

# REPORT OF THE DIRECTORS

## THE MEMBERS

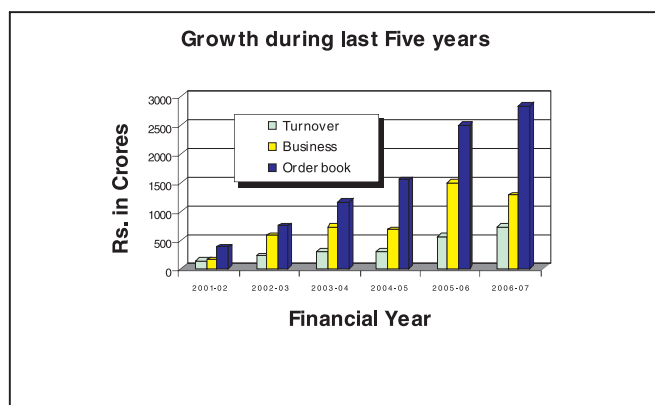
Your Directors have pleasure in placing before you their 50<sup>th</sup> Annual Report and Accounts for the year ended March, 2007.

## FINANCIAL PERFORMANCE

During the year, NPCC scaled new heights and set several new benchmarks in the financial performance in terms of Turnover. The financial results of company's operations are summarized as under:

(In Rs. Crores)

Particulars	2006-07	2005-06
Turnover & other income	<b>740.50</b>	586.94
Construction & Work expenses	<b>667.90</b>	540.87
Other Expenses	<b>43.26</b>	40.10
Profit before Interest, tax and extra ordinary provisions	<b>29.34</b>	5.97
Extra Ordinary Provisions	<b>80.15</b>	00.00
Interest	<b>47.06</b>	44.18
Net Profit	<b>(76.56)</b>	2.26



The Corporation earlier prepared accounts for the year reporting net profit of Rs.4.40 crores, on which Statutory Auditor made qualificatory remarks of not being true and

fair on account of provisions not made for very old debts/ advances etc. and CAG made NIL comments. The Accounts were not adopted by the AGM with advise to get the qualificatory remarks addressed. In consonance with good Corporate Governance practice, the accounts were revised after making extra ordinary provisions for earlier debts/advances which resulted in net loss of Rs.76.56 crores, reduction of current assets by Rs.80.15 crores and fixed asset by Rs.0.81 crores respectively

## CAPITAL AND BORROWING

Authorized Capital and Paid-up Capital of your Company at the end of the financial year remained unchanged i.e., Rs. 3000 lakh and Rs. 2984.20 lakh respectively. The loan from the Government of India at the end of the financial year is Rs. 235.23 crore.

## BUSINESS DEVELOPMENT SCENERIO

During the year your company has bagged works valuing Rs. 1278 crores. The order book position touched all time high to Rs. 2693 crores as on 31<sup>st</sup> March 2007 (Rs. 3622 crores as on July 07) as against the previous Year's figure of Rs. 2491 crores. During the year, the company also had to give up unprofitable works valued at Rs. 94 crores approximately in order to obviate the risk of high incidence of loss. During the year, the company had made impressive improvement in term of quality & speedy implementation of PMGSY works (now known as Bharat Nirman) on PMC basis in the State of Bihar and based on performance, Ministry of Rural Development had given further works to the tune of Rs. 520 crores. Company on successful/satisfactory progress of ongoing works of Border fencing has been entrusted by the Ministry of Home Affairs further works of Indo-Bangla Border Roads and IB fencing works in the states of Tripura, Mizoram, Meghalaya and Assam in the North East for a value of Rs. 277 crores. Ministry of Home Affairs has also entrusted NPCC for their Indo – China Border Roads in J&K for a value of approx. 200 crores. In addition Company has secured building works for Assam Rifles for a value of Rs. 44 crores. Besides this, Hindustan Aeronautical Limited,

Bangalore has entrusted the Company for Buildings & Hanger construction works to the tune of Rs. 65 crores. Government of Sikkim has invited NPCC for association on the basis of its performance in North East Region for their development works in the field of Irrigation, Power, Tourism and other infrastructural works.

