



UNWAVERING FOCUS

On quality. | On timely execution. | On exploring opportunities.



RAUNAQ EPC INTERNATIONAL LIMITED

(Formerly known as Raunaq International Limited)

Annual Report 2016-17



Chairman's message



Business overview



Landmark projects

Cautionary Statement Regarding Forward-Looking Statements

Statements in this Annual Report describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially from those in such forward-looking statements. Important developments that could affect the Company's operations include a downtrend in the infrastructure sector, significant changes in political and economic environment in India or key financial markets, tax laws, litigation, exchange rate fluctuations, interest and other costs.

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The Company during its four decades of existence has time and again proved its technological and EPC competence across several projects.

The Company's timely execution and quality consciousness has not only provided it strong references for new clients but also enabled it to receive repeat orders from existing ones. It is a result of this, that even during a tough industry scenario that the Company received strong order inflows from new reputed clients (Alstom and Toshiba) displaying its engineering might. The Company will now leverage its existing competencies to venture the water distribution space, which has huge opportunities in the country.

The Company also has a proven quality and technological competence in its automotive business in which within a span of four years it achieved significant growth in volumes and an important landmark by making a roadway to OEM Sector. This displays the strong manufacturing excellence, focus on quality and robust manufacturing set-up that the Company has. The OEM business shall provide guaranteed volume growth to the Company and enable it to effectively utilize its capacities for better operational efficiency. The Company further intends to extend scope to passenger vehicles.

Company Snapshot

Raunaq EPC International Limited (REIL), with a successful track record of working across multi-disciplinary EPC projects and having an annual automobile component manufacturing capacity of ₹ 114 crores, is one of the leading engineering companies in the country.



CORPORATE OVERVIEW

- Raunaq EPC International Limited (REIL) established in 1965 is a company of Surinder P. Kanwar Group.
- Group companies include Bharat Gears Limited, Clip-Lok Simpak (India) Private Limited and Xlerate Driveline India Limited.
- An ISO 9001: 2015 certified organization.



KEY STRENGTHS

- **Providing niche solutions:** The Company's four decades rich experience has enabled it to achieve competencies in the niche areas of mechanical solutions for industrial, power and hydrocarbon sectors.
- **Engineering expertise:** The Company possesses engineering expertise driven by its vast experience of working across diverse EPC projects and skilled intellectual capital making it one of the most trusted and reputed players.
- **Long-lasting bonds:** The Company's strong focus on quality and timely delivery of projects has enabled it to develop long-term relationships with leading companies.
- **Timely execution:** The Company possesses an enviable track record of completing all projects on time driven by its robust engineering team and investments in technology.
- **Strong intellectual capital:** The Company has a wealth of intellectual capital in terms of engineering manpower and technical knowledge to cater to the needs of turnkey projects that we undertake.
- **Manufacturing excellence:** The Company has the capability of manufacturing automotive products meeting stringent international quality criteria.
- **Pan-India distribution network:** The Company's strong pan-India distributor network enables it to efficiently market products across the country.



BUSINESS AREAS

- **EPC:** Provides EPC solutions in the areas of pipeline and storage infrastructure catering to power, chemical, hydro-carbon and metal industry.
- **Automobile:** Xlerate Driveline India Limited (XDIL), REIL's 100% wholly-owned subsidiary, is engaged in the business of manufacturing automobile clutches for commercial vehicles.



KEY AREAS OF SPECIALIZATION

- Industrial Piping systems for:
 - Power plant piping
 - Utility industrial piping
 - Large Dia piping
 - Ash/sludge disposal piping
 - Process piping
- Cross country pipeline and piping systems
- Storage tanks and oil handling systems
- Ash water recirculation systems
- Compressed air systems
- Fire water systems
- Site fabrication and equipment erection works



GEOGRAPHICAL PRESENCE

- Headquartered at Faridabad (Haryana)
- Pan-India EPC presence and distribution network
- Manufacturing unit at Faridabad
- Branch offices at New Delhi, Mumbai and Kolkata



PRIDE ENHANCING CLIENTELE



Chairman's Message



Dear Shareholders,

Greetings to all of you. It is my pleasure to present the Annual Report for FY 2016-17. The year 2016-17 has been both a good and difficult one. With repo rates declining by 25 bps to 6.25% and government's investment in infrastructure, the scenario was favourable for EPC players. However, on the other hand, the industry was passing through a turbulent phase. The market was slow and the government's lack of focus on the thermal power sector, our core business area, did affect the performance of the Company to a large extent. No new projects came up in thermal power from the end of FY 2015-16 till a better part of FY 2016-17. This reflected in the Company's order book as well.

