



**Hindustan Construction Co Ltd**

# **Investor / Analyst Meet**

**Q2 FY 2011-12**

**October 21, 2011**

# Presentation Flow

<b>HCC</b>	-	<b>Performance Highlights &amp; Financial Results</b>
<b>HCC E&amp;C</b>	-	<b>Updates</b>
<b>HCC Infrastructure</b>	-	<b>Updates</b>
<b>Steiner AG</b>	-	<b>Updates</b>
<b>Lavasa</b>	-	<b>Updates</b>

# Performance Highlights

- Chutak HEP has been successfully commissioned – taking over Certificate received from NHPC
- Longest Rail Tunnel in India at Pir Panjal has been day lighted



Pir Panjal Tunnel



Chutak HEP

# Financial Performance Review : Q2 FY 2011-12 (3 mths)

For the quarter ended 30 <sup>th</sup> Sept.2011	Q2 FY 2011-12		Q2 FY 2010-11		
	Rs. Cr	% to turnover	Rs. Cr	% to turnover	y-o-y growth %
Turnover (inclusive of JV)	837.7		898.5		(6.8)
Turnover (net of JV)	830.2	100.0	888.8	100.0	(6.6)
Other Income	(3.0)		6.1		
Construction Cost (incl. material)	619.3	74.6	652.4	73.4	(5.1)
Employee Cost	115.5	13.9	118.9	13.4	(2.9)
<b>EBITDA</b>	<b>95.4</b>	<b>11.5</b>	<b>117.5</b>	<b>13.2</b>	<b>(18.8)</b>
Interest	107.4	12.9	67.0	7.5	60.3
Depreciation	41.4	5.0	35.9	4.0	15.5
<b>Profit / (Loss) Before Tax</b>	<b>(58.1)</b>	<b>(7.0)</b>	<b>16.5</b>	<b>1.9</b>	<b>(452.4)</b>
Tax	(17.6)	(2.1)	4.3	0.5	(506.7)
<b>Profit / (Loss) After Tax</b>	<b>(40.5)</b>	<b>(4.9)</b>	<b>12.2</b>	<b>1.4</b>	<b>(433.1)</b>

# Financial Performance Review : H1 FY 2011-12 (6 mths)

For the half year ended 30 <sup>th</sup> Sept.2011	H1 FY 2011-12		H1 FY 2010-11		
	Rs. Cr	% to turnover	Rs. Cr	% to turnover	y-o-y growth %
Turnover (inclusive of JV)	1897.3		1906.7		(0.5)
Turnover (net of JV)	1887.9	100.0	1881.2	100.0	0.4
Other Income	(2.3)		9.2		
Construction Cost (incl. material)	1426.8	75.6	1412.6	75.1	1.0
Employee Cost	228.1	12.1	228.3	12.1	(0.1)
EBITDA	233.1	12.3	240.3	12.8	(3.0)
Interest	200.7	10.6	124.8	6.6	60.8
Depreciation	80.6	4.3	70.5	3.7	14.3
Profit / (Loss) Before Tax	(52.0)	(2.8)	52.9	2.8	(198.3)
Tax	(14.3)	(0.8)	12.4	0.7	(215.3)
Profit / (Loss) After Tax	(37.6)	(2.0)	40.4	2.1	(193.1)

# Key explanatory points on performance

- **Turnover**
  - Delay in permissions/approvals, land acquisition and government indecisiveness impacted execution
- **Operating Margins**
  - Inflationary trends in commodities and distribution of fixed overheads on lower sales impacted the EBITDA margins
- **Profitability**
  - Increase in debt levels coupled with high interest costs and repayment of Zero Coupon FCCB , impacted the interest cost substantially

