

## Directors' Report

To  
The Members,

Yours Directors are pleased to present the 51st Annual Report together with audited annual accounts of the Corporation for the financial year ending on 31.3.2011.

### **FINANCIAL PERFORMANCE**

The turnover of your Corporation in the financial year 2010-11 has increased to Rs. 3126.77 crore (previous year Rs. 2981.98 crore) showing an increase of 4.86%. Net Profit Before Tax is Rs. 209.63 crore (previous year Rs. 174.59 crore) after providing depreciation of Rs. 3.21 crore and interest of Rs. 4.32 crore during the year under review. Comparative financial results are given herein below:

## Financial Results

(₹ in Crore)

<b>INCOME</b>	<b>2010-2011</b>	<b>2009-2010</b>
<b>Turnover</b>		
Value of Work Done	3126.77	2981.98
Other Income	104.72	87.07
Increase/(Decrease) in stock	--	(49.14)
Prior Period Income	(0.04)	0.14
<b>Total (1)</b>	<b>3231.45</b>	<b>3020.05</b>
<b>EXPENDITURE</b>		
Prime Cost	2840.15	2668.29
<b>Overheads</b>		
i) Salary and wages	112.97	105.54
ii) Ex-Gratia	0.84	0.66
iii) Write off Sundry Debtors	9.75	1.64
iv) Others	50.58	61.34
<b>Total (2)</b>	<b>3014.29</b>	<b>2837.47</b>
Gross Margin (1-2)	217.16	182.58
<b>Less : Depreciation</b>	<b>3.21</b>	<b>3.12</b>
<b>Less : Interest</b>	<b>4.32</b>	<b>4.87</b>
<b>Profit Before Tax (PBT)</b>	<b>209.63</b>	<b>174.59</b>
<b>Less :</b>		
i) Provision for Current Tax	69.15	58.28
ii) Shortfall in provision for Income Tax in previous year	--	0.16
iii) Provision for Fringe Benefit Tax	--	-
iv) Deferred Tax ( Assets)/Liabilities	0.14	(0.35)
<b>Profit After Tax (PAT)</b>		
- For the year	140.34	116.50
New Business secured	3055.82	3725.12
Balance works in hand	7657.81	7728.76

## DIVIDEND

In compliance with the government directives, your Directors have recommended a dividend of Rs. 32.73 crore (inclusive of dividend tax) @ 20% on Profit After Tax being higher than paid up equity share capital.

## MoU PERFORMANCE

MoU for the year 2011-12 has been executed on 15<sup>th</sup> March, 2011 with the Ministry of Urban Development laying down the following targets:

	₹ in crore
Turnover	: 3400.00
Order Book	: 3400.00
Gross Margin	: 204.00
Net Profit	: 118.00

Your Corporation is likely to receive 'Excellent' rating during the financial year 2010-11 as well in line with its past ratings since 2003-04.

## DISINVESTMENT OF GOVERNMENT EQUITY

In furtherance of disinvestment programme of the Government in profitable companies, your Corporation has been given a mandate to come out with an IPO for disinvestment of 10% government equity and also to examine the possibility of issuing bonus shares prior to the IPO. Proposal for issue of bonus shares is in the active consideration of the government. In the meanwhile, your Corporation has taken steps inter-alia to convert into a public limited company, change in face value of equity share from Rs. 1000/- each to Rs. 10/- each and modified the authorized capital to comprise of only one class of shares i.e. equity shares upon the cancellation of 7% non-cumulative preference share capital of Rs. 30 crore.

## ORDER BOOK

In the beginning of the year, the work load was Rs. 7728.76 crore. New works of Rs. 3055.82 crore were secured in the financial year 2010-11. Works amounting to Rs. 3126.77 crore were executed during the year under report. Closing balance of work load in hand as at 31.3.2011 stood at Rs. 7657.81 crore.

## VISION

Our vision is to be a widely admired and preferred construction services company.

