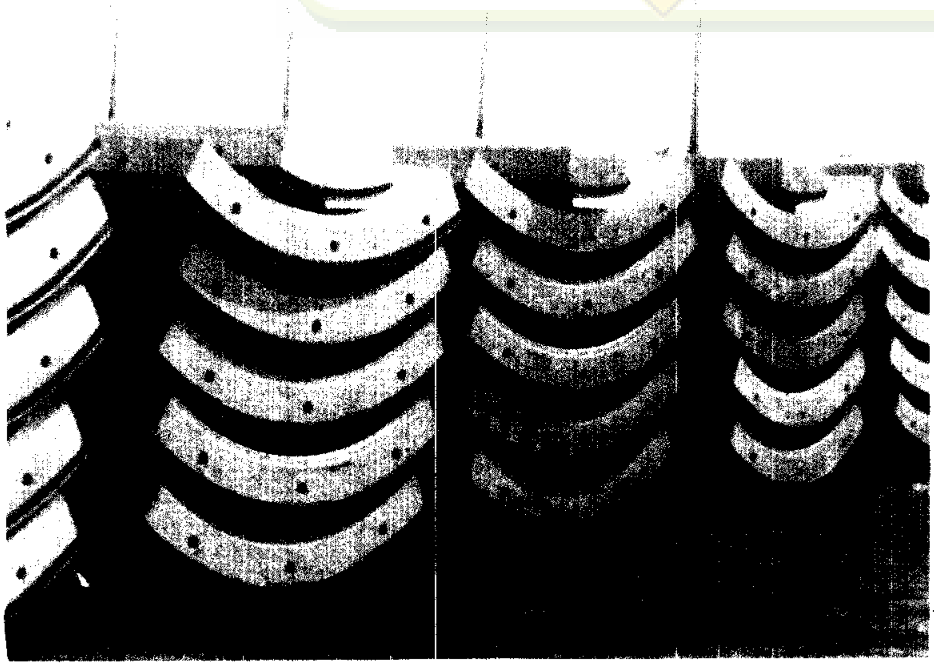
BHUTAN

137. Construction of Concrete Dam and appurtenant works for Kurichu Hydro-electric Project

● 138. Construction of Dam, Intake, Desilting Chamber and part head race tunnel for Tala Hydro-electric Project, (Package C-1)

● 139. Construction of part head race tunnel (Package C-4) for Tala Hydro-electric Project.

▶ NEW PROJECTS ● PROJECTS IN PROGRESS



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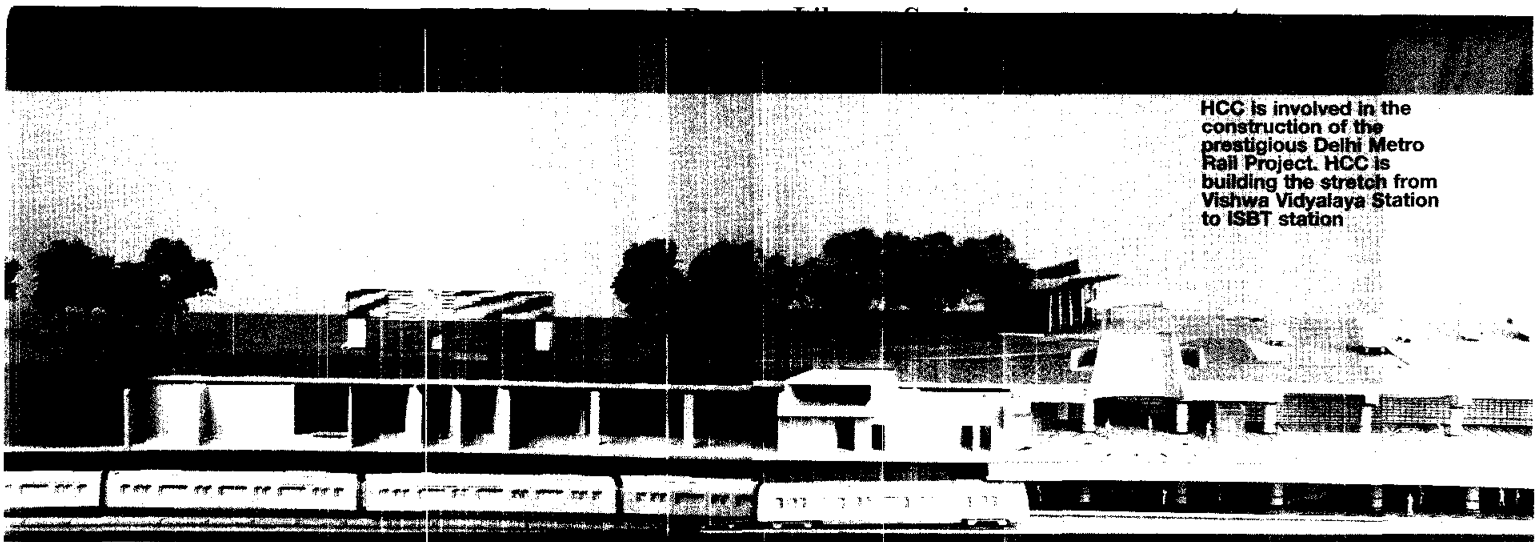

