

Annual Report  
2006-07

Sunil HiTech  
Engineers Limited

empowered



## BOARD OF DIRECTORS

Chairman & Managing Director	Ratnakar Manikrao Gutte
Director	Sudhamati Ratnakar Gutte
Director	Mattathil Narayanan Mohanan
Director	S.K. Kodandaramaiah
Director	Sunil Ratnakar Gutte
Director	Vijay R. Gutte
Independent Director	Kamlakar G. Holkar
Independent Director	Dilip Y. Ghanekar
Independent Director	Sarita Rathi
Independent Director	Sajid Ali

## Forward - looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements -- written and oral -- that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in making assumptions. The achievement of results is subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers are requested to bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## Corporate Information

<b>R &amp; T Agents</b>	:	Bigshare Services Pvt. Ltd., E/2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (W), Mumbai - 400 072
<b>Depositories</b>	:	National Securities Depositories Ltd. Central Depository Services (India) Ltd.
<b>Company Secretary</b>	:	Mr. K. K. Ghosh 97, East High Court Road, Ramdaspath, Nagpur - 400010
<b>Auditors</b>	:	Vivek Randad & Co., Chartered Accountants, H/ C D. Bharat Bazar, Near API Corer, CIDCO, Aurangabad, Maharashtra.
<b>Bankers</b>	:	UCO Bank Union Bank of India State Bank of India

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**Registered Office :**  
Parli Vaijnath, (Dist. Beed)  
Pin - 431520 (Maharashtra)


## Power. Stability. Strength.

The significance of solidarity rises far above and far ahead of anything in the landscape. From the structures that are built to the principles that are stood by, the consistent belief drives the path ahead.

It's such a belief that guides thought. It's such a belief that provides the insight to ordinary sight. This is what creates the extra mile when the road ahead has ended.

This is **empowerment**.





Maintaining an effective focus on the ever-growing requirements of the power sector

An ISO 9001: 2000 company, Sunil Hi Tech Engineers Limited is a niche-player in the power sector. The company primarily provides services for setting up a power station and related services.

Sunil Hi Tech has made its presence felt in the power sector as well as in the electrical and steel sectors.

Sunil Hi Tech is engaged in the fabrication, erection, testing and commissioning of boilers and auxiliaries up to 500 MW, TG structures, bunkers, coal - handling plants, civil works for SG, TG areas in power plants in both the private and public sectors. Sunil Hi Tech is amongst the very few companies which have been able to maintain an effective focus on the ever growing requirements of the power sector.

## Vision

To contribute to the development of power and process industries as well as related infrastructure areas.

To meet quality, price and schedule benchmarks and consistently satisfy our customers.

## Mission

To develop, implement innovative construction and on-site implementation methods to meet the best industrial standards.

To continuously improve on cycle time reduction and modernization of construction methods applicable for the power, process and infrastructure industries.

## Philosophy

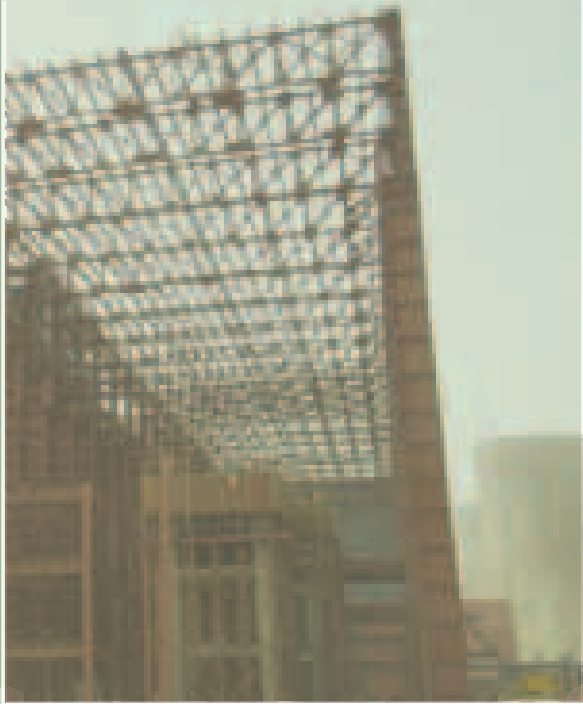
- g To bring in a high level of project execution skills, meet customer benchmarks, serve customers and satisfy them through timely completion of projects without compromising on quality
- g To improve on existing quality-systems in its operations
- g To achieve greater productivity and safety standards
- g To develop human resources and improve employee attitudes
- g To maintain good growth of net worth and build on the assets of the company
- g To be a market leader and a highly dependable service provider
- g To develop partnerships for growth and diversification



# Highlights 2006-07

- g Commissioning three hydro-power plants for an American company.
- g Commissioning about 17,500 MW through the current projects.
- g Total order book of about Rs. 8,000 million as of June 2007.



