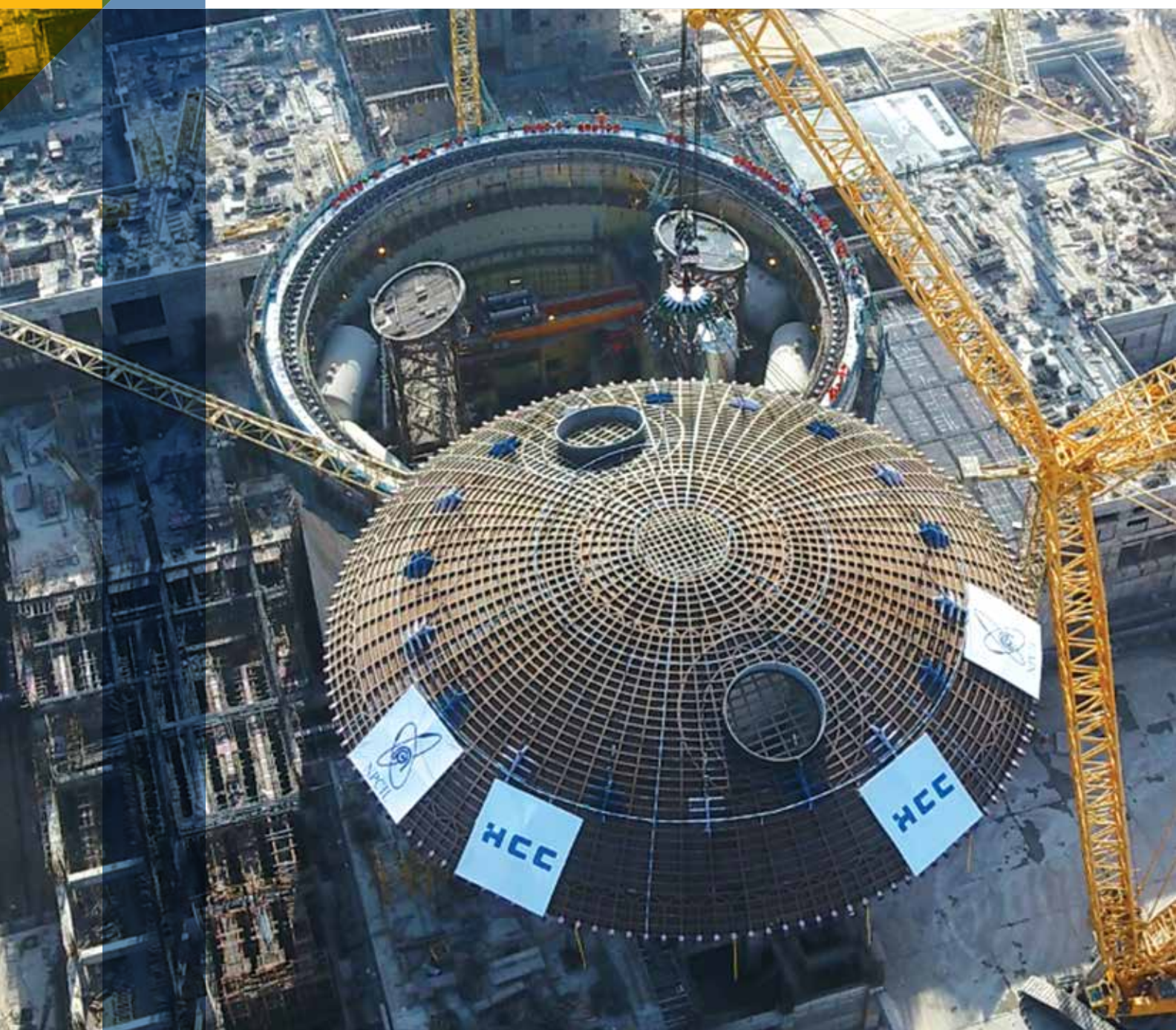


HCC



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HIGHLIGHTS 2017-18

- In FY 2017-18, HCC registered turnover of ₹ 4,575.1 crore vs. ₹ 4,195.9 crore, up 9% y-o-y; and net profit of ₹ 77.5 crore vs. ₹ 59.4 crore, up 30% y-o-y
- Gross debt has reduced substantially to ₹ 3,725 crore as of March 31, 2018, from ₹ 4,397 crore as on March 31, 2017
- HCC has received ₹ 1,416 crore till date under the CCEA's initiative to release 75% of arbitral awards against bank guarantees. The company received fresh Arbitration Awards worth ₹ 977 crore in FY 2017-18
- HCC Concessions' Baharampore Farakka Highways Ltd and Farakka Raiganj Highways Ltd ended FY 2017-18 with revenues of ₹ 158 crore and ₹ 152 crore respectively, with a y-o-y growth of 24% and 124%
- Steiner AG revenue at CHF 806 million (₹ 5,395 crore) and a net profit of CHF 9.5 million (₹ 64 crore)
- Steiner AG secured fresh orders worth CHF 890 million (₹ 6,011 crore). The order backlog is CHF 1.37 billion (₹ 9,260 crore)