HCC is involved in the construction of the prestigious Delhi Metro Rail Project. HCC is building the stretch from Vishwa Vidyalaya Station to ISBT station

CHAIRMAN'S LETTER

Dear Shareholders

My letters in the last two annual reports have harped on a single theme — the sorry state of physical infrastructure in India. I had hoped that this year would be different. That we as a nation would have significantly raised our expenditure on infrastructure in 2001-02, and thus delivered to our citizens better roads, more electricity, better sanitation and a greater supply of drinking water.

Unfortunately, there isn't much to talk about on the infrastructure front. In April-February 2001, electricity generation grew by a mere 2.9 per cent, with thermal power increasing by 3.9 per cent while hydro witnessed negative growth. Consequently, peak supply fell 13 per cent short of peak demand in 2001-02, and there seems to be little hope of our bridging this shortage in the near future. Most sanitation and water supply projects have ground to a halt because of the lack of public funds.

The silver lining in infrastructure has been the road programme. Funded by the Re.1 per litre cess on petrol and diesel, and spurred by the active interest taken by the Prime Minister's Office, India is at last seeing investments in highways. **The real success story has been the Golden Quadrilateral project (Delhi-Mumbai-Chennai-Kolkata), which consists of four-laning 5,846 kilometres of highways.** Of this, 1,063 kilometres have been four-laned; another 3,977 kilometres are under implementation; and 733 kilometres have been approved for award. In a more modest way, work has also begun on the North-South and East-West highway four-laning project. According to government statistics, 717 kilometres have been four-laned, while 644 kilometres are under implementation.

The road programme is certainly creditable and given the funds from the Re.1 per litre cess as well as multilateral financing, we hope that four-laning will accelerate in the years to come. **Nevertheless, the fact remains that even the best efforts of government will fall short of what is needed.** Today, China has four-laned over 20,000 kilometres of highways — of which over a third are six- or eight-laned. By the time Beijing hosts the Olympics in 2008, China will have created over 50,000 kilometres of four-laned dual-carriage highways. In comparison, we still have a long way to go.

The lack of adequate investment in infrastructure is now showing up in lower growth rates. For 2001-02, GDP growth is estimated at no more than 5.4 per cent — a far cry from the three years of over 7 per cent growth between 1993-94 and 1996-97. During April 2001-February 2002, the index of industrial production grew by a mere 2.6 per cent, which was the lowest growth since the advent of economic reforms

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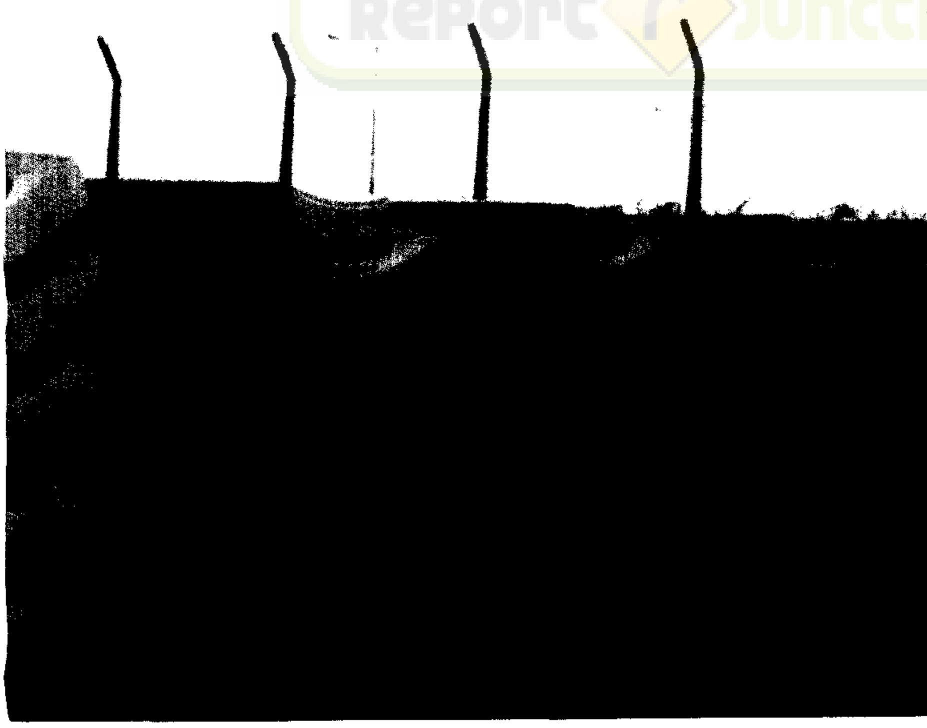

