

CHAIRMAN'S ADDRESS

It gives me much pleasure to welcome you to the 45th Annual General Meeting of your Corporation. The Annual Accounts together with the Directors' Report have already been circulated and with your permission I take them as read.

When I joined the NBCC family in April, 2001, the state of affairs of the Corporation were not so good. Almost on all fronts like work execution, financial management and general administration, the position of the Corporation was deteriorating. Main objective was then to pull NBCC out of losses and turn it around. Several steps were initiated for improvement in the performance of the Corporation. Bottom up line management concept was introduced. Site Incharges were given the task to concentrate and ensure timely execution of projects while resource management functions were left with Unit Incharges and Zonal Heads. Working operations of the Corporation were re-organised and five separate Regional Business Group Offices were established. Respective Heads of these RBG Offices were made the overall Incharges for the progress of work in their region and in turn responsibility was cast upon them for implementation of the policy decisions of the Management. Adequate powers were delegated down the line. Need for adopting commercial approach in all pursuits was stressed upon. Thus, a favourable environment was built in the organisation to meet the expectations of all the stakeholders through 'pro-active' approach. Proper monitoring of projects and efforts made for reduction in overheads have resulted in improving the bottom line. The following information would prove a case in point for resurrection of your Corporation:

(Rs. in crore)

	31.3.2001	31.3.2005	% increase
Turnover	310.69	778.01	150
Net Profit before tax	2.55	25.23	872
Net Profit after tax	2.49	15.46	521
Net worth	(-) 4.03	45.63	-
Business Development	387.38	1340.78	246
Earning per share (in Rs.)	30.46	171.76	546

The above results would not have been possible without the contribution of trained and well qualified manpower in the organisation. Your Corporation had the advantage of its vast and diversified experienced portfolio. Its capability to deliver the projects within time and cost was always available. But, all that needed was an ignition and positive direction. Introduction of 'cost to completion' concept and 'project implementation document' guided us towards our mission for achieving sustained growth. Today, your Corporation is infused with a new found vigour and is within a striking distance of earning a well deserved mini-ratna status. Based on the audited results of the financial year 2004-05, the performance of NBCC has been adjudged 'Excellent'.

Construction industry being the second largest activity in the country is continuing to grow due to rapid industrialisation post-economic reforms, increased requirement for infrastructure development and need for supplementing the existing public utility services especially in the urban areas. Construction

market is witnessing fierce competition from small and medium players in works of traditional nature. This sector is further joining hands with domestic and overseas reputed companies for greater market share through JV route etc., and offering intense competition to your Corporation. In this situation, the profit margins have squeezed in the medium and large projects. Under these circumstances, your Corporation had to look for business in remote and difficult areas where other companies were reluctant or hesitant to go. I am grateful to the Ministry of Home Affairs, Ministry of Rural Roads and Ministry of Urban Development for awarding works amounting to Rs.1102.10 crore during the financial year 2004-05. These works involve Construction of Fencing along Indo-Pak and Indo-Bangladesh Borders; Construction of Roads under PMGSY in Bihar and Tripura; Construction of various infrastructure and other projects in North-Eastern Region. I would also like to express my sincere thanks to NTPC & BHEL for reposing confidence in NBCC for continuing to award their repeat orders. Despite the non-realisation of dues against projects executed in Libya and Iraq, your Corporation is exploring possibilities in the global market through formation of joint ventures. Initially, it is planned to bid for contracts of less than \$ 50 million. For 2005-06, ambitious target has been set of surpassing the Rs.1000 crore turnover and wiping out the accumulated losses. The government's decision to allow 100 % FDI in housing projects is expected to throw open more opportunities for construction companies. NBCC is in a advantageous position, as it is a wholly owned government


company thus, it will be able to provide some degree of comfort to developers besides enjoying access to untapped real estate potential of both Central and State government. NBCC has executed a few MoUs and holding dialogues with capital venture groups from abroad for jointly undertaking real estate mega project.

One of the areas of concern for NBCC had been huge outstanding dues of Rs.81.44 crore from Libya and Rs.70.01crore from Iraq. With the intervention of the government at the highest levels finally it seems positive results would start bearing fruits. I am hopeful of recovering 50-60 per cent dues from Libya in the financial year 2005-06 with the assistance of EXIM Bank. Further, efforts are also on for amicable settlement of matters in Iraq.

In my last year's address, I mentioned about the appeal made to the government to review the decision on disinvestment of NBCC in view of its performance. I am glad to inform you that the government has decided not to pursue the proposed divestment of its equity through a strategic sale in your Corporation . Now, that this fear and uncertainty in the minds of few is also over I, therefore expect a more determined resolve to scale newer heights in coming times.

I would like to assure our shareholders on behalf of the NBCC team that we are a dedicate team of professionals who continues its conscious commitment for improvement in work culture, maximisation of resources, minimisation of operational cost and enhancement of company's image and credibility.

I would wish to place on record my sincere thanks to the Ministry of Home Affairs and Ministry of Rural Roads, client organisations and other departments of the Government of India for reposing their faith in NBCC. I express my deep gratitude for the assistance and guidance to your Corporation from the Ministry of Urban Development. I would also like to thank the employees of the Corporation for their devotion and team spirit in achieving the current level of progress.



(Arup Roy Choudhury)
Chairman-cum-Managing Director

Place: New Delhi
Dated: