



Creating World Class
Infrastructure



RAUNAQ INTERNATIONAL LIMITED

Annual Report 2010-2011

RAUNAQ INTERNATIONAL LIMITED

Clients



Raw water pipe line at Adani, Tiroda project



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Mr. Surinder P. Kanwar
Chairman & Managing Director

Chairman's Message

Dear Shareholders,

As you are aware, your Company is engaged in the execution of turnkey engineering contracts in the field of mechanical, civil and associated electrical engineering applications for over three decades. It has successfully catered to specialised needs of both private and public sector customers.

In the last few years, your Company focused on catering to the diverse piping needs with an emphasis on the thermal power sector. In the process, it has developed specialised and specific expertise with the growing business opportunities available in this sector. These include a gamut of projects including cross country piping, large diameter piping, low pressure piping and fuel oil handling systems. And, the Company enjoys a niche position in this growing market.

It is also heartening to inform you that today Raunaq International enjoys a good reputation and has earned a respectable position in its area of expertise through its professional and efficient performance and high quality services.

After the slowdown of 2008-09, India's GDP grew by 8% in 2009-10. In 2010-11, the high growth momentum was sustained with the economy growing by 8.6%. In the case of the

construction industry, which is vital for infrastructure development, the growth had plummeted to 5.4% in 2008-09. Here too, there has been a strong recovery. In 2010-11 the construction sector grew by 8% on the back of 7% growth in 2009-10. To maintain the economic growth rate of over 8% (the draft 12th plan envisages GDP growth rate of 9%) over the next few years, India will have to develop the pre-requisite physical infrastructure. And within infrastructure development, power sector development is critical. The power deficit is already fairly high and going forward more power generation is imperative for greater industrialisation and to meet the increasing daily energy needs of the people of India. Hence, the power sector in India is poised for significant growth.

In 2010-11, there was a target of adding 18,755 MW of additional thermal power production capacity, however only 11,250 MW of additional capacity was actually brought on line. Even though implementation of projects is still short of plan, there have been significant additions during the year. While the Government of India's (GOI's) target was to add 62,000 MW of power capacity in the eleventh plan period of 2007-2012, the draft 12th plan (2012-2017), proposes a further addition of 1,00,000 MW of power generation capacity. A majority of this new capacity



addition will come from the thermal power sector, which offers very good business opportunities in the near future to your Company to service this niche segment and reap the benefits. Thus, there is no dearth of securing new business for your Company in its area of specialisations. With this market base, your Company can diversify into new business lines.

In 2010-11, your Company capitalised on its high quality performance delivery and good relationship with existing customers to generate rapid new order flows. Your Company has also been aggressively and relentlessly pursuing to add and expand its new customer base for the growth of the business. In this endeavour, there were some good successes during the year under review. Your Company booked new orders worth Rs.248 crore in 2010-11. With an order book of Rs.66 crore at the beginning of the year and after the execution of orders during the year, the Company's order book as on 31st March 2011 stands at a healthy Rs.199 crore at the beginning of the new financial year. Your Company has not only focused on securing new orders but also efficiently executed existing orders to the satisfaction of various customers. This is reflected in the sound financial performance when your Company recorded its highest turnover since its inception. The key financial highlights are:

- Revenues increased by 66% to Rs.116 crore in 2010-11
- Profit Before Tax (PBT) increased by 65% to Rs.9.1 crore in 2010-11
- Profit after tax (PAT) increased by 61% to Rs.5.8 crore in 2010-11
- Earnings Per Share (EPS) increased from Rs.53.87 in 2009-10 to Rs. 81.93 in 2010-11

Thus, 2010-11 has been an inflection point in the Company's growth path. In a span of 3 years between 2007-08 and 2010-11, Raunaq International's revenues increased from Rs.43 crore to Rs.116 crore at a Compound Annual Growth Rate (CAGR) of 38.85%. This accelerated growth has brought with it several new challenges, which has necessitated reorientation in the focus of the Company during the course of the year. While in the beginning of the year, more stress was placed on business development to build a sound order base, however in the second half, we emphasised on preparing the Company to operate at a much higher scale of operations.