## MISSION

- To supply customers with practical, secure, innovative and cost-efficient construction products and services that meet their needs as well as providing the necessary supporting infrastructure.
- To act in a socially responsible way to contribute to national wealth, whilst upholding our responsibility for the environment and promoting the well-being of our customers, employees, shareholders and other stakeholders.
- To achieve a premier position by developing and adopting best practices and state-of-the-art technology in construction services and related activities for gaining a competitive advantage.
- To deliver value to projects through cost and planning optimization and effective risk management.



### **BUSINESS STRATEGIES**

Timely completion of projects, quality assurance, and cost reduction have resulted in achieving greater customer satisfaction and generated business on repeat order basis from the clients. Following business strategies have been adopted by your Corporation:

1. Implementation of the concept of "Cost to Completion" (CTC).
2. Introduction of Computerized 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. Implementation of Funds Management 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**

Your Corporation has obtained ISO 9001 Certification for its Project Management and Consultancy Divisions. Being an ISO-9001-2008 accredited organization, making quality an obsession and to carry a commitment to continually improve the effectiveness of quality management system has been practiced as a philosophy in your Corporation.

### **CONSULTANCY DIVISION**

Consultancy Division at the Corporate Office, a separate profit centre is equipped with latest software for drafting and designing works. Consultancy Division diversified its activities into Environmental Engineering field, designed water supply scheme for the State of Tripura. Consultancy Division has secured projects for designing and execution of interiors for Government offices and also procured a specialized PMC assignment for designing and execution of a Helipad for Pawan Hans Helicopters Limited.

### **SAFETY MANAGEMENT**

Safety Management Cell has released a 'Corporate Safety Policy' of the Company on 4.1.2011. Activities undertaken during the year 2010-2011 were reviewed together with draft Corporate Plan for the year 2011-12 in its Annual Review Meeting. National Safety Day was celebrated on 4.3.2011 by displaying safety banners, taking pledge for safety, health and protection of environment by all employees at the Corporate Office and in all the field offices.

### **CORPORATE GOVERNANCE**

Your Corporation is engaged in implementing the best practices on Corporate Governance with philosophy based on transparency, disclosures and reporting which conforms fully with laws, regulations and guidelines. Objective is to create value for the stakeholders while being a responsible corporate citizen. In preparation of Annual Report, the Accounting Standards issued by the Institute of the Chartered Accountants of India have been followed. Project In-charges and other functionaries in the Corporation are required to comply with provisions of the Works Manual. In view of the organizational changes, Delegation of Powers has been suitably modified from time to time. Guidelines are also being issued by the Vigilance Division for proper execution of works at project sites. On matters of strategic importance involving high stakes, the Sub-committee of Directors with association of experts/consultants have been constituted.

The Board of Directors in its 396th meeting held on 14.3.2011 has adopted NBCC Code of Business Conduct and Ethics for Board Members and Senior Management and a consolidated certification by the Chairman-cum-Managing Director will be submitted to the shareholders in respect of financial year ending on 31.3.2012 and onwards. Draft Risk Management

Policy framework has been prepared for proper assessment of various type of risks and to take corrective measures for its mitigation. A certificate on compliance with conditions of Corporate Governance is placed at Annexure-I.

#### **CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES**

Your Corporation has adopted a Corporate Social Responsibility Policy to undertake activities in line with the directives issued by the Deptt. of Public Enterprises vide its OM No. 15(3)/2007-DPE(GM)-GL-99 dated 27.4.2010 . In accordance with government guidelines, 3% of net profit after tax amounting to Rs. 3.49 crore has been allocated for CSR activities during the year 2010-11. Any unspent amount at the close of the financial year will be carried forward in the subsequent years for its utilization.

#### **TECHNOLOGY UPGRADATION**

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

- Upflow Anaerobic Sludge Blanket Technology for sewage treatment plants.
- 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**

With limited scope for energy conservation in service sector, your Corporation lays emphasis on techniques resulting in conservation of energy by making use of solar energy and undertaking construction of Energy Efficient & Environment Friendly Intelligent Buildings. At work place, installation of energy efficient lights and maximum use of natural light is being encouraged. Sewage Treatment Plants executed using UASB technology without any moving parts helps in conservation of electricity.