However, Raunaq EPC International Limited (REIL) has proven time and again, its technological and EPC competence in the market. The Company's focus on timely execution and quality consciousness has not only brought new clients but also received positive feedback in the form of repeat orders from existing ones. As a result, even in turbulent times, things started looking better. The Company received order inflows from old clients like NTPC Limited and Hindustan Zinc Limited as well as from new reputed clients like Alstom BF Power Limited and Toshiba JSW Power Systems later in the year.

The automotive business too suffered a major setback in the third quarter of the year due to demonetization. Cash flows were delayed, especially because it caters to the after-market sector, which primarily deals in cash. The scenario is expected to return to normalcy in the current financial year. However, the business also achieved a landmark by making a roadway to OEM Sector. This proved the Company's strong manufacturing excellence and quality. The OEM business will guarantee regular business volume enabling it to optimally utilize its capacities (Company's plant is running at 1/3rd capacities now).

In the EPC business, the Company bagged new orders worth ₹ 101.61 crores during the year taking its total order book position as on 31 March, 2017 to ₹ 105.22 crores providing revenue visibility for the next 1-2 years. Key projects received during the year include:



The Company is actively exploring tie-up opportunities with reputed international players for getting access to newer technologies that shall enable us to create a niche market in India.

While thermal power sector remains our forte, we are exploring opportunities in water distribution sector. Water supply is amongst the top priorities of state governments across the country owing to the fact that cities and most villages in India reel from major water scarcity in summer months. Safe drinking water is a precious commodity in most parts of rural India where people have to travel several miles before they reach a source of potable water. Our key focus will be on bringing water from source to the nearest water treatment plants. This diversification will help us to keep afloat in future, even if further investments from the government in thermal power stations decline.

As far as diversification in the automotive segment is concerned, we have made a breakthrough by finalizing an OEM deal with one of the largest reputed commercial vehicle player in the country. Validation and trial of the product has already started and we plan to commence supply in the current financial year. Beside commercial vehicles, we also plan to foray into manufacture of passenger vehicle clutches for the after-market sector.

In the future, the Company hopes to gain from the Government's boost to the infrastructure sector, including power sector. The initiative will definitely open more opportunities for the Company in the water distribution and fuel oil handling and storage systems. Alongside diversification, both segments require adequate technology upgradation that will help in value-addition. In automotive segment, we are looking at equipment upgradation and improving the quality of manpower. These initiatives by the Company will ensure improvement of margins and enhancement in shareholders' worth.

Finally, I would like to thank all our shareholders for believing in us and supporting us through the tough times. I would like to thank our customers and suppliers for their unstinted support throughout our journey. Last but not the least, our employees whose tireless efforts have borne fruits of success. Our motto, **'On time execution'** and **'Best quality norms'** still remain the key strengths that have helped us sail through tough times. We proudly say that the Company is ready for growth. We are thinking out of the box to see where the path of growth is leading. And we welcome all of you to ride this growth.

With best regards,

Surinder P. Kanwar

Chairman and Managing Director

Business Overview



OVERVIEW

The division provides turnkey project management solutions to leading companies across India. Its strong in-house design team, state-of-the-art machineries and skilled labor enables it to deliver challenging projects. It has a robust track record of working across around 125 projects.

KEY HIGHLIGHTS

- Bagged new orders worth ₹ 101.61 crores which include orders from reputed existing clients like Hindustan Zinc Limited (HZL) and NTPC Limited along with new customers like Alstom BF Power Limited (now merged with GE, USA) and Toshiba JSW Power Systems Private Limited.
- Completed 70% job at a challenging project from Delhi Metro Rail Corporation (DMRC) that involved laying steel pipelines for a water supply line from Kalindi Kunj to Janakpuri.

