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Highlights 2011-12

- Group turnover at ₹ 8,157 crore, increased by 14%
- HCC Standalone Turnover at ₹ 4,003 crore
- HCC E&C Orderbook at ₹ 15,336 crore
- Steiner AG Orderbook at CHF 1.51 billion (₹ 8,288 crore)
- Lavasa resumed development and construction activities post Environment Clearance from MoEF in November 2011
- Lavasa launched its second town, Mugaon
- HCC Infrastructure raised ₹ 240 crore by divesting 14.5% equity stake in HCC Concessions to The Xander Group at a valuation of ₹ 1,650 crore
- HCC Infrastructure's Dhule Palesner Highway Project commenced operations in February 2012 four months ahead of schedule

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. Bogibeel Bridge
- 20. Civil Works for Refinery at Guwahati
- 21. Four-laning of NH-54 (AS23)

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

CHATTISGARH

- 28. Bhilai Steel Plant
- 29. Bailadila Project

DELHI

- 30. Water and Sewage Treatment Plants
- 31. DMRC - Vishwa Vidyalaya to ISBT
- 32. DMRC - Airport Metro Express Line Contract AMEL - C1

- 33. DMRC - Airport Metro Express Line Contract AMEL - C6
- ★ 34. Delhi Faridabad Elevated Expressway

GOA

- 35. Goa Barge Berth at Marmugoa

GUJARAT

- 36. Kandla Oil Jetty
- 37. 180 m High Chimney at Wanakbori
- 38. Tapi Road Bridge
- 39. Kakrapar Atomic Power Project
- 40. Two Cooling Towers at Gandhinagar
- 41. Gujarat State Highways Project - Mehsana to Palanpur
- 42. Saurashtra Branch Canal Pumping Scheme
- 43. Kalol Mehsana Gas Pipeline Project
- ▲ 44. Limbdi Branch Canal
- ▲ 45. NC-31 Pipeline
- 46. Pumped Water Supply Scheme from Kesaria to Sonari (NC-25)
- 47. Kachchh Branch Canal

HARYANA

- 48. Road Bridge at Palwai
- 49. Panipat Chimney
- 50. Hathnikund Barrage at Yamunanagar

HIMACHAL PRADESH

- 51. Chamera HEP, Stage I
- 52. Nathpa Jhakri HEP
- 53. Chamera HEP, Stage III
- 54. Kashang HEP
- 55. Sainj HEP

JAMMU & KASHMIR

- 56. Salal HEP
- 57. Udhampur - Srinagar - Baramulla Rail
- 58. Uri-II HEP
- 59. Pir Panjal Tunnel (Zone-VA)
- 60. Pir Panjal Tunnel (Zone-VB)
- 61. Mughal Road
- 62. Chutak HEP
- 63. Nimmo Bazgo HEP
- 64. Kishanganga HEP

JHARKHAND

- 65. Chandil Dam
- 66. Icha Dam

- 67. Grand Trunk Road Improvement Project

KARNATAKA

- 68. Tunnel and Powerhouse at Sharavati
- 69. Dockwork for MPT at Mangalore
- 70. Kadra Dam
- 71. Karnataka State Highways Project
- 72. Cavern for Crude Oil Storage, Padur

KERALA

- 73. Tanker Terminal and Fertiliser Berth, Cochin
- 74. Dam across Kulamavu
- 75. Dam of Peppara
- 76. Dam across Idamalayar
- 77. Lower Periyar Tunnel
- 78. Dam across Moozhiyar and Veluthodu
- 79. Sebarigiri Dam
- 80. Wellington Bridge, Cochin
- 81. Lower Periyar Dam and Powerhouse
- 82. Brahmapuram Diesel Power Plant

MADHYA PRADESH

- 83. Satpura TPS
- 84. Tons Road Bridge
- 85. Tons HEP
- 86. Road Bridge over River Indravati

MAHARASHTRA

- 87. Uran Turbine and LPG Station
- 88. Bhandup Water Treatment Complex
- 89. BARC Civil Works
- 90. SSSF Project at Tarapur
- 91. Sina Aqueduct
- 92. Panvel Creek Bridge
- 93. Barvi Expansion Project
- 94. Railway Bridges over Vasai Creek
- 95. Bhorphat Tunnel
- 96. Factory Civil Works for Premier Automobiles Limited
- 97. Ambarnath/Ulhasnagar STP
- 98. Water Treatment Plant, Pune
- 99. Underground Powerhouse, Koyna
- 100. Kolkewadi Dam

101. Bridge over River Ulhas
102. Trombay Chimney Works
103. Nhava Sheva WTP Works, Raigadh
104. Tunnel between Sewri and Futka
105. Koyna Stage IV Powerhouse Complex
106. Tunnel between E Moses Road and Ruparel College, Mumbai
107. Aerated Lagoons, Mumbai
108. Bandra Effluent and Influent Disposal, Mumbai
109. Housing Complex, Navi Mumbai

- ★ 110. NH-3 MP/Maharashtra Border - Dhule
111. Ghatkopar High Level Tunnel, Mumbai
112. Mumbai-Pune Expressway
113. Vaitarna Dam
114. Satara Kolhapur Road, NH-4
115. Water Supply Tunnel from Bhandup to Charkop, Mumbai
116. Bandra-Worli Sea Link
117. Gosikhurd Spillway, Nagpur

- 118. Lavasa, Pune
- ★ 119. Pune Paud BOT Road
- 120. Ghodazari Branch Canal
- 121. Water Supply Tunnel from Maroshi to Ruparel College, Mumbai
- 122. Middle Vaitarna Water Pipeline
- 123. DGNP Dry-Dock and Wharves, Mumbai
- 124. VAG Corridor, Mumbai

MANIPUR

- 125. Railway Tunnel No.1 between Dholakal and Kalmai
- ▲ 126. Railway Tunnel No. 10 between Jiribam and Tupul
- 127. Railway Tunnel No. 12 between Jiribam and Tupul

ORISSA

128. Dam at Upper Kolab
129. Road Bridge across Mahanadi
130. Syphons at Kuakhai and Khushbhadra
131. Naraj Barrage, New Cuttack
132. Paradip Port Road
- 133. Aditya Aluminium Project

PUNJAB

134. 140 m High Chimney at Ropar
135. Rail Coach Factory at Kapurthala

RAJASTHAN

136. Rajasthan Atomic Power Project, Units 1 & 2
137. Chambal Bridge at Dholpur
138. Rajasthan Atomic Power Project, Units 3 & 4
139. Rajasthan Atomic Power Project, Units 5 & 6
140. East-West Corridor Project, Package-EW-II (RJ-7)
- 141. Rajasthan Atomic Power Project, Units 7 & 8

SIKKIM

- 142. Teesta HEP Stage VI

TAMIL NADU

143. Kadamparai Pumped Storage
144. Lower Mettur Barrages, Substructure and Powerhouse
145. Chennai Ore Berth, Jetty, Wharf
146. Sewage Treatment Plant, Chennai
147. Upper Nirar Tunnel
148. Navamalai Tunnel
149. Ennore Port-Rock Quarrying
150. Ennore Breakwater
151. Mass Rapid Transit System, Chennai
152. Kudankulam Nuclear Power Project, Units 1 & 2
153. Tirupur Water Supply Project
- 154. Chennai Bypass, Package CBP2

UTTAR PRADESH

155. Maneri Bhali Hydel Project
156. Narora Atomic Power Project
157. Rihand Dam
158. Rihand STPP
159. Shards and Ghogra Barrages
160. Yamuna Hydel Project
161. Gomti Aqueduct
162. Sai Aqueduct
163. Varanasi Bridge
164. Malvika Steel Works
165. Naini Cable Stayed Bridge
166. Allahabad Bypass Road, Package ABP2
- 167. Lucknow-Muzaffarpur National Highway Project Package LMNHPEW II (WB)-1
- 168. Lucknow-Muzaffarpur National Highway Project Package LMNHPEW II (WB)-2
- 169. Lucknow-Muzaffarpur National Highway Project Package LMNHPEW II (WB)-3

- 170. Lucknow-Muzaffarpur National Highway Project Package LMNHPEW II (WB)-4

UTTARAKHAND

- 171. Alaknanda HEP
172. Dhauliganga HEP
- ▲ 173. Tehri Pumped Storage

WEST BENGAL

174. Farakka Barrage
175. Mahananda Barrage
176. Kolkata Metro
177. Teesta Barrage
178. Haldia Docks Project
179. Environmental Engineering Works at Kolkata
180. Kalyani Bridge
181. Earthworks for Farakka STPP
182. Dauk Barrage
183. RCC Chimney for Kolaghat TPS
184. Underwater works for KTPP
185. Golden Quadrilateral Road Project - Kolaghat to Kharagpur
186. Purulia Pumped Storage Project
- 187. Teesta Low Dam HEP Stage IV, Lot I
- 188. Elevated Road Corridor from Park Circus to E.M. Bypass, Kolkata
- ★ 189. Four-laning of Bahrapore-Farakka Section of NH-34
- ★ 190. Four-laning of Farakka-Raiganj Section of NH-34
- ★ 191. Four-laning of Raiganj-Dalkhola Section of NH-34

BHUTAN

192. Kurichhu Hydroelectric Dam Project
193. Tala Hydroelectric Project, Package C-1
194. Tala Hydroelectric Project, Package C-4
- 195. Punatsangchhu Hydroelectric Project - Powerhouse
- 196. 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,

In my letter to you in your Company's Annual Report for 2010-11, I had chosen to focus on two key issues — namely, the state of the nation's infrastructure and an increasing over-reach of government in business and day-to-day life. Neither has improved.

The fact that India's GDP growth has steadily fallen every quarter for the last eight quarters — from 9.4% in January-March 2010 to 6.1% in October-December 2011 — has much to do with the depressing investment climate of the country and the dismal state of physical infrastructure. To grow the economy at a real rate of 9% per year requires substantial physical investments. In 2005-06, 2006-07 and 2007-08, when India was clocking over 9% growth, over 35% of the nation's GDP was going into gross fixed capital formation (GFCF). Even then, most economists believed that 35% was not good enough; and that sustaining 9% growth for a decade required increasing GFCF to the neighbourhood of 40% of GDP.

Unfortunately for India, just the opposite has happened after 2007-08: the ratio of GFCF to GDP has steadily fallen from 35% to 30%. A major cause of it has been the sharp fall in growth of infrastructure investments in power, highways, railways or ports. Consequently, the possibility of rapidly ramping up the country's GDP growth from an anticipated 7% for 2011-12 to 9% and then sustaining it over the next five to six years remains in serious doubt. We as a nation have not invested sufficiently in infrastructure — be it public, private or through public-private-partnership — to achieve the growth that is needed to generate sufficient income and job opportunities.

Facts speak for themselves. During the period when India's real GDP grew at above 9%, construction growth was clipping along in healthy double-digits. Then came the decline in growth. In 2008-09, construction growth was 5.3%. It picked up marginally in the next two years to 7% and then 8%; only to fall to an estimated 4.8% in 2011-12.

Consider power and roads, where implementation remains distressingly short of targets.

The Eleventh Five Year Plan (2007-2012) anticipated creating 78,700 MW of new power generating capacity. By the end of the Plan period (31 March 2012), only 55,000 MW of new generating capacity was achieved, or 70% of what was planned. Moreover, many projects under implementation have slowed down due to lack of coal linkages — a matter serious enough for the Prime Minister's Office to have finally taken nodal charge.

Though marginally better, the projects of the National Highway Authority of India (NHAI) continue to run behind schedule. Of the 12,109 km of four-laning as part of National Highways Development Project (NHDP) Phase 3, 19.5% is yet to be contracted out; contracts are yet to be awarded for 83% of the 14,799 km under NHDP Phase 4; and so on. Besides,

there have been several implementation problems with most of the projects that have been contracted out on BOT basis — the primary one being the inability of the developer to acquire the necessary land.

What have we seen over the last 18 months? We have witnessed delays in taking decisions across government agencies, often driven by the fear of the Comptroller and Auditor General, the Central Vigilance Commission or the Supreme Court. The attitude is now one where many civil servants believe that is better to do nothing than to take much needed executive decisions that may attract attention of these authorities. We have witnessed long delays in clearances of new infrastructure projects and stoppage of ongoing ones by the Ministry of Environment and Forests (MoEF), resulting in fewer new contracts and actual infrastructure work. We have seen huge delays in the appointment of Chairman of your Company's major client organisations, especially the NHAI and National Hydroelectric Power Corporation.

What was true at the macro-level also played out in the case of your Company, which is one of India's leading infrastructure players. HCC entered 2011-12 with a low order book. Despite an even more concentrated focus on efficient execution, the order book size was not commensurate with the scale and structure of your Company. Added to that were two other factors: (i) unrealistically low pricing by players desperate to grab orders, and (ii) high interest rates.

The combination of a low order book, no growth in turnover, lower operating margins and higher interest costs has led to your Company generating losses in 2011-12, the details of which are outlined in the chapter on Management Discussion and Analysis and the audited financial statements. It has also put pressure on your Company's cash position and debt servicing ability.

Indeed, the decision-making paralysis has extended to a situation where a large portion of your Company's receivables from various projects have been pushed into claims and arbitration, amounting to almost ₹ 2000 crore. All this happened quite suddenly in the last 18 months, which has forced us to seek restructuring of our debt facilities.

The good news is that your Company's bankers have been understanding and cooperative. A consortium of 27 banks have agreed to consider to restructure their total debt to your Company of around ₹ 3,300 crore through the Corporate Debt Restructuring (CDR) process. This restructuring exercise involves re-calibrating the debt in terms of payback period, deferring certain interests on term loans, providing concessional rate of interest, and advancing further need-based working capital.

This debt restructuring will provide your Company with the breathing space to further reduce costs, improve operational margins, recover dues from clients, sell non-core assets, improve the cash position and secure a larger order book.

Let me now move on to the over-reach of government, especially in relation to Lavasa, independent India's first

planned hill city that offers world-class commercial and residential facilities, tourist activities and educational institutions.

As you may know, construction operations were stalled for almost a year — between November 25, 2010 and November 9, 2011 — with the MoEF issuing a 'stop-work' notice for alleged violation of Environment Impact Assessment Notification, 1994, amended in 2004 and that of 2006. We filed a writ petition in the Bombay High Court and challenged the order, which was admitted. However, to save time and safeguard interests of customers and the project, your Company also approached the MoEF for grant of Environment Clearance (EC). After deliberations, the Expert Appraisal Committee of the MoEF recommended grant of EC to the first phase of the project comprising 2,000 hectares, which the MoEF granted on November 9, 2011. After that date, work has re-commenced on site.

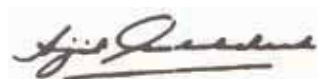
The long stoppage, however, has not only delayed the project considerably, but also has put the balance sheet of Lavasa under pressure. The good news is that the consortium of banks who lent most the debt of ₹ 850 crore debt have in principle agreed to a debt restructuring exercise. An application has been made to the RBI not to classify Lavasa a sub-standard asset for the banks, which will help the restructuring. I hope that the RBI will assent.

2011-12, therefore, was a very difficult year for your Company. But I take these setbacks as challenges. Through the long life of people as well as corporations, there are highs as well as lows. Hindustan Construction has done well for itself and its shareholders in the past. A short period of adversity, however disquieting, will not change its basic growth-oriented DNA.

Indeed, I take these vicissitudes as milestones for accelerating change within your Company. These show the need to have even leaner operations and capital structure; to make even better use of machinery, equipment and people; to focus on better claims settlement to recover locked cash; and to demand harder targets and better execution. My team and I see many opportunities for fundamental improvement, which will be executed with conviction in 2012-13 and the year after.

HCC is a great Company that has done much to create the infrastructural sinews of our nation. It will overcome a short blip in its performance and continue to build value for India and its shareholders. The best years of your Company are waiting to unfold. Be with us, and witness the change.

With best regards,



Ajit Gulabchand

Chairman & Managing Director



Company Information

BOARD OF DIRECTORS

Ajit Gulabchand
(Chairman & Managing Director)

Y. H. Malegam

K. G. Tendulkar

Rajas R. Doshi

Ram P. Gandhi

Prof. Fred Moavenzadeh

D. M. Popat

Sharad M. Kulkarni

Nirmal P. Bhogilal

Anil C. Singhvi

Arun V. Karambelkar
(President & Whole-time Director)

Dr. Ila Patnaik
(w.e.f. October 21, 2011)

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

SREI Equipment Finance Pvt Ltd

Syndicate Bank

State Bank of Mysore

United Bank of India

IFCI Ltd

Indian Overseas Bank

State Bank of Hyderabad

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.



Assam Road Project

The Assam Road Project involves construction of a new flexible 4-lane divided carriageway and reconstruction / strengthening and widening of the existing carriageway of NH-54 between Maibang to Nimbanglo in Assam. This 15.57 km road includes 50 culverts, two tunnels (1080 meters and 320 meters), three major bridges, five minor bridges and one underpass. HCC has built over 3,100 lane km of expressways and highways.



Chamera Hydel Power Project – Stage III, Himachal Pradesh

The 3 x 77 MW Chamera Hydel Power Project Stage-III situated in the Chamba district of Himachal Pradesh is a run-of-the-river scheme and proposes to harness the hydel potential of the river Ravi. This is HCC's fourth hydro electric power project implemented in Himachal Pradesh. The Company has constructed 25% of India's Hydel Power generation and over 50% of India's Nuclear Power generation capacities.



Chutak Hydel Power Project, Jammu & Kashmir

The 4 x 11 MW Chutak Hydel Power Project on the River Suru (tributary of Indus) is located in the Kargil district of Jammu & Kashmir. Located at over 10,000 ft above sea level, the region receives around 4 to 5 ft of snowfall and temperature drops below -30°C in winter. Men and material have to confront harsh topography and severe weather conditions in winter.



Dhule Palesner corridor of NH 3

Built by HCC Concessions and its JV partners, the four-lane, 89km Dhule Palesner corridor of NH 3 successfully started commercial operations four months ahead of scheduled date of completion. As of March 31, 2012, HCC Concessions had a portfolio of ₹ 5,500 crore which includes six NHAI concessions.



House of Peace, Geneva, Switzerland

Steiner AG is executing the upcoming headquarters of the Graduate Institute of International and Development Studies, House of Peace. An architectural creation of outstanding quality of 35,000 m² area, the centre piece consists of a lecture hall with a seating capacity of 600, 15 classrooms, 10 seminar- and workrooms, a library extending over 4,500 m² on two levels and a cafeteria seating 170.



Lindbergh-Allee, Glattpark in Zurich, Switzerland

Project 'Lindbergh-Allee' is a mixed use project located between the city of Zurich and Zurich's international airport in Kloten. This project, with planning and building realisation by Steiner AG, is situated on the west side of Glattpark's 'Business Belt' and will offer residential and commercial use areas of 15,650 m² and approx. 350 underground car parking spaces. Steiner AG is Switzerland's second largest total services contractor in the Swiss Real Estate market.



Dasve town, Lavasa

Dasve, the first town of the planned hill city Lavasa has residential, hospitality, commercial and educational facilities. Hotels like Fortune Select by ITC, Mercure, Ekaant and Waterfront Shaw are already functional and a number of hotels including Pullman and Novotel, are slated to begin operations by 2013. Many other commercial projects will also be ready by March 2013. One of the largest urban developments in India, Lavasa will pioneer a new model of City Development & Management, offering significant economic benefits to the region.



Mugaon town, Lavasa

Lavasa's second town Mugaon is spread on an area of approximately 2400 acres. Mugaon, located close to the first town Dasve, is being developed as a residential, edutainment, business and commercial hub. Major attractions of Mugaon include the Town Centre with shops, cafes, cultural institutions, spiritual centres, the upcoming Apollo Medicity, Sports Academies including Manchester City Football Club, Golf Academy by Sir Nick Faldo, a USSRC supported Space theme park and a Hollywood - Bollywood style theme park.



Nature Trail, Lavasa

Lavasa has created theme based nature trails & pedestrian walkways to promote lifelong learning via nature. These trails categorized as Leisure, Amateur, Adventure, Wilderness Trails, etc. will soon be extended to other areas of Lavasa. The Leisure Trail at Dasve has water celebration areas, open meadow ponds, children play areas, bamboo machans, sit-outs, bird boxes, bird baths, sun-dial, butterfly park, etc. This and many other environmental initiatives support the vision of economic, social and environmental sustainability at Lavasa.



247Park II

After the successful completion of its iconic 247Park project - India's largest standalone, LEED Certified Gold rated green building of 1.8 million sq ft built-up area, HCC Real Estate is planning the second phase of 247Park of 0.8 million sq ft built-up area with state-of-the-art amenities and facilities.



Christel House Lavasa

Christel House Lavasa school, an initiative of Lavasa Corporation Limited and Christel House India, provides quality education, nutrition and healthcare to children from economically disadvantaged families in and around Lavasa. Christel House International builds and operates high social-impact learning centres in impoverished neighbourhoods and currently runs Learning Centers in Mexico, Venezuela, South Africa, Indianapolis and in India – where it runs a school in Bangalore with over 900 children.



Desalination plant at HCC's DGNP Dry Dock project

A desalination plant was deployed at the DGNP Dry Dock project, to eliminate dependency on Municipal water supply for construction work. Till June 2011, 3.3 mn liters of treated water was made available through the desalination plant. The projected water conservation for the project period of 3 years is estimated to be 108 mn litres. HCC is the first Indian signatory to the UN Global Compact's CEO Water Mandate.

Management Discussion and Analysis

Hindustan Construction Company ('HCC' or 'the Company') has been one of the pioneering companies in executing large scale infrastructure related construction projects in India. It has undertaken some of the largest and most technically challenging projects that have been part of the progress of India's overall physical infrastructure. By investing in state of the art equipments, adopting world class operational processes which has lead to an immaculate execution and by maintaining the highest standards of health & safety, HCC has established itself as an industry leader. HCC continues to promote responsible infrastructure development and its evolution has been intrinsically linked to the progress of infrastructure development, in the country.

The infrastructure development story in India has been plagued with issues of implementation. As a result, the pace of growth has simply been much slower than the needs of an economy intending to maintain a sustained growth rate of close to 9%. And in 2011-12, there has been a considerable slowdown in development in the infrastructure sector.

Clearly, there is sufficient latent demand for large scale infrastructure development across different sectors ranging from power to transportation to urban infrastructure.

Infrastructure and Construction – the long term opportunity

The Planning Commission's XIth Five-Year Plan (2007-2012) had already identified that inadequate infrastructure was a major constraint on the country's rapid growth. The Plan had, therefore, emphasized the need for massive expansion in investment in infrastructure based on a combination of public and private investment, the latter through various forms of public-private partnerships (PPP). In the last few years, substantial progress has been made in this respect. The total investment in infrastructure, which includes roads, railways, ports, airports, electricity, telecommunications, oil gas pipelines and irrigation, is estimated to have increased from 5.7% of GDP in 2007 to around 8.0% by 2012.

The approach paper to the XIIth Five-Year Plan (2012-2017) highlights that the thrust on accelerating the pace of investment in infrastructure must continue as this is critical for sustaining and bolstering growth. Public investment in infrastructure will have to bear a large part of the infrastructure needs in backward and remote areas to improve connectivity and expand the much needed public services. Since resource constraints will continue

to limit public investment in infrastructure in other areas, PPP-based development needs to be encouraged wherever feasible. It is necessary to review the factors which may be constraining private investment, and take steps to rectify them. PPP, with appropriate regulation and concern for equity, should also be encouraged in the social sectors, such as health and education. Several State Governments are already taking steps in this direction.

Considering the critical need of developing infrastructure in the country, construction activities are crucial for creating physical infrastructure in the country. Construction, on an average, accounts for more than half of the investment required for setting up critical infrastructure facilities like power projects, ports, railways, roads, bridges. **Table 1** gives the estimates of average construction intensity of different infrastructure projects.

Table 1: Construction components for various infrastructure projects

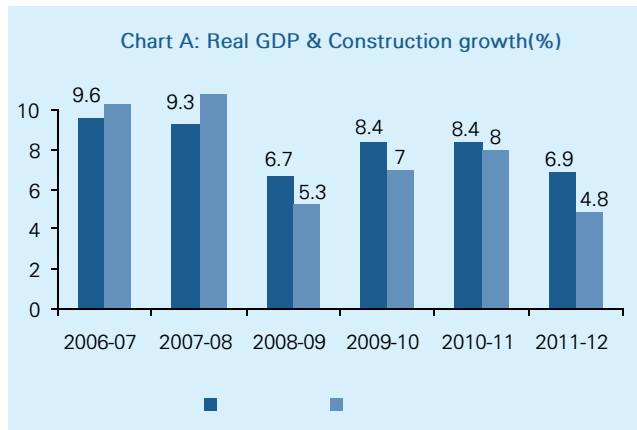
| | Construction Intensity % | | Construction Intensity % |
|----------|--------------------------|----------------------|--------------------------|
| Building | 76 | Mineral Plant | 18 |
| Roads | 63 | Medium Industry | 20 |
| Bridges | 65 | Transmission | 22 |
| Dams | 75 | Urban Infrastructure | 66 |
| Power | 38 | Maintenance | 81 |
| Railways | 78 | | |

Source: Planning Commission of India

The cumulative investment in infrastructure in the Twelfth Five-Year Plan (2012-2017) is targeted at around \$1 trillion. Nearly half of this investment will be channelized into construction projects. Therefore, there is considerable long term business scope for players in the infrastructure related large scale construction business. Being an industry leader, HCC is always geared to make the most of this opportunity. However, while there are always a lot of promises, in the last few years one has observed a wide gap between economic need and on ground implementation in the infrastructure industry. Consequently, HCC has had to reformulate its business plans to deal with challenging ground realities – a business environment where an increasing number of players are competing for a much fewer number of projects than what economic realities warrant.

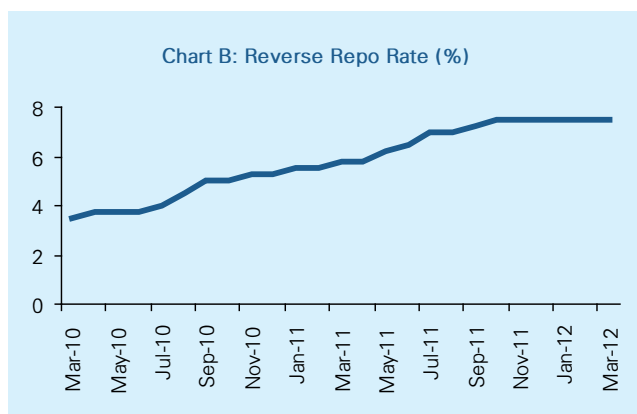
Business Environment – the short term slowdown

The resilience shown by the Indian economy in 2009-10 and 2010-11 finally gave way and there has been a significant slowdown in economic activities during 2011-12. **Chart A** shows that after two consecutive years of 8.4% growth, India's GDP growth slipped to 6.9% in 2011-12. In line with this drop in real GDP, construction growth also reduced to 4.8% in 2011-12.



Source: CSO, Govt of India

Unfortunately, the economic slowdown has been in an inflationary environment, where the Reserve Bank of India (RBI) has maintained tight monetary policy leading to high domestic interest rates. **Chart B** shows that the reverse repo rate, which benchmarks the commercial bank's lending rates increased from 5.75% in April 2011 to 7.5% in March 2012. A year back in April 2010 it was only 3.5%. This environment of slowing growth, high inflation and high interest rates was a complete dampener for investor confidence and new capital formation took a further hit.



Source: RBI

Typically, infrastructure projects have high gestation lags and require long term financing. The Indian financial system is still evolving in terms of availability of such long term financing instruments. And, the global economic

slowdown has created high levels of uncertainty, which has been a dampener for capital flows into India, especially for long term projects like the ones in the infrastructure sector. Consequently, infrastructure projects in India are also facing issues on the financing front.

In addition, several projects that have had financial closure are facing implementation problems stemming from issues related to land acquisition, social tensions, environmental problems and administrative delays. Clearly, the pace of infrastructure development in India is not in sync with the requirements of a growing economy of its size.

Take the case of two important sectors in the infrastructure space – power and roads. Implementation remains woefully short of planned targets.

- For Power, the eleventh five year plan (2007-2012) had talked of creation of 78,700 MWs of new power generation capacity – of which 59,693 MW (75.8%) was thermal power, 15,627 (19.9%) was hydro power and 3,380 MW (4.3%) was nuclear power. By the end of the planning period i.e. March 31, 2012, around 55,000 MWs of total new generation capacity has been put up. This is around 70% of what was planned. In addition, many projects that are under implementation have slowed down due to issues regarding coal linkages and tariff structures.
- For Roads, the marquee projects of the National Highway Authority of India (NHAI) continues to be well behind schedule. Of the 12,109 kms of four-laning as part of NHDP Phase 3, around 19.5% is yet to be contracted out, while 52% is under implementation. For the 14,799 kms NHDP Phase 4, contracts are yet to be awarded for 83% of the stretch, while 17% is under implementation. Similarly, 45% of the 6,500 kms NHDP Phase 5, 100% of the 1,000 kms NHDP Phase 6 and 94% of the 700 kms NHDP Phase 7 are yet to be awarded. In addition to the fact that large parts of these planned developments have not yet been contracted out, there are several implementation issues with many of the projects that have been contracted out on BOT basis. The primary problem stems from issues related with land acquisition.

Performance Highlights

In this backdrop, HCC had entered 2011-12 with a lower order book. While it focused on effective execution, the size and structure of the organisation was geared for catering to a much larger infrastructure related construction market. So, the asset base and the fixed cost structure were not in line with the stagnant order book. Consequently, while the turnover remained at 2010-11 levels, the Company generated losses. The financial

highlights of HCC's performance on a stand-alone basis in 2011-12 are:

- Order Book is at ₹ 15336 crore in 2011-12
- Revenue from operations is at ₹ 4003 crore in 2011-12 v/s ₹ 4144 crore in 2010-11
- EBITDA (before profits from JV, Exceptional item and other income) is at ₹ 443 crore in 2011-12 v/s ₹ 543.4 crore in 2010-11.

The lower turnover and operating margins in an environment of high interest costs put severe pressure on the Company's profitability. In addition, further litigation and non payments of awarded claims in arbitration adversely affected the Company's liquidity and debt servicing ability. Recognising this as a problem which cannot be sorted out independently or in a short time frame, HCC approached its bankers with a proposal for bilateral refinancing of the loans with larger tenure. However, there was no consensus amongst the bankers on this proposal. Consequently, the Company approached its leading bankers and they referred their total term debt of around ₹ 3300 crore to the Corporate Debt Restructuring (CDR) cell. The CDR Empowered Group formally admitted the case for restructuring on March 29, 2012 by a super majority of lenders. Under the regulatory frame work of the RBI, the CDR forum caters as an official platform for both the creditors and borrowers to amicably and collectively evolve policies for working out debt restructuring plans. The broad contours of this restructuring exercise involves re-structuring of debt in terms of payback period, deferring certain interests on term loans, concessional rate of interest and provision of further need based working capital and loans for capacity expansion. This debt restructuring will provide HCC with breathing space to work on improving operational margins over a period. The Company is also raising own funds by liquidating some of the non-core assets. It is expected that the restructured debt, certain amount of own funds, tightened cost management and increase in turnover will enable the Company to weather the situation in the medium term.

HCC - Internal Reorientation

In a difficult business environment, HCC has utilised 2011-12 to recalibrate its business. This has been done on several fronts.

First, given the immense potential that the infrastructure sector has in India, HCC had created complete teams for separate verticals that service sectors within the engineering and construction business including EPC, transportation, power, water and industrial. The market

potential was large enough to make each one of these verticals self sustaining businesses. However in 2011-12 there were several unresolved issues in terms of implementation and a lot to be desired on effective mechanisms of private public partnerships, regulatory environment in the country and macro economic variables. Consequently, it was felt that there is still some time before India's infrastructure industry translates into a large market on the ground that could sustain each of the Company's verticals as independent businesses. With this understanding, HCC undertook a major organisational restructuring exercise and replaced the verticals structure with a function based organisation system.

Second, the Company has been facing a two pronged challenge in business development – on one hand, the Company was forced to bid for projects at very low margins; while on the other hand, it was regularly losing out on contracts with bids which were not competitive.

Considerable effort has been spent on revamping the business development function to overcome this dichotomy. Lot of emphasis has been laid on researching the market to identify projects that are most suitable for a Company like HCC to pursue.

In addition to this the business development function has been divided into lines within the infrastructure space where specific thrust is being given to improve on customer relations. In a related development, the estimation and the business development departments have been integrated to operate as a cohesive unit. Through this organisation structure a robust review mechanism has been put in place that focuses on ensuring profitable growth for the Company.

Third, it was observed that HCC had several claims arising out of disputes with customers. Many of these claims are recoverable and HCC is well positioned to win legal battles to fructify the claims. In the last few years, however, this was not considered a core function. On the other hand, in today's business environment effective claims management can release significant amount of cash for the Company. Having identified claims management as an important and core function, the Company has put in place a team headed by a highly experienced professional who has served at HCC for over 3 decades. This team works on getting claims settled up to the arbitration stage. Most of these claims move from arbitration to the courts for a full fledged legal process. The Company has supported the claims realisation initiative by establishing a legal team under the secretarial and legal department. This team is actively working on closure of all claims cases that have moved from arbitration to a court challenge. Claims

management alone has the potential of raising significant amounts of cash for the Company.

Fourth, the Company has rationalised its work force. This exercise has been mainly carried out at the corporate office. This work force rationalisation has resulted in the Company operating in a leaner structure.

Business Portfolio

With a focus on adding value across different elements of the infrastructure delivery chain, HCC has evolved from a pure contractor to a construction major in India. Today, HCC's portfolio comprises different businesses that have different markets, require different skill sets and operate under varying risk return profiles. All the different components of the Company's business are integrated through HCC's world class processes and value system. The portfolio includes the following diverse yet related businesses.

- **Engineering and Construction:** This is the Company's core business, which focuses on transportation, power, water supply and industrial construction projects. The business has been extended to complete engineering, procurement and construction (EPC) services and in a focused manner the EPC part of the business is being strengthened.
- **Total Services Contractor:** In the last financial year, the Company acquired **Steiner AG (formerly Karl Steiner AG)**, a leading Total Services Contractor in Switzerland, which offers its services in Europe and India in all facets of real estate development and construction.
- **Infrastructure:** This is a move up the infrastructure value chain where HCC develops projects right from planning and conceptualisation to execution and has ownership rights on the assets created. Returns are generated from utilisation of the assets and the creation of asset value. Here, the Company is initially focusing on private public partnerships.
- **Real Estate:** The real estate business develops commercial & residential property and is focused to develop state-of-the-art projects. It is also involved in development of slum rehabilitation projects.
- **Integrated Urban Development and Management:** The focus area of this business has been the development of complete integrated townships. Today, HCC is actively pursuing the creation of India's planned hill city in the private sector called **Lavasa**.

In addition to these businesses, the Company has also extended its internal informational technology

(IT) function to form a separate Company – **Highbar Technologies** – that is involved in assisting in improved IT utilisation in the construction industry.

Engineering and Construction Business

The Company's order backlog as on March 31, 2012 was ₹ 15,336 crore. The order backlog is well distributed across various sectors including power, transport, water and industrial.

During 2011-12, on the operational front, HCC continued with its concerted efforts at executing projects with lower capital base to improve return on capital. In order to promote this, the Company intensified its initiatives on partnering vendors and increasingly subcontract out non-core activities to them with a view to reduce own capital investment, in different projects and thereby release critical working capital.

The developments on the projects front across different sectors in 2011-12 are given in the following sections.

Power

HCC is a leader in the construction of hydro and nuclear power projects. In the recent past, the Company had made a foray into the thermal power segment.

Hydro Power

The Company is involved in the construction of fifteen hydroelectric projects (HEP) for central and state PSUs and private developers. In 2011-12, the Company completed Chutak HEP for NHPC Ltd in Kargil, Jammu & Kashmir. The project has now been commissioned by NHPC. Chutak HEP won the Construction India Development Council (CIDC) Vishwakarma award 2012 for the best project.

Two other projects Chamera and Uri for NHPC Ltd are at an advanced stage of completion.

At the 3 x 110 MW Kishanganga HEP, which is HCC's largest hydro power project worth ₹ 2,725 crore, tunnel boring by a sophisticated tunnel boring machine is making steady progress.

Two other projects under implementation in Bhutan - 114 MW Dagachhu Hydro Power Plant and the 1,200 MW Punatsangchhu I HEP are progressing well. Work on the Sainj HEP, secured in 2010-11 has also commenced.

In 2011-12, the Company secured the contract for Tehri Pumped Storage project along with Alstom Hydro France as a consortium partner. The contract is worth ₹ 1,843 crore and the Company's share in the joint venture would be ₹ 701 crores with a contract period of 54 months.

Nuclear Power

The Company completed civil works of Kudankulam Nuclear Power Project last year. This project also won the CIDC Vishwakarma award 2012 for the best project.

The Company secured a ₹ 888 crore contract for civil works of Rajasthan Atomic Power Project (RAPP) Units 7 & 8 in 2010 - 2011. Work is under progress on the foundation rafts of the nuclear building and other structures. A major pour measuring 5,757 cubic metres of concrete for the nuclear building raft foundation, which is the largest pour at a nuclear project in India, was successfully completed.

Thermal Power

Contract for Muzaffarpur Thermal Power Project was secured in 2010 -2011 from Kanti Bijlee Utpadan Nigam Limited, a joint venture between NTPC Ltd and Bihar State Electricity Board (BSEB). The project is fully mobilized and works involving civil and structural erection are progressing at a steady pace.

Transportation

The Company has executed several national highway projects across the country since the launch of the National Highways Development Programme (NHDP).

In 2011-12, the Company completed four contiguous packages aggregating 156 kms of the East West Corridor Lucknow Muzaffarpur highway Project in Uttar Pradesh.

HCC is executing three packages aggregating 256 km of the National Highway NH-34 on Build Operate Transfer (BOT) basis. The project is fully mobilised and work is progressing in full swing.

Substructure and superstructure works are underway on the Kolkata elevated corridor project, which is a 4.23 km long flyover from Park Circus to EM Bypass.

In 2011-12, the Company secured two contracts from North East Frontier Railway. The first contract worth ₹ 987 crores is for Bogibeel Rail cum road-bridge over the Brahmaputra River in Assam. The project will be executed in joint venture with DSD Brückenbau GMBH Germany and VNR Infrastructures Ltd, Hyderabad, India. The second contract is for construction of 3.3 km long single line BG railway tunnel for New Railway Line Project Jiribam-Tupul (Imphal). The project will be executed in joint venture with Coastal Projects Ltd, Hyderabad, India. The Company is already executing two more packages Tunnel 1 & 12 for the same project.

Water Supply and Irrigation

HCC is associated with seven water supply and irrigation projects in Andhra Pradesh. Largest among them is the

JCR Devedula Godavari Lift Irrigation Scheme where the Company is involved in all the three phases under implementation. This is the second largest such water scheme in the world and it will cater to the irrigation and drinking water requirement across 6.47 lakh acres of land. The first phase of the project has been successfully commissioned, while construction of the second phase is nearing completion. In the third phase, HCC is involved in two packages for three rows of 38 km pipelines and a 55 km long tunnel.

The Company is engaged in two water supply contracts in Mumbai. One of the contracts - Middle Vaitarna Water Supply Project - involving laying a 15.7 km steel pipeline was commissioned in March 2012. The other contract envisages construction of a 12 km long tunnel about 65 m below ground level. One section of the tunnel is complete including the concrete lining. In the second section, tunnel boring is complete and other works are progressing well.

In 2011-12, the Company secured an EPC contract under Swarnim Gujarat Saurashtra-Kutch Water Grid Programme – Package NC 31, from Gujarat Water Infrastructure Ltd worth ₹ 289 crore. A similar project package NC-25 for the same client was commissioned in March 2012.

Industrial

The Company has been awarded several packages aggregating over ₹ 850 crore for Aditya Aluminium Plant at Sambalpur, Orissa by Hindalco Industries Ltd. Out of these packages, one package of Potshell fabrication was successfully completed in 2011-12.

The Company is executing two underground crude oil storage caverns for Indian Strategic Petroleum Reserves Ltd. One is at Vishakhapatnam (Vizag), Andhra Pradesh and the other at Padur, Karnataka. The Vizag cavern is at an advanced stage of completion while work at the Padur Cavern is progressing well.

Marine Works

Work on the ₹ 609 crore contract for reconstruction of the dry dock and wharves in Mumbai for Director General Naval Project is progressing well.

Infrastructure Business

Since its inception in 2008, HCC Infrastructure has grown its infrastructure development portfolio to ₹ 5,500 crore of assets under management. These projects developed through Public Private Partnership (PPP) or BOT (Build-Operate-Transfer) mode include six National Highways Authority of India (NHAI) road concessions, of which three are operational.

HCC Infrastructure follows a disciplined investment strategy that maximizes shareholder value by generating stable and rapidly growing streams of cash flow over concession periods ranging from 15 to 30 years. The Company, through its subsidiaries HCC Concessions and HCC Power, has a development focus primarily in the roads, water and power sectors. This is partially due to the parent Company's core construction competence in these areas, having executed large projects of national importance across the Indian sub-continent. Besides procuring a construction edge from HCC's E&C division, HCC Infrastructure has developed a strong management team whose expertise extends from concept innovation and evaluation of risk & return, to construction management and operations. Besides focus on quality and timely execution, the Company is equally committed to providing reliable, safe and world class operations and maintenance services to the country's end users.

Equity Fund Raising Initiative

In September 2011, HCC Infrastructure raised ₹ 240 crore by diluting 14.5% equity stake in HCC Concessions to The Xander Group at an equity valuation of ₹ 1,650 crore. This pure equity placement, which is devoid of any structured return, and which was completed during challenging market conditions, showcases both the quality of the HCC Infrastructure's portfolio and the conviction in management team. The Xander Group Inc. is a global investment firm focused on infrastructure, hospitality, retail and real estate sectors. Since 2005, the firm has committed over US\$1.8 billion of equity capital to the Indian market across five dedicated India funds. Xander is an ideal partner for HCC Infrastructure as they have similar traditions with a focus on the long term.

Operational Assets

Dhule Palesner (DPTL) Highway Project (NH3)

The project road achieved provisional completion and toll collection began in February 2012, four months ahead of its contractual completion date. This is the third consecutive project that HCC Infrastructure has completed significantly ahead of schedule.

This road project (89 km) which is part of National Highway (NH3) is commonly referred to as the Mumbai-Agra Road. Other stretches of the NH3 are also under development and additional traffic growth is expected once most of the corridor is four-laned. DPTL is a primary conduit for transportation of passengers and freight traffic between major towns in Maharashtra and the state of Madhya Pradesh & Uttar Pradesh and largely serves industrial traffic.

The project is being operated by an in-house operations and maintenance (O&M) team. The concession period is 18 years, including a construction period of 30 months. The highway is being developed in partnership with Sadbhav Engineering Ltd and John Laing Investments Ltd (UK) with an investment of ₹ 1,420 crore.

Delhi Faridabad Elevated Expressway (NH2) (*dfskeyway*TM)

The *dfskeyway*TM, commissioned in November 2010, was also completed ahead of schedule with an investment of ₹ 572 crore. The project road is a 4.4 km elevated highway connecting Badarpur in Delhi and Faridabad in Haryana. The *dfskeyway*TM contributes significantly to Delhi's rapidly expanding infrastructure by reducing travel time by over 40 minutes that benefits residents and inter-state traffic alike. It is one of Delhi's major radial roads and caters to very high traffic volume of approximately 100,000 vehicles per day. Designed, engineered and constructed entirely by HCC, this elevated structure boasts 20 exits, 10 underpasses and is the first of its kind spaghetti structure in India. The *dfskeyway*TM has won many accolades for efficient design and execution, including the **Best Project Award** by the Construction Industry Development Council (CIDC) 2011 and the **Infrastructure Excellence Award 2011** by CNBC TV18.

The National Capital Region has witnessed approximately 20% traffic growth during the past decade for satellite cities such as Gurgaon and Noida. In the past, the growth of Faridabad was slower due to poor connectivity with the heart of Delhi. With immediate connectivity due to *dfskeyway*TM, one expects much higher growth for Faridabad, which has recently been cited as the 8th fastest developing city by The City Mayors Foundation, UK. HCC Infrastructure was awarded a 20-year concession in 2008 to design, construct and operate this asset by the NHAI.

Nirmal (NBL) Annuity (NH7)

The sole annuity project in the portfolio is the road from Kadatal to Armur in Andhra Pradesh, which forms a part of the Nagpur - Hyderabad section of NH7. This 33 km development was the first investment by the Company and was completed 100 days ahead of scheduled completion. The concession period for the project is 20 years, including a construction period of 24 months. The project was developed with an investment of ₹ 315 crore.

Assets under Development

West Bengal (NH34) Highway Project

This eagerly awaited project being developed by HCC Concessions Ltd on a Design, Finance, Build, Operate and

Transfer (DFBOT) basis, is among the largest PPP projects in West Bengal (WB). The project road is the major North-South artery (NH34) which originates at the capital and port city of Kolkata, and ends at Dalkhola in the state of WB, covering a total distance of 443.5 km. It is the spine of the transport system in the region and provides nearest access to ports (Kolkata and Haldia) for the north eastern states of India and neighbouring Bhutan and Nepal. The development of this stretch will improve connectivity to the East-West Corridor, which has already been four-laned. West Bengal is strategically located to play a pivotal and catalytic role in promoting economic cooperation in the sub region (Bangladesh, Bhutan, North Eastern states and West Bengal) which is home to half a billion people.

The concession lengths for the three different segments totalling 256 km range from 25 to 30 years, including a construction period of 30 months and an investment of over ₹ 3,200 crore. The highway development, divided into three contiguous sections covers Baharampore and Farakka (103 km), Farakka and Raiganj (103 km) & Raiganj and Dalkhola (50 km).

West Bengal NSDP grew at a CAGR of 7.4% in the last five years (FY05-09). It is the fourth most populous state in the country and is the sixth largest contributor to India's GDP. The traffic on NH34 comprises of 90% commercial traffic, carrying a diversified mix of manufacturing goods, building materials, steel, jute, food grains and tea. The development of this road will give a significant boost to commerce and trade in West Bengal and will help in promoting economic cooperation in south-east Asia sub region (comprising Bangladesh, Nepal, Bhutan, Eastern India and North Eastern States).

Execution of the project is well underway and has achieved nearly 25% completion. Further, traffic on the road over the past two years has significantly exceeded expectations.

New Business Opportunities

HCC Infrastructure will continue to evaluate new opportunities, largely in the areas of HCC's core construction competence. The Company is currently focussing on a number of PPP opportunities in the Power and Water sectors.

Power

While 2011-12 witnessed the highest capacity addition of 19,459 MW in a single year, there has been a slowdown in new investments in the thermal power segment, which is the dominant segment within the power sector in India. Much of the slowdown is due to issues related to coal linkages. On a positive note there has been acceleration

in investments in other forms of power, namely Hydro, Solar and Wind. The Hydro sector has gained momentum in states like J&K, Uttarakhand, Meghalaya, Mizoram, and Maharashtra coming up with allotment of hydro power projects through competitive bidding. More than 500 MW of Solar projects have been allotted under various schemes, with around 300 MW of solar projects already commissioned during 2011-12. Further, more than 3,000 MW of wind capacity has been added in 2011-12, which is around 5% of total capacity addition in India during the year. The demand supply gap in the power sector is still immense. As per the estimate of Central Electricity Authority, the energy deficit was 10.3% and the peak deficit was 12.9% in 2011-12. The sector is likely to grow at a pace of 7-8% to sustain the growth of Indian economy.

HCC Infrastructure's power team has a wealth of development experience to address the Company's entry into the power generation business, where the focus is largely on the Hydro and Renewable Energy sectors. The team, duly supported by best in class advisors, consultants and partners, is evaluating several opportunities in Hydro, Solar and Wind energy. In its endeavour to develop power projects, HCC Infrastructure benefits from the extensive experience and technical expertise of its parent Company HCC in executing large and complex infrastructure projects with world class quality and cost competitiveness.

Water

HCC Infrastructure is also currently evaluating opportunities in the field of Water Transmission and Treatment. The increase in urban population is expected to put strain on the basic infrastructure, with water being a critical requirement both for cooking and sanitation. Urban populations are expected to grow 40% by 2021 – we envisage this sector to grow at a significant pace in the near future and are preparing to provide quality infrastructure development and services through world-class facilities.

Integrated Urban Development and Management – Lavasa

The focus at Lavasa has always been to establish itself as a distinct hill city, offering world-class facilities with its own unique features, where one could live, learn, work and play in harmony with nature. As free India's planned hill city, it offers a wide range of residential and commercial facilities, tie-ups with premier, national and international educational institutions, an extensive range of tourist activities, family entertainment opportunities and several business avenues across a range of industries.

While operational progress was on track, construction operations were stalled between November 25, 2010 till November 9, 2011, as the Ministry of Environment and Forests (MoEF) had issued 'stop-work' notice to the Company for alleged violation of Environment Impact Assessment Notification of 1994 as amended in 2004 and that of 2006. The Company had filed a writ petition in the Hon'ble Bombay High Court and challenged the show-cause notice cum stop work order and the Company's writ petition was admitted. However, while writ petition was pending, in order to save time and to safeguard the interests of the customers and the project at large, HCC also approached the MoEF for grant of Environment Clearance (EC) to its project. The Expert Appraisal Committee (EAC) of MoEF after perusing the documents submitted by the Company, appraised the Company's project and recommended grant of the EC to the 1st phase of Company's project comprising 2000 ha. Consequently, MoEF accorded EC to the 1st phase of Company's project on November 9, 2011. Thereafter the work is in progress at the site.

The project stoppage, however, was a dampener to the progress of the project. And, one full year of no work due to environmental issues has considerably delayed the project. Consequently, the balance sheet of Lavasa was under pressure. A consortium of banks who have lent most of the Company's ₹ 850 crore debt have in principle agreed to a debt restructuring exercise and an application has been made by the bankers to RBI through use of its special dispensation seeking not to classify Lavasa as a substandard asset.

2011-12 saw several developments at Lavasa.

In the hospitality space, Accor Hospitality launched two of its brands including the Mercure Lavasa and the 1500 plenary capacity Lavasa International Convention Centre. Novotel and Pullman, also Accor brands are in the process of being built, while Hilton, Comfort Inn, Days Inn, Oakwood, Jukaso, Langham Place and Eaton, amongst others, are slated to follow in quick succession.

On the retail front, a significant area has already been leased. Restaurants like American Diner, Granma's Homemade Patisserie, Brewberrys -The Coffee Bar, Chor Bizzare, Subway and Oriental Octopus, Past Times Pub, Tabakh, Pizzavala, Hungry Hippo and Fruity Bat have commenced operations. State Bank of India and Union Bank of India have already started their operations in Lavasa.

On the education front, 2011-12 witnessed the second successful year for Christel House Lavasa with a total of

209 students. After the success of the first year, in the year 2011-12, the phase – II of 'Christel House Lavasa' was launched. Ecole Hoteliere Lavasa started its third batch and academic certification from Ecole Hoteliere Lausanne has now been received to conduct Masters programmes and from IGNOU to conduct and award degrees. Next in the pipeline for opening is Mussoorie International Lavasa, powered by Educomp and EuroKids and Birla Edutech with primary and pre-primary schools. Professional and executive education took off at Lavasa in a big way with Massachusetts Institute of Technology (MIT) having conducted their first programme on Airport and Airline Systems, Planning and Management.

My City Technology, a Company promoted by Lavasa, Cisco and Wipro to develop IT infrastructure, also began its operations.

There was continuous stress on creating awareness through marketing initiatives, primarily by exposing the city to a wider audience through events. A television series called 'Urban Longings' was aired to highlight the need for planned new cities. This was supplemented by a series of articles by personalities like Dr. APJ Abdul Kalam, who shared their ideas of a 'future city'. Events like 'Literature Live' and Lavasa Mifta Awards brought the city closer to arts and culture.

On the tourism front, Lavasa has tied up with I-Dream to create an all Lavasa tourism plan including a historical theme park. Lavasa is also in the process of forging an alliance with EngagePlus - a New Zealand Company for adventure sports activities to offer adventure experience at Dasve and nearby areas.

Lavasa continued its focus on branding and communication activities through 2011-12.

Importantly, as stated earlier, Lavasa was granted Environmental Clearance by MoEF for the first phase of 2000 Hectares (Ha) in November 2011. A large scale PR exercise across various media channels - print, TV and online - was undertaken welcoming the news. Social Media and the Lavasa website were used to disseminate related information and to address any related queries. Media engagement and relationship building exercise continued throughout the pre-clearance to post-clearance period. A new brand campaign 'At Work' was released in 2012. This was to reassure the general public at large that developmental work has begun at Lavasa.

Positive sales trend continued through the year, with the Company giving possession to over 150 residential units in Dasve. Residential sales of the first town Dasve have almost been completed. There have also been many

enquiries for further residential units in Lavasa. Sales for the second town Mugaon was launched on the occasion of Gudi Padwa in March 2012. Almost 75% of the inventory has been sold out within just a fortnight of the launch. It is also heartening to know that there have been less than 1% cancellation requests from customers in spite of the MoEF status quo. The current database of enquiries for the purchase of apartments and villas exceeded almost eighty thousand, which indicates a healthy demand.

Institutional sales and commercial tie ups have also made progress with a number of MoUs being signed. Land sale has been made to State Bank of India which is planning to set up a retail bank and a training centre cum guest house at Dasve. Development of an integrated Corporate Training Centre with a residential component at Mugaon is also being planned by a consortium led by the Gria Investment Corporation, Bengaluru. The Art of Living centre is also slated to open at Mugaon. Sales are also fast picking up in our commercial office spaces ventures – 247 Business Square and 247 Business Avenue at Lavasa. These are just initial steps towards a 365 day - 247 city that Lavasa is working towards. In the next year, the target is for many such industries including IT and ITES, Biotechnology, Knowledge Parks, R&D centres and Corporate Training centres to enable permanent residents to move in.

Real Estate

HCC Real Estate Ltd (HREL), a wholly owned subsidiary of your Company, has inherent skills and resources to develop and deliver high value real estate projects that helps in building sustained communities across India. The focus is to develop 'state-of-the-art' projects which would provide world class quality, engineering and technology and create a unique value proposition for the customers.

247Park II at Vikhroli (West): The Company has initiated the process of obtaining approvals for development of commercial office building adjacent to 247Park I which is expected to have commercial office premises of approx. 400,000 sq ft of saleable area under "Public-Parking Policy" finalised by Municipal Corporation of Greater Mumbai (MCGM). The Company has received preliminary approvals from Jt. Commissioner-Traffic for parking of 520 cars. The Company envisages the completion of the construction of the project by 2014. The marketing and sales department of the Company has submitted Request for Proposals (RFP) for built-to-suit (BTS) commercial space requirement and the Company is hopeful of receiving good response riding on the success of 247Park Phase I.

Development of Vikhroli (E) land parcel: HCC owns a land parcel at Hariyali village, Vikhroli (E), which was

declared a slum under the Slum Rehabilitation Act of 1973. HCC Real Estate is proposing to develop this land parcel through Panchkutir Developers Ltd., a wholly owned subsidiary of HCC. Consent has been received from more than 70% of slum dwellers for development of this land, and the necessary documentation has been filed with the statutory authorities seeking an approval for development on this land parcel.

Charosa Wineries Limited: Your Company's step down subsidiary Charosa Wineries Limited has till date purchased about 211 acres of land. Purchase of another 27 acres of land is in progress as on date. Total land area under cultivation is 81 acres. During the year, the Company signed a PMC agreement with the Project Management Team of HREL for providing project management, health-safety and environment management. Construction of Winery Building is at an advanced stage. The Company has been accredited under "Mahabhraman" scheme of Maharashtra Tourism Development Corporation (MTDC) to operate tour packages within the state of Maharashtra. Further, the Company has obtained registration from MTDC as a service provider for tourism.

Internationally renowned Master Planners and Architects, HOK have done master planning for setting up wine tourism project consisting of tourist resorts, cellar-doors, wine bars, restaurant, theme park, adventure sports, amphitheater, Wine spa etc. Harvesting and crushing of nearly 200 MT grapes has been completed during the year & the Company expects to launch the wine in the market during financial year 2012-13. During the year, Company fully repaid the loan taken from the bankers.

Steiner AG (formerly Karl Steiner AG), Switzerland

Steiner AG is a leading general contracting Company in Switzerland, specialized in turnkey development of new buildings and refurbishments, and offers services in all facets of real estate development and construction. Through its wholly owned subsidiary HCC Mauritius Enterprises Limited, HCC owns a majority stake of 66% in Steiner AG.

In June 2011, Steiner AG moved into its new headquarters located in the Andreas Park Business Centre in Zurich, which were developed and realized by Steiner AG itself. On this occasion, the Company's corporate name was changed from "Karl Steiner AG (Karl Steiner SA) (Karl Steiner Ltd)" to "Steiner AG (Steiner SA) (Steiner Ltd)".

Following through on HCC's aim of accessing Steiner AG's rich experience of constructing world-class integrated buildings, Steiner AG initiated international operations by

incorporating a wholly owned subsidiary, Steiner India Ltd, in August 2011. It has its registered office in Mumbai and pursues the main objective of undertaking construction of real estate projects in India.

Steiner AG generated a revenue of CHF 728 million (12 month period) compared to CHF 597 million in the 11 month period in the last business year. The profit before tax amounted to CHF 4.0 million in FY 2011-12.

In the business year 2011-12 Steiner AG signed many important contracts, which include the project NeueSchanzenpost/PostParc in Berne, a total services contract of around CHF 160 million with Swiss Post as client, a general contract for the project MehralsWohnen in Zurich, consisting of 13 apartment buildings and a range of office spaces and business premises, for a total volume of around CHF 145 million and a total services contract for project Lindbergh in Zurich, a large-scale building for mixed use with Credit Suisse as investor with a total volume of around CHF 100 million.

At year end, the order backlog of Steiner AG was CHF 1,512 million compared to CHF 1,018 million as of March 31, 2011. Steiner AG has also secured projects worth CHF 135 million which are yet to be signed.

Highbar Technologies

To leverage the expertise developed in providing in-house IT services and cater to the IT needs of the construction industry, on April 1, 2010, HCC hived off its IT department into a separate Company called Highbar Technologies. The core team comprises IT and infrastructure professionals who have amalgamated the legacy of domain knowledge in the infrastructure business with information technology. Highbar focuses on IT implementation initiatives from a business transformation perspective rather than technology implementation perspective.

In its very second year of operations, Highbar was able to compete against well-established industry players to serve 10 new customers. With this, the total customer base increased to 50. A long list of reference customers and high quantum of repeat business indicates maturity of Highbar's delivery capabilities.

In order to serve the infrastructure industry in Middle East more effectively, Highbar Technologies Ltd, has incorporated a subsidiary in Dubai, named 'Highbar Technologies FZ-LLC' which is now fully operational and has bagged customers in Middle East.

Highbar Technologies has developed a very strong strategic alliance with SAP who considers Highbar as a preferred partner for infrastructure industry. Gartner, the

world's leading IT research and advisory Company, has published case study on managing successful IT spin-off with Highbar as an example. After a long time they could locate a successful spin-off worth writing a case study on.

Highbar continues to compete consistently with more established players in the IT industry. It has already created a niche for itself in the market and is a leading player that is helping grow the 'IT for infrastructure market'.

Highbar Technologies has strategically entered into a tie-up with SAP to launch Highbar CloudConnect, which offers 1st of its kind SAP ERP solution for infrastructure, real estate and ready mix concrete industry on pay-per-user-per-month basis. This has provided SMEs a level playing field by getting access to world-class IT solutions and industry best practices in an investment friendly model. The cloud based offerings have helped Highbar Technologies to penetrate the industry further to next level by reaching to the masses.

With industry knowledge, Highbar has developed infrastructure industry templates based on the best practices of infrastructure industry. These provide the customers access to best practice level of business process enabled by IT. This also reduces mindshare and timeshare of the customer, while reducing the implementation time and TCO. The Company has developed Highbar RapidStart and Highbar CloudConnect solutions based on the templatised approach which are Intellectual Property (IP) assets for Highbar Technologies.

Highbar continues to support HCC in its IT usage. SAP ERP is already institutionalized in HCC's Engineering and Construction division as well as in group companies and subsidiaries including HCC Infrastructure, HCC Real Estate and Lavasa Corporation. All the IT applications are supported at the back end by a rugged and scalable IT infrastructure comprising state-of-the-art wide area network and a well connected data centre. The Web based Vendor portal built on SAP Platform also continues to be used effectively by suppliers, sub-contractors, transporters and service providers to collaborate and transact with HCC on a daily basis. To bring about operational efficiency and cost control, the SAP ERP system was further enhanced by building up a host of business process controls, automations and system based pre-alerts and MIS reporting. The budgeting system for project sites was further enhanced to bring about simplicity in preparation and ease of review. SAP Business Objects was implemented in 2011 and management dashboards covering organizational level key financial metrics have been implemented.

In January 2011, SAP CRM was implemented with a view to achieve a better hit ratio, increased market share and better profit margins. Over the last year the usage of the system has stabilized and the desired benefits have started to fructify. HCC's SAP CRM implementation was the first for Indian Construction Industry and the effective implementation and usage, helped HCC win the SAP ACE award for 2011.

Highbar Technologies is on the course towards achieving its vision of being considered 'the most preferred end to end IT solution provider' for the infrastructure industry.

Pillars of Support

The operations of the different divisions are supported by Management Systems, Intellectual Property Rights, Branding and Human Resource.

Management Systems

HCC's business operations extend to remote project sites spread across different states. Creating, developing and establishing best-in class processes and systems across these sites are fundamental to ensure the Company's competitive strength.

HCC has adopted an integrated approach towards Quality, Environment, Health and Safety and has incorporated these in business practices. The objective of an Integrated Management System (IMS) is to inculcate a culture of continuous improvement that will enhance quality of the products and maintain the highest standards of environment protection and safety of the project team and workforce to maximize customer satisfaction.

This adheres to the stringent standards stipulated by ISO 9001 : 2008 for Quality; ISO 14001 : 2004 for Environment; and BS OHSAS 18001 : 2007 for Occupational Health and Safety.

On the safety front, HCC focuses on creating a culture that continuously reduces the frequency of incidents to achieve the goal of 'Zero Reportable Injuries'. The Company is also committed to reducing the impact on environment during execution or construction of projects by continuously monitoring the environment.

HCC has a good safety performance record in nine projects, which have achieved more than 3 million safe man-hours and five projects which have achieved 2 million safe man-hours without any reportable accident until March 2012.

To achieve these objectives, engineers at various functional levels are trained by professional agencies to ensure proper operation of processes and implementations of systems. These trained engineers then act as internal

auditors to conduct regular bi-annual internal IMS audits based on a detailed schedule.

There were several IMS-related developments in 2011-12. Between November 21, 2011 and December 23, 2011, M/s TÜV NORD, the certifying agency, conducted a surveillance audit for ISO 14001: 2004, BS OHSAS 18001: 2007 and ISO 9001: 2008 to verify the status of compliance to the requirements of these standards. The objective and effectiveness of Integrated Management System has been verified during this audit course. Five project sites of the Company and most of the functions at corporate office were subjected to these audits. The auditors recommended continuation of certification for ISO 14001: 2004, BS OHSAS 18001: 2007 and ISO 9001: 2008 valid up to March 2014.

Intellectual Property Rights

HCC continued to pursue its initiative on creation and protection of Intellectual Property (IP) during 2011-12.

Patents

HCC is awaiting registration on the following invention applications submitted to the patenting authority under the Patents Act, 1970 in India. These inventions are under examination by the Patent Office:

- Pipe joint leak-testing device.
- A system for automatic accounting of fluids in a vessel, container or tank.
- New capping system for testing concrete and rock cores.
- System and method for online monitoring of fuel consumption in automobiles.
- System and method for detecting trespassing below a parked vehicle.
- Geotextile Sand Container Mattresses (GSCM) lining for temporary river bed diversion channels.

Trade Marks

During the year under review, the Company filed applications for registration of trade marks/obtained registration as per details below:

- In June 2011, in respect of wholly owned subsidiary, Highbar Technologies Limited, obtained registration for the trade mark "Highbar" from the Registrar of Trade Marks, Mumbai.
- In July 2011, filed a multi class trade mark application for registration of mark 'HCC Innovention ' before the Trade Marks Office, Mumbai.
- In January 2012, in respect of wholly owned subsidiary, Highbar Technologies Limited, filed

three trade mark applications including a multi-class application for registration of marks 'Highbar Rapidstart' and 'Highbar Cloudconnect' before the Trade Marks Office, Mumbai.

Copyrights

- In October 2011, in respect of wholly owned subsidiary, Highbar Technologies Limited, filed two copyright registration applications for protection of 'Highbar' labels (artistic work) at the Copyright Office, New Delhi.

Branding at HCC

HCC continued to build its brand presence and communicate its core competence. Among the major milestones achieved during the financial year were the completion of the 12 Km long Marol-Maroshi water supply tunnel in Mumbai as well as the 21 Km Pir Panjal Tunnel packages in Jammu & Kashmir – which includes India's longest tunnel poised to bring broad gauge rail connectivity to Srinagar. A structured communication programme resulted in good visibility for HCC in national media, creating a connect with India's critical infrastructure projects thus enhancing perception of the HCC brand centred around its core philosophy of 'Responsible Infrastructure'.

As India transforms the road travel experience for motorists and goods with the development of several arterial national highways, HCC's contribution to building more than 3,100 lane kms of the national highway programme is increasingly visible. Its brand presence penetrated further into interior towns when the four lane Dhule-Palesnar Tollway on NH-3, developed by HCC Concessions Ltd in a joint venture, was opened to motorists a full four months ahead of schedule. Branding along the entire 89 Km route was specially created to guide and facilitate traffic for a safer and smoother journey. A similar exercise was conducted along the Lucknow-Muzaffarpur Highway on NH28 linking Lucknow and Gorakhpur and is also underway along the 276 km long NH-34 redevelopment project in West Bengal.

The visit of the Prime Minister of Bhutan, Mr. Jigme Y. Thinley, accompanied by other dignitaries from the Government of Bhutan to the Punatsangchhu Hydel project drew attention to HCC's continuing and key role in building hydel power capacities for the region.

HCC's website underwent a comprehensive overhaul for enhanced access to updates, news and information. HCC's brand communication programme continues to be refined with the appointment and induction of project Brand Champions aimed at strengthening their key role in dissemination of brand values amongst all Company staff.

Internally, key accomplishments across HCC in the areas of project milestones, R&D and innovation were communicated through the employee magazine HCC News and several other electronic newsletters.

Human Resources (HR)

During the year 2011-12, the focus of the organisation was on consolidation, improvement and reorganisation to meet the prevailing challenges.

Within HR, the first step towards this was the realignment of the organisation structure along the functional line to reinforce enhanced focus and accountability in various areas of business including business acquisition, business implementation and technology. Teams were regrouped and put in place for working along the lines of the revised organisation structure.

There were also significant initiatives in reducing costs. There has been manpower right sizing at the sites as well as the corporate office. In addition, concerted effort was put in place for reducing administrative costs right across the organisation.

While there was an emphasis on the cost side, talent acquisition initiatives were also carried out to fill up specific senior positions, which were functional necessities arising out of the new business orientation.

Initiatives undertaken earlier to improve the human resources effectiveness through automation of HR systems and processes continued. An online Employee Portal has been developed in expediting various HR processes as a self service model. Implementation of the manpower deployment tool has started delivering results in effectively managing the human resources inventory and the vacancies.

Financial Review

Table 1 gives the Abridged Profit and Loss Account for HCC, as a standalone Company, while **Table 2** lists the key financial ratios.

Table 1: Abridged Profit and Loss account of HCC

(₹ crore)

| | 2011-12 | 2010-11 |
|-------------------------------------|---------|---------|
| Revenue | | |
| Income from operations | 4,002.8 | 4,144.0 |
| Less: Income from JVs | 11.3 | 50.8 |
| Net income from operations (a) | 3,991.5 | 4,093.2 |
| Profit/(Loss) on integrated JVs (b) | (3.2) | (2.5) |
| Total (a) + (b) | 3,988.2 | 4,090.7 |
| Expenditure | | |
| Construction expenses | 2,965.7 | 2,890.2 |

(₹ crore)

| | 2011-12 | 2010-11 |
|---|----------------|----------------|
| Staff costs | 439.2 | 467.6 |
| Other expenditure | 143.5 | 192.0 |
| Interest | 543.2 | 329.0 |
| Depreciation | 162.1 | 152.7 |
| Total | 4,253.7 | 4,031.5 |
| PBDIT (including profit/loss on integrated JV) | 439.8 | 540.9 |
| PBT (including profit/loss on integrated JV) | (265.5) | 59.2 |
| Exceptional items | (166.3) | - |
| Other income | 122.8 | 43.9 |
| Exchange Gain/(Loss) | (9.5) | 8.6 |
| PBT (including other income, Exceptional items and profit/loss on integrated JVs) | (318.5) | 111.7 |
| Deferred Tax Charge/(Credit) | (96.2) | 40.7 |
| PAT | (222.3) | 71.0 |

Table 2: Key Financial Ratios

| | 2011-12 | 2010-11 |
|--------------------|---------|---------|
| PBDIT / Net Income | 11.0% | 13.2% |
| PBT / Net Income | -8.0% | 2.7% |
| PAT /Net Income | -5.6% | 1.7% |
| ROCE | 4.0% | 9.3% |
| Basic EPS (₹) | (3.66) | 1.17 |

Internal controls and their adequacy

HCC has an adequate system of internal control to ensure that the resources of the Company are used efficiently and effectively, all assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorised, recorded and reported correctly, financial and other data are reliable for preparing financial information and other data and for maintaining accountability of assets. The internal control is supplemented by extensive programme of internal audits, review by management, documented policies, guidelines and procedures.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the infrastructure sector, significant changes in political and economic environment in India, exchange rate fluctuations, tax laws, litigation, labour relations and interest costs.

Corporate Social Responsibility (CSR): Responsible Infrastructure

Since its inception, HCC has a long-standing commitment to developing responsible infrastructure. The Company remains steadfast on its objective of pursuing holistic growth with responsibility towards the people and the environment. As a pioneer and trend-setter in the construction industry in India, HCC is aware of the responsibilities that accompany its leadership status. The Company has a slew of social initiatives that complements its world class operational processes and systems to provide for responsible infrastructure development.

Sustainable Practices

HCC's businesses practices ensure minimal environmental impact through appropriate water, air and waste management. This helps in optimisation of resources and the quantification of such practices is disclosed through the annual sustainability report that uses the GRI framework of reporting. Each project site has a trained sustainability champion for effective communication.

In 2011-12 too, HCC's Sustainability Reports have been accredited by the Global Reporting Initiative (GRI) with Application Level Check **A+**.

HCC is an organizational stakeholder of the Global Reporting Initiative (GRI) and a member of the GRI's Working group on construction and real estate sector (CRESS) tasked with developing sector specific sustainability reporting guidance. The Company is also a member of **UN Global Compact (UNGC)**, **TERI - World Business Council on Sustainable Development** and signatory to various **UNGC initiatives including "Caring for Climate" and "The CEO Water Mandate"**.

Education

HCC regularly trains engineers and other personnel for its in-house requirements. Walchand College of Engineering (WCE), one of the oldest engineering colleges in India, started by the Walchand family is mentored by Mr. Ajit Gulabchand, Chairman & Managing Director of HCC, who serves as the Chairman of the College Board. This prestigious academic institution received autonomy in 2007, and in May 2011, the first batch of B.Tech students graduated. In all, 468 engineers passed out of WCE in the academic year 2010-11, including 20 medalists.

HIV/AIDS

Recognizing the serious impact that HIV/AIDS has amongst migrant workers and in turn on the enterprise, HCC has formulated the HIV/AIDS Workplace Policy and adopted a Workplace Intervention Programme (WPI) that focuses on prevention programmes and zero tolerance

of stigma and discrimination at the workplace. The WPI focuses on enhancing awareness and education about HIV/AIDS, creating a supportive and safe environment for workers and preventing discrimination. In this endeavor, the Company is partnered by the International Labour Organisation (ILO), the Avert Society (USAID Programme) and the Clinton Global Initiative. The programme aims to sustain optimal workplace productivity by conducting prevention, education and awareness training. The WPI model is based on three tier system viz. Training of Trainers, Creating trained Peer Educators and Sensitization of Management (Officers), so that their support to the programme percolates down to all beneficiaries.

World AIDS Day on 1st December was observed across the Company to show solidarity and commitment to work towards the prevention of the epidemic. Activities organized across project sites include screening of informative movies, street plays, distribution of literature, blood donation camps and various competitions.

At the end of 2011-12, a total of 46,398 officers and workers have been covered through the WPI program. We have created a pool of 301 Master Trainers and Peer Educators across our project sites. The total number of man-hours spent on the WPI program is now 143,674 hours. Creation of a trained Master Trainer and Peer Educator pool has helped us fulfill our employee sensitization and training in-house without the need of an outside consultant.

During 2011-12, there were some new alliances established to further extend the initiative focusing on HIV/AIDS among women and children. This included HCC and the Times Foundation, in association with the Municipal Corporation of Greater Mumbai (MCGM), launching a health initiative titled Project 'Sahyog'. The aim of the project was to complement the Government's efforts to increase the demand among the urban slums for accessing affordable health care services provided by the BMC health department. The programme was to sensitize workers to mother and child health and prevention of parent-to-child HIV transmission (PPTCT). 500 frontline workers were trained through customized module and communication material reaching to 5 lakh population of the 'L' and 'M' wards of Mumbai.

Water

HCC recognizes the correlation of business sustainability with water resource management and is committed to monitor and conserve the amount of water used across its construction project sites.

HCC, the first Indian Company to endorse United

Nations Global Compact's "The CEO Water Mandate" and an Industry partner of the World Economic Forum (WEF), makes it a point to embed the principles of water resources management in all its activities. As a responsible corporate steward, HCC has always been motivating other companies, to join this initiative by presenting best practices of water stewardship at HCC in various local, regional, national, and international conferences and symposia. Such moves are crucial in bringing about inclusive development for the nation, in general, and in developing sustainable infrastructure, in particular.

To effectively implement the CEO Water Mandate, a team of water experts and practitioners based at HCC's Head Office in Mumbai, communicate with the project sites through a nodal officer ("Water Champion") stationed at each site. Over the years of implementing the CEO Water Mandate at the project sites, HCC has been able to optimize consumption of water leading to enhancement of HCC's ability to conserve precious freshwater. It also helps minimize carbon footprint for resourcing and pumping freshwater to the construction site. There have been a number of water interventions taken at projects sites of HCC spread over India and abroad.

Rain water harvesting, for example, has been in practice in India and elsewhere from times immemorial. However, the concept of harnessing this technique to harvest rainwater collected through specifically designed storm water drains alongside an infrastructure project like Badarpur elevated highway is unique and exemplary. This innovative application of rainwater harvesting technique has the potential to recognize the significance of ground water recharge of rainwater from paved surfaces and demonstrates a way to offset the impact of ever increasing paved surfaces being built in the process of infrastructure development, in general, and Roads, highways, and Elevated Highways, in particular.

Similarly, in case of Vizag Cavern Project (VCP), installation of sedimentation tank(s) for solids removal at construction site was one of the regulatory compliance to be adhered to. However, producing water from a specifically designed effluent treatment plant for process consumption was a unique HCC initiative. Adoption of Desalination Plant at the DGNP site in Mumbai is yet another innovative initiative under the aegis of UN Water Mandate. In this case, water is being sourced from the Arabian sea, treated through the desalination plant and the treated water is being used for HCC's process consumption.

Cumulatively, across all HCC's projects sites in this FY 2011-2012, approximately 285 million litres of fresh water have been conserved.

With these activities and continual engagement with work

streams and programmes of United Nations (UN), Global Reporting Initiative (GRI), World Economic Forum (WEF), The Energy and Resources Institute (TERI); HCC has been translating its experiences into advocacy.

Disaster Management

HCC's vision is "to build on the core strengths and existing capacity of the organization i.e. Engineering, Project Management Capabilities and availability of relevant resources & be well equipped to handle emergencies through trained engineers & workers, heavy equipments and communication hardware needed for disaster response, evacuation and reconstruction."

The Company actively participates in various disaster relief initiatives and engages in many National and International level partnerships to support disaster management.

HCC, one of the founding members of Disaster Resource Partnership (DRP) Global, is leading the DRN National Network in India. DRP is a model, created by WEF, for coordinated private sector partnership in response to natural disasters. DRN India is one of the three national networks under DRP, other two being Mexico and Indonesia Network. Our Chairman & Managing Director, Mr. Ajit Gulabchand is one of the steering board members of DRP Global and chairs the DRN India Network.

The DRN India, established in 2002, is a consortium of engineering and construction (E&C) companies operating in India, that seeks to apply the core skills and assets within the Company, to disaster response. DRN India mainly focuses on: [1] capacity building trainings-First Responder Training and Engineering in Emergencies to respond to emergency situations [2] support for disaster relief operations.

Under DRN India, HCC has supported many rescue and relief operations in the past ten years at National and International levels like Tsunami (2004), J&K Earthquakes (2005), Mumbai Floods (2005), Bangladesh Cyclone(2007), Leh Flash Floods (2010),Sikkim Earthquake (2011) etc.

Some highlights of 2011-12

- First Responder Training, a basic training given to all employees on life saving skills, till medical help is provided.
- Engineering in Emergencies Training is an advanced level residential training given to a subset of HCC engineers to qualify them for emergency relief and rehabilitation work.

At the end of the year 2010-11, a total of 11500 employees trained in first responder training contributing 46000

man hours and 66 engineers trained in engineering in emergencies training contributing 3696 man hours.

- HCC team lead by EE trained engineers supported relief and rehabilitation during Leh Flash Floods 2010, West Bengal Train Accident 2011 and Sikkim earthquake 2011.
- Several companies including L&T, Essar, Shapoorji & Pallonji, Afcons, Halcrow, CH2MHILL, Arup, and Hircro have joined hands to take the DRN India Network forward.
- HCC has joined United Nation's International Strategy for Disaster Reduction (UNISDR)'s new division, Disaster Risk Reduction Private Sector Partnership (DRR-PSP) to engage the private sector in future Disaster Risk Reduction (DRR) initiatives. Our CMD, Mr. Ajit Gulabchand is a member of Private Sector Advisory Group along with 14 more CEO's from leading global companies.

Community Development Initiatives

HCC has a long tradition of contributing to and investing in communities in and around its project sites. Under the broad umbrella of community development, several initiatives have made a lasting impact on the economic, environmental and social conditions of local people.

Community Development Activities

- Donation of computers and other equipment to schools
- Tree plantation
- Construction of composting facilities
- Construction of roads, sanitation facilities and temples
- Provision of electricity
- Construction of irrigation and drinking water systems
- Provision of employment
- Sponsorship of vocational training programs

Other than this, the project sites also undertake specific community development initiatives based on HCC's CSR mandates in Education, Water, Disaster Management and HIV/AIDS awareness.

Corporate Partnership Kihim, Maharashtra

HCC has partnered with Kihim Gram Panchayat over the past three years promoting effective Solid Waste Management, among other environmental and

developmental issues. Last year, in response to the lack of garbage collection facility in the village, we handed over a scientific garbage collection van to the village Sarpanch. The van was purchased on the basis of a public private partnership between HCC and the village Gram Panchayat. A beach cleaning drive organized by HCC at Kihim which was a major community activity. The main objective of this program was to clean the beach through community participation and engage students and the youth. HCC has also donated computers to local schools with the aim of educating the students on various aspects of health and environment through the medium of information technology.

Gulabchand Foundation

The Gulabchand Foundation primarily focuses on carrying out various health care and educational initiatives for the advancement of underprivileged rural and urban sections of the society. It is a non profit making Company duly registered in the year 2003 under Section 25 of the Companies Act, 1956, under the leadership of Mr Ajit Gulabchand, Chairman & Managing Director of Hindustan Construction Company Ltd (HCC). In the past year, GF has supported, amongst other causes, Cochlear Implant (CI) surgery for children. This is a surgical procedure to implant a digital device within the ear to treat profound deafness; this surgery being most effective in children. GF provides financial support to persons for this surgery based on several factors like the recommendation of doctor, age of the patient, financial status of the parents, parent's commitment etc established through home visit, interview with parents etc. In 2011-12, more than ₹ 10 Lakhs was donated for two CI surgeries on three year old girls.

During the year under review, GF has also donated approx. ₹ 2.49 crore towards educational activities like providing support to students below poverty line by donating IXth and Xth std. text books to three schools in Pune and for providing scholarship to needy bright students. In its aim to strengthen support to educational institutions, GF has contributed towards the building of infrastructure at Christel school in LAVASA and for development of international curriculum for engineering students at Walchand College of Engineering, Sangli which would enable students to be creative and aspire for an innovative thinking in the field of construction and thereby set a new trend while serving the industry at large. Other than health and educational support, GF has also extended its help for the cause of 'Save Animals' by sponsoring an education and awareness event.

Report on Corporate Governance

HCC is committed to uphold the core values of transparency, integrity, honesty and accountability across all its business activities. The Company's focus on adopting the highest standards of Corporate Governance and Ethical Business Practices is fundamental to this commitment. The Company believes that sound Corporate Governance is critical for enhancing and retaining investor trust and your Company always seeks to ensure that its performance goals are met with integrity. The Company is of the view that good governance goes beyond good working results and is a pre-requisite to attainment of excellent performance in terms of stakeholder value creation.

The Board of Directors of your Company play a proactive role in fulfilling its fiduciary obligations by efficiently overseeing management functions to ensure their effectiveness in delivering shareholder value. This belief is reflected in our governance practices, under which we strive to maintain an effective, informed and independent Board. We keep our governance practices under continuous review and benchmark ourselves to the best governed companies across the industry.

In addition, the Company has established systems to encourage and recognize employee participation in environmental and social initiatives that contribute to organizational sustainability, conservation of energy, and promotion of safety and health, which are an integral part of the Company's business model.

These governance structures and systems are the pillars of foundation that provide adequate empowerment across the Company to leverage opportunities for a sustainable overall growth.

This Chapter reports the Company's compliance with the mandatory requirements on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges and also highlights some of the non-mandatory practices adopted by the Company.

I) Board of Directors

(a) Composition of the Board

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, which stipulates that at least 50% of the Board should consist of Independent Directors, if the Chairman of the Board is an Executive Director.

As on March 31, 2012, the Board comprised of twelve Directors. Out of these, two are Executive Directors, including the Chairman & Managing Director who is a Promoter Director.

Of the ten Non-Executive Directors, eight are Independent Directors. All the Directors possess the requisite

qualifications and experience in general corporate management, finance, banking, insurance and other allied fields enabling them to contribute effectively in their capacity as Directors of the Company.

As mandated under Clause 49 of the Listing Agreement, the Independent Directors on the Board of the Company:

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the Company, its Promoters, Directors, Senior Management or its Holding Company, Subsidiaries and Associates which may affect independence as a Director;
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board;
- Have not been executive(s) of the Company in immediately preceding three financial years;
- Are not partner(s) or executive(s) or were not partner(s) or executive(s) during the preceding three years, of any of the following:
 - i. Statutory audit firm or the internal audit firm that is associated with the Company
 - ii. Legal firm(s) and consulting firm(s) that have a material association with the Company.
- Are not material supplier(s), service provider(s) or customer(s) or lessor(s) or lessee(s) of the Company, which may affect independence of the Director;
- Are not substantial shareholders of the Company i.e. do not own two per cent or more of the block of voting shares;
- Are not less than 21 years of age.

None of the Directors of the Company are inter-se related to each other.

Except the Managing Director and Whole-time Director, all Directors are liable to retire by rotation.

On October 21, 2011, the Board of Directors appointed Dr. Ila Patnaik as an Additional Director of the Company, subject to approval of the shareholders of the Company at the forthcoming Annual General Meeting.

(b) Number of Board Meetings

The Board of Directors met 7 times during the year under review on April 29, 2011, June 10, 2011, July 28, 2011, October 21, 2011, December 27, 2011 January 20, 2012 and March 9, 2012. The maximum time gap between any two consecutive meetings did not exceed four months.

(c) Directors' attendance record and details of Directorships/Committee Positions held

As mandated by Clause 49 of the Listing Agreement, none of the Directors on Board is a member of more than ten Board-level committees and Chairman of more than five such committees, across all such Companies in which he is a Director.

Table 1: Details of the Board of Directors

| Name of the Director | Category | Number of Board meetings held | Number of Board meetings attended | Whether attended last AGM | Number of Directorships of other public companies* | Committee Positions *# | | Whether having any pecuniary or business relation with the Company. |
|------------------------|--|-------------------------------|-----------------------------------|---------------------------|--|------------------------|--------|---|
| | | | | | | Chairman | Member | |
| Ajit Gulabchand | Promoter, Chairman & Managing Director | 7 | 7 | Yes | 14 | 1 | 3 | None |
| Y.H. Malegam | Independent Director | 7 | 7 | Yes | 7 | 4 | 1 | None |
| K.G. Tendulkar | Non-Executive Director | 7 | 6 | Yes | 8 | 1 | 3 | None |
| Rajas R. Doshi | Independent Director | 7 | 6 | Yes | 3 | 1 | 4 | None |
| Ram P. Gandhi | Independent Director | 7 | 6 | Yes | 6 | 1 | 1 | None |
| Prof. Fred Moavenzadeh | Non-Executive Director | 7 | 3 | No | Nil | Nil | Nil | Technical Consultant |
| D.M.Popat | Independent Director | 7 | 6 | Yes | 3 | - | - | Partner of Mulla & Mulla & Craigie Blunt & Caroe, Solicitors to the Company |
| Sharad M. Kulkarni | Independent Director | 7 | 7 | Yes | 9 | 5 | 4 | None |
| Nirmal P. Bhogilal | Independent Director | 7 | 5 | No | 3 | Nil | 3 | None |
| Anil C. Singhvi | Independent Director | 7 | 6 | Yes | 5 | 1 | 2 | None |
| Arun V. Karambelkar | President & Whole-time Director | 7 | 7 | Yes | 8 | Nil | Nil | None |
| Dr. Ila Patnaik \$ | Independent Director | 7 | 2 | N.A. | Nil | Nil | Nil | Renders Professional Services |

* Excludes private limited companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956 (i.e. associations not carrying on business for profit or which prohibits payment of dividend).

Chairmanship / Membership of Audit Committee and Shareholders' / Investors' Grievance Committee in public companies (including that of Hindustan Construction Company Limited) have been considered.

\$ Was appointed by the Board of Directors as an Additional Director w.e.f. October 21, 2011.

(d) Information to the Board

A detailed agenda folder is sent to each Director in advance of the Board Meetings. As a policy, all major decisions involving investments and capital expenditure, in addition to matters which statutorily require the approval of the Board are put up for consideration of the Board. Inter alia, the following information, as may be applicable and required, is provided to the Board as a part of the agenda papers.

- Annual operating plans and budgets.
- Capital budget-purchase and disposal of plant, machinery and equipment.
- Quarterly, Half yearly and Annual results of the Company.

Table 1 gives the names and categories of Directors, their attendance at the Board Meetings held during the year and at the last Annual General Meeting as also the number of Directorships and Board-level committee positions held by them in other Public Companies as on March 31, 2012.

- Minutes of the Meetings of the Audit Committee and other Committees of the Board.
- Information on recruitment and remuneration of senior officers just below the Board level.
- Materially important show cause, demand, prosecution notices and penalty notices, if any.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payments by clients.
- Any issue, which involves possible public or product liability/claims of substantial nature, including any judgments or orders which may have passed strictures on the conduct of the Company or adverse

views regarding another enterprise that can have negative implications on the Company.

- Details of any joint venture agreement or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in human resources or on the industrial relations front such as signing of wage agreement, etc.
- Sale of material nature, of investments, subsidiaries, assets, which are not in the normal course of business.
- Quarterly details of foreign exchange exposure and the steps taken by the Management to limit the risk of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders' service such as non-payment of dividend, delay in share transfer, etc.

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Management as well as steps taken by the Company to rectify instances of non-compliances, if any. Further, the Board also reviews the financial statements of the Unlisted Subsidiary Companies. In addition to the above, pursuant to Clause 49 of the Listing Agreement, the Minutes of

the Board Meetings of the Company's Unlisted Subsidiary Companies and a statement of all significant transactions and arrangements entered into by the Unlisted Subsidiary Companies are placed before the Board.

(e) Directors with pecuniary relationship or business transaction with the Company:

The Executive Directors receive Salary, Perquisites and Allowances, while all the Non-Executive Directors receive Sitting Fees. In addition, Prof. Fred Moavenzadeh, Non-Executive Director, receives Technical Fees and Dr. Ila Patnaik receives Professional Fees, details of which are given in Table 2.

(f) Remuneration to Directors:

The below Table 2 gives the details of remuneration paid/payable to Directors for the year ended March 31, 2012 along with the details of outstanding Stock Options lying in their account.

The Company did not advance any loans to any of its Directors during 2011-12.

Ms. Shalaka Gulabchand Dhawan, Vice President – Business Development of the Company is the daughter of Mr. Ajit Gulabchand, Chairman & Managing Director of the Company. The gross remuneration paid to her, for the year ended March 31, 2012, was ₹ 91.88 Lacs which is within the limits approved by the shareholders and Central Government in accordance with Section 314(1B) of the Companies Act, 1956.

Table 2: Remuneration paid/payable to Directors

| Name of the Director | Salaries, Perquisites & Allowances+ | Commission | Sitting fees* | Technical / Professional fees# | Total (₹) | No. of outstanding stock options\$ |
|--|-------------------------------------|------------|------------------|--------------------------------|--------------------|------------------------------------|
| Ajit Gulabchand** (Chairman & Managing Director) | 5,86,40,000 | - | - | - | 5,86,40,000 | Nil |
| Y.H. Malegam | - | - | 1,40,000 | - | 1,40,000 | 68,600 |
| K.G. Tendulkar@ | - | - | 2,80,000 | - | 2,80,000 | Nil |
| Rajas R. Doshi | - | - | 2,80,000 | - | 2,80,000 | 68,600 |
| Ram P. Gandhi | - | - | 3,60,000 | - | 3,60,000 | 68,600 |
| Prof. Fred Moavenzadeh | - | - | 60,000 | 34,93,500 | 35,53,500 | 68,600 |
| D.M.Popat | - | - | 1,20,000 | - | 1,20,000 | 68,600 |
| Sharad M. Kulkarni | - | - | 2,40,000 | - | 2,40,000 | 48,600 |
| Nirmal P. Bhogilal | - | - | 1,60,000 | - | 1,60,000 | 68,600 |
| Anil C. Singhvi | - | - | 5,00,000 | - | 5,00,000 | 54,880 |
| Arun V. Karambelkar** (President & Whole-time Director) | 2,22,88,266 | - | - | - | 2,22,88,266 | 5,49,000 |
| Dr. Ila Patnaik | - | - | 40,000 | 1,75,000 | 2,15,000 | Nil |
| Total | 8,09,28,266 | - | 21,80,000 | 36,68,500 | 8,67,76,766 | 10,64,080 |

** Remuneration paid to Chairman & Managing Director and the President & Whole-time Director is in excess of the limits specified in Schedule XIII of the Companies Act, 1956. The Company has made an application seeking approval from Central Government for payment of managerial remuneration in excess of the limits specified under the Companies Act, 1956, for the financial year ended March 31, 2012. Approval is awaited.

+ Perquisites include Company's contribution to Provident Fund and Superannuation Fund.

* Sitting fees comprises payment made to Non-executive Directors for attending Board meetings and/or Board Committee meetings.

Professional fees paid for rendering technical / professional services (excluding Service Tax).

\$ As on March 31, 2012, 10,64,080 Stock Options (comprising vested and unvested after adjustment for lapsed and exercised options), in aggregate are outstanding to the account of the Directors, which can be exercised at an exercise price of Rs. 52.03 per Stock Option as per the exercise schedule.

@ Out of the original grant of 6,17,600 stock options made to Mr. K. G. Tendulkar, in his erstwhile capacity as the Deputy Managing Director, 4,94,080 unvested stock options stood automatically lapsed, on account of his retirement from the services of the Company with effect from November 7, 2009. The balance 2,47,040 vested stock Options have also lapsed on November 7, 2011.

Mr. Arjun Dhawan, President – HCC Infrastructure, is the son-in-law of Mr. Ajit Gulabchand, Chairman & Managing Director of the Company. The gross remuneration, paid to him, for the year ended March 31, 2012, was ₹ 2.03 crore. The remuneration so paid is well within the limits approved by the shareholders and Central Government in accordance with Section 314(1B) of the Companies Act, 1956.

(g) Details of Equity Shares held by the Non-Executive Directors

While the details of outstanding stock options held by Non-Executive Directors have been disclosed in **Table 2**, the details of the Equity Shares held by the Non-Executive Directors as on March 31, 2012 is given in **Table 3**.

Table 3: Details of Equity Shares held by Non-Executive Directors as on March 31, 2012.

| Name of the Director | Number of Shares |
|------------------------|------------------|
| Y.H. Malegam | 10,000 |
| K.G. Tendulkar | 20,000 |
| Rajas R. Doshi | 32,000 |
| Ram P. Gandhi | 48,000 |
| Prof. Fred Moavenzadeh | Nil |
| D.M. Popat | Nil |
| Sharad M. Kulkarni | 20,000 |
| Nirmal P. Bhogilal | 3,87,800 |
| Anil C. Singhvi | 33,720 |
| Dr. Ila Patnaik | Nil |

(h) Code of Conduct

The Board of Directors has laid down two separate Codes of Conduct ('Code(s)'), one for the Non-Executive Directors and the other for Executive Directors and designated employees in the Senior Management. These Codes have been posted on the Company's website – www.hccindia.com. All the Board Members and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct as applicable to them, for the year ended March 31, 2012. A declaration to this effect signed by Mr. Ajit Gulabchand, Chairman & Managing Director is annexed to this Report.

Table 4: Details of the Audit Committee

| Name of the Member | Category | Position | No. of meetings held | No. of meetings attended | Sitting fees paid (in ₹) |
|--------------------|----------------------|----------|----------------------|--------------------------|--------------------------|
| Sharad M. Kulkarni | Independent Director | Chairman | 4 | 4 | 80,000 |
| Ram P. Gandhi | Independent Director | Member | 4 | 4 | 80,000 |
| Rajas R. Doshi | Independent Director | Member | 4 | 4 | 80,000 |
| Anil C. Singhvi | Independent Director | Member | 4 | 4 | 80,000 |

II) Board Committees

The Board of Directors has constituted five Board Committees - Audit Committee, Remuneration Committee, Shareholders'/Investors' Grievance Committee, ESOP Compensation Committee and Selection Committee of the Board. All decisions pertaining to the constitution of Committees, appointment of members and fixing of terms of reference of the Committees are taken by the Board of Directors. Details on the role and composition of these Committees, including the number of meetings held during the financial year and attendance at meetings, are provided below.

(a) Audit Committee

As on March 31, 2012, the Audit Committee comprises four Independent Directors. They are Mr. Sharad M. Kulkarni - (Chairman), Mr. Ram P. Gandhi, Mr. Rajas R. Doshi and Mr. Anil C. Singhvi. All Members of the Audit Committee possess accounting and financial management knowledge.

The President & Whole-time Director, Group Chief Financial Officer, Business Heads, the Head of Internal Audit and the representative of the statutory auditors are invited for the meetings of the Audit Committee. Mr. Vithal P. Kulkarni, Company Secretary is the Secretary to this Committee.

The Audit Committee met four times during the year on April 28, 2011, July 28, 2011, October 20, 2011 and January 19, 2012. The maximum time gap between any two consecutive meetings did not exceed four months. The minutes of the meetings of the Audit Committee are reviewed and noted by the Board. The details of the composition of the Committee, meetings held, attendance at the meetings along with sitting fees paid, are given in **Table 4**.

The Chairman of the Audit Committee was present at the Annual General Meeting (AGM) of the Company held on June 10, 2011 to answer shareholder queries.

The terms of reference of the Audit Committee are in conformity with the requirements of Clause 49 (II)(D) of the Listing Agreement and Section 292A of the Companies Act, 1956. Further the Audit Committee has been granted powers as prescribed under Clause 49 (II)(C) of the Listing Agreement.

The terms of reference of the Audit Committee includes the following:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by them.
- Reviewing, with the Management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required as part of the Director's Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by the management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in the draft audit report.
- Reviewing with the Management, quarterly and half-yearly financial statements before submission to the Board for approval.
- Reviewing with the Management, performance of the statutory and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with the internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- Discussions with the statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussions to ascertain any areas of concern.
- To look into the reasons for substantial defaults ,if any, with regard to payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Carrying out any other functions as specified in the terms of reference, as amended from time to time.

The powers of the Audit Committee, pursuant to its terms of reference, include the following:

- To investigate any activity within its terms of reference;
- To seek information from any employee;
- To obtain outside legal or other professional advice;
- To secure attendance of outsiders with relevant expertise, if considered necessary;

Further, the Audit Committee mandatorily reviews the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by Management;
- Management letters/letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses;
- The appointment, removal and terms of remuneration of the Chief Internal Auditor;
- The uses/applications of funds raised through an issue (public issue, rights issue, preferential issue etc.) by major category (Capital expenditure, Working Capital tc.) as a part of the review of the quarterly financial statements;
- If applicable, on an annual basis, statements duly certified by statutory auditors, regarding utilization of funds for purposes other than those stated in the offer document/prospectus/notice issued for raising funds through public issue, rights issue, preferential issue etc. and shall recommend to the Board appropriate steps to be taken up in this matter;
- In addition, the Audit Committee also reviews the financial statements in particular, the investments made by the unlisted subsidiary companies.

The Audit Committee is also appraised on information with regard to related party transactions and periodically presented with the following statements/details:

1. Statement in summary form of transactions with related parties in the ordinary course of business.
2. Details of material individual transactions with related parties, which are not in the ordinary course of business, if any.
3. Details of material individual transactions with related parties or others, which are not on an arm's length basis, if any, together with Management's justification for the same.

(b) Remuneration Committee

The Company has a Remuneration Committee comprising three Independent Directors. They are Mr. Nirmal P. Bhogilal – (Chairman), Mr. Ram P. Gandhi and Mr. Anil C. Singhvi.

The Remuneration Committee of the Board ("Committee") is responsible to recommend to the Board the compensation package for the Whole-time Directors including Managing Director of the Company. The Committee also recommends the remuneration payable to the Non-Executive Directors of the Company.

While deciding on the remuneration for Directors, the said Committee considers the performance of the Company, the current trends in the industry and other relevant factors.

The Remuneration Committee met twice during the financial year i.e. on April 29, 2011 and January 20, 2012. The Minutes of the Remuneration Committee Meetings are reviewed and noted by the Board.

The details of the composition of the Committee, meetings held, attendance at the meetings along with sitting fees paid, are given in **Table 5**.

Remuneration Policy

The Non-Executive Directors (NEDs) are paid sitting fees for attending the Meetings of the Board of Directors and the Board Committees, which are within the limits prescribed by the Central Government. The Company pays a sitting fee of ₹ 20,000 to each NED for every Board meeting or Board constituted Committee Meeting attended by such Director.

Remuneration has been paid to Mr. Ajit Gulabchand, Chairman & Managing Director and Mr. Arun V. Karambelkar, President & Whole-time Director pursuant to the approval of the Shareholders, Board of Directors and Remuneration Committee of the Board. In view of the losses incurred by the Company for the year ended March 31, 2012, the remuneration paid to Chairman & Managing Director and President & Whole-time Director is subject to the approval of the Central Government under the provisions of the Companies Act, 1956.

(c) Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee of the Company comprises four Directors. They are Mr. Ram P. Gandhi – (Chairman), Mr. Rajas R. Doshi, Mr. Ajit Gulabchand, Chairman & Managing Director and Mr. K.G. Tendulkar. The Company Secretary, Mr. Vithal P. Kulkarni is the Compliance Officer of the Company.

The Shareholders'/Investors' Grievance Committee deals with the following matters:

- Noting transfer/transmission of shares.
- Review of dematerialised/rematerialised shares and all other related matters.
- Monitors expeditious redressal of Investor grievance matters received from Stock Exchanges, SEBI, ROC, etc.
- Monitors redressal of queries/complaints received from shareholders relating to transfers, non-receipt of Annual Report, dividend etc.
- All other matters related to shares/debentures.

During the year under review, the Committee met four times on April 28, 2011, July 28, 2011, October 20, 2011 and January 19, 2012. The Minutes of the Shareholders'/Investors' Grievance Committee are reviewed and noted by the Board.

The details of the composition of the Committee, meetings held, attendance at the meetings along with sitting fees paid, are given in **Table 6**.

During the year, 1828 queries/complaints were received by the Company from shareholders/investors, all of which have been redressed / resolved to date, to the satisfaction of the investors as shown in **Table 7**. As on date, there are no pending share transfers/complaints/queries pertaining to the year under review.

Table 5: Details of the Remuneration Committee

| Name of the Member | Category | Position | No. of meetings held | No. of meetings attended | Sitting fees paid (in ₹) |
|--------------------|-------------|----------|----------------------|--------------------------|--------------------------|
| Nirmal P. Bhogilal | Independent | Chairman | 2 | 2 | 40,000 |
| Ram P. Gandhi | Independent | Member | 2 | 2 | 40,000 |
| Anil C. Singhvi | Independent | Member | 2 | 2 | 40,000 |

Table 6: Details of the Shareholders'/Investors' Grievance Committee

| Name of the Member | Category | Position | No. of meetings held | No. of meetings attended | Sitting fees paid (in ₹.) |
|--------------------|------------------------------|----------|----------------------|--------------------------|---------------------------|
| Ram P. Gandhi | Independent Director | Chairman | 4 | 4 | 80,000 |
| Rajas R. Doshi | Independent Director | Member | 4 | 4 | 80,000 |
| Ajit Gulabchand | Chairman & Managing Director | Member | 4 | 4 | Nil |
| K.G. Tendulkar | Non-Executive Director | Member | 4 | 4 | 80,000 |

Table 7: Details of investor queries/complaints received and attended during 2011-12

| Nature of Queries / Complaints | Pending as on April 1, 2011 | Received during the year | Redressed during the year | Pending as on March 31, 2012 |
|--|-----------------------------|--------------------------|---------------------------|------------------------------|
| 1. Transfer/Transmission/Issue of Duplicate Share Certificates | - | 78 | 78 | - |
| 2. Non-receipt of Dividend | - | 1252 | 1252 | - |
| 3. Dematerialisation/ Rematerialisation of Shares | - | 12 | 12 | - |
| 4. Complaints received from : | | | | |
| a. Securities and Exchange Board of India | - | 5 | 5 | - |
| b. Stock Exchange(s) / NSDL / CDSL | - | 3 | 3 | - |
| c. Registrar of Companies / Ministry of Corporate Affairs / Others | - | - | - | - |
| 5. Others | - | 478 | 478 | - |
| Grand Total | - | 1828 | 1828 | - |

(d) ESOP Compensation Committee

The ESOP Compensation Committee comprises three Directors. They are Mr. Sharad M. Kulkarni (Chairman), Mr. Ram P. Gandhi and Mr. K. G. Tendulkar.

The ESOP Compensation Committee deals with various matters relating to:

- The number of options to be granted under the Employees Stock Option Scheme per employee and in aggregate.
- The conditions under which option vested in employees may lapse in case of termination of employment for misconduct.
- The exercise period within which the employee should exercise the options and that options would lapse on failure to exercise the options within the exercise period.
- The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
- The right of an employee to exercise the options vested in him at one time or at various points of time within the exercise period.
- The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others.
- The grant, vest and exercise of options in case of employees who are on long leave.
- Fringe Benefit Tax upon exercise of the options as may be applicable.
- Allotment of shares upon exercise of options.

During the year, the Committee met once i.e. on July 28, 2011. The Minutes of the ESOP Compensation Committee are reviewed and noted by the Board. The details of the composition of the Committee, meetings held, attendance at the meetings along with sitting fees paid, are given in **Table 8**.

Table 8: Details of the ESOP Compensation Committee

| Name of the Member | Category | Position | No. of Meetings held | No. of Meetings attended | Sitting fees paid (in ₹) |
|--------------------|------------------------|----------|----------------------|--------------------------|--------------------------|
| Sharad M. Kulkarni | Independent Director | Chairman | 1 | 1 | 20,000 |
| Ram P. Gandhi | Independent Director | Member | 1 | 1 | 20,000 |
| K.G. Tendulkar | Non-Executive Director | Member | 1 | 1 | 20,000 |

(e) Selection Committee

The Selection Committee of the Board deals with matters concerning the appointment and remuneration at the time of appointment of Directors' relatives in respect of holding Office or Place of Profit in the Company.

The Committee comprises three Independent Directors; namely, Mr. Nirmal P. Bhogilal (Chairman), Mr. Ram P. Gandhi and Mr. Anil Singhvi. Mr. Ashish Singh, who is not a Director or an employee of the Company, is an independent member of this Committee. Mr. Ashish Singh is a B.A. with honours from Harvard University and an MBA from Harvard Business School. He has significant experience in organisation re-design across multiple industries.

During the year under review, the Selection Committee met once on October 21, 2011. The Minutes of the Selection Committee are reviewed and noted by the Board. The details of the composition of the Committee, meetings held, attendance at the meetings along with sitting fees paid, are given in **Table 9**.

III) Management

Management Discussion and Analysis Report

Management Discussion and Analysis is given in a separate section forming part of the Directors' Report in this Annual Report.

Disclosures

(a) Related Party Transactions

Details of materially significant related party transactions i.e. transactions of the Company of material nature with its promoters, the Directors or the management, their subsidiaries or relatives, etc. are presented under Note No. 41 of the Balance Sheet. All details on the financial and commercial transactions, where Directors may have a potential interest, are provided to the Board. The interested Directors neither participate in the discussion, nor vote on such matters. During the year, there were no transactions of material nature with the Senior Management that may have a potential conflict with the interests of the Company.

(b) Accounting treatment in preparation of financial statements

The Company has followed the Accounting standards

notified by The Companies (Accounting Standards) Rules, 2006, as amended from time to time, in preparation of its financial statements.

(c) Risk Management

The Company has established a well-documented and robust risk management framework. Under this framework, risks are identified across all business processes of the Company on continuous basis. Once identified, these risks are systematically categorised as strategic risks, business risks or reporting risks. The former looks at all risks associated with the longer term interests of the Company. The latter look at risks associated with the regular functioning of each of the processes and the risks associated with incorrect or untimely financial and non-financial reporting.

To address these risks in a comprehensive manner, each risk is mapped to the concerned department for further action. Based on this framework, HCC has set in place various procedures for Risk Management.

(d) Subsidiary Companies

In accordance with Clause 49(III) of the Listing Agreement, HCC Real Estate Limited (HREL) and Lavasa Corporation Limited (Lavasa) are two material non-listed Indian subsidiaries of the Company, which are incorporated in India and whose individual turnover or net worth (i.e. paid-up capital and free reserves) has exceeded 20% of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

Mr. Sharad M. Kulkarni, Independent Director of the Company is a Director on the Board of HREL and Lavasa and Mr. Ram P. Gandhi, Independent Director of the Company is a Director on the Board of Lavasa.

The Subsidiaries of the Company function independently, with an adequately empowered Board of Directors and necessary management resources.

For effective governance, the Company overviews the performance of its subsidiaries, inter alia, in the following manner:

- The financial statements, in particular, the investments made by the unlisted subsidiary companies, are

Table 9: Details of the Selection Committee

| Name of the Member | Category | Position | No. of Meetings held | No. of Meetings attended | Sitting fees paid (₹) |
|--------------------|----------------------|----------|----------------------|--------------------------|-----------------------|
| Nirmal P. Bhogilal | Independent Director | Chairman | 1 | 1 | 20,000 |
| Ram P. Gandhi | Independent Director | Member | 1 | 1 | 20,000 |
| Anil C. Singhvi | Independent Director | Member | 1 | - | - |
| Ashish Singh | Member | Expert | 1 | - | - |

reviewed by the Audit Committee and the Board of Directors of the Company.

- The Minutes of the Board Meetings of the subsidiary companies are placed before the Board of Directors of the Company for their review.
- Details of all significant transactions and arrangements entered into by the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company.

(e) Code for Prevention of Insider Trading Practices

The Company has instituted a comprehensive Code for prevention of Insider Trading, for its Directors and designated employees, in compliance with Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time.

The objective of this Code is to prevent purchase and/or sale of shares of the Company by an insider on the basis of unpublished price sensitive information. Under this Code, Directors and designated employees are completely prohibited from dealing in the Company's shares during the closure of Trading Window. Further the Code specifies the procedures to be followed and disclosures to be made by Directors and the designated employees, while dealing with the shares of the Company and enlists the consequences of any violations.

Mr. Vithal P. Kulkarni, Company Secretary, has been designated as the Compliance Officer for this Code.

(f) CEO/CFO Certification

As required under Clause 49 (V) of the Listing Agreement with the Stock Exchanges, the Chairman & Managing Director and the Group Chief Financial Officer of the Company have certified to the Board regarding the Financial Statements for the year ended March 31, 2012 which is annexed to this Report.

(g) Pledge of Equity Shares

No pledge has been created over the equity shares held by the Promoters and/or Promoter Group Shareholders as on March 31, 2012.

The aggregate shareholding of the Promoters and Members of the Promoter Group as on March 31, 2012, was 24,17,99,394 Equity Shares of ₹ 1 each representing 39.86% of the paid-up Equity Share Capital of the Company.

IV) Shareholder Information

(a) Disclosures regarding Directors seeking appointment/ re-appointment:

On October 21, 2011, the Board of Directors have appointed Dr. Ila Patnaik as an Additional Director subject to approval of the shareholders of the Company at the

ensuing Annual General Meeting.

At the ensuing Annual General Meeting, Prof. Fred Moavenzadeh, Mr. Rajas R. Doshi and Mr. D. M. Popat, Directors of the Company, retire by rotation, and being eligible, have offered themselves for re-appointment.

A brief profile of the Directors who are seeking appointment/ re-appointment is given below:

Dr. Ila Patnaik

Dr. Ila Patnaik has done her PhD in Economics from the University of Surrey. Dr Ila Patnaik is a Professor at the National Institute of Public Finance and Policy. Prior to this, she had worked at National Council of Applied Economic Research, ICRIER and as an Economics Editor at the Indian Express. Her main areas of interest are open economy macroeconomics, including issues related to capital flows, the exchange rate regime, monetary policy, business cycles and the financial sector in the context of opening of the capital account.

Dr. Ila Patnaik has worked for 4 years on the NIPFP- Department of Economic Affairs, Ministry of Finance Research program on capital flows. She has also participated in Ministry of Finance working groups such as Jahangir Aziz working group on debt management office and UK Sinha working group on capital controls.

Prof. Fred Moavenzadeh

Prof. Moavenzadeh holds a Bachelor's Degree of Science from Teheran University, USA, Master's Degree of Science from Cornell University, USA and Doctorate in Philosophy from Purdue University. He is the James Mason Crafts Professor of Engineering at Massachusetts Institute of Technology (M.I.T) and also the Director of Technology Development Programme at M.I.T. His professional field of interest is Construction, Construction Finance, Strategic Management and Environmental markets for Construction. He has served as a Consultant on the Advisory Committee of several institutional agencies including World Bank, United National Industrial Development Organisation (UNIDO), Austria and United Nation Centre for Housing and Building Planning, New York.

Mr. Rajas R. Doshi

Mr. Rajas R. Doshi holds a Bachelor's Degree in Engineering (Civil) and is an Industrialist. He is the Chairman & Managing Director of The Indian Hume Pipe Company Limited, one of the leading civil construction and engineering company in the country and also serves as Chairman of IHP Invest Ltd. He is also on the board of other Companies and is also associated with some educational and charitable institutions in India. He is a member of the Audit Committee and Chairman of Shareholders / Investors' Grievance Committee and

Remuneration Committee of Modern India Ltd. He is also Member of the Shareholders / Investors' Grievance Committee of The Indian Hume Pipe Co. Ltd. Mr. Doshi is also a Member of the Audit Committee and Shareholders / Investors' Grievance Committee of the Company.

Mr. D. M. Popat

Mr. D. M. Popat holds a Bachelor's Degree in Arts, Commerce and Law. He is a senior partner at M/s Mulla & Mulla & Craigie Blunt & Caroe, Solicitors & Advocates firm since 1969.

He has been in practice for over 48 years and has vast experience in various legal fields such as Corporate Laws, Real Estate, Arbitration and Foreign Collaboration matters. He is a member of the Managing Committee of the Bombay Incorporated Law Society and a member of the governing body of the Indian Council of Arbitration and Chairman of the Indian Merchants Chamber Court of Arbitration and Conciliation Committee and Western Region Indian Council of Arbitration. He is also on the board of several other public companies.

He is the Chairman of Remuneration Committee of Hindoostan Mills Ltd and Peninsula Land Ltd. He is also Member of the Remuneration Committee of The Ruby Mills Ltd.

(b) Means of Communication:

In accordance with Clause 54 of the Listing Agreement, the Company has maintained a functional website at www.hccindia.com containing basic information about the Company viz., details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the company who are responsible for assisting and

handling investor grievances etc. The contents of the said website are updated from time to time.

The quarterly, half-yearly and annual results are published in Business Standard (English) and Sakal(Marathi) , which are national and local dailies respectively and also displayed on the Company's website for the benefit of the public at large.

Presentations made to institutional investors or to analysts, are also immediately uploaded on the website of the Company.

Further, the Company disseminates to the Stock Exchanges (i.e. BSE and NSE), wherein its equity shares are listed, all mandatory information and price sensitive/ such other information, which in its opinion, are material and/or have a bearing on its performance/operations and issues press releases , wherever necessary, for the information of the public at large.

For the benefit of the shareholders, a separate email id has been created for shareholder correspondence viz., secretarial@hccindia.com

(c) General Body Meetings:

The Company convenes the Annual General Meeting (AGM) generally within three months from the end of the financial year.

Postal Ballot

No resolutions were passed by postal ballot in the year under review.

None of the Businesses proposed to be transacted in the ensuing Annual General Meeting require passing of a resolution through Postal Ballot.

Details of the AGM/EGM held in the last three years alongwith special resolutions passed thereat:

| Financial Year | Day, Date & Time | Venue | Particulars of special resolution passed |
|----------------|--|--|--|
| 2008-09 | Friday June 12, 2009 11.00 A.M. | Walchand Hirachand Hall, Indian Merchants' Chamber, Indian Merchants' Chamber Marg, Churchgate, Mumbai-400 020 | Repricing of 41,31,600 Options granted under the Employee Stock Option Scheme. |
| 2009-10 (EGM) | Monday June 22, 2009 9.00 A.M. | Walchand Hirachand Hall, Indian Merchants' Chamber, Indian Merchants' Chamber Marg, Churchgate, Mumbai-400 020 | To obtain the approval of shareholders for raising of funds either through Equity Shares/Depository Receipts/ Convertible Debentures/Convertible Bonds / QIP for an amount not exceeding ₹ 1500 crore. |
| 2009-10 | Friday, June 11, 2010 11.00 A.M. | Walchand Hirachand Hall, Indian Merchants' Chamber, Indian Merchants' Chamber Marg, Churchgate, Mumbai-400 020 | 1. Alteration of Article 6 of the Articles of Association of the Company in order to give effect to increase in the Authorised Share Capital of the Company to ₹ 100,00,00,000 (Rupees One Hundred Crore Only). 2. Alteration of Article 201 of the Articles of Association of the Company in order to empower the Board to capitalize the profits/reserves of the Company, inter alia, by way of issuance of bonus shares. |
| 2010-11 | Friday June 10, 2011 11.00 A.M. | Walchand Hirachand Hall, Indian Merchants' Chamber, Indian Merchants' Chamber Marg, Churchgate, Mumbai-400 020 | Enabling Resolution for Issuance of Equity Shares / Securities under Section 81 (1A) of the Companies Act, 1956 for an amount not exceeding ₹ 1500 crore |

(d) General Shareholder Information :

- **Forthcoming Annual General Meeting**

Date : June 15, 2012
Day : Friday
Time : 11.00 a.m.
Venue : Walchand Hirachand Hall, Indian Merchants' Chamber, Indian Merchants' Chamber Marg, Churchgate, Mumbai-400 020.

- **Last date for Receipt of Proxies**

Wednesday, June 13, 2012 (before 11:00 a.m. at the Registered Office of the Company)

- **Financial Year**

The financial year of the Company covers the financial period from April 1 to March 31.

During the financial year under review, the Board Meetings for approval of quarterly and annual financial results were held on the following dates:

1st Quarter Results : July 28, 2011
2nd Quarter Results : October 21, 2011
3rd Quarter Results : January 20, 2012
4th Quarter & Annual Results : April 27, 2012

The tentative dates of the Board Meetings for consideration of financial results for the year ending March 31, 2013 are as follows:

1st Quarter Results : July 27, 2012
2nd Quarter Results : October 26, 2012
3rd Quarter Results : January 17, 2013
4th Quarter & Annual Results : April 26, 2013

- **Dates of Book Closure**

Tuesday, June 5, 2012 to Friday, June 15, 2012 (both days inclusive).

- **Listing**

Presently, the Equity Shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Global Depository Shares (GDSs) of the Company are listed on the Luxembourg Stock Exchange.

The Company has paid the annual listing fees for the year 2012-13 to BSE and NSE.

The Company has paid custodial fees for the year 2012-13 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), on the basis of number of beneficial accounts maintained by them as on March 31, 2012.

- **Stock Codes :**

| | |
|-------------------------------------|--------------|
| ISIN (Equity Shares) in NSDL & CDSL | INE549A01026 |
| BSE Code | 500185 |
| NSE Code | HCC |

| | |
|----------------------------------|--------------|
| Luxembourg Stock Exchange Code : | |
| GDSs (ISIN) | US4332191026 |

- **Corporate Identification Number :**

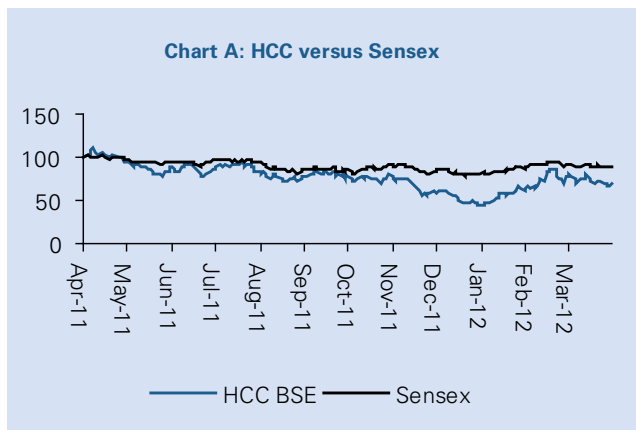
Corporate Identity Number (CIN) of the Company, allotted by the Ministry of Corporate Affairs, Government of India is L45200MH1926PLC001228.

Shares Price Data : High/Low and Volume during each month of 2011-12 at BSE and NSE

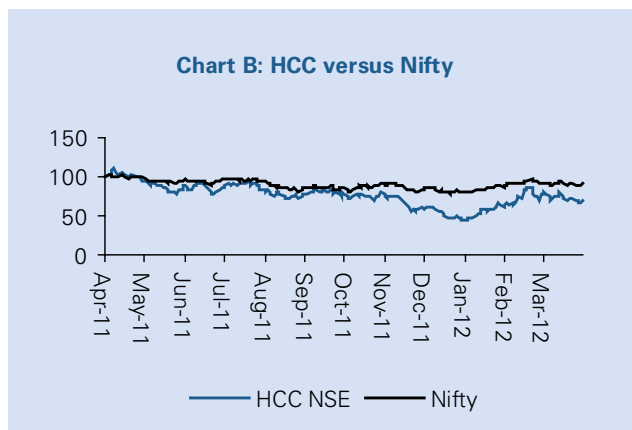
| Month | BSE | | | NSE | | |
|----------------|----------|---------|-------------|----------|---------|--------------|
| | High (₹) | Low (₹) | Volume | High (₹) | Low (₹) | Volume |
| April 2011 | 41.70 | 35.10 | 2,61,76,794 | 41.70 | 35.10 | 10,10,75,615 |
| May 2011 | 35.80 | 28.70 | 1,77,72,053 | 35.55 | 28.70 | 6,77,90,681 |
| June 2011 | 35.40 | 28.10 | 2,67,52,624 | 35.35 | 28.10 | 10,67,89,762 |
| July 2011 | 35.30 | 30.20 | 1,73,70,754 | 34.90 | 30.15 | 7,44,95,260 |
| August 2011 | 31.60 | 25.60 | 1,29,87,734 | 31.65 | 25.40 | 6,00,77,677 |
| September 2011 | 32.10 | 27.80 | 1,02,91,876 | 33.90 | 27.75 | 4,98,45,919 |
| October 2011 | 30.25 | 25.40 | 96,32,315 | 30.30 | 25.40 | 4,34,12,129 |
| November 2011 | 30.20 | 19.95 | 2,01,74,483 | 30.00 | 19.90 | 7,56,19,694 |
| December 2011 | 23.30 | 15.90 | 1,16,37,334 | 23.30 | 15.85 | 4,55,41,779 |
| January 2012 | 24.55 | 16.30 | 2,29,03,019 | 24.50 | 16.30 | 7,81,02,339 |
| February 2012 | 33.00 | 23.20 | 3,56,56,238 | 33.00 | 22.80 | 12,72,25,612 |
| March 2012 | 30.45 | 24.15 | 1,99,92,218 | 30.60 | 24.00 | 7,78,46,467 |

- Share Performance

Chart A and Chart B compare HCC share prices with the BSE Sensex and the NSE Nifty respectively



Note: HCC share prices and the Sensex is indexed to 100 as on April 1, 2011



Note: HCC share prices and the Nifty is indexed to 100 as on April 1, 2011

- Distribution of Shareholding

Distribution of shareholding as on March 31, 2012

| Distribution range of Shares | No. of Shares | Percentage of Shares | No. of Shareholders | Percentage of Shareholders |
|------------------------------|---------------------|----------------------|---------------------|----------------------------|
| 1 to 500 | 3,10,32,038 | 5.12 | 1,72,791 | 76.15 |
| 501 to 1000 | 2,18,02,128 | 3.59 | 26,244 | 11.57 |
| 1001 to 2000 | 2,55,03,040 | 4.20 | 15,319 | 6.75 |
| 2001 to 3000 | 1,40,96,248 | 2.33 | 5,172 | 2.28 |
| 3001 to 4000 | 85,02,846 | 1.40 | 2,266 | 1.00 |
| 4001 to 5000 | 63,07,361 | 1.04 | 1,323 | 0.58 |
| 5001 to 10000 | 1,62,50,289 | 2.68 | 2,195 | 0.97 |
| Greater than 10000 | 48,31,16,470 | 79.64 | 1,600 | 0.70 |
| Total | 60,66,10,420 | 100.00 | 2,26,910 | 100.00 |

Shareholding Pattern

| Categories | As on March 31, 2012 | | As on March 31, 2011 | |
|---|----------------------|----------------------------|----------------------|----------------------------|
| | No. of Shares | Percentage of Shareholding | No. of Shares | Percentage of Shareholding |
| Promoter & Promoter Group Shareholder and Directors & their Relatives | 24,27,58,514 | 40.02 | 24,27,56,514 | 40.02 |
| Foreign Institutional Investors | 14,79,17,975 | 24.38 | 15,06,69,883 | 24.85 |
| Public Financial Institutions/State Financial Corporation and Insurance Companies | 88,12,332 | 1.45 | 1,03,58,703 | 1.71 |
| Indian Mutual Funds and UTI | 1,87,51,177 | 3.09 | 1,84,67,018 | 3.04 |
| Nationalised and other Banks | 16,41,795 | 0.27 | 16,65,925 | 0.28 |
| NRIs/OCBs | 55,05,204 | 0.91 | 64,57,547 | 1.06 |
| GDSs | 1,20,720 | 0.02 | 1,20,720 | 0.02 |
| Public | 18,11,02,703 | 29.86 | 17,60,36,610 | 29.02 |
| Total | 60,66,10,420 | 100.00 | 60,65,32,920 | 100.00 |

Top Ten Shareholders of the Company as on March 31, 2012

| Sr. No. | Name of the Shareholder | Category | No. of Shares | Percentage of Shareholding |
|--------------|---|-------------|--------------------|----------------------------|
| 1 | Hincon Holdings Limited | Promoter | 20,07,03,600 | 33.09 |
| 2 | HSBC Global Investment Funds A/C HSBC Global Investment Funds Mauritius Limited | FII | 5,01,74,601 | 8.27 |
| 3 | Hincon Finance Limited | Promoter | 3,83,65,500 | 6.32 |
| 4 | SIWA Holdings Limited | FII | 36,082,151 | 5.95 |
| 5 | Copthall Mauritius Investment Limited | FII | 8,546,988 | 1.41 |
| 6 | Reliance Capital Trustee Co. Ltd. – Reliance Infrastructure Fund | Mutual Fund | 81,60,961 | 1.35 |
| 7 | Sundaram Mutual Fund A/c Sundaram Select Midcap | Mutual Fund | 8,101,160 | 1.33 |
| 8 | Barclays Capital Mauritius Limited | FII | 7,199,800 | 1.19 |
| 9 | Dimensional Emerging Markets Value Fund | FII | 6,693,104 | 1.10 |
| 10 | BNP Paribas Arbitrage | FII | 6,564,000 | 1.08 |
| Total | | | 370,591,865 | 61.09 |

• Dematerialization of Shares and Liquidity

As on March 31, 2012, 59,75,01,714 Equity Shares representing 98.50% of the total equity share capital of the Company, in aggregate, were held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.

The break-up of equity shares held in Physical and Dematerialised form as on March 31, 2012, is given below:

| Particulars | No. of shares | Percentage |
|-------------------------|---------------------|---------------|
| Physical Segment | 91,08,706 | 1.50 |
| Demat Segment :- | | |
| NSDL | 54,96,97,312 | 90.62 |
| CDSL | 4,78,04,402 | 7.88 |
| Total | 60,66,10,420 | 100.00 |

The Promoters hold their entire equity shareholding in the Company in dematerialized form.

The Company's equity shares are regularly traded on the BSE and NSE.

• Details of public funding obtained in the last three years

During 2009-10, the Company had allotted 4,70,00,000 Equity Shares of ₹ 1 each at a premium of ₹ 101.15 per Equity Share to Qualified Institutional Buyers aggregating to ₹ 4,80,10,50,000 by way of Qualified Institutional Placement (QIP).

• Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity:

(a) Global Depository Shares (GDSs)

The Company had issued Global Depository Shares (GDSs) in 2006 and the underlying shares against each of the GDSs were issued in the name of the Depository, Citi Bank N.A.

As on March 31, 2012, 1,20,720 GDSs were outstanding and represented an equal number of underlying equity shares. Since the underlying Equity Shares represented by GDSs have been allotted in full, the outstanding GDSs have no impact on the Equity Share Capital of the Company.

(b) Employees Stock Options (ESOPs)

As on March 31, 2012, 64,62,960 stock options are outstanding (comprising vested and unvested, after adjustment for lapsed and exercised options), in aggregate, for exercise as per the exercise schedule and are exercisable at a price of ₹ 52.03 per stock option.

Each option, when exercised, as per the exercise schedule, would entitle the holder to subscribe for one equity share of the Company of face value ₹1 each.

During the year under review, 15,46,950 options got vested to the employees of the Company and in aggregate, 48,64,730 options stands vested with the employees as on March 31, 2012. Further during the year, 77,500 options, were exercised by the optionees of at an exercise price of ₹ 21.70 and accordingly the Company has allotted 77,500 Equity Shares, in aggregate, of face value ₹1 each to the respective shareholders.

• Details regarding Listing and redemption of Debt Securities

Pursuant to the directions of Securities and Exchange Board of India (SEBI), all the debt securities issued by the Company on private placement basis have been listed in the F Group - Debt Instruments of the Bombay Stock Exchange Limited (BSE).

During the year under review, the Company has issued 1,200 15.50% Secured Redeemable Non-

Convertible Debentures having face value of ₹ 10,00,000 each aggregating to ₹ 120 cores. The same has been listed on BSE.

Further, during the financial year 2011-12, the following debentures have been redeemed:-

- 1) 9% Secured Non-Convertible Debentures having a face value of ₹ 10,00,000 each have been fully redeemed by making the payment of the third and final installment of redemption of ₹ 3,33,333 per debenture to the holder.
- 2) 9.5% Secured Redeemable Non-Convertible Debentures having face value of ₹ 10,00,000 each aggregating ₹ 50 crore have been fully redeemed.

- **Share Transfer system**

The Registrars and Share Transfer Agents have put in place an appropriate Share Transfer system to ensure timely share transfers. Share Transfers are registered and returned in the normal course within an average period of 30 days from the date of receipt, if the documents are clear in all respects. Requests for dematerialization of shares are processed and confirmation is given to the respective depositories ie. NSDL and CDSL within 21 days.

- **Address for shareholders' correspondence :**

Shareholders are requested to correspond with the Registrars and Share Transfer Agents at the below given address on all matters relating to transfer/dematerialisation of shares, payment of dividend and any other query relating to Equity Shares or Debentures of the Company.

- **Registrars and Share Transfer Agents :**

Contact Officer : **Ms. Mary George**
TSR Darashaw Limited
Unit: Hindustan Construction Co. Ltd.
6-10, Haji Moosa Patrawala Ind. Estate,
20, Dr. E. Moses Road, Near Famous Studio,
Mahalaxmi, Mumbai-400 011
Telephone: +91-22-66568484 Fax: +91-22-66568494
Email: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

The Company has maintained an exclusive email ID: secretarial@hccindia.com which is designated for investor correspondence for the purpose of registering any share/debenture related complaints and the same has been displayed on the Company's website : www.hccindia.com as well.

Shareholders are required to note that, in respect of shares held in dematerialized form, they will have to correspond with their respective Depository Participants (DPs) for related matters.

Shareholders may contact the Compliance Officer and/or the Investor Relations Officer at the following address:

- **Compliance Officer:**

Mr. Vithal P. Kulkarni
Company Secretary
Hindustan Construction Co. Ltd.
Hincon House, 11th Floor,
247Park, Lal Bahadur Shastri Marg,
Vikhroli (West), Mumbai-400 083, India.
Tel: +91-22-2575 1000 Fax: +91-22-2577 5950
Website: www.hccindia.com
Email: secretarial@hccindia.com

- **Investor Relations Officer:**

Mr. Pankaj Bahal / Mr. Santosh Kadam
Hindustan Construction Co. Ltd.
Hincon House, 11th Floor,
247Park, Lal Bahadur Shastri Marg,
Vikhroli (West), Mumbai-400 083, India
Tel: +91-22-2575 1000 Fax: +91-22-2577 5950
Website: www.hccindia.com
Email: secretarial@hccindia.com

V) Compliance:

(a) Compliance under Clause 49 of the Listing Agreement:

(i) Details of non-compliance, if any

The Company has complied with all the requirements of regulatory authorities. During the last three years, there were no instances of non-compliance by the Company and no penalty or strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to the capital markets.

(ii) Compliance with mandatory requirements

The Company is fully compliant with the applicable mandatory requirements of Clause 49 of the Listing agreement with the Stock Exchanges, relating to Corporate Governance.

(iii) Adoption of non-mandatory requirements

a. Remuneration Committee:

Although it is not mandatory, the Board of Directors have constituted a Remuneration Committee comprising three Independent Directors, the details of which have been provided earlier in this Report, under the heading 'Remuneration Committee'.

b. Audit Qualifications:

During the year under review, there is no audit qualification in the Company's financial statements. The Company continues to

adopt best practices to ensure a regime of unqualified financial statements.

(iv) Auditors' Certificate on Corporate Governance

The Company has obtained a Certificate from its Statutory Auditors regarding compliance of the conditions of Corporate governance, as stipulated in Clause 49 of the Listing Agreement, which together with this Report on Corporate Governance is annexed to the Directors' Report and shall be sent to all the shareholders of the Company and the Stock Exchanges along with the Annual Report of the Company.

(b) Compliance with Clause 5A of the Listing Agreement – Uniform procedure for dealing with unclaimed shares:

In accordance with the requirement of Clause 5A (II) of the Listing Agreement, in respect of the Bonus Equity Share certificate(s) dispatched by the Company in August 2010, which were "returned undelivered", M/s TSR Darashaw Ltd, Registrar and Share Transfer Agents of the Company have sent first reminder on March 18, 2011 and second reminder on September 19, 2011 to all such shareholder(s) at their address as per Register of Members.

As and when response from shareholders have been/ will be received, the respective Share Certificate(s) in respect of the unclaimed shares are/will be re-dispatched to those shareholders.

Upon completing the process of dispatching the mandatory third reminder letter, the Company shall comply with the other formalities prescribed under Clause 5A for dealing with the unclaimed shares, if any.

(c) Disclosure under Clause 53 of the Listing Agreement regarding certain agreements with the media companies:

Pursuant to the requirement of Clause 53 of the Listing Agreement, the Company would like to inform that no agreement(s) have been entered with media companies and/or their associates which has resulted/ will result in any kind of shareholding in the Company and consequently any other related disclosures viz., details of nominee(s) of the media companies on the Board of the company, any management control

or potential conflict of interest arising out of such agreements, etc. are not applicable. Nor has the Company entered into any other back to back treaties/ contracts/agreements/ MoUs or similar instruments with media companies and/or their associates.

VI) Investor safeguards and other information:

• **Dematerialisation of Shares**

Shareholders are requested to convert their physical holdings to demat/electronic form through any of the registered Depository Participants (DPs) to avoid the hassles involved in dealing in physical shares such as possibility of loss, mutilation, etc. and also to ensure safe and speedy transaction in respect of the shares held.

• **Revalidation of Dividend Warrants**

In respect of shareholders who have either not opted for NECS/ECS mandate or do not have such a facility with their banker and who have not encashed earlier dividends paid by the Company, are requested to write to Company's Share Transfer Agents for revalidation of expired dividend warrants and failing their encashment for a period of seven years, they stand to loose the right to claim such dividend owing to transfer of unclaimed dividends beyond seven years to Investor Education and Protection Fund.

• **Transfer of Unclaimed Dividend to Investor Education & Protection Fund (IEPF)**

Under the Companies Act, 1956, dividends which remain unclaimed for a period of 7 years are required to be transferred to the Investor Education & Protection Fund (IEPF) administered by the Central Government.

Dates of declaration of dividends since 2004-05 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government are given in the **table below**.

Separate letters have already been sent on December 2, 2011, to the Members who are yet to encash the dividend for the financial year 2004-05 indicating that the unclaimed amount will be transferred to IEPF, if not claimed by the members before the due date of transfer to the said Fund. Members are once

| Financial year ended | Date of declaration of dividend | Amount remaining unclaimed / unpaid as on 31.03.2012(₹) | Last date for claiming unpaid dividend amount (before) | Last date for transfer to IEPF |
|----------------------|---------------------------------|---|---|--------------------------------|
| 31.03.2005 | 08.06.2005 | 8,86,412.00 | 14.07.2012 | 13.08.2012 |
| 31.03.2006 | 09.06.2006 | 10,88,390.00 | 15.07.2013 | 14.08.2013 |
| 31.03.2007 | 08.06.2007 | 15,95,229.75 | 14.07.2014 | 13.08.2014 |
| 31.03.2008 | 13.06.2008 | 13,60,857.60 | 19.07.2015 | 18.08.2015 |
| 31.03.2009 | 12.06.2009 | 19,58,324.80 | 18.07.2016 | 17.08.2016 |
| 31.03.2010 | 11.06.2010 | 17,57,864.00 | 17.07.2017 | 16.08.2017 |
| 31.03.2011 | 10.06.2011 | 25,85,543.60 | 16.07.2018 | 15.08.2018 |

again requested to utilize this opportunity and get in touch with the Company's Registrar and Share Transfer Agents M/s. TSR Darashaw Ltd. at their communication address for encashing the unclaimed dividends standing to the credit of their account.

Members are further requested to note that after completion of 7 years, no claims shall lie against the said Fund or Company for the amounts of dividend so transferred, nor shall any payment be made in respect of such claims.

- **Update Address/ E-Mail Address/Bank Details**

To receive all communications/corporate actions promptly, shareholders holding shares in dematerialised form are requested to please update their address/e-mail address/bank details with the respective DPs and in case of physical shares, the updated details have to be intimated to the Registrar & Share Transfer Agents.

- **Electronic Service of Documents to Registered Email Address**

As you all may be aware, the Ministry of Corporate Affairs (MCA) had under taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated April 21, 2011 and Circular No. 18/2011 dated April 29, 2011) allowing paperless compliances by Companies through electronic mode, whereby the companies have been permitted to send various notices/documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. Securities and Exchange Board of India (SEBI) vide its Circular No. CIR/CFD/DIL/2011 dated October 5, 2011, have also, in line with the aforesaid MCA circulars, permitted listed entities to supply soft copies of full annual reports to all those shareholders who have registered their email addresses for the purpose. This move by the MCA and SEBI is a welcome measure since it will benefit the society at large through reduction in paper consumption and contribution towards a Greener Environment.

In view of the Green Initiatives announced as above, the Company shall send all documents to Shareholders like General Meeting Notices (including AGM), Annual Reports comprising Audited Financial Statements, Directors' Report, Auditors' Report and any other future communication (hereinafter referred as "documents") in electronic form, in lieu of physical form, to all those shareholders, whose email address is registered with Depository Participant (DP)/Registrars & Share Transfer Agents (RTA) (hereinafter "registered email address") and made available to us, which has been deemed to be the shareholder's registered email address for serving documents including those covered under Section 219 of the Companies Act, 1956 (the Act) read with Section 53 of the Act and Clause 32 of the Listing Agreement executed with the Stock Exchanges.

To enable the servicing of documents electronically to the registered email address, we request the shareholders to keep their email addresses validated/updated from time to time.

Nevertheless with a view to bring in lasting awareness amongst shareholders on the Green Initiatives, we wish to reiterate that Shareholders holding shares in electronic form are requested to please inform any changes in their registered e-mail address to their DP from time to time and Shareholders holding shares in physical form have to write to our RTA, M/s TSR Darashaw Limited at their address specified below, so as to update their registered email address from time to time.

TSR Darashaw Limited
Unit: Hindustan Construction Co. Ltd.
6-10, Haji Moosa Patrawala Ind. Estate,
20, Dr. E. Moses Road, Near Famous Studio,
Mahalaxmi, Mumbai-400 011
Telephone: +91-22-66568484 Fax: +91-22-66568494
Email: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

Please note that the Annual Report of the Company will also be available on the Company's website www.hccindia.com for ready reference. Shareholders are also requested to take note that they will be entitled to be furnished, free of cost, the aforesaid documents, upon receipt of requisition from the shareholder, any time, as a member of the Company.

- **Consolidate multiple folios (in respect of physical shareholding)**

Members are requested to consolidate their shareholdings under multiple folios to eliminate the receipt of multiple communications and this would ensure that future correspondence/corporate benefits could then be sent to the consolidated folio.

- **Register Nomination(s)**

Members holding shares in physical form, are requested to register the name of their nominee(s), who shall succeed the member as the beneficiary of their shares and in order to avail this nomination facility, they may obtain/submit the prescribed Form 2B from/with the Registrars & Share Transfer Agents. Members holding shares in dematerialised form are requested to register their nominations directly with their respective DPs.

- **Dealings of Securities with Registered Intermediaries**

In respect of dealings in securities, members must ensure that they deal only with SEBI registered intermediaries and must obtain a valid contract note/confirmation memo from the broker/sub-broker within 24 hours of execution of the trade(s) and it should be ensured that the contract note/confirmation memo contains details about order no., trade no., trade time, quantity, price and brokerage.

CERTIFICATION BY CEO/CFO UNDER CLAUSE 49 V OF THE LISTING AGREEMENT

The Board of Directors,
Hindustan Construction Co. Ltd.

We have reviewed the financial statements and the cash flow statement of Hindustan Construction Co. Ltd. for the year ended March 31, 2012 and to the best of our knowledge and belief:

- (a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take for rectifying these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee:
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Praveen Sood
Group Chief Financial Officer

Ajit Gulabchand
Chairman & Managing Director

Mumbai, April 27, 2012

DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,
The Members
Hindustan Construction Co. Ltd

I hereby declare that all the Directors and the designated employees in the Senior Management of the Company have affirmed compliance with their respective Codes for the financial year ended March 31, 2012.