#### **MANAGEMENT DISCUSSIONS AND ANALYSIS**

Your Corporation has been identified for disinvestment of 10% of equity of the Government of India through Initial Public Offering (IPO). Necessary steps for modification in the Memorandum of Association and adoption of a new set of Articles of Association has been adopted for enabling listing of the shares of your Corporation on Stock Exchanges. During the year under review, the prices of steel and cement increased significantly which led to the creation of a sellers' like market conditions for procurement of these essential items. Its impact also resulted in delaying the execution of the projects. Currently, the significant portion of works executed are of Project Management Consultancy nature in which the margins are very low due to intense competition in the market. With the objectives of increasing the turnover, your Corporation is striving hard to secure power projects and further to improve upon the margins has undertaken Real Estate as a major thrust area. Towards development of Real Estate Projects, your Corporation is also exploring all possible avenues of entering into joint ventures with private land owners on profit sharing and space sharing basis.

ERP has been operationalized which has ensured accuracy and speedier generation of information for better governance and effective control in the organisation.

## HUMAN RESOURCE DEVELOPMENT & TRAINING

Human Resource Development continues to be accorded high priority with emphasis on improving skill, competence and knowledge through regular training and professional development programmes. A total of 927 training man-days, covering 737 man-days under in-house training programmes and 190 man-days under external training programmes were achieved during the year. Also, 48 workshops/seminars/ lectures and programmes were conducted through in-house and external agencies on different subjects in which 816 officials were trained.

## MANPOWER

Regular employees strength of the Corporation as on 31.3.2011 was 2341 and the category-wise position is as under

GROUP-A	GROUP-B	GROUP-C	GROUP-D	TOTAL
781	78	1300	170	2341
(53)	(08)	(33)	(23)	(117)

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

## RESERVATION OF SCHEDULED CASTES AND SCHEDULED TRIBES/ OTHER BACKWARD CLASSES AND PHYSICALLY CHALLENGED PERSONS

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.

Government instructions regarding reservation, relaxations, concessions & benefits as provided under Persons with Disabilities (Equal Opportunities, Protection of Rights & Full Participations) Act, 1995 have been complied with. Statistical information in this regard is given below :-

Category wise details of SC/ST employees in the Corporation is as under:-

Grade	General	SC	%	ST	%	Total No. of employees
A	592	164	21.00%	25	3.20%	781
B	60	17	21.79%	01	1.28%	78
C	1112	171	13.15%	17	1.31%	1300
D	134	33	19.41%	03	1.76%	170
Safai Karamcharis	-	12	100%	-	-	12
Total	1898	397	16.96%	46	1.96%	2341

## PROGRESSIVE USE OF HINDI

The Corporation has been implementing the provisions of the Official Language Act. Employees are encouraged to use Hindi in their daily working. During the year 2010-2011, Official Language Implementation Committee (OLIC) quarterly meetings were also held to review the progress of official language in the Corporation. 1<sup>st</sup> September to 30th September, 2010 was observed as '**Hindi Encouragement Month**' in which various activities and competitions were conducted and employees took active part in various programmes. '**Hindi Diwas**' was celebrated on 14<sup>th</sup> September, 2010. During the year, several workshops were organized for promotion of the use of Hindi and to impart computer training to work in Hindi language. Inspections were conducted by the Hindi Cell in RBG/Zones & various divisions at the Corporate Office to oversee the extent of use of official language in day to day working. '**Vishwa Hindi Diwas**' had been celebrated on 10th January, 2011.

## VIGILANCE ACTIVITIES

The Vigilance Division undertakes inquiry into transaction in which employee is suspected or alleged to have acted for an improper corrupt purpose or cause such an inquiry or investigation to be made into any complaint of corruption, gross negligence, misconduct, recklessness, lack of integrity or other kind of malpractices or misdemeanors on one's part. With an ultimate aim of eradicating corruption, a four pronged strategy is followed, which has also been appropriately incorporated in the Annual Action Plan relating to anti-corruption measures viz. (1) Preventive Vigilance, (2) Detective Vigilance & Surveillance, (3) Punitive Vigilance & (4) Use of IT innovations to curb malpractices and ensure transparency. **'Vigilance Awareness Week'** was observed in the Corporation from October 25 to November 1, 2010. Vigilance Souvenir, Posters etc. were also brought out on this occasion.