KEY PROJECTS IN THE ORDER BOOK

NAME OF CLIENT	PROJECT VALUE	SCOPE OF WORK
Hindustan Zinc Limited	₹ 9.60 cr	Design, supply, erection, testing and commissioning on turnkey basis for 12 MLD Water conveyance system
NTPC Limited	₹ 14.42 cr	Design, supply, erection, testing and commissioning on turnkey basis for Additional AWRS and associated equipment
Alstom BF (GE)	₹ 52.40 cr	Supply, fabrication and erection of Cooling Water Piping and related Civil Works at 3x660MW Ghatampur Thermal Power Project in Uttar Pradesh
Toshiba	₹ 18.57 cr	Supply, fabrication & erection of CW/ACW Piping and Related Civil Works at 1x660MW Harduaganj Thermal Power Plant, Extn.-II

STRATEGIC DIRECTION AHEAD

- Focus on diversifying into new business areas, especially the water distribution business, viewing the huge shortfall for water infrastructure in the country.
- Focus on enhancing scope of opportunities by providing value-added services to clients.
- Collaborate with national and international companies to get access to newer technology and improve project prequalification criteria.
- Upgrade machineries to enhance project competencies.



AUTOMOTIVE BUSINESS

OVERVIEW

The division is a leading manufacturer of commercial automotive clutches for after-sales market. It has recently ventured into the OEM sector. The plant is self-sufficient with strong design team. The Company has a total production capacity of ₹ 114 crores per annum.

KEY HIGHLIGHTS - FY 2016-17





- Made a roadway to OEM Sector.
- Tied-up with India's leading heavy commercial vehicles manufacturer in OEM sector.
- Initiated a pilot project on clutches for passenger vehicles that received good response.

STRATEGIC DIRECTION AHEAD

- Focus on delivering quality products and consistent supply to new OEM client added during the year.
- Leverage existing OEM portfolio to enhance capabilities and explore new OEM opportunities.
- Enhance product portfolio and look for collaboration to further strengthen commercial vehicle segment.
- Explore opportunities for extending portfolio in the passenger vehicles segment either through tie-ups with global players or developing in-house capabilities.

Landmark Projects

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	NAME OF CLIENT	PROJECT SCOPE	KEY CHALLENGES
	Anand Projects Limited, Noida	Raw water piping system for 3 x 660 MW supercritical thermal power plant at Lalitpur	<ul style="list-style-type: none"> Project involved construction of 45 km of cement-coated steel pipeline work with a diameter of 1,600 mm Tough rocky terrain and strong resistance from local villagers and difficult approach to work site
	Bajaj Infra Development Corporation Limited, Noida	Circulating water system with pump sets and large dia piping for 3 x 660 MW supercritical thermal power plant at Lalitpur	<ul style="list-style-type: none"> Project involved laying 3.6 mtr dia pipelines 6 metres below the ground while the height of the motor was nearly 3 metres Excavation in hard rocky terrain and erection of 3.6 mtr dia piping and concrete encasing
	Hindustan Zinc Limited, Udaipur	<ul style="list-style-type: none"> 30 MLD Water Pipeline System (600 dia/700 dia - 80 km length) from Udaipur to Dariba Raw water cross country piping works (14 kms X 18" size, 6"x 4 Kms pipeline) Yard piping work for 210 KTPA Zinc Plant at Dariba Smelter Complex 	<ul style="list-style-type: none"> Project involved execution of pipeline works through tough rocky terrain and farm fields with strong resistance from local villagers. To complete the work within the scheduled timeframe
	Adani Power Limited, Ahmedabad	Design, supply, fabrication, erection, testing & commissioning of FOH, LP Piping System on turnkey basis and construction of circulating water piping system for 5 x 660 MW Tiroda Thermal Power Station	<ul style="list-style-type: none"> Project involved laying CW pipelines 7 metres below the ground on a hard rocky terrain