For Hindustan Construction Co. Ltd

Ajit Gulabchand
Chairman & Managing Director

Mumbai, April 27, 2012

AUDITOR'S CERTIFICATE OF CORPORATE GOVERNANCE

To,
The Members
Hindustan Construction Co. Ltd

We have examined the compliance of conditions of Corporate Governance by Hindustan Construction Co. Ltd for the financial year ended March 31, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For K.S.AIYAR & CO
Chartered Accountants
(Registration No. 100186W)

Raghuvir Aiyar
Partner
Membership No. 38128

Mumbai, April 27, 2012

Notice

NOTICE is hereby given that the Eighty-Sixth Annual General Meeting of the Members of Hindustan Construction Company Limited will be held on Friday, June 15, 2012 at 11.00 a.m. at Walchand Hirachand Hall, Indian Merchants' Chamber, Indian Merchants' Chamber Marg, Churchgate, Mumbai 400020, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012, the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Prof. Fred Moavenzadeh, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Rajas R. Doshi, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. D.M.Popat, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s. K. S. Aiyar & Co., Chartered Accountants, Mumbai, bearing ICAI Registration No. 100186V, the retiring Auditors of the Company, be and are hereby re-appointed as the Auditors of the Company, including all its Branch Offices/Project Sites, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration as may be fixed by the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized in consultation with the Company's Auditors to appoint Branch Auditor(s) of the Company, to audit the accounts of the Company's Project Sites within and outside India, present and future on such terms and conditions including remuneration as the Board of Directors may deem fit."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT Dr. Ila Patnaik, who was appointed by the Board of Directors as an Additional Director of the Company with effect from October 21, 2011 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a Member of the Company under the provisions of Section 257 of the Act proposing her candidature for the office of a Director of the Company, be and is hereby appointed as

a Director of the Company, liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956, including the rules made thereunder and any amendments thereto or any statutory modification or re-enactment thereof for the time being in force ("the Act") and subject to the approval of the Central Government and all other sanctions, approvals and permissions as may be required and subject to such conditions and modifications as may be imposed or prescribed by any of the authorities while granting such sanctions, approvals and permissions, the Company hereby accords its approval for the payment of the following remuneration to Mr. Ajit Gulabchand, Chairman & Managing Director, during his remainder tenure i.e. for the financial years 2011-12 & 2012-13 respectively:

Salary and Perquisites and Allowances together with Retirals:

(Amount in ₹)

| Financial Year | Annual Salary | Perquisites and Allowances (per annum) | Retirals (per annum) | Total (per annum) |
|----------------|---------------|--|----------------------|-------------------|
| 2011-12 | 2,80,00,000 | 2,30,80,000 | 75,60,000 | 5,86,40,000 |
| 2012-13 | 4,80,00,000 | 4,56,00,000 | 1,29,60,000 | 10,65,60,000 |

Explanation:

For the purpose of calculating perquisites and allowances, the same shall be evaluated as per the Rules for Valuation of Perquisites under the Income Tax Act, 1961 or any amendments thereto or any modifications or statutory re-enactment thereof and/or any Rules or Regulations framed for the said purpose. In the absence of any such provision for valuation of any perquisites and allowances in the said Rules, the same shall be evaluated at its actual cost to the Company.

In addition to the above, Shri Ajit Gulabchand, Chairman & Managing Director of the Company shall be entitled for the following:-

- (i) Use of Company's car for office duties and telephone and other communication facilities at residence.
- (ii) One month's leave for every eleven months service and

- (iii) Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure.

Commission:

Such remuneration by way of Commission, in addition to the above, calculated with reference to net profits of the Company for the financial year 2012-13, if any, as may be determined by the Remuneration Committee and/or the Board of Directors, if so applicable, subject to the overall ceiling stipulated in Sections 198 & 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT in case the Company has in any of the aforementioned financial years i.e. FY 2011-12 and/or FY 2012-13, during the remainder tenure of Shri Ajit Gulabchand, Chairman & Managing Director, no profits or its profits are inadequate, Shri Ajit Gulabchand, Chairman & Managing Director be paid the aforesaid remuneration as "Minimum Remuneration" in the respective financial year(s) notwithstanding that the same exceeds/may exceed the ceiling limit laid down in Sections 198, 309 and Schedule XIII to the Act, subject to approval of the Central Government.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorised Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution, including the Remuneration Committee) be and is hereby authorized to revise, amend, alter and/or vary the terms and conditions in relation to the above remuneration in such manner as may be permitted in accordance with the provisions of the Act and/or to the extent as may be required, by the Central Government while according their approval.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable including making of an application to regulatory authorities, execution of necessary documents and to settle any questions, difficulties and/or doubts that may arise in this regard in order to implement and give effect to the foregoing resolution."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956, including the rules made there under and any amendments thereto or any statutory modification or re-enactment thereof for the time being in force ("the Act") and subject to the approval of the Central Government and all other sanctions, approvals and permissions as may be required and subject to such

conditions and modifications as may be imposed or prescribed by any of the authorities while granting such sanctions, approvals and permissions, the Company hereby accords its approval for the payment of the following remuneration to Mr. Arun V. Karambelkar, President & Whole-time Director, for a period of three years i.e. effective April 29, 2011 upto April 28, 2014:

Salary and Perquisites and Allowances together with Retirals :

(Amount in ₹)

| Financial Year | Annual Salary | Perquisites and Allowances (per annum) | Retirals (per annum) | Total (per annum) |
|---------------------------------------|---------------|--|----------------------|-------------------|
| 2011-12 (effective from 29.04.2011) | 1,05,13,333 | 89,36,333 | 28,38,600 | 2,22,88,266 |
| 2012-13 | 1,29,00,000 | 1,09,65,000 | 34,83,000 | 2,73,48,000 |
| 2013-14 | 1,44,00,000 | 1,22,40,000 | 38,88,000 | 3,05,28,000 |
| 2014-15 (for 28 days upto 28.04.2014) | 12,36,667 | 10,51,167 | 3,33,900 | 26,21,734 |

Explanation:

For the purpose of calculating perquisites and allowances, the same shall be evaluated as per the Rules for Valuation of Perquisites under the Income Tax Act, 1961 or any amendments thereto or any modifications or re-enactment thereof and/or Rules or Regulations framed for the said purpose. In the absence of any such provision for valuation of any perquisites and allowances in the said Rules, the same shall be evaluated at its actual cost to the Company.

In addition to the above, Shri Arun V. Karambelkar, President & Whole-time Director of the Company shall be entitled for the following:-

- Use of Company's car for office duties and telephone and other communication facilities at residence.
- One month's leave for every eleven months service and
- Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure

Commission:

Such remuneration by way of Commission, in addition to the above, calculated with reference to net profits of the Company, if any, in any financial year, as may be determined by the Remuneration Committee and/or

the Board of Directors, if so applicable, subject to the overall ceiling stipulated in Sections 198 & 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT in case the Company has in any of the aforementioned years i.e. effective April 29, 2011 upto April 28, 2014, during the tenure of Shri Arun V. Karambelkar, President & Whole-time Director, no profits or its profits are inadequate, Shri Arun V. Karambelkar, President & Whole-time Director be paid the aforesaid remuneration as "Minimum Remuneration" in the respective year(s) notwithstanding that the same exceeds/may exceed the ceiling limit laid down in Sections 198, 309 and Schedule XIII to the Act, subject to approval of the Central Government.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any duly authorised Committee thereof, for the time being exercising the powers conferred on the Board by this Resolution, including the Remuneration Committee) be and is hereby authorized to revise, amend, alter and/or vary the terms and conditions in relation to the above remuneration in such manner as may be permitted in accordance with the provisions of the Act and/or to the extent as may be required, by the Central Government while according their approval.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary, proper or desirable including making of an application to regulatory authorities, execution of necessary documents and to settle any questions, difficulties and/or doubts that may arise in this regard in order to implement and give effect to the foregoing resolution."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 or any amendments or substitution thereof, and subject to the approval of the Central Government and such other approvals as may be necessary, the consent of the Company be and is hereby accorded to Ms. Shalaka Gulabchand Dhawan, a relative (daughter) of Mr. Ajit Gulabchand, Chairman

& Managing Director of the Company, to hold and continue to hold an Office or Place of Profit under the Company, as Vice President (Business Development) of the Company on the following revised remuneration with effect from July 1, 2012:-

- I. Basic Salary:
Salary per month in the grade of ₹ 400000 – 500000 - 600000 per month
- II. Housing:
Fifty percent of Basic Salary as House Rent Allowance or rent free furnished accommodation to be provided by the Company.
- III. Personal Allowance : ₹ 40000 per month
- IV. Utility Allowance : ₹ 18800 per month
- V. Medical Reimbursement : One month's Basic Salary per annum
- VI. L.T.A. : One and half month's Basic Salary per annum
- VII. Performance Linked Pay (PLP) : As per the Rules of the Company
- VIII. Medical Insurance : As per the Rules of the Company
- IX. Company maintained Car with driver : As per the Rules of the Company (as admissible in her grade)

In addition, Ms. Shalaka Gulabchand Dhawan shall be entitled to Provident Fund, Superannuation Fund, Gratuity, Club Membership, Retirement Benefits and other facilities, as admissible in her grade, as per the Rules of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized and empowered, as and when it may determine and deem fit and proper, to revise the aforesaid terms of remuneration and to promote her to the next higher grade/s with all the usual allowances, facilities and benefits as applicable to such grade/s.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to accept such modifications in the above terms of remuneration as the Central Government may suggest or require or impose while granting its approval."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"**RESOLVED THAT** pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, including the rules made thereunder and any amendments, statutory modifications and/or re-enactment thereof for the time being in force (the "Act"), all other applicable laws and regulations

including the Foreign Exchange Management Act, 1999 ("FEMA"), the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) including any statutory modifications or re-enactment thereof and such other statutes, notifications, clarifications, circulars, rules and regulations as may be applicable, as amended from time to time, issued by the Government of India ("GOI"), the Securities and Exchange Board of India ("SEBI"), the Reserve Bank of India ("RBI"), Stock Exchanges and any other appropriate authorities, as may be applicable and in accordance with the enabling provisions in the Memorandum and Articles of Association of the Company and /or stipulated in the Listing Agreements entered into by the Company with the Stock Exchanges where the Equity Shares of the Company are listed and subject to such approvals, consents, permissions and sanctions, if any, of the GOI, SEBI, RBI, Stock Exchanges and any other relevant statutory /governmental authorities (the "concerned Authorities") as may be required and applicable and further subject to such terms and conditions as may be prescribed or imposed by any of the concerned Authorities while granting such approvals, consents, permissions and sanctions as may be necessary, which the Board of Directors of the Company (hereinafter referred to as the "Board," which term shall include any Committee (s) constituted /to be constituted by the Board to exercise the powers conferred on the Board by this Resolution) is hereby authorized to accept, the consent of the Company be and is hereby accorded to the Board to create, issue, offer and allot (including with provisions for reservation on firm and / or competitive basis, of such part of issue and for such categories of persons as may be permitted), Equity Shares and /or Equity Shares through depository receipts including American Depository Receipts (ADRs), Global Depository Receipts (GDRs) and / or Convertible Bonds, Fully Convertible Debentures (FCDs), Partly Convertible Debentures (PCDs), Optionally Convertible Debentures (OCDs), and /or other securities convertible into Equity Shares at a later date, at the option of the Company and /or the holder(s) of such securities (collectively referred as "Securities"), as the Board at its sole discretion or in consultation with underwriters, merchant bankers, financial advisors or legal advisors may at any time decide, by way of one or more public or private offerings in domestic and / or one or more international market(s), with or without a green shoe option, or issued /allotted through Qualified Institutions Placement in accordance with the Regulations for "Qualified Institutions Placement" (QIP) prescribed under Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009, as amended ("SEBI Regulations"), or by any one or more of a combination of the above or otherwise and at such time or times and in one or more tranches,

whether rupee denominated or denominated in foreign currency, to any eligible Qualified Institutional Buyers (QIB) including Foreign Institutional Investors, resident/non-resident investors (whether institutions, incorporated bodies, mutual funds, individuals or otherwise), Venture Capital Funds (foreign or Indian), Indian and/or Multilateral Financial Institutions, Mutual Funds, Non-Resident Indians, stabilizing agents and/ or any other categories of investors, whether they be holders of the Equity Shares of the Company or not (collectively referred as "Investors") whether or not such Investors are members of the Company, as may be deemed appropriate by the Board and as permitted under applicable laws and regulations, for an aggregate amount not exceeding ₹ 1500 crore (Rupees One Thousand Five Hundred Crore Only) on such terms and conditions and in such manner as the Board may in its sole discretion decide including the timing of the issue(s)/ offering(s), the Investors to whom the Securities are to be issued, terms of issue, issue price, number of Securities to be issued, creation of mortgage/ charge in accordance with Section 293 (1)(a) of the Companies Act, in respect of any Securities as may be required either on pari-passu basis or otherwise, the Stock Exchanges on which such securities will be listed, finalization of allotment of the Securities on the basis of the subscriptions received including details on face value, premium, rate of interest, redemption period, manner of redemption, amount of premium on redemption, the ratio/number of equity shares to be allotted on redemption/conversion, period of conversion, fixing of record date or book closure dates, etc., as the case may be applicable, prescribe any terms or a combination of terms in respect of the Securities in accordance with local and / or international practices including conditions in relation to offer, early redemption of Securities, debt service payments, voting rights, variation of price and all such terms as are provided in domestic and /or international offerings and any other matter in connection with, or incidental to the issue, in consultation with the merchant bankers or other advisors or otherwise, together with any amendments or modifications thereto ("the Issue").

RESOLVED FURTHER THAT the Securities to be created, issued, offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and the equity shares to be allotted in terms of this resolution shall rank pari passu in all respects with the existing Equity Shares of the Company.

RESOLVED FURTHER THAT if the issue or any part thereof is made for a QIP, FCDs, PCDs, OCDs or any other Securities, which are convertible into

or exchangeable with the Equity Shares of the Company (hereinafter collectively referred as "Other Specified Securities" and together with Equity Shares of the Company (hereinafter referred as "Specified Securities") within the meaning of the SEBI Regulations) or any combination of Specified Securities as may be decided by the Board, issued for such purpose shall be fully paid-up and the allotment of such Specified Securities shall be completed within twelve months from the date of this resolution or such other time as may be allowed under the SEBI Regulations from time to time, at such price being not less than the price determined in accordance with the pricing formula provided under Chapter VIII of the SEBI Regulations and the Specified Securities shall not be eligible to be sold for a period of one year from the date of allotment, except on a recognized Stock Exchange, or as may be permitted from time to time under the SEBI Regulations.

RESOLVED FURTHER THAT in the event of issue of Specified Securities by way of a QIP, the 'Relevant Date' on the basis of which the price of the Specified Securities shall be determined as specified under SEBI Regulations, shall be the date of the meeting in which the Board or the Committee of Directors duly authorized by the Board decides to open the proposed issue of Specified Securities or such other time as may be decided by the Board and as permitted by the SEBI Regulations, subject to any relevant provisions of applicable laws, rules and regulations as amended from time to time, in relation to the proposed issue of the Specified Securities.

RESOLVED FURTHER THAT in the event of issue of Other Specified Securities by way of a QIP, the number of Equity Shares and /or conversion price in relation to Equity Shares that may be issued and allotted on conversion shall be appropriately adjusted for corporate actions such as bonus issue, rights issue, split and consolidation of share capital, merger, demerger, transfer of undertaking, sale of division or any such capital or corporate restructuring exercise.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of Securities may have such features and attributes or any terms or combination of terms that provide for the tradability and free transferability thereof in accordance with the prevalent market practices in the capital markets including but not limited to the terms and conditions relating to variation of the price or period of conversion of Other Specified Securities into Equity Shares or for issue of additional Securities and such of these Securities to be issued, if not subscribed, may be disposed of by the Board, in such manner and/or on such terms including offering or placing them with banks /financial institutions /mutual funds or otherwise, as the Board may deem fit and proper in its absolute discretion, subject to applicable laws, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and any issue, offer and allotment of Securities, the Board be and is hereby authorized to take all such actions, give such directions and to do all such acts, deeds, things and matters connected therewith, as may be necessary, desirable or incidental thereto including without limitation the entering into arrangements/agreements for underwriting, marketing, listing of Securities, trading, appointment of Merchant Banker(s), Advisor(s), Registrar(s), paying and conversion agent(s) and any other advisors, professionals, intermediaries and all such agencies as may be involved or concerned in such offerings of Securities and to issue and sign all deeds, documents, instruments and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions whether in India or abroad, for the issue and to do all requisite filings with GOI, RBI, SEBI, Stock Exchanges, if required and any other concerned authority in India or outside, and to give such directions that may be necessary in regard to or in connection with any such issue, offer and allotment of Securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit, without being required to seek any further consent or approval of the members or otherwise, to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution, and accordingly any such action, decision or direction of the Board shall be binding on all the Members of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred, to any Committee of Directors or any one or more Directors of the Company to give effect to the aforesaid resolution and thereby such Committee of Directors or one or more such Directors as authorized are empowered to take such steps and to do all such acts, deeds, matters and things and accept any alterations or modifications as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in this regard."

By Order of the Board
For Hindustan Construction Company Ltd

VITHAL P. KULKARNI
Company Secretary

Registered Office:

Hincon House,
11th Floor, 247 Park,
Lal Bahadur Shastri Marg,
Vikhroli (West),
Mumbai 400 083

Place: Mumbai
Date: April 27, 2012

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting and also their copy of the Annual Report.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, June 5, 2012 to Friday, June 15, 2012 (both days inclusive) for the purpose of the Annual General Meeting.
4. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the ensuing Annual General Meeting is annexed hereto and forms part of the Notice.
5. The Members are requested to:
 - (a) Intimate change in their registered address, if any, to the Company's Registrar and Share Transfer Agents, M/s. TSR Darashaw Limited at 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E. Moses Road, Near Famous Studio, Mahalaxmi, Mumbai - 400 011 in respect of their holdings in physical form.
 - (b) Notify immediately any change in their registered address to their Depository Participants in respect of their holdings in electronic form.
 - (c) Non-Resident Indian Members are requested to inform M/s. TSR Darashaw Limited immediately of the change in residential status on return to India for permanent settlement.
 - (d) Register their email address and changes therein from time to time with M/s. TSR Darashaw Ltd. for shares held in physical form and with their respective Depository Participants for shares held in demat form.
6. Corporate Members intending to send their authorized representatives are requested to send duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the ensuing Annual General Meeting so as to reach the Company on or before June 13, 2012.
7. Consequent upon, the introduction of Section 109A of the Companies Act, 1956, members are entitled

to make nominations in respect of the Equity Shares held by them, in physical form. Members desirous of making nominations may procure the prescribed Form 2B from the Registrar & Share Transfer Agents, M/s. TSR Darashaw Limited and have it duly filled and sent back to them.

8. As you all may be aware, the Ministry of Corporate Affairs (MCA) had under taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode, whereby the companies have been permitted to send various notices/documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. Securities and Exchange Board of India (SEBI) vide its Circular No. CIR/CFD/DIL/2011 dated October 5, 2011, have also, in line with the aforesaid MCA circulars, permitted listed entities to supply soft copies of full annual reports to all those shareholders who have registered their email addresses for the purpose. This move by the MCA and SEBI is a welcome measure since it will benefit the society at large through reduction in paper consumption and contribution towards a Greener Environment.

In view of the Green Initiatives announced as above, the Company shall send all documents (to Shareholders) like General Meeting Notices (including AGM), Annual Reports comprising Audited Financial Statements, Directors' Report, Auditors' Report and any other communication in future (hereinafter referred as "documents") in electronic form, in lieu of physical form, to all those shareholders, whose email address is registered with Depository Participant (DP)/Registrars & Share Transfer Agents (RTA) (hereinafter "registered email address") and made available to us, which has been deemed to be the shareholder's registered email address for serving documents including those covered under Section 219 of the Companies Act, 1956 (the Act) read with Section 53 of the Act and Clause 32 of the Listing Agreement executed with the Stock Exchanges.

To enable the servicing of documents electronically to the registered email address, we request the shareholders to keep their email addresses validated/updated from time to time.

Nevertheless with a view to bring in lasting awareness amongst shareholders on the Green Initiatives, we wish to reiterate that Shareholders holding shares in electronic form are requested to please inform any changes in their registered

e-mail address to their DP from time to time and Shareholders holding shares in physical form have to write to our RTA, M/sTSR Darashaw Limited at their address specified below, so as to update their registered email address from time to time.

TSR Darashaw Limited
Unit: Hindustan Construction Co. Ltd.
6-10, Haji Moosa Patrawala Ind. Estate,
20, Dr. E. Moses Road, Near Famous Studio,
Mahalaxmi, Mumbai-400 011
Telephone: +91-22-66568484 Fax: +91-22-66568494
Email: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

Please note that the Annual Report of the Company will also be available on the Company's website www.hccindia.com for ready reference. Shareholders are also requested to take note that they will be entitled to be furnished, free of cost, the aforesaid documents, upon receipt of requisition from the shareholder, any time, as a member of the Company.

9. Appointment / Re-appointment of Directors

Pursuant to Clause 49 (IV)(G) of the Listing Agreement, the following information is furnished in respect of the Directors proposed to be appointed / re-appointed.

- I. Name** : Dr. Ila Patnaik
Date of Birth : April 27, 1964
Qualification & Expertise : PhD in Economics from University of Surrey.

She is a Professor at the National Institute of Public Finance and Policy. She had earlier worked at National Council of Applied Economic Research, ICRIER and as Economics Editor at the Indian Express. Her main areas of interest are open economy macroeconomics, including issues related to capital flows, the exchange rate regime, monetary policy, business cycles and the financial sector in the context of opening of the capital account.

Dr. Ila Patnaik has worked for 4 years on the NIPFP-Department of Economic Affairs, Ministry of Finance Research program on capital flows. She has also participated in Ministry of Finance working groups such as Jahangir Aziz working group on debt management office and UK Sinha working group on capital controls.

Directorship : Nil
held in other Companies

Chairmanship : Nil
/ Membership of

Committees in other Public Companies

No. of Equity Shares held

- II. Name** : Prof. Fred Moavenzadeh

Date of Birth : October 14, 1935

Qualification & Expertise : Bachelor's Degree of Science from Teheran University, USA, Master's Degree of Science from Cornell University, USA and Doctorate in Philosophy from Purdue University.

Prof. Moavenzadeh is the James Mason Crafts Professor of Engineering at Massachusetts Institute of Technology (M.I.T) as well as the Director of Technology Development Programme at M.I.T. His professional field of interest is Construction, Construction Finance, Strategic Management and Environmental markets for Construction.

He has served as a Consultant on the Advisory Committee of several institutional agencies including World Bank, United National Industrial Development Organisation (UNIDO), Austria and United Nation Centre for Housing and Building Planning, New York.

Directorship : Nil
held in other Companies

Chairmanship : Nil
/ Membership of

Committees in other Public Companies

No. of Equity Shares held

- III. Name** : Mr. Rajas R. Doshi

Date of Birth : September 1, 1951

Qualification & Expertise : Bachelor's Degree in Engineering (Civil).
Mr. Rajas R. Doshi is an industrialist and the Chairman & Managing Director of the Indian Hume Pipe Co. Ltd., one of the leading civil construction and engineering Company in the country and also serves as the Non-Executive Chairman of IHP Finvest Ltd.

Directorship held in other Companies : i) Indian Hume Pipe Co. Ltd
ii) IHP Finvest Ltd
iii) Modern India Ltd
iv) Raj Jyoti Trading & Investment Pvt. Ltd.
v) Mobile Systems India Pvt. Ltd.
vi) Ratanchand Investment Pvt. Ltd

Chairmanship / Membership of Committees in other Public Companies : • Member of the Audit Committee and Chairman of Shareholders/ Investors' Grievance Committee and Remuneration Committee of Modern India Ltd.

- Member of Shareholders/Investors' Grievance Committee of the Indian Hume Pipe Co. Ltd
- Member of the Audit Committee and Shareholders/Investors' Grievance Committee of the Company.

No. of Equity Shares held : 32,000

IV. **Name** : Mr. D.M. Popat

Date of Birth : December 18, 1933

Qualification & Expertise : Bachelors Degree in Arts, Commerce and Law.

Mr. Popat is a Senior Partner of M/s. Mulla & Mulla & Craigie Blunt & Caroe., Solicitors & Advocates since 1969. He has been in practice for over 48 years and has vast experience in various legal fields such as Corporate Laws, Real Estate, Arbitration and Foreign Collaboration matters.

Directorship held in other Companies : i) Hindoostan Mills Ltd
ii) Peninsula Land Ltd.
iii) The Ruby Mills Ltd.
iv) Continental Air Services Pvt. Ltd.

Chairmanship / Membership of Committees in Other Public Companies : • Chairman of Remuneration Committee of Hindoostan Mills Ltd
• Chairman of Remuneration Committee of Peninsula Land Ltd
• Member of Remuneration Committee of The Ruby Mills Ltd

No. of Equity Shares held : Nil

By Order of the Board
For Hindustan Construction Company Ltd

VITHAL P. KULKARNI
Company Secretary

Registered Office:
Hincon House,
11th Floor, 247Park,
Lal Bahadur Shastri Marg,
Vikhroli (West),
Mumbai 400 083

Place: Mumbai
Date: April 27, 2012

Annexure to the Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item No.6

Dr. Ila Patnaik was appointed as an Additional Director by the Board of Directors at their Meeting held on October 21, 2011 pursuant to Section 260 of the Companies Act, 1956 ("the Act") read with Article 135 of the Articles of Association of the Company. Dr. Ila Patnaik would hold office upto the date of the forthcoming Annual General Meeting of the Company.

The Company has received a notice in writing under Section 257 of the Act from a Member of the Company along with a deposit of ₹ 500 signifying an intention to propose Dr. Ila Patnaik as a candidate for the Office of Director.

Dr. Ila Patnaik has done her PhD in Economics from the University of Surrey. Dr Ila Patnaik is a Professor at the National Institute of Public Finance and Policy. Prior to this, she had worked at National Council of Applied Economic Research, ICRIER and as an Economics Editor at the Indian Express. Her main areas of interest are open economy macroeconomics including issues related to capital flows, the exchange rate regime, monetary policy, business cycles and the financial sector in the context of opening of the capital account.

Dr. Ila Patnaik has worked for 4 years on the NIPFP- Department of Economic Affairs, Ministry of Finance Research program on capital flows. She has also participated in Ministry of Finance working groups such as Jahangir Aziz working group on debt management office and UK Sinha working group on capital controls.

Given the experience and illustrious background of Dr. Ila Patnaik, the Board of Directors felt that it is in the interest of the Company, to appoint her as a Director of the Company.

Therefore the Board of Directors recommend the resolution for approval of the Members.

Except Dr. Ila Patnaik, no other Director is concerned or interested in the resolution.

Item Nos. 7 & 8

The members had, at the Annual General Meeting of the Company held on June 13, 2008, approved the reappointment of Mr. Ajit Gulabchand as the Managing Director designated as Chairman & Managing Director of the Company and his terms of remuneration, for a period of 5 years with effect from April 1, 2008.

At the Annual General Meeting of the Company held on June 10, 2011, the members had approved the appointment of Mr. Arun V. Karambelkar as Whole-time Director of the Company and his terms of remuneration, for a period of 5 years with effect from April 29, 2011.

The aforesaid resolutions and the accompanying explanatory statements approved by the Members, inter alia, stated that if the Company has no profits or its

profits are inadequate in any financial year, during the currency of their tenure, the Company shall pay, minimum remuneration to the Chairman & Managing Director and the President & Whole-time Director respectively, as per relevant applicable provisions of law including provisions as contained in Schedule XIII to the Companies Act, 1956, ("the Act") including any amendments thereto or any modifications or statutory re-enactment thereof and/or any rules or regulations framed there under.

In view of the unprecedented economic instability prevalent in the global environment the Indian economy has also been seriously affected. There has been a sense of negative demand growth felt across various sectors which has resulted in a slowdown in the economy and thereby slackened the demand in Infrastructure.

The present financial performance of the Company reflects the difficult economic and business environment. As a consequence of certain unexpected developments which were beyond the control of management, mainly delays in decision making by the Company's major clients and delays in settlement of claims, the expected cash flows have not materialized for the Company. As a consequence, the Company has witnessed lower turnover, lower operating margins and high interest costs which has led to your Company incurring net loss for the first time after more than two decades.

Due to the current financial condition of the Company, Shri Ajit Gulabchand, Chairman & Managing Director of the Company had expressed his desire to take a lesser remuneration for FY 2011-12 as compared to what has been approved by the shareholders of the Company at the Annual General Meeting dated June 13, 2008. In view of the same, the Remuneration Committee of the Board and the Board of Directors approved his remuneration for the FY 2011-12 at the same level as paid for the previous financial year i.e. 2010-11.

Further the Remuneration Committee of the Board and the Board of Directors had approved at their meetings held on January 20, 2012 that considering the Chairman & Managing Director's rich experience and contribution, it would be reasonable, fit and justified to approve the remuneration payable to Mr. Ajit Gulabchand, Chairman & Managing Director of the Company for the F.Y. 2011-12 and F.Y. 2012-13 as specified in the resolution under Item No. 7 as minimum remuneration, which is within the limits approved by the Members at the Annual General Meeting dated June 13, 2008, subject to necessary compliance with the requirements of the Act.

Likewise, the Remuneration Committee of the Board and the Board of Directors had also approved at their meetings held on January 20, 2012 that considering the President & Whole-time Director's competence, subject matter expertise and immense contribution, it would be reasonable, fit and justified to approve the remuneration payable to Mr. Arun V. Karambelkar, President & Whole-time

Director for three years i.e. effective from April 29, 2011 upto April 28, 2014 as specified in the respective resolution under Item No. 8 as minimum remuneration, which is within the limits approved by the Members at the Annual General Meeting dated June 10, 2011, subject to necessary compliance with the requirements of the Act.

In accordance with Sub-paragraph (C) of Paragraph (1) of Section II of Part II of Schedule XIII to the Act, where in any financial year during the currency of the tenure of the Managerial Person, a Company has no profits or its profits are inadequate, it may pay remuneration, upon compliance with the conditions stated thereunder including seeking approval from the Shareholders by way of a Special Resolution for the payment of remuneration for a period not exceeding three years subject to approval of the Central Government.

As the payment of minimum remuneration to Mr. Ajit Gulabchand, Chairman & Managing Director for the F.Y. 2011-12 and F.Y. 2012-13 exceeds/may exceed the ceiling limit laid down in Sections 198, 309 read with Schedule XIII to the Act, Shareholders approval vide Special Resolution is sought for the said proposal, subject to approval of the Central Government.

Likewise, as the payment of minimum remuneration to Mr. Arun V. Karambelkar, President & Whole-time Director for the three years i.e. effective from April 29, 2011 upto April 28, 2014 exceeds/may exceed the ceiling limit laid down in Sections 198, 309 read with Schedule XIII to the Act, Shareholders approval vide Special Resolution is sought for the said proposal, subject to approval of the Central Government.

In terms of the requirements as per sub-clause (iv) of the proviso to Sub-paragraph (C) of Paragraph (1) of Section II of Part II of Schedule XIII to the Act, the information is as furnished below:

I. GENERAL INFORMATION :

- (1) Nature of Industry : Engineering and Construction.
 (2) Date of Commencement of commercial Production : Not Applicable
 (3) In case of new Companies, expected date of : Not Applicable

Commencement of activities as per project approved
by Financial Institutions appearing in the Prospectus

- (4) Financial Performance:

Financial parameters of the Company for the last five financial years:

(₹ in crore)

| Sr. No. | Particulars | Year | | | | |
|---|--|----------|----------|----------|-----------------------------|----------|
| | | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| 1 | Paid-up Capital | 25.63 | 25.63 | 30.33 | 60.66 | 60.67 |
| 2 | Reserves and Surplus | 963.24 | 964.03 | 1486.85 | 1461.53 | 1239.44 |
| 3 | Turnover * | 3,104.34 | 3,518.32 | 3,862.97 | 4,149.05 | 4,010.60 |
| 4 | Net Profit as per Sec 198 (read with Section 349) of the Companies Act, 1956 | 170.63 | 109.27 | 122.39 | 117.34 | - |
| 5 | Amount of Dividend Paid | 20.50 | 20.50 | 24.26 | 24.26 | - |
| 6 | Rate of Dividend Declared | 80% | 80% | 80% | 40% (post bonus issue 1: 1) | - |
| * Turnover include Company's share in Turnover of Integrated Joint Ventures | | | | | | |

- (5) Export Performance, Net Foreign Exchange Earnings and Collaborations : During the year 2011-12, the accrued value of exported goods or services on F.O.B. Basis and work bills realized on contracts is ₹ 38.80 crore. The Company has no foreign collaboration.

- (6) Foreign Investments or Collaborators, if any : The total equity shares held by Foreign Institutional Investors (FIIs) and Global Depository Shares (GDS) holders is 14,80,38,695 Equity Shares of ₹ 1 each which constitutes 24.40 % of the Paid up Equity Share Capital of the Company.
- There is no foreign collaboration for any investment.

II. INFORMATION ABOUT THE APPOINTEE:

(1) Background details:

(a) Mr. Ajit Gulabchand:

Mr. Ajit Gulabchand, Chairman & Managing Director is B.Com (Hons) aged 63 years. He has over three decades of enriched experience in construction business and has served the board of HCC, as Managing Director from April 01, 1983 and was elevated as the Chairman of the Company in 1994. Since then, he has been re-appointed from time to time, for a period of 5 years each. His present tenure of re-appointment as Chairman & Managing Director of the Company was approved by the shareholders for a period of five years with effect from April 1, 2008.

(b) Mr. Arun V. Karambelkar :

Mr. Arun V. Karambelkar is a Silver Medallist in Bachelors of Engineering (Mechanical) Degree from Mumbai University and a top ranker at the Masters degree program in Materials Management from Pune. He has rich and diverse experience of over 30 years in various industries such as automobiles, engineering and electronics, of which over 20 years are in the Construction Industry. His appointment as the Whole-time Director of the Company was approved by the shareholders for a period of five years with effect from April 29, 2011.

(2) Past Remuneration :

(a) Mr. Ajit Gulabchand:

The remuneration paid to Chairman & Managing Director in the three financial years i.e. 2008-09, 2009-10 & 2010-11 are as given below :

(Amount in ₹)

| Period | | Annual Salary | Perquisites and allowances per annum | Commission per annum | Retirals per annum | Total per annum |
|------------|------------|---------------|--------------------------------------|----------------------|--------------------|-----------------|
| 01/04/2008 | 31/03/2009 | 2,40,00,000 | 2,28,00,000 | - | 64,80,000 | 5,32,80,000 |
| 01/04/2009 | 31/03/2010 | 3,00,00,000 | 2,30,50,000 | - | 81,00,000 | 6,11,50,000 |
| 01/04/2010 | 31/03/2011 | 3,30,00,000 | 1,67,30,000 | - | 89,10,000 | 5,86,40,000 |

(b) Mr. Arun V. Karambelkar:

Please note that Mr. Arun V. Karambelkar has been appointed only during the financial year 2011-2012 as Whole-time Director and therefore the below given past remuneration was paid to him, purely while in employment and not as a managerial person. The details of remuneration paid to him in the three financial years i.e. 2008-09, 2009-10 & 2010-11 are as given below :

(Amount in ₹)

| Period | | Annual Salary | Perquisites and allowances per annum | Performance linked Pay (PLP) per annum | Retirals per annum | Total per annum |
|------------|------------|---------------|--------------------------------------|--|--------------------|-----------------|
| 01/04/2008 | 31/03/2009 | 36,70,080 | 82,14,199 | 27,65,366 | 19,42,548 | 1,65,92,193 |
| 01/04/2009 | 31/03/2010 | 36,70,080 | 82,14,199 | 35,94,978 | 19,42,548 | 1,74,21,805 |
| 01/04/2010 | 31/03/2011 | 4,460,520 | 98,07,036 | 39,50,770 | 21,93,984 | 2,04,12,310 |

(3) **Recognition/Awards:**

(a) **Mr. Ajit Gulabchand :**

Mr. Ajit Gulabchand has received several recognitions during his tenure as Managing Director. Apart from his position in HCC, he has also chaired as Co-Chairman of the World Economic Forum's India Economic Summit in 2010 and Governor's steering board of the E&C Community at the World Economic Forum's Annual Meeting 2011 in Davos. He is also the only Indian business leader honored to actively participate on panels at the United Nation's Annual Summit on climate change, as well on the United Nation's Global Compact Summit. He is also an Executive Committee member of the Energy and Resources Institute – Business Council for Sustainable Development. He is a Founder Member, of the Geneva-based Disaster Resource Network, in collaboration with the World Economic Forum, the UN and International Red Cross.

(b) **Mr. Arun V. Karambelkar :**

In 2010, Indian Institute of Materials Management (IIMM) recognized his contribution to the Materials Management profession by awarding him the prestigious "UNITOP AWARD". He is also a member of the IIMM since 1982 and is the National Councilor from Mumbai for the last 8 years.

(4) **Job Profile and Suitability:**

(a) **Mr. Ajit Gulabchand :**

Mr. Ajit Gulabchand is the Chairman & Managing Director of our Company having more than 3 decades of rich experience in construction industry. He functions under the control, superintendence and direction of the Board of Directors. Under his able leadership, the Company which was primarily engaged in the Construction sector has since then executed a wide range of construction projects in diverse segments such as transportation, hydro power, nuclear projects, oil & gas pipeline, irrigation & water supply and urban Infrastructure and thus the Company has established itself as a leading Engineering & Construction (or "E&C") and Infrastructure development Company in India.

With his unstinted contribution, the Company has invested in cutting-edge technologies, adopted best work practices and stressed on global operational standards to promote responsible infrastructure development in India. The Company has constructed over 25% of India's hydro power, over 50% of India's nuclear power generation capacities and built over 2,300 km of roads and expressways.

Projects executed across India bear HCC's hallmark of world-class innovation, from Roads & Expressways, Tunnels, Bridges, Dams and Barrages, to India's first and longest open sea Cable-Stayed Bridge in the country's commercial capital, Mumbai.

In the present challenging business environment, the duties and responsibilities of Mr. Ajit Gulabchand, Chairman & Managing Director, has grown manifold. There is a continuous need for formulation of competitive strategies and periodical review thereof for successful implementation and sustained overall development of the Company which has necessitated his increased focus and higher involvement in the Company's matters.

In these tough times, it is imperative that the Company's growth strategy continues under the continued guidance and leadership of Mr. Ajit Gulabchand with whose rich experiential background, the Company remains reinforced to strive through the challenging times and bounce back on the growth chart.

(b) **Mr. Arun V. Karambelkar :**

In his rich and diverse experience of over 30 years Mr. Arun V. Karambelkar has a career span of over 20 years with the Company. As the President and member of the Company's Group Management Committee, he is responsible for strategic functions of Procurement and Sub-contracting and has also been managing selection, mobilization and operations of the Company's construction equipment fleet and thereupon was elevated as Whole-time Director with effect from April 29, 2011, considering his overall contribution to the Company.

In a highly competitive industry, Mr. Arun V. Karambelkar as the President & Whole-time Director has been shouldered with increased responsibilities. There is a continuous need to formulate appropriate business policies and formalize business decisions which have a competitive edge over others. As the President & Whole-time Director he has a dedicated and holistic involvement for the entire operations of the Company. In his present role, he has to discharge multi-faceted responsibilities and with his rich talent and dynamic experience it is firmly believed that he will continue to provide able guidance and contribution as ever, in order to translate the business prospects into successful business ventures.

Considering Mr. Arun V. Karambelkar's sustained and enhanced contribution to the

Company, it is imperative that he continues as the President & Whole-time Director and guides the Company with his able decision making to steer through the challenging times.

(5) Remuneration paid/proposed:

(a) Mr. Ajit Gulabchand:

Details of the total remuneration comprising, interalia, Salary and Perquisites and Allowances together with Retirals and other benefits/perquisites which is paid/proposed during the remaining tenure for Mr. Ajit Gulabchand, Chairman & Managing Director i.e. for the FY 2011-12 and FY 2012-13 have been fully set out in the resolution at Item No. 7.

(b) Mr. Arun V. Karambelkar:

Details of the total remuneration comprising, interalia, Salary and Perquisites and Allowances together with Retirals and other perquisites/benefits which is paid/proposed for Mr. Arun V. Karambelkar, President & Whole-time Director for a period of three years w.e.f. April 29, 2011 to April 28, 2014 have been fully set out in the resolution at Item No. 8.

(6) Comparative Remuneration Profile with respect to Industry, Size of the Company, Profile of the position and person:

(a) Mr. Ajit Gulabchand:

Considering that Shri Ajit Gulabchand, Chairman & Managing Director of the Company has strived hard to place the Company in a prominent position and in turning the Company to one of the global engineering and construction player and pioneer in urban infrastructure development, his role and contribution to the Company cannot be overemphasized. He has immensely contributed to the Company which has ensured the long term survival and prosperity of our Company and thus the Remuneration Committee of our Board and the Board of Directors felt that the remuneration proposed to him is reasonable.

In view of the above, Remuneration Committee of the Board and the Board of Directors had approved that considering the size of the Industry in which the Company operates, the challenging and competitive business environment, the size of the Company, the business acumen and dynamism expected in discharge of the role of the Chairman & Managing Director, it is utmost befitting that Mr. Ajit Gulabchand continues as the Chairman & Managing Director of the Company considering his competence and invigorating leadership

provided to the Company for more than 3 decades which has resulted in sustained growth for the Company and therefore the payment of aforesaid remuneration stated at resolution No. 7 is commensurate to prevailing levels in the industry and thereby is fit and more than justified for payment to him.

(b) Mr. Arun V. Karambelkar:

As per Notification No. GSR 534(E) dated 14th July, 2011 issued by the Ministry of Corporate Affairs, wherein any financial year during the currency of the tenure of the managerial person, a Company has no profits or its profits are inadequate, it may pay remuneration to a managerial person without seeking approval of Central Government if the managerial person is not having any interest in the capital of the Company or its holding Company, directly or indirectly or through any statutory structures and not having any direct or indirect interest or related to the directors or promoters of the Company or its holding Company at any time during last two years before or on the date of appointment and is having a graduate level qualification with expert and specialized knowledge in the field of his profession.

In a true sense, the aforesaid notification should apply to Mr. Arun V. Karambelkar, as he is a Professional Director who is a qualified expert and possesses specialized knowledge and vast experience for discharging the functions entrusted to him as a Whole-time Director of the Company. Except for a small equity shareholding of 2000 equity shares in the Company, he does not have any other interest in the capital of the Company or through any other statutory structures and does not have any direct or indirect interest or is not related to the directors or promoters of the Company at any time during his tenure.

The remuneration paid/payable to Mr. Arun V. Karambelkar is reasonable and comparable to remuneration paid to other Professional Directors in our Industry. Had he not held the small capital interest of 2000 equity shares in the Company as stated above, payment of remuneration to him would stand exempted under the aforesaid notification notwithstanding that such remuneration may exceed the limits specified in Schedule XIII to the Act.

In view of the above, Remuneration Committee of the Board and the Board of Directors had approved that considering his competence, subject matter expertise and diversified experience, it is more than appropriate that Mr. Arun V. Karambelkar

continues as President & Whole-time Director of the Company and with his immensely valuable contribution, continues to drive the operations of the Company in the face of the challenging business environment, which would enable the Company to emerge successful and therefore it was felt that the payment of aforesaid remuneration stated at Resolution No. 8 is comparable to the prevailing industry levels and more than justified for payment.

(7) Pecuniary Relationship, directly or indirectly, with the Company or relationship with the Managerial Personnel, if any:

(a) Mr. Ajit Gulabchand:

Mr. Ajit Gulabchand, Chairman & Managing Director is not related to any managerial personnel in the Company. Mr. Ajit Gulabchand does not have any pecuniary relationship, directly or indirectly with the Company or with any managerial personnel besides the remuneration set out in the resolution at Item No. 7 and except to the extent of the Promoter shareholdings in the Equity Share Capital of the Company .

(b) Mr. Arun V. Karambelkar:

Mr. Arun V. Karambelkar, President & Whole-time Director is not related to any managerial personnel in the Company. He does not have any pecuniary relationship, directly or indirectly with the Company or with any managerial personnel besides the remuneration set out in the resolution at Item No. 8 and except to the extent of his shareholding of 2000 equity shares in the Equity share capital of the Company.

III OTHER INFORMATION:

(1) Reasons for loss or inadequate profits :

Overview of the Construction Sector

The Indian construction sector is estimated to be the country's second-largest economic segment after agriculture, employing approximately 32 million people. Construction sector has accounted for approximately 40% of the aggregate development investment over the past 50 years. Approximately 16% of the nation's working population depends on construction for its livelihood. The growth of India's construction industry is directly linked to the growth of the country's economy, since it is driven by increased investments in infrastructure and related sectors.

Excluding FY 2009, the Indian economy registered a robust growth rate of 8% and above during

the five year period from FY 2006 to FY 2011. Sustained economic growth in a country is dependent on development of the country's infrastructure, which includes transportation (railways, roads, ports and civil aviation), electricity generation, transmission and distribution, telecommunications, water supply and sanitation and solid waste management. The above mentioned sectors are expected to continue to grow with further development, industrialization and urbanization in India.

Overview of the Company

HCC is an 86 year old business and among the leading engineering, construction and infrastructure development companies in India. The Company has executed a majority of India's landmark infrastructure projects, having constructed over 25% of India's hydro-power and over 50% of India's nuclear power generation capacities, 2,300 km of roads and expressways, and over 170 km of complex tunneling in addition to 100s of bridges, dams, and barrages.

HCC is one of the oldest infrastructure development companies, founded by Seth Walchand Hirachand in 1926 and continues to complete projects of national interest with a track record of timely completion and as a preferred contractor to Central and State Authorities. Today HCC is the one of the leading global engineering & construction player and pioneer in urban infrastructure development Company in India. Having executed some of the largest and most technically challenging projects, the Company has been at the forefront of the Indian construction sector.

With its strong presence in Engineering & Construction space, expertise in developing construction, infrastructure & urban development projects and with plans to venture into power sector, the HCC Group is poised to become a complete sustainable Infrastructure development Company operating across the value chain in next four to five years.

Key Concerns for the Construction Sector

Currently the construction industry is witnessing sluggish growth temporarily due to economic and policy concerns. At the same time, the economy has been witnessing high inflation cycle resulting into high interest costs and commodity prices. The key economic and policy concerns being faced by the Industry include:

- Land Acquisition: Delays in land acquisition is causing idling of construction work and delaying the project execution;

- **Environment Clearance:** Various project implementations are being hit by elongated Environmental Clearance process due to policy issues to be sorted out by the Government;
- **Interest rates:** High interest rates have impacted the growth in infrastructure investments, especially from the private segment. Currently, with interest rates at their peak, further capital investment decisions are getting deferred. This may affect the growth of construction industry. Interest to sales ratio for most of the companies in industry has increased by over 33% in FY 2011;
- **Commodity Prices:** With a significant rise in commodity prices (steel, cement etc.) over the last few quarters, profit margin for construction business has decreased. Though most of the contracts have provision for variation in commodity prices, the price variations are to be claimed separately as per respective contracts. Realization of claims can be a time consuming process finally resulting into cash flow mismatch;
- **Competition:** Increase in competition due to low entry barriers and large number of players has resulted in under quoting of bid prices and has adversely impacted the margins further in addition to high interest rates and high commodity prices;
- **Working Capital Cycle:** High Inflation (hovering around 9%) is one of the major reasons for the slack period in the Indian construction industry. Working capital cycles have increased for most companies in the last year due to low realization of revenues from execution delays and slow down in realisations on account of government indecision;

There has been a considerable slow down in new project announcements, actual commencement of projects and completion, as the infrastructure sector continues to struggle with clearances and lack of regulatory push.

Additionally, there has been a sharp jump in stalled and shelved projects while project completion continues to slow down due to macroeconomic headwinds, fuel supply issues, policy hurdles, delays relating to land acquisition & environmental clearances and high interest costs, which have all taken a toll on new order allocations. *(Source: Citigroup Global Markets Report on India Infrastructure, November 2011)*

Financial Performance of the Company:

The Company has shown steady progress over the last few years and has performed in line with

industry standards clocking superior operating margins over its peers.

The Infrastructure sector is facing strong headwinds, including slowdown in order activity caused by shortfall in investments in the infrastructure sector, increased commodity prices and high interest rate scenario. As a consequence of certain unexpected developments which were beyond the control of management, mainly delays in decision making by the Company's major clients and delays in settlement of claims, the expected cash flows have not materialized for the Company. These factors coupled with slowdown in Infrastructure industry has resulted in lower turnover, lower operating margins and high interest costs for the Company which has consequently led the Company to incur net loss for the first time after more than two decades.

The various factors that have affected the cash flows for the Company have been explained in detail below:

- **Execution delays and delays in payment from clients:** Despite a strong order book, HCC Ltd's revenue growth and profitability was muted in the last few quarters due to order execution-related issues. HCC's revenue declined in FY 2012 due to slowdown in order execution. Delay due to exogenous factors such as delay in procuring environmental approvals, land acquisition and government decision making have adversely affected performance. Delayed project execution has in turn affected payment from clients and the Company's cash flows;
- **Sharp increase in commodity prices:** With a significant rise in commodity prices over the last few quarters, profit margins for EPC have been under pressure and fixed overheads not covered by lower revenues;
- **Increase in interest rates on 13 occasions by 450 bps RBI from Q1 FY 2011:** The Reserve Bank of India increased interest rates on 13 occasions over the last 20 months to rein in inflation. This stance of the central bank to tighten the monetary policy has adversely affected the development side of the country's investment. With a rise in interest rates and tightening of the banks, monetary conditions have become increasingly difficult. The high interest rate environment has adversely affected HCC's earnings with the interest cost increasing substantially in FY 2012 ;
- **Increased Working Capital requirements due to delays and slower decision making on claims raised by HCC:** With delays in

execution due to environmental issues, work order variation and slow cash realisation of claims, the Working Capital requirements for the Company have increased substantially. Additionally there has been a slowdown in Government decision making on claims for projects executed by HCC. Sustained high Working Capital requirements on the back of low recoveries coupled with high interest rate scenario have further affected HCC's bottom-line.

The cumulative impact of the above factors coupled with an industry and economic downturn with a combination of tightened liquidity conditions and an inflationary environment has caused a liquidity stress on HCC.

(2) Steps taken or proposed to be taken for improvement :

HCC has taken view of all these factors seriously and to overcome the above challenges, HCC has proactively undertaken the following steps directed at improving its operational efficiencies:

- **Claims Realisation:** Persistent efforts are being made by HCC to collect claims . The Company has set up a strategic senior management team to recover claims outstanding from various government agencies.
- **Capex control:** In FY 2013, the Company is proactively seeking to rely on outsourcing by leasing equipments for construction rather than buying to reduce capital expenditure going forward.
- **Cost optimisation:** Over the past 12 months, HCC has implemented cost optimisation measures such as cutting overheads and rationalisation of human resources.
These internal cost cutting measures are expected to improve profitability going forward.
- **Reduction in Working Capital:** Insistence on higher advances from customers and better credit terms with suppliers have been negotiated.
- **Monetisation of assets:** HCC is proactively exploring monetisation of assets and step down subsidiaries.

(3) Expected increase in productivity and profits in measurable terms:

Although the turnover growth has remained flat in FY 2012, the situation is expected to improve FY 2013 onwards with expectations of improvement in macroeconomic conditions. Further it is expected that the steps taken by the Company for improving

the operational parameters wherever feasible would show signs of improvement. Consequently, the Company expects to see an improvement in cash flows due to tighter working capital cycle and realization of claims FY 2014 onwards and expects to maintain healthy margins thereafter.

Further with increased focus on infrastructure development in India to maintain a GDP growth rate of around 6 to 7 %, the Company is expecting new orders to flow in FY 2013 onwards. As on March 31, 2012, HCC is L1 or lowest bidder in 2 orders worth ₹ 1,713 crore. Additionally, in FY 2013, the Company estimates Government order allocations would be to the tune of approximately ₹ 63,000 crore in the verticals in which HCC operates. The Company is expected to capture a 10-15% share of these orders in the pipeline given Company's past bid success ratio. Given the renewed focus on the infrastructure sector in the next Five Year Plan and beginning of its implementation, new order inflows are expected to build up gradually FY 2013 onwards.

The Company's growth strategy continues to focus on winning large infrastructure projects in both public and private sector.

From the facts and position explained in the preceding paragraphs, it would be kindly seen and appreciated that the situation of inadequacy in profits faced by the Company has been due to macro economic factors and reasons beyond the control of management.

As mentioned above, the management is taking special efforts to make the Company turnaround. It is expected that the results of the renewed vigour and efforts are likely to be seen in the near future.

IV DISCLOSURES:

- (1) The shareholders of the Company have been informed of the remuneration package of both the above mentioned managerial persons in the respective resolutions at Item Nos. 7 & 8 in the following manner:

(a) Mr. Ajit Gulabchand:

Details of the total remuneration comprising, interalia, Salary and Perquisites and Allowances together with Retirals and other benefits/perquisites which is paid/proposed during the remainder tenure for Mr. Ajit Gulabchand, Chairman & Managing Director i.e. for the FY 2011-12 and FY 2012-13 have been fully set out in the resolution at Item No. 7.

(b) Mr. Arun V. Karambelkar:

Details of the total remuneration comprising, interalia, Salary and Perquisites and Allowances together with Retirals and, other

benefits/perquisites which is paid/proposed for Mr. Arun V. Karambelkar, President & Whole-time Director for a period of three years w.e.f. April 29, 2011 to April 28, 2014 have been fully set out in the resolution at Item No. 8.

- (2) Disclosures on remuneration package to Executive Directors and Non-Executive Directors of the Company including details of Stock Options issued by the Company have been made in the Corporate Governance Report which forms a part of the Report of the Board of Directors in the Annual Report of the Company for FY 2011-12.

The Company has made the applications to the Central Government for its approval for the payment of aforesaid remuneration as stated under resolution Nos. 7 & 8, respectively and the necessary approvals are awaited.

As mentioned earlier, since the payment of aforementioned remuneration set out under resolution Nos. 7 & 8 as Minimum Remuneration to Chairman & Managing Director and President & Whole-time Director, respectively exceeds the ceiling limit for minimum remuneration laid down in Sections 198, 309 read with Schedule XIII to the Act and to comply with the requirement of Central Government, if any, shareholders approval is sought by way of a special resolution for payment of the aforesaid minimum remuneration for the respective financial years as specified in the respective resolutions at Item Nos. 7 & 8 in accordance with Schedule XIII of the Act.

The payment of the aforesaid remuneration stated at resolution Nos. 7 & 8, respectively is also subject to approval of the Central Government.

The Board of Directors of the Company felt that considering the rich experience and contribution of Mr. Ajit Gulabchand, Chairman & Managing Director and Mr. Arun V. Karambelkar, President & Whole-time Director to the sustained growth of the Company from time to time and considering the vast responsibilities shouldered by them and the industry benchmarks, the aforementioned remuneration structure of Mr. Ajit Gulabchand, Chairman & Managing Director and Mr. Arun V. Karambelkar, President & Whole-time Director is commensurate with the remuneration packages paid to similarly placed persons, in other Companies in the same Industry and therefore recommend the resolutions at Item Nos. 7 & 8 of the accompanying notice for your approval.

In accordance with Section 302 of the Act, this Explanatory Statement together with the accompanying notice may be treated as an abstract of the terms and conditions of

remuneration of Shri. Ajit Gulabchand & Mr. Arun V. Karambelkar respectively, including in the event of any variation in the aforesaid terms of remuneration of Mr. Ajit Gulabchand & Mr. Arun V. Karambelkar if and/or to the extent necessary to be carried out, as per approval proposed to be received in respect of the applications to Central Government, which as per the Act, is required to be sent to the members of the Company.

Shri. Ajit Gulabchand & Mr. Arun V. Karambelkar, are interested to the extent of remuneration payable to them under Resolution Nos. 7 and 8 respectively. No other Director is directly or indirectly concerned or interested in these resolutions.

Item No. 9

Ms. Shalaka Gulabchand Dhawan, is the daughter of Mr. Ajit Gulabchand, Chairman & Managing Director of the Company. She is a Bachelor of Arts from Boston University, U.S.A.

At the Annual General Meeting of the Company held on November 30, 2000, the shareholders had approved her holding and continuing to hold office in the Company and the terms of remuneration pursuant to Section 314 of the Companies Act, 1956. Accordingly she was appointed as an Executive (Planning and Business Development) of the Company. Thereafter at the Annual General Meetings of the Company held on July 26, 2002 and on June 8, 2007 respectively, the members have passed resolutions pursuant to Section 314 of the Companies Act, 1956 approving of her holding and continuing to hold office in the Company on revised terms of remuneration and the same were approved by the Central Government.

Presently she is holding the position of Vice-President (Business Development) in the Company.

Ms. Dhawan continues to discharge her duties ably and efficiently in the relevant areas of Business Development, Corporate Communications, Strategic Planning and Corporate Services etc. In view of her contribution evidently to the benefit of the Company, the Board of Directors at its meeting held on April 27, 2012 have, subject to required approvals, revised her basic salary and payment of other perquisites, allowances, facilities and benefits including PLP as applicable to such grade in the Company as per details set out in Resolution No. 9 of the accompanying Notice.

The Company will prefer the necessary application to the Central Government for obtaining its approval to the revised terms of remuneration as required under Section 314 of the Companies Act, 1956.

The remuneration comprising Basic Salary, Perquisites, Allowances, Facilities and benefits including PLP, are applicable in her grade as per the Rules of the Company, and are fixed on the same basis as applicable to the other executives of the Company in the same grade. They are

also in line with the remuneration packages prevailing in the industry.

The Board of Directors accordingly recommends the resolution at Item No. 9 of the accompanying Notice for the approval of the members as per the requirements of Section 314 of the Companies Act, 1956.

Mr. Ajit Gulabchand, Chairman & Managing Director, being her relative, is interested in the resolution.

No other Director is concerned or interested in the resolution.

Item No. 10

The Special Resolution contained in the Notice under Item No. 10 relates to a resolution by the Company enabling the Board to create, issue, offer and allot Equity Shares, GDRs, ADRs, Convertible Bonds, Convertible Debentures and such other securities as stated in the resolution (the "Securities") at such price as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the issue, offer, and allotment shall be made considering the prevalent market conditions and other relevant factors and wherever necessary, in consultation with Merchant Bankers, inclusive of such premium, as may be determined by the Board in one or more tranche(s), subject to applicable laws, rules and regulations.

The resolution enables the Board to issue Securities for an aggregate amount not exceeding ₹ 1,500 crore or its equivalent in any foreign currency.

The Board may issue Securities pursuant to this special resolution to meet long term working capital and capital expenditure requirements of the Company and its subsidiaries, joint ventures and affiliates, including investment in subsidiaries, joint ventures and affiliates besides strengthening the Balance Sheet of the Company including repayment of debt, tap acquisition opportunities, usage for business ventures/projects and other general corporate purposes.

The special resolution also authorizes the Board of Directors of the Company to undertake a Qualified Institutions Placement with Qualified Institutional Buyers (QIBs) in the manner as prescribed under Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009 for raising capital. The pricing of the Specified Securities to be issued to QIBs pursuant to the said SEBI Regulations shall be freely determined subject to such price not being less than the price calculated in accordance with the relevant provisions of the said SEBI Regulations.

The detailed terms and conditions for the offer will be determined by the Board in consultation with the Advisors, Merchant Bankers, Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevalent market conditions from time to time and in accordance with the applicable provisions of law, rules and regulations and other relevant

factors.

The Equity Shares allotted or arising out of conversion of any Securities would be listed. The issue/ allotment/ conversion of Securities would be subject to the receipt of regulatory approvals, if any. Further the conversion of Securities held by foreign investors, into Equity Shares would be subject to the permissible foreign shareholding limits/cap specified by Reserve Bank of India from time to time.

Section 81(1A) of the Companies Act, 1956 ("the Act") and the relevant provisions of the Listing Agreement with the Stock Exchanges where the Equity Shares of the Company are presently listed provides, inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing shareholders of such Company in the manner laid down in Section 81 of the Act unless the shareholders in a general meeting decide otherwise. As the aforesaid resolution provide for or may result into issue of Equity Shares to persons other than the existing shareholders of the Company, consent of the Company is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Act.

The Special Resolution as set out above, if passed, will have the effect of permitting the Board to issue and allot Securities to Investors, who may or may not be existing shareholders of the Company in the manner as set out in resolution No. 10.

The said resolution also enables the Board to create mortgage/ charge on the property/ assets of the Company in respect of any debt securities proposed to be offered by the Company.

The Board believes that the proposed Special Resolution is in the interest of the Company and therefore recommends the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the said resolution except to the extent of their respective shareholdings in the Company.

By Order of the Board
For Hindustan Construction Company Ltd

VITHAL P. KULKARNI
Company Secretary

Registered Office:

Hincon House,
11th Floor, 247Park,
Lal Bahadur Shastri Marg,
Vikhroli (West),
Mumbai 400 083

Place: Mumbai
Date: April 27, 2012

Directors' Report

To,
The Members of
Hindustan Construction Co. Ltd.

1. Report

Your Directors are pleased to present the 86th Annual Report together with the Audited Accounts for the year ended March 31, 2012.

2. Financial Highlights

| Particulars | Year ended March 31, 2012 ₹ crore | Year ended March 31, 2011 ₹ crore |
|---|---|---|
| Turnover | 4002.75 | 4143.97 |
| Profit before Interest, Depreciation, Exceptional Items and Tax | 439.80 | 540.89 |
| Less: Interest | 543.16 | 329.04 |
| Depreciation | 162.10 | 152.69 |
| Exceptional Items | <u>166.32</u> | <u>-</u> |
| | <u>871.58</u> | <u>481.73</u> |
| Add: Other Income | 122.83 | 43.91 |
| Add/Less: Exchange Gain/(Loss) | (9.53) | 8.60 |
| Profit/(Loss) before Tax | (318.48) | 111.67 |
| Less: Deferred Tax Charge/(Credit) | (96.23) | 40.67 |
| Profit/(Loss) after Tax | (222.25) | 71.00 |
| Add: Balance brought forward from last year | 347.83 | 319.62 |
| Transfer from Debenture Redemption Reserve | <u>16.67</u> | <u>4.16</u> |
| Amount available for Appropriation | 142.25 | 394.78 |
| Less: Appropriations | | |
| Dividend | - | 24.26 |
| Tax on Dividend | - | 3.94 |
| Debenture Redemption Reserve | 16.25 | 8.75 |
| Transfer to General Reserve | - | 10.00 |
| | <u>16.25</u> | <u>46.95</u> |
| Balance carried to Balance Sheet | <u>126.00</u> | <u>347.83</u> |

3. Dividend

In view of the losses incurred by the Company, your Directors have not recommended any dividend for the financial year ended March 31, 2012.

4. Operations

The turnover of the Company at ₹ 4003 crore has shown a decrease of 3.4% as compared to ₹ 4144 crore for the previous year. The loss before tax is ₹ 318.5 crore (including exceptional item of ₹ 166.32 crore) as compared to a profit of ₹ 111.7 crore for the previous year.

The lower turnover and operating margins in an environment of high interest costs has put severe pressure on the Company's profitability. Non payments of awarded claims in arbitrations added to the liquidity problem and debt servicing ability and increased interest costs further. The Company approached lender Bankers with a refinancing proposal for bilateral refinancing of the loans with larger tenure. However consensus among Bankers could not be reached. Consequently, the Company approached the leading bankers and they have referred their total debt to the Company of around ₹ 3300 crore to the Corporate Debt Restructuring (CDR) Cell. The CDR Empowered Group has formally admitted the proposal for restructuring on March 29, 2012 by a super majority of lenders. Under the regulatory frame work of the Reserve Bank of India (RBI), the CDR forum caters to an official platform for both the creditors and borrowers to amicably and collectively evolve policies for working out debt restructuring plans. The broad contours of this restructuring exercise involves restructuring of debt in terms of payback period, deferring certain interests on term loans, concessional rate of interest and provision of further need based working capital and loans for capex. This debt restructuring will provide the Company with breathing space to work on improving operational margins and securing a larger order book to improve turnover in future years. Apart from focusing on cost cutting measures and cost effective execution, the Company will also focus on sale of non-core assets to improve its balance sheet position.

Your Directors are pleased to inform that during the year under review, the Company has secured the following major contracts.

- Limbdi Branch Canal Project, Gujarat
Contract Value: ₹ 299 crore
- Tehri Pumped Storage Project, Uttarakhand
Contract Value: ₹ 1843 crore
- Superstructure of Bogibeel Rail-cum-Road Bridge, Assam
Contract Value: ₹ 987 crore

- Swarnim Gujarat Saurashtra-Kutch Water Grid Programme. Package NC 31, Gujarat
Contract Value: ₹ 289 crore

- Single Line Tunnel No. 10 between Jiribam and Tupul, Manipur
Contract Value: ₹ 162 crore

The total balance value of works on hand as on March 31, 2012 is ₹ 15,336 crore.

Decisions are awaited from various clients for tenders submitted by the Company (directly or in JV) for 15 projects amounting to about ₹ 7,745 crore. Tenders for various packages for 32 projects worth about ₹ 27,485 crore are expected to be submitted in the near future. The Company has also submitted prequalification bids for 12 projects worth over ₹ 7,588 crore, which are currently under evaluation. The Company is confident of securing a sizeable share of these new projects.

Operations of Subsidiaries

(i) Lavasa Corporation Ltd. - Integrated Urban Development & Management

a) Operations

Lavasa is a planned hill city being developed by Lavasa Corporation Ltd., a subsidiary Company. Located in the western region of India, the city is an hour drive from Pune and three hours drive from Mumbai. It is one fifth the size of Greater Mumbai Municipal limits.

The master plan of Lavasa is developed by internationally renowned design consultant HOK, USA. The master plan, recipient of many international awards, is based on the principles of New Urbanism that brings together all the components essential to daily life in a more organized manner. Lavasa has many pioneering initiatives to its credit - technology leadership, e-Governance, city developed using Geographical Information System (GIS), etc.

Lavasa is planned for a permanent population of around 3 lakh residents and a tourist inflow that is envisaged at 20 lakh per annum. It aims to provide a perfect work-life balance with an unique combination of technology and infrastructure advancements. The city will have a 365 day economy with a host of non polluting industries being the main economic driver which includes R&D and training centres, IT and biotech industry, KPOs and those related to art, fashion and animation.

In terms of awards and accolades, the thought leadership platform Lavasa Future Cities won the Silver Medal at the Olive Crown Awards for creative excellence in 'Green' communication. This award recognizes pioneering work in communicating sustainability and has been

instituted by the Indian chapter of the International Advertising Association (IAA) with Knowledge Partner TERI (The Energy Resource Institute). The Limca Book of Records also acknowledged the Lavasa Women's Drive 2011 (and 2010) as 'India's Biggest All-Women Car Drive'.

On the hospitality front, the hospitality units which are already operational are: Lavasa International Convention Centre managed by ACCOR, Mercure Lavasa, Fortune Select Dasve, Ekaant - The Retreat, Dasvino Town and Country Club and Waterfront Shaw Serviced Apartments. Other than this, Radisson, ITC Luxury Collection, Choice Hotel, J. Vohra Hospitality, Novotel by Accor, Pullamn by Accor, Hilton, Ramada, Oakwood, Two Langham properties, Holiday Inn, Days Inn Hotel are already tied up and many more are to follow in quick succession giving Lavasa a new hotel property every 6 months.

An equal amount of progress has been made in the education space. 'Christel House School, Lavasa' entered into its second year of operations with 209 students. After the success of the first year, in the year 2011-12, the phase – II of 'Christel House Lavasa' was launched. 'Ecole Hoteliere Lavasa' started its third batch and received academic certification from Ecole hôtelière de Lausanne to conduct the Masters Programmes and for offering and conducting degrees from IGNOU. Next on the agenda this year, is Lavasa Musoorie International School powered by Educomp. Other than this, Ryan International for performing arts, Birla Edutech (by Yash Birla) IB school, Gems International IB school, Management Institute by Bodhi Education, Euro Kids with a primary and pre-primary school, The Institute of International Business Relations Germany, NSHM Knowledge Campus of Kolkata, Symbiosis-Pune and Christ University-Bangalore are also tied up for setting up their campuses.

Professional and Executive Education has also taken off in Lavasa in a big way with Car Design Workshop by Chris Bangle (Scuola Politecnica di Design) the world renowned school of design and communication based in Milan, Security Awareness Workshop by Max Security (Israeli Security experts) and Massachusetts Institute of Technology who have conducted their pilot program based on Airport and Airline Systems, Planning and Management. This has prepared a platform for them to conduct similar programmes at Lavasa in the future.

On the retail front, American Diner, Granma's Bakery, Brewberry's Cafe Memories, Baskin & Robbins Kiosk, Tabakh, Oriental Octopus, Amul Dairy, Chor Bizarre, Subway, Hungry hippo, Krazy

Koala Kiosk, Twisted Turkey Kiosk, Fruity bat, Pizzavala, Natural Ice Cream, Bizarre Baracuda, Design & Build Store - Home Town are already operational.

Positive sales trend continued throughout the year, with the Company giving possession to 150+ residential units in Dasve. Residential sales of the first town Dasve have almost been completed. There have also been many enquiries for further residential units in Lavasa. Sales for the second town Mugaon was launched on the occasion of Gudi Padwa in March 2012. Almost 75% of the inventory has been sold out within just a fortnight of the launch. It is also heartening to know that there has been less than 1% cancellation requests from customers inspite of the Ministry of Environment and Forest (MoEF) status quo. The current database of enquiries for the purchase of apartments and villas exceeded almost eighty thousand which indicates a healthy demand.

Institutional sales and commercial tie ups have also made progress with a number of MoUs being signed. Land sale has been made to State Bank of India who plan to set up a retail bank and a training centre cum guest house at Dasve. Development of an integrated Corporate Training Centre with a residential component at Mugaon is also being planned by a consortium led by the Gira Investment Corporation, Bengaluru. The Art of Living centre is also slated to open at Mugaon. Sales are also fast picking up in our commercial office spaces ventures – 247 Business Square and 247 Business Avenue at Lavasa. These are just initial steps towards a 365 day - 247 economy that Lavasa is planning to accomplish. In the next year, the target is for many such industries including IT&ITES, Biotechnology, Knowledge Parks, R&D centres and Corporate Training centres to enable permanent residents to move in.