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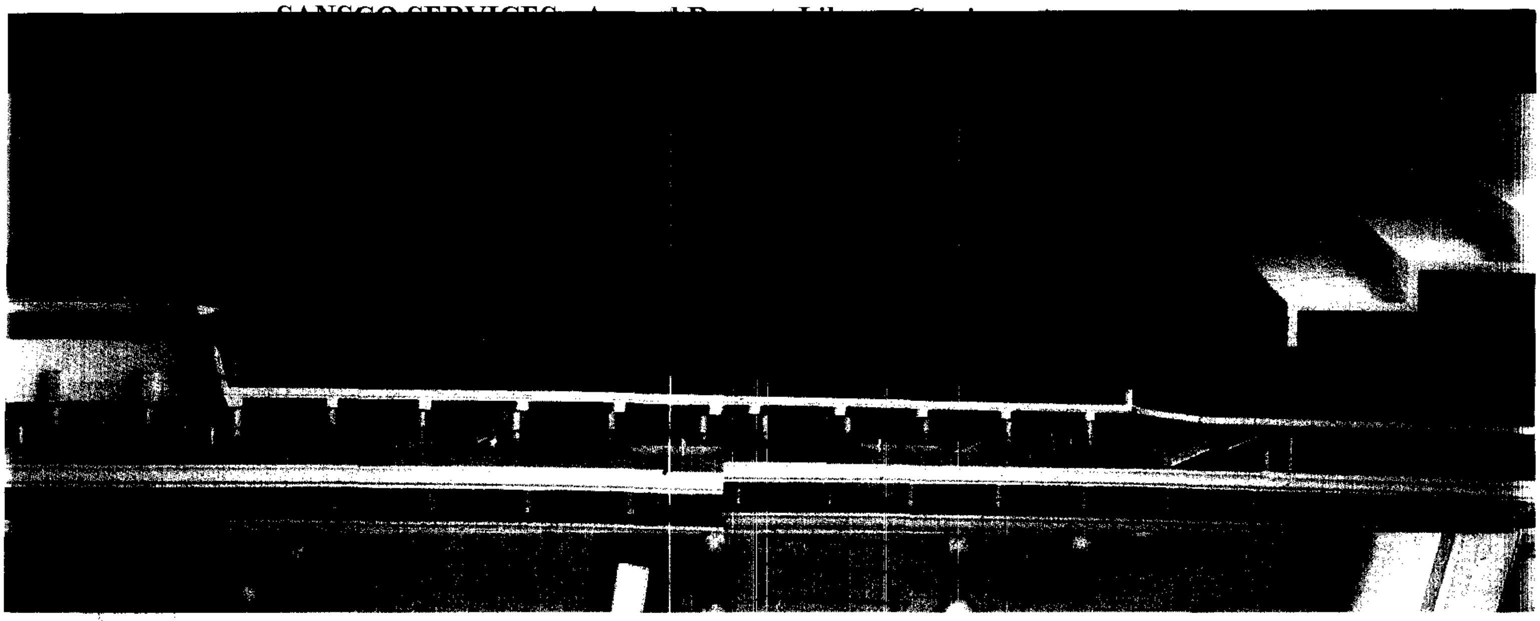


in 1991. These dismal growth rates were accompanied by an erosion of consumer confidence as a result of the events of September 11, the terrorist attack on Parliament, the violence in Gujarat and, as I write, further extremist violence in Kashmir and gathering war clouds on the Indo-Pak border.

