

Chairman's Address



Dear Shareholders,

It gives me great pleasure to welcome you to the 49th Annual General Meeting of your Corporation. The Audited Accounts for the financial year 2008-09 together with the Directors' Report have already been circulated / and with your permission I take them as read.

Economic Scenario

The year that has gone by was a nightmare for global economic business. Indian Economy has shown economic resilience in the face of global recession, mainly due to strong foundation of the public sector enterprise. Your company has been hit partially but has by and large weathered the storm.

After downturn, the industrial production indicates positive growth by June 2009. Sharp pick-up in cement and steel shows revival of the economic activity. Construction Industry is expected to fair well and make significant contribution to the GDP following strong demand in rural and urban sectors. Upward trend in construction activity having a multiplier effect would lead to more job creation and added infrastructure, a potential sign of growth.

Business Outlook

Your Corporation has formulated a Corporate Plan which envisages achievement of a target of Rs. 4500 crore by end of the financial year 2011-12. Till recently, the bulk turnover of the Corporation is met through Project

Management Consultancy. For sustained inclusive growth on a long-term basis, change in strategies was inevitable. Your corporation identified two major sectors of growth and took a decision to diversify in a big way in

- a) Real Estate, and
- b) Power Sector

Your corporation is already constructing houses of different types for various clients and is executing the entire gamut of works in power projects, therefore, it is a natural transition to become entrepreneur in both these areas.

Your organization has already launched housing schemes in Kolkata and would soon launch similar schemes in Patna, Cochin and the NCR region.

Your Corporation has also been pre-qualified as power Project developer and is on the verge of finalizing some project in India and abroad.

Besides, your Corporation will continue to focus on development of business in Power and Environmental Sectors with its core competency lying in Construction, Consultancy, Project Management, Real Estate Development and EPC Contracts

Pioneering Initiative

NBCC has made a special effort to bring some semblance of transparency to the otherwise opaque Real Estate business. Your company has adopted the unique “forward costing method” of costing by which the cost of land, cost of construction, cost of supervision and marginal profits are added in a transparent fashion to arrive at the cost to be charged to the customer. Further the myth of “Super Area” has been clearly quantified so that the buyer knows what are the loadings over and above the carpet area, that he has to pay for. This has resulted in the possibility of offering a very reasonably priced flats to the customer in a very transparent fashion and will also be a benchmark for the Real Estate Industry.

I would like to make a special reference to the overwhelming response from the public sector & central/state government employees in the form of an 'expression of interest' for our housing schemes. We have over 21,000 applicants for Gurgaon alone.

This initiative by your Corporation has resulted in the fall of Real Estate prices in that segment by more than 20%.

The announcement made by the Government for 1% subsidy for low-cost home loans and extending a tax holiday on profits from time bound housing projects to developers, will further strengthen the cause.

Financial Performance

During the financial year 2008-09, total income of Rs.2044.35 crore, gross margin of Rs.246.24 crore and net profit after tax of Rs.159.16 crore were achieved. Reserves & Surplus increased from Rs.245.38 crore (2007-08) to Rs.367.00 crore (2008-09) on account of transfer of profit after tax post appropriation of Dividend and transfer of Capital Redemption Reserve to General Reserve. Operating expenses (excluding provision for leave salary & gratuity) shows Compounded Annual Growth Rate (CAGR) of 18.2% which is in Tandem with higher turnover and inflation.

Segment-wise turnover in Real Estate was lower at Rs. 208.81 crore (previous year Rs.585.90 crore) while in other segments the turnover this year was higher in comparison to previous year from Rs.80.59 crore to Rs.101.42 crore in Infrastructure and from Rs. 1303.50 crore to Rs.1730.98 crore in Civil Construction.

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. PMC Services entails implementation of the projects from Concept to Commissioning by ensuring Cost & Quality competitiveness. Your Corporation is executing infrastructure/ developmental projects in North East Region, Indo-Pak & Indo-Bangla Border Fencing works, Defence Housing Sector Projects at different stations and Solid Waste Management at different Airfield Towns all over India.

