

DIRECTORS' REPORT

To
The Members,

The Board of Directors take great pleasure in presenting the 45th Annual Report on the performance of your Corporation during the financial year ending 31st March, 2005 alongwith audited Statement of Accounts, Auditors' Report and Review of the Accounts by the Comptroller and Auditor General of India.

YEAR IN RETROSPECT

During the year 2004-2005, your Corporation registered an impressive performance on all fronts. Turnover increased by 17.77% from Rs.6606.19 million to Rs.7780.26 million. Gross margin increased by 149.92%, net profit before tax increased by 136.46% and net profit after income-tax increased by 3.25% over the previous year. During the reporting year, new business of Rs. 13407.82 million was secured as under:-

(Rs. in million)		
Clients	Project Description	Value
• Ministry of Home Affairs	Construction of Fencing along Indo-Pak & Indo-Bangladesh Border	5749.70
• Ministry of Rural Roads	Construction of Roads under Pradhan Mantri Gram Sadak Yojna in Bihar & Tripura.	3450.00
• Ministry of Urban Development	Infrastructure Development works in North East Region	1821.32
• BHEL	Construction of Civil & Architectural work of Power House Transformer Yard.	1622.04
• NTPC	Construction of Chimneys	365.66
• APGENCO	Construction of Chimney & Natural Draught Cooling Tower	292.80
• MSEB	Construction of Chimney	106.30

FINANCIAL PERFORMANCE

(Rs. in million)

	<u>2004-2005</u>	<u>2003-2004</u>
INCOME		
<u>Turnover</u>		
- Domestic	7770.16	6587.63
- Overseas	10.10	18.56
Other receipts	306.09	267.16
Increase/(Decrease) in stock	(80.04)	(215.33)
Prior Period adjustment (Net)	9.58	12.85
Total (1)	8015.89	6670.87
EXPENDITURE		
Prime Cost	6767.19	5679.61
<u>Overheads</u>		
i) Salary and wages	432.19	444.88
ii) Ex-gratia	17.22	29.01
iii) Write off Sundry Debtors	92.97	70.88
iv) Others	321.50	292.51
Total (2)	7631.07	6516.89
Gross Margin (1-2)	384.82	153.98
Less : Depreciation	31.68	41.17
Less : Interest	100.85	6.07
Net Profit Before Tax (PBT)	252.29	106.74
Less :		
i) Income Tax (Overseas)	0.98	1.04
ii) Provision for Current Tax	99.17	14.36
Add :		
iii) Provision for Deferred Tax	2.44	58.38
Net Profit After Tax (PAT)		
- For the year	154.58	149.72
- Cumulative	(-) 743.68	(-) 898.26
New Business secured	13407.82	6910.00
Balance work in hand	17681.17	12053.61

Net profit before tax increased by 136.46% to Rs. 252.29 million (previous year Rs. 106.74 million) and net profit after tax increased by Rs. 4.86 million representing an increase of 3.25% over the previous year.

In the light of its policy laid down in the National Common Minimum Programme, the Government of India has decided not to pursue the proposed divestment of its 74% equity through strategic sale in your Corporation.

DUES OUTSTANDING

The position in respect of realisation of outstanding dues from Iraq amounting to Rs.700.14 million and Libya Rs.814.38 million remain unchanged from the previous year. Necessary, assistance at the Government and Diplomatic level was sought for realisation of these dues, but so far positive results have not been achieved.

As against the completed works of Rs.7780.26 million during the year, major portion of dues have been realised and efforts are being made to ensure that atleast current dues do not run into arrears. However, outstanding dues in respect of domestic/overseas operations carried out in the past continues to be alarmingly high. The amount outstanding is of the order of Rs.2320.60 million (domestic operations Rs. 2313.45 million and other overseas operations Rs. 7.15 million) as against the amount outstanding in previous year of Rs. 2337.05 million (domestic operations Rs.2324.63 million and other overseas operations Rs. 12.42 million), mostly against the Government Departments and other Agencies. Progress of realisation of dues is being monitored regularly in the Corporate Office at the Functional Director level for appropriate action.