I am glad to report that despite this sombre scenario, your company has done well for the nine month period from 1 July 2001 to 31 March 2002. HCC decided to transit from the traditional July-June financial year to a year ending 31 March to bring our results in line with the fiscal year. Here are some of the basic results.

- On a nine months' basis, gross income from operations for July 2001-March 2002 has increased by 27.2 per cent to Rs.463.9 crore.
- Post-tax profit (excluding non-recurring income) has grown by 193 per cent to Rs.22.6 crore.
- If we include profits from integrated joint ventures and non-recurring income, then PAT has increased from Rs.7.8 crore in July-March 2000-01 to Rs.42.6 crore in July-March 2001-02.
- Return on net worth has improved from 22.1 per cent in full year of 2000-01 to 35.8 per cent in July-March 2001-02.
- Earnings per share is at Rs. 21.4 for the nine-month period ended 31 March 2001-02 (non-annualised)

Moreover, in a milieu of intense competitive bidding, **your company has succeeded in winning eight new contracts valued at Rs 1,074 crore** — among which are the *Kudankulam Atomic Power Plant* in Tamil Nadu, the fifth and sixth units of the *Rajasthan Atomic Power Plant*, the *Satara-Kolhapur section* of the Golden Quadrilateral road programme, the *Grand Trunk Road* improvement project in Bihar and Jharkhand, and the *Purulia Pumped Storage Project* in West Bengal. Consequently, HCC's order book position on 31 March 2002 stood at Rs.2,631 crore, which is 38 per cent higher than Rs.1,902 crore on 30 June 2001.

Your company, therefore, has done quite well in a difficult year. But that should be no cause for complacency. We are seeing certain emerging trends that have worrisome consequences for the future. Let me share these with you.

The first has to do with the fiscal situation. Today, the combined fiscal deficit of the Central and State Governments stands at 10 per cent of India's GDP — as high as it was before the economic crisis of 1990-91. What is particularly alarming is the growth of the fiscal deficit of the states, which stood at 4.4 per cent of GDP in 2000-01. The consequence is that virtually every state is severely financially constrained. This, in turn, is not only putting brakes on infrastructure spends but also hurting payments. An example relevant to your company is the Gosikhurd water supply project in Maharashtra. This Rs.239 crore irrigation project has come to a standstill due to the perilous financial situation of the state government — to the detriment of HCC.

The second is the fact that despite a spurt in road construction, the size of the 'infrastructure cake' is still far too small. And there is now intense competition among construction companies for tiny slices of that small cake. The result: margins are eroding for everyone in the industry, and HCC is no exception. It is our view that construction margins will be under severe pressure in the years to come — often at the expense of quality and delivery.

The only way to survive in this environment is to consolidate, cut costs, deliver quality, and develop a strong sub-contractor base.