Customer Satisfaction

Your company is committed to Total Customer Management (TCM) in a structured form. Customer feedback is obtained at all project sites at regular intervals. Your Company's priority remain value addition to clients through execution of projects in time and cost - ensuring high level of quality.

Capacity Building and Centres of Excellence

Your Corporation is taking active steps towards capacity building. It already has a training institute in which it is upgrading skills of its regular employees and re-training them in areas of specialization to increase their employability and contribution towards your Corporation's growth.

Your Corporation is also in the process of setting up of employment linked training institute in backward areas, where the locals would be trained as artisans in construction industry. Towards this your Corporation has also received good response from other players in the construction industry.

Your Corporation is also actively involved in environmental projects and projects which can derive carbon credit for its clients. It also has got expertise in green building technology and is in the process of creating few green buildings in the country which would ultimately get the platinum rating under USGBC.

Your Corporation has also been made as the nodal point by the Ministry of Urban Development for setting up of Water Training Institute to impart training to personnel engaged in water & sewerage related ground level activities. It

will be an international level institute which will accredit Supervisors & Engineers of the Municipal Bodies, State Governments and Private Sector.

Transparency and Accountability

Your Corporation has already set a few 'firsts' in its operations for the last few years by becoming

- One of the Top 10 CPSUs
- Largest construction CPSE
- Third highest profit making company in India in Public & Private Sector
- Paid dividend to the Government of India
- Received Excellent MOU Rating continuously since 2003-04

Your Corporation functions in the public domain and also keeps its commitments towards transparency and accountability towards its shareholders, which is the Government of India.

Your Corporation is already having high level expert committees, which are an independent committees headed by one of the Board Members and supported by eminent professionals, to assist the Board for taking decisions for the Corporation and is totally accountable to the systems & procedures and the check forums constituted by the Government in the form of CAG, CVC, RTI & other Statutory Bodies.

No commercial entity can charter such an exponential growth chart continuously for such a long period without keeping abreast with, and exploiting opportunities of the market. Although this entrepreneurial approach is not free from risks, your Corporation has not hesitated for taking such decisions and which has upto now given it a win-win situation.

Computerization

Towards good corporate governance for bringing transparency in its working, ERP Software System is in final stages of implementation. Software applications since developed are being tested. Requisite hardware has

already been procured and installed. ERP on its implementation will cut down on the redundancy/duplication and office work will be carried out much faster and accurately. Web site of your Corporation has been hosted on the Government portal 'nbccindia.gov.in' which is linked with the website of Ministry of Urban Development, Sarkari website, GOI directory and also major search Engines viz. google, yahoo and msn. The website has dynamic link with NIC Tender Portal to facilitate posting of all tenders/NITs on web. The web site has secured web based e-mail facility.

Global Compact

Your Corporation is committed to support the principles of Global Compact and continues its membership in the 'Global Compact Network'. Initiatives in this directions have been taken for execution of works in remote and difficult areas & offering 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.

Corporate Social Responsibilities

In terms of the extant directives of the Government of India, your Corporation is resolved to undertake social welfare activities adjoining its project sites/offices in the country. A budget outlay has been provided during the financial year 2008-09 for Corporate Social Responsibility (**CSR**) programmes.

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 continuously reposing their

faith in NBCC. I must mention the trust, support and encouragement that I have received from the Hon'ble Urban Development Minister and the Secretary, Urban Development.

I sincerely express my appreciation and gratitude to all members of the Board for their invaluable support and guidance in the decision making process of your Corporation.

I would also like to place on record my appreciation for the whole-hearted contribution made by the employees at all levels without whose support it would not have been possible to achieve the laid down targets.



(Arup Roy Choudhury)
Chairman-cum-Managing Director

Place: New Delhi
Dated: August 07, 2009