

CHAIRMAN'S ADDRESS



Dear Shareholders,

It gives me great pleasure to welcome you all to the 46th Annual General Meeting of your Company. The Annual Accounts together with the Directors' Report have already been circulated and with your permission, I take them as read.

Economic Scenario

It is very heartening to know that the country's GDP is growing in a very encouraging way. The increase of GDP in the year 2005-06 has been 8.1%. Globally India has become one of the fastest growing economies of the world. The construction sector, which has a major role to play in overall growth of the country has also registered growth rate of 6% during the last year.

Review of Construction Sector

On the review of the sector it is found that none of the major players in private sector in the construction industry have grown more than approx. 30%. The growth in public sector companies in the construction sector has been 10-15%, but your company has not only grown many folds but also become the largest public sector construction company. You will be happy to note that your company has grown approx. 64%, when compared to these bench marks and has also consistently attained the record growth for the 5th consecutive year.

Financial Milestones

Not long ago your company was reeling through very difficult times. Results were not at all encouraging, net worth was negative, profits were marginal. Since then we have come a long way and your Company has shown a gross margin of Rs.52.05 crore despite investment in making financial correction in its book keepings and providing against adverse comments being communicated in the balance sheet from both the statutory auditors and Govt. auditors. You will be happy to note that for the consecutive second time the auditors have given "***True & Fair***" view on accounts of your financial statements.

Future Growth

Today, your company is the largest public sector construction company, however, it is yet not a Schedule 'A' company. The reason, by & large, is due to our liabilities accrued over the last 40 years of operations. In this financial year your company is expected to generate surpluses which will adequately wipe-out the chronic issues like paying back preferential shares to the Govt., paying back Govt. loans etc., most of which are of 20-30 years vintage, enabling your company to pay dividends to the Govt. of India by the end of financial year 2006-07.

Maintenance of Sustainable Growth

Having grown from the level of Rs.300 crore to Rs.1300 crore plus company and registering a growth rate of approx. 60% during the last five years, it is imperative that your company sets the target of not less than Rs.5,000 crore for the year 2011. This is not going to be easy because of the mushrooming of many construction companies in the market in the private sector and also global companies making foray in India.

Your company is, therefore, looking at new avenues that the economy has to offer to us. One of such avenue is to diversify into setting up of power projects. Since your company has already been executing the entire gamut of civil works of power projects

which is approx. 25% of the total cost of setting up of power plant, the stage has come where your company can take the lead of setting up of power project in association of State Electricity Boards and to contribute its mite into the country's goal of achieving self-sufficiency in power by generating additional 150,000 MW of power in the next five years.

Organisational Strategy

Your company requires to strategize its operations into Regional & Strategic Business Groups. Thus, operations of the Corporation have been now regulated through Regional Business Groups (RBG) and Strategic Business Groups (SBG). These groups are independent profit centres and are handling works based on Industry specialisation or geographical locations.

Real Estate - The Thrust Area

Real Estate will continue to be a major thrust area. Foundation Stone of the prestigious NBCC Vibgyor Towers at Rajarhat, Kolkata was laid by Shri S. Jaipal Reddy, Hon'ble Minister for Urban Development, Government of India on 21st February, 2006 in the august presence of the Chief Guest Shri Buddhadeb Bhattacharjee, Hon'ble Chief Minister of West Bengal. The project has also been over-subscribed with overwhelming response to the sale of flats. In view of the liberalized policy of investment by foreign investors in the country in the Real Estate Sector, NBCC has executed MOUs with few venture capital firms of USA and Malaysia etc.

Project Management & Consultancy Services

Your Corporation is working as an extended arm of Ministry of Urban Development, Ministry of Housing & Urban Poverty Alleviation, Ministry of Defence, Ministry of Home Affairs and various other Central/State Government Ministries. Project Management & Consultancy work of ONGC Energy Centre and Corporate Office of ONGC Group of Companies is also being executed by NBCC. PMC Services is a

single point "**Concept to Commissioning**" mode for implementation of the projects by maintaining high level of commitment of **Quality, Time & Cost**.

Computerization and Transparency

Your Corporation is fully aware of the fact that authentic access to information has become a necessity in modern times as it acts as a catalyst in taking quick decisions. Today, NBCC is equipped with latest office automation facilities both at the Corporate Office and RBG / SBG Offices. I would also like to share with you that your Corporation has already implemented LAN in Corporate Office & RBG offices and is committed to implement LAN / WAN in SBGs / Units very soon. The Corporation has already started project monitoring functions through web in a few critical projects. After setting up LAN / WAN connectivity between SBGs / Units, all the major projects will be monitored at the Corporate level. Initiatives are also on to redevelop our existing website and its hosting on government portal i.e. "nbccindia.gov.in" with centralized mailing system and introduce e-procurement & e-tendering system. These initiatives will facilitate simplifying the work procedures, quick decision making besides practicing good Corporate Governance.

Electronic Fund Transfer

In the fast changing economic age of e-commerce, a system of e-payment has been introduced for making payment to contractors, suppliers and consultants directly to their account through a transparent system which facilitates quick payment within a short time and eliminates postal delays and handling human related problems.

Corporate Image Building

In order to further improve the image of the Corporation, efforts have been made to build the capacity and skills of our personnel through regular training on computer, organizational, behaviour, project monitoring etc. so as to improve their efficiency and effectiveness in handling their day to day work including interaction with the customers. Efficient and effective interaction with customers has increased their satisfaction. You

will be happy to learn that these efforts have resulted in increase in the satisfaction level of our customers and have also contributed remarkably in improving our order book position.

Customers' Satisfaction

NBCC's priority is to provide value addition to its clients by implementing the projects within specified time and cost by maintaining high level of quality. A specific customer feedback format has become mandatory in each project. As a result, several clients Organisations, various Ministries / Departments of Govt. of India and the State Governments have reposed their faith on us by placing repeat orders on NBCC.

Social Responsibilities

NBCC, as a responsible Public Sector Enterprise, acknowledges its Corporate social responsibility and is also member of the Global Compact Society. It has been in forefront to assist the Govt. in undertaking the Rehabilitation works in the form of establishing Community Centres, Community Kitchen etc. after the recent earthquake in the State of Jammu & Kashmir and the Tsunami disaster in Andaman & Nicobar Islands.


NBCC has also been able to offer residential flats to its patrons at a much lesser price than the private players due to its unique forward pricing mechanism.

Acknowledgements

I would like to place on record my sincere thanks to the Ministry of Urban Development, Ministry of Housing & Urban Poverty Alleviation, Ministry of Home Affairs, Ministry of Defence. Ministry of Rural Development, Ministry of Commerce, Ministry of Finance, Ministry of Information & Broadcasting, and various Departments of the Government of India and the State Governments and various client Organisations, PSUs etc. for reposing their faith in NBCC.

I also extend my thanks and deep appreciation to all the predecessors and the present colleagues on the Board for their valuable participation and mature advice in the decision making processes of your Corporation.

Last but not the least I would like to thank the entire spectrum of the employees of the Corporation for their devotion and team spirit in achieving the new milestones for the Corporation.



(Arup Roy Choudhury)
Chairman-cum-Managing Director

Place: New Delhi

Dated: August 10, 2006