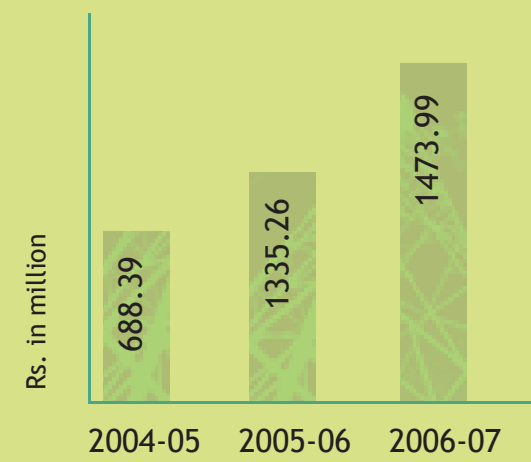
- 
- g In order to go up the value-chain, the company has ventured into the manufacturing of boiler pressure parts upto 500 MW via its subsidiary.
  - g Manufacturing plant executed orders not only for the parent company but also for external clients.
  - g Plant earned revenues of Rs. 50 million in four months.

- g About Rs. 70 million invested in manufacturing with plans to take revenue upto Rs. 1,000 million in three years' time.
- g Orders worth Rs. 250 million in this segment.
- g Forayed into the transmission and distribution sector with orders worth Rs. 1,500 million

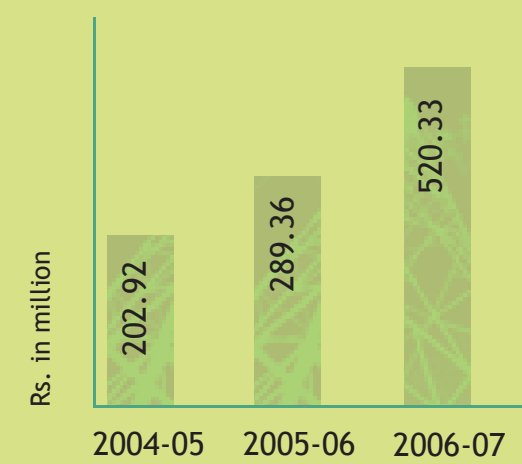
- g Achieved engineering growth through: 69,000 MT in fabrication, 75,000 MT in erection, 21,000 MT in boiler & auxiliary projects
- g Addition of HR strength from 750 in 2006 to 1000 in 2007.
- g Forayed into designing and detailing of structures.
- g EPS up by more than 35 percent.