DIVIDEND

As per requirements of Section 205 of the Companies Act, 1956, declaration of dividend out of its profits for the current year cannot be made unless accumulated losses incurred to the extent of unabsorbed depreciation are set off. Therefore, your Directors have not recommended any declaration of dividend for the financial year 2004-2005.

ORDER BOOK

Orders of Rs. 12053.61 million were available in the beginning of the year. Your Corporation secured new works of Rs 13407.82 million and works amounting to Rs.7780.26 million were executed during the reporting period. Balance work of Rs.17681.17 million was in hand at the close of the financial year ended 31.3.2005.

MEMORANDUM OF UNDERSTANDING

MOU for the year 2005-06 has been signed with the Ministry of Urban Development. Following targets have been laid down in the MOU:

	Rs. in million
Turnover	7200.00
Business Development	18000.00
Gross Margin	166.00
Net Profit	46.20

During the year 2004-05, the Corporation is likely to achieve 'excellent' rating.

CORPORATE VISION-2010

The Corporate Vision is as under :

To improve the USP of the Corporation which delivers high quality projects in time and within cost.

To improve the customer relationship and strive for customer satisfaction by proactive approach.

To improve the liquidity and bankability of the Corporation by a four pronged approach :

- i) Expansion of business in Project Management & Consultancy by capitalizing on ISO-9001 accreditation. Thus, further improving credibility of the Organisation as a techno professional body.
- ii) Striving hard for developing Real Estate projects for fruitful commercial exploitation of available land so as to generate handsome profit, off-set overhead cost and accumulated losses.
- iii) Selectively taking up works on tendered basis.
- iv) Building a highly receptive, informative and professionally charged Organisation by introducing modern project management concepts and exploiting development in information technology sector by introducing Web based monitoring and communication systems, LAN based information sharing systems, SAP based financial and personnel management system.

To improve the rating of the Corporation both in terms of specified and implied needs of the customer by regular modernization, training, interactive session and lateral induction of ideas and thoughts.

To instil a commitment in the Organisation to make it more transparent, dynamic and result-oriented.

MANAGEMENT DISCUSSION AND ANALYSIS

With opening up of economy, large number of multi-national companies are aspiring for larger market share in construction sector. Further, the fierce competition posed by small and medium sized Indian firms in private sector have made routine construction projects unremunerative for your Corporation on account of squeezing profit margins. To overcome this situation, your Corporation is looking forward to bid for high value infrastructure development projects in collaboration with well renowned Indian and Overseas parties. Liberarised policy of the Govt. of India allowing foreign direct investment (FDI) upto 100% in real estate has been viewed as a tremendous opportunity by your Corporation for expanding business in this area. NBCC is exploring all possibilities for associating with well established collaborators including venture capital groups for undertaking construction and development of real estate projects on large scale. Diversification in real estate sector has been done to improve the profitability and liquidity of the Corporation. The performance of your Corporation registered a manifold increase consistently over the last 4 years and is far above the industry norms of 6-7%.

Some of the MoUs and joint ventures formed in this direction are as under:

- JV with Jamal Trading Company (a Botswanian company) for development of infrastructure projects in Botswana.
- JV with IJM, Malaysia and Vilayati Ram Mittal for construction of elevated viaduct on Barakhamba Road, Connaught Place - Dwarka section of Metro Railway.
- NBCC has signed an MoU with Su Yapi, a local company in Turkey for taking up future Project Management, Consultancy works in Turkey.
- JV with Uralelectrosetstroy, Russia for undertaking Transmission Line Projects.
- JV with BPH, Canada for taking up projects in Iran.
- JV with MARE, Turkey for execution of projects in Afghanistan.
- JV with Eksen, Turkey for execution of Road Projects.

- JV with Ranhill, Malaysia for execution of Gas and Oil Power Plant, Hospital, Road and Airport Sectors.
- JV with Attawabic, Libya for contracting and Real Estate Projects.
- JV with Daewoo Engineering, Korea for execution of Bangalore Metro Rail Project.
- MoU has been signed with the Govt. of Tripura for allotting land for development of Real Estate Project.
- MoU executed with MBA Enterprises 3, Inc., USA for real estate project.
- MoU signed with Gadang Holdings Berhad, Malaysia with core business activities in civil engineering & building construction and property development.

BUSINESS STRATEGIES

Timely completion of projects, quality assurance, cost reduction have achieved greater customer satisfaction and also helped in repeat orders from your valued clients through the following business strategies:

1. Introduction of the concept of "Cost to Completion" (CTC).
2. Introduction of Computerised Project Management and Web based monitoring system.
3. 'A', 'B', 'C' categorisation of projects and close monitoring of projects depending upon their criticality.
4. Proactive approach and constant liaison with clients.
5. Introduction of Funds Management at the Zonal level (ultimately to be centralized at the Corporate level) for effective utilisation and exercising better control on financial resources.
6. Introduction of 'Labour in Prime Cost' concept, making it obligatory on contractor to engage departmental labour resulting in utilisation of surplus labour and reducing overheads on account of idle wages.

ISO CERTIFICATION

NBCC obtained ISO 9001 Certification for its Project Management and Consultancy Divisions. The Corporate Mission enshrines building a high degree of customer satisfaction and providing services conforming to ISO 9001: 2000 series. Licence for quality management system issued by the Bureau of Indian Standards is valid upto 28th March, 2008.

CORPORATE GOVERNANCE

Towards good governance practices, emphasis is being laid in the Corporation on facets of observing transparency, accountability and proper disclosure. Accordingly, appropriate changes have been brought in various formats devised for Management Information System. The Project Incharges and other functionaries in the Corporation are required to comply with provisions of the works manual. Guidelines are also being issued by the Vigilance Division for proper execution of works at project sites.

PRINCIPLES OF GLOBAL COMPACT

NBCC is committed to support the principles of Global Compact. As per Corporation's policy, NBCC has taken several initiatives in this direction by undertaking execution of works in remote and difficult areas & providing job avenues to the locals; rehabilitation/reconstruction of infrastructure works in areas devastated by natural calamities; border fencing works for national security; and construction of water supply distribution system etc.

During the previous year, some of the activities undertaken in relation to implementation of Global Compact principles are outlined below:

1. As a policy, NBCC is operating in remote areas where other construction agencies dare not venture into. In the North East Region of the country, NBCC has helped in upliftment of socio economic status of skilled/unskilled persons engaged locally on Corporation's work site both on-going and completed projects in all the 7 states of North East.
2. Being conscious about the need for continuous upgradation of skills and knowledge of employees both in-house and external training programmes to the extent of 2838 man days were organised/arranged.
3. NBCC has on its rolls 21 nos. of physically challenged persons in its work force involving an annual expenditure of Rs.1 crore. Besides, the Corporation is laying emphasis on promotion of interest of economically weaker and backward classes of the society through the implementation of its commitment to the 'Reservation Policy'.

4. Construction of schools and dispensaries in earthquake affected area of Gujarat and in cyclone affected areas of Orissa, on no profit basis valuing Rs.57.60 million were executed.
5. All employees of the company contributed their one day salary besides Corporation's share of contribution for providing relief to the Tsunami victims of A&N Island. NBCC has designed and erected pre-fabricated sample houses at Car Nicobar & Hutbay Island.
6. NBCC Prize for Excellence carrying cash award of Rs.2000/- and a certificate was given to the best student of M.Tech. Programme run by Deptt. of Civil Engineering, Indian Institute of Technology, Delhi.

TECHNOLOGY UPGRADATION

Your Corporation for successful execution of various construction projects has adopted the following technologies:

- Upflow Anaerobic Sludge Blanket Technology for Sewage Treatment Plant.
- Slip-form & Sliding form technology for high rise structures.
- Incremental launching of girder for bridges and elevated tracks.
- Segmental construction of superstructure in bridges.
- Use of hydraulic rig for piling.
- Use of Tunnel Form Technology for mass housing.
- Horizontal slipping for large dia. circular cast-in-situ pipes.
- Adoption of ready mix concrete for major construction projects.

CONSERVATION OF ENERGY

NBCC, engaged in service sector, has limited scope for energy conservation. Emphasis is being laid on employing techniques which result in conservation of energy, such as use of solar energy devices in buildings. At work place, emphasis is more on installation of energy efficient lights and using natural light to a maximum extent. Sewage Treatment Plants executed by NBCC using UASB technology without any moving parts helps in conservation of electricity.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Corporation earned Rs. 19.42 million and incurred an expenditure of Rs. 22.47 million in foreign exchange as per details furnished in Item No. 33 D&E Notes to the Accounts (Schedule 22) forming part of the Accounts.

HUMAN RESOURCE DEVELOPMENT & TRAINING

Human Resource Development continued to be accorded high priority with emphasis on improving skill, competence and knowledge through regular training and in-house/outside faculty professional development programmes. In-house and external training equivalent to 2838 mandays was organised during the year. The employees management relation remained very harmonious. Periodically, discussions were held between the Management and representative of various Trade Unions on issues relating to general welfare of the staff and workers.

Consultative and Participative Management style has been implemented for achieving the Corporate goals. The morale of the employees remained high which contributed positively in the progress of the Corporation.

MANPOWER

Total strength of regular employees of the Corporation as on 31.3.2005 stood at 2591. The category-wise position in respect of regular employees is as under:

GROUP-A	GROUP-B	GROUP-C	GROUP-D	TOTAL
650	250	1029	662	2591
(21)	(22)	(28)	(30)	(101)

(The figure in brackets is in respect of female employees).

RESERVATION OF SCHEDULED CASTES AND SCHEDULED TRIBES/ OTHER BACKWARD CLASSES :

Directives issued by the Government of India from time to time for filling up of vacancies for SC/ST/OBC/Ex-servicemen/Physically Handicapped have been followed in the Corporation.

Statistical information in this regarding is given below :-

Category of employees	General	SC	%age of SC	ST	%age of ST	Total no. of employees
Group-A	526	111	17.08	13	2.00	650
Group-B	185	58	23.20	7	2.80	250
Group-C	895	129	12.54	5	0.49	1029
Group-D	561	96	14.50	5	0.76	662
Grand Total	2167	394		30		2591

PROGRESSIVE USE OF HINDI

During the year 2004-2005, efforts continued in the Corporation towards progressive use of Hindi. The third Sub-Committee of Parliamentary Rajbhasha Official Language Inspection Committee carried out its inspection of the Corporate Office on 5.10.2004 at the SCOPE Convention Centre. During the year, OLIC quarterly meetings were also held to review the progress of official language in the Corporation. "HINDI DIWAS" was celebrated on 14.9.2004.

"Hindi Pakhwara" was organised from 14.9.2004 to 28.9.2004 and Hindi competitions were conducted in which employees and their family members took active part. Cash prizes were later on awarded to the winners. In-house Journal "Bhawan Lochan" is being published in Hindi language. During the year under report, several inspections were conducted by the Hindi Cell in Zones and various Divisions at the Corporate Office to oversee the extent of use of official language in day to day working.

VIGILANCE ACTIVITIES

The Vigilance Division at Corporate Office is headed by Chief Vigilance Officer, an officer of the level of Joint Secretary in the Government of India, on deputation from the Ministry of Railways.

Complaints received from within the Corporation, Members of public, Central Bureau of Investigation, Central Vigilance Commission, Clients and Ministry of Urban Development are probed and investigations are conducted and wherever lapses are noticed, disciplinary proceedings are initiated against the delinquent employees.

With a view to eradicate corruption amongst the employees of the Corporation, a three pronged strategy, as under, is followed :

1. Preventive Vigilance.
1. Detective Vigilance and Surveillance.
2. Punitive Vigilance.

Preventive Vigilance ensuring measures to reduce and eliminate corruption is practised in the Corporation by way of regular and surprise inspection of sensitive and corruption prone areas by the Officers of Vigilance Division apart from the functioning of other teams/agencies.

Through strict surveillance, execution of sub-standard work and unethical practices have been checked to a great extent, thus resulting in substantial savings to the Corporation and steps have also been taken to avoid recurrence of such irregularities.

On the punitive side, on the basis of reports received from the Chief Technical Examiner of Central Vigilance Commission as well as on the basis of our own internal investigations, disciplinary proceedings against the defaulters have been initiated and these are constantly monitored so as to punish the guilty expeditiously.

NBCC observed 'Vigilance Awareness Week' in its Corporate, RBG & Zonal Offices all over the country from 1.11.2004 to 6.11.2004 . The event began with administering of pledge. A vigilance Quiz event was also organised. On 4.11.2004, a Seminar was organised on 'Departmental Inquiries' and Vigilance 'Case Studies'.

The Vigilance Wing of the Corporation organised a Vigilance Interactive Session at SCOPE Convention Centre, New Delhi on 30.11.2004. On this occasion, Shri H.J. Dora, Vigilance Commissioner, CVC addressed the gathering. The event had a highly interactive 'Question-Answer' session. A booklet of important circulars of CTE was released by the Vigilance Commissioner of CVC.

PUBLIC RELATIONS

The Corporate Public Relations Division continued to make sustained efforts to project the image of the Corporation through effective use of print and electronic Media. NBCCs activities, achievements and its new strategies, initiatives etc. were effectively carried out by the media during the year.

PUBLICATIONS

The Public Relations Division published an in-house Quarterly Journal - 'NBCC NEWS' which highlighted the operational activities of the Organisation as also reported new initiatives for growth and events taken place within the Organisation. For prompt dissemination of information, the NBCC News is now being brought out 'monthly' instead of 'quarterly'.

During the year, posters and booklet on 'Vigilance Awareness' and another booklet titled 'The Nation Dreams, we deliver' on Defence Housing Project besides leaflet on 'Key Performance 2003-04' were also brought out by the PR Division.

EXHIBITION

Your Corporation participated in the North East Trade Expo 2005 held at Pragati Maidan, New Delhi from 7-14 March, 2005, jointly organised by the Ministry of Development of North Eastern Region (DONER) and ITPO. This platform was used by NBCC to display exhibits of various completed and on-going infrastructure development projects in all the North Eastern States including Sikkim.

SURAKSHA GNYAPIKA AWARD

For implementing excellent safety management system and good safety performance in construction of RCC Chimney/Cooling tower at Ramagundam, NBCC was awarded 'Suraksha Gnyapika Award' by the NTPC at a specially organised function at Ramagundam.

EVENTS

- Shri Ghulam Nabi Azad, Hon'ble Minister for Urban Development, Government of India, inaugurated the Government Housing Complex executed by the Corporation at Aizawl (Mizoram) on October 4, 2004.
- Lt. Gen. K S Jamal, AVSM, VSM, General Officer Commanding of 12 Corps, performed Bhoomi Pujan for Married Accommodation Project for Indian Army at Jaipur (Rajasthan) on December 7, 2004.
- Shri Subir Raha, CMD, ONGC inaugurated their New Office Building '11 high' executed by NBCC at Dharavi (Mumbai) on March 17, 2005.
- Shri N.D. Tiwari, Hon'ble Chief Minister of Uttaranchal inaugurated on February 9, 2005, the staff quarters constructed by the Corporation for Khadi & Village Industries Corporation (KVIC) at Dehradun.