On the tourism front, X-Thrill adventure academy, Water Sports, Noes park (games Arcade), Nature trail, Train on wheels, Kids play Area, movies, parks & gardens are already operational. Other than this, Space theme park (edutainment), Tennis Australia, Manchester City Football Club are also already tied up.

Lavasa is also tying up with I Dream to create all Lavasa tourism plan including a Historical theme park. This project is being spearheaded by Mr. Shirpal Morakhia, businessman who created Sharekhan. Lavasa is also tying up with Engage Plus, a New Zealand Company, for adventure sports activities, to give adventure experience at Dasve and nearby areas.

Events continued to be a key focal point and the

year saw a multitude of events that increased the salience of the brand and helped engage with the consumer on-ground. The fourth edition of the signature brand event Lavasa Women's Drive was held on February 26, 2012. The event which captures multiple aspects - fun, adventure and spirit of the Indian woman combined with her passion for social causes was flagged off from Mumbai and Pune. This year, Lavasa Women's Drive also launched the 'Women in the Driving Seat' awards where women achievers who had made an impact and created a benchmark were applauded in various fields. These included Vidya Balan (Cinema), Dr. Swati Piramal (Corporate), Dr. Firuza Parekh (Healthcare), Ekta Kapoor (Television), Tina Tahiliani (Fashion), Shaheen Mistry (Education), Abha Narain Lambah (Community Development), Neela Satyanarayan (Administration) and Devieka Bhojwani (Cancer Awareness).

Lavasa was the destination partner for the Pantaloons Femina Miss India (PFMI) pageant for the fourth year in succession. Residential sales of the second town at Mugaon was launched in the presence of the PFMI finalists. On this occasion, handover of possession of the residences built at the first town Dasve to the 100th and 101st apartment owner has also been accomplished.

Lavasa has collaborated with technology leaders like Wipro Limited and Cisco Systems to plan, implement and manage Information and Communication Technology (ICT) services across Lavasa Hill City. The strategic partnership is intended to focus on providing integrated and effective solutions for enhancing technology leadership within the hill city. The Company founded as a result of this venture is named as 'My City Technology Limited'. This venture is currently deploying a futuristic telecom network infrastructure to offer its residents and visitors a life changing technology experience.

Lavasa now has a new post office, police station, a public safety centre, citizen call centre, a hospital managed by Apollo, banks (Union Bank of India, State Bank of India), a petrol station, pharmacy, STP, WTP, rental housing, an arcade and transit system. In the months ahead it will open grocery and additional retail shops.

The city's drinking water is fit for consumption straight from the tap without the need for filtration; its sewerage is treated to almost drinking water standards before being reused for irrigation and other non-potable purposes; its power distribution grid is nearly 99% reliable and the young city is already on the cutting edge of urban environmental sustainability initiatives. The Company plans to

have its e-Governance portal and a citizen call centre to maintain its focus on the needs of residents and visitors, and it has already opened parks and play areas to the public.

Lavasa continued its focus on branding and communication activities through 2011-12.

Importantly, Lavasa was granted Environmental Clearance by the Ministry of Environment & Forests (MoEF) for the first phase of 2000 hectares (Ha) in November 2011. A large scale PR exercise across media, i.e., print, TV and online was undertaken welcoming the news. Social Media and the Lavasa website disseminate related information and for addressing queries as a part of the exercise. Media engagement and relationship building exercise continued throughout the pre-clearance to post-clearance period. A new brand campaign 'At Work' was released in 2012. This was to reassure the general public at large that developmental work has begun at Lavasa.

Lavasa City Guide - a one - stop source on all information on Lavasa and a new 3D walkthrough film - 'Mugaon - A Virtual Tour' was created. A new property 'Lavasa Holidays', to promote tourism at Lavasa was launched. An engagement program called Brand Conversations was conceptualized which will comprise of informal conversations with the employees across the various departments on how brand principles should be applied to day-to-day functioning.

Digital and social media was being extensively used for information dissemination and creating conversations on a number of platforms on the web including travel, tourism and urban management portals. These engagement initiatives saw an increase in the fan base of the Lavasa Community page on Facebook to almost 90,000 fans.

b) Status update on Environment Clearance from Ministry of Environment and Forests (MoEF)

On November 25, 2010, Ministry of Environment & Forests ("MoEF"), Government of India issued show cause notice under Section 5 of the Environment Protection Act, 1986 to Lavasa Corporation Limited ("LCL") alleging violations of the Environmental Impact Assessment notifications of 1994 as amended in 2004 and superseded in 2006 ("EIA Notifications"). The said notice directed LCL to show cause within 15 days of the receipt of the said notice as to why the alleged unauthorized structures at Lavasa site be not removed in entirety and pending the decision on show cause notice by MoEF, it directed LCL to maintain status-quo ante for construction and/or development.

LCL has filed Writ Petition No. 9448 of 2010 against the impugned show cause notice in the Bombay High Court seeking inter alia, quashing of the said show cause notice and stay on status quo pending the decision on the Writ Petition. On December 7, 2010, the Counsel for MoEF made a statement in the Bombay High Court that the words "status quo ante" in the MoEF's show cause notice dated November 25, 2010 may be read as "status quo", as the word "ante" is a mistake. Further, vide its order dated December 22, 2010, the Hon'ble Court while admitting the Writ Petition directed MoEF and Central and/or State level Environment Impact Assessment Authority to visit LCL's project at Lavasa and inspect it thoroughly for at least three days to undertake the survey / inspection and pass an order by January 10, 2011. In the same order dated December 22, 2010, the Hon'ble High Court clubbed together 4 public interest litigations filed against LCL ('other PILs') inter alia in respect of lease of land by Maharashtra Krishna Valley Development Corporation to LCL, alleged violations by LCL of the Maharashtra Agricultural Lands (Ceiling on Holdings) Act, 1961 and the Environment (Protection) Act, 1986.

The members of MoEF committee along with officials of Government of Maharashtra visited Lavasa site on 5th, 6th and 7th of January, 2011.

Vide its order dated January 17, 2011, MoEF observed that LCL is in violation of EIA Notifications and the construction activity undertaken thereon is unauthorized, in violation of the above notifications and is environmentally damaging. However, taking into account the submissions made by LCL, employment generated, investments already made and third party rights already accrued, MoEF stated that it is prepared to consider the project on merits with terms and conditions.

On January 24, 2011, LCL filed another Writ Petition being No. 811 of 2011 in Bombay High Court challenging the aforesaid impugned order dated January 17, 2011 passed by MoEF.

On January 27, 2011, Writ Petition no. 811 of 2011 and Writ Petition no. 9448 of 2010 along with other PILs were listed in Hon'ble High Court. However, the Hon'ble High Court, upon LCL's plea was pleased to adjourn the matters for 45 days in view of the ongoing discussions with MoEF on amicable settlement and posted all LCL connected matters on March 10, 2011.

LCL on February 7, 2011 submitted a "without prejudice" application to MoEF for Environment Clearance (EC) and submitted various documents to MoEF, from time to time, for its consideration.

LCL attended & presented at the 97th & 98th meeting of the Expert Appraisal Committee ('EAC') on CRZ, Infrastructure & Miscellaneous Projects and New Construction and Industrial Estates Projects scheduled on 14th & 15th February, 2011 & 3th & 4th March, 2011 respectively at New Delhi and submitted various supporting documents and also made oral representation.

The minutes of the 98th meeting of EAC held on 3rd & 4th March, 2011 at New Delhi inter alia state that, the EAC recommends that in view of the investments made by the third parties, infrastructure already created in the Dasve village and taking note of the reported hardships highlighted repeatedly by LCL of the construction workers, pending construction work of 257 residential buildings, which are above plinth level, may be allowed subject to certain conditions such as (i) no hill cutting, digging, excavation, etc, (ii) the above constructions shall only be limited to the area for which permission was granted by the Collector, Pune, (iii) a high level Verification and Monitoring Committee shall be constituted, (iv) commitment from LCL to earmark necessary / adequate funds as per report to be submitted shortly regarding the quantum of penalty/ re-compense and creation of Environmental Restoration Fund and (v) other conditions as stipulated by MoEF / other State agencies of State Government shall also be complied with.

In view of the above stipulations, the Committee recommended to MoEF to permit LCL to complete 257 units subject to the acceptance of the five conditions listed above and also subject to submission of information / documents as per the above observations.

Further EAC also stated that consideration of the proposal would depend on submission of the requisite information as detailed above.

On March 30, 2011, LCL filed an application to withdraw the Writ Petition no. 811 of 2011 and Writ Petition no. 9448 of 2010 with a liberty to file a fresh one as and when need arises. On hearing all the parties including PIL litigants, the Hon'ble High Court suggested that in order to take care of the apprehensions of the PIL litigants, LCL's counsel and MoEF counsel should make a statement that status quo order dated January 17, 2011 passed by MoEF should continue to operate till show cause notice is decided by MoEF. LCL was of the view that its writ petitions should not be withdrawn with such an adverse order and hence decided not to withdraw its writ petitions and matter was then adjourned to June 15, 2011.

On April 6, 2011 LCL attended the 99th meeting of EAC and made presentation before members of EAC and replied to the queries raised by the EAC in relation to the vacation of status quo on the construction work in area admeasuring 681.27 hectares, pending consideration of its 1st phase Environment Clearance (EC) of 2000 Hectares. As per the Minutes of the 99th Meeting of EAC, EAC decided that proposal of the Company for 681.27 hectares be deferred and be considered along with the whole proposal of 2000 hectares.

LCL vide its letter dated April 30, 2011 submitted para wise reply to the points raised by the EAC in its 99th Meeting & requested to grant EC to 681.27 Hectares.

On April 12, 2011, LCL as per the directions of the EAC, submitted revised Environment Impact Assessment report and baseline data / maps etc. The 100th meeting of the EAC took place on May 12, 2011. LCL made presentation in relation to the queries raised in the previous meeting with respect to the application for EC for 1st Phase (2000 hectares). On May 21, 2011, LCL submitted para wise reply to the points raised in the EAC's 100th meeting dated May 12, 2011.

On May 31, 2011 the senior officials of LCL along with consultants attended the 101st meeting of EAC and made presentation in relation to the queries raised in the previous meeting. As per the Minutes of the 101st meeting the EAC recommended the proposal for Environment Clearance for the 1st Phase (2000 hectares) with the conditions mentioned therein.

On June 10, 2011 MoEF directed to the Government of Maharashtra to initiate necessary legal action under Environment (Protection), Act 1986 against LCL.

On June 15, 2011 LCL's Writ Petition No. 811 of 2011 and Writ Petition No. 9448 of 2010, were listed on board in the Bombay High Court. The MoEF filed an Affidavit in the Company's Writ Petitions stating that ministry has accepted the recommendations of EAC subject to preconditions.

The learned Additional Solicitor General appearing for MoEF stated that the MoEF will be passing an order within a reasonable time. The matter was then adjourned to July 12, 2011.

On June 27, 2011 MoEF, Government of India addressed a letter to LCL thereby enclosing the Minutes of the 101st Meeting held on May 31, 2011 and also informed the five pre-conditions. It further requested LCL to submit all the documents as per the pre-conditions. The five pre-conditions, reproduced verbatim, are:-

- i) The constructions / development carried out till now are in violation of Environment

(Protection), Act 1986. The violation has to be dealt as per OM No. No.J-11013/41/2006-IA. II (I) dated November 16, 2010. As per 4(ii) of the above OM, LCL shall submit a written commitment within 90 days, in the form of a formal resolution from Board of Directors of the Company for consideration of its environment related policy / plan of action to the Ministry to ensure that violation of the Environment (Protection), Act etc. shall not be repeated.

- ii) The scale and intensity of development of the hill town shall be as per Hill Station Regulations and shall be revised based on developable / buildable area. A clear demarcation of "no development / construction zone / area" shall be identified comprising of (a) all water bodies (b) forest lands / forest like lands and (c) areas steeper than 1:3. The developable / buildable areas shall be verified through State Government / Director Town Planning and the calculation of FSI shall be made accordingly. No development shall be taken up in areas steeper than or equal to 1:3.
- iii) The FSI calculation shall be worked out separately based on the land uses and shall not be averaged for the calculation of FSI.
- iv) At least 5 % of the total cost of the project shall be earmarked towards the Corporate Social Responsibility (CSR) and item-wise details alongwith time bound action plan shall be prepared and submitted to the Ministry's Regional Office at Bhopal. Implementation of such program shall be ensured accordingly in a time bound manner.
- v) LCL shall submit an undertaking / commitment to earmark necessary / adequate funds as per report to be submitted shortly regarding the quantum of penalty / re-compense and creation of Environment Restoration Fund.

On July 12, 2011 LCL sent an e-mail and a letter to the Director, MoEF, requesting for hearing on the pre-conditions mentioned in the letter dated June 27, 2011 as the same were unreasonable.

On July 27, 2011 LCL vide its letter submitted to MoEF its case in respect of the pre-conditions and also requested that the case of LCL may be processed further for appropriate decision without waiting for the date of hearing which was scheduled for August 5, 2011.

Further, on August 5, 2011 the officials of LCL appeared before the panel and made written

submission along with the Board Resolution in respect of the pre-conditions as stated in MoEF's letter dated June 27, 2011. Thus, LCL complied with the pre-conditions as stated by MoEF.

Considering the delay by MoEF in issuing EC, LCL filed another Writ Petition on August 30, 2011 in the Hon'ble Bombay High Court seeking directions inter alia that (a) it be declared that LCL has been granted / deemed to have been granted environmental clearance for Phase I of the project or in the alternative (b) the Hon'ble Court be pleased to issue a writ of mandamus or a writ in the nature of mandamus or any other appropriate writ, order or direction commanding the MoEF, to grant environmental clearance to Phase I.

On September 5, 2011 LCL's Writ Petitions along with other PILs were listed on board. The counsel for MoEF submitted that they will pass final order by September 23, 2011.

On September 23, 2011 all related matters were listed on board. After hearing the parties, Hon'ble High Court granted three weeks time as prayed for by the Ld Additional Solicitor General appearing for MoEF for passing the final order. The Hon'ble High Court made clear that this three weeks time is granted by way of a last chance for passing final order. The matters were adjourned to October 18, 2011.

On October 13, 2011, MoEF passed an order thereby communicating that "As the pre-conditions on the credible action on violation of EIA Notification 2006 has not been complied with, the Ministry is unable to issue the EC to the 1st phase of Hill City project (2000 hectares) of Lavasa. The final decision on the EC cannot be taken till all the pre-conditions are met including credible action by the State Government of Maharashtra and subject to final orders of the Hon'ble High Court of Bombay as the matter is sub-judice."

On October 20, 2011 all LCL matters were listed on board of Hon'ble Bombay High Court. LCL's Counsel also pointed out that time and again the MoEF has sought for adjournments but failed to pass the final order and the inaction on the part of MoEF in not passing final order would virtually amount to misleading the Court. The Ld. Special Counsel for the State made statement that the State Government will initiate necessary action in accordance with the law, against LCL within two weeks. Thereafter MoEF Counsel made a statement that MoEF will pass final order within one week thereafter. In view of the statements made by the respective counsels for State Government and MoEF, the Hon'ble court gave

three weeks time to MoEF to pass final order as prayed for and observed that this three weeks time shall not be extended in any circumstances. The matters were adjourned to November 16, 2011.

On November 4, 2011, Maharashtra Pollution Control Board (MPCB) filed a criminal complaint against LCL & 14 Others before the Chief Judicial Magistrate, Pune under Section 15 and 16 of the Environment Protection Act, 1986 (EP Act) for alleged violations of the EP Act read with EIA Notification 2006.

On November 9, 2011, MoEF passed an order and pursuant to the same accorded Environment Clearance to the 1st phase of the LCL project subject to certain conditions as mentioned therein.

On November 16, 2011 all LCL matters were listed on board. MoEF filed its affidavit in reply to LCL Writ Petition no. 7276 of 2011. Matters were adjourned to December 12, 2011.

On November 17, 2011 LCL submitted certain documents to The Deputy Director (I.A), in compliance of Condition No. ii Part A – Specific Conditions, Construction Phase.

On November 24, 2011 the Chief Judicial Magistrate, Pune passed an order of issuance of process in the Criminal matter and the matter was then adjourned to January 30, 2012.

On December 6, 2011 LCL vide its without prejudice letter addressed to The Advisor, I A Division of MoEF, requested for exclusion of the K T Ravindran committee report from the EC order dated November 9, 2011 and also requested for a hearing. On December 7, 2011 LCL vide its without prejudice letter addressed to The Advisor, I A Division of MoEF, informed that there are certain discrepancies and contradictions in the EC dated November 9, 2011 and requested for reconsidering the pre-condition no (iv) and also requested to withdraw the same. LCL also addressed a letter to The Advisor, I A Division of MoEF, and requested to furnish papers i.e. Terms of Reference (TOR) of Prof KT Ravindran Committee, interim report dated March 7, 2011 presented by expert committee to MoEF, notings made by each of the members of the KT Ravindran committee, etc.

On December 9, 2011 LCL filed Appeal being no. 36 of 2011, u/s 16(h) of the National Green Tribunal Act against The Union of India, MoEF & Anr, before the National Green Tribunal (NGT) at Delhi, for challenging part of the EC order dated November 9, 2011 more particularly about the Prof. KT Ravindran Committee Report and the conditions imposed by it.

On December 12, 2011 all LCL matters alongwith other connected matters were listed on board before Hon'ble Bombay High Court. The matters were adjourned to January 31, 2012.

On January 10, 2012 LCLs Appeal No. 36 of 2011 filed before NGT was on board and the Tribunal was pleased to pass order "Notice before Admission" and the matter was adjourned to February 17, 2012.

On January 30, 2012 Criminal Complaint filed by MPCB was on board of Chief Judicial Magistrate, Pune and the same was adjourned to March 17, 2012.

On January 31, 2012 all LCL matters along with other connected matters were listed on board before Hon'ble Bombay High Court, Division Bench of Justice Bobde & Justice Dhanuka. The Bench rescheduled to hear the LCL matters.

On February 6, 2012 one of the villager Shri Dyneshwar Shegde filed Appeal (being No. 9 of 2012) before Hon'ble National Green Tribunal challenging the EC order dated November 9, 2011 passed by MoEF in favour of LCL.

On February 17, 2012 NGT Appeal filed by LCL was listed on board of Hon'ble Tribunal at Pune and the same was adjourned to April 16, 2012.

On February 21, 2012 all LCL matters along with other connected matters (except PIL (L) 90 of 2010 & WP 2737 of 2011) were listed on board before Hon'ble Bombay High Court Division Bench of Justice Khanvilkar & Justice N Jamdar. The Bench rescheduled to hear LCL matters as Justice Jamdar had appeared for MoEF.

On February 22, 2012 Shri Dyneshwar Shegde's Appeal was on board before Hon'ble NGT, Delhi. LCL intervened in the matter & opposed the application for condonation of delay filed by the Appellant. The matter was adjourned to March 20, 2012.

On March 17, 2012 Criminal Complaint filed by MPCB was on board before Chief Judicial Magistrate, Pune and the same was adjourned to April 20, 2012.

On March 20, 2012 Shri Dyneshwar Shegde's Appeal was on board before Hon'ble NGT, Delhi. LCL filed its affidavit in reply opposing the application for condonation of delay filed by the Appellant. The matter was adjourned to April 12, 2012.

On April 12, 2012 Shri Dyneshwar Shegde's Appeal was on board before Hon'ble NGT New Delhi. Submissions were made by the parties on the application for condonation of delay in which

the parties apprised the NGT on the facts of the appeal. Advocate for Dyneshwar Shegde prayed for time to file rejoinder. The Hon'ble NGT directed him to file rejoinder before April 18, 2012. The matter was adjourned to April 24, 2012.

On April 16, 2012 NGT Appeal filed by LCL was listed on board of Hon'ble NGT at New Delhi. The Hon'ble NGT directed MoEF and MPCB to file their affidavits before July 2, 2012. The matter was adjourned to July 19, 2012.

On April 20, 2012 Criminal Complaint filed by MPCB was on board before Chief Judicial Magistrate, Pune and the same was adjourned to May 14, 2012.

On April 24, 2012 Dyneshwar Shegde's Appeal was on board before Hon'ble NGT, New Delhi. The Advocate for Appellant filed rejoinder. Arguments by all the parties got concluded. The Hon'ble NGT has reserved the Order. No further date is fixed.

ii) HCC Real Estate Ltd.

HCC Real Estate Ltd (HREL), a wholly owned subsidiary of your Company, has inherent skills and resources to develop and deliver high-value real-estate projects that helps in building sustained communities across India. The focus is to develop 'state-of-the-art' projects which would provide world class quality, engineering and technology and create a unique value proposition for the customers.

Project Management Services

With successful and timely completion of 247Park, the Project Management department of the Company was entrusted with the responsibility of providing Project Management Consultancy (PMC) for various projects for our associate companies such as Charosa Wineries Ltd., Panchkutir Developers Ltd. The scope of the work included project management, health-safety and environment management.

After completing these projects, the project management team is hopeful of getting some projects from external clients. In the present trying circumstances, income from the project management consultancy business is expected to add to the revenue of the Company by utilizing the technical skills available within the Company.

Projects under execution

1. 247Park Phase II

The Company has initiated the regulatory process for obtaining the approval for development of commercial office building with approx. 400,000 sq ft of saleable area

and approx. 800,000 sq ft total construction area. The project is based on the "Public-Parking Policy," finalised by Municipal Corporation of Greater Mumbai (MCGM) for which the Company has submitted the application. The Company has received preliminary approvals from Jt. Commissioner-Traffic for 520 car parks on the basis of extensive traffic surveys conducted by traffic consultants. Subsequently the architects, structural engineers and traffic consultants have prepared the reports for submission to the Parking committee constituted by MCGM which has approved location and detailed building drawings of the scheme after extensive reviews. The Company has also commenced work on acquiring various other NOC's including from Fire Department of MCGM.

During the year, the project team has conducted prequalification exercise for the civil and other contractors for the construction. The Company envisages completion of the construction of the project by 2014. The marketing and sales department of the Company has submitted Request for Proposals (RFP) for built-to-suit (BTS) commercial office space requirement and the Company is hopeful of receiving good response riding on the success of 247Park Phase I.

2. Urban Renewal (Slum Re-development Project), Powai

MOU-cum-Development Agreement and Power of Attorney were executed by land owner in favour of the SPV, Panchkutir Developers Ltd, a subsidiary of HCC for 12 acres of land. Due to non performance by the land owner of the various obligations under the MOU-cum-Development Agreement inspite of repeated reminders, we have been advised by our solicitor to invoke the Arbitration clause forming part of the MOU-cum-Development Agreement. Accordingly, Arbitration proceedings have been initiated and we have obtained interim orders.

3. Urban Renewal (Slum Re-development Project), Vikhroli (E)

Out of the total land holding of around 32 acres by the Panchkutir Developers Ltd. in Vikhroli (E), the survey of tenements on Phase-I of 14.5 acres of land to ascertain the development potential of the free sale component is completed. Out of the 1960

slum residents, consent of about 1400 residents representing more than 70% has already been obtained and the process for forming the society is in progress. Out of the proposal submitted to Slum Redevelopment Authority (SRA) for Phase-I of about 2000 slums, Annexure II has been displayed for 750 tenants of 4 Societies & for the balance the work is in progress. Slum declaration of Phase-I land is challenged which has been set aside by the Special Slum Tribunal. Subsequently the litigant filed Writ Petition challenging the above said Order of the Slum Tribunal in High court. Hearings from both the sides are completed and the judgment is awaited.

4. Integrated Township Development, Thane

HREL (Thane) Real Estate Ltd. a subsidiary of HREL initiated the acquisition of land at Ghodbunder Road, Thane for Integrated Township Development. Till date the Development Agreement and Power of Attorney for 32 acres have been executed in favour of the Company. The Company continued its activity of securing its position for land title and other documentation.

5. Integrated Township Development ,Pune near Hinjewadi IT Park (Phase 1)

Maan Township Developers Ltd, a subsidiary of HREL has acquired approx. 28 acres of land and the Development Agreement and Power of Attorney have been executed in favour of Company. The Company continued its activity of securing its position for land title and other documentation.

6. Integrated Township Development Land, Wadiwarhe, Nashik

Nashik Township Developers Ltd a subsidiary of HREL has acquired 62 acres of land for which Development Agreement and Power of Attorney have been executed in favour of Company. The Company is exploring sale option as well as various development options with education service providers in view of improved connectivity to the region.

7. Water Front City at Dholera ,Gujarat

HCC signed MOU with Government of Gujarat for setting up of proposed Water Front City covering 4000 acres and Renewable Energy Park covering 1500 acres at Dholera SIR with total proposed investment of ₹ 52,000 crore. The Company finalised the "Vision Statement," for development of "Water Front

City” after discussion and meetings with Gujarat Government Officials and Ministers. The Company is exploring joint development opportunities with Samsung C & T Corporation and other reputed developers. Concept Development Report on proposed City has been submitted to Gujarat Infrastructure Development Board (GIDB). Proposal of allotment of 1900 acres of land in Bavliyari Village has been received from Govt. of Gujarat. Letter requesting land in Zone 1 (TP1) & Zone 2 (TP2) closer to Ahmedabad & payment terms has been sent to Dholera Special Investment Regional Development Authority (DSIRDA). The discussion on the subject is in progress.

8. Charosa Wineries Limited, Dindori, Nashik

Till date purchase of total 211 acres of land has been completed. Purchase of another 27 acres of land is in progress as on date. Total land area under cultivation is 81 acres. During the year, the Company signed a PMC agreement with the Project Management Team of HREL for providing project management, health-safety and environment management. Construction of Winery Building is at an advanced stage. The Company has received approval to procure land under Section 63-1A of Bombay Tenancy and Agricultural Lands Act (BTAL) for Wine Tourism Project. The Company has also been accredited under “Mahabhraman” scheme of Maharashtra Tourism Development Corporation (MTDC) to operate tour packages within the state of Maharashtra. Further the Company has obtained registration from MTDC as a service provider for tourism.

Internationally renowned Master Planners and Architects, HOK have done master planning for setting up wine tourism project consisting of tourist resorts, cellar-doors, wine bars, restaurant, theme park, adventure sports, amphitheater, Wine spa etc. Harvesting and crushing of nearly 200 MT grapes has been completed during the year. During the year Company fully repaid the loan taken from the bankers.

(iii) HCC Infrastructure

HCC Infrastructure Company Ltd, a wholly owned subsidiary of your Company, has in its ₹ 5,500 crore portfolio, six National Highways Authority of India (NHAI) road concessions.

The Company, through its subsidiaries HCC Concessions and HCC Power, has a development focus primarily in the roads, water and power sectors. Your Company follows a disciplined investment strategy that maximizes shareholder value by generating stable and rapidly growing streams of cash flow over concession periods ranging from 15 to 30 years. Besides obtaining a construction edge provided by HCC’s E&C division, HCC Infrastructure has developed a strong management team whose expertise extends from concept innovation and evaluation of risk & return, to construction management and operations. Along with a focus on quality and timely execution, the Company is committed to provide reliable, safe and world class operations and maintenance services to the country’s end users.

Fund Raising Initiative:

Your directors are pleased to inform you that in September 2011, HCC Infrastructure Co. Ltd, wholly owned subsidiary Company raised ₹ 240 crore by diluting 14.5% equity stake in HCC Concessions to the Xander Group at an equity valuation of ₹ 1,650 crore. This equity placement was completed during challenging market conditions and showcases both the quality of the HCC Infrastructure’s portfolio and the conviction in their management team. The Xander Group Inc. is a global investment firm focused on the infrastructure, hospitality, retail and real estate sectors. Since 2005, the firm has committed over US\$1.8 billion of equity capital to the Indian market across five dedicated India funds. Your Company remains committed to capital raising at attractive valuations to meet its equity requirements for future growth.

Current Road Portfolio:

Your directors are pleased to inform you that during the course of the year, the Company successfully achieved the provisional completion of Dhule Palesner Highway project and started toll collection on February 11, 2012, four months ahead of schedule. This is the third such consecutive early completion, showcasing our project management and construction expertise. Toll collection is significantly ahead of estimates and is expected to grow strongly.

The three highway projects in West Bengal (NH34) are under construction and traffic growth on the road over the past two years has significantly exceeded expectations.

During the year, HCC Concessions submitted 9 NHAI bids and 28 Request for Qualification

(RFQs). HCC Concessions partnered with VINCI Concessions for certain large bids to diversify risk and increase competitiveness. While your Company was unsuccessful in procuring a new project this year, it maintained its investment discipline while observing that several competitors were aggressively obtaining projects at detrimental or unsustainable values. The Company will continue to bid for NHAI projects in the next financial year, where approx. 8,000 km of roads is expected to be awarded. Your Company is also evaluating state road opportunities.

Status of Operational Assets:

Dhule Palesner Highway Project (NH3)

The project started user fee collection in February 2012, four months ahead of schedule. In FY09, NHAI awarded the development of four lane highway from Km 168.500 to Km 265.000 on the Maharashtra/MP border to the consortium led by HCC Concessions on BOT (toll) basis.

The project road (89 km) starts at Dhule in Maharashtra and ends at Palesner on the border of Maharashtra and MP on National Highway 3. The project is being operated by an in-house operations and maintenance team. The concession period is 18 years, including a construction period of 30 months. The highway is being developed in partnership with Sadbhav Engineering Ltd and John Laing Investments Ltd (UK) with an investment of ₹ 1,420 crore.

Delhi Faridabad Elevated Expressway (NH2) (*dfskeyway*TM)

The *dfskeyway*TM started user fee collection in November 2010. This project was also completed ahead of schedule. The project road is a 4.4 km elevated highway connecting Delhi and Faridabad, Haryana and serves inter-state and local traffic. With immediate connectivity for Faridabad to the heart of Delhi due to *dfskeyway*TM, one expects much higher growth for Faridabad, which has recently been cited as the 8th fastest developing city by The City Mayors Foundation, UK.

The project has remaining concession period of approximately 17 years. HCC was awarded a 20-year concession in 2008 to design, construct and operate this asset by the NHAI.

Nirmal (NBL) Annuity (NH7)

The SPV has received timely annuity payments over the last year and the operations and maintenance are being managed efficiently by our in house team.

The project stretch extends from the Maharashtra-Andhra Pradesh Border to Armur in Andhra

Pradesh, which forms a part of the Nagpur-Hyderabad section of NH7. This is the sole Annuity project in our portfolio. This 33 km project was completed about 100 days ahead of scheduled completion. The remaining concession period for the project is 15.5 years. The project was developed by HCC with an investment of ₹ 315 crore.

Status of Assets under Development:

West Bengal (NH34) Highway Project

This highway project includes three contiguous sections (256 km) on National Highway 34, starting from Baharampore and ending at Dalkhola. The construction of this highway project is underway and your Company has achieved considerable progress over the last year. Though NHAI has found the land acquisition process along the project stretch challenging and final completion is likely to be delayed by a few months due to this, we expect that the project would start tolling by originally scheduled completion date (on 75% completion). The project is being solely developed by HCC with an investment of ₹ 3,232 crore.

Baharampore Farakka Highway

This section, awarded in FY10, is a 103 km stretch originating at Baharampore and terminating at Farakka. The concession period is 25 years, including a construction period of 30 months. The project is being implemented with an investment of ₹ 1,169 crore.

Farakka Raiganj Highway

This is a 103 km stretch originating at Farakka and terminating at Raiganj. The concession period is 30 years, including a construction period of 30 months. The project is being implemented with an investment of ₹ 1,378 crore.

Raiganj Dalkhola Highway

This is a 50 km stretch starting at Raiganj and terminating at the town of Dalkhola. The concession period is 30 years and includes a construction period of 30 months. The project is being implemented with an investment of ₹ 684 crore.

(iv) Steiner AG, Switzerland

Your Company holds through its wholly owned HCC Mauritius Enterprises Ltd. a controlling equity stake of 66% in Steiner AG (formerly Karl Steiner AG). Steiner AG is a leading general contracting Company in Switzerland, specialized in turnkey development of new buildings and refurbishments, and offers services in all facets of real estate development and construction.

Steiner AG had a consolidated revenue of ₹ 3996.2 crore and a consolidated profit before tax of ₹ 20.8 crore in the period from April 1, 2011 to March 31, 2012.

After three years of construction, Steiner AG completed the Prime Tower, Switzerland's highest building (126 meters high), in collaboration with a partner. With 36 floors, usable surface of 40,000 sqm and space for 2,000 work places, the Prime Tower is a landmark for the whole region.

In the business year 2011-12 Steiner AG signed many important contracts, which include the project Neue Schanzenpost/PostParc in Berne, a total services contract of around CHF 160 million with Swiss Post as client, a general contract for the project Mehr als Wohnen in Zurich, consisting of 13 apartment buildings and a range of office spaces and business premises, for a total volume of around CHF 145 million and a total services contract for project Lindbergh in Zurich, a large-scale building for mixed use with Credit Suisse as investor with a total volume of around CHF 100 million.

At year end, the order backlog of Steiner AG was CHF 1512 million compared to CHF 1018 million as of March 31, 2011. Steiner AG has also secured projects worth CHF 135 million which are yet to be signed.

By the end of July 2011, Steiner AG relocated into its new headquarters, which is located in Andreaspark Business Centre in Zurich and was developed and realized by Steiner AG. Steiner AG also changed its corporate name from "Karl Steiner AG (Karl Steiner SA) (Karl Steiner Ltd)" to "Steiner AG (Steiner SA) (Steiner Ltd)". The new name became official with the relocation of Steiner AG to its new headquarters.

To help achieve your Company's goal of extending its footprint in India's growing residential and commercial construction market, Steiner AG incorporated a wholly owned subsidiary in Mumbai under the name of Steiner India Limited. The new entity will undertake construction of real estate projects in India.

The board of directors of Steiner AG comprises five members. Your Company is represented by three nominees: Mr. Ajit Gulabchand, who also acts as Chairman, Mr. K.G. Tendulkar and Mr. Anil Singhvi.

v) **Highbar Technologies Ltd**

Highbar Technologies Ltd, a wholly owned subsidiary of your Company, is an Information Technology Company formed by your Company, with the vision of providing end-to-end IT solutions to Infrastructure industry.

Highbar Technologies' core team comprises of IT and Infrastructure professionals who have amalgamated the legacy of domain knowledge in the infrastructure business with Information technology. Highbar focuses on IT implementation initiatives from business transformation perspective rather than technology implementation perspective.

This year, Gartner- one of the world's most renowned IT research agency, has published case study on managing successful IT spin-off with Highbar as an example. After a long time they could locate a successful spin-off worth writing case study on it. Industry experts have recognised it as 'Asia's 1st IT Company for Infrastructure industry' and have shown faith in its capabilities as against big established IT players.

In the last financial year, Highbar Technologies was able to serve 10 new customers, taking the total tally of its customers to 50. Long list of reference customers and high quantum of repeat business indicates maturity of Highbar's delivery capabilities.

In order to serve Infrastructure industry in Middle East more effectively, Highbar Technologies Ltd, has incorporated a subsidiary in Dubai, named 'Highbar Technologies FZ-LLC' which is now fully operational and has bagged customers in Middle East.

IT adoption in Infrastructure industry has gathered pace. Highbar sees the business going places and will expand beyond India and Middle East. This year the Company has developed a very strong strategic alliance with SAP who considers Highbar as a preferred partner for infrastructure industry. The Company launched new solutions - Highbar RapidStart and Highbar CloudConnect- which provide preconfigured SAP ERP solutions on-premise and on-cloud respectively. These solutions are based on the templatised approach and are Intellectual Property (IP) assets for Highbar Technologies. Highbar Technologies has strategically entered into a tie-up with SAP to launch Highbar CloudConnect, which offers 1st of its kind SAP ERP solution for infrastructure, real estate and ready mix concrete industry on pay-per-user-per-month basis. This has provided SMEs a level playing field by getting access to world-class IT solutions and industry best practices in an investment friendly model. The cloud based offerings have helped Highbar Technologies to penetrate the industry further to next level by reaching to the masses.

Highbar also successfully implemented first comprehensive SAP CRM implementation for

Indian construction industry which won SAP ACE Award. Highbar continues to compete consistently with the big names in IT industry. It has created niche for itself in the market with a firmly established grounds. It has started contributing to the industry to grow 'IT for infrastructure market'.

Highbar Technologies has established a proper scalable organization structure with all the functions in place to facilitate and sustain future growth.

Highbar Technologies is on the course towards accomplishing its vision of being 'the most preferred end to end IT solution provider' for infrastructure industry.

5. Subsidiary Companies

At the beginning of the year, the Company had 67 Subsidiary Companies.

During the year under review, the following changes have taken place.

- a) HCC Infrastructure Co. Ltd (the wholly owned subsidiary Company) has promoted the following wholly owned subsidiary Company, making it a subsidiary of your Company from the date of its incorporation.

| Name of the Company | Date of Incorporation |
|---|-----------------------|
| Dhule Palesner Operations & Maintenance Limited | 18.05.2011 |
| HCC Power Limited | 03.06.2011 |

- b) Steiner AG (a subsidiary Company) has promoted the following wholly owned subsidiary Company, making it a subsidiary of your Company from the date of its incorporation.

| Name of the Company | Date of Incorporation |
|-----------------------|-----------------------|
| Steiner India Limited | 17.08.2011 |

- (c) Lavasa Corporation Limited (a subsidiary Company) has promoted the following companies making them subsidiaries of your Company from the day of their incorporation.

| Name of the Company | Date of Incorporation |
|--------------------------------------|-----------------------|
| Warasgaon Assets Maintenance Limited | 24.06.2011 |
| Hill View Parking Services Limited | 24.06.2011 |

In terms of the General Circular No. 2/2011 dated February 8, 2011 read together with General Circular No. 3/2011 dated February 21, 2011, issued by the Government of India - Ministry of Corporate Affairs under Section 212(8) of the Companies Act,

1956, granting general exemption to companies from attaching financial statements of subsidiaries, subject to fulfillment of conditions stated in the circular, copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors Report of the subsidiary companies for the year/period ended December 31, 2011/March 31, 2012 are not attached to the Balance Sheet of the Company as the Company has/shall fulfill the following conditions:

- (i) The Board of Directors of the Company has vide resolution dated April 27, 2012 consented for not attaching the balance sheet(s) of the concerned subsidiary(ies);
- (ii) The Company has presented in its Annual Report, the consolidated financial statements of holding Company and all of its subsidiaries duly audited by its statutory auditors;
- (iii) The Consolidated financial statement has been prepared in strict compliance with applicable Accounting Standards and where applicable, Listing Agreement as prescribed by the Securities and Exchange Board of India;
- (iv) The Company has disclosed in the consolidated balance sheet the following formation in aggregate for each subsidiary including subsidiaries of subsidiaries:- (a) Capital (b) reserves (c) total assets (d) total liabilities (e) details of investment (except in case of investment in subsidiaries) (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation (j) proposed dividend, as applicable;
- (v) The annual accounts and other related detailed information of the following subsidiaries shall be made available to shareholders of the holding Company and subsidiary companies seeking such information at any point of time :
 1. Hicon Technoconsult Ltd
 2. Western Securities Ltd
 3. Pune-Paud Toll Road Company Ltd
 4. Nirmal BOT Ltd
 5. Panchkutir Developers Ltd
 6. HCC Concessions Ltd (Formerly known as HCC Infrastructure Ltd)
 7. HCC Infrastructure Company Ltd
 8. HCC Aviation Ltd
 9. Badarpur Faridabad Tollway Ltd
 10. Baharampore - Farakka Highways Ltd
 11. Farakka - Raiganj Highways Ltd

12. Raiganj - Dalkhola Highways Ltd
 13. Dhule Palesner Operations & Maintenance Ltd
 14. HCC Power Ltd
 15. HCC Construction Ltd
 16. Highbar Technologies Ltd
 16. Highbar Technologies FZ LLC
 17. HCC Mauritius Enterprises Ltd
 18. Klemanor Investments Ltd
 19. Steiner AG (Formerly known as Karl Steiner AG)
 20. Steiner Promotions et Participations SA
 21. VM + ST AG
 22. Eurohotel SA
 23. Steiner (Germany) GmbH
 24. Steiner Leman SAS
 25. SNC Valleiry Route De Bloux
 26. Steiner India Ltd
 27. HCC Singapore Enterprises Pte. Ltd
 28. HCC Real Estate Ltd
 29. HRL Township Developers Ltd
 30. HRL (Thane) Real Estate Ltd
 31. Nashik Township Developers Ltd
 32. Maan Township Developers Ltd
 33. Charosa Wineries Ltd
 34. Powai Real Estate Developers Ltd
 35. HCC Realty Ltd
 36. Lavasa Corporation Ltd
 37. Lavasa Hotel Ltd
 38. Apollo Lavasa Health Corporation Ltd
 39. Lakeshore Watersports Company Ltd
 40. Dasve Convention Centre Ltd
 41. Dasve Business Hotel Ltd
 42. Dasve Hospitality Institutes Ltd
 44. Lakeview Clubs Ltd
 45. Dasve Retail Ltd
 46. Full Spectrum Adventure Ltd
 47. Spotless Laundry Services Ltd
 48. Lavasa Bamboocrafts Ltd
 49. Green Hill Residences Ltd
 50. My City Technology Ltd
 51. Reasonable Housing Ltd
 52. Future City Multiservices SEZ Ltd (Formerly known as Minfur Interior Technologies Ltd)
 53. Rhapsody Commercial Space Ltd
 54. Valley View Entertainment Ltd
 55. Andromeda Hotels Ltd
 56. Sirrah Palace Hotels Ltd
 57. Warasgaon Tourism Ltd
 58. Our Home Service Apartments Ltd
 59. Warasgaon Power Supply Ltd
 60. Sahyadri City Management Ltd
 61. Hill City Service Apartments Ltd
 62. Kart Racers Ltd
 63. Warasgaon Infrastructure Providers Ltd
 64. Nature Lovers Retail Ltd
 65. Osprey Hospitality Ltd
 66. Starlit Resort Ltd
 67. Warasgaon Valley Hotels Ltd
 68. Rosebay Hotels Ltd
 69. Mugaon Luxury Hotels Ltd
 70. Warasgaon Assets Maintenance Ltd
 71. Hill View Parking Services Ltd
 72. Whistling Thrush Facilities Services Ltd
- (vi) Further, the annual accounts of the subsidiary companies shall also be kept for inspection by any shareholder at the head office/registered office of the Company and of the subsidiary companies concerned and the Company shall furnish a hard copy of the details of accounts of subsidiaries to any shareholder on demand;
- (vii) The holding as well as subsidiary companies in question shall regularly file such data to the various regulatory and Government authorities as may be required by them;
- (viii) The Company has given Indian rupee equivalent of the figures given in foreign currency appearing in the accounts of the subsidiary companies along with the exchange rate as on closing day of the financial year;
- 6. Share Capital**
- Increase in Paid up Share Capital - Issue of Equity Shares on exercise of Employee Stock Options**
- During the year under review, upon exercise of Stock Options by the eligible employees under the Employee

Stock Option Scheme, the Company has allotted 77,500 Equity Shares of ₹ 1 each at an exercise price of ₹ 21.70 per Equity Share.

Consequent to the allotment of Equity Shares upon exercise of stock options, the Paid up Share Capital of the Company has increased from 60,65,32,920 Equity Shares of ₹ 1 each aggregating ₹ 60,65,32,920 (Rupees Sixty Crore Sixty Five Lakhs Thirty Two Thousand Nine Hundred Twenty Only) to 60,66,10,420 Equity Shares of ₹ 1 each aggregating ₹ 60,66,10,420 (Rupees Sixty Crore Sixty Six Lakhs Ten Thousand Four Hundred Twenty Only).

7. Public Deposits and Loans/Advances

Your Company has not accepted any deposits from the public, or its employees during the year under review.

Pursuant to Clause 32 of the Listing Agreement, the particulars of loans/advances given to subsidiaries have been disclosed in the Annual Accounts of the Company.

8. Employee Stock Option Scheme (ESOP)

As on March 31, 2012, 64,62,960 stock options are outstanding (comprising vested and unvested, after adjustment for lapsed and exercised options), in aggregate, for exercise as per the exercise schedule and are exercisable at a price of ₹ 52.03 per stock option.

Each option, when exercised, as per the exercise schedule, would entitle the holder to subscribe for one equity share of the Company of face value ₹ 1 each.

During the year under review, 15,46,950 options got vested to the employees of the Company and in aggregate, 48,64,730 options stands vested with the employees as on March 31, 2012. Further during the year, 77,500 options, were exercised by the optionees at an exercise price of ₹ 21.70 and accordingly the Company has allotted 77,500 Equity Shares, in aggregate, of face value ₹ 1 each to the respective employees.

The particulars with regard to the Employee Stock Options as on March 31, 2012 as required to be disclosed pursuant to the provisions of Clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended, are set out in **Annexure I** to this Report.

9. Status of GDSs

During the financial year 2005-06, the Company had issued Global Depository Shares (GDSs) and the underlying shares against each of the GDSs were issued in the name of the Depository, Citi Bank N.A.

As on March 31, 2012, 1,20,720 GDSs have remained outstanding which forms part of the existing paid up capital of the Company.

10. Consolidated Financial Statements

The Consolidated Financial Statements of the Company prepared in accordance with applicable Accounting Standards forms a part of this Annual Report.

11. Corporate Governance

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate Chapter on Corporate Governance practices followed by the Company together with a Certificate from the Company's Auditors confirming compliance forms part of this Report.

12. Directors

In accordance with Article 135 and Article 186A of the Articles of Association, on October 21, 2011, the Board of Directors appointed Dr. Ila Patnaik as an Additional Director of the Company.

The Company has received a Notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Dr. Ila Patnaik as a candidate for the office of Director at the forthcoming Annual General Meeting.

As per the provisions of the Companies Act, 1956 read with Article 152 of the Articles of Association of the Company, Prof. Fred Moavenzadeh, Mr. Rajas R. Doshi and Mr. D. M. Popat are the Directors of the Company who retire by rotation and being eligible, offer themselves for re-appointment.

The Company has received Form DD-A from all these Directors as required under the Companies (Disqualification of Directors under Section 274 (1) (g) of the Companies Act, 1956) Rules, 2003.

A brief profile of all these Directors containing details of their qualifications, expertise, other directorships, committee memberships etc. has been given in the Report on the Corporate Governance as well as in the Notice of the ensuing Annual General Meeting of the Company.

13. Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;

- b) the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the loss of the Company for the year ended on that date.
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) the annual accounts have been prepared on a going concern basis.

14. Industrial Relations

The industrial relations continued to be generally peaceful and cordial.

15. Transfer to Investor Education and Protection Fund (IEPF)

The Company has, during the year under review, transferred a sum of ₹ 7,03,275 to Investor Education and Protection Fund, in compliance with the provisions of Section 205C of the Companies Act, 1956. The said amount represents dividend for the year 2003-04 which remained unclaimed by the shareholders of the Company for a period exceeding 7 years from its due date of payment.

16. Particulars of Employees and other additional information.

The information required under Section 217(2A) of the Companies Act, 1956 and the Rules made there under is given in the Annexure to this Report and forms part of the Report. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining copy of the same may write to the Company Secretary at the Registered Office of the Company.

17. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

The information relating to the conservation of energy,

technology absorption and foreign exchange earnings and outgo as required to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, is given in Annexure II forming part of this Report.

18. Auditors

M/s K. S. Aiyar & Co., Chartered Accountants, Mumbai, Auditors of the Company, bearing ICAI Registration No. 100186W retire at the ensuing Annual General Meeting and are eligible for re-appointment.

As required under the provisions of section 224(1B) of the Companies Act, 1956, the Company has obtained a written certificate from the Auditors to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

19. Auditors' Report

The Auditors' Report to the shareholders on the Accounts of the Company for the financial year ended March 31, 2012 does not contain any qualification.

20. Acknowledgements

Your Directors would like to acknowledge and place on record their sincere appreciation to all stakeholders - Clients, Financial Institutions, Banks, Central and State Governments, the Company's valued investors and all other business partners for their continued co-operation and excellent support received during the year.

Your Directors recognize and appreciate the efforts and hard work of all the employees of the Company and their continued contribution to its progress.

For and on behalf of Board of Directors,

AJIT GULABCHAND
Chairman & Managing Director

Registered Office:

Hincon House, 11th Floor,
247 Park, Lal Bahadur Shastri Marg
Vikhroli (West)
Mumbai 400 083

Place: Mumbai

Date: April 27, 2012

Annexure I to the Directors' Report:

Disclosure pursuant to the provisions of Securities and Exchange Board of India, (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines") as at March 31, 2012:

| No. | Particulars | Details | | | | | | |
|-----------------------|--|--|-----------------------|-----------------------|-----------|--------|----------|---------|
| a) | Options granted | 93,05,100 Options | | | | | | |
| b) | Pricing Formula | For Options in force <table><tr><td><u>No. of Options</u></td><td><u>Exercise Price</u></td></tr><tr><td>64,62,960</td><td>52.03</td></tr></table> <u>Pricing formula for remaining Options</u> The closing market price on the Stock Exchange, which recorded the highest trading volume in the Company's share prior to the date of the Meeting of ESOP Compensation Committee in which Options were granted. | <u>No. of Options</u> | <u>Exercise Price</u> | 64,62,960 | 52.03 | | |
| <u>No. of Options</u> | <u>Exercise Price</u> | | | | | | | |
| 64,62,960 | 52.03 | | | | | | | |
| c) | Options vested | 48,64,730 | | | | | | |
| d) | Options exercised | 1,04,360 | | | | | | |
| e) | Total No. of shares arising as a result of exercise of Options | 1,04,360 | | | | | | |
| f) | Options lapsed | 18,32,740 | | | | | | |
| g) | Variation of terms of Options | In accordance with the approval of the Board of Directors of the Company, the ESOP Compensation Committee had during FY 2009-10 re-priced 41,31,600 Options granted by the Company at ₹ 104.05 per Stock Option (Earlier ₹ 132.50 per Stock Option) | | | | | | |
| h) | Money realized by exercise of Options | ₹ 34,36,133 | | | | | | |
| i) | Total No. of Options in force | 64,62,960 | | | | | | |
| j) | Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with AS 20 | Diluted EPS before and after extraordinary items ₹ (3.62) | | | | | | |
| k) | The difference between the employee compensation cost computed using the intrinsic value of stock options and the employee compensation cost that shall have been recognized if the Company had used the fair value of the options. | The difference between the employee compensation cost computed using the intrinsic value of stock options and the employee compensation cost that shall have been recognized if the Company had used the fair value of the options is ₹ 96,82,044. | | | | | | |
| l) | Impact of Difference on Net Profits and EPS of the Company | Had fair value method been adopted for expensing the ESOP compensation : (a) Loss after tax would have been higher by ₹ 0.97 crore. (b) Basic EPS before and after extraordinary items would have decreased from ₹ (3.66) per share to ₹ (3.68) per share (c) Diluted EPS before and after extraordinary items would have decreased from ₹ (3.62) per share to ₹ (3.64) per share | | | | | | |
| m) | Method used to estimate the fair value | Forward start Options together with Black Scholes option pricing method | | | | | | |
| n) | Weighted Average inputs used in the valuation model <ul style="list-style-type: none">● Risk Free Interest Rate● Expected Life during vesting period● Expected Volatility● Expected Dividends per share● Price of underlying shares at grant date<ul style="list-style-type: none">- For Options granted on April 25, 2008- For Options granted on October 23, 2008 | <table><tr><td>6.416%</td></tr><tr><td>2 years</td></tr><tr><td>60%</td></tr><tr><td>₹ 0.70</td></tr><tr><td>₹ 104.05</td></tr><tr><td>₹ 43.40</td></tr></table> | 6.416% | 2 years | 60% | ₹ 0.70 | ₹ 104.05 | ₹ 43.40 |
| 6.416% | | | | | | | | |
| 2 years | | | | | | | | |
| 60% | | | | | | | | |
| ₹ 0.70 | | | | | | | | |
| ₹ 104.05 | | | | | | | | |
| ₹ 43.40 | | | | | | | | |
| o) | Weighted Average Exercise Price of Options <ul style="list-style-type: none">- For Options granted on April 25, 2008- For Options granted on October 23, 2008 | <table><tr><td>₹ 104.05</td></tr><tr><td>₹ 43.40</td></tr></table> | ₹ 104.05 | ₹ 43.40 | | | | |
| ₹ 104.05 | | | | | | | | |
| ₹ 43.40 | | | | | | | | |

| No. | Particulars | Details |
|-----|--|---|
| p) | Weighted Average Fair value of Options whose exercise price equals to the market price of the shares on the date of the grant. - For Options granted on April 25, 2008 - For Options granted on October 23, 2008 | ₹ 36.80 ₹ 15.82 |
| q) | Total Fair Value of options whose exercise price equals to the market price of the shares on the date of the grant. | ₹ 126,539,915 No options are granted at prices higher or lower than market prices. |

Employee wise details of Options granted and in force:

| Sr. No. | Directors & Senior Managerial Personnel | | Number of Options granted and in force |
|---------|---|---|--|
| | Name | Designation | |
| 1. | Mr. Y. H. Malegam | Director | 68,600 |
| 2. | Mr. Rajas R. Doshi | Director | 68,600 |
| 3. | Mr. D. M. Popat | Director | 68,600 |
| 4. | Mr. Ram P. Gandhi | Director | 68,600 |
| 5. | Prof. Fred Moavenzadeh | Director | 68,600 |
| 6. | Mr. Sharad M. Kulkarni | Director | 48,600 |
| 7. | Mr. Nirmal P. Bhogilal | Director | 68,600 |
| 8. | Mr. Anil Singhvi | Director | 54,880 |
| 9. | Mr. Arun V. Karambelkar* | President & Whole-time Director | 5,49,000 |
| 10. | Mr. Rajgopal Nogja | Group President – Development Companies | 3,43,200 |
| 11. | Mr. Praveen Sood* | Group Chief Financial Officer – Executive Vice President - HCC Group Office | 5,49,000 |
| 12. | Mr. Aditya Jain | Group Executive Vice President -Human Resources | 4,00,600 |
| 13. | Mr. Pervez Alam* | Chief Commercial Officer | 6,86,400 |
| 14. | Mr. N. R. Acharyulu* | Chief Operating Officer – HCC E&C | 6,86,400 |
| 15. | Mr. S.K. Dharmadhikari | Executive Vice President – BD & CS | 3,08,880 |
| 16. | Mr. D. M. Kudtarkar* | Chief Technology Officer | 6,86,400 |
| 17. | Mr. V. P. Kulkarni | Company Secretary | 2,74,400 |
| 18. | Mr. K. R. Visvanath* | Vice President – Nuclear, Thermal, Special Projects & Water | 4,57,400 |
| 19. | Mr. Satish Pendse | President - Highbar Technologies | 2,74,400 |
| 20. | Mr. Jimmy Mogal | Vice President -Corporate Communications | 2,74,400 |
| 21. | Mr. S.W. Gaitonde* | Vice President | 4,57,400 |
| | Total No. of Options Outstanding | | 64,62,960 |

Identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant: Nil

* Employees who had been granted Options amounting to 5% or more of the total Options granted.

For and on behalf of the Board of Directors

AJIT GULABCHAND
Chairman & Managing Director

Registered Office:

Hincon House, 11th Floor,
247Park, Lal Bahadur Shastri Marg
Vikhroli (West)
Mumbai-400 083

Place: Mumbai

Dated: April 27, 2012

Annexure II to the Directors' Report:

Information as per section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 for the financial year ended March 31, 2012.

I. Conservation of Energy

a) Energy Conservation Measures Taken:

- Your Company is continuing with energy saving measures initiated earlier like usage of Load Sharing System in D.G. plants, APFC (Automatic Power Factor Controller) panels for GRID Power, FCMA (Flux Compensated Magnetic Amplifier) Starter for Crusher Motors, Variable Frequency Drive (VFD) Starting System for Ventilation Fans & EOT / Gantry Cranes.
- Use of Solar Water Heating System at Nimoo Bazgo Project which reduces the power requirement.
- Hot Water Generators have been procured and are being installed at Kishanganga for supplying hot water to Camp. It uses the Waste Heat in the Jacket Water of Diesel Generator Sets.

b) Additional investment and proposals, if any being implemented for reduction in consumption of Energy:

Introduction of Lighting Energy Saver (About 10 %) in Power circuit at Project sites Locations like Camp, Office, Yard & Area Lighting etc.

Reuse of recycled water for Crushing Plant operation. This avoids pumping of water from the source located at a distance.

c) Impact of measures at (a) and (b) above for reduction of Energy consumption and consequent impact on the production of goods:

Energy conservation measures continue to reduce the production cost per unit with reference to energy consumption.

Reuse of recycled water for Crushing Plant operation reduces the production cost in addition to conservation of water resource.

d) Total energy consumption and energy consumption per unit as per Form A of Annexure to the rules of Industries specified in the schedule thereto:

Not Applicable

II. Technology Absorption

Efforts made in technology absorption as per Form-B of the Annexure to the Rules.

1. Research and Development (R&D)

Applied research and development mostly aims at cost optimization, but in a highly competitive market, strategically building sustainable and holistic competitiveness requires much more than cost optimization. Moreover the complex nature and changing stipulations of recent contracts are demanding a fresh paradigm shift at the way contracts are being executed. The objective of the R&D efforts is to specifically assist and promote all those activities which help projects to be executed with enhanced efficiency and improved level of quality. While collaborating internally with the construction sites and externally with various suppliers, manufacturers, organizations and academia, the research and development projects are aimed at faster penetration in to multiple sites and building a sustainable knowledge and skill base.

A sampling of few of R&D efforts is presented below:

- i. Alternative pavement designs for enhanced life and reduced maintenance. This includes designs with
 - a. Polymer stabilized pavement foundation with increased strength
 - b. Cementitious stabilizers in expansive soils
 - c. Geocells to reduce pavement thickness and make it sustainable
 - d. Anti-rutting agents used in bitumen layers
- ii. Use of statistical methods for improving and optimizing concrete and shotcrete mix proportioning
- iii. Use of cloth fabric to improve the finishability of concrete
- iv. Use of self consolidating concrete
- v. Optimizing labor cost through process improvement
- vi. Pavement embankment slope reduction using geogrids
- vii. Improvement in project planning and management for project acceleration
- viii. Changes in the placement methods of dam concrete

Training is an important part of the developmental efforts and R&D's invests attempts at expanding it beyond organizational boundaries. Efforts are

persistently invested in brining the skill levels of construction engineers and designers. Last year, for example, in an effort to introduce new design concept for tunnel waterproofing, R&D in collaboration with BASF construction chemicals organized a one day designers' workshop for HCC's designers, including external design firms whom HCC engages on a routine basis.

The academic dialogue continually takes place to facilitate the flow of fresh knowledge and explore avenues of getting involved with happening research on educational campuses. With regard to the international efforts, your Company has signed up for a membership under the industry liaison program (ILP) with the Massachusetts Institute of Technology (MIT), USA. This agreement is helping your Company foresee some of the emerging areas of construction and engineering technology including materials, energy, etc.

The Company has spent ₹ 0.12 crore towards Research and Development.

2. Technology Absorption, Adaptation & Innovation

a) Efforts made towards technology absorption, adaptation and innovation during the year 2011-12 are:

- For Kishanganga Hydroelectric project, proposal for adopting double shield type of Tunnel boring machine has been mobilized at site. This machine has advantages of overcoming adverse geological challenges and continuous segment erection.
- For Kishanganga Hydroelectric project, proposal for adoption of Concrete face rockfill dam [CFRD] has been finalized which has got cost advantages over conventional concrete dams. For the foundation, plastic cut off wall is being adopted.
- For Nimoo Bazgo Hydroelectric project, concreting was done in extremely cold temperatures by providing thermal blanket to concrete surface for overcoming temperature drop effect. For concrete, special admixtures were used to achieve the desired setting within the allowable time in the extreme cold temperatures.
- For Nimoo Bazgo & Chutak Hydroelectric project, aviation turbine fuel was used as

an additive in fuel for equipments working in high altitude.

- For Vizag and Padur Underground Cavern excavation in rock, bulk underground liquid explosives were used for blasting which resulted in reduction in time cycle and better yield. By adopting this technique and modifications in sequence of excavation, record hard rock excavation of 1,00,000 cum/month was achieved. The analysis and design of Rock Caverns was done by three dimensional modeling of entire rock medium with the Caverns and rock supports designed using UnWedge analysis using software code UNWEDGE.
- For Narmada Canal Package 25 Project, Pipeline design was optimized using specialist software SAP 2.0 developed by IISc, Bangalore, which is internationally acclaimed. This enabled us to design the system in-house for transient loads and procure the surge control tools / products from. The system has been approved by GWIL.
- For Katch Branch canal II as the project site is located in the seismically most active zone, viz. zone V, the canal embankments run upto heights as high as 9m. As a matter of abundant precaution and also to arrive at the most optimum design, specialist services of IIT Bombay were requisitioned. IIT used some of the most advanced softwares, viz. SLOPE/W, SEEP/W and FLAC for the dynamic analysis of these embankments. This ensured optimization apart from accuracy in the analysis. It is being well received by SSNNL,
- For Dagachu Hydroelectric project, in order to speed up construction, raise boring machine for excavation of pilot hole for surge shaft and for excavation of full cross section of pressure shaft has been mobilized. In order to accelerate tunneling progress, use of ITC tunnel loader in combination with reversible dumper has been adopted for tunnel construction.
- For Dagachu Hydroelectric project, the design and drawings were carried out by using following softwares in association

with our consultants M/S SNC lavalin India for optimizing the design for various project components:-

- Swedge-Used for design of open excavations and slope stability of tunnel portals.
- Phase-2-Finite Element Model based software used for design of underground tunnels and Power house Cavern. Helped to optimize the rock support requirements.
- GeoSlope-Used for design of unstable area through which Head Race Channel of the project.
- For Tehri Pumped storage project in association with M/S EDF France, our design consultants have carried out the project design and drawings using the following softwares for achieving optimization of the various underground structures:-
 - Flac 3D-The software is being used for the analysis of the support requirements for the Underground Power House.
 - Minedw-A 3 D hydraulic model of the Tehri PSP area is being built using this model.
- For Sainj Hydroelectric project in association with M/S AF Colenco, Switzerland, our design consultants have carried out the project design and drawings using following softwares for achieving optimization of various structures:-
 - FENAS & REMI (Refraction Micro Tremor) software is being adopted for the design of the Barrage .
- Double Shield Tunnel Boring Machine (TBM) is being used at Veligonda project for excavating large diameter very long water tunnel, with continuous conveyor for mucking and simultaneous installation of precast segmental lining.
- New Austrian Tunneling Method (NATM) is being used at Pir Panjal tunnels in Jammu and Kashmir using Tunnel Version excavators and Road Headers.

- For NH34 pavement construction project, chemical and bio-based soil stabilization methods are considered. This will also include use of soil stabilizing machineries for improved quality control.
- For some stretches of NH34 pavement, alternative pavement designs using international standards and codes are being proposed.
- A proposal for installing min-hydro power plants to generate power to cater to the needs of site establishments is under consideration.
- Automation of equipments foundation designs for different foundation conditions by integration of Excel and AutoCAD

b) Benefits derived as a result of the above efforts:

Reduction in cycle time of construction of different components and thereby increasing of productivity. Eco friendly design and construction implementation and energy conservation.

The utilisation of above various softwares in design of structures has resulted in the optimisation of design component of the structures and resulted into reduction of construction costs.

Development of Human Resource in use of advanced technology with modern equipment and technology.

| c) Technology Imported | Year of Import | Has technology been fully absorbed |
|--|----------------|------------------------------------|
| Use of Geo textile bags replacing boulder crate pitching for Teesta Diversion scheme | 2007 | Absorbed |
| Use of Fly ash for embankment and RE wall backfilling | 2008 | Absorbed |
| Orica Emulsion base explosive & Powerdet long delay detonators | 2008 | Absorbed |

| | | |
|--|------|----------------------|
| Roller Compacted Concrete Technology at Teesta Project | 2008 | Under Implementation |
| Wassara drilling Equipment (unique Method of drilling by using water power) | 2008 | Absorbed |
| Cold weather Concreting system and Protection works when Atmospheric temperature is below 5° C | 2008 | Absorbed |
| Construction of cable stayed bridge using Cantilever gantry | 2009 | Absorbed |
| Construction of surge shaft using raise boring machine | 2010 | Under Implementation |
| Construction of tunnel using NATM Method | 2009 | Under Implementation |
| Construction of tunnel using double shield Tunnel boring machine | 2011 | Under Implementation |
| Technology for construction of concrete faced rockfill dam | 2011 | Under Implementation |
| Construction of dry dock by using precast cum floating caissons. | 2011 | Under Implementation |

Innovation

Your Company has created an innovation Forum and dedicated Innovation Portal for collecting and working on new ideas generated within the organization. New ideas related to ongoing projects as well as ideas related to energy saving, water saving and reduction

in environmental damages are collected from all the employees either through portal or by direct interaction by highly motivated approach. The collected ideas are shortlisted and evaluated by Structured Evaluation Process. Specific tasks are implemented at the project sites. Experiences gained from one project are then selectively applied to other project sites.

Some of the innovation ideas and focus areas for this year are as follows:

- Replacement of natural sand with air classified crushed sand
- Improving adverse geological / subsoil condition. The geological / subsoil condition been improved by adopting innovative alternative method like stone columns, chemical grouting, steel liner support etc.
- Reduction in natural resources by environmentally sustainable (Green Technology) materials/ technologies; e.g. Use of EROSION CONTROL COIR BLANKETS replacing stone pitching.

III. Foreign Exchange earnings and outgo:

- Activities relating to exports, initiative taken to increase exports, development of new export market development of new export market for production services and export plans:

Visits are being made by technical and marketing personnel to develop new export markets from time to time.

- Total Foreign Exchange used and earned:

The information on Foreign Exchange earnings and outgo is contained in Note no. 38 forming part of the accounts.

For and on behalf of the Board of Directors

AJIT GULABCHAND
Chairman & Managing Director

Registered Office:

Hincon House, 11th Floor,
247 Park, Lal Bahadur Shastri Marg
Vikhroli (West)
Mumbai-400 083

Place: Mumbai

Dated: April 27, 2012

Auditor's Report

To the Members of

Hindustan Construction Company Limited

Report on the accounts for the year ended on March 31, 2012 in compliance with Section 227(2) of the Companies Act, 1956

1. We have audited the attached Balance Sheet of Hindustan Construction Company Limited, as at March 31, 2012 and also the Statement of Profit and Loss for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain Integrated Joint Ventures reflecting Company's share in Loss of ₹ 3.81 crore in these financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the said audited Joint Ventures, is based solely on the Reports of the other auditors. The financial statements of integrated joint ventures reflecting total assets of ₹ 33.43 crore, share in revenue of ₹ 11.65 crore.
4. Without qualifying our opinion, we draw attention to:
 - (a) Note No 4.4 of the Notes to Accounts regarding admission of the Company's proposal by CDR Empowered Group for Corporate Debt Restructuring of Company's debt.
 - (b) Note No. 27.1 of the Notes to Accounts regarding application seeking approval from Central Government for the excess remuneration paid to managerial personnel.
5. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
6. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
 - (e) On the basis of written representations received from the Directors / Companies, as on March 31, 2012, and taken on record by the Board of Directors we report that none of the directors are disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - (ii) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
 - (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For K.S. Aiyar & Co
Chartered Accountants
FRN: 100186W

Raghuvir M. Aiyar
Partner
Membership No.38128

Place: Mumbai
Date: April 27, 2012

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 4 of our Report of even date on the Accounts for the year ended on March 31, 2012 of Hindustan Construction Company Limited)

- (i) The Company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (ii) A substantial portion of the fixed assets have been physically verified by the management during the year and in our opinion the frequency of such verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.
- (iii) Fixed assets disposed off during the year were not substantial. According to the information and explanations given to us, we are of the opinion that the disposal of fixed assets has not affected the going concern status of the Company.
- (iv) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (v) The procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (vi) In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (vii) The Company has not granted unsecured loans and Inter-Corporate Deposits to companies covered in the Register maintained under Section 301 of the Act. Hence the provisions of clause (iii)(b),(c),(d) of paragraph 4 are not applicable to the Company.
- (viii) The Company has taken unsecured loans in the form of inter-corporate deposit from three companies covered in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved in the current year amounted to ₹ 29.16 crore and the balance at the year end is NIL.
- (ix) Based on the information and explanations given to us, we are of the opinion that the rate of interest and other terms and conditions of loans taken from such parties covered in the Register maintained under Section 301 are not prima facie prejudicial to the interests of the Company.
- (x) According to the information and explanations given to us, repayments of the principal and interest have been regularly made as stipulated.
- (xi) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for purchase of inventory and fixed assets and for the Work Done. During the course of our audit, we have not observed any major weakness in internal control system.
- (xii) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section. The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (xiii) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under. Therefore, the provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to deposits accepted from the public are not applicable to the Company.
- (xiv) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business. However the scope needs to be enlarged to cover project related cost-to-complete workings and certain areas of head office accounting.
- (xv) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government of India, regarding the maintenance of cost records under clause (d) of subsection (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (xvi) According to the records of the Company, Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it have been generally regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31, 2012 for a period of more than six months from the date on which they became payable.
- (xvii) According to the records of the Company, sales tax, income tax, customs duty, wealth tax, service tax, excise duty or cess which have not been deposited on account of dispute are given below :

| Nature of dues | Year | Amount (₹ in crore) | Forum where dispute is pending |
|----------------|--------------------|------------------------|---|
| Sales Tax/VAT | 1996-97 & 1998-99 | 1.27 | High Courts |
| | 1997-98 to 2000-01 | 0.53 | Taxation Tribunal – Cuttack |
| | 2002-03 to 2008-09 | 28.41 | AC/DC/Add. Commissioners & ACTO |
| Service Tax | 2005-06 | 0.23 | Central Excise Appeal/Service Tax Commissioner |
| | Jan 04 to Mar 06 | 2.87 | Central Excise and Service Tax Appellate Tribunal |

(xviii) The Company does not have any accumulated losses at the end of the financial year. The Company has incurred cash loss during the financial year covered by our audit. The Company has not incurred cash loss during the immediately preceding financial year.

(xix) The Company has defaulted in repayment of dues to Financial Institutions & Banks. Details are as follows:

| Amount of Principal Default (₹ in crore) | Period of Delays (in Days) |
|---|-------------------------------|
| 306.17 | 1 to 30 |
| 81.70 | 31 to 60 |
| 133.75 | 61 to 90 |
| 173.75 | 90 to 101 |

| Amount of Principal Default (₹ in crore) | Period of Delays (in Days) |
|---|-------------------------------|
| 26.91 | 1 to 30 |
| 20.57 | 31 to 60 |
| 21.17 | 61 to 90 |

(xx) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xxi) In our opinion the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.

(xxii) In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.

(xxiii) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.

(xxiv) In our opinion, the term loans have been applied for the purpose for which they were raised.

(xxv) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that ₹ 623 crore of short-term funds have been used for long-term investments (upon excluding the current maturities of ₹ 1,056 crore of long term loans raised, this is not the case).

(xxvi) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xxvii) The Company has created a security / charge in-respect of secured debentures issued and outstanding at the year end.

(xxviii) The Company has not raised any money by way of public issue during the year.

(xxix) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For K.S. Aiyar & Co
Chartered Accountants
FRN: 100186W

Raghuvir M. Aiyar
Partner
Membership No.38128

Place: Mumbai
Date: April 27, 2012

Balance Sheet as at 31st March 2012

| Particulars | Note No. | ₹ crore | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|----------|----------|--------------------------------|--------------------------------|
| I. EQUITY AND LIABILITIES | | | | |
| (1) Shareholders' funds | | | | |
| Share capital | 2 | 60.67 | | 60.66 |
| Reserves and surplus | 3 | 1,239.44 | 1,300.11 | 1,461.53 |
| | | | | 1,522.19 |
| (2) Non-current liabilities | | | | |
| Long-term borrowings | 4 | 1,369.12 | | 1,858.27 |
| Deferred tax liabilities (Net) | 5 | 70.24 | | 166.47 |
| Long term Trade payables | 6 | 21.12 | | 17.05 |
| Other Long-term liabilities | 7 | 27.95 | | 21.91 |
| Long-term provisions | 8 | 37.19 | 1,525.62 | 36.68 |
| | | | | 2,100.38 |
| (3) Current liabilities | | | | |
| Short-term borrowings | 9 | 2,031.67 | | 1,348.94 |
| Trade payables | 10 | 1,042.01 | | 1,132.77 |
| Other current liabilities | 11 | | | |
| Current maturities of long term borrowings | | 1,056.08 | | 377.84 |
| Advance from Contractees | | 1,281.67 | | 1,535.52 |
| Others | | 542.17 | | 353.13 |
| | | 2,879.92 | | 2,266.49 |
| Short-term provisions | 12 | 8.46 | | 33.93 |
| | | | 5,962.06 | 4,782.13 |
| Total | | | 8,787.79 | 8,404.70 |
| II. ASSETS | | | | |
| (1) Non-current assets | | | | |
| Fixed assets | 13 | | | |
| Tangible assets | | 1,118.28 | | 1,175.10 |
| Intangible assets | | 6.19 | | 9.18 |
| Capital work-in-progress | | 24.04 | | 25.69 |
| Intangible assets under development | | 1.72 | | - |
| | | | 1,150.23 | 1,209.97 |
| Non-current investments | 14 | 584.74 | | 531.31 |
| Long-term loans and advances | 15 | 1,032.04 | | 746.79 |
| Long term Trade receivables | 16 | 652.15 | | 466.56 |
| Other non-current assets | 17 | 29.12 | | 26.28 |
| | | | 2,298.05 | 1,770.94 |
| (2) Current assets | | | | |
| Inventories | 18 | 3,755.41 | | 3,783.73 |
| Trade receivables | 19 | 525.57 | | 523.77 |
| Cash and bank balances | 20 | 159.97 | | 167.36 |
| Short-term loans and advances | 21 | 885.55 | | 943.13 |
| Other current assets | 22 | 13.01 | | 5.80 |
| | | | 5,339.51 | 5,423.79 |
| Total | | | 8,787.79 | 8,404.70 |

Significant Accounting Policies 1

The accompanying notes including other explanatory information form an integral part of the financial statements.

As per our report attached
For K.S.AIYAR & CO.
Chartered Accountants
Registration No. 100186W

PRAVEEN SOOD
Group Chief Financial Officer

AJIT GULABCHAND

Chairman & Managing Director

ARUN V. KARAMBELKAR

President & Whole-time Director

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

RAMAKRISHNA PRABHU
Vice President Accounts

VITHAL P. KULKARNI
Company Secretary

Y.H. MALEGAM
K. G. TENDULKAR
RAJAS R. DOSHI
RAM. P. GANDHI
PROF. FRED MOAVENZADEH
D. M. POPAT
SHARAD M. KULKARNI

Directors

Mumbai, Dated April 27, 2012

Statement of Profit & Loss for the year ended 31st March, 2012

| Particulars | Note No | ₹ crore | Current Year 2011-12 ₹ crore | Previous Year 2010-11 ₹ crore |
|--|---------|---------------|------------------------------------|-------------------------------------|
| I Revenue from Operations (gross) | 23 | 4,010.60 | | 4,149.05 |
| Less: Excise Duty | | <u>7.85</u> | | <u>5.08</u> |
| | | | 4,002.75 | 4,143.97 |
| Less: Company's Share of Turnover in Integrated Joint Ventures | | | 11.29 | 50.80 |
| Less: Company's Share of Profit/(Loss) in Integrated Joint Ventures | | | <u>3.23</u> | <u>2.50</u> |
| | | | 3,988.23 | 4,090.67 |
| II Other Income | 24 | | <u>122.83</u> | <u>52.51</u> |
| III Total Revenue (I + II) | | | 4,111.06 | 4,143.18 |
| IV Expenses | | | | |
| Cost of Materials Consumed | 25 | 81.70 | | 35.57 |
| Purchase of Traded goods | | 55.81 | | 24.48 |
| Construction Expenses | 26 | 2,828.18 | | 2,830.13 |
| Employee Benefits Expenses | 27 | 439.24 | | 467.64 |
| Finance Costs | 28 | 543.16 | | 329.04 |
| Depreciation and amortization Expense | | 162.10 | | 152.69 |
| Other Expenses | 29 | <u>153.03</u> | | <u>191.96</u> |
| Total Operating Expenses | | | <u>4,263.22</u> | <u>4,031.51</u> |
| V Profit /(Loss) Before Exceptional & Extraordinary Items & Tax (III - IV) | | | (152.16) | 111.67 |
| VI Exceptional Items | 30 | | <u>(166.32)</u> | <u>-</u> |
| VII Profit / (Loss) Before Extraordinary Items & Tax (V + VI) | | | (318.48) | 111.67 |
| VIII Extraordinary Items | | | - | - |
| IX Profit / (Loss) Before Tax (VII - VIII) | | | (318.48) | 111.67 |
| X Tax Expense: | | | | |
| 1) Current Tax | | | - | 24.40 |
| 2) Deferred Tax Charge/(Credit) | | | (96.23) | 40.45 |
| 3) MAT Credit Entitlement | | | - | (24.18) |
| | | | <u>(96.23)</u> | <u>40.67</u> |
| XI Profit / (Loss) for the year from Continuing operations (IX - X) | | | (222.25) | 71.00 |
| XII Profit / (Loss) for the year from discontinuing operations | | | - | - |
| XIII Tax Expense from discontinuing operations | | | - | - |
| XIV Profit /(Loss) for the year from Discontinuing operations (XII - XIII) | | | - | - |
| XV Profit / (Loss) for the year (XI + XIV) | | | (222.25) | 71.00 |
| XVI Earnings per equity share: | 31 | | | |
| 1) Basic | | | (3.66) | 1.17 |
| 2) Diluted | | | (3.62) | 1.16 |

As per our report attached
For K.S.AIYAR & CO.
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SHARAD M. KULKARNI

Directors

Mumbai, Dated April 27, 2012

Cash Flow Statement for the year ended 31st March, 2012

| | 2011-12 ₹ crore | 2010-11 ₹ crore |
|--|--------------------|--------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax and extraordinary items | (318.48) | 111.67 |
| Adjustments for : | | |
| Depreciation | 162.10 | 152.69 |
| Interest expense | 543.16 | 329.04 |
| Interest/Dividend received | (104.94) | (37.60) |
| Unrealised Foreign Exchange (Gain)/Loss (net) | 14.59 | (9.05) |
| Loss/(Profit) on sale of Assets | (16.09) | 2.53 |
| Loss/(Profit) on sale of investment | 5.22 | - |
| Provision for Doubtful advances | - | (0.02) |
| | <u>604.04</u> | <u>437.59</u> |
| Operating profit before working capital changes | 285.56 | 549.26 |
| Adjustments for : | | |
| Trade and Other receivable | (177.75) | (1343.33) |
| Inventories | 34.74 | (212.88) |
| Trade payables | 201.50 | 188.44 |
| Client Advance | (253.85) | 890.61 |
| | <u>(195.37)</u> | <u>(477.16)</u> |
| Cash Generated from operations | 90.20 | 72.10 |
| Direct Taxes paid | (10.08) | (81.86) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 80.12 | (9.76) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (196.23) | (242.27) |
| Sale of Fixed Assets | 40.56 | 8.71 |
| Purchase of Investments | - | (255.10) |
| Purchase of Investments in Subsidiaries | (70.98) | (202.33) |
| Sale of Investments | 12.33 | 334.80 |
| Inter Corporate Deposits | (342.65) | (376.25) |
| Interest received | 97.39 | 34.51 |
| Placement of Bank Deposits | (2.84) | (26.28) |
| Dividend received | 0.34 | 2.08 |
| | <u>(462.08)</u> | <u>(722.13)</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Interest Paid | (469.36) | (331.28) |
| Proceeds from long term and other borrowings(net of repayment) | 871.82 | 1070.35 |
| Proceeds from issue of Shares to QIBs (net of expenses) | - | 0.17 |
| Proceeds from Issue of Shares under Employee Stock Option Plan | 0.17 | - |
| Dividend paid (including Dividend Distribution Tax) | (28.07) | (28.30) |
| | <u>374.57</u> | <u>710.94</u> |
| NET CASH FLOW FROM FINANCING ACTIVITIES | 374.57 | 710.94 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | (7.39) | (20.95) |
| CASH AND CASH EQUIVALENTS AS AT 1/4/2011 (OPENING BALANCE) | 167.37 | 188.32 |
| UNREALISED FOREIGN EXCHANGE GAIN / (LOSS) | 0.06 | (0.16) |
| CASH AND CASH EQUIVALENTS | <u>159.91</u> | <u>167.53</u> |
| CASH AND CASH EQUIVALENTS AS AT 31/03/2012 (CLOSING BALANCE) | <u>159.97</u> | <u>167.37</u> |
| | <u>(7.39)</u> | <u>(20.95)</u> |

NOTES : 1. Proceeds from Long Term and Other Borrowings are shown net of repayments.
2. Figures for the previous year have been regrouped /recast wherever necessary.

As per our report attached
For K.S.AIYAR & CO.
Chartered Accountants
Registration No. 100186W

PRAVEEN SOOD
Group Chief Financial Officer

AJIT GULABCHAND

ARUN V. KARAMBELKAR

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D. M. POPAT
SHARAD M. KULKARNI

Directors

Mumbai, Dated April 27, 2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2012

Note 1 Significant Accounting Policies

1.1 Basis of Accounting

The Company maintains its accounts on accrual basis. Management makes estimates and technical and other assumptions regarding the amounts of income and expenses in accordance with Indian GAAP in the preparation of the financial statements. Difference between the actual results and estimates are recognised in the period in which they are determined.

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

1.2 Fixed Assets

Fixed assets are stated at cost of acquisition including attributable interest & financial costs till the date of acquisition/installation of the assets and improvement thereon less accumulated depreciation / amortisation and accumulated impairment losses if any. Intangible assets comprise of licence fees, other implementation cost for software (ERP) and other application softwares acquired for inhouse use.

1.3 Depreciation and Amortisation

Depreciation on fixed assets is provided:

- i) In respect of buildings and sheds, furniture and office equipments on the written down value method (pro-rata on additions and deletions of the year) at rates prescribed in Schedule XIV of the Companies Act, 1956.
- ii) In respect of plant & machinery, heavy vehicles, light vehicles, helicopter, aircraft and speed boat on the straight line method at rates prescribed in schedule XIV of the Companies Act, 1956 on a pro-rata basis.
- iii) In respect of computers depreciation is provided on straight line basis over a period of three years on a pro-rata basis.
- iv) The depreciation on assets used for construction has been treated as period cost.
- v) Fixed Assets includes cost incurred on the Lease hold Improvements at 247 park which is being amortised over a period of Nine years.
- vi) Software and implementation costs including users licence fees of the Enterprise Resource Planning (ERP) system and other application software costs are amortised over a period of 5 years.

1.4 Investments

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried in the financial statements at lower of cost or fair value determined on an individual investment basis. Long-term investments are carried at cost, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

1.5 Employee Benefits

- i) Defined Contribution plan
Contribution to provident fund and superannuation fund is accounted on accrual basis.

ii) Defined Benefit plan

Gratuity is charged to revenue on the basis of actuarial valuation and in case of daily rated workmen on actual basis computed on tenure of service as at the end of the year.

iii) Other Benefits

Short term and long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Accumulated leave which is expected to be utilised within next 12 months, is treated as short term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for the measurement purposes. Such long term compensated absences are provided for based on the actuarial valuations using the projected unit credit method at the year-end.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of the related obligations.

1.6 Inventories

- a) The stock of stores, spares and embedded goods and fuel is valued at cost (weighted average basis), or net realisable value whichever is lower.
- b) Work-in-Progress is valued at the contract rates and site mobilisation expenditure of incomplete contracts is stated at cost.
- c) Certain loose plant, tools & service equipments costing below ₹ 5 lacs are valued at proportionate written down value @ 3% p.m. over a period of 32 months.

1.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and cash in hand. The Company considers all highly liquid investments with an original maturity of three months or less from date of purchase, to be cash equivalents.

1.8 Provisions, Contingent liabilities and Contingent assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an out flow of resources. Contingent assets are neither recognised nor disclosed in the financial statements.

1.9 Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of such asset. Other borrowings costs are charged to statement of profit and loss as incurred.

1.10 Foreign Exchange Translation of Foreign Projects and Accounting of Foreign Exchange Transactions

- a) Current assets and current liabilities are translated at the exchange rate prevailing on the last day of the year.

Note 1.10 (Contd.)

- b) Gains or losses arising out of remittance / translations at the year-end are credited / debited to the statement of profit and loss for the year.
- c) From the accounting periods commencing on or after December 7, 2006, the Company adjusts exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciated over the remaining life of the asset. Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.
- d) Foreign exchange transactions are converted into Indian rupees at the prevailing rate on the date of the transaction.
- e) Exchange differences arising on contracts are recognised in the period in which they arise and the premium paid / received is accounted as expense / income over the period of the contract.

1.11 Financial Derivatives & Hedging transactions

Financial derivatives and hedging contracts are accounted on the date of their settlement and realised gain/loss in respect of settled contracts is recognised in the statement of profit and loss along with the underlying transactions.

1.12 Revenue Recognition

i) Accounting of construction contracts

The Company follows the percentage completion method, based on the stage of completion at the balance sheet date, taking into account the contractual price and revision thereto by estimating total revenue and total cost till completion of the contract and the profit so determined has been accounted for proportionate to the percentage of the actual work done.

Revenue is recognized as follows:

- a) In case of Item rate contracts on the basis of physical measurement of work actually completed at the balance sheet date.
- b) In case of Lumpsum contracts, revenue is recognized on the completion of milestones as specified in the contract or as identified by the management. Foreseeable losses are accounted for as and when they are determined except to the extent they are expected to be recovered through Claims presented or to be presented to the customer or in arbitration.

ii) Accounting of Supply Contracts-Sale of goods

Revenue from supply contract is recognized when the substantial risk and rewards of ownership is transferred to the buyer.

iii) Accounting Policy for Claims

Claims are accounted as income in the year of receipt of arbitration award or acceptance by client or evidence of acceptance received.

1.13 Accounting for Joint Venture Contracts

- (a) Contracts executed in Joint Venture under work sharing arrangement (consortium) are accounted in accordance with the Accounting policy followed by the Company as that of an independent contract to the extent work is executed.
- (b) In respect of contracts executed in Integrated Joint Ventures under profit sharing arrangement (assessed as AOP under Income tax laws), the services rendered to the Joint Ventures are accounted as income on accrual basis. The profit / loss is accounted for, as and when it is determined by the Joint Venture and the net investment in the Joint Venture is reflected as investments, loans & advances or current liabilities.

1.14 Taxation

The tax expense comprises of current tax & deferred tax charged or credited to the statement of profit and loss for the year. Current tax is calculated in accordance with the tax laws applicable to the current financial year. The deferred tax expenses or benefit is recognised using the tax rates and tax laws that have been enacted by the balance sheet date. In the event of unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only to the extent there is a reasonable certainty of realisation in future.

Minimum Alternate Tax(MAT) paid in a year is charged to the Statement of Profit & Loss as current tax. The Company recognises MAT credit available as an asset only to the extent that there is convincing evidence that Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward.

1.15 Leases

Lease rentals in respect of assets acquired under operating lease are charged to Statement of profit and loss.

1.16 Impairment of Assets

At each Balance Sheet date, the management makes an assessment of any indicator that may lead to impairment of assets. An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value, which is higher of net selling price and value in use. Any impairment loss is charged to statement of profit and loss in the year in which it is identified as impaired.

1.17 Employees Stock Option Plan

In respect of the stock options granted pursuant to the Company's Stock Option Scheme, market value of the Company's shares as on the grant date was equal to the par value for the options granted, hence no accounting entries as per ESOP guidelines are required to be made.

Notes Forming Part of Accounts

| | | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|--|--------------------------------|--------------------------------|
| Note 2 SHARE CAPITAL | | | |
| Authorised Capital | | | |
| 1,00,00,000 | Redeemable Cumulative Preference Shares of ₹ 10 each | 10.00 | 10.00 |
| 90,00,00,000 | Equity Shares of ₹ 1 each | 90.00 | 90.00 |
| | TOTAL | 100.00 | 100.00 |
| Issued, Subscribed and Paid-up: | | | |
| Equity Share Capital | | | |
| 60,66,10,420 | Equity Shares of ₹ 1 each | 60.66 | 60.65 |
| | (Previous year 60,65,32,920 Equity Shares of ₹ 1 each) | | |
| | Add :13,225 Forfeited Shares (Previous year 13,225 shares) | 0.01 | 0.01 |
| | TOTAL | 60.67 | 60.66 |

a Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares :

| | | | |
|---|--------------|--------------------|--------------------|
| Number of Shares outstanding at the Beginning of the year: | Qty | 606,532,920 | 303,249,600 |
| | Value | 60.65 | 30.32 |

Add: Further issue during the period

| | | |
|--------------|--------------|--------------------|
| Bonus shares | Qty | 303,256,460 |
| | Value | 30.33 |

| | | | |
|----------------------------|--------------|---------------|-----------------|
| Issued and allotted | Qty | 77,500 | 26860.00 |
| | Value | 0.01 | 0.00* |

| | | | |
|---|--------------|--------------------|--------------------|
| Number of Shares outstanding at the End of the year: | Qty | 606,610,420 | 606,532,920 |
| | Value | 60.66 | 60.65 |

Note:* represents amount less than ₹ 100000.

b Terms/rights attached to shares:

The Company has only one class of equity shares having a par value of ₹ 1 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the no. of equity shares held by the shareholder.

| c Shareholding of more than 5%: | | As at 31.03.2012 | | As at 31.03.2011 | |
|---|---------------|-------------------------|---------------|-------------------------|--|
| Name of the Shareholder | % held | No. of shares | % held | No. of shares | |
| Hincon Holdings Ltd. | 33.09% | 200,703,600 | 33.09% | 200,703,600 | |
| HSBC Global Investment Funds Mauritius Ltd. | 8.27% | 50,174,601 | 8.27% | 50,174,601 | |
| Hincon Finance Ltd. | 6.32% | 38,365,500 | 6.32% | 38,365,500 | |
| Siwa Holding Ltd. | 5.95% | 36,082,151 | 2.37% | 14,365,841 | |

d Shares reserved for issue under options :

There are 64,62,960 (previous year 70,97,500) stock options outstanding convertible into 64,62,960 (previous year 70,97,500) equity shares of ₹ 1 each, the same are convertible at an exercise price of ₹ 52.03 per share.

During the year 77500 Equity shares of ₹ 1 each at an Exercise price of ₹ 21.70 per share Options were converted into 77,500 Equity shares (previous year 26,860 out of which 20,000 at an exercise price of ₹ 52.03 and 6,860 at an exercise price of ₹ 104.05). There were 5,57,040 (previous year 948,500) stock options that got lapsed during the current year.

e. Employees Stock Option Scheme:

i Options granted

- a) The Company offered 44,58,800 Stock Options on April 25, 2008 (each option carrying entitlement for one equity share of the face value of ₹ 1 each) at a price of ₹ 132.50 per equity share. Out of the total Stock Options offered, 8,98,180 have been lapsed on account of resignation / retirement by employees.

In accordance with the approval of the board of directors and shareholders of the Company, the ESOP compensation committee at its meeting held on July 20, 2009 had repriced 41,31,600 options at ₹ 104.05 per equity share.

- b) The ESOP Compensation committee at its meeting held on October 23, 2008 granted 1,93,750 options at an exercise price of ₹ 43.40 per equity share.

The ESOP Compensation Committee of the Company at its Meeting held on August 12, 2010 has decided to double the number of employee stock options (vested and unvested but not exercised and in-force as on the Record Date i.e. August 11, 2010) and halved the exercise price on account of issuance and allotment of Bonus Equity Shares in the proportion of 1:1.

Accordingly, 35,53,760 employee stock options in-force granted by the Company on April 25, 2008 have been doubled i.e. 71,07,520 and the exercise price in respect of the same has been halved i.e. it has been reduced from ₹ 104.05 to ₹ 52.03 and 1,93,750 employee stock options granted by the Company on October 23, 2008 have been doubled i.e. 3,87,500 and the exercise price in respect of the same has been halved i.e. it has been reduced from ₹ 43.40 to ₹ 21.70.

| | | |
|--|---|-----------|
| ii. Settlement | Through Equity Shares. | |
| iii. Options vested | 48,64,730. Options shall not be vested before the expiry of 1 year and not after 4 years from the date of grant of Options. | |
| iv. Outstanding at the beginning of the year | | 7,097,500 |
| v. Granted during the year | | NIL |
| vi. Additional Options granted on account of Bonus issue | | - |
| vii. Forfeited during the year | | NIL |
| viii. Exercised during the year | | 77,500 |
| ix. Expired / cancelled during the year | | 557,040 |
| x. Outstanding at the end of the year | | 6,462,960 |
| xi. Exercisable at the end of the year | | NIL |

f. Bonus Shares/ Buy Back/Shares for consideration other than cash issued during past five years

- (i) Aggregate number and class of shares allotted as fully paid up pursuant to contracts without payment being received in cash Nil
- (ii) Aggregate number and class of shares allotted as fully paid up by way of Bonus Shares
30,32,56,460 Equity Shares were issued as fully paid Bonus Shares by capitalisation of Securities Premium Reserve on August 12, 2010.
- (iii) Aggregate number and class of shares bought back Nil

- g. Pursuant to Bonus Issue of Equity Shares in the proportion to 1:1, outstanding 95,146 Global Depository Shares(outstanding as of Record Date i.e. August 11, 2010) have increased to 1,90,292. Out of the total Global Depository Shares(GDR) issued 1,20,720 GDR's are outstanding as on March 31, 2012.

| | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|---|--------------------------------|--------------------------------|
| Note 3 Reserves and Surplus | | |
| (a) Capital Reserve (Forfeited Equity Share Warrants) | 15.19 | 15.19 |
| (b) Securities Premium Reserve | | |
| Opening Balance | 888.70 | 956.81 |

| Note 3 Reserves and Surplus | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|--------------------------------|--------------------------------|
| | | |
| Add: Additions during the year | 0.16 | 0.17 |
| | <u>888.86</u> | <u>956.98</u> |
| Less: Provision for Premium on FCCB redemption (net of tax) | - | 37.86 |
| Less: Adjustment of Deferred Tax Asset created on QIP issue expenses | - | 0.09 |
| Less: Amount utilised for issue of fully paid bonus shares | - | 30.33 |
| | <u>888.86</u> | <u>888.70</u> |
| (c) Debenture Redemption Reserve: | | |
| Opening Balance | 35.41 | 30.83 |
| Add: Transferred from Statement of Profit and Loss | 16.25 | 8.75 |
| | <u>51.66</u> | <u>39.58</u> |
| Less: Transferred to Statement of Profit and Loss | 16.67 | 4.17 |
| | <u>34.99</u> | <u>35.41</u> |
| (d) Forfeited Debentures Account | 0.02 | 0.02 |
| (e) General Reserve | | |
| Opening Balance | 174.38 | 164.38 |
| Add: Transferred from Statement of Profit and Loss | - | 10.00 |
| | <u>174.38</u> | <u>174.38</u> |
| (f) Surplus as per Statement of Profit and Loss | | |
| Balance brought forward | 347.83 | 319.62 |
| Add: Profit / (Loss) for the year | (222.25) | 71.00 |
| Add: Transferred from Debenture Redemption Reserve | 16.67 | 4.16 |
| | <u>142.25</u> | <u>394.78</u> |
| Less: Transferred to Debenture Redemption Reserve | 16.25 | 8.75 |
| Less: Transferred to General Reserve | - | 10.00 |
| Less: Proposed Dividend | - | 24.26 |
| Less: Tax on Proposed Dividend | - | 3.94 |
| | <u>126.00</u> | <u>347.83</u> |
| TOTAL | <u>1239.44</u> | <u>1461.53</u> |

| Note 4 Long Term Borrowings | Non-current portion | | Current maturities | |
|-----------------------------|---------------------|------------|--------------------|------------|
| | 31.03.2012 | 31.03.2011 | 31.03.2012 | 31.03.2011 |
| | ₹ crore | ₹ crore | ₹ crore | ₹ crore |

I. Secured

(A) Debentures:

| | | | | |
|---------------------------|---------------|---------------|--------------|--------------|
| 1) 11.10% Non-Convertible | 75.00 | 100.00 | 25.00 | - |
| 2) 9% Non Convertible | - | - | - | 16.67 |
| 3) 9.5% Non Convertible | - | - | - | 50.00 |
| 4) 15.50% Non-Convertible | 120.00 | - | - | - |
| | <u>195.00</u> | <u>100.00</u> | <u>25.00</u> | <u>66.67</u> |

(B) Term Loans :

(a) From Banks :

i) Rupee loans

| | | | | |
|----------------------------------|--------|--------|--------|-------|
| 1) Axis Bank Ltd. | 36.00 | 60.00 | 24.00 | - |
| 2) IDBI Bank Ltd. | 101.25 | 270.00 | 161.45 | - |
| 3) Bank of Baroda | 15.63 | 28.13 | 13.64 | 12.50 |
| 4) Development Bank of Singapore | 8.43 | 12.65 | 4.21 | 1.05 |
| 5) Standard Chartered Bank | 4.58 | 10.69 | 7.12 | 3.06 |
| 6) Bank of Maharashtra | - | 18.75 | 31.25 | 25.00 |
| 7) Export Import Bank of India | 126.92 | 180.00 | 53.08 | - |
| 8) Export Import Bank of India | 50.00 | - | - | - |

| Note 4 Long Term Borrowings | Non-current portion | | Current maturities | |
|-----------------------------------|---------------------|---------------|--------------------|---------------|
| | 31.03.2012 | 31.03.2011 | 31.03.2012 | 31.03.2011 |
| | ₹ crore | ₹ crore | ₹ crore | ₹ crore |
| 9) State Bank of Travancore | - | - | 15.00 | 30.00 |
| | <u>342.81</u> | <u>580.22</u> | <u>309.75</u> | <u>71.61</u> |
| ii) Foreign currency loans | | | | |
| 1) Standard Chartered Bank | 27.70 | 46.97 | 29.39 | 6.56 |
| 2) Development Bank of Singapore | 37.57 | 49.34 | 18.78 | 4.18 |
| 3) Export Import Bank of India | 52.17 | 45.75 | - | - |
| 4) Toronto Dominion Bank | 65.14 | 65.84 | 10.02 | 8.86 |
| | <u>182.58</u> | <u>207.90</u> | <u>58.19</u> | <u>19.60</u> |
| (b) From other parties: | | | | |
| SREI Finance Pvt. Ltd. (NBFC) | 74.36 | 64.29 | 41.14 | 10.71 |
| TOTAL | <u>794.75</u> | <u>952.41</u> | <u>434.08</u> | <u>168.59</u> |

Note : For securities please refer individual bankwise notes given below.

II. Unsecured

Term Loans from Banks:

i) Rupee loans

| | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| 1) Canara Bank | 100.00 | 150.00 | 235.00 | 60.00 |
| 2) Syndicate Bank | 200.00 | 200.00 | - | - |
| 3) United Bank of India | 200.00 | 200.00 | - | - |
| 4) State bank of Mysore | - | 100.00 | 100.00 | - |
| 5) Axis Bank | - | 150.00 | 150.00 | - |
| 6) EXIM Bank | 23.50 | 61.25 | 137.00 | 14.25 |
| 7) J & K Bank | - | - | - | 25.00 |
| 8) Catholic Syrian Bank | - | - | - | 60.00 |
| 9) State Bank of Bikaner & Jaipur | - | - | - | 50.00 |
| | <u>523.50</u> | <u>861.25</u> | <u>622.00</u> | <u>209.25</u> |

ii) Foreign currency loan

| | | | | |
|--------------|----------------|----------------|----------------|---------------|
| EXIM Bank | 50.87 | 44.61 | - | - |
| | <u>574.37</u> | <u>905.86</u> | <u>622.00</u> | <u>209.25</u> |
| TOTAL | <u>1369.12</u> | <u>1858.27</u> | <u>1056.08</u> | <u>377.84</u> |

4.1 Additional Information to Secured/Unsecured Long Term Borrowings:

The long term portion of debentures and term loans are shown under long term borrowings and the current maturities of the long term borrowings are shown under the current liabilities as per the disclosure requirements of the Revised Schedule VI.

4.2 Detail of Securities and Terms of repayment

I. Secured

(A) Privately Placed Non Convertible Debentures

i) 11.10% Non-Convertible Debentures - Note 4.I.(A)(1)

Secured by first charge by way of hypothecation of Company's specific plant and machineries as specified in first and second schedule of the trust deed executed on August 27, 2008 and Schedule II of Memorandum of Hypothecation dated March 28, 2011 in favour of IDBI Trusteeship Services Ltd. (ITSL), the trustees to the debenture holders. These debentures having a face value of ₹ 10,00,000 each aggregating ₹ 100 crore are to be redeemed in four equal installments at the end of 4th, 5th, 6th and 7th year from the date of allotment ie. August 5, 2008.

Note 4.2.I(A) (Contd.)**ii) 9% Non-Convertible Debentures - Note 4.1.(A)(2)**

Secured by first charge on Company's plant and machineries and heavy vehicles as specified in second schedule of the trust deed executed on January 17, 2007 in favour of AXIS Bank Ltd., the trustees to the debenture holders. These debentures having a face value of ₹ 10,00,000 each aggregating ₹ 50 crore are to be redeemed in three annual equal installments commencing from the end of 3rd, 4th and 5th year from the date of first disbursement i.e. September 7, 2006. The first and second installment of ₹ 16.67 crore each have been paid on the respective due dates i.e. September 7, 2009 and September 7, 2010. (Interest rate reset @ 10.92% w.e.f September 4, 2008). NCD has been repaid on paying final Installment of ₹ 16.66 crore on September 7, 2011.

iii) 9.5% Non-Convertible Debentures - Note 4.1.(A)(3)

Secured by first charge on Company's plant and machineries and heavy vehicles as specified in second schedule of the trust deed executed on January 17, 2007 in favour of AXIS Bank Ltd., the trustees to the debenture holders. These debentures having a face value of ₹ 10,00,000 each aggregating ₹ 50 crore are to be redeemed by bullet payment at the end of 5th year from the date of allotment i.e. November 20, 2006. NCD has been repaid by bullet payment on November 18, 2011.

The above debenture is also secured by way of mortgage of a flat situated at Lok Gaurav Complex, Vikhroli.

iv) 15.50% Non-Convertible Debentures - Note 4.1.(A)(4)

Secured by exclusive first charge on specific marketable immovable assets of Lavasa Corporation Ltd., which is free from any encumbrances and charges, any restriction from Govt bodies /Department/ MOEF on creating mortgage, as specified in the subscription agreement executed on December 28, 2011 in favour of Axis Trustee Services Limited, the trustees to the debenture holders. These debentures having a face value of ₹ 10,00,000 each aggregating ₹ 120 crore are to be redeemed at the end of three years from the date of allotment, i.e. December 28, 2011.

(B) Term Loans**(a) Banks:****1. Axis Bank - Note 4.1.(B)(a)(i)(1)**

Secured by first charge by way of hypothecation of specific plant and machineries and heavy vehicles as specified in the schedule annexed to the loan agreement executed on September 29, 2008. The loan is repayable in 5 equal half yearly instalments of ₹ 12 crore each. Floating interest @ 11.50% p.a. (base rate 10% + 150 bps as on March 31, 2012) is applicable on the said loan. The period of Maturity w.r.t. balance sheet date is 2.5 years.

2. IDBI Bank- Note 4.1.(B)(a)(i)(2)

Secured by way of a) Second charge on all the movable assets of the Company as on March 31, 2008 and b) First charge on one Flat located at "Greater Kailash – II" New Delhi – 110048. The loan is repayable in 8 equal quarterly instalment of ₹ 33.75 crore each. Floating interest @ 14% p.a. (Base rate 10.75% + 325 bps as on March 31, 2012) is applicable on the said loan. The period of maturity w.r.t. balance sheet date is one year and 10 months.

3. Bank of Baroda - Note 4.1.(B)(a)(i)(3)

Secured by first charge by way of hypothecation of specific plant and machineries movable properties as described in the second schedule of the Composite Hypothecation agreement of loan executed on May 18, 2009. The loan is repayable in 10 quarterly instalments of ₹ 3.125 crore each. Floating interest @ 13% p.a. (BPLR i.e. 15% - 200 bps as on March 31, 2012) is applicable on the said loan. The period of Maturity w.r.t. balance sheet date is 2 years and 2 months.

4. Development Bank of Singapore - Note 4.1.(B)(a)(i)(4) & 4.1.(B)(a)(ii)(2)

Secured by first charge by way of hypothecation of plant and machineries and heavy vehicles acquired under the facility as described in schedule I(2) to the deed of hypothecation executed on April 29, 2010. There are 5 different loans and the balance is payable in 12 equal quarterly instalments. The details of individual loans are as under :

| Amount of Loan | Interest rate (%) | Installment Amount payable | Period of maturity from Balance Sheet Date |
|----------------|-------------------|----------------------------|--|
| 6.32 | 8.32 | 0.53 | 2 years and 10 months |
| 6.32 | 8.70 | 0.53 | |
| 11.74 | 5.40 | 0.98 | |
| 25.83 | 3.80 | 2.15 | |
| 18.78 | 3.80 | 1.57 | |

5. Standard Chartered Bank - Note 4.1.(B)(a)(i)(5) & 4.1.(B)(a)(ii)(1)

Secured by first charge by way of hypothecation of plant and machineries acquired under the facility as described in the first schedule to the memorandum of hypothecation executed on November 10, 2009. There are 7 different loans repayable in 9 equal quarterly instalments. The details of individual loans are as under :

| Amount of Loan | Interest rate (%) | Installment Amount payable | Number of outstanding equal quarterly Installments | Period of maturity from balance sheet date |
|----------------|-------------------|----------------------------|--|--|
| 3.59 | 8.15 | Fixed | 7 | 1 year 8 months |
| 8.12 | 8.00 | Fixed | 8 | 1 year 9 months |
| 3.96 | 5.07 | Fixed | 7 | 1 year 8 months |
| 18.09 | 3.30 | (Libor+ 300 bps) | 8 | 1 year 9 months |
| 4.52 | 3.30 | Libor+ 300 bps) | 8 | 1 year 10 months |
| 10.17 | 3.30 | Libor+ 300 bps) | 9 | 2 year 1 month |
| 20.35 | 3.05 | Libor+ 275 bps) | 9 | 2 year 3 months |

6. Bank of Maharashtra Note 4.1.(B)(a)(i)(6)

Secured by first charge by way of hypothecation of specific plant and machineries in favour of the Bank as described in the fourth schedule of the deed of hypothecation executed on December 26, 2007. The outstanding loan is repayable in 5 quarterly installment of ₹ 6.25 crore. Floating interest @ 12.10% p.a. (base rate 10.60% + 1.5% on March 31, 2012) is applicable on the said loan. The period of maturity w.r.t. the balance sheet date is 9 months.

7. Export Import Bank of India - Note 4.1.(B)(a)(i)(7)

- ₹ 75 crore - Secured by first pari passu charge by way of hypothecation of plant and machineries acquired under the facility as described in the third schedule to the deed of hypothecation executed on June 23, 2010. The loan is repayable in 13 equal quarterly instalments of ₹ 5.77 crore. Floating interest @ 11.75% p.a. is applicable on the said loan. The period of maturity w.r.t the balance sheet date is 3.25 years.
- ₹ 105 crore - Secured by (a) first charge on plant and machineries of the Company as specified in schedule III of the deed of hypothecation of movable fixed assets executed by the Company on July 23, 2010

Note 4.2.I(B)(7)(Contd.)

and (b) An appropriate charge over the Tunnel Boring Machine including accessories of a subcontractor as specified in schedule I of the deed of hypothecation executed by a subcontractor on July 23, 2010 in favour of EXIM Bank. There are two loan of ₹ 84 and ₹ 21 crore @ 9% and 9.25% respectively. The loan are repayable in 7 equal half yearly instalments of ₹ 15 crore (₹ 12 crore + ₹ 3 crore). The period of maturity w.r.t. the balance sheet date is 3 years 5 months.

8. Export Import Bank of India - Note 4.I.(B)(a)(i)(8)

₹ 50 crore-The loan is at fixed interest @ 11% p.a. and is repayable in 2 equal quarterly instalments of ₹ 25 crore each. The security on the said loan is yet to be created. The period of maturity w.r.t. the balance sheet date is 2 years .

9. State Bank of Travancore Term Loan Note 4.I.(B)(a)(i)(9)

Secured by a first charge by way of hypothecation of a pool of specific plant, machinery, tools and accessories acquired / to be acquired by the Company as specified in schedule II of the deed of hypothecation executed in favour of the Bank on February 15, 2007 and deed of hypothecation executed on March 23, 2009. The loan as at March 31, 2012 is repayable in 2 equal quarterly instalments of ₹ 7.5 crore each. Floating Interest @ 12.75% p.a. (base rate 10% + 275 bps on March 31, 2012) is applicable on the said loan.

10. Export Import Bank of India Note 4.I.(B)(a)(ii)(3)

Secured by (a) first, pari pasu charge on plant and machineries of the Company, as specified in schedule V of the Deed of hypothecation executed on September 27, 2010; (b) An undertaking for pledge of 50,05,000 of equity shares held by the Company in the share capital of HCC Mauritius Enterprises Ltd. in favour of EXIM Bank; (c) An undertaking by HCC Mauritius Enterprises Ltd. for non- disposal of its shareholding in Steiner AG, Switzerland. The foreign currency loan (ECB) is repayable 10 equal quarterly instalments of ₹ 5.21 crore. Floating interest @ 4.50% p.a. (L+400 bps) is applicable on the said loan. The period of maturity w.r.t. the balance sheet date is 3.5 years.

11. Toronto Dominion LLC -Note 4.I.(B)(a)(ii)(4)

Secured by way of first priority mortgage and security interest to and in favor of Wilmington Trust Company (the "Security Trustee") on one (1) Hawker model 4000 airframe bearing manufacture's serial number RC-26 together with two installed model PW308 engines more particularly described under Clause No. 2.1 as per the Aircraft Charge Agreement executed on January 6, 2011. The Foreign currency loan is repayable in balance 30 equal quarterly installment of ₹ 2.51 crore each. Floating interest @ 1.47% (3 month Libor i.e. 0.2665%+1.20%) is applicable on the said loan. The period of maturity w.r.t. the balance sheet date is 7.5 years .

(b) Others:

1. SREI Equipment Finance Private Limited- Note 4.I.(B)(b)

Secured by first charge by way of hypothecation of specific movable assets as described in the annexure to schedule VIII of the loan agreement executed on February 3, 2010 (for disbursement of ₹ 25 crore), on March 2, 2010 (for disbursement of ₹ 50 crore) and on May 16, 2011 (for disbursement of ₹ 45 crore).

| ₹ crore | | | | | |
|----------------|-------------------|----------------------------|--------------------------------|--|--|
| Amount of Loan | Interest rate (%) | Installment Amount payable | No. of outstanding Installment | Period of maturity from balance sheet date | |
| 25.00 | 9.07 | 3.57 | 7 half yearly | 2 years 11 months | |
| 50.00 | 9.15 | 7.14 | 7 half yearly | 3 years | |
| 40.50 | 11.25 | 4.50 | 9 half yearly | 4 years and 2 months | |

II. Unsecured Loans

1. Canara Bank -Note 4.II.(i)(1)

The loan of ₹ 60 crore is @ 12.75% interest p.a. and was repayable by bullet payment on December 21, 2011.

The loan of ₹ 75 crore is @ 12.75% interest p.a. and is repayable in 3 equal quarterly instalments of ₹ 25 crore each. The period of maturity w.r.t. the balance sheet date is 1.5 years .

The loan of ₹ 50 crore is @ 12.75% interest p.a. and is repayable by bullet payment on September 8, 2013. The period of maturity w.r.t. the balance sheet date is 1.5 years .

The loan of ₹ 150 crore is @ 12.75% interest p.a. and is repayable by bullet payment on December 20, 2012. The period of maturity w.r.t. the balance sheet date is 9 months .

2. Syndicate Bank -Note 4.II.(i)(2)

The loan of ₹ 200 crore is at @10% interest p.a. is due for repayment on May 29, 2013 by bullet repayment. The period of maturity w.r.t. the balance sheet date is 1 year 2 months.

3. United Bank of India -Note 4.II.(i)(3)

The loan of ₹ 200 crore is at @ 9.20% interest p.a. is due for repayment on September 28, 2013 by bullet repayment. The period of maturity w.r.t. the balance sheet date is 1.5 years .

4. State Bank of Mysore -Note 4.II.(i)(4)

The loan of ₹ 100 crore @ 9.25% is due for repayment on August 22, 2012 by bullet repayment. The period of maturity w.r.t. the balance sheet date is 5 months.

5. Axis Bank -Note 4.II.(i)(5)

The loan ₹ 150 crore @ 12% is due for repayment on November 22, 2012 by bullet repayment. The period of maturity w.r.t. the balance sheet date is 8 months.

6. EXIM Bank -Note 4.II.(i)(6)

The loan of ₹ 47 crore is @ 12% interest p.a. and is repayable in 4 equal quarterly instalments of ₹ 11.75 each. The period of maturity w.r.t. the balance sheet date is 1.5 years.

The loan of ₹ 28.50 crore is @ 12% interest p.a. and is repayable in 2 half yearly instalments of ₹ 14.25 crore. The period of maturity w.r.t. the balance sheet date is 6 months.

The loan of ₹ 85 crore is @ 11.75% interest p.a. and is repayable in 2 equal instalments of ₹ 42.50 crore each. The period of maturity w.r.t. the balance sheet date is 11 months.

7. EXIM Bank -Note 4.II.(ii)

The loan of ₹ 50.87 crore is @ 4.5625% floating interest p.a. (Libor+400 bps) and is repayable by bullet repayment in March 2014. The period of maturity w.r.t. the balance sheet date is 2 years.

4.3 The Company has defaulted in the repayment of dues (Principal and interest) during the period December 2011 to March 2012. The details of continuing defaults of principal and interest in each case are as follows:

₹ crore

| Name of the Bank | Principal | | Interest | | | |
|--------------------------|-----------|-----------|------------|------------|--------|-------|
| | Amount | Due from | Jan-Mar'12 | Feb-Mar'12 | Mar'12 | Total |
| Axis Bank Ltd. | 20.00 | 1-Feb-12 | 2.11 | 2.3 | 2.43 | 6.84 |
| EXIM Bank | 14.25 | 20-Mar-12 | 3.17 | 3 | 3.39 | 9.56 |
| Canara Bank | 60.00 | 22-Dec-11 | 4.21 | 3.95 | 4.27 | 12.43 |
| State Bank of Travancore | 7.50 | 26-Dec-11 | 0.17 | 0.15 | 0.17 | 0.49 |
| State Bank of Travancore | 7.50 | 26-Mar-12 | - | - | - | - |

₹ crore

| Name of the Bank | Principal | | Interest | | | |
|-------------------------------|-----------|-----------|------------|------------|--------|-------|
| | Amount | Due from | Jan-Mar'12 | Feb-Mar'12 | Mar'12 | Total |
| Bank of Maharashtra | 6.25 | 26-Dec-11 | 0.33 | 0.3 | 0.33 | 0.96 |
| Bank of Maharashtra | 6.25 | 26-Mar-12 | - | - | - | - |
| Punjab National Bank | 50.00 | 29-Dec-11 | 1.00 | 0.92 | 1.00 | 2.92 |
| United Bank of India | 100.00 | 30-Mar-12 | 2.62 | 2.47 | 2.68 | 7.77 |
| Union Bank of India | 50.00 | 28-Mar-12 | - | - | 0.48 | 0.48 |
| Central Bank of India | 25.00 | 30-Mar-12 | 0.55 | 0.52 | 0.57 | 1.64 |
| Yes Ltd. | 11.56 | 9-Mar-12 | - | - | - | - |
| IFCI Limited | 50.00 | 4-Jan-12 | 1.90 | - | - | 1.90 |
| IFCI Limited | 50.00 | 4-Feb-12 | - | 1.81 | - | 1.81 |
| IFCI Limited | 50.00 | 4-Mar-12 | - | - | 1.96 | 1.96 |
| Standard Chartered Bank | 2.26 | 28-Mar-12 | - | - | - | - |
| Standard Chartered Bank | 1.01 | 12-Mar-12 | - | - | - | - |
| IDBI Bank Limited | 26.45 | 14-Jan-12 | 0.03 | 0.29 | 3.35 | 3.67 |
| Development Bank of Singapore | 6.20 | 9-Mar-12 | - | - | 0.11 | 0.11 |
| Oriental Bank of Commerce | 25.00 | 28-Mar-12 | - | - | - | - |
| Bank of Baroda | 1.12 | 19-Feb-12 | - | - | 0.35 | 0.35 |
| SREI Finance | 10.71 | 8-Feb-12 | 0.97 | 0.92 | 1.00 | 2.89 |
| State Bank of India | - | - | - | - | 0.59 | 0.59 |
| Indian Overseas Bank | - | - | 1.08 | 1.03 | 1.11 | 3.22 |
| State Bank of Hyderabad | - | - | 0.57 | 0.54 | 0.59 | 1.70 |
| State bank of Mysore | - | - | 0.79 | 0.74 | 0.80 | 2.33 |
| Syndicate Bank | - | - | 1.7 | 1.61 | 1.73 | 5.04 |
| | 581.06 | | 21.20 | 20.55 | 26.91 | 68.66 |

4.4 The Board of Directors in its meeting held on March 9, 2012 had decided to approach the banks through the Corporate Debt Restructuring (CDR) process for restructuring of the Company's debt. The CDR Empowered Group (CDR EG) in its meeting held on March 29, 2012 admitted the Company's proposal under the CDR. The final debt restructuring proposal is under consideration.

4.5 Disclosure in relation to Derivative instruments for hedging Foreign Currency risk for secured loans:

| | Number of contracts | ₹ crore |
|-----------------------|---------------------|---------|
| i) Options | 7.00 | 24.36 |
| | (6.00) | (27.45) |
| ii) Forward Contracts | - | - |
| | (0.00) | NIL |

(Note: Figures in bracket pertain to previous year).

Foreign Currency exposure not hedged as on March 31, 2012 is ₹ 291.67 crore (previous year ₹ 319.89 crore).

Note 5 Deferred Tax Liabilities (Net)

Deferred Tax liability for the period ended March 31, 2012 has been provided on the estimated tax computation for the year.

Major components of deferred tax assets and liabilities arising on account of timing differences are:

| | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|---|-----------------------------|-----------------------------|
| Deferred Tax Liability | | |
| Depreciation | 17.51 | 69.72 |
| Claims/Arbitration Awards | 175.36 | 103.29 |
| Deferred Tax Asset | | |
| Others | (122.63) | (6.54) |
| TOTAL | <u>70.24</u> | <u>166.47</u> |
| Note 6 Long Term Trade Payables | | |
| a) Trade payables | 21.12 | 17.05 |
| TOTAL | <u>21.12</u> | <u>17.05</u> |
| Note 7 Other Long Term Liabilities | | |
| a) Tax Payable | 0.12 | 0.06 |
| b) Due to Employees | 0.05 | 0.14 |
| c) Advances from Contractees | 3.13 | 3.13 |
| d) Other Payables | 24.65 | 18.58 |
| TOTAL | <u>27.95</u> | <u>21.91</u> |
| Note 8 Long Term Provisions | | |
| a) Provision for employee benefits | 37.19 | 36.68 |
| TOTAL | <u>37.19</u> | <u>36.68</u> |
| Note 9 Short Term Borrowings | | |
| I. Secured | | |
| (A) Loans repayable on demand | | |
| (a) From Banks Rupee Loan: | | |
| 1) On Cash Credit Account | 1,017.86 | 414.26 |
| 2) Punjab National Bank | 50.00 | |
| 3) IDBI Bank Limited | 25.00 | |
| 4) Union Bank of India | 50.00 | |
| 5) Standard Chartered Bank | 50.00 | |
| 6) Buyer's Credit | 125.01 | |
| | 300.01 | 76.73 |
| II. Unsecured | | |
| (A) Loans repayable on demand | | |
| a) From Banks | | |
| (1) Commercial Paper | 135.00 | 200.00 |
| (2) Rupee Loans | 370.00 | 425.00 |
| (3) Buyer's Credit | 38.78 | 36.94 |
| b) From Others : | | |
| NBFC | 150.00 | 150.00 |
| (B) Loans and advances from related parties | 20.02 | 46.01 |
| TOTAL | <u>2031.67</u> | <u>348.94</u> |

1. Cash Credit Limits - Note 9(I)(A)(a)(1)

Secured by way of:

- First charge on all current assets of the Company and Third/Residual charge on all moveable properties (including moveable plant and machinery, machinery spares, tools and accessories (excluding current assets) of the Company in favour of 3i-Infotech Trusteeship Services Ltd. ("Security Trustee") ranking on pari passu basis amongst participating banks upto the limit of ₹ 5300 crore (Rupees Five Thousand Three Hundred Crore Only).

Note 9.1(Contd.)

- b. Corporate Guarantee of HCC Real Estate Ltd. to the extent of fund based limits of ₹ 1000 crore (Rupees One Thousand Crore Only).
- c. The existing mortgage and charge on the immovable properties i.e. Land & Building at village Tara, District Raigad of the Borrower for collaterally securing the working capital facilities shall continue to remain as security for working capital facilities too upto the limit of ₹ 4300 crore (Rupees Four Thousand Three Hundred Crore Only).
- The cash credit is repayable on demand and carries interest within the range of 13.50% to 14.50% p.a.
2. **Punjab National Bank- Note 9(I)(A)(a)(2)**
Short term loan is secured by way of subservient charge on the current assets of the Company as on present and future.
3. **IDBI Bank - Note 9(I)(A)(a)(3)**
First Charge on Current Assets & third charge on Moveable Assets .
4. **Union Bank of India - Note 9(I)(A)(a)(4)**
The charge on the bank from Union Bank is yet to be created.
5. **Standard Chartered Bank - Note 9(I)(A)(a)(5)**
First charge on current assets and third charge on fixed assets and corporate gurantee from HREL for 1000 crore.

| | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|--------------------------------|--------------------------------|
|--|--------------------------------|--------------------------------|

Note 10 Trade Payables

| | | |
|--------------|------------------------|------------------------|
| a) Payables | <u>1,042.01</u> | <u>1,132.77</u> |
| TOTAL | <u>1,042.01</u> | <u>1,132.77</u> |

- 10.1 The Company has amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act 2006, as at March 31, 2012.

The disclosure pursuant to the said Act is as under:

| | | |
|--|------|------|
| Principal amount due to suppliers under MSMED Act | 0.60 | 1.41 |
| Interest accrued and due to suppliers under MSMED Act on the above amount | 0.12 | 0.06 |
| Payment made to suppliers (other than interest) beyond appointed day during the year | 2.25 | 3.22 |
| Interest paid to suppliers under MSMED Act | - | - |
| Interest due and payable to suppliers under MSMED Act towards payments already made | 0.13 | 0.04 |
| Interest accrued and remaining unpaid at the end of the accounting year | 0.26 | 0.10 |

Note : This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act 2006 and has been determined to the extent such parties have been identified on the basis of information available with the Company.

Note 11 Other Current Liabilities

| | ₹ crore | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|----------|--------------------------------|--------------------------------|
| 1) Current maturities of long term borrowings (refer note 4) | 1,056.08 | | 377.84 |
| 2) Advance from Contractees | 1,281.67 | | 1,535.52 |
| 3) Others | | | |
| a) Interest Accrued but not due on Loans | 14.71 | | 9.57 |
| b) Interest Accrued and due on Loans | 68.66 | | - |
| c) Unpaid Dividends | 1.12 | | 0.99 |
| d) Other Payables | | | |
| i) Other Creditors Payable | 292.99 | | 193.12 |
| ii) Advance Against Stores & Materials | 115.82 | | 50.54 |
| iii) Tax Payable | 20.23 | | 48.01 |
| iv) Due to Employees | 29.06 | | 30.67 |
| v) Statutory Dues Payable | 0.88 | | 0.85 |
| vi) Due to Subsidiary Companies | 0.79 | | 0.25 |
| vii) Integrated Joint Ventures (net) | | | |
| 1) HCC Pati Joint Venture | 2.71 | | 2.71 |
| 2) Alpine Samsung HCC Joint Venture | (4.80) | 542.17 | 16.42 |
| TOTAL | | <u>2879.92</u> | <u>2266.49</u> |

- 11.1 Advances from contractees of ₹ 1284.80 crore (previous year ₹ 1538.65 crore) have been guaranteed by Company's bankers to the extent of ₹ 824.90 crore (previous year ₹ 1069.49 crore).

Note 12 ShortTerm provisions

| | | |
|-------------------------------------|--------------------|---------------------|
| (a) Provision for employee benefits | 8.46 | 5.72 |
| (b) Others | | |
| (i) Proposed Dividend | - | 24.26 |
| (ii) Tax on Proposed Dividend | - | 3.94 |
| | <u>8.46</u> | <u>33.92</u> |

Fixed Assets Schedule
Note 13

₹ crore

| Particulars | GROSS BLOCK | | | | | | DEPRECIATION / AMORTISATION | | | | NET BLOCK | |
|---|------------------|---------------|---------------------|----------------|--------------|------------------|-----------------------------|---------------|--------------|-----------------|------------------|------------------|
| | As at 01-04-2011 | Additions | Exchange Difference | Borrowing Cost | Deductions | As at 31-03-2012 | Upto 01-04-2011 | For the Year | Deductions | Upto 31-03-2012 | As at 31-03-2012 | As at 31-03-2011 |
| Tangible Assets (At Cost): | | | | | | | | | | | | |
| Freehold Land (Book Value) | 9.09 | - | - | - | - | 9.09 | - | - | - | - | 9.09 | 9.09 |
| Leasehold premises | 17.41 | 0.85 | - | - | - | 18.26 | 1.33 | 1.99 | - | 3.32 | 14.94 | 16.08 |
| Buildings & Sheds | 53.63 | 0.42 | - | - | 18.39 | 35.66 | 22.44 | 2.77 | 5.78 | 19.43 | 16.23 | 31.19 |
| Plant & Machinery | 1,461.83 | 83.13 | 19.85 | 0.36 | 44.39 | 1,520.78 | 632.33 | 122.56 | 33.13 | 721.76 | 799.02 | 829.50 |
| Furniture and Fixtures | 24.19 | 0.19 | - | - | - | 24.38 | 7.54 | 3.07 | - | 10.61 | 13.77 | 16.65 |
| Office Equipments | 12.56 | 0.03 | - | - | 0.05 | 12.54 | 8.00 | 0.64 | 0.04 | 8.60 | 3.94 | 4.56 |
| Heavy Vehicles | 168.33 | 12.26 | 0.01 | - | 0.47 | 180.13 | 68.33 | 19.42 | 0.40 | 87.35 | 92.78 | 100.00 |
| Light Vehicles | 37.47 | 3.37 | - | - | 1.13 | 39.71 | 13.97 | 3.44 | 0.62 | 16.79 | 22.92 | 23.50 |
| Helicopter / Aircraft | 156.25 | 0.24 | 10.15 | - | - | 166.64 | 16.01 | 9.32 | - | 25.33 | 141.31 | 140.24 |
| Speed Boat | 0.51 | 1.45 | - | - | - | 1.96 | 0.19 | 0.14 | - | 0.33 | 1.63 | 0.32 |
| Computers | 23.96 | 0.70 | - | - | 0.02 | 24.64 | 19.99 | 2.01 | 0.01 | 21.99 | 2.65 | 3.97 |
| Total Tangible Assets: | 1,965.23 | 102.64 | 30.01 | 0.36 | 64.45 | 2,033.79 | 790.13 | 165.36 | 39.98 | 915.51 | 1,118.28 | 1,175.10 |
| Previous Year | 1,798.14 | 195.21 | 2.04 | 0.69 | 30.84 | 1,965.23 | 654.97 | 154.67 | 19.60 | 790.13 | 1,175.10 | 1,143.16 |
| Intangible Assets (At Cost): | | | | | | | | | | | | |
| Software* | 22.26 | 0.17 | - | - | - | 22.43 | 13.08 | 3.16 | - | 16.24 | 6.19 | 9.18 |
| Total Intangible Assets | 22.26 | 0.17 | - | - | - | 22.43 | 13.08 | 3.16 | - | 16.24 | 6.19 | 9.18 |
| Previous Year | 16.04 | 6.22 | - | - | 0.00 | 22.26 | 9.52 | 3.56 | - | 13.08 | 9.18 | 6.52 |
| Total Fixed Assets | 1,987.49 | 102.81 | 30.01 | 0.36 | 64.45 | 2,056.22 | 803.21 | 168.52 | 39.98 | 931.75 | 1,124.47 | 1,184.28 |
| Less Transferred to project WIP | | | | | | | | 6.42 | | | | |
| Depreciation as per statement of profit and loss | | | | | | | | 162.10 | | | | |
| Previous Year | 1,814.18 | 204.16 | | | 30.84 | 1,987.49 | 664.49 | 158.32 | 19.60 | 803.21 | | 1,184.28 |
| Less Transferred to project WIP in previous year | | | | | | | | 5.63 | | | | |
| Depreciation as per statement of profit and loss in previous year | | | | | | | | 152.69 | | | | |
| Capital Work In Progress - Items Awaiting Completion or Commissioning | | | | | | | | | | | 24.04 | 25.69 |
| Intangible Asset Under Development | | | | | | | | | | | 1.72 | - |
| | | | | | | | | | Total | | 1,150.23 | 1,209.97 |

Note :- 1) * represents amount less than ₹ 100000.

2) Additions /Deductions in Gross Block includes availment of Cenvat Credit.

3) Commitment for capital expenditure is ₹ 10.35 crore (previous year ₹ 65.16 crore).

*4) Intangible assets (ERP) includes compatible software ₹ 6.19 crore (previous year ₹ 9.18 crore).

| Note 14 Non Current Investments (at cost unless otherwise specified) | 31.03.2012 | | 31.03.2011 | | Note 14 Non Current Investments (at cost unless otherwise specified) | 31.03.2012 | | 31.03.2011 | |
|---|------------------|----------------|------------------|----------------|---|------------------|----------------|------------------|----------------|
| | Unquoted ₹ crore | Quoted ₹ crore | Unquoted ₹ crore | Quoted ₹ crore | | Unquoted ₹ crore | Quoted ₹ crore | Unquoted ₹ crore | Quoted ₹ crore |
| I. Trade Investment | - | | - | | (x) Highbar Technologies Ltd. | 4.95 | | 2.05 | |
| (A) Investments in Equity Instruments | | | | | 49,50,000(Previous year 20,50,000) Equity Shares of ₹ 10 each fully paid | | | | |
| (a) In Subsidiary Companies in India | | | | | (xi) Raiganj Dalkhola Highways Ltd. | 1.56 | | 0.50 | |
| (i) Hincon Technoconsult Ltd. | 1.00 | | 1.00 | | 15,60,000(Previous year 5,10,000) Equity Shares of ₹ 10 each fully paid | | | | |
| (ii) Western Securities Ltd. | 5.38 | | 5.38 | | (xii) Baharampore Farakka Highways Ltd. | 6.08 | | 0.51 | |
| (iii) Pune Paud Toll Road Company Ltd. | - | | 5.44 | | 60,84,000 (Previous year 5,10,000) Equity Shares of ₹ 10 each fully paid | | | | |
| (iv) HCC Real Estate Ltd. | 474.36 | | 474.36 | | (xiii) Farakka Raiganj Highways Ltd. | 6.76 | | 0.51 | |
| (v) HCC Concessions Ltd. | - | | 0.05 | | 67,60,000 (Previous year 5,10,000) Equity Shares of ₹ 10 each fully paid | | | | |
| (Previously known as HCC Infrastructure Ltd.) | | | | | (xiv) Lavasa Corporation Ltd. | 0.01 | | 0.01 | |
| NIL (Previous year 50,000) Equity Shares of ₹ 10 each fully paid | | | | | 2,387(Previous year 1,378) Equity Shares of ₹ 10 each fully paid | | | | |
| (vi) HCC Infrastructure Company Ltd. | 0.25 | | 0.25 | | (b) In Subsidiary Companies outside India | | | | |
| 2,50,000 Equity Shares of ₹ 10 each fully paid | | | | | (i) HCC Mauritius Enterprises Ltd. | 22.23 | | 22.23 | |
| (vii) Panchkutir Developers Ltd. | 50.02 | | 0.10 | | 50,05,000 Shares of USD 1 each fully paid | | | | |
| 14,00,000(Previous year 1,00,000) Equity Shares of ₹ 10 each fully paid | | | | | (ii) HCC Singapore Enterprises PTE Ltd. | 0.02 | | 0.02 | |
| (viii) HCC Aviation Ltd. (Refer note No. 28(ii)) | - | | 0.05 | | 5,000 Shares of USD 1 each fully paid | | | | |
| Nil (Previous year 50,000) Equity Shares of ₹ 10 each fully paid | | | | | (B) Investments in preference shares | | | | |
| (ix) HCC Construction Ltd. | 0.05 | | 0.05 | | (a) In Subsidiary Companies | | | | |
| 50,000 Equity Shares of ₹10 each fully paid | | | | | (i) Lavasa Corporation Ltd. | 0.00* | 0.00* | 0.00* | 0.00* |
| | | | | | 28 (Previous year 56) 6% Cum Redeemable Preference Shares of ₹ 10 each fully paid | | | | |
| | | | | | II. Other Investments: | | | | |
| | | | | | (i) Walchand Co-op. Housing Society Ltd. | 0.00* | 0.00* | 0.00* | 0.00* |
| | | | | | 5 Equity Shares of ₹ 50 each fully paid | | | | |

| | 31.03.2012 | | 31.03.2011 | |
|---|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Note 14 Non Current Investments (at cost unless otherwise specified) | Unquoted ₹ crore | Quoted ₹ crore | Unquoted ₹ crore | Quoted ₹ crore |
| (ii) Shushrusha Citizens Co-Op. Hospitals Ltd. 100 Equity Shares of ₹ 100 each fully paid | 0.00* | 0.00* | 0.00* | 0.00* |
| (iii) Housing Development Finance Corporation Ltd. 15,220 Equity Shares of ₹ 2 each fully paid (Previous year 15,220 Equity Shares of ₹ 10 each fully paid) | | 0.01* | | 0.00* |
| (iv) HDFC Bank Ltd. 2,500 Equity Shares of ₹ 2 each fully paid (stock split from ₹10 to ₹ 2 fully paid) | | 0.00* | | 0.00* |
| (v) Khandwala Securities Ltd. 3,332 Equity Shares of ₹ 10 each fully paid | | 0.00* | | 0.00* |
| (vi) Hincan Finance Ltd. 1,20,000 Equity Shares of ₹ 10 each fully paid | 0.12 | | 0.12 | |
| (vii) Jyoti Ltd Nil (Previous year 12,00,000) Equity Shares of ₹ 10 each fully paid | | - | | 12.00 |
| (viii) Vikhroli Corporate Park Pvt. Ltd. 2,00,000 (Previous year 200,000) Equity Shares of ₹ 10 each fully paid | 0.20 | | 0.20 | |
| (ix) Dhule Palesner Tollway Ltd. 1,17,39,000 (Previous year 64,61,000) Equity Shares of ₹ 10 each fully paid | 11.74 | | 6.46 | |
| | <u>584.73</u> | <u>0.01</u> | <u>519.30</u> | <u>12.00</u> |
| | | <u>584.74</u> | | <u>531.31</u> |

Details:

| 1. Aggregate of Investments: | Cost ₹ crore | Market Value ₹ crore | Cost ₹ crore | Market Value ₹ crore |
|-------------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| (i) Quoted Investments | 0.01 | 1.16 | 12.00 | 12.21 |
| (ii) Unquoted Investments | 584.73 | - | 519.30 | - |
| TOTAL | <u>584.74</u> | <u>1.16</u> | <u>531.31</u> | <u>12.21</u> |

Note :- * represents amount less than ₹ 100000.

| | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|---|---|
| Note 15 Long Term Loans and Advances | | |
| Unsecured, Considered Good | | |
| a) Capital Advances | 4.01 | 70.43 |
| b) Security and Other Deposits | 20.07 | 10.44 |
| c) Loans & Advances to Related Parties (Refer note 21.1) | 1004.15 | 661.51 |
| d) Loans and advances to Employees | 0.33 | 0.35 |
| e) Other Loans and Advances | | |
| Prepaid Expenses | 3.48 | 4.06 |
| Total | <u>1,032.04</u> | <u>746.79</u> |

15.1 Loans and advance to related parties represent inter corporate deposit placed with subsidiaries.

15.2 Inter Corporate Deposit of ₹ 603.32 crore given to HCC Infrastructure Ltd., whose net worth is negative as of March 31, 2012 is considered fully recoverable considering long term prospects of the underlying business and expected cash flow.

| | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|---|---|---|
| Note 16 Long Term Trade Receivables | | |
| Unsecured, Considered Good | | |
| Trade Receivables | 658.78 | 471.84 |
| (Including Retention ₹ 18.18 crore (Previous year ₹ 41.70 crore)) | | |
| Less: Advances Received against Workbill | 6.63 | 5.28 |
| | <u>652.15</u> | <u>466.56</u> |

16.1 During the current year, the Hon'able High Court of Calcutta while upholding the substantial part of the Award of ₹ 148.67 crore disallowed some portion including interest there on amounting to ₹ 35.50 crore. The Company has contested the same in the Supreme Court. Hence no provision is considered necessary.

16.2 Residual charge over identified receivable of ₹ 626.16 crore has been created in favour of Yes Bank Ltd. in respect of loan availed by HCC Infrastructure Ltd.

Note 17 Other Non Current Assets

Unsecured, Considered Good

| | | |
|--|--------------|--------------|
| Non Current Bank balances | | |
| (i) Deposits with maturity - for more than 12 months | 0.06 | 0.10 |
| (ii) Margin Money Deposit | 29.06 | 26.18 |
| | <u>29.12</u> | <u>26.28</u> |

Note 18 Inventories

(As technically valued and certified by the Management)

| | | |
|---|----------------|----------------|
| a) Stores, Spares and Embedded Goods, at Cost | 329.12 | 271.91 |
| b) Fuel, at Cost | 11.66 | 10.78 |
| c) Materials in transit, at Cost | 1.03 | 2.20 |
| d) Work In Progress: | | |
| Uncompleted Contracts and value of work done | 3475.07 | 3714.84 |
| Less: Advances Received against Workbill | 61.47 | 216.00 |
| | <u>3413.60</u> | <u>3498.84</u> |
| Total | <u>3755.41</u> | <u>3783.73</u> |

Note 19 Trade Receivables

Unsecured, Considered Good

| | | |
|--|---------------|---------------|
| a) Outstanding over six months | 34.79 | 1.88 |
| b) Others | 531.10 | 521.89 |
| (including Retention of ₹ 307.98 crore (Previous year ₹ 510.72 crore)) | | |
| Less: Advances Received against Workbill | 40.32 | - |
| | <u>525.57</u> | <u>523.77</u> |

Note 20 Cash and Bank Balances

(a) Cash and Cash Equivalents

| | | |
|--|---------------|---------------|
| 1) Balances with Bank | | |
| (i) Current Accounts in Indian Rupees | 141.39 | 129.63 |
| (ii) Current Accounts in Foreign Currency | 12.83 | 8.16 |
| 2) Cash on Hand | 1.20 | 1.96 |
| 3) Cheques on Hand | 3.39 | 26.62 |
| (b) Other Bank Balances | | |
| 1) Deposits with maturity for more than 3 months - but less than 12 months | 0.04 | - |
| 2) Balances with Bank for Unpaid Dividend | 1.12 | 0.99 |
| TOTAL | <u>159.97</u> | <u>167.36</u> |

| | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|--------------------------------|--------------------------------|
| Note 21 Short Term Loans & Advances | | |
| Unsecured, Considered Good | | |
| a) Loans & Advances to Related Parties (Refer note 21.1) | 192.08 | 189.09 |
| b) Others | | |
| i) Advances Recoverable in Cash or in Kind or for Value to be received | 470.12 | 520.49 |
| ii) Advance Payment of Taxes net of provision Advance Tax ₹ 305.46 crore (Previous Year ₹ 295.74 crore) including MAT credit entitlement ₹ 64.40 crore (Previous Year ₹ 64.40 crore) Provision for Tax ₹ 105.04 crore, (Previous Year ₹ 105.40 crore) | 200.42 | 190.34 |
| iii) Earnest Money and other Deposits | 15.65 | 22.16 |
| iv) Integrated Joint Ventures (net) | | |
| 1) HCC L & T Purulia Joint Venture | 0.17 | 1.75 |
| 2) Nathpa Jhakri Joint Venture | 4.94 | 10.99 |
| 3) KSHI Joint Venture | 0.42 | 0.37 |
| 4) Alpine HCC Joint Venture | 1.38 | 7.72 |
| 5) Dhule Palesner Tollway Ltd. | 0.30 | 0.17 |
| c) Loans to Employees | 0.07 | 0.05 |
| | <u>885.55</u> | <u>943.13</u> |

21.2 Inter Corporate Deposits are repayable on demand and interest is charged at market rates except interest free loan to the tune of ₹ Nil (Previous year ₹ 25.50 crore) and ₹ 309.40 crore (Previous year Nil) to Pune Paud Toll Road Company Limited and HCC Real Estate Ltd w.e.f. 2010.