## PUBLIC RELATIONS

Public Relations Division made sustained efforts through various means of communication to project the image of the Corporation. There has been regular coverage in both print and electronic media on various activities and achievements of the organization. House Journals, Brochures, Booklets, Event Specific Folders etc. for distribution amongst Clients, Business Associates were published.

## EVENTS AND OTHER ACTIVITIES

Some of the important events and activities held/undertaken during the year were as follows:

- Conferring of the annual 'NBCC Prize for Excellence' to the best student of IIT Delhi's Civil Engineering Department.
- Signing of MoU 2011-12 with the Ministry of Urban Development on March 15, 2011.
- Draw of lots for NBCC Housing scheme, Khekra, Baghpat at SCOPE Convention Centre on December 11, 2010.
- Inauguration of 100 Bedded ESIC Hospital at Gurgaon, Haryana on May 20, 2010 in august presence of Shri Mallikarjun Kharge, Hon'ble Union Minister for Labour and Employment, Govt. of India.
- Visit of Secretary (Urban Development), Govt. of India, Shri Navin Kumar, at Corporate Office, on July 1, 2010.
- Inauguration of Standard Design Factory (SDF) Building ('L' Block) at NSEZ, Noida on August 12, 2010.
- NBCC Signed an MoU with M/s SJVN Ltd., a joint venture company of the Government of India & Government of Himachal Pradesh on September 23, 2010.
- Signing of MoU between NBCC and Solar Energy Centre of the Ministry of New Renewable Energy (MNRE), Gurgaon, on October 18, 2010
- Golden Jubilee celebration in New Delhi, held on November 15-16, 2010.
- NBCC Signed MoU with MEA for India-Maldives Friendship Project for construction of India-Maldives Friendship Faculty of Hospitality & Tourism Studies at Male, Republic of Maldives.

## SERVICE MEMENTOS

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

## BOARD MEETINGS

During the year under report, nine meetings of the Board of Directors were held on 15th April, 2010, 20th May, 2010, 24th June, 2010, 9th August 2010, 27th August, 2010, 27th September 2010, 29th October, 2010, 8th December 2010 and 14th March, 2011.



#### **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, 2011 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 Amit Ray & Co., Chartered Accountants, New Delhi were appointed as Statutory Auditors of the Corporation for the year 2010-2011.

#### **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 ₹ 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.

New Delhi  
Dated : 19th July, 2011

**For & on behalf of the  
Board of Directors**

  
**(Vishnu P. Das)**

Chairman-cum-Managing Director

**ANNEXURE-I**

**AMIT RAY & Co.**  
**CHARTERED ACCOUNTANTS**  
709-710, Ansal Chamber - II  
6, Bhikaji Cama Place, New Delhi- 110066. India  
E-mail: amitray@sanchannrnet.in

Phone : 26195564  
26193870  
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**AUDITOR'S CERTIFICATE ON  
CORPORATE GOVERNANCE**

**To**  
**The Members**  
**NATIONAL BUILDINGS CONSTRUCTION CORPORATION LIMITED**  
**New Delhi.**

We have examined the relevant records and documents as furnished to us pertaining to the compliance of Corporate Governance by National Buildings Construction Corporation Limited, a Government Company under Section 617 of the Companies Act 1956, for the year ended 31<sup>st</sup> March 2011, as stipulated in Clause 49 of the Listing Agreement of Stock Exchanges, although the said Company is not a listed entity.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and examination thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has generally complied with the conditions of Corporate Governance except appointment of Independent Directors on the Board of the Company, which we understand is done by the Government and is still in process in conformity with the requirements of Corporate Governance norms for a non-listed Public Sector Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Amit Ray & Co.,  
Chartered Accountants,  
(ICAI Firm No. 000483C)**

Place: New Delhi  
Dated : 19th July, 2011

**(AMITAVA RAY)**  
Partner  
Membership No.6947