

DIRECTORS' REPORT

To

The Members,

The Directors have pleasure in presenting the 47th Annual Report of your Corporation together with audited accounts for the year ended 31st March, 2007.

During the year 2006-2007, the turnover of your Corporation increased from Rs.1235.70 crores to Rs. 1459.93 crore representing an increase of 18.15% over the previous year. Net Profit after tax has shown significant improvement of 188.55% over the previous year as the increase is from Rs. 28.03 crore to Rs. 80.88 crore.

FINANCIAL PERFORMANCE

(Rs. in crore)

INCOME	2006-2007	2005-2006
<u>Turnover</u>		
Domestic	1459.93	1235.70
Overseas	--	
Other Income	71.03	84.64
Increase/(Decrease) in stock	(17.48)	(3.90)
Prior Period Income	0.83	0.28
Total (1)	1514.31	1316.72
<u>EXPENDITURE</u>		
Prime Cost	1246.33	1106.57
<u>Overheads</u>		
i) Salary and wages	44.77	45.94
ii) Ex-gratia	1.51	1.21
iii) Write off Sundry Debtors	8.98	52.75
iv) Others	83.30	58.20
Total (2)	1384.89	1264.67
Gross Margin (1-2)	129.42	52.05
Less : Depreciation	2.94	4.50
Less: Interest	2.13	7.88
Net Profit Before Tax (PBT)	124.35	39.67
Less :		
i) Income Tax (Overseas)	--	0.05
ii) Provision for Current Tax	42.96	9.72
iii) Shortfall in provision for Income Tax in previous year	0.20	0.61
iv) Provision for Fringe Benefit Tax	0.22	0.20
v) Provision for Deferred Tax	0.09	1.06

Net Profit After Tax (PAT)		
- For the year	80.88	28.03
Profit available for Appropriation		
Preference Share Redemption Reserve	30.00	--
Proposed Dividend on Preference Shares	2.10	--
Proposed Dividend on Equity Share	0.90	--
Dividend Distribution Tax	0.51	--
Balance carried forward to Balance Sheet	47.37	28.03
Cumulative	(+)1.04	(-) 46.33
New Business secured	2198.35	1250.11
Balance work in hand	3430.13	2691.71

Gross margin increased by 148.65% to Rs. 129.42 crore (previous year Rs. 52.05 crore). During the same period Net Profit before tax has risen from Rs. 39.67 crore to Rs.124.35 crore.

DIVIDEND

For the first time in the history, your Corporation would be declaring a dividend. Your Directors have recommended dividend of 7% on Redeemable Preference Shares. The dividend will be paid after approval of the Shareholders in the Annual General Meeting. Reserve has been created for redemption of Preference Shares of Rs. 300 million during the financial year 2006-07.

TURNAROUND AWARD

Your Corporation won the **SCOPE Award for Excellence and Outstanding Contribution to the Public Sector Management - Special Institutional (Turnaround) Category 2005-06**. The Scope Award was presented by the Hon'ble Prime Minister of India on 8.3.2007.

ORDER BOOK

Opening balance of workload in hand was Rs. 2691.71 crore. Works of Rs 2198.35 crore were secured from Ministry of Home Affairs, Ministry of Urban Development, Ministry of Information & Broadcasting, Ministry

of Women & Child Welfare; other State Governments Ministries/Departments and public sector undertakings viz. BHEL, ONGC & NTPC. Works of Rs. 1459.93 crore were executed during the year 2006-07. Workload in hand at the close of the financial year ended 31.3.2007 was Rs. 3430.13 crore.

OVERSEAS DUES

The outstanding dues in respect of works executed in Libya amounting to Rs. 22.64 crore and have not been realised due to US Sanctions. Outstandings from Iraq of Rs. 48.53 crore are due against Deferred Payment Agreement Projects and Cash Contracts. Sequel to the meeting held at Delhi in May, 2007 between the Petroleum Ministers of Iraq and India, information desired for settlement of Project Exporters claims has since been submitted to the Ministry of Petroleum.

MEMORANDUM OF UNDERSTANDING

Your Corporation has been selected amongst the Top Ten Central Public Sector Enterprises by the Ministry of Heavy Industries and Public Enterprises for **MoU Excellence Award** of the Government of India for the years 2004-05 and 2005-06. The Hon'ble Prime Minister of India presented the award to the Chairman-cum-Managing Director on 8.3.2007 in New Delhi.

MOU for the year 2007-08 has been signed with the Ministry of Urban Development on 19.3.2007. Targets laid down in the MOU are as under:-

(Rs. in crore)

Turnover	1650
Order Book	3856
Gross Margin	70.98
Net Profit	40.38

During the year 2006-07, the Corporation is likely to achieve 'excellent' rating.

VISION

- Our vision is to be a widely admired and preferred construction services company by setting the highest standards in customer service, reliability, safety and environment stewardship, and cost containment.

Corporate Mission :

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.
- To retain our status as the first ranked company of the Government of India in the filed of Contract and Construction Services.
- To become a Mini Ratna company with international standards of excellence.
- To become a Rs. 5,000 crore company by 2011-12.

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. Implementation 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. 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

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 28.3.2008.

SAFETY MANAGEMENT

Management is fully committed to ensure safe working conditions at all work sites. A full fledged and dedicated "Safety Management Cell" is operational at the Corporate Office to spread the awareness of "Safety" in all spheres of activity.