21.3 Loans and Advances include an amount due from an Officer of the Company ₹ 0.05 crore (previous year ₹ 0.07 crore). Maximum amount outstanding for the period ₹ 0.07 crore (previous year ₹ 0.09 crore).

| | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|--------------------------------|--------------------------------|
| a) Interest Accrued on others | 7.69 | 5.80 |
| b) Foreign Currency Monetary Translation Account | 5.32 | 0.00 |
| Total | <u>13.01</u> | <u>5.80</u> |

22.1 The Company (Accounting Standards) Second Amendment Rules 2011 has amended the provision of AS-11 relating to "The Effects of the Changes in Foreign Exchange Rates" vide notification dated December 29, 2011. In terms of these amendments, the Company has carried over long term monetary exchange loss of ₹ 5.32 crore through "Foreign Currency Monetary Items Translation Difference Account"; to be amortised over the balance period of such long term asset/ liability.

21.1 Disclosure as per Clause 32 of the Listing agreement and as per Schedule VI of the Companies Act, 1956.

Loans and advances/ICD given to Subsidiaries.

| | | | Outstanding Balance | | Maximum balance during the year | | ₹ crore |
|---|---------------------------------------|--|---------------------|-----------------|---------------------------------|---------------|-----------------|
| | | | As at 31.03.12 | | As at 31.03.11 | | As at 31.03.11 |
| | | | Current | Non-Current | Current | Non-Current | As at 31.03.12 |
| i) HCC Real Estate Ltd. (HREL) | Subsidiary | | 7.36 | 333.40 | 5.88 | - | 340.76 |
| ii) Pune Paud Toll Road Company Ltd. | Subsidiary | | 0 | - | 3.64 | 25.50 | - |
| iii) Western Securities Ltd. | Subsidiary | | 0.47 | - | 0.50 | - | 0.50 |
| iv) Nirmal BOT Ltd. | Subsidiary of HCC Concessions Ltd. | | - | - | - | - | 38.31 |
| v) HCC Mauritius Enterprise Ltd. (HMEL) | Subsidiary | | 7.28 | 64.97 | 7.97 | 57.07 | 72.25 |
| vi) HCC Singapore Enterprise PTE Ltd | Subsidiary | | 0.15 | - | 0.15 | - | 0.15 |
| vii) HCC Concessions Ltd | Subsidiary of HCC Infrastructure Ltd. | | 2.13 | - | 11.80 | 547.25 | 572.78 |
| viii) Panchkutir Developers Ltd | Subsidiary | | 61.8 | - | 67.36 | 29.07 | 97.43 |
| ix) HCC Aviation Ltd | Subsidiary | | - | - | 11.29 | - | - |
| x) Badarpur Faridabad Tollway Ltd | Subsidiary of HCC Concessions Ltd. | | 12.16 | - | 13.72 | - | 13.73 |
| xi) Charosa Wineries Ltd | Subsidiary of HREL | | 0.77 | - | - | - | 0.77 |
| xii) HCC Construction Ltd | Subsidiary | | 0.01 | - | 0.01 | - | 0.01 |
| xiii) Highbar Technologies Ltd | Subsidiary | | -0.63 | 2.46 | (0.58) | 1.62 | 5.75 |
| xiv) Hincan Technoconsult Ltd. | Subsidiary | | - | - | - | - | - |
| xv) HCC Infrastructure Co. Ltd. Ltd. | Subsidiary | | 73.39 | 603.32 | 0.09 | 1.00 | 820.07 |
| xvi) Vikhroli Corporate Park Pvt. Ltd. | Associate | | 3.6 | - | 7.04 | - | 7.04 |
| xvii) Steiner AG | Subsidiary of HMEL | | 1.09 | - | 7.25 | - | 8.34 |
| xviii) Lavasa Corporation Ltd. | Subsidiary of HREL | | 9.14 | - | 21.33 | - | 42.67 |
| xix) Baharampore-Farakka Highways Ltd. | Subsidiary | | 5.62 | - | 11.42 | - | 5.74 |
| xx) Farakka-Raiganj Highways Ltd. | Subsidiary | | 6.24 | - | 12.76 | - | 6.24 |
| xxi) Raiganj-Dalkola Highways Ltd. | Subsidiary | | 1.47 | - | 7.46 | - | 1.47 |
| xxii) Steiner India Ltd | Subsidiary of Steiner AG | | - | - | - | - | 1.83 |
| xxiii) HCC Power Ltd | Subsidiary of HIL | | 0.03 | - | - | - | 0.03 |
| Total | | | <u>192.08</u> | <u>1,004.15</u> | <u>189.09</u> | <u>661.51</u> | <u>1,997.56</u> |
| | | | | | | | <u>1,212.48</u> |

| | For the year ended 31.03.12 | For the year ended 31.03.11 |
|---|--------------------------------------|--------------------------------------|
| Note 23 Revenue from operations | ₹ crore | ₹ crore |
| a) Work Bills Receipts Gross | 3,862.22 | 3,759.34 |
| Add: Accretion/ (Decretion) in Work in progress | (119.34) | 190.16 |
| | <u>3,742.88</u> | <u>3,949.50</u> |
| Add: Company's Share of Turnover in Integrated Joint Ventures (refer note 37) | 11.29 | 50.80 |
| b) Sale of Products | 256.43 | 98.93 |
| c) Other Operating Income | - | 49.82 |
| Total | <u>4,010.60</u> | <u>4,149.05</u> |
| Note 24 OTHER INCOME | | |
| a) Interest Income | 104.60 | 35.52 |
| b) Dividend Income | 0.34 | 2.08 |
| c) Other Non Operating Income | | |
| i) Earlier Years' Provisions No Longer Required | 0.09 | 5.88 |
| ii) Miscellaneous Receipts | 1.71 | 0.43 |
| iii) Profit / (Loss) on Sale of Assets | 16.09 | - |
| iv) Exchange Gain (net) | - | 8.60 |
| Total | <u>122.83</u> | <u>52.51</u> |
| Note 25 COST OF MATERIAL CONSUMED | | |
| Stock at Commencement | 27.61 | 0.76 |
| Add: Purchases | <u>75.88</u> | <u>62.68</u> |
| | <u>103.49</u> | <u>63.44</u> |
| Less: Scrap and Unserviceables Sold | <u>2.51</u> | <u>0.26</u> |
| | <u>100.98</u> | <u>63.18</u> |
| Less: Stock at Close | <u>19.28</u> | <u>27.61</u> |
| Total | <u>81.70</u> | <u>35.57</u> |
| Note 26 CONSTRUCTION EXPENSES | | |
| a) Construction Material Consumed: | | |
| Stock at Commencement | 244.30 | 259.18 |
| Add: Purchases | <u>1101.37</u> | <u>1,171.24</u> |
| | <u>1345.67</u> | <u>1430.42</u> |
| Less: Scrap and Unserviceables Sold | <u>27.94</u> | <u>24.44</u> |
| | <u>1317.73</u> | <u>1405.98</u> |
| Less: Stock at Close | <u>309.84</u> | <u>244.30</u> |
| Total | <u>1007.89</u> | <u>1161.68</u> |
| b) Sub-Contract, Transportation, Hire etc. | 1546.63 | 1,377.47 |
| c) Power and Fuel | 226.34 | 238.70 |
| d) Repairs to Machinery | 11.09 | 20.05 |
| e) Other Repairs | 3.17 | 2.81 |
| f) Rent | 24.71 | 18.63 |
| g) Water Charges | 8.35 | 10.79 |
| Total | <u>2,828.18</u> | <u>2,830.13</u> |
| 26.1 Sub-contract, transportation, hire etc. include insurance ₹ 36.24 crore (previous year ₹ 36.36 crore), rates and taxes ₹ 168.59 crore (previous year ₹ 165.31 crore) and lease rent ₹ 27.39 crore (previous year ₹ 17.23 crore). | | |
| 26.2 Light vehicle expenses grouped under construction expenses include insurance ₹ 1.91 crore (previous year ₹ 1.74 crore) and taxes ₹ 0.17 crore (previous year ₹ 0.12 crore). | | |
| 26.3 The Company has taken various construction equipments and vehicles under non cancelable operating leases. The future minimum lease payments in respect of these as at March 31, 2012 are as follows. | | |
| Minimum Lease Rental payments | | |
| i) Payable Not Later than one year | 27.54 | 18.14 |
| ii) Payable Later than one year and not later than five years | 33.06 | 33.24 |
| iii) Payable Later than five years | - | - |
| | <u>60.60</u> | <u>51.38</u> |

The lease agreement provides for an option to the Company to renew the lease period at the end of the non cancelable period. There are no exceptional/restrictive covenants in the lease agreements.

| | For the year ended 31.03.12 | For the year ended 31.03.11 |
|---|--------------------------------------|--------------------------------------|
| Note 27 EMPLOYEE BENEFIT EXPENSES | ₹ crore | ₹ crore |
| a) Salaries and Wages | 387.95 | 412.14 |
| b) Contribution to Provident and other funds | 20.92 | 20.77 |
| c) Staff Welfare Expenses | <u>30.37</u> | <u>34.73</u> |
| TOTAL | <u>439.24</u> | <u>467.64</u> |
| 27.1 Remuneration paid to Chairman & Managing Director and the President & Whole-time Director is in excess of the limits specified in Schedule XIII of the Companies Act, 1956 by ₹ 7.63 crore. The Company has made an application seeking approval from Central Government. Approval is awaited. | | |
| Note 28 FINANCE COST | | |
| a) Interest Expense | ₹ crore | ₹ crore |
| (i) On Debentures | 19.80 | 18.46 |
| (ii) On Other Accounts | 509.22 | 307.65 |
| b) Other Borrowing costs | | |
| (i) Guarantee, Commission and Charges | 9.77 | 1.57 |
| (ii) Finance Charges | 5.23 | 2.05 |
| c) Applicable net gain/loss on foreign currency transactions and translation | - | - |
| | <u>544.02</u> | <u>329.73</u> |
| Less: Interest Capitalised | <u>0.86</u> | <u>0.69</u> |
| Total | <u>543.16</u> | <u>329.04</u> |
| Note 29 OTHER EXPENSES | | |
| (a) Stationery, Postage, Telephone & Advertisement | 10.86 | 16.43 |
| (b) Travelling and Conveyance | 15.91 | 26.41 |
| (c) Rent | 15.93 | 14.99 |
| (d) Rates and Taxes-excluding taxes on income | 2.84 | 3.75 |
| (e) Insurance | 4.83 | 5.23 |
| (f) Professional Charges | 34.49 | 54.72 |
| (g) Repairs and Maintenance | 5.18 | 5.71 |
| (h) Building Maintenance | 7.32 | 9.75 |
| (i) Directors' Fees | 0.22 | 0.19 |
| (j) Auditors' Remuneration: | | |
| (i) Audit Fees | 0.57 | 0.57 |
| (ii) Tax Audit Fees | 0.14 | 0.16 |
| (iii) For Reviews and Certification Work | 0.61 | 0.81 |
| (iv) Reimbursement of Out of Pocket Expenses | <u>0.04</u> | <u>0.03</u> |
| | <u>1.36</u> | <u>1.57</u> |
| (k) Miscellaneous Expenses | 24.01 | 23.91 |
| (l) Computer Maintenance & Development Expenses | 15.33 | 15.29 |
| (m) Donations | - | 3.08 |
| (n) Provision for Doubtful Advances | - | (0.02) |
| (o) Loss on Sale of Assets (net) | - | 2.53 |
| (p) Loss on Sale of investment | 5.22 | - |
| (q) Exchange Loss (net) | 9.53 | - |
| (r) Share of Loss in Partnership firm | - | 8.42 |
| Total | <u>153.03</u> | <u>191.96</u> |
| 29.1 In accordance with Accounting Standard 11 (Revised) the net exchange Loss debited to Profit & Loss Account is ₹ 9.53 crore (previous year Loss ₹ 8.60 crore). | | |

Note 30 EXCEPTIONAL ITEMS

- i) ₹ 68 crore provisions made for future losses in respect of projects.
- ii) ₹ 64.87 crore pertains to an additional provision in respect of ongoing projects arising out of substantial delays in approval of claims, increase in estimated costs and delays in execution.
- iii) ₹ 33.69 crore being provision made in respect of closed projects.

31. EARNING PER SHARE

| | For the year ended 31.03.12 | For the year ended 31.03.11 |
|--|--------------------------------|--------------------------------|
|--|--------------------------------|--------------------------------|

Basic EPS

| | | | |
|---|-----------|--------------|--------------|
| A. Profit/(Loss) computation for basic earnings per share of ₹ 1 each | | | |
| Net Profit as per Profit & Loss Account available for Equity shareholders | (₹ crore) | (222.25) | 71.00 |
| B. Weighted average number of Equity shares for EPS computation | (Nos.) | 60,65,85,434 | 60,65,24,339 |
| C. EPS (weighted average) | | | |
| Basic EPS (before and after Extraordinary Items) | (₹) | (3.66) | 1.17 |

Diluted EPS

| | | | |
|---|-----------|--------------|--------------|
| A. Profit/(Loss) computation for diluted earnings per share of ₹ 1 each | | | |
| Net Profit as per Profit & Loss Account available for Equity shareholders | (₹ crore) | (222.25) | 71.00 |
| B. Weighted average number of Equity shares for EPS computation | (Nos.) | 61,30,73,380 | 61,40,07,940 |
| Diluted EPS (before and after Extraordinary Items) | (₹) | (3.62) | 1.16 |

As at
31.03.2012
₹ crore

As at
31.03.2011
₹ crore

32. Contingent Liabilities

- (i) Counter Indemnities given to Banks, in respect of contracts
 - (a) For works in India (Secured on all the assets) 647.44 735.58
 - (b) *For works abroad (secured by ECGC counter guarantees) 271.28 225.77
 - * (Converted in rupees at the rate fixed by the Bank)
 - (ii) Claims not acknowledged as debts by the Company. 2.82 2.57
 - (iii) Income Tax Liability (AY 2008-09) that may arise in respect of which Company is in appeal 12.18 163.80
- (The first appellate authority has decided almost all matters except one in favour of the Company resulting in substantial reduction in the tax liability provided last year. Now Company is in appeal before Income tax Appellate Tribunal for entitlement of actual loss claimed for the project instead of estimated loss)

As at
31.03.2012
₹ crore

As at
31.03.2011
₹ crore

- (iv) Sales Tax liability / Works Contract Tax liability / Customs Liability that may arise in respect of matters in appeal (Net of an amount of ₹ 0.53 crore (previous year ₹ 0.53 crore) recoverable from Clients as per the terms of contract) 34.93 18.71
- (v) Bills discounted and Retention receivable with banks 4.69 107.27
- (vi) Corporate Guarantees:

The Company has provided an undertaking to pay in the event of default on loan given by a bank to subsidiary, fellow subsidiary and Joint Ventures.

 - a) Pune Paud Toll Road Company Limited - 9.77
 - b) Lavasa Corporation Limited 688.69 606.55
 - c) HCC Real Estate Limited - 65.00
 - d) HCC Mauritius Enterprises Ltd 156.52 156.52
 - e) Charosa Wineries Limited - 50.00
 - f) HCC Concessions Limited 28.26 100.00
 - g) HCC Infrastrucutre Limited 300.00 -

33. The Income-tax assessments of the Company have been completed upto the accounting year ended March 31, 2009. Few appeals preferred by the Company are pending before appellate authorities.

34. The Company has a single segment namely "Engineering & Construction". Therefore, the Company's business does not fall under different business segments as defined by AS 17- "Segmental Reporting" issued by ICAI.

35. Disclosure in accordance with Accounting Standard - 7 (Revised) - Amount due from / to customers on Construction Contracts.

| | ₹ crore 2011-12 | ₹ crore 2010-11 |
|--|--------------------|--------------------|
| Contract Revenue | 18,259.34 | 14,600.85 |
| Contract Costs incurred | 16,181.14 | 12,827.18 |
| Recognised Profits / Losses | 2,040.98 | 1,773.67 |
| Advances received | 1,185.12 | 1,535.52 |
| Retention Money | 255.14 | 446.40 |
| Gross amount due from Customer for Contract Work | 1,612.57 | 1,646.60 |
| Gross amount due to Customer for Contract Work | 223.35 | 270.95 |

Note :- The above information is given only in respect of contracts entered into on or after 01.04.03.

36. (a) Contracts executed by the following Joint Ventures are accounted for as per accounting policy no. 1.13(a)

- i) HCC-Van Oord Joint Venture
- ii) Samsung- HCC Joint Venture
- iii) L & T - HCC Joint Venture
- iv) HCC- KBL Joint Venture
- v) HCC- NCC Joint Venture
- vi) HCC- CEC Joint Venture
- vii) HCC- NOVA Joint Venture
- viii) HCC – CPPL Joint Venture
- ix) HCC – MEIL - CBE Joint Venture
- x) HCC – MEIL - BHEL Joint Venture
- xi) HCC – MEIL - SEW- AAG Joint Venture
- xii) HCC – MEIL - SEW Joint Venture
- xiii) HCC-Halcrow Joint Venture
- xiv) HCC-Laing-Sadbhav
- xv) HCC -MEIL- NCC- WPIL Joint Venture
- xvi) MEIL- IVRCL- HCC - WPIL Joint Venture

Note 36 (Contd.)

- (b) Contracts executed by the following Joint Ventures are accounted for as per accounting policy no. 1.13(b)

| Name of the Venture | Name of Venture/s Partner/s | Method of Accounting | Share of Interest |
|-----------------------------|---|-----------------------|-------------------|
| HCC-L&T | Larsen & Toubro Ltd. | Percentage completion | 57% |
| Purulia HCC-Pati | Pati Sendirian, Berhad | Percentage completion | 50% |
| Nathpa Jhakri | Impregilio Spa, Italy | Completed Contract | 40% |
| Kumagai-Skanska | Skanska, Kumagai Itochu | Completed Contract | 19.60% |
| HCC-Itochu Group | | | |
| Alpine - Samsung - HCC | Alpine Meyreder Bau, Samsung Corporation | Percentage completion | 33% |
| Alpine - HCC | Alpine Meyreder Bau | Percentage completion | 49% |
| Dhule Palesner Tollway Ltd. | HCC Infrastructure Ltd., John Laing Investment Ltd., John Laing Investments Mauritius (No 1) Ltd., Sadbhav Engineering Ltd., Sadbhav Infrastructure Projects Ltd. | Percentage completion | 26% |

In respect of Joint Ventures the Company alongwith other JV members is jointly & severally responsible for performance of the contracts.

37. Financial Interest in Jointly Controlled Entities.

| Name of the Joint Venture | ₹ crore | | | | |
|--------------------------------|-----------------------|----------------------|--|------|---------|
| | HCC's Share of Assets | | Other Expenses | | |
| | As at 31st March 2012 | Liabilities Turnover | Income For the year ended 31st March, 2012 | | |
| HCC-L&T | 8.76 | 3.87 | - | 0.32 | 0.13 |
| Purulia Joint Venture | (5.64) | (0.91) | (1.00) | - | (0.34) |
| HCC-Pati | 3.52 | 5.22 | - | - | - |
| Joint Venture Nathpa Jhakri | (3.53) | (5.22) | - | - | - |
| Joint Venture Kumagai-Skanska | 2.72 | - | - | 0.26 | 0.23 |
| Joint Venture HCC-Itochu Group | (8.93) | (4.03) | (26.09) | - | (13.18) |
| Alpine-Samsung-HCC | 0.89 | 3.63 | - | 0.40 | 0.35 |
| Joint Venture Alpine-HCC | (0.99) | (3.77) | - | - | (0.16) |
| Joint Venture Total | 11.83 | 27.50 | 11.23 | 0.04 | 8.29 |
| | (19.61) | (38.14) | (19.12) | - | (34.42) |
| | 9.32 | 15.89 | 0.06 | - | 6.55 |
| | (13.86) | (13.95) | (4.60) | - | (5.20) |
| | 37.04 | 56.11 | 11.29 | 1.02 | 15.55 |
| | (52.56) | (66.02) | (50.81) | 0.00 | (53.31) |

(Note: Figures in bracket pertain to previous year).

38 (i) Additional information pursuant to the provisions of Schedule VI to the Companies Act, 1956 (wherever applicable).

| A. Value of Imports calculated on CIF Basis : | ₹ crore | |
|--|---------|---------|
| | 2011-12 | 2010-11 |
| (i) Components, embedded goods and spare-parts | 20.91 | 26.59 |

| | | |
|---------------------------------------|-------|-------|
| (ii) Capital goods | 38.64 | 39.94 |
| B. Expenditure in foreign currencies: | | |
| (i) Travelling expenses | 0.45 | 0.96 |
| (ii) Other expenses | 43.66 | 24.51 |

| C. Value of imported and indigenous components, embedded goods and spare parts consumed: | 2011-12 | | 2010-11 | |
|--|----------|--------|----------|--------|
| | ₹ crore | % | ₹ crore | % |
| (i) Imported into India | 55.44 | 5.09 | 13.26 | 1.11 |
| (ii) Indigenous, to the site | 1,034.15 | 94.91 | 1,183.99 | 98.89 |
| | 1,089.59 | 100.00 | 1,197.25 | 100.00 |

| D. Earnings in foreign currencies (on accrual basis) | 2011-12 | 2010-11 |
|--|---------|---------|
| Export of goods or services on F.O.B. basis and work bills realised on contracts | 38.80 | 69.32 |
| (ii) Additional Information pursuant to the provisions of Schedule VI to the Companies Act, 1956 . | | |

| Class of Goods | Unit | Opening Stock. | Production Quantity | Sales Quantity | Sales Value | Closing Stock Quantity | Closing Stock Value |
|---------------------|------|----------------|---------------------|----------------|-------------|------------------------|---------------------|
| Potshell | Nos | Nil | 213 | 213 | 74 | Nil | Nil |
| Steel | Nos | Nil | 200 | 200 | 0.04 | Nil | Nil |
| Structure Aggregate | MT | 408,782.05 | 1,972,169 | 1762628 | 105.84 | 618,322 | 15.65 |

| Class of Goods | Unit | Material Consumed Quantity | Material Consumption ₹ crore |
|------------------|------|----------------------------|------------------------------|
| Structural Steel | MT | 8,350 | 36.80 |
| Structural Steel | TO | 6.20 | 0.02 |
| Aggregate | MT | 1,762,628 | 44.61 |

39. Private Equity Investment and Consolidation of BOT SPVs

- a) During the year HCC transferred its equity shareholding in HCC Concessions Ltd. (HCL) to HCC Infrastructure Company Ltd.(HIL) to consolidate BOT businesses, rendering HCL 100% subsidiary of HIL.
- b) During the year, pursuant to Shareholders Agreement (SHA) executed on August 9, 2011, Xander Investment Holding XXVI Limited (Xander), has acquire 14.55% equity stake in the HCC Concessions Ltd., by subscribing to equity shares and Compulsorily Convertible Cumulative Preference Shares (CCCPS) for a total consideration of ₹ 240 crore. The CCCPS shall be compulsorily convertible at the earlier of (a) a Qualified IPO (b) 10 years from the date of their issuance (c) in the event if the entire shareholding of all the group entities i.e Barahpore Farakka Highway Ltd, Farakka Raiganj Highway Ltd, Raiganj Dhalkola Highway Ltd and Dhule Palesner Tollway Ltd has not been sold and transferred by HCC to HCC Concession Ltd within the period of 20 months from the date of transfer date.

As per SHA and SSA, HCC is required to hold 100% equity stake in HIL until Private Equity Investor gets an exit from HCL through an IPO or otherwise and there are certain customary restrictions on pledging / creation of any encumbrance over shares / assets of HCL/ BOT SPVs.

The Company has given *inter alia* an undertaking in respect of investment in Baharampore - Farakka Highway Ltd, Farakka - Raiganj Highway Ltd., Dhule Palesner Tollway Ltd, and Raiganj - Dalkhola Highway Ltd. to NHAI till the commercial operation date. The Company has entered into sales agreement with HCC Concession Ltd to sell these shares at book value at future date

Note 39 (Contd.)

on fulfillment of obligation as per undertaking given to NHAI. The Company has received advance consideration of ₹ 26.14 crore for transfer of the above shares from HCC Concession Ltd.

40. Disclosure relating to Employee Benefits - As per

Revised AS - 15

₹ crore

| | 2011-12 | | 2010-11 | |
|--|--------------|------------------|--------------|------------------|
| | Non Funded | | Non Funded | |
| A. Expenses recognised in the statement of Profit & Loss for the period ended 31.03.2012 | Gratuity | Leave Encashment | Gratuity | Leave Encashment |
| 1. Current Service Cost | 2.70 | 2.37 | 2.79 | 2.75 |
| 2. Interest Cost | 1.93 | 1.21 | 1.68 | 0.91 |
| 3. Expected Return on Plan Assets | - | - | - | - |
| 4. Net Actuarial (Gain) / Loss recognised during the year | (0.09) | (2.06) | 1.47 | 1.99 |
| 5. Settlement cost/ others | 3.05 | 0.34 | 0.21 | 0.07 |
| Total Expenses | 7.59 | 1.86 | 6.15 | 5.72 |
| B. Net Asset / (Liability) recognised in the Balance Sheet | | | | |
| 1. Present value of the obligation | 25.91 | 14.35 | 24.18 | 15.12 |
| 2. Fair value of Plan Assets | - | - | - | - |
| 3. Funded Status (surplus / deficit) | - | - | - | - |
| Net Asset / (Liability) recognised in the Balance Sheet | 25.91 | 14.35 | 24.18 | 15.12 |
| 4. Add: a. Provision for separated employees/ Others | 2.48 | 1.06 | 0.40 | 0.38 |
| b. Provision at overseas branch | - | 0.17 | - | 0.15 |
| Total provision | 28.39 | 15.58 | 24.58 | 15.65 |
| C. Change in Present value of obligation | | | | |
| 1. Present value of obligation as on April 1, 2011 | 24.18 | 15.12 | 21.00 | 11.40 |
| 2. Current Service Cost | 2.70 | 2.37 | 2.79 | 2.75 |
| 3. Interest Cost | 1.93 | 1.21 | 1.68 | 0.91 |
| 4. Benefits paid | (2.81) | (2.29) | (2.76) | (1.93) |
| 5. Net Actuarial (Gain) / Loss recognised during the year | (0.09) | (2.06) | 1.47 | 1.99 |
| Present value of obligation as per actuarial valuation as at March 31, 2012 | 25.91 | 14.35 | 24.18 | 15.12 |
| 6. Add: a. Provision for separated employees/ others | 2.48 | 1.06 | 0.40 | 0.38 |
| b. Provision at overseas branch | - | 0.17 | - | 0.15 |
| Total Provision | 28.39 | 15.58 | 24.58 | 15.65 |

D. Actuarial assumptions:

| | | |
|---|------------------------|------------------------|
| i. Discount Rate | 8.50% p.a. | 8.00% p.a. |
| ii. Salary Escalation - over a long term | 8.00% p.a. | 7.50% p.a. |
| iii. Mortality rate | LIC (1994-96) ultimate | LIC (1994-96) ultimate |
| iv. Average future working lifetime | 20 years. | 20 years. |
| v. The attrition rate varies from 2% to 8% (previous year 2% to 8%) for various age groups. | | |

E. Accumulated compensated absences (non vesting)

Actuarial valuation of sick leave has been made on March 31, 2012. Provision in respect of this benefit amounts to ₹ 1.69 crore for the period ending March 31, 2012 (previous year ₹ 2.17 crore).

| | Non-current (Note No. 8) As at | | Current (Note No. 12) As at | |
|-----------------------|--------------------------------------|--------------|-----------------------------------|-------------|
| | 31.03.2012 | 31.03.2011 | 31.03.2012 | 31.03.2011 |
| | ₹ crore | ₹ crore | ₹ crore | ₹ crore |
| Gratuity | 23.88 | 22.43 | 4.51 | 2.15 |
| Leave Encashment | 13.31 | 14.25 | 2.27 | 1.40 |
| Sick Leave Encashment | - | - | 1.68 | 2.17 |
| | 37.19 | 36.68 | 8.46 | 5.72 |

41. Disclosure in accordance with Accounting Standard-18 Related Party Transactions

A. Names of Related Parties & Nature of Relationship

- Subsidiaries & its Subsidiaries:
 - Hincon Technoconsult Ltd.
 - Western Securities Ltd.
 - HCC Real Estate Ltd.
 - Panchkutir Developers Ltd.
 - HCC Singapore Enterprises Pte Ltd.
 - HCC Mauritius Enterprises Ltd.
 - HCC Construction Ltd.
 - Highbar Technologies Ltd.
 - HCC Infrastructure Company Ltd.
 - Baharampore-Farakka Highways Ltd.
 - Farakka-Raiganj Highways Ltd.
 - Raiganj-Dalkhola Highways Ltd.
 - Pune Paud Toll Road Company Ltd.
 - HCC Aviation Ltd.
 - HRL Township Developers Ltd.
 - HRL (Thane) Real Estate Ltd.
 - Nashik Township Developers Ltd.
 - Maan Township Developers Ltd. (Previously Hinjewadi Township Ltd.)
 - Charosa Wineries Ltd.
 - Powai Real Estate Developers Ltd.
 - HCC Realty Ltd.
 - Lavasa Corporation Ltd.
 - Klemanor Investments Ltd.
 - Highbar Technologies FZLLC
 - Dhule Palesner Operations & Maintenance Ltd
 - HCC Power Limited
 - HCC Concessions Ltd (Previously HCC Infrastructure Ltd.)
 - Badarpur Faridabad Tollways Ltd.
 - Nirmal BOT Ltd.
 - Steiner AG, Switzerland
 - Steiner Promotions et Participations SA
 - Eurohotel SA
 - VM + ST AG
 - Steiner (Deutschland) GmbH
 - Steiner Léman SAS
 - SNC Valleiry Route de Bloux

41. Disclosure in accordance with Accounting Standard -18 Related Party Transactions

- 37) Lavasa Hotels Ltd.
 - 38) Apollo Lavasa Health Corporation Ltd
 - 39) Dasve Business Hotels Ltd.
 - 40) Dasve Convention Centre Ltd.
 - 41) Lakeshore Watersport Company Ltd.
 - 42) Dasve Hospitality Institutes Ltd.
 - 43) Lakeview Clubs Ltd.
 - 44) Dasve Retails Ltd.
 - 45) Full Spectrum Adventure Ltd.
 - 46) Spotless Laundry Services Ltd
 - 47) Lavasa Bamboocraft Ltd.
 - 48) Green Hill Residences Ltd.
 - 49) My City Technology Ltd.
 - 50) Reasonable Housing Ltd.
 - 51) Future City Multiservices SEZ Ltd.
(Previously Minfur Interior Technologies Ltd.)
 - 52) Rhapsody Commercial Space Ltd.
(Previously Rhapsody Hospitality Ltd.)
 - 53) Sirrah Palace Hotels Ltd.
 - 54) Andromeda Hotels Ltd.
 - 55) Valley View Entertainment Ltd.
 - 56) Whistling Thrush Facilities Services Ltd.
 - 57) Warasgaon Power Supply Ltd.
 - 58) Sahyadri City Management Ltd.
 - 59) Warasgaon Tourism Ltd.
 - 60) Our Home Services Apartments Ltd.
 - 61) Hill City Service Apartments Ltd.
 - 62) Warasgaon Infrastructure Providers Ltd.
 - 63) Kart Racers Ltd.
 - 64) Nature Lovers Retail Limited
 - 65) Osprey Hospitality Limited
 - 66) Mugaon Luxury Hotels Limited
 - 67) Starlit Resort Limited
 - 68) Rosebay Hotels Limited
 - 69) Warasgaon Valley Hotels Limited
 - 70) Steiner India Ltd
 - 71) Warasgaon Assets Maintenance Limited
 - 72) Hill View Parking Services Limited
- b) Integrated Joint Ventures:
- 1) Nathpa Jhakri Joint Venture
 - 2) HCC-Pati Joint Venture
 - 3) Kumagai-Skanska-HCC-Itochu Group
 - 4) HCC-L & T Purulia Joint Venture
 - 5) Alpine - Samsung - HCC Joint Venture
 - 6) Alpine - HCC Joint Venture
 - 7) Dhule Palesner Tollway Ltd.
 - 8) ARGE Prime Tower, Zürich
- c) Associates
- 1) Warasgaon Lake View Hotels Limited (Previously known as Lavasa Star Hotel Limited)
 - 2) Verzon Hospitality Ltd.
 - 3) Palmetto Hospitality Limited
 - 4) Ecomotel Hotel Limited
 - 5) Bona Sera Hotels Limited
 - 6) SOL Hospitality Limited
 - 7) Evostate AG
 - 8) MCR Managing Corp. Real Estate
 - 9) Projektentwicklungsges. Parking Kunstmuseum AG
 - 10) Vikhroli Corporate Park Pvt. Ltd.
 - 11) Knowledge Vistas Limited
- d) Other Related Parties:
- 1) Gulabchand Foundation (formed under section 25 of Companies' Act, 1956)
 - 2) Hincan Holdings Ltd.
 - 3) Hincan Finance Ltd.

B. Key Management Personnel

- i) Shri Ajit Gulabchand Chairman & Managing Director
- ii) Shri Arun Karambelkar President & Whole Time Director (w.e.f. April 29, 2011)
- iii) Shri Vinayak Deshpande President (EPC & Construction) (upto June 30, 2011)
- iv) Shri Praveen Sood Group Chief Financial Officer
- v) Shri V. P. Kulkarni Company Secretary

C. Transactions with Related Parties: ₹ crore

| Nature of Transactions | Subsidiary Companies | Integrated JV's | Other Related Parties |
|------------------------|----------------------|-----------------|-----------------------|
|------------------------|----------------------|-----------------|-----------------------|

| | | | |
|--|---------|--------|---------|
| Purchase of Construction materials and Spares | | | |
| Alpine-HCC Joint Venture | - | 1.89 | - |
| | (-) | (0.09) | (-) |
| Nirmal BOT Ltd | - | - | - |
| | - | (-) | (-) |
| Total | - | 1.89 | - |
| | - | (0.09) | (-) |
| Purchase of Fixed Assets | | | |
| Hincan Finance Ltd | - | - | 0.01 |
| | (-) | (-) | (-) |
| Alpine-HCC Joint venture | - | - | - |
| | (-) | (0.01) | (-) |
| Highbar Technologies Ltd | - | - | - |
| | (0.88) | (-) | (-) |
| Total | - | - | 0.01 |
| | (0.88) | (0.01) | - |
| Sale of Construction materials and Spares | | | |
| Badarpur Faridabad Tollways Ltd. | - | - | - |
| | (1.49) | (-) | (-) |
| Total | - | - | - |
| | (1.49) | (-) | (-) |
| Rendering of Services / Financial Income | | | |
| Lavasa Corporation Ltd | 29.50 | - | - |
| | (15.35) | (-) | (-) |
| HCC Real Estate Ltd | - | - | - |
| | (-) | (-) | (-) |
| HCC Concessions Ltd (Formerly HCC Infrastructure Ltd.) | 20.10 | - | - |
| | (23.95) | (-) | (-) |
| Hincan finance Ltd | - | - | 0.52 |
| | (-) | (-) | (-) |
| Alpine-Samsung-HCC Joint venture | - | - | - |
| | (-) | (-) | (-) |
| Alpine-HCC Joint venture | - | - | - |
| | (-) | (0.18) | (-) |
| Hincan Finance Ltd | - | - | - |
| | (-) | (-) | (-) |
| Vikhroli Corporate Park | - | - | - |
| | (-) | (-) | (-) |
| HCC Infrastructure Company Ltd. | 76.21 | - | - |
| | (-) | (-) | (11.99) |
| Others | 11.50 | - | - |
| | (12.67) | (-) | (0.63) |
| Total | 137.31 | - | 0.52 |
| | (51.97) | (0.18) | (12.62) |
| Donation | | | |
| Gulabchand Foundation | - | - | - |
| | (-) | (-) | (3.00) |
| Receiving of Services | | | |
| Hincan Technoconsult Ltd | - | - | - |
| | (-) | (-) | (-) |
| Hincan Holdings Ltd | - | - | - |
| | (-) | (-) | (1.28) |

| C. Transactions with Related Parties: (Contd.) | | | |
|--|----------------------|-----------------|-------------------------------|
| Nature of Transactions | Subsidiary Companies | Integrated JV's | ₹ crore Other Related Parties |
| Western Securities Ltd | - | - | - |
| | (-) | (-) | (-) |
| HCC Aviation Ltd | 8.00 | - | - |
| | (12.63) | (-) | (-) |
| Highbar Technologies Ltd. | 7.96 | - | - |
| | (8.82) | (-) | (-) |
| Vikhroli Coporate Park | - | - | - |
| | (-) | (-) | (2.34) |
| Vikhroli Coporate Park Pvt Ltd | - | - | 17.67 |
| | (-) | (-) | (12.44) |
| HCC Real Estate Ltd. | - | - | - |
| | (7.45) | (-) | (-) |
| Others | 2.17 | - | 1.75 |
| | (0.33) | (-) | (0.28) |
| Total | 18.13 | - | 19.42 |
| | (29.23) | (-) | (11.66) |
| Work Bill Receipts incl sales | | | |
| Badarpur Faridabad Tollways Ltd. | - | - | - |
| | (108.09) | (-) | (-) |
| Dhule Palesner Tollway Ltd. | - | 298.01 | - |
| | (-) | (293.57) | (-) |
| Vikhroli Corporate Park | - | - | - |
| | (-) | (-) | (15.00) |
| Vikhroli Corporate Park Pvt Ltd. | - | - | - |
| | (-) | (-) | (35.00) |
| Baharpore Farakka Highways Ltd | 155.54 | - | - |
| | (92.64) | (-) | (-) |
| Farakka Raiganj Highways Ltd | 185.42 | - | - |
| | (77.51) | (-) | (-) |
| Others | 54.78 | - | - |
| | (25.87) | (-) | (-) |
| Total | 395.74 | 298.01 | - |
| | (304.11) | (293.57) | (50.00) |
| Advances received / recovered | | | |
| Lavasa Corporation Ltd | - | - | - |
| | (-) | (-) | (-) |
| Nirmal BOT Ltd. | - | - | - |
| | (31.50) | (-) | (-) |
| Badarpur Faridabad Tollways Ltd. | - | - | - |
| | (-) | (-) | (-) |
| Dhule Palesner Tollway Ltd. | - | - | - |
| | (-) | (36.63) | (-) |
| Baharpore Farakka Highways Ltd. | - | - | - |
| | (156.00) | (-) | (-) |
| Farakka Raiganj Highways Ltd. | - | - | - |
| | (183.00) | (-) | (-) |
| Raiganj Dalkola Highways Ltd. | - | - | - |
| | (102.19) | (-) | (-) |
| Others | - | - | - |
| | (23.25) | (-) | (-) |
| Total | - | - | - |
| | (495.94) | (36.63) | (-) |
| Share application money given (pending Allotment) | | | |
| Highbar Technologies Ltd. | - | - | - |
| | (-) | (-) | (-) |
| Dhule Palesner Tollway Ltd. | - | 0.13 | - |
| | (-) | (-) | (-) |
| Baharpore Farakka Highways Ltd. | 5.62 | - | - |
| | (11.42) | (-) | (-) |
| Farakka Raiganj Highways Ltd. | 6.24 | - | - |
| | (12.75) | (-) | (-) |
| Raiganj Dalkola Highways Ltd. | 1.44 | - | - |
| | (7.45) | - | - |
| Total | 13.30 | 0.13 | - |
| | (31.62) | (-) | (-) |
| Advances given / repaid | | | |
| Baharpore Farakka Highways Ltd. | 8.60 | - | - |
| | (-) | (-) | (-) |
| Farakka Raiganj Highways Ltd. | 3.28 | - | - |
| | (-) | (-) | (-) |
| Badarpur Faridabad Tollways Ltd. | 9.83 | - | - |
| | (50.21) | (-) | (-) |

| C. Transactions with Related Parties: (Contd.) | | | |
|---|----------------------|-----------------|-------------------------------|
| Nature of Transactions | Subsidiary Companies | Integrated JV's | ₹ crore Other Related Parties |
| Dhule Palesner Tollway Ltd | - | 52.90 | - |
| | (-) | (20.36) | (-) |
| Others | - | - | - |
| | (0.09) | (-) | (-) |
| Total | 21.71 | 52.90 | - |
| | (50.30) | (20.36) | (-) |
| Equity Contribution made during the year | | | |
| Nirmal BOT Ltd | - | - | - |
| | (-) | (-) | (-) |
| Badarpur Faridabad Tollways Ltd | - | - | - |
| | - | (-) | (-) |
| Dhule Palesner Tollway Ltd. | - | 5.28 | - |
| | (-) | (6.33) | (-) |
| HCC Real Estate Ltd. | - | - | - |
| | (169.90) | (-) | (-) |
| HCC Mauritius Enterprises Ltd. | - | - | - |
| | (22.17) | (-) | (-) |
| Vikhroli corporate Pvt Ltd | - | - | - |
| | (-) | (-) | (0.20) |
| Baharpore -Farakka Highway Ltd. | 11.42 | - | - |
| | (-) | (-) | (-) |
| Farakka -Raiganj Highway Ltd. | 12.75 | - | - |
| | (-) | (-) | (-) |
| Panchkutir Developers Ltd | 49.92 | - | - |
| | (-) | (-) | (-) |
| Othres | 10.35 | - | - |
| | (3.69) | (-) | (-) |
| Total | 84.44 | 5.28 | - |
| | (195.76) | (6.33) | (0.20) |
| Outstanding Receivables | | | |
| Nirmal BOT Ltd | - | - | - |
| | (-) | (-) | (-) |
| HCC Real Estate Ltd | - | - | - |
| | (-) | (-) | (-) |
| HCC Concessions Ltd(Formerly HCC Infrastructure Ltd.) | (559.04) | (-) | (-) |
| Panchkutir Developers Limited | - | - | - |
| | (96.43) | (-) | (-) |
| Badarpur Faridabad Tollways Ltd. | - | - | - |
| | (-) | (-) | (-) |
| Vikhroli Corporate Park Pvt. Ltd. | - | - | 3.60 |
| | (-) | (-) | (7.04) |
| Outstanding Receivables | | | |
| Nathpa Jhakri Joint Venture | - | - | - |
| | (-) | (10.99) | (-) |
| Alpine-HCC Joint venture | - | - | - |
| | (-) | (-) | (-) |
| HCC-L & T-Purulia Joint Venture | - | - | - |
| | (-) | (-) | (-) |
| Vikhroli Coporate Park | - | - | - |
| | (-) | (-) | (-) |
| HCC Real Estate Ltd | 340.76 | - | - |
| | (-) | (-) | (-) |
| Dhule Palesner Tollway Ltd. | - | 127.08 | - |
| | (-) | (83.11) | (-) |
| HCC Infrastructure Company Ltd | 676.71 | - | - |
| | (-) | (-) | (-) |
| Others | 187.75 | 11.71 | - |
| | (168.95) | (9.25) | (-) |
| Total | 1,205.22 | 138.79 | 3.60 |
| | (824.42) | (103.35) | (7.04) |
| Outstanding Payables | | | |
| HCC- Pati JV | - | 2.71 | - |
| | (-) | (2.71) | (-) |
| Alpine-Samsung-HCC Joint venture | - | 0.00 | - |
| | (-) | (16.02) | (-) |
| Hincon Holdings Ltd. | - | - | 0.04 |
| | (-) | (-) | (0.90) |
| HCC Real Estate Ltd. | - | - | - |
| | (37.12) | (-) | (-) |
| Baharpore -Farakka Highway Ltd. | 73.05 | - | - |
| | (97.46) | (-) | (-) |

| C. Transactions with Related Parties: (Contd.) | | | |
|---|----------------------|-----------------|-------------------------------|
| Nature of Transactions | Subsidiary Companies | Integrated JV's | ₹ crore Other Related Parties |
| Farakka -Raigamj Highway Ltd. | 118.89 | - | - |
| | (103.54) | (-) | (-) |
| Raiganj-Dalkhola Highways Ltd. | 57.19 | - | - |
| | (71.09) | (-) | (-) |
| Badarpur Faridabad Tollways Ltd. | - | - | - |
| | (-) | (-) | (-) |
| Hincon Finance Ltd. | - | - | - |
| | (-) | (-) | (0.41) |
| Others | 17.91 | - | - |
| | (1.21) | (-) | (4.33) |
| Total | 267.04 | 2.71 | 0.04 |
| | (310.42) | (18.73) | (1.31) |
| Inter Corporate Deposit given / repaid during the year | | | |
| HCC Infrastructure Co Ltd | 762.57 | - | - |
| | (-) | (-) | (-) |
| HCC Real Estate Ltd. | 403.90 | - | - |
| | (159.50) | (-) | (-) |
| Hincon Holdings Ltd. | - | - | 56.76 |
| | (-) | (-) | (18.00) |
| Hincon Finance Ltd. | - | - | 14.10 |
| | (-) | (-) | (18.00) |
| HCC Mauritius Ent Ltd. | - | - | - |
| | (191.01) | (-) | (-) |
| Vikhroli Corporate Park Pvt Ltd. | - | - | - |
| | (-) | (-) | (28.90) |
| HCC Concessions Ltd. | - | - | - |
| | (418.12) | (-) | (-) |
| Others | 54.61 | - | - |
| | (25.54) | (-) | (3.50) |
| Total | 1,221.08 | - | 70.86 |
| | (794.17) | (-) | (50.40) |
| Corporate Guarantees given and outstanding at the end of the year. | | | |
| HCC Real Estate Limited | - | - | - |
| | (-) | (-) | (-) |
| Lavasa Corporation Ltd | 688.69 | - | - |
| | (606.55) | (-) | (-) |
| HCC Mauritius Enterprises Ltd. | 156.52 | - | - |
| | (-) | (-) | (-) |
| HCC Infrastructure Company Ltd. | 300.00 | - | - |
| | (-) | (-) | (-) |
| HCC Concessions Ltd. | 28.26 | - | - |
| | (100.00) | (-) | (-) |
| Others | - | - | - |
| | (124.77) | (-) | (-) |
| Total | 1,173.47 | - | - |
| | (831.32) | (-) | (-) |
| Corporate Guarantees taken and outstanding at the end of the year. | | | |
| HCC Real Estate Limited | 1000.00 | - | - |
| | (1,000.00) | (-) | (-) |
| Total | 1000.00 | - | - |
| | (1,000.00) | (-) | (-) |
| Inter Corporate Deposit taken/ repaid during the year | | | |
| HCC Concessions Ltd | 572.54 | - | - |
| | (-) | (-) | (-) |
| HCC Real Estate Ltd | - | - | - |
| | (310.04) | (-) | (-) |
| Hincon Holdings Ltd | - | - | 55.86 |
| | (-) | (-) | (7.00) |
| Highbar Technologies Ltd | - | - | - |
| | (-) | (-) | (-) |
| HCC Infrastructure Company Ltd | 160.25 | - | - |
| | (-) | (-) | (-) |
| Vikhroli Corporate Park Pvt Ltd. | - | - | - |
| | (-) | (-) | (28.90) |

| C. Transactions with Related Parties: (Contd.) | | | |
|--|----------------------|-----------------|-------------------------------|
| Nature of Transactions | Subsidiary Companies | Integrated JV's | ₹ crore Other Related Parties |
| HCC Mauritius Enterprises Ltd. | - | - | - |
| | (136.68) | (-) | (-) |
| Hincon Finance Ltd | - | - | 13.69 |
| | (-) | (-) | (-) |
| Others | 128.85 | - | - |
| | (18.64) | (-) | (0.75) |
| Total | 861.64 | - | 69.55 |
| | (465.37) | (-) | (36.65) |
| Bank Guarantees given outstanding as at the end of the year | | | |
| Alpine-Samsung-HCC Joint venture | - | 31.35 | - |
| | (-) | (65.25) | (-) |
| Alpine-HCC Joint venture | - | 4.90 | - |
| | (-) | (-) | (-) |
| HCC-L&T Purulia JV | - | - | - |
| | (-) | (22.11) | (-) |
| Baharampore -Farakka Highway Ltd. | 49.94 | - | - |
| | (49.94) | (-) | (-) |
| Farakka -Raiganj Highway Ltd. | 53.94 | - | - |
| | (53.94) | (-) | (-) |
| Raiganj-Dalkhola Highways Ltd. | 29.02 | - | - |
| | (29.02) | (-) | (-) |
| Dhule Palesner Tollway Ltd. | - | - | - |
| | (-) | (25.02) | (-) |
| Others | - | - | - |
| | (-) | (20.95) | (-) |
| Total | 132.90 | 36.25 | - |
| | (132.90) | (133.33) | (-) |
| Sale of Investment during the year | | | |
| Baharampore -Farakka Highway Ltd. | 5.85 | - | - |
| | (-) | (-) | (-) |
| Farakka -Raiganj Highway Ltd. | 6.50 | - | - |
| | (-) | (-) | (-) |
| Raiganj-Dalkhola Highways Ltd. | 6.40 | - | - |
| | (-) | (-) | (-) |
| Pune Paud Toll way Ltd | 5.44 | - | - |
| | (-) | (-) | (-) |
| Nirmal BOT Ltd | - | - | - |
| | (31.50) | (-) | (-) |
| Badarpur Faridabad Tollways Ltd. | - | - | - |
| | (43.86) | (-) | (-) |
| Others | 0.10 | - | - |
| | (-) | (-) | (-) |
| Total | 24.29 | - | - |
| | (75.36) | (-) | (-) |
| Advance consideration received for Sale of shares | | | |
| HCC Concessions Ltd | 26.14 | - | - |
| | (-) | (-) | (-) |
| Total | 26.14 | - | - |
| | (-) | (-) | (-) |

Note: Figures in brackets pertain to previous year.

- D. i) Details of Transactions relating to persons referred to in item (B) above

| Nature of Transactions | As at 31.03.2012 | As at 31.03.2011 |
|--|------------------|------------------|
| | ₹ crore | ₹ crore |
| Remuneration | 12.65 | 10.59 |
| Salary of Ms. Shalaka Gulabchand Dhawan (Daughter of Shri Ajit Gulabchand) | 0.90 | 0.71 |
| Salary of Mr. Arjun Dhawan (Son-In-Law of Shri Ajit Gulabchand) | 2.03 | 1.69 |

- ii) Options granted to Key Management Personnel under Employees' Stock Option Scheme have been doubled pursuant to issuance of Bonus Equity Shares.

**Number of Options
Granted**

As at

As at

31.03.2012

31.03.2011

| | | | |
|------|------------------------|---------|---------|
| i) | Shri K.G. Tendulkar | - | 247,040 |
| ii) | Shri Vinayak Deshpande | - | 387,500 |
| iii) | Shri Praveen Sood | 549,000 | 549,000 |
| iv) | Shri V. P. Kulkarni | 274,400 | 274,400 |

42. (a) Lavasa Corporation Limited a subsidiary, has issued Deep Discount Convertible Debentures (DDCD). Compulsory Convertible Preference Shares (CCPS) convertible into ordinary shares and Non Convertible Debentures(NCD). The particulars, terms of issue as at March 31, 2012 are given below:

- i) Bank of India has subscribed ₹150 crore in the form of Deep Discount Convertible Debentures ("DDCD"). During the previous year the Company had prepaid ₹ 90 crore of DDCD. As on the date of the balance sheet, the Company has ₹ 60 crore of DDCD which carry a coupon of 6% per annum on the subscription amount and have a maximum tenor of 5 years. The investor has an option to convert DDCD into equity shares at anytime within 5 years from the closing date at an equity valuation of ₹ 10,000 crore or at the time of Initial Public Offer (IPO) whichever is earlier. DDCDs are compulsorily convertible at the end of 5 years at an equity valuation of ₹ 10,000 crore. The Investor and HCC have a put /call option respectively to sell / purchase the DDCD at the end of 39th, 48th and 60th month from the closing date.
- ii) Allahabad Bank has subscribed ₹ 50 crore in the form of Deep Discount Convertible Debentures ("DDCD") - Trench 1. This DDCD carry a coupon of 6% per annum on the subscription amount and have a maximum tenor of 5 years. The investor has an option to convert DDCDs into equity shares at anytime within 5 years from the closing date at an equity valuation of ₹ 10,000 crore or at the time of Initial Public Offer (IPO) whichever is earlier. DDCDs are compulsorily convertible at the end of 5 years at an equity valuation of ₹ 10,000 crore. The Investor and HCC have a put /call option respectively to sell / purchase the DDCD at the end of 39th, 48th and 60th month from the closing date. The Bank has decided to exercise put option as per the terms. The Company is in discussion with the Bank to arrive at mutually acceptable proposition.
- iii) IndusInd Bank has subscribed ₹ 50 crore in the form of Deep Discount Convertible Debentures ("DDCD"). This DDCD carry a coupon of 6% per annum on the subscription amount and have a maximum tenor of 5 years. The investor has an option to convert DDCD into equity shares of the Company at anytime within 5 years from the closing date at an equity valuation of ₹ 10,000 crore. The Investor and HCC

have a put/call option respectively to sell / purchase the DDCD at the end of 36th, 48th and 60th month from the closing date.

- iv) Allahabad Bank has subscribed ₹ 50 crore in the form of Deep Discount Convertible Debentures ("DDCD") - Trench 2. This DDCD carry a coupon of 6% per annum on the subscription amount and have a maximum tenor of 5 years. The investor has an option to convert DDCDs into equity shares at anytime within 5 years from the closing date at an equity valuation of ₹ 10,000 crore or at the time of Initial Public Offer (IPO) whichever is earlier. DDCDs are compulsorily convertible at the end of 5 years at an equity valuation of ₹ 10,000 crore. The Investor and HCC have a put /call option respectively to sell / purchase the DDCD at the end of 39th, 48th and 60th month from the closing date.
- v) Jammu & Kashmir Bank Limited had subscribed ₹ 100 crore in the form of Deep Discount Convertible Debentures ("DDCD"). On September 3, 2010, vide supplementary agreement, bank has converted the existing DDCD into 1 (one) Non Convertible Debenture ("NCD") aggregating ₹ 100 crore for the tenor of 5 years. This NCD carry a coupon rate of 10.75% per annum, payable quarterly on subscription amount. The investor and HCC have a put/call option respectively to sell/ purchase the NCD at the end of 39th, 48th and 60th month from the closing date.
- vi) Bank of India has subscribed ₹ 105 crore in the form of 1050 Non Convertible Debentures ("NCD") of face value ₹ 10,00,000 each on November 19, 2010 for the tenor of 3 years. During the year, the coupon rate has been realigned to 6% per annum payable quarterly with a YTM of 12.50% per annum. The investor and HCC have a put/call option respectively to sell/ purchase the NCD at the end of 15th, 24th and 36th month from the closing date.
- vii) Axis Bank has converted ₹ 225 crore of Deep Discount Convertible Debentures ("DDCD") into Non Convertible Debentures ("NCD") with effect from December 30, 2011. These NCD carry a coupon of 9% per annum payable monthly on the subscription value of NCD with a YTM of 17.50% per annum and are to be redeemed on June 24, 2013. These NCD have a put/call option available on June 24, 2013.
- viii) ICICI Bank has converted ₹ 250 crore of Deep Discount Convertible Debentures ("DDCD") into Non Convertible Debentures ("NCD") with effect from January 6, 2012. These NCD carry a coupon of 9% per annum on the subscription value of NCD with a YTM of 16% per annum and are to be redeemed on January 6, 2015. These NCD carry a put/call option which can be exercisable on January 6, 2013, January 6, 2014 and January 6, 2015.

43. Figures for the previous year have been regrouped/recast, wherever necessary.

44. ' * ' represents amount less than ₹ 1,00,000.

As per our report attached
For K.S.AIYAR & CO.
Chartered Accountants
Registration No. 100186W

PRAVEEN SOOD
Group Chief Financial Officer

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

RAMAKRISHNA PRABHU
Vice President Accounts

VITHAL P. KULKARNI
Company Secretary

AJIT GULABCHAND

Chairman & Managing Director

ARUN V. KARAMBELKAR

President & Whole-time Director

Y.H. MALEGAM
K. G. TENDULKAR
RAJAS R. DOSHI
RAM. P. GANDHI
PROF. FRED MOAVENZADEH
D. M. POPAT
SHARAD M. KULKARNI

} *Directors*

Mumbai, Dated April 27, 2012

CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Report

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF HINDUSTAN CONSTRUCTION Company LIMITED, ITS SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

1. We have examined the attached Consolidated Balance Sheet of Hindustan Construction Company Limited., its Subsidiaries, Associates and Integrated Joint Ventures ("The HCC Group") as at March 31, 2012 the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Hindustan Construction Company Limited's Management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain Subsidiaries, Associates and Integrated Joint Ventures, whose financial statements reflect total assets of ₹ 3976.84 crore, Company's share in Revenue of ₹ 4094.39 crore, in Loss of ₹ 30.49 crore and Cash inflows of ₹ 335.49 crore in these financial statements. These financial statements have been audited by other auditors whose report(s) have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the said audited Subsidiaries and Joint Venture & Associates is based solely on the Reports of the other auditors. The financial statements of certain subsidiaries and integrated joint ventures reflecting total assets of ₹ 44.81 crore, share in revenue of ₹ 33.91 crore and share in loss of ₹ 7.13 crore included in these financial statements are unaudited. The consolidated Financial Statements include a provision for estimated share of loss of an Associate of ₹ 2.58 crore as the financial statements for the year ended March 31, 2012 of the said associate are unavailable. We are informed by the management that the consequential impact of the same is not expected to be material.
4. Without qualifying our opinion, we draw attention to:
 - (a) Note no.4.VII of the Notes to Accounts regarding admission of the Company's proposal by CDR Empowered Group for Corporate Debt Restructuring of Company's debt.
 - (b) Note no. 30 (U) of the Notes to Accounts regarding application seeking approval from Central Government for the excess remuneration paid to managerial personnel.
 - (c) Note no. 30 (P) of the Notes to Accounts regarding the costs incurred on production overhead during the period of suspension in Lavasa Corporation Limited (a subsidiary Company), which have been treated as cost of inventory of floor space index for the reasons detailed therein, with consequential impact on the loss for the year of ₹ 92.12 crore.
5. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements', Accounting Standard (AS) 23, 'Accounting for Investments in Associates in Consolidated Financial Statements', and Accounting Standard (AS) 27, 'Financial Reporting of Interest in Joint Ventures', notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended) to the extent applicable and on the basis of the separate audited financial statements of the HCC Group included in the Consolidated financial statements.
6. *Liability, if any, in respect of matters arising from the Order of the Ministry of Environment and Forests, as detailed in Note no. 30(O) of the financial statements, is unascertainable;*
7. *Subject to para no. 6 above, on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the HCC Group, its aforesaid Subsidiaries, Associates and Joint Ventures, we are of the opinion that:*
 - a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the HCC Group as at March 31, 2012;
 - b) The Consolidated Statement of Profit and Loss gives a true and fair view of the consolidated loss of the HCC Group for the year ended on that date; and
 - c) The Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the HCC Group for the year then ended

For K.S. Aiyar & Co
Chartered Accountants
FRN: 100186W

Raghuvir M. Aiyar
Partner
Membership No.38128

Place : Mumbai
Date : April 27, 2012

Consolidated Balance Sheet as at 31st March, 2012

| Particulars | Note No. | 31st March 2012 ₹ crore | 31st March 2011 ₹ crore |
|---|----------|----------------------------|----------------------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) Shareholders' Funds | | | |
| (a) Share Capital | 2 | 60.67 | 60.66 |
| (b) Reserves and Surplus | 3 | 700.21 | 1,133.28 |
| | | <u>760.88</u> | <u>1,193.94</u> |
| (2) Minority Interest | | 339.84 | 176.83 |
| (3) Non-Current Liabilities | | | |
| (a) Long-term Borrowings | 4 | 4,827.07 | 5,065.63 |
| (b) Deferred Tax Liabilities (Net) | 5 | 135.56 | 299.52 |
| (c) Long Term Trade Payable | 6 | 21.12 | 19.55 |
| (d) Other Long Term Liabilities | 7 | 77.04 | 25.20 |
| (e) Long-Term Provisions | 8 | 184.25 | 148.84 |
| | | <u>5,245.05</u> | <u>5,558.74</u> |
| (4) Current Liabilities | | | |
| (a) Short-Term Borrowings | 9 | 2,508.99 | 1,748.92 |
| (b) Trade Payables | 10 | 1,750.26 | 1,391.73 |
| (c) Other Current Liabilities | 11 | 3,787.86 | 3,081.16 |
| (d) Short-Term Provisions | 12 | 80.46 | 168.45 |
| | | <u>8,127.57</u> | <u>6,390.26</u> |
| TOTAL | | <u><u>14,473.34</u></u> | <u><u>13,319.77</u></u> |
| II. ASSETS | | | |
| (1) Non-Current Assets | | | |
| (a) Fixed Assets | 13 | | |
| (i) Tangible Assets | | 1,934.13 | 1,959.63 |
| (ii) Intangible Assets | | 1,297.42 | 1,387.04 |
| (iii) Capital Work-In-Progress | | 2,041.22 | 1,281.96 |
| (b) Non-Current Investments | 14 | 111.75 | 126.51 |
| (c) Long-Term Loans and Advances | 15 | 204.50 | 250.83 |
| (d) Long-Term Trade Receivable | 16 | 642.15 | 461.50 |
| (e) Other Non-Current Assets | 17 | 139.06 | 141.39 |
| | | <u>6,370.23</u> | <u>5,608.86</u> |
| (2) Current Assets | | | |
| (a) Current Investments | 18 | 90.40 | 92.25 |
| (b) Inventories | 19 | 4,884.61 | 4,889.37 |
| (c) Trade Receivables | 20 | 700.30 | 646.04 |
| (d) Cash and Cash Equivalents | 21 | 966.78 | 672.63 |
| (e) Short-Term Loans and Advances | 22 | 1,106.03 | 1,121.74 |
| (f) Other Current Assets | 23 | 354.99 | 288.88 |
| | | <u>8,103.11</u> | <u>7,710.91</u> |
| TOTAL | | <u><u>14,473.34</u></u> | <u><u>13,319.77</u></u> |
| Significant Accounting Policies | 1 | | |
| The accompanying notes including other explanatory information form an integral part of the financial statements. | | | |

As per our report attached
For K.S.AIYAR & CO.
Chartered Accountants
Registration No. 100186W

PRAVEEN SOOD
Group Chief Financial Officer

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

RAMAKRISHNA PRABHU
Vice President Accounts

VITHAL P. KULKARNI
Company Secretary

AJIT GULABCHAND

Chairman & Managing Director

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D. M. POPAT
SHARAD M. KULKARNI

Directors

Mumbai, Dated April 27, 2012

Consolidated Statement of Profit & Loss for the year ended 31st March 2012

| Particulars | Note No. | 31st March 2012 ₹ crore | 31st March 2011 ₹ crore |
|---|----------|-------------------------------|-------------------------------|
| I Revenue from Operations | 24 | 8,157.63 | 7,155.90 |
| II Other Income | 25 | 89.05 | 75.45 |
| III Total Revenue (I + II) | | <u>8,246.68</u> | <u>7,231.35</u> |
| IV Expenses: | | | |
| Cost of Material Consumed | 26 | 81.70 | 35.57 |
| Purchase of Traded Goods | | 58.21 | 24.48 |
| Construction Expenses | 26 (A) | 6,242.71 | 5,276.87 |
| Employee Benefits Expenses | 27 | 950.01 | 797.46 |
| Finance Costs | 28 | 832.52 | 528.02 |
| Depreciation and Amortization Expenses | | 261.79 | 215.69 |
| Other Expenses | 29 | 402.06 | 403.61 |
| Total Expenses | | <u>8,829.00</u> | <u>7,281.70</u> |
| V Profit/ (Loss) Before Exceptional and Extraordinary Items and Tax (III-IV) | | <u>(582.32)</u> | <u>(50.35)</u> |
| VI Exceptional Items | | (166.32) | 119.27 |
| VII Profit/ (Loss) Before Tax (V - VI) | | <u>(748.64)</u> | <u>68.92</u> |
| VIII Tax Expense: | | | |
| Current Tax | | 4.88 | 65.58 |
| Deferred Tax Charge/ (Credit) | | (163.66) | 95.92 |
| Taxation of Earlier Years | | 0.03 | - |
| MAT Credit Entitlement | | - | 58.15 |
| IX Profit/(Loss) Before Minority Interest and Share in Profit / (Loss) of Associates (VII-VIII) | | <u>(589.90)</u> | <u>(34.43)</u> |
| X Less : Minority Adjustments | | 71.69 | 7.68 |
| Add: Share in Profit / (Loss) of Associates | | (3.81) | (11.91) |
| Add : Profit / (Loss) on Sale of Stake in Subsidiaries | | (0.10) | (0.38) |
| Less : Prior Period Adjustment | | - | (13.49) |
| XI Profit / (Loss) for the period from Continuing Operation (IX-X) | | <u>(522.12)</u> | <u>(52.53)</u> |
| XII Profit / (Loss) for the period from Discontinuing Operation | | (7.97) | (12.09) |
| XIII Tax Expenses on Discontinuing Operation | | - | - |
| XIV Profit / (Loss) for the period from Discontinuing Operation After Tax (XII-XIII) | | <u>(7.97)</u> | <u>(12.09)</u> |
| XV Profit / (Loss) for the period (XI+XIV) | | <u>(530.09)</u> | <u>(64.62)</u> |
| Earnings Per Equity Share: | | | |
| (1) Basic | | (8.74) | (1.07) |
| (2) Diluted | | (8.64) | (1.05) |

1

The accompanying notes including other explanatory information form an integral part of the financial statements.

As per our report attached
For K.S.AIYAR & CO.
Chartered Accountants
Registration No. 100186W

PRAVEEN SOOD
Group Chief Financial Officer

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Chairman & Managing Director

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Directors

Mumbai, Dated April 27, 2012

Consolidated Cash Flow Statement for the Year ended 31st March 2012

| | 31st March 2012 ₹ crore | 31st March 2011 ₹ crore |
|--|-------------------------------|-------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before tax and Extraordinary Items | (582.32) | (62.48) |
| Adjustment for: | | |
| Depreciation | 261.79 | 215.69 |
| Interest Expenses | 832.52 | 528.37 |
| Interest & Dividend received | (57.94) | (52.21) |
| Foreign Exchange (Gain) / Loss | (2.43) | (17.18) |
| (Profit) / Loss on Sale of Assets | (10.87) | 4.95 |
| (Profit) / Loss on Sale of Investment | 15.60 | (0.69) |
| Provision for Doubtful Debts | 0.06 | (0.02) |
| Share Issue and Preliminary Expenses Written Off | 4.33 | - |
| | <u>1,043.07</u> | <u>678.91</u> |
| Operating profit before working capital changes | 460.75 | 616.43 |
| Adjustment for: | | |
| Trade & Other receivable | (226.13) | (588.50) |
| Inventories | 4.76 | (1,247.05) |
| Trade Payables | 32.42 | 842.07 |
| Client Advances (Interest Free) | (34.43) | 223.85 |
| | <u>(223.38)</u> | <u>(769.63)</u> |
| Cash generated from operations | 237.38 | (153.20) |
| Direct taxes paid | 1.30 | (134.66) |
| NET CASH FROM OPERATING ACTIVITIES | 238.68 | (287.86) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (1,275.30) | (1,567.33) |
| Sale of fixed assets | 213.98 | 707.29 |
| Minority Interest | 234.70 | 14.61 |
| Sale of investments | (2.91) | 87.77 |
| Interest received | 38.05 | 24.47 |
| Dividend received | 3.05 | 19.71 |
| | <u>(788.43)</u> | <u>(713.48)</u> |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | (788.43) | (713.48) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest paid | (631.68) | (516.71) |
| Proceeds from long term and other borrowings | 1,407.30 | 1,871.47 |
| Share Premium | 114.59 | (51.00) |
| Currency Fluctuation Reserve | (14.61) | 26.42 |
| Debenture Redemption Reserve | (0.42) | 35.04 |
| Capital Reserve on Consolidation | (2.08) | 8.46 |
| Increase in Share Capital | - | 30.34 |
| Dividend Paid | (29.20) | (28.98) |
| | <u>843.90</u> | <u>1,375.04</u> |
| NET CASH FROM FINANCING ACTIVITIES | 843.90 | 1,375.04 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | 294.15 | 373.70 |
| CASH AND CASH EQUIVALENTS AS AT 01/04/2011 (OPENING BAL) | 672.63 | 298.93 |
| UNREALISED FOREIGN EXCHANGE GAIN / (LOSS) | 0.06 | (0.16) |
| CASH AND CASH EQUIVALENT | 966.72 | 672.79 |
| CASH AND CASH EQUIVALENTS AS AT 31/03/2012 (CLOSING BAL) | 966.78 | 672.63 |

Notes : 1. Proceeds from Long Term and Other Borrowings are shown net of repayments.
2. Previous year figures have been regrouped wherever necessary.