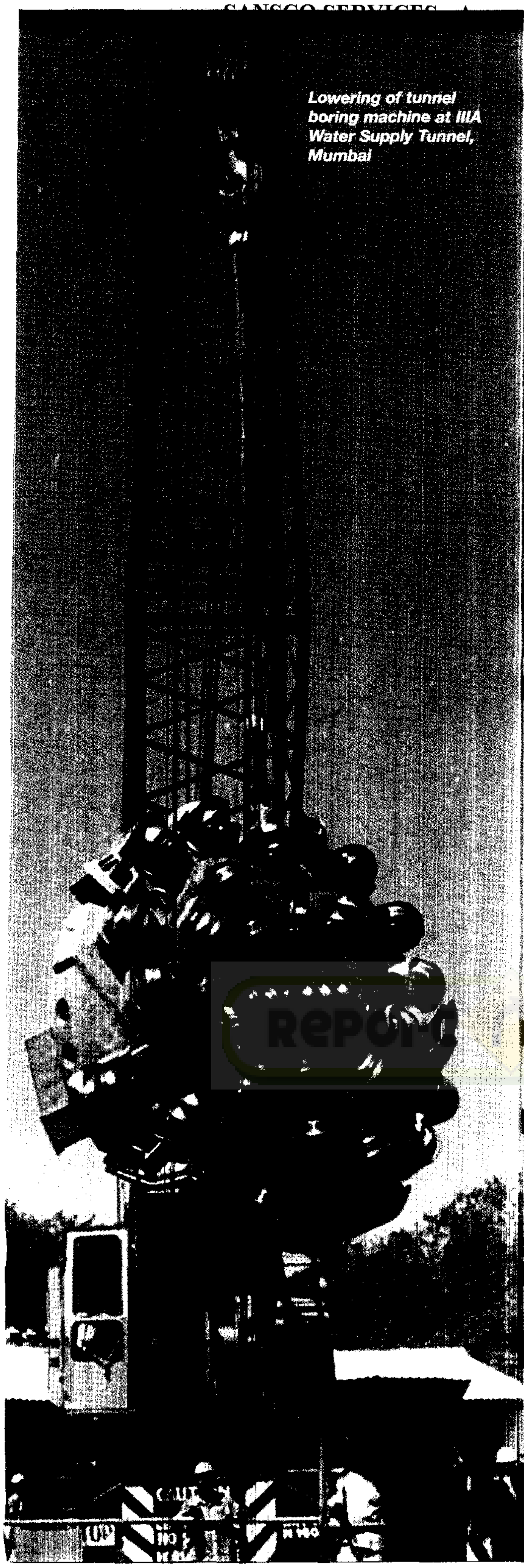
The third area of concern for a relatively large company like HCC relates to amortising the cost of specialised construction equipment. We have for instance, invested in specialised, expensive tunnel boring machines, jack-up platforms, various road equipment and machinery for the construction of nuclear power plants. In 2001-02 alone, your company bought new equipment worth more than Rs.70 crore. The plus point is that state-of-the-art modern machinery allows us to execute the most complex of jobs. However, to effectively utilise and amortise such equipment, your company not only needs the right kind of order portfolio but also a continuity in orders. Unless there are more orders for nuclear plants and hydro-electric projects, it will be difficult for us to effectively utilise some of these specialised, high cost equipment and, thus, amortise their cost over a relatively short time period. As of now, we are not seeing such orders in the near horizon, and that is a cause of concern.

Going forward, we in the construction industry have to play a role in a major initiative — that of developing a strong, lease-based sub-contractor base. Given the relatively low volume of orders that is to be expected in the near future, the health of the construction industry depends upon creating a sound, technologically competent group of sub-contractors from whom companies can hire equipment, skills as well as people through dry or wet-leases. This will not only help develop an important second layer of intermediaries, but also optimise the use, and economise the cost of specialised construction equipment. We at HCC are taking this very seriously and propose to develop such a base in the years ahead.

We are taking a very conservative view of the next few years. Even so, your company will strive to secure a still larger order book for the year ahead. While doing so, we will continue to cut costs and improve efficiencies. Our philosophy is simple. We will do all that is needed to earn higher profits and maximise shareholder value in difficult times. That is the 'bread and butter' of your company. And when times get better — as we hope they will after a couple of years — our internal efficiencies will put us in the top slot to earn 'the jam'.

Let me take this opportunity to thank all of you for your support and to thank every employee of HCC for their dedication and loyalty.

Ajit Gulabchand


Lowering of tunnel boring machine at IIIA Water Supply Tunnel, Mumbai

BOARD OF DIRECTORS

Ajit Gulabchand
Chairman & Managing Director

Y H Malegam
Rajas R Doshi
Bhalchandra R Sule
D M Popat
D M Savur
Ram P Gandhi
Dr.N A Kalyani
Fred Moavenzadeh
Sharad M Kulkarni
Nirmal P Bhogilal
K G Tendulkar (Executive Director, Operations)
M D Khattar (Executive Director, Technical & Business Development)

COMPANY SECRETARY

Vithal P Kulkarni

AUDITORS

K S Aiyar & Co, Chartered Accountants

ADVOCATES AND SOLICITORS

Mulla & Mulla & Craigie Blunt & Caroe
Kanga & Co

BANKERS

State Bank of India
Indian Bank
State Bank of Patiala
Union Bank of India
Bank of Baroda
Dena Bank
The Vysya Bank Limited
Global Trust Bank Ltd
ICICI Bank Ltd
IDBI Bank Ltd
Punjab National Bank
Federal Bank Ltd
Canara Bank
Bank of India

REGISTRAR AND SHARE TRANSFER AGENT

MCS Ltd, Sri Venkatesh Bhawan
Plot No 27, Road No 11, Andheri East, Mumbai 400 093

SUBSIDIARY COMPANIES

Hincon Technoconsult Ltd
Ucchar Investment Ltd
Western Securities Ltd
Hincon International Ltd
HCC Infotech Ltd

REGISTERED OFFICE

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