HCC'S MAJOR PROJECTS

- ☐ Major projects completed in past
- ☒ Projects completed in the year
- ☒ Projects in progress
- ☒ New projects
- ☒ BOT projects

ANDHRA PRADESH

- ☐ Cavern for Crude Oil Storage, Vishakhapatnam
- ☐ Chimney at Vijayawada
- ☐ Godavari Barrage at Rajahmundry
- ☐ Godavari Railway Bridge
- ☐ Papavinasam Dam
- ☒ Polavaram - Right Main Canal
- ☒ Tata Memorial Centre, Hospital
- ☐ Vizag Monolith, West Wall Protection

ARUNACHAL PRADESH

- ☒ Pare Hydro Power Project

ASSAM

- ☒ Bogibeel Rail-cum-Road Bridge
- ☐ Brahmaputra Bridge
- ☐ IOCL Refinery at Guwahati
- ☒ NH-37 - Numaligarh to Jorhat Highway
- ☐ NH-54 - Maibang to Nirmbanglo Highway

BIHAR

- ☐ Barauni Thermal Power Plant
- ☐ Ganga Bridge at Mokameh
- ☐ Munger Rail-cum-Road Bridge
- ☒ Muzaffarpur Thermal Power Plant
- ☐ Sone Barrage
- ☒ Sone Bridge

CHATTISGARH

- ☐ Bailadila Project
- ☐ Bhilai Steel Plant

DELHI

- ☒ Delhi Faridabad Elevated Expressway
- ☐ DMRC - Airport Metro Express Line
- ☒ DMRC - Dwarka to Najafgarh
- ☒ DMRC - Janakpuri West to Palam Station
- ☒ DMRC - Netaji Subhash Place to Shalimar Bagh

- ☐ DMRC - Vishwa Vidyalaya to ISBT
- ☒ Flyover linking existing Munirka flyover to Army RR Hospital
- ☐ Water & Sewage Treatment Plants at Okhla, Tihar Jail, Wazirabad

GOA

- ☐ Goa Barge Berth at Marmugoa

GUJARAT

- ☐ Gandhinagar Cooling Towers
- ☒ Kachchh Branch Canal
- ☐ Kakrapar Atomic Power Project
- ☐ Kalol Mehsana Gas Pipeline
- ☐ Mehsana to Palanpur Highway
- ☐ Pumped Water Supply Scheme from Kesaria to Sonari
- ☐ Reliance J3 Refinery at Jamnagar
- ☐ Saurashtra Branch Canal
- ☐ Swarnim Gujarat Kutch Water Grid
- ☐ Tapi Road Bridge

HARYANA

- ☐ Hathnikund Barrage
- ☐ Panipat Chimney
- ☐ Road Bridge at Palwai

HIMACHAL PRADESH

- ☐ Chamera Hydro Power Project, Stage I
- ☐ Chamera Hydro Power Project, Stage III
- ☐ Kashang Hydro Power Project
- ☐ Nathpa Jhakri Hydro Power Project
- ☒ Sainj Hydro Power Project

- ☒ Tunnels for Sawra Kuddu Hydro Power Project

JAMMU & KASHMIR

- ☒ Access Road Tunnel to Sawalkote Hydro Power Project
- ☒ AnjiKhad railway cable stayed bridge
- ☐ Chutak Hydro Power Project
- ☒ IRCON Tunnel T13 Project
- ☒ Kishanganga Hydro Power Project
- ☐ Mughal Road
- ☐ Nimoo Bazgo Hydro Power Project
- ☐ Pir Panjal Tunnel
- ☒ Ramban Banihal Highway
- ☐ Salal Hydro Power Project

- ☒ T 49 Tunnel - Dharam-Qazigund
- ☐ Uri-II Hydro Power Project

JHARKHAND

- ☐ Chandil Dam
- ☐ Grand Trunk Road Improvement Project

KARNATAKA

- ☒ Bangalore Metro Reach 5, Package 3
- ☐ Cavern for Crude Oil Storage, Padur
- ☐ Kadra Dam
- ☐ Karnataka State Highways Project
- ☐ Sharavati Hydro Power Project
- ☒ Yettinahole Project