# Key Financial Highlights

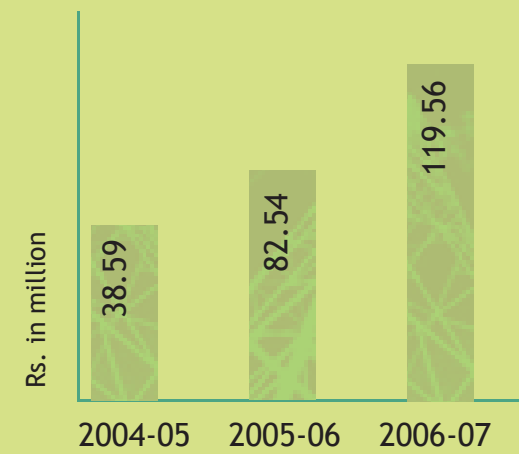
### Total Income



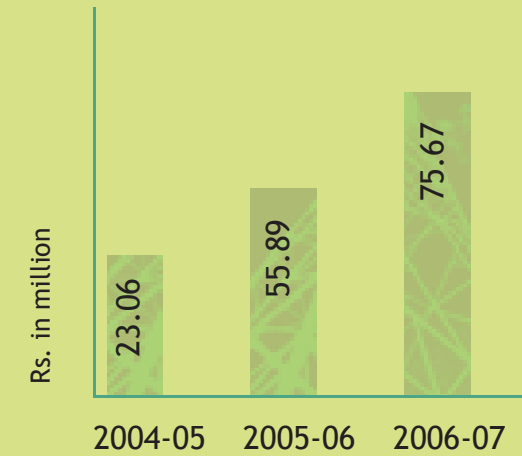
### Gross Block



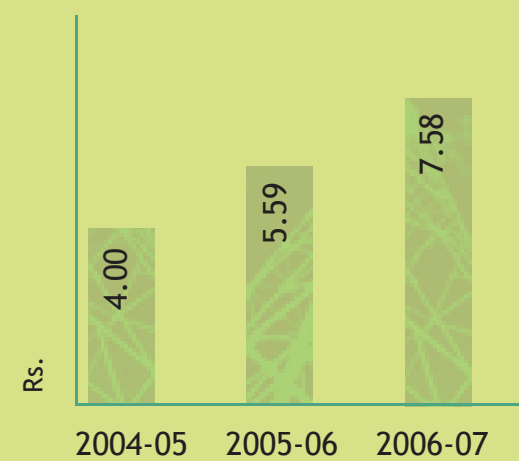
### Profit before Tax



### Profit after Tax



### Earnings per Share



# Projects Completed



A Completion of 9,840 MW of power.

## MAHARASHTRA

- g **Khaparkheda:** 210 MW - boiler and main plant structures.
- g **Chandrapur:** 500 MW - main plant structures, boiler and auxiliaries.
- g **Parli:** 250 MW - main plant structure, CHP, main water drainage system, boiler and auxiliaries.
- g **Paras:** 250 MW - main plant structure, and fuel-oil handling system.

## UTTAR PRADESH

- g **Rihand:** 500 MW - boiler auxiliaries, miscellaneous structures and 250 Mtr. RCC chimney.
- g **Unchahar:** 210 MW - boiler and auxiliaries.
- g **Gail-Pata:** 2 X 80 - TPH HRSG.
- g **Parichha:** 2 X 210 MW - boiler, auxiliaries, structures and fabrication.

## MADHYA PRADESH

- g **Vindhyachal:** 2X500 MW - bunker structure and CW piping work.

## CHATTISGARH

- g **Korba:** 1 X 275 TPH - boiler BALCO.
- g **Korba:** 2 X 135 TPH - boiler and auxiliaries.

## HARYANA

- g **Panipat:** 125 TPH HRSG
- g **Panipat:** 2 X 250 MW TG and mill bunker structure, boiler and auxiliaries.

## RAJASTHAN

- g **Suratgarh:** 2 X 250 MW - main plant structure, boiler and auxiliaries.

## ORISSA

- g **Talcher:** SG and TG area civil package, structure and ash piping.

## PUNJAB

- g **Bhatinda:** 2 X 250 MW - bunker structure.

## GUJRAT

- g **Dahej:** Fabrication and erection of structure and piping work.

# Ongoing projects

*A network across 11 states.  
45 live projects.  
A development of 13,500 MW of power.*

## MAHARASHTRA

- g MSPGCL **Parli**: 1 X 250 MW - Main plant structure and bunker.
- g MSPGCL **Paras**: 1 X 250 MW - Main plant structure and bunker.
- g MSEDCL **Kalyan**: Strengthening work of 22 KV line; renovation work of existing 22 KV lines; construction of new 22 KV lines; laying of 22 KV HT underground cable of 22/043 kV DTC under ADRP.
- g MSEDCL **Chandrapur**: Transmission, distribution lines, distribution-transformer, sub-stations and allied works on turn-key basis.

## UTTAR PRADESH

- g BHEL/PSNR **Parichha**: 2 X 250 MW - fabrication and construction of structural steel works.

## MADHYA PRADESH

- g HSCL **Vindhyachal**: 2 X 500 MW - bunker structure.
- g SNC **Amarkantak**: 1 x 210 MW PH - bunker structure and CW piping.

## CHATTISGARH

- g NTPC **Sipat**: 2 X 500 MW SG and TG civil area package and ESP. 3 X 660 MW.
- g PUNJ LLOYD **Raigarh**: 4 X 250 MW - structural work.
- g BHEL **Bhilai**: 1 X 250 MW - boiler and auxiliaries.

## HARYANA

- g RINL **Yamunanagar**: 2 X 300 MW - power house and bunker structure, boiler and auxiliaries.
- g HVPNL **Gurgaon, Dahina and Halluwas**: 66 KV and 132 KV - construction of sub-stations.