Our growth strategy has been a well calibrated one. While over the

years, we have built varied expertise, since 2007-08 we selected a specific niche segment of thermal power plant piping to specialise and drive our first round of growth. In today's highly competitive business environment, it is imperative to have a core specialisation where the Company can generate appropriate returns from its business. While being sector specific, we consciously extended our client relationships to broaden and explore the market with an outlook to de-risk the business. Given the market environment, before 2005 most of our clients were from the Government or Public Sector Undertakings (PSUs). With the first wave of private players entering into the infrastructure and power sector in India, your Company aligned and grew with the support of a private sector major player. Subsequently, we have increased our presence across different private sector Companies and we continue to work on widening our customer base.

As you are aware, our business requires a high level of expertise in engineering and project management. We have continued to lay a strong emphasis on execution and believe that our promise to deliver will hold us in good stead in the long term. Given our increased scale of operations, it is important for us to revisit our internal systems, processes and procedures and update the same from time to time to meet business requirements. And, I expect that going forward, in 2011-12, we will devote a lot of time and energy on consolidating our business infrastructure. We are already in the process of strengthening our in-house engineering team with the induction of new professional project managers, technical personnel and support staff. And, we are devising new systems for improving cost and time controls for our vendors. I am confident that these efforts will make your Company more robust and geared for undertaking a wider number of projects.

Before I conclude, I take this opportunity to thank our vendors, partners and customers for their support, co-operation and confidence reposed in the Company, and to all our employees for their motivation and dedicated hard work for achieving the growth of the Company. And, I extend my heartiest gratitude to you, the shareholders, for your continued faith in the Company.

Surinder P. Kanwar
Chairman & Managing Director





Mr. Surinder P. Kanwar
Chairman & Managing Director



Mr. Sachit Kanwar
Joint Managing Director w.e.f 1st June, 2011

Board of Directors



Dr. Sanjeev Kumar
Non Executive Independent Director



Mr. V.K. Pargal
Non Executive Independent Director



Mr. M. K. Vig
Non Executive Independent Director



Mr. P. K. Mittal
Non Executive Independent Director



Mr. Gautam Mukherjee
Non Executive Independent Director



Mr. N. V. Srinivasan
Non Executive Director



Mr. Sachit Kanwar
Joint Managing Director w.e.f 1st June, 2011

Core Management Team



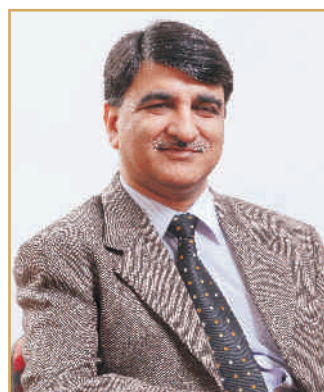
Mr. P. C. Kothari
Vice President (Finance & Accounts)



Mr. Rajan Malhotra
Chief Executive Officer



Mr. A. D. Jain
Vice President (Construction)



Mr. Ashwani Chaswal
Vice President (Sales & Marketing)

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Surinder P. Kanwar

Chairman & Managing Director

Mr. Sachit Kanwar

Joint Managing Director w.e.f 1st June, 2011 & Compliance Officer

Mr. M. K. Vig

Mr. V.K. Pargal

Dr. Sanjeev Kumar

Mr. P. K. Mittal

Mr. Gautam Mukherjee

Mr. N.V. Sirinivasan

INVESTORS' GRIEVANCE COMMITTEE

Mr. Surinder P. Kanwar

Mr. P. K. Mittal

Mr. Sachit Kanwar

REMUNERATION COMMITTEE

Dr. Sanjeev Kumar

Mr. M. K. Vig

Mr. P.K. Mittal

Mr. Gautam Mukherjee

FINANCE COMMITTEE

Mr. P.K. Mittal

Mr. Surinder P. Kanwar

Mr. Sachit Kanwar

Dr. Sanjeev Kumar

MANAGEMENT EXECUTIVES

Mr. Rajan Malhotra (CEO)

Mr. P.C. Kothari

Mr. A. D. Jain

Mr. Ashwani Chaswal

AUDITORS

M/s V. P. Jain & Associates

BANKERS

ING Vysya Bank Ltd.

State Bank of India

The Federal Bank Ltd.

Bank of Bahrain & Kuwait BSC

IndusInd Bank Ltd.

ICICI Bank Ltd.

REGISTRAR & TRANSFER AGENT

M/s Link Intime India Pvt. Ltd.

A-40, IInd Floor, Naraina Industrial Area,
Phase-II, Near Batra Banquet Hall,
New Delhi - 110 028

REGISTERED OFFICE

20 K.M., Mathura Road,
P.O. Amar Nagar,
Faridabad - 121 003 (Haryana)

OTHER OFFICES

- 1009, Surya Kiran Building,
19, Kasturba Gandhi Marg,
New Delhi- 110 001
- 14th Floor, Hoechst House,
Nariman Point, Mumbai-400 021
- Mukherjee House,
17, Brabourne Road,
Kolkata-700 001



NOTICE

TO THE MEMBERS OF RAUNAQ INTERNATIONAL LIMITED

NOTICE is hereby given that the **46th Annual General Meeting** of the Members of Raunaq International Limited will be held as under:

Day : Monday
 Date : 25th July, 2011
 Time : 11.30 A.M.
 Venue : FIA Conference Hall
 Faridabad Industries Association,
 FIA House, Bata Chowk,
 Faridabad - 121 001 (Haryana)

to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited accounts of the Company for the year ended March 31, 2011 together with Reports of the Auditors and Directors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. P.K. Mittal, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. N.V. Srinivasan, who retires by rotation and is eligible for re-appointment.
5. To appoint M/s V.P. Jain & Associates, Chartered Accountants as Statutory Auditors of the Company for the financial year 2011-2012 and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider the appointment of Mr. V.K. Pargal as Director of the Company and pass the following resolution as **Ordinary Resolution**, with or without modification(s)

"RESOLVED THAT Mr. V.K. Pargal who was appointed as Additional Director of the Company by the Board of Directors in its meeting held on July 22, 2010 and who ceases to hold office under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice under Section 257 in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

7. To consider appointment of Mr. Sachit Kanwar as Joint Managing Director of the Company and, if thought fit, pass the following resolution(s) as **Special Resolution**

with or without modification(s)

"RESOLVED THAT in pursuant to the provisions under Sections 192(4), 198, 269, 302, 303(2), 309, 310, 311, 316, 317, Schedule XIII as applicable and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the Act") including any statutory amendment, modifications, or re-enactment thereof and subject to the approval of the Central Government, if required, in this regard, and further subject to such other requisite approvals, as may be required, in this regard, the consent of the Shareholders be and is hereby accorded to the appointment of Mr. Sachit Kanwar, who is the Executive Director of the Company as Joint Managing Director for a period of 5(five) years w.e.f June 1, 2011 on the terms and conditions including remuneration payable to him for a period of 3(three) years w.e.f June 1, 2011 as recommended by the Remuneration Committee and approved by the Board of Directors of the Company and as set out in the explanatory statement which forms part of this resolution notwithstanding that the remuneration may exceed the limits prescribed in provisions of Sections 198, 309 and Schedule XIII of the Act.

RESOLVED FURTHER THAT the remuneration as set out in the explanatory statement which forms a part of this resolution, payable to Mr. Sachit Kanwar as Joint Managing Director for a period of three years w.e.f June 1, 2011, is subject to the condition that:-

- a. the total remuneration payable in any financial year by way of salary, perquisites, commission and other allowances shall not exceed the overall limit of five percent (5%) of the net profits of the Company as applicable to each of the Managing/Whole-time Directors of the Company and/or ten percent (10%) of the net profits of the Company for all the Managing/Whole-time Directors in accordance with the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII including any statutory amendments, modifications, or re-enactments thereof, as may be made thereto and for the time being in force or
- b. If the Remuneration exceeds the limits as prescribed in the provisions of Section 198, 309 and Schedule XIII of the Companies Act, 1956 the Remuneration payable shall be as specifically approved by the Central Government.