KERALA

- ☐ Brahmapuram Diesel Power Plant
- ☐ Dam across Idamalayar
- ☐ Dam across Moozhiyar and Veluthodu
- ☐ Lower Periyar Hydro Power Project
- ☐ Sebarigiri Dam
- ☐ Tanker Terminal and Fertiliser Berth, Cochin
- ☐ Wellington Bridge, Cochin

MADHYA PRADESH

- ☒ Bistan Lift Irrigation Scheme
- ☐ Road Bridge over River Indravati
- ☐ Satpura Thermal Power Station
- ☐ Tons Hydro Power Project

MAHARASHTRA

- ☐ Aerated Lagoons, Mumbai
- ☐ Ambarnath/Ulhasnagar STP
- ☐ Bandra Effluent and Influent Disposal, Mumbai
- ☐ Bandra-Worli Sea Link
- ☒ BARC - Integrated Nuclear Recycle Plant, Tarapur
- ☐ BARC - Reactor, Lab & Spent Fuel Building
- ☒ Bhama Askhed Pipeline
- ☒ Bhandup Pipeline
- ☐ Bhandup Water Treatment Complex
- ☐ Bhorphat Tunnel
- ☒ Construction of 9 Elevated Stations of Pune Metro

- ▲ Construction of 8 Elevated Stations of Pune Metro (2nd Order)
- DGNP Dry-Dock and Wharves
- Factory Civil Works for Premier Automobiles Limited
- Ghatkopar High Level Water Tunnel
- Koyna Hydro Power Project Stage I to IV
- Middle Vaitarna Water Pipeline
- Mumbai Metro Line 3: UGC-02
- Mumbai Metro One
- Mumbai-Pune Expressway
- NH-3 MP/Maharashtra Border - Dhule Highway
- NH-4 - Satara Kolhapur Highway
- Nhava Sheva WTP Works, Raigadh
- Pune Paud BOT Road
- Residential towers at Anushakti Nagar
- Surveillance Facility Project at Tarapur
- Trombay Chimney Works
- Vaitarna Dam
- Water Supply Tunnel from Bhandup to Charkop, Mumbai
- Water Treatment Plant, Pune
- Water Tunnel between E Moses Road and Ruparel College, Mumbai
- Water Tunnel between Sewri and Futka
- Water Tunnel from Maroshi to Ruparel College, Mumbai

MANIPUR

- Imphal Kangchup Tamenglong Road
- Parallel safety tunnel of T-12
- Railway Tunnel No.1 between Jiribam and Tupul
- Railway Tunnel No. 3 between Jiribam and Tupul
- Railway Tunnel No. 10 between Jiribam and Tupul
- Railway Tunnel No. 12 between Jiribam and Tupul
- Railway Tunnel No. 12 between Tupul and Imphal

ORISSA

- Aditya Aluminium Project
- Dam at Upper Kolab
- Naraj Barrage, New Cuttack

- Paradip Port Road
- Road Bridge across Mahanadi

PUNJAB

- 140 m High Chimney at Ropar
- Rail Coach Factory at Kapurthala

RAJASTHAN

- Chambal Bridge at Dholpur
- East-West Corridor Project
- ▲ Parwan Dam & Tunnel
- Rajasthan Atomic Power Project, Units 1 & 2
- Rajasthan Atomic Power Project, Units 3 & 4
- Rajasthan Atomic Power Project, Units 5 & 6
- Rajasthan Atomic Power Project, Units 7 & 8

TAMIL NADU

- Chennai Bypass
- Chennai Ore Berth, Jetty, Wharf
- Ennore Port-Rock Quarrying & Breakwater
- ▲ Fast Reactor Fuel Cycle Facility, Kalpakkam
- High rise buildings at DAE Anupuram
- IGCAR's Fast Reactor Fuel Cycle Facility at Kalpakkam
- Kadamparai Pumped Storage Project
- Kudankulam Nuclear Power Project, Units 1 & 2
- Lower Mettur Hydro Power Project
- Navamalai Irrigation Tunnel
- Tirupur Water Supply Project
- Upper Nirar Irrigation Tunnel

TELANGANA

- JCR Devadula Lift Irrigation Scheme Phase I
- JCR Devadula Lift Irrigation Scheme Phase II
- JCR Devadula Lift Irrigation Scheme Phase III
- North-South Corridor NHDP Phase II Package AP-8
- Pranahita Chevella Lift Irrigation Scheme
- Rajiv Dummugudem Lift Irrigation Scheme
- Ramagundam Thermal Power Project

