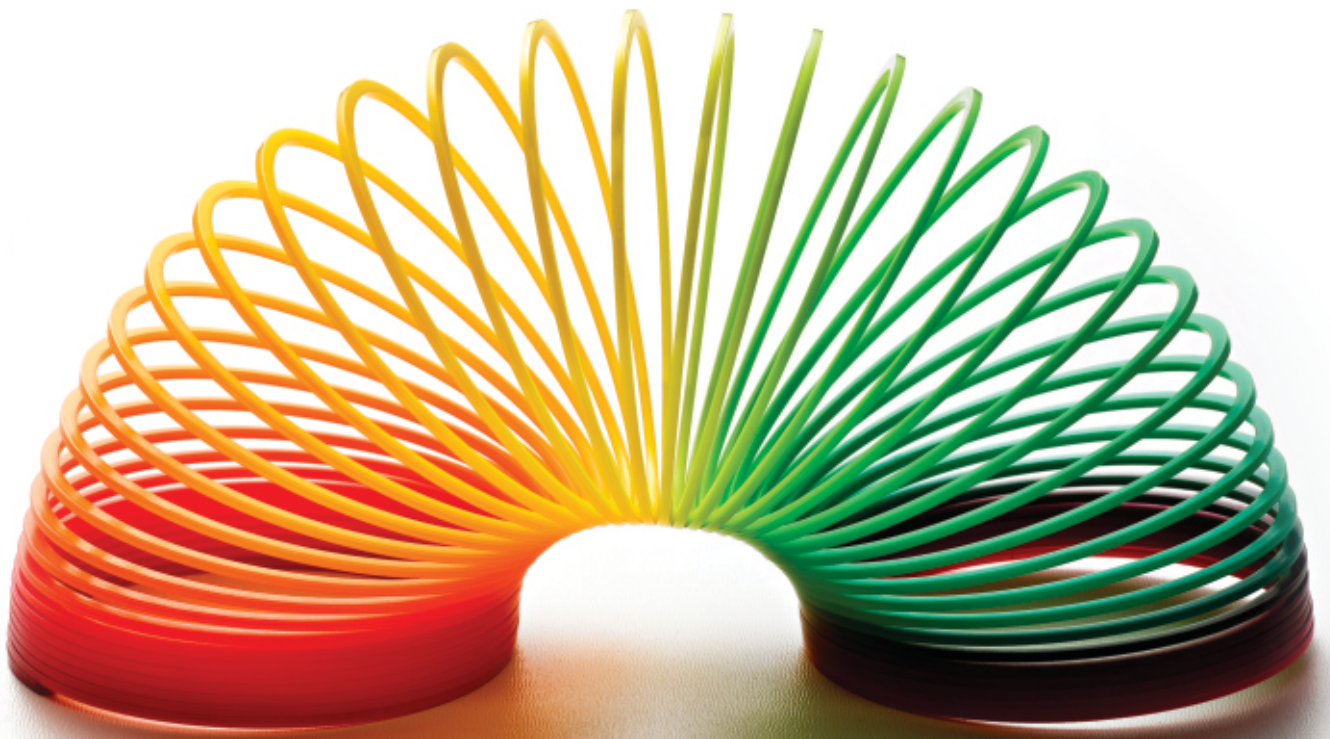




RAUNAQ EPC INTERNATIONAL LIMITED




Resilient
by design

A N N U A L R E P O R T 2 0 1 7 - 1 8

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Disclaimer Regarding Forward-Looking Statements

We have used a few forward-looking (futuristic) statements throughout the report solely to articulate our future growth prospects and to exemplify our intended milestones. However, the actual results may vary from the forward-looking statements as the business is subject to a number of risks and uncertainties according to the market scenario. For reader's reference, we have used words like 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar nature to signify every forward-looking statement. We do not guarantee that these statements will stand true, but we believe that these are backed up by prudent assumptions. The achievement of the result may vary due to risks, uncertainties and inaccurate assumptions. If in case, certain unforeseen risks or uncertainties dominate the market or any of the assumptions proved erroneous, then the final result may vary exponentially with respect to the anticipated, estimated or projected result. Thus, the readers should bear this in their mind.

We undertake no obligation to update any forward-looking statements publically, if there is any change in future events, there is new information, or whatsoever.

The logo features the word "Resilient" in a large, orange, sans-serif font. Above the letter 'i' is a stylized orange figure with arms raised in a 'Y' shape. Below the word "Resilient" is the phrase "by design" in a smaller, lowercase, orange, sans-serif font.