RESOLVED FURTHER THAT notwithstanding anything contained in Sections 198, 309 and the Schedule XIII of

the Companies Act, 1956 or any amendment/re-enactment thereof or any other revised / new schedule or guidelines thereof, in the event of absence of profits or inadequacy of profits in any financial year, the salary, perquisites and statutory benefits (except commission), as set out in the explanatory statement which forms part of this resolution, be paid as minimum remuneration to Mr. Sachit Kanwar, Joint Managing Director, subject to approval of the Central Government, if required.

RESOLVED FURTHER THAT in absence of the Central Government approval for payment of remuneration to Mr. Sachit Kanwar exceeding the limits prescribed in Section 198, 309 and Schedule XIII of the Companies Act, 1956, as amended from time to time, he shall be entitled to draw remuneration within the limits as prescribed in Section 198, 309 and Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of the Directors of the Company be and is hereby authorized to do all such acts, deeds and things, to enter into such agreement(s), deed(s) of amendment(s) or any such document(s), as the Board may, in its absolute discretion, consider necessary, expedient or desirable including power to sub-delegate, in order to give effect to this resolution or as otherwise considered by the Board to be in the best interest of the Company, as it may deem fit."

By Order of the Board



Place: Faridabad
Date: June 22, 2011

Surinder P. Kanwar
Chairman & Managing Director

NOTES:

- i. **A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint one or more proxies to attend and vote on a poll, instead of himself/herself and the proxy need not be a member of the Company. The proxies in order to be valid and effective must be delivered duly completed in the enclosed format at the Registered Office of the Company not later than forty-eight hours before the scheduled time of commencement of the meeting.**
- ii. **NO GIFTS OR COUPONS SHALL BE DISTRIBUTED AT THE MEETING.**
- iii. Members/Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed at the entrance of the venue for attending the meeting.

Members who hold shares in dematerialized form are requested to mention their Client ID and DP ID details and those who hold shares in physical form are requested to write Folio number in the Attendance Slip.

No Attendance Slip shall be issued at the meeting.

- iv. The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, July 22, 2011 to Monday, July 25, 2011 (both days inclusive).
- v. The documents referred to in the accompanying Notice and the Annual Report are open for inspection at the Registered Office of the Company during the office hours between 10:00 A. M. and 1:00 P. M. on all working days except Sundays up to the date of the Annual General Meeting and shall also be available at the venue of the Meeting.
- vi. Members seeking any further clarification/information relating to the Annual Accounts are requested to write at the Registered Office of the Company at least ONE WEEK before the date of the Meeting i.e. on or before July 18, 2011 so as to enable the management to keep the information ready at the Annual General Meeting.
- vii. The equity shares of the Company are listed on the Delhi Stock Exchange Limited, 3/1, Asaf Ali Road, New Delhi-110 002 and annual listing fee has been paid to the Stock Exchange up-to-date.
- viii. If the dividend on shares as recommended by the Board of Directors is declared at the meeting, payment of such dividend will be made to those members whose names appear on the Company's Register of Members on July 22, 2011. In respect of shares held in electronic form, the dividend will be paid to those beneficiaries whose names appear on the statements of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose, at the end of the business hours on July 22, 2011. The dividend shall be paid on or before August 23, 2011. No income tax shall be deducted at the source from the dividend amount.
- ix. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividend which remain unclaimed/unencashed for a period of 7 (seven) years from the date they became due for payment will be transferred to Investor Education and Protection Fund of Central Government. The Shareholders shall not be able to claim any unpaid dividend from the said Fund or from the Company thereafter. The unclaimed dividend upto the Financial Year 1999-2000 has already been deposited with the Investor Education and Protection Fund. As on date, there is no unclaimed/unpaid dividend, which is required to be transferred to Investor Education and Protection Fund of Central Government.