UTTAR PRADESH

- Allahabad Bypass
- Gomti Aqueduct
- Maneri Bhali Hydroelectric Power Project
- Naini Cable Stayed Bridge
- Narora Atomic Power Project
- NH - 28 - Lucknow Muzaffarpur Highway
- Rihand Dam
- Rihand STPP
- Sai Aqueduct
- Sharda and Ghogra Barrages
- Varanasi Bridge
- Yamuna Hydro Power Project

UTTARAKHAND

- Tapovan Vishnugad Hydro Power Project
- Dhauliganga Hydro Power Project
- Tehri Pumped Storage Project
- Vishnugad Pipalkoti Hydroelectric Power Project

WEST BENGAL

- Elevated Road from Park Circus to E.M. Bypass, Kolkata
- Farakka Barrage
- Golden Quadrilateral Road Project - Kolaghat to Kharagpur
- Haldia Docks Project
- Kalyani Bridge
- Kolkata Metro
- Mahananda Barrage
- ★ NH-34 - Bahrapore - Farakka Highway
- ★ NH-34 - Farakka - Raiganj Highway
- Purulia Pumped Storage Project
- Teesta Barrage
- Teesta Low Dam Hydro Power Project Stage IV

BHUTAN

- Dagachhu Hydro Power Project
- Kurichhu Hydro Power Project
- Nikachhu Hydro Power Project
- Punatsangchhu Hydro Power Project
- Tala Hydro Power Project

CHAIRMAN'S LETTER



Dear Shareholder,

While we have still some way to go, your Company has weathered the financial storm that beset it over the last three years, and is now set on a path of profitable growth. Here are the key financials on a standalone basis for 2017-18:

- Though it has been very careful in choosing what it bids for, HCC has increased the order book of its construction business to ₹ 19,188 crore as on 31 March 2018. This includes ₹ 2,277 crore of new orders received in the course of 2017-18.
- Total income increased by 8% to ₹ 4,826 crore.
- However, given a change in your Company's project-mix, operating margins (EBITDA margins, excluding other income) reduced from 17.9% in 2016-17 to 14.1% in 2017-18. EBITDA in 2017-18 was ₹ 644 crore.
- With reduction in overall debt levels, your Company's finance costs reduced by 14.5% to ₹ 660 crore in 2017-18.
- Profit after tax (PAT) increased by 30.5% to ₹ 78 crore in 2017-18. However, after accounting for loss on fair valuation of equity instruments represented in other comprehensive income, total post-tax comprehensive income reduced to ₹ 66 crore.

As I have been sharing with you in my earlier letters, the last three years of the UPA-2 government saw policy paralysis leading to a terrible legacy of stalled infrastructure projects. We are now seeing some progress on this front. Projects that are unviable

and beyond redemption are now being scrapped; while many of those that are potentially viable are being nudged along to their completion.

Even so, the size of the problem remains vast. As on January 2018, some 925 projects with a reported investment of over ₹ 13 lakh crore still carry the tag of 'implementation stalled'.

If you will recall, I had written last year that these stalled projects played a significant role in severely damaging the financial viability of infrastructure developers and engineering and construction (E&C) companies. Enterprises that had spent sizeable working capital to mobilise labour and deploy expensive plant and machinery at various project sites were faced with stalling and inordinate delays — which led to huge cost over-runs and consequential financial strains.

But that was not all. More often than not, government agencies, and by this I mean Government departments, authorities and public sector undertakings, held back payments against contractor claims. Even when independent arbitrators in dispute resolution found in favour of the E&C companies, the clients delayed payments by appealing to a higher court of law.

The outcome has been devastating. All major E&C companies in the infrastructure sector have suffered from massive receivables on their balance sheets, inadequate cash inflows to support their operations while making good the burgeoning interest payments on large working capital exposures.

Though government sector clients still hold back on payments and on making good cost overruns that have occurred for no fault of the contractors, there has been some improvement thanks to a few key initiatives taken by the current NDA government. Let me briefly outline two of these.

- The new Arbitration and Conciliation (Amendment) Act, 2015, which facilitates faster and time bound decision making in arbitration.
- Where public sector undertakings (PSUs) or government departments have challenged any arbitration award that has gone in favour of a contractor, 75% of the award amount to be paid to the contractor or concessionaire against a margin-free bank guarantee.

As on 31 March 2018, your Company has won arbitration claims amounting to ₹ 4,823 crore. Of these, for ₹ 2,744 crore worth of claims, HCC has received letters for 75% payment. That amounted to ₹ 2,046 crore, of which HCC has collected ₹ 1,416 crore.