VISITS

- His Excellency Shri Amolok Rattan Kohli, Governor of Mizoram, visited the "New Capital Complex" works being executed by NBCC at Aizawl on October 6, 2004. He was highly impressed to see the progress and quality of works being delivered by the Corporation.
- Mr. Neiphiu Rio, Hon'ble Chief Minister of Nagaland, visited NBCC's Storm Drainage Development works at Dimapur (Nagaland) on October 15, 2004. He was extremely happy to see the progress of work and the quality of execution.
- Smt. Chitra Chopra, Secretary, Ministry of Urban Employment & Poverty Allevation (UEPA), Government of India visited UEPA Projects being executed at Guwahati and Shillong, on November 18, 2004.

EMINENT ENGINEER AWARD FOR OUR CMD

Shri P M Sayed, Hon'ble Union Minister for Power, Government of India, gave away the 'Eminent Engineer Award 2004' to our CMD, Shri Arup Roy Choudhury at a glittering function held on 25.10.2004. The award, instituted by the Institute of Engineers(I) has been conferred on our CMD for his remarkable and valuable contribution in the field of Engineering, particularly in Civil Engineering and Construction Sector, both nationally and internationally.

SERVICE MEMENTOS

Service Mementos were presented to 104 employees on completion of their 25 years of service in the Corporation as on 31.3.2005.

BOARD MEETINGS

The Board of Directors place on record the valuable guidance and support given by your Director, Late Shri R S Prasad then Joint Secretary & FA, Ministry of Urban Development whose tenure was curtailed by his untimely demise on 15.10.2004 after brief illness.

Shri Ajeer Vidya, Joint Secretary & FA, Department of Information Technology and holding additional charge of Joint Secretary & FA in the Ministry of Urban Development was appointed Director on the Board of the Corporation on 16.9.2004.

During the year under report, 8 meetings of the Board of Directors were held on 20.4.2004, 1.7.2004, 25.8.2004, 16.9.2004, 9.12.2004, 12.1.2005, 7.2.2005 & 25.3.2005.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies (Amendment) Act, 2000, your Directors hereby report as under :-

- a) that in the preparation of annual accounts, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departure;
- b) that the selected Accounting Policies were applied consistently and the Directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation as at 31st March, 2005 and of the profit and loss accounts for the year ended on that date;
- c) that 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 Corporation and for preventing and detecting fraud and other irregularities; and
- d) that the Annual Accounts have been prepared on a going concern basis.

AUDITORS

M/s Dinesh Mehta & Co., Chartered Accountants, New Delhi were appointed as Statutory Auditors of the Corporation for the year 2004-2005.

PARTICULARS OF EMPLOYEES

Pursuant to the provision of Section 217 (2A) of the Companies Act, 1956, read with the Companies' (Particulars of Employees) Rules, 1975, as amended from time to time, none of the employees of the Corporation was in receipt of remuneration of more than Rs.24 lacs per annum or Rs.2,00,000/- per month.


ACKNOWLEDGEMENTS

Your Directors sincerely acknowledge the support and co-operation provided by the Ministry of Urban Development, Ministry of Finance, Ministry of Home Affairs, Ministry of Defence, Ministry of Commerce, Ministry of External Affairs and various other Government agencies.

The Directors also wish to thank CAG of India, Chairman & Members of Audit Board, Statutory Auditors for their co-operation and guidance and Corporation's bankers, RBI, Exim Bank, Embassies, Protector of Emigration, Passport authority for their continued support.

Your Directors also take this opportunity to place on record their sincere appreciation for the hard work and efforts put in by all the members of NBCC family towards the growth and progress of the Corporation.

For & on behalf of the
Board of Directors



(Arup Roy Choudhury)
Chairman-cum-Managing Director

Place: New Delhi
Dated: