

Creating World Class Infrastructure



annual report
2012-2013



RAUNAQ INTERNATIONAL LIMITED

RAUNAQ INTERNATIONAL LIMITED



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Mr. Surinder P. Kanwar
Chairman & Managing Director

Chairman's Message

Dear Shareholders,

In many ways, 2012-13 has been a year of transition for Raunaq International Limited ('RIL' or 'your Company').

There are two elements of this transition.

First, as you are aware, for three decades your Company has been executing turnkey engineering and construction contracts for the core infrastructure and industrial sectors in India ranging from Power, Chemicals, Hydro-carbon, Metal and Automobiles. While most of the Company's work has been focused on piping project – cross country piping, power station piping and hydrocarbon and industrial utility piping, it has also progressed to small scale multi-disciplinary EPC projects and civil projects. In 2012-13, the Company has taken a major step at diversification into the manufacturing sector. Leveraging the promoter group's long standing expertise in the auto-component industry, RIL has made investment in M/s Xlerate Driveline India Limited (XDIL), which is primarily in the business of automotive clutches.

Second, within the core engineering and construction business, in the recent past RIL had grown by focusing on piping related projects catering to thermal power plants. Given the large existing demand-supply gap, the Indian power sector has massive growth potential. As of today, the all India average energy shortfall is 7% and peak demand shortfall is 12%. It is quite natural that given this intrinsic need, the power sector attracted large investments in the last few years. Not only did large number of Indian companies invest in generating capacities but it also attracted FDI worth US\$ 4.6 billion since 2000. However, in the last couple of years, the sector is in crisis. The sector is struggling with an acute shortage of domestic fuel (both coal and gas), poor financial position of state power distribution companies who are the primary guarantors of sale and excessive delays in land acquisition and environment related clearances. Consequently



several new projects have been stalled and there is virtually no new investments. Given this scenario, your Company is actively diversifying into other segments. There is special emphasis on the industrial sector, where also there is move to enter into business with reliable large private sector organizations.

The process of looking inwards and stressing on a strategic shift has come in the backdrop of a very difficult business environment. India's economic growth rate reduced further from 6.2% in 2011-12 to 5% in 2012-13. This is the lowest recorded annual growth rate in a decade. Importantly, manufacturing sector growth dropped from 2.7% in 2011-12 to 1.9% during 2012-13. And, construction industry clocked a low 5.9% annual growth in 2012-13.

This state of affairs has created a major cash crunch across the entire infrastructure supply chain. In turn, the lack of liquidity in the system is further creating new rounds of delays in execution for want of working capital. Apart from the problem of liquidity, the sector is facing a major problem of delayed decision making. Large scale infrastructure development involves a varied group of diverse stakeholders, each with their own specific objectives that are often in conflict. Government agencies have the difficult role of being the adjudicators to such confrontations, while performing their primarily responsibility of creating adequate infrastructure to harness economic growth. In a majority of cases, the solutions are complex and lengthy procedures have to be adopted. The interim period is one of decision inertia. This is the phase that India is going through in most segments of infrastructure.

Your Company's sales and other income on a standalone basis reduced from ` 118 crores in 2011-12 to ` 88 crores in 2012-13. In line with the top-line contraction profit after tax (PAT) reduced from ` 6.5 crores in 2011-12 to ` 2.7 crores in 2012-13.

The Company's relentless focus on cost management continued through the year. The reduction in the top-line has had an adverse impact on operating margins in comparison to the previous year. Finance costs were kept under control – reducing in aggregate from ` 2.5 crores in 2011-12 to ` 2.3 crores in 2012-13.

Since XDIL has become subsidiary, from this year we have to prepare consolidated statements also. During 2012-13, XDIL being in development phase set up its first manufacturing base in Faridabad, Haryana and commercial production only started from the last quarter. Consequently, there are no material differences in the overall numbers due to this activity. The sales and other income of the your Company on a consolidated basis in 2012-2013 was ` 88.2 crores and the profit after tax (PAT) was ` 1.8 crores, reflecting higher developmental expenditure.

With concerted efforts at business development your Company secured some major new orders. The total new orders secured during the year was worth ` 255 crores and the Company will go into 2013-14 with an order book worth ` 290 crores.

While the present condition might be difficult, India needs infrastructure and I strongly believe that in the medium to long term infrastructure development will progress at a brisk pace.

The Government of India, realizes the importance of accelerating investments in infrastructure to boost the country's slowing economy. Therefore, it has set a massive target for doubling investment in infrastructure from ` 20.5 trillion to ` 40.9 trillion during the Twelfth Plan period (2012–2017). The total investment in infrastructure, including roads, railways, ports, airports, electricity, telecommunications, oil gas pipelines and irrigation, is expected to increase from 5.7% of India's GDP in the first year of the Eleventh Plan to around 8.3% in the last year of the Plan. The Twelfth Plan proposes to increase the share to more than 10.5% by the end of the Plan period. In the recent announcements by the Central Government on the Power Sector, approval of power plants who operate using domestic coal to import given a shortfall and pass on the extra cost to consumers and framing of State Electricity Board (SEB) debt restructuring policy to improve their financial health, have given a glimmer of hope.

XDIL's products are getting good reviews in the market and I expect production to be ramped up rapidly. This business will become a significant contributor to RIL's results in the future. In the core engineering and construction business, we have a good order book. Our focus will be back on execution while we will remain steadfast in our efforts to diversify and maintain a healthy order book on an ongoing basis.

As we go through the process of transition, we continue to focus on enhancing our internal strengths. We are continuously working on improving our internal systems, processes and procedures with an objective of efficient and effortless scale up. Even in a sluggish market we have maintained our focus on execution and believe that our promise to deliver on time with high quality for our customers will hold us in good stead in the long term.

I would like to acknowledge the contribution of the associates, and the management at Raunaq International for their contribution to the Company's performance in FY 2013. The Management Executives, who today operationally manage the day to day activities of the Company needs a special mention for all their efforts. It is the people at Raunaq International who will nurture the Company's ambitious growth plans.

We, at Raunaq International, have embarked on a well structured growth oriented journey. As we strive forward, there will be challenges that we will have to deal with. You, our stakeholders, investors and customers have always reposed faith in our business and it is this trust that drives our team forward. I take this opportunity to thank all our stakeholders for their valued support. I am confident that with your patronage, we will continue to deliver long term sustainable value.

Surinder P. Kanwar
Chairman & Managing Director

Board of Directors



Mr. Surinder P. Kanwar
Chairman & Managing Director



Mr. Sachit Kanwar
Joint Managing Director



Dr. Sanjeev Kumar
Non Executive Independent Director



Mr. N. V. Srinivasan
Non Executive Director



Mr. V.K. Pargal
Non Executive Independent Director



Mr. P. K. Mittal
Non Executive Independent Director



Mr. Satya Prakash Mangal
Non Executive Independent Director



Mr. Gautam Mukherjee
Non Executive Independent Director

Core Management Team



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



Mr. Rajan Malhotra
Chief Executive Officer



Mr. Sachit Kanwar
Joint Managing Director



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

Mr. V.K. Pargal

Dr. Sanjeev Kumar

Mr. P. K. Mittal

Mr. Gautam Mukherjee

Mr. Satya Prakash Mangal

Mr. N.V. Srinivasan

AUDIT COMMITTEE

Dr. Sanjeev Kumar

Mr. P.K. Mittal

Mr. V.K. Pargal

Mr. Satya Prakash Mangal

INVESTORS' GRIEVANCE COMMITTEE

Mr. P.K. Mittal

Mr. Surinder P. Kanwar

Mr. Sachit Kanwar

REMUNERATION COMMITTEE

Dr. Sanjeev Kumar

Mr. P.K. Mittal

Mr. Gautam Mukherjee

FINANCE COMMITTEE

Mr. P.K. Mittal

Mr. Surinder P. Kanwar

Mr. Sachit Kanwar

Dr. Sanjeev Kumar

SHARE ISSUE COMMITTEE

Dr. Sanjeev Kumar

Mr. Surinder P. Kanwar

Mr. Sachit Kanwar

Mr. P.K. Mittal

MANAGEMENT EXECUTIVES

Mr. Rajan Malhotra (CEO)