Resilient

by design

“ W h e n
the going gets tough, the tough
get going”. The present market landscape is
prone to challenges, uncertainties, and risks, and it is all
about the 'survival of the fittest'. Those who have a clear vision,
determination, and character to go a long way, stay their ground. A
host of difficulties like changing trends, risks, and unforeseen events are a part
and parcel of the corporate world. However, the key to ace the sphere is standing
firm during the rough phases and taking challenges as the opportunities to improve the
existing infrastructure. 'Resilience' is a trait that signifies the character of a successful
enterprise. It refers to the art of facing the obstacles mightily and returning back as a better and
more powerful organization. This correlates to our business philosophy.

At Raunaq, our core strengths are our vision, resilience, and adaptability to the changes. These have
facilitated us to stand tall against all odds and endure the economic, sectoral and regulatory restrictions.
Ever since our inception five decades back, we have constantly reinforced our capabilities and today, we
are among the formidable EPC players of the country. The chief focus of our EPC business is on the Thermal
Power sector. Till date, we have successfully completed 125 EPC projects. Our impressive track record has
garnered us the status of the name that clients bank on when it comes to EPC projects pertaining to our operating
segments.

Various government policies and global revolutions against fossil fuel-based energy have paved huge challenges
for our EPC business, which has been the primary sector of our operations. However, instead of succumbing to the
challenges, we have taken these as opportunities to showcase our skills. These adversities have rather encouraged
us to exploit inventive ideas and explore new ways to survive amidst these.

In order to reinforce our vision of a sustainable and diversified business, we forayed into the automobile industry in
FY'13 through our subsidiary, Xlerate Driveline India Ltd. (XDIL). XDIL deals with the manufacturing of automotive
clutches. Ever since its inception, XDIL has emerged as a decent contributor to our consolidated performance and
Financial Year 2017-18 (FY18), was first full year of steady topline for XDIL. It also achieved a major milestone and
entered the league of OEMs (Original Equipment Manufacturers) in the year.

Our future growth strategy lays emphasis on focus on projects with decent margins in our EPC business. We also
strive to venture into different sectors like water distribution system in the future so as to fully deploy and
diversify our EPC capabilities. We are also mulling over the possibilities to diversify our geographic reach. For
XDIL, we will continue to explore an array of opportunities that will facilitate in enhancing our OEM
business. We will emphasize on developing new products and solutions for our customers. We are also
optimistic about the present government's policies such as those related to strengthening National
Highway Network and building Smart Cities Mission. We believe that these policies will act as a
catalyst in boosting core infrastructure sector.

The FY18 has been a challenging year for our EPC business due to the macro
environment. However, it has been a cultivating year for our automotive business
as it seized an array of opportunities. With our constant efforts of harnessing
these two entirely different aspects of our business under one roof, we
aim to overcome all challenges in a short span of time.

We believe that our trait to overcome challenges
is what makes us resilient by design.

CORPORATE IDENTITY

OVERVIEW

Raunaq EPC International Limited (Raunaq/REIL) is multi-disciplinary engineering, manufacturing, and industrial Company. Raunaq primarily deals with two business sectors- Engineering, Procurement and Construction (EPC); and Automotive Components (Automotive Clutch Systems).

Incepted in the year 1965, REIL is a Group Company of the reputed 'Surinder P. Kanwar Group' which is a conglomerate of established Companies like Bharat Gears Limited (Automotive) and Clip-Lok Simpax (India) Private Limited (re-usable logistical packaging solutions). Raunaq is an ISO 9001:2015 certified organization. Raunaq has a wholly-owned subsidiary Company, Xlerate Driveline India Limited (XDIL) through which it carries out the business of manufacturing of Automotive Clutch Systems.

BUSINESSES

Engineering, Procurement & Construction (EPC): REIL is an established player with 5 decades of expertise in pipeline and storage infrastructure projects that are executed on a turnkey basis (engineering, procurement and construction).

Key categories of the projects which Raunaq executes include:

- Industrial Piping Systems
- Cross-country Piping and Piping Systems
- Storage Tanks and Oil Handling Systems
- Ash Water Circulations Systems
- Compressed Air Systems
- Fire Water Systems
- Site fabrication and equipment erection work



REIL CLIENTELE

Automotive Components (Xlerate Driveline India Limited):

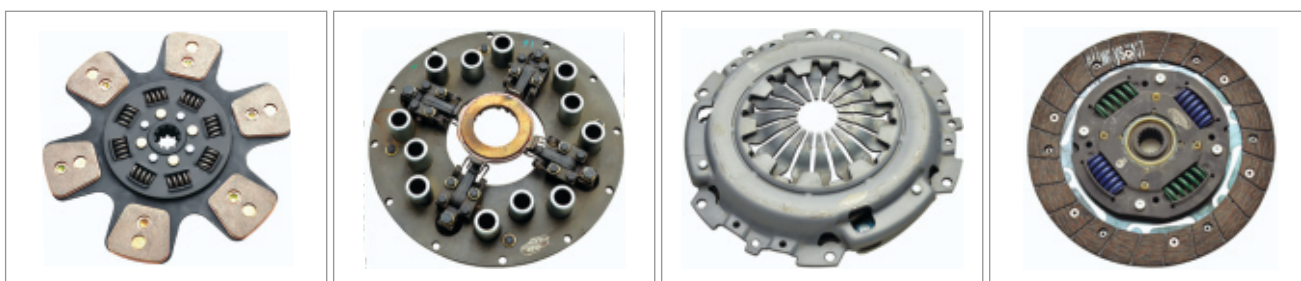
Raunaq, through XDIL specializes in manufacturing of clutch plates and clutch cover assemblies for the commercial vehicles. Raunaq's efforts in the automotive sector are further braced by one of the Group Companies 'Bharat Gears Limited', which is among the world leaders in gears technology and one of India's largest manufacturer of gears. XDIL has secured various quality, management and health & safety certifications viz. ISO/TS 16949:2009, OHSAS 18001:2007 and ISO 14001:2004.

Major Product(s) and Technologies:

- Clutch Plates
- Dry-friction clutch assemblies
- Majorly Single-plate push-type category
- Sizes wide spread from 180 mm to 240 mm and 352 mm to 430 mm

Major Consumer Categories:

- Heavy Commercial Vehicles
- Light Commercial Vehicles

**REIL EDGE**

Diversified Business Portfolio: Raunaq has diversified its business into two entirely distinct segments viz. EPC and Automotive. This has reduced the Company's exposure to risk that might arise due to business cyclicality.

Present in promising sectors: Raunaq has its presence in the two sectors that are significant for the Country's economy – Infrastructure and Automotive.

Customer Trust through Customer First: The Company has a long-standing reputation among its customers and is considered as one of the most formidable players in its area of business.

Strong Lineage: Raunaq has a strong lineage as it has a legacy of sustenance in the corporate world for more

than 5 decades. It is a part of the reputed 'Surinder P. Kanwar Group' that has top companies like 'Bharat Gears Limited' and 'Clip-Lok Simpak (India) Private Limited'.

Presence in niche segment: Raunaq operates in the niche segment of mechanical solutions for industrial, power and hydrocarbon sectors in its EPC Business.

Presence in OEM business: Raunaq is present in the promising and more stable business of Original Equipment Manufacturer & Original Equipment Supplier through wholly owned subsidiary XDIL.

Pan-India Distribution Presence: Raunaq has a strong Pan-India presence of distribution network leading to deeper market penetration and wider customer reach.

XDIL DEALERS NETWORK

Jammu & Kashmir	6	Maharashtra	11
Himachal Pradesh	1	Goa	1
Punjab	1	Bihar	2
Chandigarh	1	Jharkhand	2
Delhi	5	Odisha	2
Haryana	2	West Bengal	4
Rajasthan	2	North Eastern States	6
Uttar Pradesh	3	Andhra Pradesh	1
Uttarakhand	2	Telangana	1
Gujarat	1	Karnataka	4
Madhya Pradesh	4	Tamilnadu	6
Chhattisgarh	2	Kerala	4
		Total Dealers - Pan-India	74

OPERATIONAL HIGHLIGHTS

REIL - PROJECTS EXECUTION (EPC):

- Water Supply Arrangement for Under Construction Line-08 Phase-III from Kalindikunj Depot to Janakpuri West of Delhi Metro Rail Corporation.
- Completed LP Piping System (Includes CW, ACW, DM Transfer, DMCW and COLTCS System with Misc Tanks) at 3X150MW Coal Based Thermal Power Plant, Haldia – West Bengal.
- 12 MLD Water Conveyance System from Dariba Smelter Complex to SK Mines, Dariba, Rajasthan.



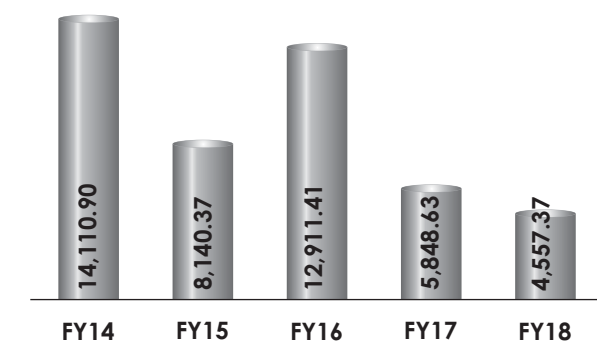
XDIL – PRODUCTION HIGHLIGHTS:

- OEM revenues increased substantially from last year; from 4% of total revenue in FY17 to 30% in FY18.
- XDIL crossed profitability threshold and earned profits for 1st time since the inception.

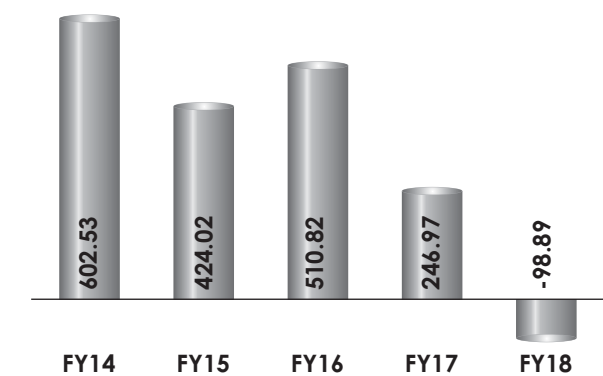


FINANCIAL HIGHLIGHTS

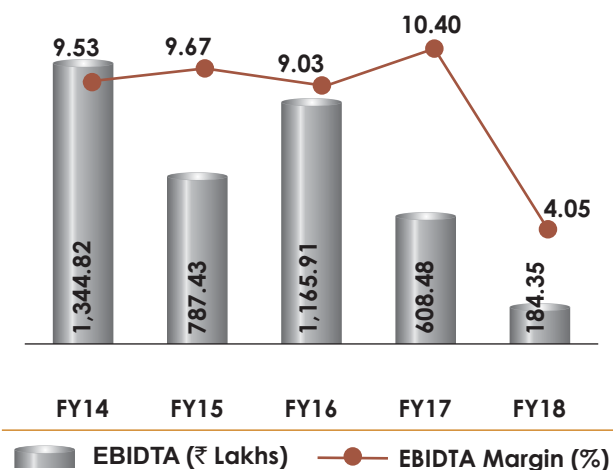
Total Income (₹ Lakhs)



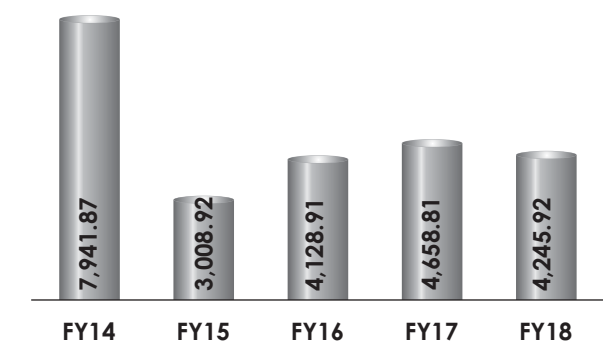
PAT (₹ Lakhs)



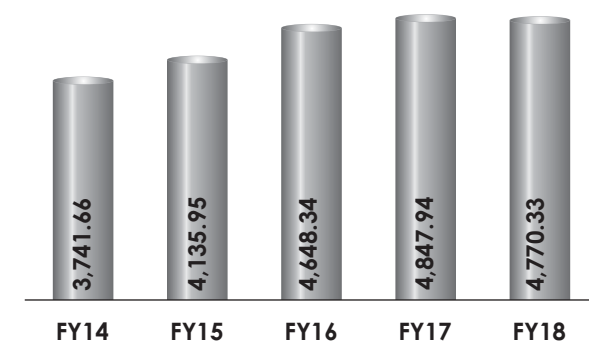
EBIDTA (₹ Lakhs) & EBIDTA Margin (%)



Market Capitalization (₹ Lakhs)



Net Worth (₹ Lakhs)



CHAIRMAN'S MESSAGE



Dear Shareholders,

It is my pleasure to present the Annual Report for FY 2017-18. The year gone by was testing, but as the case with all obstacles, dark clouds have a silver lining too. We used this opportunity to reinvent ourselves and discover new growth avenues to tide over the slowdown in our mainstay EPC business. We are working to diversify our revenues with greater focus on the water distribution and our auto ancillary business. However, we remain steadfast in our focus on timely execution and quality focus. We expect, these efforts will pay off and fill the void developed due to slowdown in the power sector.

Our EPC business continued to face trying times with the overall slowdown in the thermal power sector. With enhanced focus on renewable fuel sources of generation, the thermal power sector is likely to witness pressures in times to come. The sector is going through a sluggish phase with capacity delays that led to a slowdown in new order booking for us. We also witnessed some slowdown in our Oil and Gas EPC business due to lapse of our eligibility license. We are working to overcome this hurdle by bidding for orders in the space as a joint contractor. In view of the sustained pressures on this segment, we made a tactical decision to diversify our operations and enhance our scope instead of taking on low margin orders and compress margins in an effort to stay afloat.

With our sustained track record of timely execution, engineering capabilities, and client relationships, we have begun focusing on the water distribution space. This sector holds ample potential in our Country. According to data from Dalburg Analysis, FAO and UNICEF, the Country is at the brink of a water crisis with 40% of the population expected to have difficulties in accessing drinking water by 2030. The Government has been steadily increasing budgetary allocation for the water sector, the 2018 union budget has increased the allocation by Rs 2,000 Crores for the purpose. This will be used to expand water resources for irrigation, drinking, and cleaning up the Ganga. The ministry is implementing key projects such as Namami Gange, Pradhan Mantri Krishi Sinchayi Yojana and river inter-linking. The above steps have led to increased orders in the pipeline and we expect to benefit from the same in the coming year.

Our other growth avenue will be auto component business, which we operated through our wholly owned subsidiary Xlerate Driveline India Limited. The auto-components industry accounts for 2.3% of India's Gross Domestic Product. This sector has been seeing favorable growth in the backdrop of robust growth in commercial vehicles, two-wheelers and passenger vehicles. The demand for Commercial vehicles is further expected to pick up due to pre-booking in light of compliance with BS-VI norms. Rising focus on infrastructure has also led to increasing demand of commercial and medium to heavy commercial vehicles. The passenger vehicles are well placed to witness strong growth on the back of increased demand in the key end user segments and pick up in rural incomes.

We made a substantial breakthrough in the OEM business; this is reflected in our auto component segment posting an annual revenue growth of 26% in FY 2017-18. To further enhance our presence in the sector, we are looking to forge alliances with new clients in commercial and passenger vehicles space. At the time, the OEM segment is providing recurring business and stability, the after market business is supporting our profitability and growth opportunities. Although, we have faced some temporary setback post the demonetization drive, the demand scenario has bounced back sharply recently.

Every hurdle gives us an opportunity to review and relook our actions, and the downturn in our main business segment has provided us with this opportunity. We have started thinking out of the box and came up with new avenues to scale our business. This has been a challenging yet exciting phase where our focus on quality and client relations have come to our aid. Going forward, we intend to grow in our newer focus areas of water distribution and auto ancillary space while retaining our core competencies in execution and timely execution.

In conclusion, I would like to thank all our shareholders for believing in us and standing by us through trying times. I would like to thank our customers and suppliers for their continued support in our existing and new growth plans. Last but of foremost value are our employees who have diligently worked with us on every step of the journey that we have undertaken, and are key to the success of our new path of revival. We firmly believe that our new efforts will bear fruit and put the Company back on the growth path.

With best regards,



Surinder Paul Kanwar
Chairman and Managing Director

BOARD OF DIRECTORS AND MANAGEMENT TEAM

BOARD OF DIRECTORS



Mr. Surinder Paul Kanwar
Chairman & Managing Director



Mr. Sachit Kanwar
Joint Managing Director



Dr. Sanjeev Kumar
Non-Executive Independent Director



Mr. Gautam Mukherjee
Non-Executive
Independent Director



**Ms. Seethalakshmi
Venkataraman**
Non-Executive
Independent Director



Mr. V.K. Pargal
Non-Executive
Independent Director



Mr. N.V. Srinivasan
Non-Executive Director



Mr. P.K. Mittal
Non-Executive
Independent Director

MANAGEMENT TEAM



Mr. Rajan Malhotra
Chief Executive Officer



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



Mr. Ashwani Chaswal
Vice President (Sales & Marketing)



Mr. Sachin Kumar Mittal
Chief Financial Officer