As per our report attached
For K.S.AIYAR & CO.
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Registration No. 100186W

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Directors

Mumbai, Dated April 27, 2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2012

1 Significant Accounting Policies

a Basis of Accounting

The Company maintains its accounts on accrual basis following historical cost convention, in accordance with the Indian GAAP. Management makes estimates and technical and other assumptions regarding the amounts of income and expenses, assets and Liabilities and disclosures of contingencies, in accordance with the Generally Accepted Accounting Principles in India in the preparation of the financial statements. Difference between the actual results and estimates are recognised in the period in which they are determined.

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

b Fixed Assets and Intangible Assets

- i) Fixed assets are stated at cost of acquisition including attributable interest & financial costs till the date of acquisition/installation of the assets and improvement thereon less accumulated depreciation / amortisation and accumulated impairment losses if any. Intangible assets comprise of licence fees, other implementation cost for software (ERP) and other application softwares acquired for inhouse use.
- ii) In respect of BOT projects, the Construction Costs including interest and Preliminary expenses incurred during the period has been recognized as an intangible asset, in accordance with Accounting Standard (AS) 26 - "Intangible Assets".
Intangible assets comprises of Toll Collection Rights, trademarks, designs, licence fees, other implementation cost for software (ERP) and other application softwares acquired for inhouse use.
- iii) Toll collection rights are stated at cost less accumulated amortization. Cost is determined with reference to the fair value of construction services provided by the Company in consolidation whereof Toll Collection Right are received by the Consolidated Entity in terms of service concession agreement. Other Intangible assets are stated at cost less accumulated amortization.
- iv) Cost of purchase of land to the extent of 1% in Lavasa Corporation Ltd (LCL) is accounted as fixed assets and remaining is accounted as stock in trade.

c Depreciation / Amortisation

Depreciation on fixed assets is provided:

- i) In respect of buildings and sheds, furniture and office equipments on the written down value method (pro-rata on additions and deletions of the year) at rates prescribed in Schedule XIV of the Companies Act, 1956.
- ii) In case of SAG, the buildings are depreciated on straightline method over the estimated useful life ranging from 30 years to 50 years and furniture and office equipments using depreciation rates between 10% and 33% on straight line method.
- iii) In respect of plant & machinery, heavy vehicles, light vehicles, helicopter, aircraft and speed boat on the straight line method at rates prescribed in Schedule XIV of the Companies Act, 1956 on a pro-rata basis.
- iv) Owner occupied properties at SAG are recognized at acquisition cost less accumulated depreciation and any allowances necessary due to impairment.

- v) In respect of computers depreciation is provided on straight line basis over a period of three years on pro rata basis.
- vi) The depreciation on assets used for construction has been treated as period cost.
- vii) Intangible assets including trademark, designs, software and implementation costs including users licence fees of the Enterprise Resource Planning (ERP) system and other related application software costs are amortised over a period ranging from 5 to 10 years.
- viii) Toll collection rights are amortized on a unit of usage method based on actual traffic for the year and projected profit for the balance concession period expect in respect of collection right held by Pune Paud Toll Road Company Limited where amortization is done on straight line method.
- ix) Fixed Assets includes cost incurred on the lease hold improvements at 247 Park which is being amortised over a period of Nine years.
- x) Software and implementation costs including users licence fees of the Enterprise Resource Planning (ERP) system and other application software costs are amortised over a period of 5 years.

d Investments

- i) Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments.
- ii) Current investments are carried in the financial statements at lower of cost or fair value determined on an individual investment basis. Long-term investments are carried at cost, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

e Employee Benefits

- i) Defined Contribution plan
Contribution to provident fund and superannuation fund is accounted on accrual basis.
- ii) Defined Benefit plan
Gratuity is charged to revenue on the basis of actuarial valuation and in case of daily rated workmen on actual basis computed on tenure of service as at the end of the year.
- iii) Other Benefits
Short term and long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- iv) Accumulated leave which is expected to be utilised within next 12 months, is treated as short term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
- v) The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for the measurement purposes. Such long term compensated absences are provided for based on the actuarial valuations using the projected unit credit method at the year-end.
- vi) The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of the related obligations.
- vii) The post-employment benefit plans of SAG qualify as defined benefit plans under IAS 19. The projected unit credit method is used for the calculation of the net present value of the defined

benefit obligation (DBO). For the purpose of determining the DBO, this method takes account of the years served to date, with an additional unit being added to the DBO each year. For active plan participants, the DBO is thus equal to the net present value of the post-employment defined benefits, taking into account future salary and pension increases as well as the rate of employee turnover. For retirees, the DBO is equal to the net present value of current pensions, taking into account future pension increases. The total DBOs are compared to the fair value of the plan assets. Any surplus is recognised as an asset upto the benefit of the group. Any shortfall is reported in the balance sheet as a liability. Actuarial gains and losses are expensed directly in Profit and Loss account.

f Inventories

- i) The stock of stores, spares and embedded goods and fuel is valued at cost (weighted average basis), or net realisable value whichever is lower.
- ii) Work-in-Progress is valued at the Contract rates and site mobilisation expenditure of incomplete contracts is stated at cost except NJJV and KSHI JV where work in progress is determined at cost in view of policy followed by JV.
- iii) Certain loose plant, tools & service equipments costing below ₹ 5 lacs are valued at proportionate written down value @ 3% p.m. over a period of 32 months.
- iv) Site mobilisation expenses are presented as a deduction from advances from contractees to the extent funded by such advances
- v) In case of Panchkutir Developers Ltd. (Subsidiary Company) Land and construction /development expenses are accumulated under "Project work-in-progress" and the same are valued at cost or net realizable value, whichever is lower.
 - a) Cost of land purchased / acquired by the Company includes purchase / acquisition price plus all direct and indirect expenditure incurred in connection with the purchase of land.
 - b) Construction / development expenditure includes all direct and indirect expenditure incurred on development of land and/or construction at site, overheads relating to site management and administration, less incidental revenues arising from site operations. Indirect expenses will be allocated to the respective items at the time of their completion or capitalization into fixed assets.
- vi) Inventories of Land and Floor Space Index (FSI) - Lavasa
 - a) Cost of land accounted in Stock in trade is treated as (a) Cost of FSI - 95%, (b) Land, stock-in-trade – 5%, both being distinct items of inventory. Cost of Land and FSI are on a weighted average basis along with related purchase / acquisition price plus all direct and indirect expenditure incurred in connection with the purchase of land. Land and FSI are valued at lower of Cost or Net Realizable Value. Land or FSI utilized for own construction is transferred to Fixed Assets at cost.
 - b) Project Work-in-Progress is valued at the contract rates in accordance with Long-term Construction Accounting Standards.
 - c) Where construction of any unit is undertaken for which there are no sales, such inventory is valued at lower of cost or realizable value and is not considered under Long-term Construction for accounting purposes.
 - d) The Stock of Stores, Food and Beverages, Groceries and provision, other guest amenities, information technology material, finished products including traded goods and semi finished goods are stated at lower of cost or net realisable

value. The inventories of raw materials, laboratory materials, other consumables and housekeeping items, medicines, medicare items are stated at cost.

vii) Accounting of Inventories of Real Estate Projects by SAG

Real estate projects are valued based on the lower of the construction cost and the sale price until the project is handed over to the purchaser by means of the transfer of title or the transfer of material risks and rewards. Payments by customers for a specific project are offset against the construction cost as the customers have generally notariably signed the purchase contract. Undeveloped Land (including development costs) and rented properties which are held for sale are valued at the lower of construction costs and net selling price.

g Capital Work in progress

Construction and development expenses includes cost of acquisition of development rights, all direct and indirect expenditure incurred on development of land and / or construction including attributable interest and financial charges, overheads relating to site management and administration, less incidental revenues arising from said construction. On completion of construction of building and commissioning of Plant & Machinery, such assets are capitalized leaving the incomplete work as capital work in progress.

In respect of BOT projects sub contract work done by construction contractors relating to the construction of projects and other direct expenses of the project are included in 'Intangible Assets-Work-in-progress' in term of AS-26, Intangible Assets. All income and expenses earned / incurred prior to the commercial operation of the project have been credited / debited to 'Intangible Assets-Work-in-progress'.

h Provisions, Contingent Liabilities and Contingent Assets.

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised not disclosed in the financial statements.

i Foreign Exchange Translation of Foreign Projects and Accounting of Foreign Exchange Transactions

- i) Current assets and current liabilities are translated at the exchange rate prevailing on the last day of the year.
- ii) Gains or losses arising out of remittance / translations at the year-end are credited / debited to the profit and loss account for the year except in cases where they relate to acquisition of Fixed assets, in which case they are adjusted to the carrying cost of such assets.
- iii) "From the accounting periods commencing on or after December 7, 2006, the Company adjusts exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciated over the remaining life of the asset. Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.
- iv) Foreign exchange transactions are converted into Indian rupees at the prevailing rate on the date of the transaction.
- v) Gains & losses in respect of foreign exchange contracts are recognised as income or expenses over the life of the contract.

j Financial Derivatives & Hedging transactions

Financial derivatives and hedging contracts are accounted on the date of their settlement and realised gain/loss in respect of settled contracts is recognised in the statement of profit & loss along with the underlying transactions.

k Revenue Recognition

i) Accounting of construction contracts

The Company follows percentage completion method, based on the stage of completion at the balance sheet date, taking into account the contractual price and revision thereto by estimating total revenue and total cost till completion of the contract and the profit so determined has been accounted for proportionate to the percentage of the actual work done. Contract price in respect of service concession agreements is considered as equivalent to the fair value of construction services provided by the Company in terms of the agreement.

Revenue is recognised as follows;

- a. In case of item rate contracts, on the basis of physical measurement of work actually completed, at the balance sheet date.
- b. In case of lumpsum Contracts, revenue is recognised on the completion of milestones as specified in the contract or as identified by the Management.

Foreseeable losses are accounted for as and when they are determined except to the extent they are expected to be recovered through claims presented or to be presented to the customer or in arbitration.

Claims are accounted as income in the year of receipt of arbitration award or acceptance by client or evidence of acceptance received.

ii) Revenue from Software Service contracts

Revenue from software development on fixed price, fixed time frame contracts, including system development and integration contracts, where there is no uncertainty as to measurement or collectability is recognised as per percentage of completion method. Revenue from last billing date to the balance sheet date is recognised as unbilled revenue.

- iii) Time and material contract is recognised as and when the related services are provided.
- iv) Annual maintenance service contracts are recognised proportionately over the period in which the services are rendered.
- v) Revenue for sale of user licence for software application is recognised on the transfer of title/products.
- vi) HCC Real Estate Ltd. (Subsidiary Company) being a developer will recognize its revenue from real estate in consonance with the principles laid down by Accounting Standard for Revenue Recognition, upon commencement of selling / leasing operations.
- vii) Income from BOT contract is recognised on accrual basis
- viii) Comprehensive Urban Development and Management - Lavasa

a. Sale of Land and FSI

"Revenues are recognized in the year in which the agreement to lease is executed. Income from land sales (including on a long term lease basis) is recognized on the transfer of all significant risks and rewards of ownership to the buyers and a reasonable expectation of collection of the sale consideration from the buyers exists."

Exchange of parcels of land against other parcels of land is not treated as sale but is adjusted in the land account.

b. Project Construction Work

The Company follows the percentage completion method, on the basis of physical measurement of work actually completed at the balance sheet date, taking into account the contractual price and revision thereto by estimating total revenue and total cost to the completion of the contract

and the profit so determined is accounted for proportionate to the percentage of the actual work done. Foreseeable losses are accounted for as and when they are determined. Revenue from sales of constructed units other than under long term construction contracts are recognized on execution of transfer agreements.

c. Project Management Consultancy Fees

Revenue from Project Management Consultancy Fees is recognized on accrual basis, as per the Agreements based on the progress of Construction work.

d. The revenue from sale of goods is recognised on delivery of the materials to the customers in accordance with the terms of the contract. Revenue from installation services is recognised as and when the service is rendered.

e. Revenue from other services are recognised when services are rendered.

ix) Income from lease rentals

Lease rentals are accounted on accrual basis in accordance with respective lease agreements.

x) a. Revenue accounting by SAG from Total / General Contracting:

1) Long-term contracts for the construction of third-party real-estate are accounted for using the percentage of completion (POC) method, whereby external and internal costs and estimated profits are taken into account. The degree of completion is determined on the basis of the cost incurred for own work performed and the costs from invoices received relating to the construction as recorded in the accounts (the cost-to-cost method).

2) Contract costs are recognized as an expense in the period in which they are incurred. Contracts and groups of contracts for which the degree of completion or the outcome cannot be reliably estimated are capitalized only to the extent of the amount of the contract costs that are likely to be recoverable. Anticipated losses from construction contracts are covered in full by valuation allowances. In accounting for contracts in progress, contractual revenue comprises the contractually agreed revenue and amendments / variations and claims that have been confirmed by the customer or for which payment is considered highly probable.

b. Revenue from real estate development business at SAG:

Revenue from the sale of real estate projects is realized on the transfer of title or the transfer of material risks and rewards to the purchaser. However, if significant construction work related to the sale still has to be carried out after the transfer of title, neither this revenue nor the revenue from the sale will be recognized until this work has been completed.

c. Revenue in respect of real estate investor projects

Revenue and profits of SAG are accounted for in respect of real estate investors project using percentage of completion by considering development and construction as a single component.

xi) Accounting of supply contracts

Revenue from supply contracts is recognised when the substantial risks and rewards of ownership is transferred to the buyer.

xii) Receivables / Prepayments from GC - Projects

Customer contracts in progress are shown as an asset in the balance sheet under "Receivables from GC projects, net" or as the liabilities side under "prepayments on GC Projects, net". If the prepayments received from the customer exceed the project receivables, these are shown under liabilities, otherwise, these are shown under assets.

l Taxation

The tax expense comprises of current tax & deferred tax charged or credited to the profit and loss account for the year. Current tax is calculated in accordance with the tax laws applicable to the current financial year. The deferred tax charge or credit is recognised using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. Where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. At each balance sheet date, recognised and unrecognised deferred tax assets are reviewed.

m Borrowing costs

Borrowing costs (less any income on the temporary investments of those borrowings) that are directly attributable to qualifying asset / project work-in-progress are charged over such qualifying asset / work-in-progress balance is charged to statement of profit and loss.

n Miscellaneous Expenditure

Miscellaneous expenditure includes preoperative / preliminary expenses are charged off in the year they are incurred as per Accounting Standard (AS) 26 - "Intangible Assets".

o Leases

Assets acquired under lease where the significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and lease rentals are charged to the statement of profit & loss on accrual basis.

p Impairment of Assets

The Company makes an assessment of any indicator that may lead to impairment of assets on an annual basis. An asset is treated as an impaired when the carrying cost of the asset exceeds its recoverable value, which is higher of net selling price and value in use. Any impairment loss is charged to profit and loss account in the year in which it is identified as impaired.

q Goodwill Amortisation

Goodwill arising on consolidation is tested for impairment as at the reporting date and impairment, if any, is written off.

Investments held by a subsidiary viz. Western Securities Ltd. in HCC is eliminated and resultant goodwill is recognized in the consolidated financial statements.

Any goodwill connected with the associate is included in the carrying amount of the investment and not depreciated.

r Employees Stock Option Plan

In respect of the stock options granted pursuant to the Company's Stock Option Scheme, market value of the Company's shares as on the grant date was equal to the par value of the options granted, hence no accounting entries as per ESOP Guidelines are required to be made.

s Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and cash in hand. The Company considers all highly liquid investments with an original maturity of three months or less from date of purchase, to be cash equivalents.

Notes forming part of the Balance Sheet

| Particular | 31st March 2012 (₹ in crore) | 31st March 2011 (₹ in crore) |
|--|------------------------------------|------------------------------------|
| 2 SHARE CAPITAL | | |
| (a) Authorised | | |
| 90,00,00,000 Equity Shares of ₹ 1 each (Previous Year 90,00,00,000 Equity Shares of ₹ 1 each) | 90.00 | 90.00 |
| 1,00,00,000 9.5% Cumulative Preference Shares of ₹ 10 each (Previous Year 1,00,00,000 9.5% Redeemable Shares of ₹ 10 each) | 10.00 | 10.00 |
| | <u>100.00</u> | <u>100.00</u> |
| (b) Issued | | |
| Equity Share Capital | | |
| 60,66,10,420 Equity Shares of ₹ 1 each (Previous 60,65,32,920 Equity Shares of ₹ 1 each) | 60.66 | 60.66 |
| Total | <u>60.66</u> | <u>60.66</u> |
| (c) Subscribed And Paid Up | | |
| Equity Share Capital | | |
| 60,65,32,920 Equity Shares of ₹ 1 each (Previous Year 60,65,32,920 Equity Shares of ₹ 1 each) | 60.66 | 60.65 |
| Add: Forfeited Shares | 0.01 | 0.01 |
| Total | <u>60.67</u> | <u>60.66</u> |

i) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares :

| | | | |
|--|-------|-------------|-------------|
| Number of Shares outstanding at the Beginning of the year: | Qty | 606,532,920 | 303,249,600 |
| | Value | 60.66 | 30.32 |
| Add: Further issue during the period | | | |
| Bonus shares | Qty | | 303,256,460 |
| | Value | | 30.33 |
| Issued and allotted | Qty | 77,500 | 26,860 |
| | Value | 0.01 | 0.00 |
| Number of Shares outstanding at the End of the year: | Qty | 606,610,420 | 606,532,920 |
| | Value | 60.67 | 60.66 |

Note: * represents amount less than ₹ 100000.

ii) Terms/rights attached to shares:

The Company has only one class of equity shares having a par of value of ₹ 1 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company,

after distribution of all preferential amounts. The distribution will be in proportion to the no. of equity shares held by the shareholder.

| | | |
|---|----------------------|----------------------|
| iii) Shareholding of more than 5%: | As at 31.03.2012 | As at 31.03.2011 |
| Name of the Shareholder | % held No. of shares | % held No. of shares |
| Hincon Holdings Ltd. | 33.09% 200,703,600 | 33.09% 200,703,600 |
| HSBC Global Investment Funds Mauritius Ltd. | 8.27% 50,174,601 | 8.27% 50,174,601 |
| Hincon Finance Ltd. | 6.32% 38,365,500 | 6.32% 38,365,500 |
| Siwa Holding Ltd. | 5.95% 36,082,151 | 2.37% 14,365,841 |

iv) Shares reserved for issue under options :

There are 64,62,960 (previous year 70,97,500) stock options outstanding convertible into 64,62,960 (previous year 70,97,500) equity shares of ₹ 1 each, the same are convertible at an exercise price of ₹ 52.03 per share.

During the year 77500 (previous year 20,000 at an exercise price of ₹ 52.03 and 6,860 at an exercise price of ₹ 104.05) Options were converted into 77,500 (previous year 26,860) Equity shares of ₹ 1 each at an Exercise price of ₹ 21.70 per share. There were 5,57,040 (previous year 948,500) stock options that got lapsed during the current year.

v) Employees Stock Option Scheme:

The ESOP Compensation Committee of the Company at its Meeting held on August 12, 2010 has decided to double the number of employee stock options (vested and unvested but not exercised and in-force as on the Record Date i.e. August 11, 2010) and halved the exercise price on account of issuance and allotment of Bonus Equity Shares in the proportion of 1:1.

Accordingly, 35,53,760 employee stock options in-force granted by the Company on April 25, 2008 have been doubled i.e. 71,07,520 and the exercise price in respect of the same has been halved i.e. it has been reduced from ₹ 104.05 to ₹ 52.03 and 1,93,750 employee stock options granted by the Company on October 23, 2008 have been doubled i.e. 3,87,500 and the exercise price in respect of the same has been halved i.e. it has been reduced from ₹ 43.40 to ₹ 21.70.

| | |
|-----------------|---|
| vi) Settlement | Through Equity Shares. |
| vii) Settlement | 48,64,730. Options shall not be vested before the expiry of 1 year and not after 4 years from the date of grant of Options. |

| | |
|--|---------|
| Outstanding at the beginning of the year | 7097500 |
| Granted during the year | NIL |
| Additional Options granted on account of Bonus issue | 0 |
| Forfeited during the year | NIL |
| Exercised during the year | 77500 |
| Expired / cancelled during the year | 557040 |
| Outstanding at the end of the year | 6462960 |
| Exercisable at the end of the year | NIL |

viii) Bonus Shares/ Buy Back/Shares for consideration other than cash issued during past five years

- Aggregate number and class of shares allotted as fully paid up pursuant to contracts without payment being received in cash Nil
- Aggregate number and class of shares allotted as fully paid up by way of Bonus Shares 30,32,56,460 Equity Shares were issued as fully paid Bonus Shares by capitalisation of Securities Premium Reserve on August 12, 2010.

- (iii) Aggregate number and class of shares bought back
Nil
- ix) Pursuant to Bonus Issue of Equity Shares in the proportion to 1:1, outstanding 95,146 Global Depository Shares(outstanding as of Record Date i.e. August 11, 2010) have increased to 1,90,292. Out of the total Global Depository Shares(GDR) issued 1,20,720 GDR's are outstanding as on 31st March 2012.

3 Reserves and Surplus

| | | |
|---|----------|----------|
| 3.1 Capital Reserves ; | 15.19 | 15.19 |
| 3.2 Capital Reserve on Consolidation | 6.38 | 8.46 |
| 3.3 Currency Fluctuation Reserve | (5.37) | 9.24 |
| 3.4 Capital Redemption Reserve - Opening Balance | 21.61 | 21.61 |
| Add : Addition During The Period | - | - |
| | 21.61 | 21.61 |
| 3.5 Securities Premium Reserve - Opening Balance | 888.70 | 956.81 |
| Add : Addition During The Period | 114.59 | 0.17 |
| | 1,003.29 | 956.98 |
| Less: Provision for Premium on FCCB redemption (net of tax) | - | 37.86 |
| Less: Adjustment of Deferred Tax Assets created on QIP issue Expenses | - | 0.09 |
| Less: Utilised for issue of Bonus shares | - | 30.33 |
| | 1,003.29 | 888.70 |
| 3.6 Debenture Redemption Reserve | 65.88 | 30.83 |
| Add : Addition During The Period | 16.25 | 39.21 |
| | 82.13 | 70.04 |
| Less: Transfer to Profit and Loss Account | 16.67 | 4.16 |
| | 65.46 | 65.88 |
| 3.7 Forfeited Debenture Account | 0.02 | 0.02 |
| 3.8 General Reserve | 180.24 | 170.24 |
| Add : Addition During The Period | - | 10.00 |
| | 180.24 | 180.24 |
| 3.9 Surplus | | |
| Add: Balance brought forward from last period / year | (56.06) | 82.08 |
| Balance carried forward from Profit and Loss Account | (530.09) | (64.62) |
| Less: Profit of Subsidiaries sold during the year | - | - |
| Add: Transfer from Debenture Redemption Reserve | 16.67 | 4.17 |
| Amount available for appropriation | (569.48) | 21.63 |
| Less : Appropriations | | |
| a) Proposed Dividend | 0.87 | 24.26 |
| b) Tax on Proposed Dividend | - | 4.21 |
| c) General Reserve | - | 10.00 |
| c) Debenture Redemption Reserve | 16.25 | 39.22 |
| | (586.60) | (56.06) |
| Less: Utilised for issue of Bonus shares | - | (56.06) |
| Balance carried forward | - | (56.06) |
| | 700.21 | 1,133.28 |

4 Long-Term Borrowings

4.1 Secured Loans

(a) Debentures

- (i) 225 (Two Hundred Twenty Five) (Previous Year 225) 3.52% Secured Deep Discount Convertible Debentures having face value of ₹ 3,87,40,00,000 (Previous Year ₹ 3,87,40,00,000) Secured By Charge Created by English Mortgage Deed on Land Of Lavasa Project admeasuring .26 Hectors

- (ii) 6 (Six) (Previous Year 6) 6% Secured Deep Discount Convertible Debentures having total face value of ₹ 93,96,60,918 (Previous Year ₹ 93,96,60,918) Secured By Charge Created by English Mortgage Deed on Land of Lavasa Project admeasuring 1 Acre. 79.85 71.84
- (iii) 1 (One) (Previous Year 1) 6% Secured Deep Discount Convertible Debenture having face value of ₹ 78,30,50,765 (Previous year ₹ 78,30,50,765) Secured By Charge Created by English Mortgage Deed on Land of Lavasa Project admeasuring 1 Acre. 64.99 58.58
- (iv) 1 (One) (Previous Year 1) 6% Secured Deep Discount Convertible Debenture having face value of ₹ 70,84,03,784 Secured By Charge Created by English Mortgage Deed on Land Of Lavasa Project admeasuring 1 Acre. 56.54 52.19
- (v) 1 (One) (Previous Year 1) 6% Secured Deep Discount Convertible Debenture having face value of ₹ 74,93,72,799 Secured By Charge Created by English Mortgage Deed on Land Of Lavasa Project admeasuring 1 Acre. 61.69 56.93
- (vi) 10 (Ten) (Previous Year 10) 6% Secured Deep Discount Convertible Debenture having face value of ₹ 3,53,40,36,929 Secured By Charge Created by English Mortgage Deed on Land Of Lavasa Project admeasuring 1 Acre. - 257.31
- (vii) 1 (One) (Previous Year 1) 10.75% Non Convertible Debenture having face value of ₹ 1,00,00,00,000 Secured By Charge Created by English Mortgage Deed on Land situated at village Dhamanhol Tal Mulshi admeasuring 1 Acre. 100.00 100.00
- (viii) 1050 (One Thousand and Fifty) (Previous Year 1050) 12.50% Non Convertible Debenture having total face value of ₹ 1,05,00,00,000 Secured By Charge Created by English Mortgage Deed on Land of Lavasa Project admeasuring 1 Acre. 105.00 105.00
- (ix) 50 (Fifty) (Previous year Nil) 16% Non Convertible Debentures having total face value of ₹ 2,50,00,00,000 (Previous year ₹ Nil) Secured By Charge Created by English Mortgage Deed on 747 acres of land of the Company. 250.00 -
- (x) 225 (Two Hundred Twenty Five) (Previous Year Nil) 17.50 % Non Convertible Debentures having total face value of ₹ 2,25,00,00,000 (Previous year ₹ Nil) Secured By Charge Created by English Mortgage Deed on Land of Lavasa Project admeasuring 1 Acre. 225.00 -
- (xi) 15.50% 1200 Non-Convertible Debentures having a face value of ₹ 10,00,000 each aggregating ₹ 120 crore are to be redeemed at the end of three years from the date of allotment, i.e. December 28, 2011. 120.00 -
- (xii) 2760 (Two Thousand Seven Hundred Sixty) (Previous Year 2760) 9.38% Rated Taxable Redeemable Non Convertible Debentures of ₹ 985,144,298 subscribed by Life Insurance Corporation of India 256.30 263.25

| | | | |
|------------|--|----------|----------|
| (xiii) | 11.10% Non-Convertible Debentures Secured by first charge by way of hypothecation of specific immovable and movable properties as specified in first and second schedule of the trust deed executed on August 27, 2008 and Schedule II of Memorandum of Hypothecation dated March 28, 2011 in favour of IDBI Trusteeship Services Ltd. (ITSL), the trustees to the debenture holders. These debentures having a face value of ₹ 10,00,000 each aggregating ₹ 100 crore are to be redeemed in four equal installments at the end of 4th, 5th, 6th and 7th year from the date of allotment ie. August 5, 2008. | 75.00 | 100.00 |
| (b) | Term loans from banks | | |
| (i) | Rupee loans | 2,213.30 | 1,941.61 |
| (ii) | Foreign currency loans | 182.57 | 2,395.88 |
| (c) | From others | | |
| | NBFC | 277.51 | 69.75 |
| | Total (4.1) | 4,067.75 | 3,711.51 |
| 4.2 | Unsecured Loans | | |
| (i) | Rupee loans | 523.50 | 1,192.69 |
| (ii) | Foreign currency loans | 50.87 | 44.61 |
| (iii) | Preference share Capital | | |
| | 2,50,00,000, 0.001% Compulsorily Convertible Preference Shares of ₹ 10 each | - | 25.00 |
| | 6%Compulsorily Convertible Preference Shares of ₹ 10 each | 14.85 | 22.70 |
| (iv) | Loans and Advances to Related Parties | 170.10 | 69.13 |
| | Total (4.2) | 759.32 | 1,354.13 |
| | Total (4.1+4.2) | 4,827.07 | 5,065.63 |
| 4.3 | Other Informations- | | |

Privately Placed Non Convertible Debentures

- (i) The Company has issued Deep Discount Convertible Debentures (DDCD) & Compulsory Convertible Preference Shares (CCPS) convertible into ordinary shares. The particulars, terms of issue as at March 31, 2012 are given below:
- (ii) Bank of India has subscribed ₹ 150 crore in the form of Deep Discount Convertible Debentures ("DDCD"). During the previous year the Company had prepaid ₹ 90 crore of subscribed value of DDCD. As on the date of the balance sheet, the Company has ₹ 60 crore of DDCD which carry a coupon of 6% per annum on the subscription amount and have a maximum tenor of 5 years. The investor has an option to convert DDCD into equity shares at anytime within 5 years from the closing date at an equity valuation of ₹ 10,000 crore or at the time of Initial Public Offer (IPO) whichever is earlier. DDCCDs are compulsorily convertible at the end of 5 years at an equity valuation of ₹ 10,000 crore. The Investor and HCC have a put /call option respectively to sell / purchase the DDCCD at the end of 39th, 48th and 60th month from the closing date.
- (iii) Allahabad Bank has subscribed ₹ 50 crore in the form of Deep Discount Convertible Debentures ("DDCD") – Tranche 1. This DDCCD carry a coupon of 6% per annum on the subscription amount and have a maximum tenor of 5 years. The investor has an option to convert DDCCDs into equity shares at anytime within 5 years from the closing

date at an equity valuation of ₹ 10,000 crore or at the time of Initial Public Offer (IPO) whichever is earlier. DDCCDs are compulsorily convertible at the end of 5 years at an equity valuation of ₹ 10,000 crore. The Investor and HCC have a put /call option respectively to sell / purchase the DDCCD at the end of 39th, 48th and 60th month from the closing date.

- (iv) IndusInd Bank has subscribed ₹ 50 crore in the form of Deep Discount Convertible Debentures ("DDCD"). This DDCCD carry a coupon of 6% per annum on the subscription amount and have a maximum tenor of 5 years. The investor has an option to convert DDCCD into equity shares of the Company at anytime within 5 years from the closing date at an equity valuation of ₹ 10,000 crore. The Investor and HCC have a put/call option respectively to sell / purchase the DDCCD at the end of 36th, 48th and 60th month from the closing date.
- (v) Allahabad Bank has subscribed ₹ 50 crore in the form of Deep Discount Convertible Debentures ("DDCD") – Tranche 2. This DDCCD carry a coupon of 6% per annum on the subscription amount and have a maximum tenor of 5 years. The investor has an option to convert DDCCDs into equity shares at anytime within 5 years from the closing date at an equity valuation of ₹ 10,000 crore or at the time of Initial Public Offer (IPO) whichever is earlier. DDCCDs are compulsorily convertible at the end of 5 years at an equity valuation of ₹ 10,000 crore. The Investor and HCC have a put /call option respectively to sell / purchase the DDCCD at the end of 39th, 48th and 60th month from the closing date.
- (vi) The Company has issued Non Convertible Debentures (NCD). The particulars, terms of issue as at March 31, 2012 are given below:
 - 1) Jammu & Kashmir Bank Limited had subscribed ₹ 100 crore in the form of Deep Discount Convertible Debentures ("DDCD"). On 3rd September 2010, vide supplementary agreement, bank has converted the existing DDCCD into 1 (one) Non Convertible Debenture ("NCD") aggregating ₹ 100 crore for the tenor of 5 years. This NCD carry a coupon rate of 10.75% per annum, payable quarterly on subscription amount. The investor and HCC have a put/call option respectively to sell/ purchase the NCD at the end of 39th, 48th and 60th month from the closing date.
 - 2) ICICI Bank has converted ₹ 250 crore of Deep Discount Convertible Debentures ("DDCD") into Non Convertible Debentures ("NCD") with effect from January 6, 2012. These NCD carry a coupon of 9% per annum on the subscription value of NCD with a YTM of 16% per annum and are to be redeemed on January 6, 2015. These NCD carry a put/call option which can be exercisable on January 6, 2013, January 6, 2014 and January 6, 2015.
 - 3) Bank of India has subscribed ₹ 105 crore in the form of 1050 Non Convertible Debentures ("NCD") of face value ₹ 10,00,000 each on November 19, 2010 for the tenor of 3 years. During the year, the coupon rate has been realigned to 6% per annum payable quarterly with a YTM of 12.50% per annum. The investor and HCC have a put/call option respectively to sell/ purchase the NCD at the end of 15th, 24th and 36th month from the closing date.
 - 4) Axis Bank has converted ₹ 225 crore of Deep Discount Convertible Debentures ("DDCD") into Non Convertible Debentures ("NCD") with effect from December 30, 2011. These NCD carry a coupon of 9% per annum payable monthly on the subscription value

- of NCD with a YTM of 17.50% per annum and are to be redeemed on June 24, 2013. These NCD have a put/call option available on June 24, 2013.
- 5 15.50% Non-Convertible Debentures Secured by exclusive first charge on specific marketable immovable assets of Lavasa Corporation Ltd., which is free from any encumbrances and charges, any restriction from Govt bodies /Department/ MOEF on creating mortgage, as specified in the subscription agreement executed on December 28, 2011 in favour of Axis Trustee Services Limited, the trustees to the debenture holders. These debentures having a face value of ₹ 10,00,000 each aggregating ₹ 120 crore are to be redeemed at the end of three years from the date of allotment, i.e. December 28, 2011.
 - 6 2760 (Two Thousand Seven Hundred Sixty) (Previous Year 2760I) 9.38% Rated Taxable Redeemable Non Convertible Debentures of ₹ 985,144,298 each redeemable semi annually starting from November 18, 2010 and ending on May 18, 2026. Debentures are Secured By way of first and exclusive charge on all the assets as defined in Concession Agreement. The land is under lien by way of mortgage to Axis Trustee Services Limited by way of charge dated December 16, 2010 for Debenture issue of ₹ 276 crore subscribed by Life Insurance Corporation of India
 - 7 11.10% Non-convertible debentures: Secured by first charge by way of hypothecation of Company's specific plant and machineries as specified in first and second schedule of the trust deed executed on August 27, 2008 and Schedule II of Memorandum of Hypothecation dated March 28, 2011 in favour of IDBI Trusteeship Services Ltd.(ITSL), the trustees to the debenture holders. These debentures having a face value of ₹ 10,00,000 each aggregating ₹ 100 crore are to be redeemed in four equal installments at the end of 4th, 5th, 6th and 7th year from the date of allotment i.e. August 5, 2008.

4.4 Term Loans From Banks

Hindustan Construction Company Limited

(a) Banks:

1. **Axis Bank**
Secured by first charge by way of hypothecation of specific plant and machineries and heavy vehicles as specified in the schedule annexed to the loan agreement executed on September 29, 2008.
2. **IDBI Bank**
Secured by way of a) Second charge on all the movable assets of the Company as on March 31, 2008 and b) First charge on one Flat located at "Greater Kailash – II" New Delhi – 110048.
3. **Bank of Baroda**
Secured by first charge by way of hypothecation of specific plant and machineries movable properties as described in the second schedule of the Composite Hypothecation agreement of loan executed on May 18, 2009.
4. **Development Bank of Singapore**
Secured by first charge by way of hypothecation of plant and machineries and heavy vehicles acquired under the facility as described in schedule I(2) to the deed of hypothecation executed on April 29, 2010.
5. **Standard Chartered Bank**
Secured by first charge by way of hypothecation of plant and machineries acquired under the facility as described in the first schedule to the memorandum of hypothecation executed on November 10, 2009.

6. Bank of Maharashtra

Secured by first charge by way of hypothecation of specific plant and machineries in favour of the Bank as described in the fourth schedule of the deed of hypothecation executed on December 26, 2007.

7. Export Import Bank of India

- i) ₹ 75 crore-Secured by first pari passu charge by way of hypothecation of plant and machineries acquired under the facility as described in the third schedule to the deed of hypothecation executed on June 23, 2010.
- ii) ₹ 105 crore-Secured by (a) first charge on plant and machineries of the Company as specified in schedule III of the deed of hypothecation of movable fixed assets executed by the Company on July 23, 2010 and (b) An appropriate charge over the Tunnel Boring Machine including accessories of a subcontractor as specified in schedule I of the deed of hypothecation executed by a subcontractor on July 23, 2010 in favour of EXIM Bank. There are two loan of ₹ 84 and ₹ 21 crore @ 9% and 9.25% respectively.

8. Export Import Bank of India

₹ 50 crore-The loan is at fixed interest @ 11% p.a. and is repayable in 2 equal quarterly instalments of ₹ 25 crore each. The security on the said loan is yet to be created.

9. State Bank of Travancore Term Loan

Secured by a first charge by way of hypothecation of a pool of specific plant, machinery, tools and accessories acquired / to be acquired by the Company as specified in schedule II of the deed of hypothecation executed in favour of the Bank on February 15, 2007 and deed of hypothecation executed on March 23, 2009.

10. Export Import Bank of India

Secured by (a) first, pari passu charge on plant and machineries of the Company, as specified in schedule V of the Deed of hypothecation executed on September 27, 2010 ; (b) An undertaking for pledge of 50,05,000 of equity shares held by the Company in the share capital of HCC Mauritius Enterprises Ltd. in favour of EXIM Bank; (c) An undertaking by HCC Mauritius Enterprises Ltd. for non- disposal of its shareholding in Steiner AG, Switzerland.

11. Toronto Dominion LLC

Secured by way of first priority mortgage and security interest to and in favor of Wilmington Trust Company (the "Security Trustee") on one (1) Hawker model 4000 airframe bearing manufacture's serial number RC-26 together with two installed model PW308 engines more particularly described under Clause No. 2.1 as per the Aircraft Charge Agreement executed on January 6, 2011.

12. SREI Equipment Finance Private Limited

Secured by first charge by way of hypothecation of specific movable assets as described in the annexure to schedule VIII of the loan agreement executed on February 3, 2010 (for disbursement of ₹ 25 crore), on March 2, 2010 (for disbursement of ₹ 50 crore) and on May 16, 2011 (for disbursement of ₹ 45 crore).

II Term Loan - Steiner AG

Secured by first charge by way of a mortgage on land in favour of Basell and schaftliche Kantonalbank (Project "Vista Nobile"; CHF 7.77 Mill.)

III Lavasa Corporation Ltd

Secured By Charge Created by English Mortgage Deed on Land Of Lavasa Project admeasuring 6,881.62 Acres (Previous

Year 6,881.62 Acres), and premises, buildings constructed or to be constructed thereon. All present & future moveable assets. Secured by way of first exclusive hypothecation charge on all movable & immovable, fixed assets and current assets both present and future and corporate guarantee of HCC Ltd.

IV Loan of Raiganj Dhalkola Highway Limited, Farakka Raiganj Highway Limited and Bharampor Farakka Highway Limited

Secured by way of pari-passu first charge on all assets both present and future excluding the projects assets as defined in the concession Agreement and Pledge of 51% shareholding of promoters.

V Loan of Badarpur Faridabad Highway Limited

Secured by way of pari-passu first charge on all assets both present and future excluding the projects assets as defined in the concession Agreement and Pledge of 33% shareholding of promoters.

VI Loan of HCC Concession Ltd

Term Loan is Secured by way of first charge on all specific moveable assets of the Company as specified in Schedule II of the deed of hypothecation executed in favour of SREI equipment Finance Private Limited on March 29, 2011 b) Corporate Guarantee given by the ultimate holding Company Hindustan Construction Compnay Limited.)

VII The Board of Directors in its meeting held on March 9, 2012 had decided to approach the banks through the Corporate Debt Restructuring (CDR) process for the restructuring of the Company's debt. The CDR Empowered Group (CDR EG) in its meeting held on March 29, 2012 admitted the Company's proposal under the CDR. The final debt restructuring proposal is under consideration.

Disclosure in relation to Derivative instruments For hedging Foreign Currency risk for secured loans:

| | Number of contracts | ₹ crore |
|-----------------------|---------------------|------------------|
| i) Options | 7.00 (6.00) | 24.36 (27.45) |
| ii) Forward Contracts | - (0.00) | - NIL |

(Note: Figures in bracket pertain to previous year).

Foreign Currency exposure not hedged as on March 31, 2012 is ₹ 291.67 crore (previous year ₹ 319.89 crore).

5 Deferred Tax Liabilities (Net)

Deferred Tax liability for the period ended March 31, 2012 has been provided on the estimated tax computation for the year.

Major components of deferred tax assets and liabilities arising on account of timing differences are:

| | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|-------------------------------|--------------------------------|--------------------------------|
| Deferred Tax Liability | | |
| Depreciation | 32.41 | 76.08 |
| Claims/Arbitration Awards | 374.82 | 263.98 |
| Others | 9.09 | 12.33 |
| Deferred Tax Asset | | |
| Unabsorbed loss | (153.20) | (40.50) |
| Others | (127.55) | (12.37) |
| TOTAL | 135.56 | 299.52 |

6 Long Term Trade Payable

| | | |
|----------------|--------------|--------------|
| Trade Payables | 21.12 | 19.55 |
| | 21.12 | 19.55 |

7 Other Long Term Liabilities

| | | |
|------------------------------|------|------|
| 7.1 Tax Payable | 0.14 | 0.06 |
| 7.2 Dues to Employees | 0.05 | 0.14 |
| 7.3 Advances from Contractee | 3.13 | 3.08 |

| | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|--------------------------------|--------------------------------|
| 7.4 Other Payable | 38.91 | 18.37 |
| 7.5 Interest Accrued but not due | 8.17 | 1.50 |
| 7.6 Retention Money | 26.64 | 2.05 |
| | 77.04 | 25.20 |
| 8 Long-term provisions | | |
| 8.1 Provision for Gratuity | 39.99 | 53.35 |
| 8.2 Provision for Warranty | 96.65 | 69.95 |
| 8.3 Provision for Leave encashment | 17.59 | 3.12 |
| 8.4 Provision for Periodic Maintenance | 8.38 | 4.64 |
| 8.5 Other Provision | 21.64 | 17.77 |
| | 184.25 | 148.84 |
| 9 Short-term borrowings | | |
| 9.1 Loans repayable on Demand | | |
| 1 Secured | | |
| From Banks | | |
| Cash Credit | 1,065.53 | 511.38 |
| Rupee Term Loan | 175.00 | 271.50 |
| Buyers Credit | 125.01 | 76.73 |
| 2 Unsecured | | |
| i) From Banks | | |
| Commercial Paper | 135.00 | 200.00 |
| Rupee Term Loan | 370.00 | 425.00 |
| Buyers Credit | 38.78 | 36.94 |
| ii) From Other | | |
| NBFC | 150.00 | 226.00 |
| 9.2 Loans and advances from related parties. | 349.67 | 1.37 |
| Other Loans & Advances | 100.00 | - |
| | 2,508.99 | 1,748.92 |

- First charge on all current assets of the Company and Third/Residual charge on all moveable properties (including moveable plant and machinery, machinery spares, tools and accessories (excluding current assets) of the Company in favour of 3i-Infotech Trusteeship Services Ltd. ("Security Trustee") ranking on pari pasu basis amongst participating banks upto the limit of ₹ 5300 crore (Rupees Five Thousand Three Hundred Crore Only).
- Corporate Guarantee of HCC Real Estate Ltd to the extent of fund based limits of ₹ 1000 crore (Rupees One Thousand Crore Only).
- The existing mortgage and charge on the immovable properties i.e. Land & Building at village Tara, District Raigad of the Borrower for collaterally securing the working capital facilities shall continue to remain as security for working capital facilities to upto the limit ₹ 4300 crore (Rupees Four Thousand Three Hundred Crore Only)"

1. Cash Credit Limits

"Secured by way of:

- First charge on all current assets of the Company and Third/Residual charge on all moveable properties (including moveable plant and machinery, machinery spares, tools and accessories (excluding current assets) of the Company in favour of 3i-Infotech Trusteeship Services Ltd. ("Security Trustee") ranking on pari passu basis amongst participating banks upto the limit of ₹ 5300 crore (Rupees Five Thousand Three Hundred Crore Only).
- Corporate Guarantee of HCC Real Estate Ltd to the extent of fund based limits of ₹ 1000 crore (Rupees One Thousand Crore Only).
- The existing mortgage and charge on the immovable properties i.e. Land & Building at village Tara, District Raigad of the Borrower for collaterally securing the working capital facilities shall continue to remain as

security for working capital facilities too upto the limit of ₹ 4300 crore (Rupees Four Thousand Three Hundred Crore Only)."

The cash credit is repayable on demand and carries interest within the range of 13.50% to 14.50% p.a.

2. Punjab National Bank

Short term loan is secured by way of subservient charge on the current assets of the Company as on present and future.

3. IDBI Bank

First Charge on Current Assets & third charge on Moveable Assets .

4. Union Bank of India

The charge on the bank from Union Bank is yet to be created.

5. Standard Chartered Bank

First charge on current assets and third charge on fixed assets and corporate guarantee from HREL for ₹ 1000 crore.

| | | | |
|------|---------------------------------------|-----------------|-----------------|
| 10 | Trade Payable | 1,750.26 | 1,391.73 |
| | | <u>1,750.26</u> | <u>1,391.73</u> |
| 11 | Other current liabilities | | |
| 11.1 | Current maturities of long-term debt; | 1,427.56 | 541.78 |

| | | | |
|-------|---------------------------------------|-----------------|-----------------|
| 11.2 | Interest accrued but not due on Loans | 59.59 | 38.35 |
| 11.3 | Interest accrued and due on Loans | 177.06 | 4.13 |
| 11.4 | Unpaid dividends | 1.12 | 0.99 |
| 11.5 | Advances from Contractee | 1,033.49 | 1,067.97 |
| 11.6 | Other Creditors Payable | 973.87 | 1,025.98 |
| 11.7 | Advance Against Stores Material | - | 50.54 |
| 11.8 | Tax Payable | 20.23 | 18.51 |
| 11.9 | Due to Employees | 29.70 | 30.74 |
| 11.10 | Statutory Dues payable incl retetnion | 4.42 | 54.09 |
| 11.11 | Dues to Related parties | 60.81 | 104.15 |
| 11.12 | Booking Advance | - | 68.10 |
| 11.13 | Dues to Customer | - | <u>75.83</u> |
| | | <u>3,787.86</u> | <u>3,081.16</u> |
| 12 | Short-term provisions | | |
| 12.1 | Provison for Warranty | 44.05 | 36.71 |
| 12.2 | Provision for Capital Work | - | 30.89 |
| 12.3 | Leave Encashment and Sick leave | - | 0.51 |
| 12.4 | Other Provision | 25.72 | 65.46 |
| 12.5 | Provison for Gratuity | 10.69 | 6.42 |
| 12.6 | Proposed Dividend | - | 24.26 |
| 12.7 | Tax on Proposed Dividend | - | <u>4.20</u> |
| | | <u>80.46</u> | <u>168.45</u> |

Note No.13 - FIXED ASSETS

(₹ in crore)

| Particulars | GROSS BLOCK | | | | | DEPRECIATION | | | | | NET BLOCK | |
|---|----------------------|-----------------------|-------------------------------|---------------|-----------------------|---------------------|------------------------------|---------------|---------------|----------------------|-----------------------|-----------------------|
| | As at 1st April 2011 | Additions during year | Foreign Currency Fluctua-tion | Deduc-tion | As at 31st March 2012 | Upto 1st April 2011 | Foreign Currency Fluctuation | For The year | Deduc-tion | Upto 31st March 2012 | As at 31st March 2012 | As at 31st March 2011 |
| Tangible Assets | | | | | | | | | | | | |
| Freehold Land (Book Value) | 53.18 | 1.46 | - | - | 54.64 | 19.05 | - | 0.15 | - | 19.20 | 35.44 | 34.13 |
| Leasehold premises | 19.24 | 2.08 | - | - | 21.32 | 1.41 | - | 2.10 | - | 3.51 | 17.81 | 17.83 |
| Buildings & Sheds | 694.38 | 5.46 | - | 18.77 | 681.07 | 63.92 | - | 34.10 | 5.78 | 92.24 | 588.83 | 630.46 |
| Plant & Machinery | 1,642.51 | 86.69 | 20.21 | 61.00 | 1,688.41 | 649.03 | - | 138.51 | 36.55 | 750.99 | 937.42 | 993.48 |
| Biological Assets | 2.52 | | | 0.01 | 2.51 | 0.15 | - | 0.11 | - | 0.26 | 2.25 | 2.37 |
| Furniture and Fixtures and office equipment | 50.84 | 91.00 | 2.34 | 6.42 | 137.76 | 45.35 | 1.80 | 12.54 | 6.07 | 53.62 | 84.14 | 5.49 |
| Heavy Vehicles | 172.73 | 13.49 | 0.01 | 0.51 | 185.72 | 69.70 | - | 20.84 | 0.41 | 90.13 | 95.59 | 103.03 |
| Light Vehicles | 38.95 | 3.37 | 0.29 | 1.43 | 41.18 | 16.58 | 0.26 | 3.58 | 0.93 | 19.49 | 21.69 | 22.37 |
| Helicopter / Aircraft | 156.27 | 0.24 | 10.15 | - | 166.66 | 16.09 | - | 9.32 | - | 25.41 | 141.25 | 140.18 |
| Speed Boat | 4.14 | 1.45 | - | - | 5.59 | 1.06 | - | 0.14 | - | 1.20 | 4.39 | 3.08 |
| Computers | 42.24 | 1.93 | 1.16 | 1.00 | 44.33 | 35.03 | 1.17 | 3.61 | 0.79 | 39.02 | 5.31 | 7.21 |
| Total Tangible Assets | 2,877.00 | 207.18 | 34.16 | 89.14 | 3,029.20 | 917.37 | 3.23 | 225.00 | 50.53 | 1,095.07 | 1,934.13 | 1,959.63 |
| Intangible Assets | | | | | | | | | | | | |
| Toll Collection Right | 1,314.00 | 126.83 | - | 164.40 | 1,276.43 | 59.72 | - | 60.59 | - | 120.31 | 1,156.12 | 1,254.28 |
| Goodwill | 125.99 | 8.07 | - | - | 134.06 | - | - | - | - | - | 134.06 | 125.99 |
| Patents, Trade Mark & Others | - | 0.13 | - | - | 0.13 | - | - | 0.12 | - | 0.12 | 0.1 | - |
| Computer Software | 17.60 | 4.53 | 1.22 | 0.10 | 23.25 | 10.83 | 0.76 | 4.42 | | 16.01 | 7.24 | 6.77 |
| Total Intangible Assets | 1,457.59 | 139.56 | 1.22 | 164.50 | 1,433.87 | 70.55 | 0.76 | 65.13 | - | 136.44 | 1,297.42 | 1,387.04 |
| Total Fixed Assets | 4,334.59 | 346.73 | 35.38 | 253.64 | 4,463.06 | 987.92 | 3.99 | 290.13 | 50.53 | 1,231.51 | 3,231.55 | 3,346.67 |
| Total Previous Year | 3,571.41 | 1,542.75 | 38.36 | 817.93 | 4,334.59 | 731.58 | 20.32 | 341.16 | 105.14 | 987.92 | 3,346.67 | 2,839.83 |
| Less: Transferred to project WIP | | | | | | | | | 28.36 | | | |
| Depreciation as per Profit & Loss Account | | | | | | | | | 261.77 | | | |
| Capital Work in Progress | | | | | | | | | | | 2,041.20 | 1,281.96 |

14 Non-current investments

Trade Investments, Unquoted :-

| | | |
|---|-------|-------|
| 14.1 Investments in Properties | 1.62 | 1.49 |
| 14.2 Investment In Associate Companies: | | |
| (i) Bona Sera Hotels Limited | 0.22 | 0.67 |
| 29,022 (Previous year - 29,022) Equity shares of ₹ 10 each Fully Paid up | | |
| (ii) SOL Hospitality Limited | 0.14 | 0.14 |
| 13,878 (Previous year - 13,878) Equity shares of ₹ 10 each Fully Paid up | | |
| (iii) Palmetto Hospitality Limited | 0.00* | 0.01 |
| 13,000 (Previous year - 13,000) Equity shares of ₹ 10 each Fully Paid up | | |
| (iv) Knowledge Vistas Limited | 9.81 | 12.39 |
| (Formerly GDST-Oxford International School Limited) | | |
| 2,18,253 (Previous year - 2,18,253) Equity shares of ₹ 10 each Fully Paid up | | |
| (v) Ecomotel Hotel Limited | 0.00* | 1.62 |
| 44,673 (Previous year - 44,673) Equity shares of ₹10 each Fully Paid up | | |
| (vi) Verzon Hospitality Limited | 0.11 | 0.01 |
| 14,054 (Previous year - 13,000) Equity shares of ₹10 each Fully Paid up | | |
| (vii) Warasgaon Lakeview Hotels Limited (Formerly Lavasa Star Hotel Limited) | 4.90 | 5.71 |
| 62133 (Previous year - 72,133) Equity shares of ₹ 10 each Fully Paid up | | |
| (viii) Hincon Finance Limited | 0.12 | 0.12 |
| 1,20,000 (Previous year - 1,20,000) Equity shares of ₹ 10 each Fully Paid up | | |
| (ix) Evostate AG | 10.35 | 8.42 |
| (x) Vikhroli Corporate Park Pvt. Ltd | 0.20 | - |
| 2,00,000 (Previous year 200,000) Equity Shares of ₹ 10 each fully paid | | |
| (xi) Projektentwicklungsges. Parking AG | 0.96 | 0.94 |
| (xii) Betriebsges. Kongresshaus Zürich AG | 0.16 | 0.13 |
| 30 Equity Shares of CHF 1'000.00 each fully paid Quoted | | |
| 14.3 Other non-current investments | | |
| (i) Walchand Co-op. Housing Society Ltd. | 0.00* | 0.00* |
| 5 Equity Shares of ₹ 50 each fully paid | | |

14 Non-current investments (Contd)

| | | |
|--|-------|-------|
| (ii) Shushrusha Citizens Co-Op. Hospitals Ltd. | 0.00* | 0.00* |
| 100 Equity Shares of ₹ 100 each fully paid | | |
| (iii) Housing Development Finance Corporation Ltd. | 0.01 | 0.00* |
| 15,220 Equity Shares of ₹ 2 each fully paid | | |
| (Previous year 3,044 Equity Shares of ₹ 10 each fully paid) | | |
| (iv) HDFC Bank Ltd. | 0.00* | 0.00* |
| 2500 Equity Shares of ₹ 10 each fully paid | | |
| (v) Khandwala Securities Ltd. | 0.00* | 0.00* |
| 3,332 Equity Shares of ₹ 10 each fully paid | | |
| (vi) Jyoti Ltd | - | 12.00 |
| 12,00,000 Equity Shares of ₹ 10 each fully paid | | |
| (vii) Olmero AG | 0.11 | 0.09 |
| 1'512 Equity Shares of CHF 10.00 each fully paid | | |
| (viii) Mobimo Holding AG | 0.54 | 0.49 |
| 720 Equity Shares of CHF 29.00 each fully paid, Quoted | | |
| (ix) Goldbach Media AG | 0.02 | - |
| 6'000 Equity Shares of CHF 1.25 each Fully paid, Quoted | | |
| (x) Neue Aargauer Bank AG | 0.00* | 0.00* |
| 1 Equity Shares of CHF 50.00 each fully paid, Quoted | | |
| (xi) Radio-und Fernsehgenosse- nchaft Zürich-SH | 0.00* | 0.00* |
| Zürich-Schaffhausen, 50 Anteilscheine | | |
| (xii) Opernhaus Zürich AG | 0.05 | 0.04 |
| 10 Equity Shares of CHF 900.00 each fully paid | | |
| (xiii) Genossenschaft Theater für den Kt. | 0.00* | 0.00* |
| Zürich, 300 Anteilscheine | | |
| (xiv) MCH Group AG | 0.43 | 0.40 |
| 2'100 Equity Shares of CHF 10.00 each fully paid, Quoted | | |
| (xv) AG Hallenstadion Zürich | 0.05 | - |
| 10 Equity Shares of CHF 100.00 each fully paid | | |
| (xvi) MTZ Medizinischcs Therapiezentrum | 0.27 | 0.22 |
| Heilbad St. Moritz AG, 50 Equity Shares | | |

14 Non-current investments (Contd)

| | | |
|---|-------|-------|
| (xvii) Space Theme Park India Limited 50,000 (Previous year - 50,000) Equity shares of ₹ 10 each Fully Paid up | 0.04 | 0.04 |
| (xviii) 52000 (P.Y.52,000) equity shares of Hindustan Construction Company Ltd | 0.02 | - |
| 14.4 Investments in Equity Instruments | | |
| (i) Punjab National Bank Limited 943 (Previous year - 943) Equity Shares of ₹ 10 each | 0.04 | 0.04 |
| (ii) Hubtown Limited (Formerly Akruti City Limited) 10 (Previous year - 10) Equity Shares of ₹ 10 each | 0.00* | 0.00* |
| (iii) Ansal Housing & Construction Limited 10 (Previous year - 10) Equity Shares of ₹ 10 each | 0.00* | 0.00* |
| (iv) Ansal Properties & Infra Limited 10 (Previous year - 10) Equity Shares of ₹ 5 each | 0.00* | 0.00* |
| (v) Ashiana Housing Limited 35 (Previous year - 35) Equity Shares of ₹ 10 each | 0.00* | 0.00* |
| (vi) DLF Limited 10 (Previous year - 10) Equity Shares of ₹ 2 each | 0.00* | 0.00* |
| (vii) D S Kulkarni Developers Limited 10 (Previous year - 10) Equity Shares of ₹ 10 each | 0.00* | 0.00* |
| (viii) HDIL 12 (Previous year - 12) Equity Shares of ₹ 10 each | 0.00* | 0.00* |
| (ix) Indiabulls Real Estate Limited 10 (Previous year - 10) Equity Shares of ₹ 10 each (Company received 29 shares of India Bulls Infra & Power Limited pursuant to demerger of Indiabulls Real Estate Limited) | 0.00* | 0.00* |
| (x) Mahindra Lifestyle limited (Formerly Mahindra Gesco Limited) 10 (Previous year - 10) Equity Shares of ₹ 10 each | 0.00* | 0.00* |
| (xi) Orbit Corporation Limited 20 (Previous year - 10) Equity Shares of ₹ 10 each | 0.00* | 0.00* |
| (xii) Parshwanath Developers Limited 20 (Previous year - 10) Equity Shares of ₹ 10 each | 0.00* | 0.00* |
| (xiii) Peninsula Land Limited 50 (Previous year - 50) Equity Shares of ₹ 2 each | 0.00* | 0.00* |

14 Non-current investments (Contd)

| | | |
|---|-------------------------|-------------------------------------|
| (xiv) Shoba Developers Limited 10 (Previous year - 10) Equity Shares of ₹ 10 each | 0.00* | 0.00* |
| (xv) Unitech Limited 10 (Previous year - 10) Equity Shares of ₹ 2 each | 0.00* | - |
| 14.5 Investment in Debentures | | |
| Vikhroli Corporate Park Private Limited | | |
| a) 17.91% Optionally Fully Convertible Debentures Series I of ₹ 100000 each | 49.04 | 49.04 |
| b) 18% Optionally Fully Convertible Debentures Series II of ₹ 100000 each | 24.32 | 24.32 |
| c) 0% Optionally Fully Convertible Debentures Series II of ₹ 100000 each | 8.21 | 8.21 |
| | <u>111.75</u> | <u>126.51</u> |
| Details: | | |
| | 2011-12 | 2010-11 |
| 1. Aggregate of Investments: | Cost ₹ crore | Market Value ₹ crore |
| i) Quoted Investments | 0.05 | 1.25 |
| ii) Unquoted Investments | 111.70 | - |
| Total | <u>111.75</u> | <u>1.25</u> |
| | <u>126.51</u> | <u>12.31</u> |
| Note: * represents amount less than ₹100000 | | |
| 15 Long-term loans and advances | | |
| 15.1 Capital Advances | 4.01 | 73.52 |
| 15.2 Security Deposits and Others | 67.18 | 91.54 |
| 15.3 Loans and advances to related parties unsecured considered good | 112.51 | 81.34 |
| 15.4 Advances recoverable in cash or kind unsecured considered good | 20.80 | 4.43 |
| | <u>204.50</u> | <u>250.83</u> |
| 16 Long Term Trade Receivable | | |
| Trade Receivable net of Workbill Receipt | 642.15 | 461.50 |
| | <u>642.15</u> | <u>461.50</u> |
| During the current year, the Hon'able High Court of Calcutta while upholding the substantial part of the Award of ₹ 148.67 crore disallowed some portion including interest there on amounting to ₹ 35.50 crore. The Company has contested the same in the Supreme Court. Hence no provision is considered necessary. Residual charge over identified receivable of ₹ 626.16 crore has been created in favour of Yes Bank Ltd. in respect of loan availed by HCC Infrastructure Ltd. | | |
| 17 Other non-current assets | | |
| 17.1 Non Current Bank Balance | 39.98 | 26.28 |
| 17.2 Pension Assets | 40.28 | 55.07 |
| 17.3 Capitalised Earn-out from sale of Sogelym-Steiner | 58.80 | 60.04 |
| | <u>139.06</u> | <u>141.39</u> |

| | | | | | |
|---|----------|----------|---|--------------------|--------------------|
| 18 Current Investments | | | 23 Other current assets | | |
| Investments in Mutual Funds; | | | 23.1 Interest accrued | 22.69 | 5.86 |
| (i) Birla Sunlife Mutual Funds | 14.05 | 47.14 | 23.2 Claims received from NHAI | - | 14.03 |
| (ii) PNB Principal Prudential Mutual Fund | - | 0.25 | 23.3 Others | 332.30 | 268.99 |
| (iii) IDFC money Manager Fund-Treasury Plan | 14.68 | 10.08 | | 354.99 | 288.88 |
| (iv) JP Morgan India Liquid Funds | 24.47 | - | | For the Year Ended | For the Year Ended |
| (v) ICICI Prudential Mutual Funds | 37.20 | 34.78 | | 31st March 2012 | 31st March 2011 |
| | 90.40 | 92.25 | | (₹ in crore) | (₹ in crore) |
| 19 Inventories | | | 24 Revenue from Operations : | | |
| 19.1 Stores and spares; | 334.01 | 276.28 | Sale of Services | | |
| 19.2 Fuel at cost | 11.66 | 10.78 | 24.1 Construction and Project related revenue | 7,796.52 | 6,843.84 |
| 19.3 Land and FSI development Right | 765.04 | 710.34 | 24.2 Land Sales | - | 82.42 |
| 19.4 Material in transit | 1.03 | 2.20 | 24.3 Project Advisory /Management / Development Services | 85.95 | 9.82 |
| 19.5 Uncompleted Contracts and value of Work Done | 3,833.30 | 4,177.66 | 24.4 Toll Collection and Annuity-BOT Projects | 3.07 | 61.45 |
| Less: Advances Received against workbill | 60.43 | 287.89 | 24.4 Other Operating Income | 13.19 | 59.44 |
| Total | 4,884.61 | 4,889.37 | 24.5 Sale of Product | 258.89 | 98.93 |
| 20 Trade Receivables | | | | 8,157.63 | 7,155.90 |
| 20.1 Unsecured considered good; | | | 25 Other income : | | |
| Outstanding over Six Months | 129.90 | 171.69 | 25.1 Interest Income | 54.89 | 44.17 |
| Other | 570.40 | 474.35 | 25.2 On Fixed Deposit | - | 0.93 |
| | 700.30 | 646.04 | 25.3 Exchange Gain | 2.43 | 9.29 |
| 21 Cash and cash equivalents | | | 25.4 Dividend Income; | 3.05 | 11.38 |
| 21.1 Balances with banks; | | | 25.5 Profit on Sale of Assets (Net) | 17.05 | 0.09 |
| (i) Current account in Indian Rupees | 202.11 | 165.50 | 25.6 Miscellaneous Income | 11.02 | 3.65 |
| Current account in Foreign Currency | 371.38 | 182.77 | 25.7 Earlier years provision no longer required | 0.62 | 5.94 |
| (ii) On Deposit with Bank | 34.42 | 70.29 | | 89.05 | 75.45 |
| (iii) On Earmark Balance held as margin money | 337.54 | 170.41 | Expenses : | | |
| 21.2 Cheques on hand | 3.39 | 26.62 | 26 Cost of Material Consumed | | |
| 21.3 Cash on hand | 1.96 | 2.48 | Stock at Commencement | 27.61 | 0.76 |
| 21.4 Unpaid Dividend | 1.12 | 0.99 | Add: Purchases | 75.88 | 62.68 |
| 21.5 Bank Deposit more than 3 months less than 12 months | 14.85 | 53.57 | | 103.49 | 63.44 |
| | 966.78 | 672.63 | Less: Scrap and Unserviceables Sold | 2.51 | 0.26 |
| 22 Short-term loans and advances | | | | 100.98 | 63.18 |
| Unsecured, considered good; | | | Less: Stock at Close | 19.28 | 27.61 |
| 22.1 Advances to Related Parties | 28.27 | 48.38 | | 81.70 | 35.57 |
| 22.2 Advances recoverable in cash or kind or for value to be received | 695.96 | 687.46 | 26 (A) Construction Expenses | | |
| 22.3 Earnest Money Deposit | 17.48 | 23.73 | Construction Material Consumed: | | |
| 22.4 Advances for Land purchases | 43.73 | 47.36 | Stock at Commencement | 340.02 | 2,625.43 |
| 22.5 Advances to supplier | 30.38 | 20.18 | Add: Purchases | 4,237.84 | 1,171.45 |
| 22.6 Advance payment of Tax net of provision | 290.21 | 294.63 | | 4,577.86 | 3,796.88 |
| | 1,106.03 | 1,121.74 | Less: Scrap and Unserviceables Sold | 135.47 | 25.93 |
| | | | | 4,442.39 | 3,770.95 |
| | | | Less: Stock at close | 311.07 | 246.55 |
| | | | | 4,131.32 | 3,524.40 |
| | | | Subcontracting Expenses | 1,544.81 | 1,400.87 |
| | | | Change in Inventories of Finished Goods, Work in Progress | 179.38 | (27.32) |

| | For the Year Ended 31st March 2012 (₹ in crore) | For the Year Ended 31st March 2011 (₹ in crore) |
|---|---|---|
| Power & Fuel | 304.27 | 263.93 |
| Land purchased and Development Expenses | 35.60 | 58.29 |
| Repairs to Machinery | 14.27 | 22.96 |
| Rent | 24.71 | 22.95 |
| Water Charges | 8.35 | 10.79 |
| | <u>6,242.71</u> | <u>5,276.87</u> |
| 27 Employee Benefits Expense | | |
| Salaries and Wages | 836.20 | 695.86 |
| Contribution / provisions to and for provident, Grauity and Other funds | 59.17 | 45.25 |
| Staff Welfare Expenses | 54.64 | 56.35 |
| | <u>950.01</u> | <u>797.46</u> |
| 28 Finance Costs | | |
| Interest Expenses | 983.13 | 532.25 |
| Other Borrowing Cost | 19.06 | 4.85 |
| Applicable net gain/loss on foreign currency transactions and translation | 0.50 | (8.39) |
| Less Interest Capitalised | (170.17) | (0.69) |
| | <u>832.52</u> | <u>528.02</u> |
| 29 Other Expenses | | |
| Stationery, Postage, Telephone & Advertisement | 46.86 | 45.92 |
| Travelling and Conveyance | 19.26 | 30.58 |
| Rent, rates and Taxes | 54.95 | 54.44 |
| Insurance | 7.43 | 7.56 |
| Professional Charges | 86.71 | 121.38 |
| Repairs and Maintenance | 28.10 | 27.85 |
| Directors Fees | 0.25 | 0.22 |
| Selling and Marketing Expenses | 72.94 | 65.87 |
| Share of Loss of Partnership Firm | - | 8.42 |
| Auditor's Remuneration | | |
| Audit fees | 2.18 | 2.85 |
| Tax Audit Fees | 0.63 | 0.19 |
| For Review and Certification Work | 1.22 | 0.81 |
| For Reimbursement out of Pocket Expenses | 0.06 | 0.03 |
| Miscellaneous Expenses | 37.40 | 22.55 |
| Share Issue and Preliminary Expenses Written Off | 4.33 | - |
| Loss on Sale of investment / Provision for Future Loss | 15.60 | - |
| Computer Maintenance & Development Expenses | 8.22 | 6.63 |
| Donations | - | 3.08 |
| Provision for Doubtful Advances | 0.06 | (0.02) |
| Conversion / Translation Difference | 9.67 | 0.21 |
| Loss on Sale of Assets (net) | 6.18 | 5.04 |
| | <u>402.06</u> | <u>403.61</u> |

30 Notes to Accounts:

A Criteria For Preparation Of Consolidated Financial Statements

Hindustan Construction Company Ltd. (HCC Ltd.) has prepared the consolidated financial statements to provide the financial information of its activities along with its Subsidiaries & Joint Ventures as a single entity. They are collectively referred as "Group" herein.

The consolidated financial statements are prepared by:

- Consolidating its accounts with financial statements of its Subsidiaries and Integrated Joint Ventures.
- Applying the equity method of accounting for its investee companies in which it holds between 20 and 50 percent of the equity share capital.
- Financial statements of Integrated (i.e. Profit / Loss sharing) Joint Ventures are consolidated to the extent of HCC and subsidiaries share in Joint Venture.
- Foreign subsidiaries financials are prepared in compliance with the local laws and applicable Accounting Standards, are restated as per Indian Generally Accepted Accounting Principles (IGAAP) for the purpose of consolidation taking into account local laws, if any.
- Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding. Recognizing this purpose, the Company has disclosed only such Notes from the individual financial statements, which fairly present the needed disclosures.

B Method of Consolidation

The consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 - "Consolidated Financial Statements", Accounting Standard (AS) 27 - "Financial Reporting of Interest in Joint Ventures" and Accounting Standard (AS) 23 - "Accounting for Investments in Associates in Consolidated Financial Statements" -, issued by the Institute of Chartered Accountants of India.

The year-end balances and the common transactions with the Subsidiaries are eliminated in full, whereas in the case of Joint Ventures these transactions are eliminated to the extent of HCC and its subsidiaries share in Joint Ventures.

In case of BOT contracts, revenue relatable to construction services rendered in connection with Build-Operate-Transfer (BOT) projects undertaken by the group is recognised during the period of construction using percentage of completion method. Revenue relatable to toll collections of such projects from users of facilities are accounted when the amount is due and recovery is certain.

C Group companies included for consolidation

- The details of Joint Ventures along with share of interest included in consolidation is given hereunder:

| Name of Ventures | Name of the Ventures' Partners | Method of accounting | Share of Interest |
|--|--|----------------------|-------------------|
| HCC-L&T Purulia Joint Venture | Larsen & Toubro Ltd. | % completion | 57.00% |
| HCC-Pati Joint Venture | Pati Sendirian, Berhad | % completion | 50.00% |
| Nathpa Jhakri Joint Venture | Impregilio-Spa, Italy | completed contract | 40.00% |
| Kumagai-Skanska HCC-Itochu Group Joint Venture | Skanska, Kumagai, Itochu | completed contract | 19.60% |
| Alpine - Samsung - HCC Joint Venture | Alpine Meyreder Bau, Samsung Corporation | % completion | 33.00% |
| Alpine - HCC Joint Venture | Alpine Meyreder Bau | % completion | 49.00% |

| | | | |
|---------------------------------|---|--------------|--------|
| Dhule Palesnar Tollway Limited* | John Laing Investment Ltd, John Laing Investments Mauritius (No.1) Ltd., Sadbhav Engg Ltd, Sadbhav Infrastructure Project Ltd | % completion | 37.00% |
|---------------------------------|---|--------------|--------|

* HCC Ltd. holds 26% and HCC Infrastructure Ltd holds 11% in this Joint Venture, therefore, 37% total is considered for consolidation of accounts.

Each of the above Joint Ventures are incorporated in India. In respect of Joint Ventures the Company along with other JV partners is jointly & severally responsible for performance of the contracts.

- b List of Subsidiaries and Associates Companies included in consolidation and the Parent Company's holding are as under:

| Name of the Subsidiary | Country of Incorporation | % Holding | Nature of Relationship |
|--------------------------------------|--------------------------|-----------|--|
| Western Securities Ltd. | India | 97.87% | Subsidiary |
| Hincon Technoconsult Ltd | India | 100% | Subsidiary |
| Pune Paud Toll Road Company Ltd. | India | 100% | Subsidiary of HREL (w.e.f. 09.03.2012) |
| HCC Real Estate Ltd. (HREL) | India | 100% | Subsidiary |
| HCC Singapore Enterprises Pte Ltd | Singapore | 100% | Subsidiary |
| HCC Mauritius Enterprises Ltd (HMEL) | Mauritius | 100% | Subsidiary |
| HCC Aviation Ltd | India | 100% | Subsidiary of HREL (w.e.f. 09.03.2012) |
| HCC Concessions Ltd | India | 85.45% | Subsidiary of HIL |
| HCC Infrastructure Company Ltd | India | 100% | Subsidiary |
| Panchkurir Developers Ltd. | India | 100% | Subsidiary |
| Badarpur Faridabad Tollways Ltd | India | 100% | Subsidiary of HCC Concessions Ltd |
| HCC Construction Ltd | India | 100% | Subsidiary |
| Highbar Technologies Ltd (HTL) | India | 100% | Subsidiary |
| Baharampore-Farakka Highways Ltd | India | 100% | Subsidiary of HCC Concessions Ltd |
| Farakka-Raiganj Highways Ltd | India | 100% | Subsidiary of HCC Concessions Ltd |
| Raiganj-Dalkhola Highways Ltd | India | 100% | Subsidiary of HCC Concessions Ltd |
| Nirmal BOT Ltd | India | 100% | Subsidiary of HCC Concessions Ltd |
| Lavasa Corporation Ltd. (Lavasa) | India | 67% | Subsidiary of HREL |
| HREL (Thane) Real Estate Ltd. | India | 100% | Subsidiary of HREL |
| HREL Township Developers Ltd. | India | 100% | Subsidiary of HREL |
| Maan Township Developers Ltd. | India | 100% | Subsidiary of HREL |
| Nashik Township Developers Ltd. | India | 100% | Subsidiary of HREL |
| Charosa Wineries Ltd | India | 100% | Subsidiary of HREL |
| Powai Real Estate Developers Ltd. | India | 100% | Subsidiary of HREL |
| HCC Realty Ltd | India | 100% | Subsidiary of HREL |
| Steiner AG | Switzerland | 66% | Subsidiary of HMEL |

| Name of the Subsidiary | Country of Incorporation | % Holding | Nature of Relationship |
|---|--------------------------|-----------|--------------------------|
| Klemanor Investments Ltd ** | Cyprus | 100% | Subsidiary of HMEL |
| Steiner Promotion et Participations SA | Switzerland | 66% | Subsidiary of Steiner AG |
| Steiner (Deutschland) GmbH | Germany | 66% | Subsidiary of Steiner AG |
| VM+ST AG | Germany | 66% | Subsidiary of Steiner AG |
| Steiner Léman SAS | France | 66% | Subsidiary of Steiner AG |
| SNC Valleiry Route de Bloux | France | 66% | Subsidiary of Steiner AG |
| Eurohotel SA | Switzerland | 62.70% | Subsidiary of Steiner AG |
| Steiner India Ltd. | India | 66% | Subsidiary of Steiner AG |
| Lavasa Hotel Ltd | India | 100% | Subsidiary of Lavasa |
| Apollo Lavasa Health Corporation Ltd | India | 65.34% | Subsidiary of Lavasa |
| Ecomotel Hotel Ltd (upto 1st Sept 10) | India | 26% | Associates of Lavasa |
| Dasve Business Hotels Ltd | India | 100% | Subsidiary of Lavasa |
| Dasve Conventional Center Ltd | India | 100% | Subsidiary of Lavasa |
| Lakeshore Watersports Co. Ltd | India | 100% | Subsidiary of Lavasa |
| Dasve Hospitality Institutes Ltd | India | 100% | Subsidiary of Lavasa |
| Lakeview Clubs Ltd | India | 100% | Subsidiary of Lavasa |
| Dasve Retail Ltd. | India | 100% | Subsidiary of Lavasa |
| Full Spectrum Adventures Ltd | India | 100% | Subsidiary of Lavasa |
| Spotless Laundry Services Ltd | India | 76% | Subsidiary of Lavasa |
| Lavasa Bamboocraft Ltd. | India | 100% | Subsidiary of Lavasa |
| Green Hill Residences Ltd | India | 60% | Subsidiary of Lavasa |
| Reasonable Housing Ltd | India | 100% | Subsidiary of Lavasa |
| My City Technology Ltd | India | 63% | Subsidiary of Lavasa |
| Future City | India | 100% | Subsidiary of Lavasa |
| Multiservices SEZ Ltd (Formerly Minfur Interior Technologies Ltd) | India | 26% | Subsidiary of Lavasa |
| Verzon Hospitality Ltd | India | 100% | Subsidiary of Lavasa |
| Rhapsody Hospitality Ltd | India | 100% | Subsidiary of Lavasa |
| Sirrah Palace Hotels Ltd | India | 100% | Subsidiary of Lavasa |
| Andromeda Hotels Ltd | India | 100% | Subsidiary of Lavasa |
| Valley View | India | 100% | Subsidiary of Lavasa |
| Entertainment Ltd | India | 100% | Subsidiary of Lavasa |
| Whistling Thrush Facilities Services Ltd | India | 100% | Subsidiary of Lavasa |
| Warasgaon Power Supply Ltd | India | 100% | Subsidiary of Lavasa |
| Sahyadri City Management Ltd | India | 100% | Subsidiary of Lavasa |
| Warasgaon Lake View Hotels Limited | India | 26% | Subsidiary of Lavasa |
| Our Home Service Apartments Ltd | India | 100% | Subsidiary of Lavasa |
| Hill City Service Apartments Ltd | India | 100% | Subsidiary of Lavasa |
| Warasgaon Infrastructure Providers Ltd | India | 100% | Subsidiary of Lavasa |
| Kart Racers Ltd | India | 100% | Subsidiary of Lavasa |

| Name of the Subsidiary | Country of Incorporation | % Holding | Nature of Relationship |
|-----------------------------|--------------------------|-----------|------------------------|
| Nature Lovers Retail Ltd | India | 100% | Subsidiary of Lavasa |
| Osprey Hospitality Ltd | India | 100% | Subsidiary of Lavasa |
| Mugaon Luxury Hotels Ltd | India | 100% | Subsidiary of Lavasa |
| Starlit Resort Ltd | India | 100% | Subsidiary of Lavasa |
| Rosebay Hotels Ltd | India | 100% | Subsidiary of Lavasa |
| Warasgaon Valley Hotels Ltd | India | 100% | Subsidiary of Lavasa |
| Knowledge Vista Ltd | India | 49% | Subsidiary of Lavasa |
| Highbar Technologies FZLLC | Dubai | 100% | Subsidiary of HBT |
| Bon Sera Hotels Limited | India | 26% | Associates of Lavasa |

D Contingent Liabilities

| Particulars | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|--|--------------------------------|--------------------------------|
| i) Counter Indemnities given to : | | |
| Banks, in respect of contracts | | |
| a) For works in India (Secured on all the assets) | 647.45 | 735.58 |
| b) *For works abroad (secured by ECGC counter guarantees) *(Converted in rupees at the rate fixed by the Bank) | 271.28 | 225.77 |
| ii) Guarantees given by banks | 1055.80 | 1886.05 |
| iii) Guarantees given by Insurance Companies | 211.24 | 245.16 |
| iv) Claims not acknowledged as debts by the Company | 21.31 | 3.54 |
| v) Foreign Currency exposure not hedged | 3.74 | - |
| vi) Income tax liability (AT 2008-09) that may arise in respect of which Company is in appeal. The Income Tax Officer has raised demand which is mainly on claims raised in subsequent year which are yet to be approved by the client. As this is contrary to Income Tax Appellate Tribunal's decision in favour of the Company on similar grounds, the Company has contested the matter in the appeal and is confident of reversal of demand. | 12.26 | 163.80 |
| vii) Sales Tax liability / Works Contract Tax liability that may arise in respect of matters in appeal. (Net of an amount of ₹ 0.53 crore (previous year- ₹ 0.53 crore) recoverable from Clients as per the terms of contract) | 34.93 | 18.71 |
| viii) Bills discounted with Banks. | 4.69 | 107.27 |
| ix) Lavasa Corporation Ltd has filed petitions against the orders / notices of various authorities demanding ₹ 17.76 crore (Previous Year ₹ Nil) towards payment of royalty / penalty on materials excavated. In view of these demands being legally unjustifiable, the Company does not expect any liability in these matters. | - | - |

E Exceptional Items :

- ₹ 68 crore provisions made for future losses in respect of projects
- ₹ 64.87 crore pertains to an additional provision in respect of ongoing projects arising out of substantial delays in approval of claims, increase in estimated costs and delays in execution
- ₹ 33.69 crore being provision made in respect of closed projects.

F Cost of Land includes:

- ₹ 12.72 crore (previous year ₹ 12.72 crore) in respect of which sale deed is yet to be executed in the name of Company.
- Land amounting to ₹ 0.11 crore (previous year ₹ 0.11 crore) in respect of which irrevocable Power of Attorney is obtained in the name of Company.
- Land amounting to ₹ 0.39 crore (previous year 0.39 crore) not covered by the Master Plan in respect of which sale deed is yet to be executed in the name of Company.

Technical survey / estimates are involved in respect of physical verification procedures / determination of project working progress / related costs. These estimates made by the Company and certified, are relied upon by the auditors, as these are of technical nature.

G The Company's proportionate share in assets, liabilities, income and expenses of its Joint Venture Companies included in these consolidated financial statements in accordance with AS 27 - "Financial Reporting of Interests in Joint Ventures" is presented below:

| Balance Sheet | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
|-----------------------------------|--------------------------------|--------------------------------|
| I. EQUITY AND LIABILITIES | | |
| 1) Shareholders' funds | | |
| Reserves and Surplus | 2.02 | 8.69 |
| | 2.02 | 8.69 |
| 2) Non-current liabilities | | |
| Long-term borrowings | 235.84 | 160.51 |
| Other long-term liabilities | 14.43 | 5.94 |
| | 250.27 | 166.45 |
| 3) Current liabilities | | |
| Short-term borrowings | 5.56 | 35.24 |
| Trade payable | 15.66 | 3.44 |
| Other current liabilities | 52.76 | 98.48 |
| Short-term provisions | 15.21 | 0.78 |
| | 89.19 | 137.94 |
| Total | 341.48 | 313.08 |
| II. ASSETS | | |
| 1) Non-current assets | | |
| Fixed assets | | |
| Tangible assets | 9.00 | 21.40 |
| Intangible assets | 300.17 | 237.28 |
| Capital work-in-progress | 8.09 | - |
| | 317.26 | 258.68 |
| Long-term loans and advances | (9.56) | 13.05 |
| | 307.70 | 271.73 |
| 2) Current assets | | |
| Current investment | 3.64 | 6.04 |
| Inventories | 11.69 | 15.37 |
| Trade receivable | 0.04 | 0.45 |
| Cash and cash equivalent | 2.87 | 10.88 |
| Short-term loans and advances | 15.48 | 8.61 |
| Other current assets | 0.06 | - |
| | 33.78 | 41.35 |
| Total | 341.48 | 313.08 |

| Statement of Profit and Loss | 2011-12 ₹ crore | 2010-11 ₹ crore |
|------------------------------|--------------------|--------------------|
| Income | | |
| Revenue from Operations | 14.41 | 45.59 |
| Other income | 1.13 | 1.51 |
| Total Revenue | 15.54 | 47.10 |

Expenses

| | | |
|--|---------------|---------------|
| Cost of material consumed | (8.58) | (0.52) |
| Construction expenses | (1.68) | 25.60 |
| Employee benefit expenses | 1.53 | 3.98 |
| Office and Site Establishment Expenses | 18.50 | 4.32 |
| Finance cost | 8.87 | 5.75 |
| Depreciation / Amortisation | 3.42 | 2.33 |
| Total Expenses | 22.07 | 41.46 |
| Profit / (Loss) before Tax | (6.53) | 5.64 |
| Tax expense | | |
| Provision for Current Tax | (0.10) | (8.15) |
| Provision for Deferred Tax | (0.03) | - |
| Write back of earlier year's tax provision | (0.01) | - |
| | (0.14) | (8.15) |
| Profit / (Loss) After Tax | (6.67) | (2.51) |

H Disclosure in accordance with Accounting Standard -18 Related Party Transactions

i Names of Related Parties & Nature of Relationship

| Names of Related Parties | Nature of Relationship |
|--|--------------------------|
| Nathpa Jhakri Joint Venture | Integrated Joint Venture |
| HCC-Pati Joint Venture | Integrated Joint Venture |
| Kumagai-Skanska-HCC-Itochu Group | Integrated Joint Venture |
| HCC-L & T Purulia Joint Venture | Integrated Joint Venture |
| Alpine - Samsung - HCC Joint Venture | Integrated Joint Venture |
| Alpine - HCC Joint Venture | Integrated Joint Venture |
| Dhule Palesnar Tollway Ltd | Integrated Joint Venture |
| Gulabchand Foundation (Formed under section 25 of the Companies Act, 1956) | Associates |
| Bona Sera Hotels Limited | Associates |
| Palmetto Hospitality Limited | Associates |
| Ecomotel Hotel Limited | Associates |
| Warasgaon Lake View Hotels Limited | Associates |
| Verzon Hospitality Limited | Associates |
| Vikhroli Corporate Park Private Limited | Associates |
| Hincon Holdings Limited | Associates |
| Hincon Finance Ltd. | Associates |
| SOL Hospitality Limited | Associates |
| Knowledge Vistas Limited | Associates |
| Evostate AG | Associates |
| MCR Managing Corp Real Estate | Associates |
| Projektentwicklungsges.Parking Kunstmuseum AG | Associates |
| ARGE Prime Tower | Associates |

ii Key Management Personnel

| | |
|---|---------------------------------|
| Shri Ajit Gulabchand | Chairman & Managing Director |
| Shri K.G. Tendulkar | Managing Director - SAG |
| Shri Arun V. Karambelkar (w e f April 29, 2011) | President & Whole-time Director |
| Shri Vinayak Deshpande (upto June 30, 2011) | President (EPC & Construction) |
| Shri Praveen Sood | Group Chief Financial Officer |

Shri V. P. Kulkarni
Shri Rajgopal Nogja

Shri Arjun Dhawan

Company Secretary
Group President -
Development Companies
President - Infrastructure

iii Transactions with Related Parties:

| | ₹ crore JV's | ₹ crore Other Related Parties |
|--|--------------|-------------------------------|
|--|--------------|-------------------------------|

Nature of Transactions

Sale of Construction materials, Spares and Land

| | | |
|---------------------------------|-----|--------|
| Vikhroli Corporate Park Pvt Ltd | - | - |
| | (-) | (1.35) |

Purchase of Construction materials and Spares

| | | |
|----------------------------|--------|-----|
| Alpine - HCC Joint Venture | 0.96 | - |
| | (0.05) | (-) |

Purchase of fixed assets

| | | |
|----------------------------|--------|-----|
| Alpine - HCC Joint Venture | - | - |
| | (0.01) | (-) |

Rendering of Services / Financial Income

| | | |
|---------------------------------|---------------|----------------|
| Hincon Finance Limited | - | 1.37 |
| | (-) | (0.52) |
| Alpine - HCC Joint Venture | - | - |
| | (0.09) | (-) |
| Warasgaon Lakeview Hotels Ltd | - | - |
| | (-) | (4.83) |
| Vikhroli Corporate Park | - | - |
| | (-) | (11.99) |
| Vikhroli Corporate Park Pvt Ltd | - | - |
| | (-) | (10.82) |
| Ecomotel Hotels Limited | - | 0.28 |
| | (-) | (1.17) |
| Bon Sera Hotels Limited | - | - |
| | (-) | (0.58) |
| Others | - | 0.38 |
| | (0.02) | (6.29) |
| Total | - | 2.03 |
| | (0.11) | (23.11) |

Receiving of Services

| | | |
|---------------------------------|------------|----------------|
| Vikhroli Corporate Park | - | - |
| | (-) | (2.34) |
| Vikhroli Corporate Park Pvt Ltd | 0.00 | 20.91 |
| | (-) | (17.92) |
| Others | 0.00 | 1.75 |
| | (-) | (3.31) |
| Total | - | 22.66 |
| | (-) | (23.57) |

Equity Contribution made during the period

| | | |
|---------------------------------|---------------|----------------|
| Dhule Palesnar Tollway Ltd | 3.54 | - |
| | (3.99) | (-) |
| Vikhroli Corporate Park Pvt Ltd | - | - |
| | (-) | (82.50) |
| Others | - | - |
| | (-) | (9.51) |
| Total | 3.54 | - |
| | (3.99) | (92.01) |

Outstanding Payables

| | | |
|--------------------------------------|---------|--------|
| Alpine - Samsung - HCC Joint Venture | - | - |
| | (10.73) | (-) |
| HCC - Pati Joint Venture | 0.51 | - |
| | (1.36) | (-) |
| Hincon Holdings Ltd | - | 0.04 |
| | (-) | (0.90) |
| Hincon Finance Ltd | - | - |

| iii | Transactions with Related Parties: | ₹ crore JV's | ₹ crore Other Related Parties |
|-----|--|-----------------|--|
| | | (-) | (0.41) |
| | Ecomotel Hotels Ltd | - | - |
| | | (-) | (0.48) |
| | Others | - | - |
| | | (2.73) | (0.12) |
| | Total | 0.51 | 0.04 |
| | | (14.82) | (1.43) |
| | Work Bill Receipts | | |
| | Dhule Palesner Tollway Limited | 187.75 | - |
| | | (184.95) | (-) |
| | Vikhroli Corporate Park | - | - |
| | | (-) | (15.00) |
| | Vikhroli Corporate Park Pvt Ltd | - | - |
| | | (-) | (35.00) |
| | Total | 187.75 | - |
| | | (184.95) | (50.00) |
| | Advances Received / Recovered | | |
| | Dhule Palesner Tollway Limited | - | - |
| | | (23.08) | (-) |
| | Advances given / repaid | | |
| | Dhule Palesner Tollway Limited | 33.33 | - |
| | | (12.83) | (-) |
| | Intercorporate Deposit given / repaid during the year | | |
| | Hincon Holdings Ltd | - | 56.76 |
| | | (-) | (-) |
| | Hincon Finance Limited | - | 14.10 |
| | | (-) | (-) |
| | Vikhroli Corporate Park Pvt Ltd | - | - |
| | | (-) | (280.40) |
| | Others | - | (75.03) |
| | Total | - | 70.86 |
| | | (-) | (75.03) |
| | Intercorporate Deposit received / recovered during the year | | |
| | Hincon Holdings Ltd | - | 55.86 |
| | | (-) | (7.00) |
| | Hincon Finance Limited | - | 13.69 |
| | | (-) | (-) |
| | Ecomotel Hotel Ltd | - | 3.65 |
| | | (-) | (12.61) |
| | Knowledge Vista Ltd | - | 1.52 |
| | | (-) | (432.86) |
| | Warasgaon Lakeview Hotel Ltd | - | 1.46 |
| | | (-) | (31.98) |
| | Vikhroli Corporate Park Pvt Ltd | - | - |
| | | (-) | (28.90) |
| | Others | - | - |
| | | (-) | (11.35) |
| | Total | - | 76.18 |
| | | (-) | (524.70) |
| | Outstanding Receivables | | |
| | Alpine-HCC Joint Venture | - | - |
| | | (4.27) | (-) |
| | Dhule Palesner Tollway Ltd | 80.06 | - |
| | | (52.36) | (-) |
| | Alpine-Samsung HCC Joint venture | 12.69 | - |
| | | (-) | (-) |
| | Vikhroli Corporate Park Pvt Ltd | - | (7.04) |
| | | (-) | (151.63) |
| | Vikhroli Corporate Park | - | 11.42 |
| | | (-) | (2.75) |
| | Others | 4.65 | - |
| | | (6.07) | (-) |
| | Total | 84.71 | 4.38 |
| | | (10.34) | (151.63) |

| iii | Transactions with Related Parties: | ₹ crore JV's | ₹ crore Other Related Parties |
|-----|---|-----------------|--|
| | Donations | | |
| | Gulabchand Foundations | - | 3.00 |
| | | (-) | (3.00) |
| | Bank Guarantees given outstanding as at the end of the year | | |
| | Alpine-Samsung-HCC Joint venture | 21.00 | - |
| | | (43.72) | (-) |
| | Alpine-HCC Joint venture | 2.50 | - |
| | | (10.68) | (-) |
| | HCC L & T Purulia | - | - |
| | | (9.51) | (-) |
| | Total | 23.50 | - |
| | | (63.91) | (-) |
| | Corporate Guarantees given and outstanding as at the end of the year | | |
| | Warasgaon Lakeview Hotels Ltd | - | - |
| | | (-) | (81.00) |
| | Ecomotel Hotels Ltd | - | 18.00 |
| | | (-) | (18.00) |
| | Knowledge Vista Ltd | - | 37.00 |
| | | (-) | (37.00) |
| | Total | - | 55.00 |
| | | (-) | (136.00) |

Note: Figures in brackets pertain to previous year.

| iv | a | Details of Transactions relating to persons referred to in item (B) above | | |
|----|---|--|----------------------------|----------------------------|
| | | Nature of Transactions | 2011-12 ₹ crore | 2010-11 ₹ crore |
| | | Remuneration | 26.92 | 21.55 |
| | | Salary of Ms. Shalaka Gulabchand Dhawan (Daughter of Shri Ajit Gulabchand) | 0.90 | 0.71 |
| | | Salary of Mr. Arjun Dhawan (Son-in-Law) | 2.03 | 1.69 |
| | | TOTAL | 29.85 | 23.95 |

The above figure does not include provision of gratuity liability actuarially valued, as separate figures are not available.

| | | | | |
|---|-----|--|---|---|
| i | ii) | The Company has taken various construction equipments, office premises, guest houses and vehicles under non cancellable operation leases. The future minimum lease payments in respect of these as at March 31, 2012 are as follows: | | |
| | | | As at 31.03.2012 ₹ crore | As at 31.03.2011 ₹ crore |
| | | Minimum lease rental payments | | |
| | a) | Payable not later than 1 year | 30.79 | 20.67 |
| | b) | Payable later than 1 year and not later than 5 years | 37.17 | 68.35 |
| | c) | Later than 5 years | 0.40 | 0.43 |
| | | Total | 68.36 | 89.45 |
| | ii) | The lease agreement provides for an option to the Company to renew the lease period at the end of the non cancellable period. There are no exceptional / restrictive covenants in the lease agreements. | | |

J Disclosure in relation to Derivative Instruments

For hedging foreign currency risk for unsecured loans:

| | Number of contracts | | ₹ crore | |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | As at 31.03.2012 | As at 31.03.2011 | As at 31.03.2012 | As at 31.03.2011 |
| i) Options | 7 | 6 | 24.36 | 27.45 |
| ii) Forward Contracts | Nil | Nil | Nil | Nil |

Foreign Currency exposure not hedged as on March 31, 2012 is ₹ 291.67 crore (Previous year ₹ 328.07 crore)

- K** Due to Inter Company Sales during the year, sales and profit before tax are eliminated in the Consolidated Financial statements. However, the tax provision is the sum total of tax provision of Holding Company, Subsidiaries and Integrated Joint Ventures.

- L** The Group has defaulted in the repayment of principal amount of loan ₹ 716.38 crore and interest thereon amounting to ₹ 112.45 crore as on March 31, 2012.

M Segment Reporting:

The Group has disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of activities of the parent Company, its subsidiaries and joint ventures, the differing risks and returns, the organization structure and internal reporting system. There are no reportable geographical segments.

The Group's operations predominantly relate to "Engineering & Construction", "Real Estate" and "Comprehensive Urban Development and Management". Other business segments contribute less than 10 % of the total revenue and have been grouped as "Others".

The Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include respective amounts identifiable to each of the segments and also amounts allocated on a reasonable basis.

N Segment information for the year ended March 31, 2012**i Information About Primary Business Segments**

| Particulars | ₹ crore | | | | |
|---|-------------------------------|--------------------------|--|----------------------------|-------------------------------|
| | Engineering & Construction | Real Estate | Comprehensive Urban Development & Management | Others | Total |
| Revenue | | | | | |
| External Sales | 8,089.84 (6,929.89) | 1.03 (3.38) | 53.51 (216.72) | 13.25 (5.91) | 8,157.63 (7,155.90) |
| Add: Inter Segment Sales | - (-) | - (-) | - (-) | - (-) | - (-) |
| Total Segment Revenue | 8,089.84 (6,929.89) | 1.03 (3.38) | 53.51 (216.72) | 13.25 (5.91) | 8,157.63 (7,155.90) |
| Less: Eliminations | | | | | - (-) |
| Total | 8,089.84 | 1.03 | 53.51 | 13.25 | 8,157.63 |
| Result (profit before interest) | 343.82 (445.69) | (1.81) (-3.95) | (83.73) (0.76) | (28.19) (-29.51) | 230.09 (412.99) |
| Less: Eliminations | - | - | - | - | - |
| Result (profit before interest) | 343.82 | (1.81) | (83.73) | (28.19) | 230.09 |
| Less: Interest Expenses | 656.16 | 176.34 | | 0.01 | 832.52 (495.87) |
| Add: Dividend on other Investments | 1.82 | 0.88 | 0.34 | 0.01 | 3.05 (19.71) |
| Add: Profit on Sale of Investments | 17.05 | - | | - | 17.05 (0.69) |
| Add: Exceptional Items | | - | | | 166.32 (119.27) |
| Current Tax | 3.26 | 1.67 | (0.09) | 0.04 | 4.88 (65.54) |
| Deferred Tax | (100.85) | (0.10) | (60.98) | (1.73) | (163.66) (95.92) |
| MAT credit entitlement | (25.56) | - | (32.59) | - | (58.15) (-56.31) |
| Earlier Period Tax | 0.01 | - | | 0.02 | 0.03 (-) |
| Net Profit | (293.47) | (177.27) | (83.39) | (28.20) | (582.33) (50.35) |

₹ crore

| Particulars | Engineering & Construction | Real Estate | Comprehensive Urban Development & Management | Others | Total |
|----------------------------|----------------------------|--------------------|--|------------------|--------------------------|
| Other Information | | | | | |
| Segment Assets | 10,797.21 (8,893.20) | 385.92 (184.42) | 3,080.49 (2,934.86) | 7.49 (35.38) | 14,271.11 (12,047.86) |
| Segment liabilities | 5,103.37 (2,064.89) | 37.43 (51.78) | 750.84 (434.96) | 9.06 (0.10) | 5,900.70 (2,551.73) |
| Capital expenditure | 320.33 (782.47) | 52.84 (16.70) | 8.93 (375.46) | 2.15 (0.29) | 384.25 (1,174.92) |
| Depreciation | 208.99 (188.87) | 3.26 (12.67) | 49.13 (14.05) | 0.41 (0.10) | 261.79 (215.69) |
| Total Assets Exclude: | | | | | |
| Investments | 89.18 (105.02) | 96.87 (91.01) | 15.27 (21.24) | 0.82 - | 202.15 (217.27) |
| Advance Tax (Net) | 198.65 (203.71) | 1.15 (1.64) | 87.79 (80.22) | 2.62 (1.61) | 290.21 (287.18) |
| Other Current Assets | 489.01 (71.25) | (0.00) - | 4.14 - | 0.90 (1.96) | 494.04 (73.21) |
| Total Liabilities Exclude: | | | | | |
| Borrowings | 6,508.76 (4,837.73) | 394.51 (131.89) | 1,856.89 (2,210.57) | 3.47 (202.27) | 8,763.63 (7,382.46) |
| Accrued interest | 53.37 (18.96) | 14.40 - | - - | - - | 67.77 (18.96) |

Note: Figures in brackets pertain to previous year.

ii Information About Secondary Business Segments (geographical segments)

| | Domestic | Overseas | Total |
|---------------------|----------|----------|-----------|
| Segment Revenue | 4161.40 | 3996.22 | 8,157.63 |
| Segment Assets | 12940.49 | 1330.63 | 14,271.11 |
| Capital Expenditure | 294.06 | 90.19 | 384.25 |

Note: Bhutan operations are considered as domestic operations.

- O Ministry of Environment & Forests (MoEF), Government of India, vide its order dated November 9, 2011 accorded Environment Clearance (EC) to 1st Phase comprising of 2000 ha of Lavasa project subject to compliance of terms & conditions specified therein. Action plan has been prepared and submitted to the ministry with regard to earmarking of funds towards Corporate Social Responsibility. The Company has prayed for setting aside certain conditions stated in the Environmental Clearance in an appeal filed under the relevant Act. Accordingly construction has resumed at project site.
- P Consequent to the status quo for the Construction / Development and its withdrawal as detailed in Note 'O' above, the Board has taken a view that production overheads amounting to ₹ 92.12 crore incurred during the period April 01, 2011 to March 31, 2012 were essential in ensuring continuity of the Project itself during this period of suspension and further until March 31, 2012. In order to show a true and fair view of the state of affairs of the Company, and considering substance prevailing over form, as these costs pertain to the Project as a whole, the Company has therefore allocated the said production overheads to the balance Inventory of Floor Space Index.
- Q Due to MOEF order dated November 25, 2010 to maintain status quo for construction and development work at site, the development activity was completely stopped for nearly one year till the vacation of the stay. In view of the above, the cash flows of the Company was affected adversely and as a result the Company could not honour its commitments towards payment on interest and loan repayment on consortium loans due as on December 31, 2011. Since the amount unpaid is overdue for more than 90 days, the account has become sub-standard and the consortium loans has been classified by some of the banks as Non Performing Assets (NPA).
- R During the current year finance cost of ₹ 169.31 crore (Previous Year ₹ 177.58 crore) has been transferred to Capital Work in Progress in Accordance with AS - 16 "Borrowing Cost".
- S Disclosure in accordance with Accounting Standard - 7 (Revised) - Amount due from / to customers on Construction Contracts.

| | 2011-12 ₹ crore | 2010-11 ₹ crore |
|-----------------------------|--------------------|--------------------|
| Contract Revenue | 18259.33 | 14600.85 |
| Contract Costs incurred | 16181.13 | 12827.18 |
| Recognised Profits / Losses | 2040.98 | 1773.66 |

| | | |
|--|---------|---------|
| Advances received | 1185.12 | 1535.52 |
| Retention Money | 255.14 | 446.39 |
| Gross amount due from Customer for Contract Work | 1612.57 | 1645.59 |
| Gross amount due to Customer for Contract Work | 223.35 | 270.95 |

Note :- The above information is given only in respect of contracts entered into on or after 01.04.03.

T During the year, pursuant to Shareholders Agreement (SHA) and Securities Subscription Agreement (SSA) executed on 9th August 2011, Xander Investment Holding XXVI Limited (the Private Equity Investor), a Company incorporated under the laws of Mauritius, has agreed to acquire 14.55% equity stake in the HCC Concessions Ltd. (subsidiary of the HIL) on fully diluted basis, by subscribing to equity shares and 0.001% Compulsorily Convertible Cumulative Preference Shares (CCCPS) for a total consideration of ₹ 240 crore. As initial subscription, the Private Equity Investor has invested ₹ 213.70 crore into HCC Concessions Ltd. by subscribing to 414,774 fully paid up equity share of ₹ 10 each at a premium of ₹ 1,990 per share and 130,742,206 number of 0.001% CCCPS of ₹ 10 each issued at par. The balance consideration of ₹ 25.70 crore will be invested by the Private Equity Investor proportionately along with HIL as per the requirement of growth capital at HCL.

U Remuneration paid to Chairman & Managing Director and the President & Whole-time Director is in excess of the limits specified in Schedule XIII of the Companies Act, 1956 by ₹ 7.63 crore. The Company has made an application seeking approval from Central Government. Approval is awaited.

| W Earnings per share: | | As at | As at |
|---|------------|-------------------|-------------------|
| | | 31.03.2012 | 31.03.2011 |
| Basic EPS | | | |
| Profit computation for basic earnings per share of ₹ 1 each | | | |
| Net Profit as per statement of profit & loss available for Equity Share holders (₹ crore) | (a) | (530.10) | (64.62) |
| Less : 6% Preference Dividend (net) | (b) | - | - |
| Adjusted Net Profit as per statement of profit & loss available to equity share holders (₹ crore) | (a-b) | (530.10) | (64.62) |
| Weighted average number of Equity shares for EPS computation | (Nos.) | 606,524,339 | 606,472,339 |
| EPS (weighted average) | | | |
| Basic EPS (before and after Extra ordinary items) (not annualised) | (₹) | (8.74) | (1.07) |
| Diluted EPS: | | | |
| Profit computation for diluted earnings per share of ₹ 1 each | | | |
| Net Profit as per statement of profit & loss available for Equity shareholders (₹ crore) | (a) | (530.10) | (64.62) |
| Less : 6% Preference Dividend (net) | (b) | - | - |
| Adjusted Net Profit as per statement of profit & loss available to equity share holders (₹ crore) | (a-b) | (530.10) | (64.62) |
| Weighted average number of Equity shares for EPS computation | (Nos.) | 613,320,420 | 613,955,940 |
| Diluted EPS (before and after Extraordinary Items not annualised) | (₹) | (8.64) | (1.05) |

X Figures for the previous year have been regrouped/recast, wherever necessary.

Y ' * ' represents amount less than ₹ 1,00,000.

As per our report attached
For K.S.AIYAR & CO.
Chartered Accountants
Registration No. 100186W

PRAVEEN SOOD
Group Chief Financial Officer

AJIT GULABCHAND

Chairman & Managing Director

ARUN V. KARAMBELKAR

President & Whole-time Director

RAGHUVIR M. AIYAR
Partner
Membership No. 38128

RAMAKRISHNA PRABHU
Vice President Accounts

VITHAL P. KULKARNI
Company Secretary

Y.H. MALEGAM
K. G. TENDULKAR
RAJAS R. DOSHI
RAM. P. GANDHI
PROF. FRED MOAVENZADEH
D. M. POPAT
SHARAD M. KULKARNI

Directors

Mumbai, Dated April 27, 2012

Financial Details of Subsidiary Companies for the year ended on 31st March 2012

| (₹ in Lacs) | | | | | | | | | | | | | | | | |
|-------------|--------------------------------------|--------------------------|---------------|----------------|-------------------------|--------------------|--------------|-------------------|--|-----------------|----------------------|-------------------------------|-------------------|--------------------------------------|------------------|-------------------|
| Sr. No | Name of the Subsidiary | Financial Year Ending on | Share Capital | Share Warrants | Share Application Money | Reserves & Surplus | Total Assets | Total Liabilities | Details of Investment (Except in case of investment in subsidiaries) | | | Turnover (Incl. Other income) | Profit Before Tax | Provision for Current & Deferred Tax | Profit after Tax | Proposed Dividend |
| | | | | | | | | | a) Shares | b) Mutual Funds | Total of Investments | | | | | |
| 1 | Hincon Technoconsult Ltd. | 31.03.2012 | 100.00 | - | - | 216.60 | 388.84 | 388.84 | - | 173.23 | 173.23 | 70.61 | 52.78 | 13.32 | 39.46 | - |
| 2 | Western Securities Ltd. | 31.03.2012 | 200.00 | - | - | (55.01) | 200.73 | 200.73 | - | 80.27 | 80.27 | 44.22 | 725 | 6.02 | 1.23 | - |
| 3 | HCC Aviation Ltd. | 31.03.2012 | 5.00 | - | - | (1,221.52) | 378.07 | 378.07 | - | - | - | 900.00 | (365.80) | - | (365.80) | - |
| 4 | Hcc Singapore PTE Ltd. | 31.03.2012 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | HCC Mauritius Enterprises Ltd. | 31.03.2012 | 2,526.02 | - | - | (1,034.83) | 24,222.75 | 24,222.75 | - | - | - | 4.78 | (489.05) | - | (489.05) | - |
| 6 | HCC Construction Limited | 31.03.2012 | 5.00 | - | - | (0.05) | 1.33 | 1.33 | - | - | - | - | (0.18) | - | (0.18) | - |
| 7 | Highbar Technologies Limited | 31.03.2012 | 495.00 | - | - | (280.31) | 1,420.93 | 1,420.93 | - | - | - | 2,223.50 | (453.99) | (172.79) | (281.20) | - |
| 8 | Highbar Technologies FZ - LLC | 31.03.2012 | 6.36 | - | - | (108.99) | 16.14 | 16.14 | - | - | - | 32.93 | (83.87) | - | (83.87) | - |
| 9 | Lavasa Hotel Ltd | 31.03.2012 | 5.00 | - | - | (1,004.56) | 955.47 | 955.47 | - | - | - | 886.54 | (283.51) | - | (283.51) | - |
| 10 | Apollo Lavasa Health Corporation Ltd | 31.03.2012 | 116.24 | - | - | 6,943.03 | 8,495.30 | 8,495.30 | - | - | - | 76.98 | (519.51) | (1.52) | (517.99) | - |
| 11 | Lakeshore Watersports Company Ltd | 31.03.2012 | 5.00 | - | 47.55 | (570.14) | 347.75 | 347.75 | - | - | - | 133.78 | (116.17) | (7.15) | (109.02) | - |
| 12 | Dasve Convention Centre Ltd | 31.03.2012 | 5.00 | - | - | (2,929.73) | 12,025.20 | 12,025.20 | - | - | - | 500.57 | (1,313.76) | 67.22 | (1,380.98) | - |
| 13 | Dasve Business Hotel Ltd | 31.03.2012 | 5.00 | - | - | (18.76) | 2,738.80 | 2,738.80 | - | - | - | - | (9.97) | - | (9.97) | - |
| 14 | Dasve Hospitality Institutes Ltd | 31.03.2012 | 10.50 | - | 300.00 | (1,306.73) | 2,354.64 | 2,354.64 | - | - | - | 236.89 | (368.38) | (6.34) | (362.04) | - |
| 15 | Lakeview Clubs Ltd | 31.03.2012 | 5.00 | - | - | (2,152.42) | 7,512.86 | 7,512.86 | - | - | - | 92.30 | (857.45) | 58.61 | (916.06) | - |
| 16 | Dasve Retail Ltd | 31.03.2012 | 5.00 | - | - | (598.13) | 5,940.02 | 5,940.02 | - | - | - | 17.81 | (287.66) | (2.99) | (284.67) | - |
| 17 | Full Spectrum Adventure Ltd | 31.03.2012 | 5.00 | - | - | (505.35) | 731.22 | 731.22 | - | - | - | 132.85 | (209.35) | 1.86 | (211.21) | - |
| 18 | Spotless Laundry Services Ltd | 31.03.2012 | 10.62 | - | 49.50 | 501.26 | 2,113.90 | 2,113.90 | - | - | - | 8.29 | (44.86) | - | (44.86) | - |
| 19 | Lavasa Bamboocrafts Ltd | 31.03.2012 | 5.00 | - | - | (352.64) | 163.87 | 163.87 | - | - | - | 17.74 | (126.04) | (4.88) | (121.16) | - |
| 20 | Green Hills Residencies Ltd | 31.03.2012 | 8.89 | - | - | 332.30 | 5,227.84 | 5,227.84 | - | - | - | 52.60 | (1.67) | 1.11 | (2.78) | - |
| 21 | My City Technology Ltd | 31.03.2012 | 28.65 | - | - | 2,233.35 | 2,531.77 | 2,531.77 | - | - | - | 219.70 | (37.89) | - | (37.89) | - |
| 22 | Reasonable Housing Ltd | 31.03.2012 | 5.00 | - | - | (238.05) | 2,990.29 | 2,990.29 | - | - | - | 81.63 | (110.49) | 32.77 | (143.26) | - |
| 23 | Future City Multiservices SEZ Ltd | 31.03.2012 | 5.00 | - | - | (33.38) | 109.57 | 109.57 | - | - | - | - | (17.78) | - | (17.78) | - |
| 24 | Rhapsody Commercial Space Ltd | 31.03.2012 | 5.00 | - | - | (1.98) | 3.31 | 3.31 | - | - | - | - | (0.63) | - | (0.63) | - |
| 25 | Valley View Entertainment Ltd | 31.03.2012 | 5.00 | - | - | (1.89) | 3.46 | 3.46 | - | - | - | - | (0.58) | - | (0.58) | - |
| 26 | Andromeda Hotels Ltd | 31.03.2012 | 5.00 | - | - | (106.75) | 431.94 | 431.94 | - | - | - | - | (61.70) | - | (61.70) | - |
| 27 | Sirrah Palace Hotels Ltd | 31.03.2012 | 5.00 | - | - | (2.58) | 2.82 | 2.82 | - | - | - | - | (0.79) | - | (0.79) | - |

(₹ in Lacs)

| Sr. No | Name of the Subsidiary | Financial Year Ending on | Share Capital | Share Warrants | Share Application Money | Reserves & Surplus | Total Assets | Total Liabilities | Details of Investment (Except in case of investment in subsidiaries) | | | Turnover (Incl. Other income) | Profit Before Tax | Provision for Current & Deferred Tax | Profit after Tax | Proposed Dividend |
|--------|---|--------------------------|---------------|----------------|-------------------------|--------------------|--------------|-------------------|--|-----------------|----------------------|-------------------------------|-------------------|--------------------------------------|------------------|-------------------|
| | | | | | | | | | a) Shares | b) Mutual Funds | Total of Investments | | | | | |
| 28 | Whistling Thrush Facilities Services Ltd | 31.03.2012 | 5.00 | - | 33.60 | 4.25 | 118.36 | 118.36 | - | - | - | 157.75 | 8.61 | 2.62 | 5.99 | - |
| 29 | Warasgaon Tourism Ltd | 31.03.2012 | 5.00 | - | - | (457.29) | 243.57 | 243.57 | - | - | - | 37.67 | (114.46) | 0.30 | (114.76) | - |
| 30 | Our Home Service Apartments Ltd | 31.03.2012 | 5.00 | - | - | (2.26) | 3.08 | 3.08 | - | - | - | - | (0.71) | - | (0.71) | - |
| 31 | Warasgaon Power Supply Ltd | 31.03.2012 | 5.00 | - | - | (2.54) | 2.80 | 2.80 | - | - | - | - | (0.89) | - | (0.89) | - |
| 32 | Sahyadri City Management Ltd | 31.03.2012 | 5.00 | - | - | (1,175.26) | 1,032.24 | 1,032.24 | - | - | - | 336.63 | (1,173.81) | - | (1,173.81) | - |
| 33 | Hill City Service Apartments Ltd | 31.03.2012 | 5.00 | - | - | (179.74) | 676.84 | 676.84 | - | - | - | - | (105.96) | - | (105.96) | - |
| 34 | Kart Racers Ltd | 31.03.2012 | 5.00 | - | - | (23.83) | 1.01 | 1.01 | - | - | - | - | (13.08) | - | (13.08) | - |
| 35 | Warasgaon Infrastructure Providers Ltd | 31.03.2012 | 5.00 | - | - | (2.36) | 2.98 | 2.98 | - | - | - | - | (0.86) | - | (0.86) | - |
| 36 | Nature Lovers Retail Ltd | 31.03.2012 | 5.00 | - | - | (28.54) | 117.27 | 117.27 | - | - | - | - | (18.50) | - | (18.50) | - |
| 37 | Osprey Hospitality Ltd | 31.03.2012 | 5.00 | - | - | (1.10) | 4.02 | 4.02 | - | - | - | - | (0.54) | - | (0.54) | - |
| 38 | Starlit Resort Ltd | 31.03.2012 | 5.00 | - | 861.55 | 8.99 | 880.95 | 880.95 | - | - | - | 15.58 | 14.37 | 4.81 | 9.56 | - |
| 39 | Warasgaon Valley Hotels Ltd | 31.03.2012 | 5.00 | - | - | (1.11) | 4.01 | 4.01 | - | - | - | - | (0.55) | - | (0.55) | - |
| 40 | Rosebay Hotels Ltd | 31.03.2012 | 5.00 | - | - | (1.11) | 4.01 | 4.01 | - | - | - | - | (0.55) | - | (0.55) | - |
| 41 | Mugaon Luxury Hotels Ltd | 31.03.2012 | 5.00 | - | - | (1.11) | 4.01 | 4.01 | - | - | - | - | (0.55) | - | (0.55) | - |
| 42 | Warasgaon Assets Maintenance Ltd | 31.03.2012 | - | - | - | (0.58) | - | - | - | - | - | - | (0.58) | - | (0.58) | - |
| 43 | Hill View Parking Services Limited | 31.03.2012 | - | - | - | (0.58) | - | - | - | - | - | - | (0.58) | - | (0.58) | - |
| 44 | Klemanor Investments Limited | 31.03.2012 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 45 | HCC Infrastructure Company Limited | 31.03.2012 | 25.00 | - | - | (7,531.98) | 78,010.71 | 78,010.71 | - | 111.14 | 111.14 | 1,221.69 | (7,327.21) | - | (7,327.21) | 0 |
| 46 | HCC Concessions Limited | 31.03.2012 | 41,957.91 | - | - | 53,105.35 | 1,04,377.88 | 1,04,377.88 | 496.65 | 4,364.98 | 4,861.63 | 5,603.36 | (626.62) | - | (626.62) | - |
| 47 | HCC Power Limited | 31.03.2012 | 50.00 | - | - | (29.00) | 24.99 | 24.99 | - | - | - | - | (29.00) | - | (29.00) | - |
| 48 | Dhule Palesner Operations & Maintenance Ltd | 31.03.2012 | 50.00 | - | - | (1.21) | 51.04 | 51.04 | - | 1.04 | 1.04 | 1.04 | (1.21) | - | (1.21) | - |
| 49 | Nirmal BOT Limited | 31.03.2012 | 3,150.00 | - | - | (686.41) | 35,398.14 | 35,398.14 | - | 506.07 | 506.07 | 5,171.41 | 65.72 | - | 65.72 | - |
| 50 | Badarpur Faridabad Tollway Limited | 31.03.2012 | 8,600.00 | - | - | (6,431.04) | 56,737.85 | 56,737.85 | - | 9.36 | 9.36 | 3,432.71 | (4,554.09) | - | (4,554.09) | - |
| 51 | Baharampore Farakka Highways Limited | 31.03.2012 | 17,350.00 | - | 4,370.30 | - | 46,534.41 | 46,534.41 | - | 731.35 | 731.35 | - | - | - | - | - |
| 52 | Farakka-raiganj Highways Limited | 31.03.2012 | 17,553.12 | - | 6,044.00 | - | 51,976.54 | 51,976.54 | - | 623.18 | 623.18 | - | - | - | - | - |

(₹ in Lacs)

| Sr. No | Name of the Subsidiary | Financial Year Ending on | Share Capital | Share Warrants | Share Application Money | Reserves & Surplus | Total Assets | Total Liabilities | Details of Investment (Except in case of investment in subsidiaries) | | | Turnover (Incl. Other income) | Profit Before Tax | Provision for Current & Deferred Tax | Profit after Tax | Proposed Dividend |
|--------|---|--------------------------|---------------|----------------|-------------------------|--------------------|--------------|-------------------|--|-----------------|----------------------|-------------------------------|-------------------|--------------------------------------|------------------|-------------------|
| | | | | | | | | | a) Shares | b) Mutual Funds | Total of Investments | | | | | |
| 53 | Raiganj Dalkhola Highways Limited | 31.03.2012 | 8,338.51 | - | 814.00 | - | 17603.35 | 17603.35 | - | 240.77 | 240.77 | - | - | - | - | - |
| 54 | Pune Paud Toll Road Company Limited | 31.03.2012 | 605.00 | - | - | (3,640.39) | 1,175.31 | 1,175.31 | - | - | - | 193.59 | (665.04) | - | (665.04) | - |
| 55 | HRL Township Developers Limited | 31.03.2012 | 10.00 | - | - | (47.14) | 0.09 | 0.09 | - | - | - | 0.38 | - | - | - | - |
| 56 | HRL (Thane) Real Estate Limited | 31.03.2012 | 10.00 | - | - | (13.95) | 4,140.31 | 4,140.31 | - | - | - | - | (1.21) | - | (1.21) | - |
| 57 | Nashik Township Developers Limited | 31.03.2012 | 10.00 | - | - | (24.54) | 1,126.74 | 1,126.74 | - | - | - | - | (1.74) | - | (1.74) | - |
| 58 | Maan Township Developers Limited, | 31.03.2012 | 10.00 | - | - | (21.39) | 2,550.73 | 2,550.73 | - | - | - | - | (1.61) | - | (1.61) | - |
| 59 | Charosa Wineries Limited | 31.03.2012 | 700.00 | - | - | (1,759.41) | 4,906.30 | 4,906.30 | - | - | - | - | (1,061.43) | - | (1,061.43) | - |
| 60 | Powai Real Estate Developers Limited | 31.03.2012 | 5.00 | - | - | (3.13) | 2.58 | 2.58 | - | - | - | - | (0.33) | - | (0.33) | - |
| 61 | HCC Realty Limited | 31.03.2012 | 5.00 | - | - | (0.74) | 4.77 | 4.77 | - | - | - | - | (0.25) | - | (0.25) | - |
| 62 | Panchkutir Developers Ltd. | 31.03.2012 | 140.00 | - | - | 4,118.68 | 11,460.03 | 11,460.03 | - | - | - | - | (9.55) | - | (9.55) | - |
| 63 | HCC Real Estate Ltd. | 31.03.2012 | 6,619.32 | - | - | 3,72,223.00 | 98,816.54 | 98,816.54 | 79.95 | 1,529.70 | 1,609.65 | 347.18 | 140.43 | - | 140.43 | - |
| 64 | Lavasa Corporation Ltd. | 31.03.2012 | 83,319.44 | 812.50 | - | 5,899.28 | 3,54,149.72 | 3,54,149.72 | 2,624.94 | - | 2,624.94 | 7,529.64 | (20,035.35) | 6,235.88 | (13,799.47) | - |
| 65 | Steiner AG (formerly Karl Steiner AG) | 31.03.2012 | 22,445.08 | - | - | (16,054.00) | 1,58,635.00 | 1,58,635.00 | 1,498.49 | - | 1,498.49 | 3,94,039.00 | 3,722.00 | (306.00) | 3,416.00 | - |
| 66 | Steiner Promotions et Participations SA | 31.03.2012 | 1,683.00 | - | - | 714.00 | 12,918.00 | 12,918.00 | - | - | - | 3,412.35 | (354.00) | - | (354.00) | - |
| 67 | Steiner (Deutschland) GmbH | 31.12.2011 | 7,042.00 | - | - | (815.00) | 8,389.00 | 8,389.00 | - | - | - | 140.00 | (24.00) | - | (24.00) | - |
| 68 | VM + ST AG | 31.03.2012 | 561.00 | - | - | 3.00 | 572.00 | 572.00 | - | - | - | - | (6.00) | - | (6.00) | - |
| 69 | Steiner Leman SAS | 31.12.2011 | 34.00 | - | - | (514.74) | 15700 | 15700 | - | - | - | 52.00 | (16.00) | - | (16.00) | - |
| 70 | SNC Valleiry Route de Bloux | 31.12.2011 | 1.00 | - | - | - | 450.00 | 450.00 | - | - | - | 3.00 | - | - | - | - |
| 71 | Eurohotel SA | 31.03.2012 | 56.00 | - | - | (584.00) | 73.00 | 73.00 | - | - | - | - | (7.00) | - | (7.00) | - |
| 72 | Steiner India Ltd | 31.03.2012 | 499.00 | - | - | (149.00) | 396.00 | 396.00 | - | 160.00 | 160.00 | - | (149.00) | - | (149.00) | - |

Notes : Foreign Exchange Rate consider 1 CHF=56.1127, 1 USD =50.47 AND AED =13.85

Important Financial Statistics

| Year | Paid Up Capital | | | Fixed Assets | | | Turnover ₹ Lacs | Net Profit ₹ Lacs | Dividend paid on Preference and Equity shares ₹ Lacs | Equity Dividend % |
|---------------------|------------------|----------------------|--------------------|----------------------|-----------------------|---------------------|--------------------|----------------------|---|-------------------|
| | Equity ₹ Lacs | Preference ₹ Lacs | Reserves ₹ Lacs | Debentures ₹ Lacs | Gross Block ₹ Lacs | Net Block ₹ Lacs | | | | |
| 1926-27 | 4.00 | — | 0.30 | — | 0.58 | 0.58 | N.A. | 0.98 | 0.80 | 20.00 |
| 1927-28 | 4.00 | — | 0.30 | — | 0.53 | 0.53 | N.A. | 0.98 | 0.80 | 20.00 |
| 1928-29 | 4.00 | — | 0.25 | — | 0.53 | 0.53 | N.A. | 1.38 | 1.40 | 35.00 |
| 1929-30 | 4.00 | — | 0.25 | — | 0.50 | 0.50 | N.A. | 0.81 | 0.70 | 17.50 |
| 1930-31 | 4.00 | — | 0.25 | — | 0.84 | 0.84 | N.A. | 0.12 | — | — |
| 1931-32 | 4.00 | — | 0.25 | — | 0.94 | 0.64 | N.A. | 0.44 | 0.40 | 10.00 |
| 1932-33 | 8.00 | — | 0.25 | — | 1.78 | 1.28 | N.A. | 2.19 | 2.00 | 25.00 |
| 1933-34 | 8.00 | — | 0.19 | — | 3.16 | 2.66 | N.A. | 2.67 | 2.80 | 35.00 |
| 1934-35 | 12.00 | — | 0.24 | — | 3.42 | 2.82 | N.A. | 2.19 | 2.00 | 16.33 |
| 1935-36 | 12.00 | — | 0.48 | — | 4.71 | 3.96 | 9.40 | 1.86 | 1.75 | 14.50 |
| 1936-37 | 12.00 | — | 0.56 | — | 7.30 | 6.40 | 62.96 | 1.81 | — | — |
| 1937-38 | 12.00 | — | 0.70 | — | 8.08 | 7.18 | 69.04 | -1.90 | — | — |
| 1938-39 | 12.00 | — | 0.70 | — | 6.85 | 5.95 | 45.50 | 0.31 | — | — |
| 1939-40 | 12.00 | — | 0.70 | — | 6.02 | 5.12 | 90.39 | 3.58 | 2.40 | 20.00 |
| 1940-41 | 12.00 | — | 1.70 | — | 5.36 | 4.46 | 184.58 | 4.28 | 4.20 | 35.00 |
| 1941-42 | 12.00 | 25.00 | 1.70 | — | 4.70 | 3.80 | 510.53 | 7.45 | 6.18 | 45.00 |
| 1942-43 | 12.00 | 25.00 | 1.70 | — | 4.66 | 3.01 | 574.57 | 10.59 | 8.76 | 60.00 |
| 1943-44 | 12.00 | 25.00 | 1.70 | — | 4.89 | 1.74 | 466.69 | 10.33 | 8.56 | 60.00 |
| 1944-45 | 12.00 | 25.00 | 2.70 | — | 3.87 | — | — | 10.14 | 1.56 | — |
| 1945-46 | 12.00 | 25.00 | 9.70 | — | 3.99 | 0.04 | 175.47 | 12.89 | 4.56 | 25.00 |
| 1946-47 | 12.00 | 25.00 | 17.70 | — | 10.46 | 6.31 | 165.70 | 10.92 | 4.56 | 25.00 |
| 1947-48 | 36.00 | 25.00 | 1.70 | — | 12.40 | 8.25 | 249.76 | 8.26 | 4.56 | 8.33 |
| 1948-49 | 36.00 | 25.00 | 5.70 | — | 14.46 | 10.31 | 263.14 | 11.20 | 4.56 | 8.33 |
| 1949-50 | 36.00 | 25.00 | 12.70 | — | 18.52 | 14.37 | 202.49 | 9.75 | 5.16 | 10.00 |
| 1950-51 | 36.00 | 25.00 | 15.70 | — | 21.38 | 16.23 | 239.24 | 9.10 | 5.16 | 10.00 |
| 1951-52 | 36.00 | 25.00 | 18.70 | — | 21.89 | 15.94 | 299.04 | 6.22 | 5.16 | 10.00 |
| 1952-53 | 36.00 | 25.00 | 19.00 | — | 24.30 | 17.35 | 231.57 | 8.16 | 5.16 | 10.00 |
| 1953-54 | 36.00 | 25.00 | 21.50 | — | 24.09 | 16.64 | — | 10.65 | 5.16 | 10.00 |
| 1954-55 | 36.00 | 25.00 | 24.00 | — | 24.06 | 14.11 | 345.62 | 15.34 | 5.16 | 10.00 |
| 1955-56 | 36.00 | 25.00 | 25.35 | — | 27.93 | 16.01 | 415.54 | 17.73 | 6.06 | 12.50 |
| 1956-57 | 36.00 | 25.00 | 23.34 | — | 29.42 | 17.01 | 769.15 | 12.46 | 6.06 | 12.50 |
| 1957-58 | 36.00 | 25.00 | 51.11 | — | 37.16 | 25.06 | 928.37 | 15.22 | 6.06 | 12.50 |
| 1958-59 | 36.00 | 25.00 | 66.70 | — | 38.48 | 24.10 | 1080.85 | 24.37 | 8.76 | 20.00 |
| 1959-60 | 36.00 | 25.00 | 97.62 | — | 563.22 | 210.51 | 913.84 | 31.88 | 8.76 | 20.00 |
| 1960-61 | 36.00 | 25.00 | 129.34 | — | 575.97 | 202.46 | 1037.66 | 31.08 | 8.76 | 20.00 |
| 1961-62 | 72.00 | 25.00 | 144.75 | — | 635.20 | 225.06 | 1280.33 | 59.68 | 11.45 | 20.00 |
| 1962-63 | 72.00 | 25.00 | 218.32 | — | 673.22 | 259.40 | 1476.12 | 30.86 | 15.96 | 20.00 |
| 1963-64 | 72.00 | 25.00 | 280.29 | — | 744.67 | 281.65 | 1837.79 | 84.51 | 37.56 | 50.00 |
| 1964-65 | 72.00 | 25.00 | 389.13 | — | 889.87 | 364.65 | 2169.89 | 120.79 | 44.76 | 60.00 |
| 1965-66 | 180.00 | 25.00 | 389.81 | — | 977.45 | 401.22 | 2021.32 | 114.64 | 46.43 | 25.00 |
| 1966-67 | 252.00 | 25.00 | 391.81 | — | 1154.51 | 503.28 | 1994.93 | 72.76 | 46.92 | 18.00 |
| 1967-68 | 252.00 | 25.00 | 427.26 | — | 1250.05 | 524.60 | 1689.72 | 55.35 | 31.80 | 12.00 |
| 1968-69 | 252.00 | 25.00 | 472.14 | — | 1420.94 | 614.79 | 2249.82 | 36.61 | 31.80 | 12.00 |
| 1969-70 | 252.00 | 25.00 | 492.31 | — | 1473.64 | 577.23 | 2574.57 | 28.86 | 31.80 | 12.00 |
| 1970-71 | 252.00 | 25.00 | 468.44 | — | 1541.99 | 527.99 | 2256.93 | -37.01 | 1.56 | — |
| 1971-72 | 252.00 | 25.00 | 355.07 | — | 1580.80 | 471.42 | 2294.29 | -140.47 | 1.56 | — |
| 1972-73 | 252.00 | 25.00 | 260.62 | 120.00 | 1677.91 | 491.34 | 2478.09 | -136.27 | 1.56 | — |
| 1973-74 | 252.00 | 25.00 | 216.33 | 120.00 | 1776.09 | 481.58 | 2962.99 | -55.7 | — | — |
| 1974-75 | 252.00 | 25.00 | 301.11 | 120.00 | 1825.94 | 462.49 | 3006.50 | 61.65 | — | — |
| 1975-76 | 252.00 | 25.00 | 320.23 | 120.00 | 1890.47 | 471.69 | 2529.62 | 15.98 | 19.81 | 6.00 |
| 1976-77 | 252.00 | 25.00 | 435.82 | 120.00 | 1994.99 | 508.35 | 3485.71 | -46.25 | 51.96 | 20.00 |
| 1977-78 | 252.00 | 25.00 | 384.81 | 96.00 | 2111.14 | 594.75 | 2903.63 | 145.71 | 16.68 | 6.00 |
| 1978-79 | 252.00 | 25.00 | 387.43 | 80.42 | 2170.42 | 595.93 | 3146.53 | 21.38 | 24.24 | 9.00 |
| 1979-80 | 252.00 | 25.00 | 409.90 | 64.85 | 2255.96 | 582.63 | 4181.76 | 45.31 | 24.24 | 9.00 |
| 1980-81 | 252.00 | 25.00 | 608.98 | 49.28 | 3122.81 | 1152.64 | 6916.96 | 233.58 | 39.36 | 15.00 |
| 1981-82 | 252.00 | 25.00 | 755.81 | 45.71 | 3991.44 | 1598.37 | 10989.86 | 184.07 | 39.36 | 15.00 |
| 1982-83 | 252.00 | 25.00 | 1861.51 | 42.14 | 4744.49 | 2745.66 | 11021.23 | 422.90 | 39.36 | 15.00 |
| 1983-84 | 628.54 | 25.00 | 2046.45 | 38.57 | 5022.30 | 2748.32 | 10989.89 | 513.13 | 81.46 | 15.00 |
| 1984-85 | 629.96 | 25.00 | 2253.89 | 1035.00 | 5627.17 | 3052.75 | 9178.04 | 231.06 | 96.06 | 15.00 |
| 1985-86 | 629.98 | 25.00 | 2057.21 | 1035.00 | 6329.50 | 3311.65 | 8426.38 | -195.12 | 1.56 | — |
| 1986-87 | 630.00 | 25.00 | 1710.57 | 1035.00 | 6578.91 | 3102.10 | 9885.49 | -346.64 | — | — |
| 1987-88 | 630.00 | 25.00 | 1672.72 | 990.83 | 6445.07 | 2653.76 | 12334.37 | 21.98 | 59.83 | 9.00 |
| 1988-89 (14 months) | 630.00 | 25.00 | 1772.71 | 1032.15 | 6282.70 | 2308.82 | 12223.19 | 202.61 | 102.62 | 16.00 |
| 1989-91 (18 months) | 630.00 | — | 1820.25 | 1421.60 | 6685.51 | 2477.79 | 12794.33 | 161.05 | 113.46 | 18.00 |
| 1991-92 (15 months) | 775.13 | — | 1824.84 | 1031.78 | 6318.24 | 2015.47 | 11232.57 | 64.95 | 60.36 | 8.00 |
| 1992-93 | 775.90 | — | 2006.60 | 800.65 | 7033.20 | 2488.91 | 11072.27 | 275.01 | 93.25 | 12.00 |
| 1993-94 | 775.98 | — | 2624.81 | 547.16 | 7949.79 | 3101.73 | 14292.85 | 812.48 | 194.27 | 25.00 |
| 1994-95 | 776.79 | — | 3955.22 | 451.73 | 8442.89 | 2899.08 | 22037.40 | 1562.96 | 232.96 | 30.00 |
| 1995-96 | 2002.55 | — | 5499.23 | 7120.58 | 9890.04 | 4770.48 | 24695.24 | 1050.63 | 304.84 | 17.50 |
| 1996-97 | 2003.04 | — | 5559.82 | 7206.41 | 16083.41 | 10493.38 | 31170.13 | 324.51 | 200.03 | 10.00 |
| 1997-98 | 2003.04 | — | 5771.45 | 7133.23 | 17112.45 | 10743.31 | 37563.57 | 431.97 | 200.03 | 10.00 |
| 1998-99 | 2003.04 | — | 6348.45 | 7059.89 | 27251.87 | 18942.28 | 62540.25 | 924.66 | 300.46 | 15.00 |
| 99-2000 | 2003.04 | — | 8043.55 | 6962.16 | 29566.64 | 19839.21 | 53077.22 | 2139.83 | 400.66 | 20.00 |
| 2000-01 | 2003.05 | — | 10145.17 | 6142.13 | 34454.43 | 23602.22 | 56585.93 | 2653.54 | 500.83 | 25.00 |
| 2001-02 (9 months) | 2003.06 | — | 9986.63 | 5819.92 | 41916.96 | 28851.20 | 46394.16 | 4274.91 | 600.72 | 30.00 |
| 2002-03 | 2003.06 | — | 11948.68 | 7000.00 | 48911.08 | 35820.96 | 78923.25 | 2865.64 | 800.96 | 40.00 |
| 2003-04 | 2003.06 | — | 14387.18 | 7000.00 | 54821.32 | 36943.13 | 117135.67 | 3567.98 | 1001.20 | 50.00 |
| 2004-05 | 2293.61 | — | 33004.80 | 9800.00 | 62076.02 | 43804.21 | 157654.05 | 7401.96 | 1375.77 | 60.00 |
| 2005-06 | 2563.16 | — | 86418.93 | 8933.33 | 77280.60 | 59949.11 | 202814.87 | 12479.81 | 1793.75 | 70.00 |
| 2006-07 | 2563.16 | — | 87845.40 | 17966.67 | 110118.56 | 74616.08 | 239450.36 | 3675.96 | 1921.87 | 75.00 |
| 2007-08 | 2563.16 | — | 96323.45 | 16900.00 | 140970.45 | 95307.98 | 310434.07 | 10875.74 | 2050.00 | 80.00 |
| 2008-09 | 2563.16 | — | 96403.00 | 20500.00 | 168283.00 | 112819.00 | 351832.00 | 12535.00 | 2050.00 | 80.00 |
| 2009-10 | 3033.16 | — | 148683.00 | 18333.00 | 181418.00 | 114969.00 | 386297.00 | 8144.00 | 2426.00 | 80.00 |
| 2010-11 | 6066.00 | — | 146153.00 | 16667.00 | 198749.00 | 118428.00 | 414905.00 | 7100.00 | 2426.00 | 40.00 |
| 2011-12 | 6066.00 | — | 123944.00 | 22000.00 | 205622.00 | 112447.00 | 401060.00 | -22225.00 | — | — |

Notes

[illegible]



Attendance Slip

Please complete this attendance Slip and hand it over at the entrance of the Meeting Hall.

Shares held _____

Regd. Folio No. _____

DP ID* _____ Client ID* _____

(Name in BLOCK letters) _____

I hereby record my presence at the 86th ANNUAL GENERAL MEETING of the Company held at Walchand Hirachand Hall, Indian Merchants' Chamber, Indian Merchants' Chamber Marg, Churchgate, Mumbai - 400 020 on Friday, June 15, 2012 at 11.00 a.m.

Member's/Proxy's Signature

NOTE: Members/Proxy holders are requested to bring their copy of the Annual Report with them at the Meeting.

* Applicable for Shareholders holding Shares in electronic form.

Hindustan Construction Co. Ltd.

Registered Office :

Hincon House, 11th Floor, 247Park,
Lal Bahadur Shastri Marg,
Vikhroli (West), Mumbai 400 083.



Proxy Form

Shares held _____

Regd. Folio No. _____

DP ID* _____ Client ID* _____

(Name in BLOCK letters) _____

I/We _____ of _____ in the district of _____ being a Member/Members of the above-named Company, hereby appoint _____ of _____ in the district of _____ or failing him _____ of _____ in the district of _____ as my/our proxy to vote for me/us and on my/our behalf at the 86th Annual General Meeting of the Company to be held on Friday, June 15, 2012 at 11.00 a.m. or at any adjournment thereof.

Signature _____

Affix
one Rupee
Revenue
Stamp

NOTE: The Proxy to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

* Applicable for Shareholders holding Shares in electronic form.

Hindustan Construction Co. Ltd.

Registered Office :

Hincon House, 11th Floor, 247Park,
Lal Bahadur Shastri Marg,
Vikhroli (West), Mumbai 400 083.

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www.hccindia.com

This annual report has been printed on eco-friendly paper.

Cover images (clockwise from top)

- 2 x 1000 MW Kudankulam Nuclear Power Plant, India's first and largest pressurized light water reactor, built by HCC
- Artistic impression of HCC Real Estate's 247Park Phase II
- Tollplaza on Dhule Palesner Road on NH 3, built in a joint venture by HCC Concessions
- Switzerland's tallest building Prime Tower in Zurich built by Steiner AG
- Lakeside apartments and promenade at Dasve, Lavasa