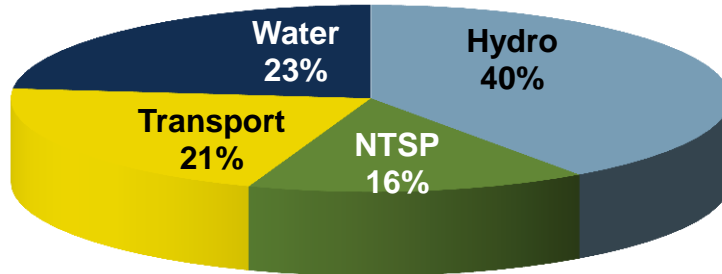


**HCC E&C**

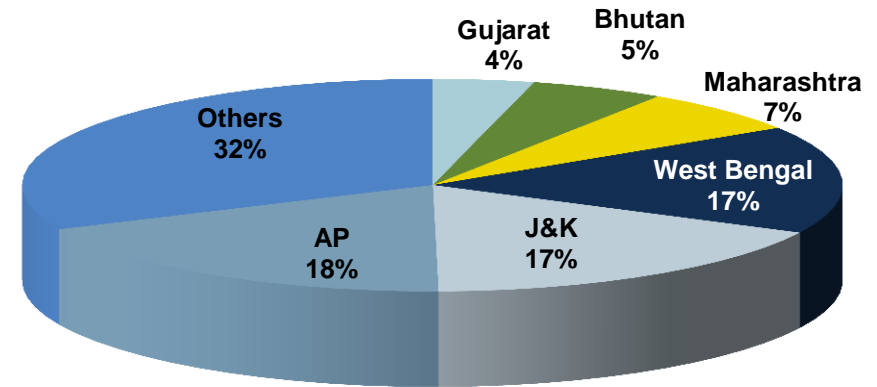


# Order Backlog

**Total - Rs 16,175 Cr**



**Geographical Distribution**



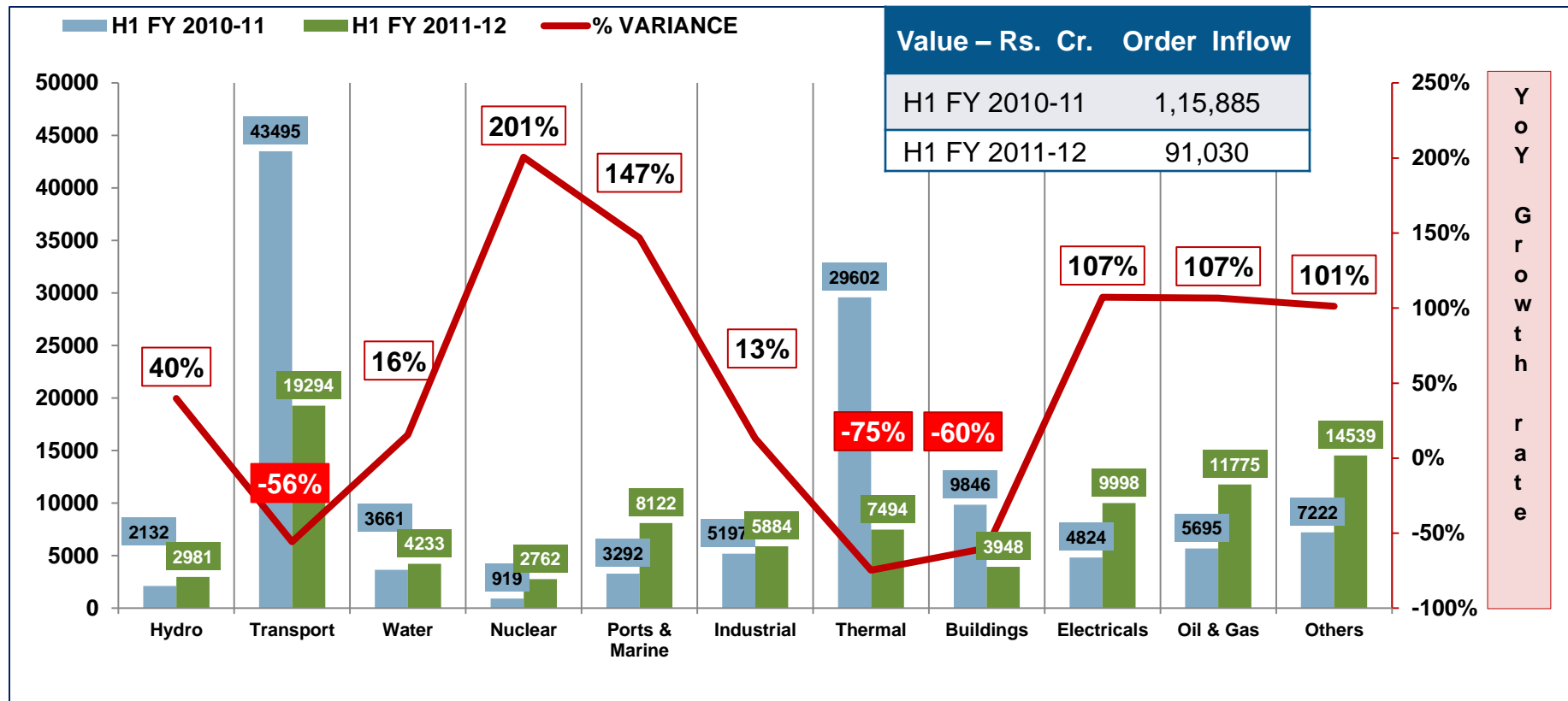
**Orders Won in H1 FY 2011-12**

Project	Employer	Value – Rs Cr
Tehri Pumped Storage Project	THDC India Ltd	Rs 1,932 Cr HCC's share – Rs 702 Cr
Limbdi Branch Canal	SSNNL, Gujarat	Rs 299 Cr

## L1 Orders

**Two orders of  
Rs 2,077 Cr**

# Order Inflow Activity H1 – YoY : Steep fall of 21%



- **Hydro Power** : Bhutan Projects accounted for 83% of market
- **Transport** : Reduced activity in NHAI, Railways
- **Thermal** takes a huge dip due to fall in BTG orders, Coal linkage and Clearance related issues

Source : Projects Today, Corporate Announcements on Stock Exchanges, Media reports



# **HCC Infrastructure**

# Business Update

- **Current portfolio of Rs.5,500 Cr (\$1.2 billion) includes six NHAI road concessions**
  - Dhule Palesner Highway expected to start operations six months ahead of schedule  
(serves primarily industrial traffic on the Mumbai - Agra road)
  - Execution of West Bengal (NH-34) concessions proceeding as planned  
(connects the capital to North Bengal and serves as gateway to the North East)
- **Rs.240 Cr equity fund raising by HCC Concessions completed at Rs.1,650 Cr valuation**
  - 14.5% dilution to The Xander Group, a global investment firm focused on infrastructure, hospitality, retail and real estate sectors
  - FCF 5 yr CAGR of over 75%

## Financial Projections - HCC Concessions

(Rs. Crore)

	2013E	2014E	2015E	2016E	2017E
Revenue	187	537	617	712	803
% Growth	-	187%	15%	15%	13%
Operating Cash Flow (EBITDA)	152	427	504	590	665
% Margin	81%	80%	82%	83%	83%
Free Cash Flow to Equity	11	67	107	151	190
% Growth	-	509%	60%	41%	26%

- **Strategic partnership with VINCI to develop large infrastructure concessions and world class Operations & Maintenance systems in India**

# Dhule (NH3) & West Bengal (NH34) Work in Progress

**Dhule Palesner – Work in Progress**



**Dhule Palesner – Work in Progress**



**West Bengal NH34 – Batching Plant at Raiganj**



**West Bengal NH34 – Project Office at Farakka**





**Steiner AG**

# Highlights

- Closing order backlog at CHF 1.4 billion (Rs. 7,668 Cr) excluding contracts of CHF 475 million (Rs. 2,600 Cr) yet to be signed
- Order inflow during Q2 of CHF 500 million (Rs. 2,500 Cr), key projects include Post Parc in Bern (CHF 160 million) & House of Peace in Geneva (CHF 100 million)
- Steady financial performance with strong liquidity position having more than CHF 120 million of cash

*(CHF million)*

As per IGAAP	Qtr ended 30 <sup>th</sup> Sept.2011	Qtr ended 30 <sup>th</sup> Sept.2010	% Growth
Turnover	172.0	171.2	-
EBIT	3.6	0.6	482%
PAT	4.2	0.6	660%





## Lavasa Corporation Limited





Date	Particulars
25.11.2010	Ministry of Environment & Forest (MoEF) issued Show Cause Notice with Status Quo Ante
30.11.2010	Lavasa filed Writ Petition in Bombay High Court
07.12.2010	Bombay High Court directed MoEF to give hearing to Lavasa
22.12.2010	Bombay High Court admits the Writ petition regd. applicability of notification after being “satisfied with the issues raised” by Lavasa. Also directs MoEF to visit Lavasa Project
17.1.2011	MoEF passed its Final Order directing Lavasa to maintain status quo, and further stated that MoEF is prepared to consider the project on merits with imposition of various terms and conditions including payment of substantial penalty and upon creation of Environmental Restoration Fund and on submission of various documents stated therein.
25.1.2011	Lavasa addressed a letter to MoEF for finding an amicable solution and offered without prejudice suggestions for MoEF consideration, to put an end to the controversy.

Date	Particulars
27.1.2011	Writ Petition no. 811 of 2011 and Writ Petition no. 9448 of 2010 along with other PILs were listed before Justice A.A. Sayed. In view of the ongoing discussions with MoEF on amicable settlement, Lavasa prayed for adjourning the case for 45 days and accordingly the court was pleased to allow the same and posted all Lavasa connected matters to 10.3.2011.
28.1.2011	In response to our letter dated 25.1.2011, MoEF has addressed a letter informing Lavasa that MoEF is prepared to consider the matter of giving environmental clearance to Phase I. ( 2000 Ha )
31.05.2011	EAC Committee recommended to the MoEF to grant clearance to Lavasa project, with certain pre-conditions.
15.06.2011	Additional Solicitor General told the High Court that the minutes of the EAC have been accepted by the ministry with certain conditions and that the final order would be passed within reasonable time and once the conditions set by MoEF, as recommended by the EAC, are met by LCL , MoEF will issue the Environmental Clearance to Lavasa, enabling Lavasa to proceed with developmental work.

Date	Particulars
27.06.2011	MoEF issued a letter to Lavasa stating that the five conditions recommended by EAC are pre-conditions and asks Lavasa to submit all necessary documents and details to fulfill the said conditions
05.08.2011	The Company appeared before the panel and made written submission along with the Board Resolution in respect of the preconditions as stated in MoEF's letter dated 27.6.2011. Thus, the Company complied with the preconditions as stated by MoEF
30.08.2011	The Company filed another Writ Petition in the Hon'ble Bombay High Court seeking directions interalia that (a) it be declared that the Company has been granted / deemed to have been granted environmental clearance for Phase I of the project, in the alternative to prayer (a) above, that 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 of the Company's project.
23.09.2011	High Court gives 3 weeks time to MoEF to pass "final order". High Court noted the gravity of the matter and stated that if MoEF does not pass order within the above time, the court will be seized of the matter. Further, orders passed by the MoEF not to have any bearing on the prayers of petitioner.

Date	Particulars
13.10.2011	MoEF passed an order thereby communicated that as the pre-conditions on the credible action by state govt. on violation of EIA Notification 2006 has not been complied with, MoEF is unable to issue the Environment Clearance to the first phase of Hill City project (2000 ha) of the Company. The final decision on the Environment Clearance 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.
20.10.2011	The Bombay High Court has directed Government of Maharashtra to take action pending in accordance with MoEF directives within two weeks. It has also directed MoEF to pass a decisive order by 16 <sup>th</sup> November 2011



**Thank You**



## Disclaimer

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This presentation contains certain forward looking statements concerning future business prospects and profitability of HCC, which are subject to a number of risks and uncertainties and actual results could materially differ from those in such forward looking statements, 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, tax laws, labor relations, litigation etc. The company does not undertake to make any announcement in case any of these forward looking statements become materially incorrect in future or update any forward looking statements made from time to time by or on behalf of the company.