This money went directly to reducing your Company's corporate debt. That is why there has been a 19.4% reduction in HCC's total non-current borrowings as on 31 March 2018. Thus, finance costs have fallen by 14.5% to ₹ 660 crore.

Moreover, a better balance sheet position on account of payment of these arbitration dues has led to increased allocation of limits from your Company's banks. Here, though, lies a caveat. Given the tightening of credit by banks on account of their NPA overhang, a delay occurred in the sanction of increased limits by the consortium of bankers.

Furthermore, the decision making process of some banks has slowed down for fear of consequences and despite their best intentions to expedite them. A successful navigation of these challenges will unshackle HCC's ability to finance its existing projects and future growth.

Another positive development for your Company as well as the E&C industry as a whole is the present government's clear commitment to infrastructure. In the Union Budget for 2018-19, the Government of India increased budgetary and extra budgetary expenditure on infrastructure by around 20% to ₹ 5.97 lakh crore, with a focus on roads and highways, railways, urban development and airports.

In roads, capital expenditure of ₹ 1.22 lakh crore has been earmarked for expansion of National Highways. Connectivity with the interior, backward and border areas is being sought to be achieved under the Bharatmala Pariyojana programme.

For railways, capital expenditure of ₹ 1.49 lakh crore has been earmarked for doubling of tracks, gauge conversions, track renewals and additional rolling stock. In addition, ₹ 16,800 crore has been allotted for metro rail projects.

If implemented, these will create large opportunities for the E&C players in India. To profitably leverage these prospects, each company must strike a right balance between two goals. The first is to steadily deleverage balance sheets, prune fixed costs and monetise non-core activities in a manner that gives comfort to the banks. The second is to grow their businesses and focus on execution notwithstanding the current liquidity crunch. These are not easy tasks, and not all E&C companies will necessarily be successful. However, given the determined manner in which it has gone about its business in 2017-18, I believe that HCC will succeed.

HCC is a company of firsts and over our nearly 100 year history, we have established many landmark projects across India. Our subsidiary Lavasa is also a first of its kind project – unfortunately, stress there continues. Lack of cooperation among lenders, financial stress in the banking system and constantly changing banking regulations has made financial resolution difficult and tardy. Our focus remains on a resolution in the interest of all stakeholders, and particularly our customers.

The investment climate remains lukewarm with private investment yet to take off. The stressed situation of the banks stems their ability to lend to new investment opportunities.

Rising oil prices portend that there will be serious challenges to containing the fiscal deficit. The constantly changing and sometimes unstable regulatory environment is unsettling and leads to unintended consequences. These, along with the disruption caused by slew of new and yet untested laws, add to economic uncertainties.

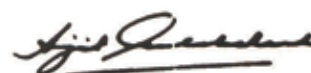
Many rules, regulations and laws intended for creating a predictable environment for business and meant to be prospective in nature when brought in at a time of stress, in practice become retrospective in effect and intensify the stress and unpredictability of doing business.

The government must take note that the economy needs serious attention and act to speed up the reforming of administrative processes of decision making. Only this will help the country return to virtuous cycle of investment and growth.

Your Company has effectively dealt with the financial problems of the recent past. Today, with the spirit of determination, which is at the heart of all things HCC, I am confident of an early return to robust growth.

Thank you for your support.

Yours,



Ajit Gulabchand
Chairman & Managing Director



PROJECTS

POWER

1. **Kishanganga Hydro Power Project, J&K:** Hon'ble Prime Minister of India Narendra Modi inaugurated the strategically important and ambitious project on May 19, 2018. This being the first major EPC project of NHPC, HCC has been involved in the whole lifecycle of the project from design through construction and ongoing O&M support.
2. **Powerhouse of Kishanganga HEP**



3

UPDATE

3&4. Sainj HEP & Kashang HEP
in Himachal Pradesh were
inaugurated by Himachal Chief
Minister on September 11 and 12,
2017



4



1



2

TRANSPORTATION

1. **DMRC CC30:** The commercial operations of DMRC CC30 package started on March 14, 2018. The Shalimar Baug station constructed in this package was bestowed with the best station awarded by DMRC
2. **Bogibeel Rail-cum-Road Bridge** is nearing completion



WATER & MARINE PROJECTS

- 1. Kachchh Branch Canal:**
Mr. Narendra Modi, Hon'ble Prime Minister of India inaugurated Kachchh Branch Canal of Narmada project on May 22, 2017
- 2. DGNP Dry Dock** in Mumbai is in the final stages of completion