The statutory requirement for ensuring safe working conditions at the construction sites, is being propagated to all NBCC Officials. Lectures/Presentations on "Safety" were organized in the "Annual Review Meeting" attended by all Zonal Heads and Heads of Strategic Business Group & Regional Business Group. A two day workshop on "Safety in Construction Industry" was also organized at the Corporate Office on 29th -30th June, 2007 wherein outside faculty was invited.

CORPORATE GOVERNANCE

Your Corporation is committed to implement 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, all the Accounting Standards issued by the Institute of the Chartered Accountants of India have been followed. Project Incharges 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 have 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.

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

As a policy, your Corporation is committed to support the principles of Global Compact. Several initiatives in this direction have been taken for 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.

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

While engaged in service sector, there is 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 using UASB technology without any moving parts helps in conservation of electricity.

MANAGEMENT DISCUSSION AND ANALYSIS

Real Estate and Power Sector has been identified as major thrust areas for achieving quantum jump in the turnover and for overall improvement in the bottom line. Government has accorded its approval to your Corporation for foraying into the Power Projects. Initially, it is proposed to set up captive power plants. A full fledged ERP system covering Corporate and Zonal activities with respect to various functions viz., Finance, HR, Projects, Business Development, Real Estate, Consultancy and Contracts etc. is under implementation. Use of IT systems will enable further transparency, better governance and effective control in the organisation. Five Years Corporate Plan has been drawn for the period 2007-2012.

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 professional development programmes. A total of 1336 training man-days, covering 1213 man-days under in-house training programmes and 123 man-days under external training programmes were achieved during the year. 22 In-house Training Programmes/Workshops/Lectures etc. were conducted for senior and

middle level officials on various topics. 86 officials were nominated for various external training programme.

MANPOWER

Total strength of regular employees of the Corporation as on 31.3.2007 stood at 2444. The category-wise position in respect of regular employees is as under:

GROUP-A	GROUP-B	GROUP-C	GROUP-D	TOTAL
649	199	992	591	2444
(29)	(17)	(29)	(29)	(104)

(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 :-

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

Group	General	SC	% of SC	ST	% of ST	Total No. of employees
A	511	122	18.79%	16	2.46%	649
B	144	48	24.12%	07	3.51%	199
C	840	143	14.41%	09	0.90%	992
D(Excluding Sweepers)	508	78	13.19%	05	0.84%	591
D (Sweepers)	-	13	100%	-	-	13
Total	2003	404	16.53	37	1.51%	2444

PROGRESSIVE USE OF HINDI

During the year 2006-2007, efforts continued in the Corporation towards progressive use of Hindi. During the year, OLIC quarterly meetings were also held to review the progress of official language in the Corporation. "HINDI WEEK" was organized from 8.9.2006 to 14.9.2006 during which various activities and competition were conducted. Vishwa Hindi Diwas was organised on 10.1.2007. During the year under report, several inspections were conducted by the Hindi Cell in RBG/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 on deputation from the Government of India. 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. A three pronged strategy followed to eradicate corruption is (1) Preventive Vigilance, (2) Detective Vigilance & Surveillance, and (3) Punitive Vigilance.

'Vigilance Awareness Week' was observed in the Corporate, RBG & Zonal Offices all over the country from 6.11.2006 to 10.11.2006.

PUBLIC RELATIONS

Public Relations Division continued its sustained efforts to project the image of the Corporation through effective use of print and electronic Media. Film on operational activities of the Corporation has been produced. News items and Corporate interviews of the Chief Executive have been arranged from to time. House journals, brochures, booklets, pamphlets are being regularly published.

EVENTS AND OTHER ACTIVITIES

During the year, following events and activities have been organised:

- Unveiling by Shri Ajay Maken, Hon'ble Minister of State for Urban Development, the insignia depicting record breaking income of Rs.1300 crore achieved by the Corporation on 21.4.2006.
- Inauguration of Intellectual Property Office Building in Mumbai on 25.5.2006 by Shri Kamal Nath, Hon'ble Minister of Commerce & Industry.
- Amity Corporate Excellence Award received on 22.2.2007.
- Cultural evening on 9.3.2007 to commemorate the occasion of winning SCOPE Excellence Award 2005-06 & Top Ten PSU Awards 2004-05 & 2005-06.

IT ACTIVITIES

Your Corporation re-developed the existing website and hosted it on Government portal i.e. '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. The Corporation also carried out e-auction in some Real Estate Projects. Also implemented is a Visitors' Management System.

SERVICE MEMENTOS

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

BOARD MEETINGS

During the year Shri V.P. Das, appointed as Director(Projects) w.e.f. 30.8.2006. Shri Raghbir Singh, Addl. Secretary & Financial Adviser (Health) & Financial Adviser (UD), Ministry of Urban Development appointed as Director on the Board of the Corporation vice Smt. Neena

Garg, Joint Secretary & Finance Adviser who ceased to be Director w.e.f. 4.12.2006. Shri B L Bajaj, Director(Finance) ceased to be the Director w.e.f. 31.8.2006.

During the year under report, 6 meetings of the Board of Directors were held on 12.5.2006, 11.7.2006, 10.8.2006, 17.10.2006, 8.12.2006, and 19.2.2007.

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, 2007 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 2006-2007.

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

Place : New Delhi

Dated:

(Arup Roy Choudhury)
Chairman-cum-Managing Director