NPCC has embarked on ambitious target to execute the works on Public Private Participation basis for mega projects.

### GOLDEN JUBILEE CELEBRATION

Corporation after serving for the Nation's project building gloriously for five decades has created a special niche in PSU History. To commemorate this special occasion, Golden Jubilee celebration was arranged with great fanfare in Air force Auditorium, Subroto Park, New Delhi on 8<sup>th</sup> January 2007. Hon'ble Minister of Water Resources, Prof. Saifuddin Soz as Chief Guest, Mrs. Gauri Chatterji, Secretary, MoWR as Guest of Honour, Prof. P K Basu as Guest of Honour, Sh. Raghav Lal, CPMG, Indian Postal service and Sh. S Manoharan, Adl. Secretary as Special Guest graced the occasion. On this occasion Sh. Arbind Kumar, Chairman & Managing Director, in his key note address recapitulated the five decade long record of performance of NPCC culminating the turning around of the Corporation after continued losses



suffered by the Corporation in past 18 years. On this occasion NPCC Golden Jubilee Souvenir was released by Hon'ble Minister of Water Resources. On this occasion Hon'ble Guests, distinguished guests, employees including ex-employees with their families were also entertained by orchestra "Indian Ocean".

### ISSUE OF FIRST DAY POSTAL COVER

On the eve of the Golden Jubilee celebration of NPCC, Indian Postal Department through Sh. Raghav Lal, Chief Post Master General, released commemorative first day cover during the august presence of the Hon'ble Minister of Water Resources, Prof. Saifuddin Soz, Mrs. Gauri Chatterji, Secretary, MoWR and other distinguished guests.



### NEW LOGO OF NPCC

Board of Directors, in the meeting on 9<sup>th</sup> June 2006, approved new NPCC logo recognizing its glorious existence for five decades to the Nation with required vigour for the future. NPCC' new logo in bold type face signifies its strong existence in corporate world where as the pyramid being the oldest and most stable project ever executed by



human mankind, depicts stability, growth and continuance. The ray over NPCC gives assurance of light and energy bestowed by Nature for all times.

New logo was formally unveiled by Hon'ble Minister of Water Resources on 8<sup>th</sup> January 2007 during Golden Jubilee celebration of Corporation.

## REVIVAL PLAN

Revival Plan of the Corporation duly recommended by BRPSE, various concerned Ministries including MoWR was discussed in Committee of Secretaries (COS). Based on the recommendations of COS, the final recommended Revival Proposal as under is to be put up to CCEA for approval.

- Conversion of GOI loan together with accumulated interest at the time of implementation, to be converted first in to Equity capital and subsequently writing down of equity capital to 10 % of capital value.

It is expected that the GOI may accept these revival package at the earliest.

## MOU WITH THE MINISTRY

Although it was not mandatory for NPCC, being loss making organization, to sign MOU with Ministry, however to improve competitive strength with other profit making organization, NPCC entered in to an MOU with Ministry setting ambitious target. It is pleasure to inform that NPCC has been rated as "Excellent".



## CORPORATE GOVERNANCE

The underlying principles of Corporate Governance are the values, ethics and world culture commitment to follow best business practices. Thus, it rests upon the foundations of transparency, openness and fairness in dealing with its

stakeholders. Our Corporate Governance philosophy stems from our belief that the business strategy and plans should be in consistent with the welfare of all stakeholders.

We have made conscious efforts to institutionalize Corporate Governance practices for which Corporate Policies and Corporate Objectives has already been laid down and we believe that it shall go beyond adherence to the regulatory framework. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy. We will continuously endeavour to take forward the best practices to enhance stakeholders' value.

## INDEPENDENT PART TIME DIRECTORS

Although NPCC is not listed Company in stock exchange and there is no mandatory requirement to appoint independent part time Directors on its Board, however following good practice of Corporate governance, Corporation in accordance of DPE has already appointed three independent Directors, having expertise in three distinct areas of Management, Finance and Engineering. These Directors are already joined the Board.

## ISO 9001-2000 CERTIFICATION

The Company is accredited with the prestigious ISO 9001-2000 certification, the latest standard, covering all the activities and divisions of the Company, which is valid up to 2<sup>nd</sup> November 2008. Your company is in process of continuous improvement as per ISO 9001:2000 standards.

## PROPAGATION OF HINDI

In consonance with the official language policy of the Government, constant efforts are made to promote the use of Hindi in the official work of the Company by encouraging the staff for and facilitating the use of Hindi in their day to day working. Various incentive schemes regarding the propagation official language-Hindi were continued during the year including Incentive Scheme for the children of N.P.C.C. Ltd. Employees on securing higher percentage of marks in Hindi in Secondary and Senior Secondary Examinations. Hindi Divas and Hindi Fortnight were organized during the year at Corporate/Units level in which Officer and Staff took active participation.

## VIGILANCE ACTIVITIES

The Company has a full fledged Vigilance Division. Normal vigilance activities were carried out during the Financial Year 2006-07. During the year, the Vigilance Division was under control of a Part Time CVO. However, a full time regular Joint Secretary level IAS Officer has since been posted as Chief Vigilance Officer in NPCC in June, 2007. All pending vigilance cases are being studied and actions are being taken for expeditious logical conclusion of all these cases, apart from emphasis given on preventive and surveillance vigilance.

The total complaints received during this year were 04 and a total of 157 cases are pending at different stages in the Vigilance Division. Minor penalty proceedings in 07 cases involving 11 employees and major penalty proceedings in 06 cases involving 11 employees were completed.

A total of 15 Major penalty proceedings, involving 24 employees and two Minor penalty proceedings involving 05 employees are in progress. Apart from the above 15 Major penalty proceedings, 17 cases are under investigation/trial by CBI.

The Corporation observed Vigilance Awareness Week from 06.11.2006 to 10.11.2006

## SCHEDULE CASTE, SCHEDULE TRIBE AND OTHER BACKWARD CLASSES

The Company endeavors to provide various privileges under the policies and directives of Government with regard to Schedule Castes, Schedule Tribes, other backward classes and handicapped person.

## PROJECT MANAGEMENT AND CO-ORDINATION

There is an independent division at corporate level, which monitors all running projects and provides necessary support in implementing speediest project execution. This division is also coordinating with various State Govt./Central Govt./ other project authorities for execution of projects within schedule time and cost adhering specifications. This division is also suggesting ways and means for continuous improvement of system and processing for faster accomplishment of objective.

## PARTICULAR OF EMPLOYEES UNDER SECTION 217(2A)

The information regarding particulars of employees in receipt of remuneration in excess of limits prescribed under Section 217 (2A) of the Companies Act, 1956 and the rules framed there under (Rs.24 lakh or more per annum or Rs. 2 lakh or more per month) during the year is NIL.

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The detail of particulars required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are NIL.

## INDUSTRIAL RELATIONS

The Unions/Associations during Organizational sickness had in the past been indulging in anti-Management activities away from their objective goal detrimental to the interest of Corporation. There has been great improvement in this as many pro employees' and persuasive measures were undertaken by Management. The overall Industrial Relations between the management and the employees can be considered harmonious and cordial during the year despite various constraints.

## HUMAN RESOURCES AND DEVELOPMENT

In order to keep pace with the changing working environment efforts are made to develop skills, enhance knowledge and reorient attitude of the employees by imparting training to them. Employees have been further deputed for training programs for gender sensitization. Computer Training is being imparted to all the employees of the Corporation towards the target to make every employee computer Savvy. The training has equipped its executives with the capability of executing world class projects in record time.