Mr. P.C. Kothari

Mr. A.D. Jain

Mr. Ashwani Chaswal

AUDITORS

M/s V. P. Jain & Associates

COMPANY SECRETARY

Mr. Kaushal Narula

BANKERS

ING Vysya Bank Ltd.

State Bank of India

IndusInd Bank Ltd.

ICICI Bank Ltd.

REGISTRAR & TRANSFER AGENT

Link Intime India Private Limited

44, Community Centre,

2nd Floor, Naraina Industrial Area,

Phase-I, Near PVR Naraina,

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 48th Annual General Meeting of the Members of Raunaq International Limited will be held as under:

Day : Tuesday
Date : 30th July, 2013
Time : 11.30 A.M.
Venue : HUDA Convention Centre
Sector - 12
Faridabad -121 007
(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, 2013 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 (ICAI Registration No. 015260N) as Statutory Auditors of the company for the Financial Year 2013-2014 and to fix their remuneration.

By Order of the Board

Place : Faridabad
Date: June 27, 2013

Kaushal Narula
Company Secretary

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 Saturday, July 27, 2013 to Tuesday, July 30, 2013 (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 23, 2013 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 the Annual Listing Fees 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 27, 2013. In respect of shares held in electronic form, the dividend will be paid to those beneficiaries whose names appear on the statement of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited respectively for this purpose, at the end of the business hours on July 26, 2013. The dividend shall be paid on or before August 27, 2013. 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 the 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.

In case of non receipt/non encashment of the dividend, Members are requested to correspond with the Company or with the registrar and transfer agent.

- x. As a measure of economy, copies of the Annual Report shall not be distributed at the Meeting. Members are requested to bring along their own copies to the meeting.
- xi. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the Share Certificate(s) to Linkintime India Private Limited, registrar and transfer agent for consolidation into a single folio.
- xii. Members are requested to intimate their dividend mandates like bank account number, type and bank addresses in which they intend to deposit the warrants. The bank details can also be printed on the warrants to avoid any incidence of fraudulent encashment.

The change in address, nomination etc, if any, to be effective must reach to the registered office of the Company by July 23, 2013 (Relevant forms for nomination and updation of shareholders' information are enclosed at the end of the Annual Report).

- xiii. Members may please note that Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number for all participants transacting in the Securities Market, irrespective of the amount of such transactions. SEBI has also mandated that for Securities Market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish copy of PAN card to Company/ Share transfer agent for registration of such transfer of shares.
- xiv. Corporate members are requested to send a duly certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote at the Meeting.
- xv. The Company provides demat facility. Members who are still holding physical share certificates are advised that it is in their own interest to dematerialise their shareholding to avail benefits of dematerialisation viz. easy liquidity, electronic transfer, savings in stamp duty and prevention of forgery.
- xvi. *The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" and issued two circulars nos.17/2011 and 18/2011 dated April 21, 2011 and dated April 29, 2011 respectively.*

Under first circular no. 17/2011 dated April 21, 2011, MCA has, inter alia, clarified that a Company would have complied with Section 53 of the Companies Act, 1956, if the service of documents has been made through electronic mode provided that the Company has obtained e-mail addresses of its members for sending the notice /documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the Company. It also provides that where any Member has not registered his e-mail address with the Company, the service of documents etc. will be effected by other modes of service as provided under Section 53 of the Companies Act, 1956.