At the close of the financial year 2006-07 there were 2178 employees on the rolls of the Corporation with details given hereunder:

DESCRIPTION	MALE	FEMALE	TOTAL
Executive	439	13	452
Non-Executive	373	40	413
Workmen	1300	13	1313
<b>Total</b>	<b>2112</b>	<b>66</b>	<b>2178</b>

## BOARD OF DIRECTORS

The Board of the Corporation comprised of the following members during the present & past financial year:

Name	Designation	Term duration
<b>Sh. Arbind Kumar</b>	<b>Chairman &amp; MD</b>	Since 28.04.2005
<b>Sh. A K Jhamb</b> <b>Sh. R P Vaishnav</b>	<b>Director (Engg.)</b> <b>Director(Finance)</b>	Since 12.10.2007 Since 16.10.2007
<b>Sh. J P Saha</b>	<b>DF (Addl. Charge)</b>	Up to 05.06.2006
<b>Sh R M Mishra</b>	<b>Part time Director</b> (Govt. Nominated)	Since 31.07.2007
<b>Shri M E Haque</b>	<b>Part time Director</b> (Govt. Nominated)	Full Financial Year
<b>Sh K S Ramasubban</b> Joint. Secy. (Admn.)	<b>Part time Director</b> (Govt. Nominated)	Full Financial Year
<b>Sh. Ashok Kumar</b>	<b>Part time Director</b> (Independent)	Since 25.09.2007
<b>Sh. O N Marwaha</b>	<b>Part time Director</b> (Independent)	Since 25.09.2007
<b>Prof. Vinayasheel Gautam</b>	<b>Part time Director</b> (Independent)	Since 25.09.2007

■ The present incumbent is shown in bold face

## BOARD MEETINGS:

Provisions of the Companies Act, 1956 amended up to date have been properly adhered to regarding holding of the Board Meeting. During the year under review four Board Meetings were held. Valued suggestions given by the Members of the Board are being followed and provisions of the Good Corporate Governance are being adhered to improve the transparency, accountability and disclosure norms.

## COMMITTEES OF BOARD

NPCC by following best practices of Corporate Governance in its 247<sup>th</sup> Board Meeting formed several committees including mandatory committees of Audit Committee to assist Board in Compliance of Corporate Governance Guidelines of CPSE. These committees are as under:

- Audit Committee
- Establishment Committee
- Finance Monitoring Committee
- Business Strategy Committee
- Project Monitoring Committee

## DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, Directors of the Company confirm that:

- In preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation to material departures;
- The Directors have selected such accounting policies and applied them consistently with departures disclosed appropriately and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The directors have prepared the annual accounts on a 'going concern basis';

## AUDITORS

For Audit of the Accounts of the Corporation for the year 2006-07 M/s Agiwal & Associates, Chartered Accountants, have been appointed as Statutory Auditors, M/s Viswanathan & Swaminathan, Chartered Accountants, Chennai, M/s K.C. Das & Company, Chartered Accountants, Guwahati, M/s Dangi Jain & Co., Chartered Accountants, Kolkatta continues to be Branch Auditors

The reply to the observations made by the Statutory Auditors and the Comments of Comptroller & Auditor General of India on the Accounts of the Corporation for the financial year 2006-07 have been placed in the separate Annexure forming part of the Report.

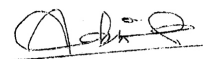
#### APPRECIATION

We express our sincere appreciation to our esteem clients in India and abroad for the valued co-operation extended to and the confidence reposed in the Company. Your Directors are grateful to the Comptroller & Auditor General of India, the Chairman and Members of the Audit Board, the Statutory Auditors/Branch Auditors and Corporation's Bankers for their valued co-operation. We also place on record our appreciation for the commitment, involvement, dedication, hard work and unremitting devotion to duty exhibited by the staff members of the Company at all levels whom we recognize as our core asset and backbone on which rest our strength for achieving our mission and objectives, aims and aspirations which have brought the Company to its present status.

#### ACKNOWLEDGEMENT

The Board of Directors acknowledges with deep sense of appreciation the co-operation received from the Govt. of India, particularly Ministry of Water Resources, Ministry of Rural Development, Ministry of Finance, Ministry of Power, Ministry of Health, Ministry of Home Affairs & to the Cabinet Secretariat, Planning Commission, Department of Public Enterprises, Central Water Commission, Railway Board, Department of Company Affairs, Registrar of Companies and SCOPE.

For and on behalf of the Board of Directors



(Arbind Kumar)  
Chairman & Managing Director