## RAJASTHAN

- g TATA **Giral**: 125 MW - power house and bunker structures.
- g BHEL **Barsingsar**: 125 MW - boiler auxiliaries works.
- g TATA **Kota**: 195 MW - structural work.
- g PUNJ LLOYD **Chhabra**: 2 X 250 MW - Main plant structural work.

## KARNATAKA

- g JSW (S) **Bellary**: Structural work in steel plant and 2 X 300 MW main plant building and bunker.

## ANDHRA PRADESH

- g RINL **Visakhapatnam**: 6.3 MTPA - expansion structural work.
- g APGENCO **V.V.reddy nagar**: 1 X 210 MW - Civil foundation work.

## TAMIL NADU

- g MCL **Neyveli**: 2 X 250 MW - structural work.

## HIMACHAL PRADESH

- g DLHPPL (U.S.A) **Sechi**: 4.5 MW - civil and hydro-mechanical works.
- g DLHPPL (U.S.A) **Panwi**: 4 MW - civil and hydro-mechanical works.
- g DLHPPL (U.S.A) **Melan**: 4.5 MW - civil and hydro-mechanical works.

## GUJRAT

- g BHEL/PSWR **Mangrol**: 2 X 125 MW - structural steel work and boiler and auxiliaries.

# Future Projects



*“4,000 MW of power coursing through the country”*

## MAHARASHTRA

- g **MSETCL Pune-Kohlapur:** Erection of 220 kV-132kV substations.
- g **JSW Energy Ratnagiri:** Erection of 1200 MW structure, 4 x 300 MW main plant building and bunker.

## UTTAR PRADESH

- g **BHEL /PSNR Paricha:** Erection of 500 MW of structures, 2 x 250 MW Bunker Bay.
- g **BHEL /PSNR Dadri:** Erection, Testing, Commissioning and Handing over of ESP, 2 x 490 MW.
- g **BHEL /PSNR Haridwaganj:** Erection of 500 MW structure, 2 x 250 MW main plant building.

## HARYANA

- g **Reliance Hissar:** 2 x 600 MW main plant structural work.

# Clientele



National Thermal Power Corporation Ltd.



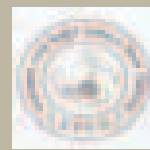
Dodson-Lindbloom International Inc. (USA)



Chattisgarh State Electricity Board



Bharat Heavy Electricals Ltd.



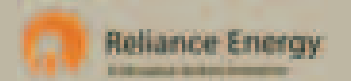
Rajasthan Rajya Vidyut Utpadan Nigam Ltd.



Skoda Exports Co. Ltd.



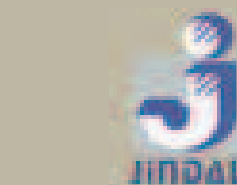
Maharashtra State Electricity Distribution Company Ltd



Reliance Energy Ltd.



Tamil Nadu Electricity Board



Jindal Steel & Power Ltd



Rashtriya Ispat Nigam Ltd.



Madhya Pradesh Power Generating Co. Ltd



Maharashtra State Power Generation Company Limited



Shandong Elec. Power Const. Corp



Bharat Aluminum Co. Ltd



Hindustan Steelwork Construction Ltd



Hindalco Industries Ltd

# Chairman's Message

*"We are constantly investing in increasing our capabilities, upgrading our systems and building up the leadership capability to undertake a larger number of projects all over the country."*

## Dear Shareholders,

Many significant changes have occurred since our inception in this business. The economy has been growing at an accelerated phase. This pace of growth has been powered in mainly by the growth in industry and services.

Accelerated growth has resulted in greater buying power in the hands of individuals as well as businesses. Increased disposable income and the imperative of business expansion have resulted in greater demand for consumption of power. The peak demand shortfall has increased to 11 percent in the past year. Large stretches of the country have been experiencing power shortages.

The government has responded by setting ambitious targets for power generation, transmission and distribution.

This is good news for companies like Sunil Hi Tech. Our services in the power sector span all the segments of power generation, distribution and transmission. We are present in one form or another in nearly 17,500 MW capacity power plants in the country.

An increase in the investment in the power sector automatically means an increase in projects and revenues.

As a company our focus is to gear up for this opportunity. We are constantly investing in increasing our capabilities, upgrading our systems and building up the leadership capability to undertake larger number of projects all over the country. At the time of writing this, Sunil Hi Tech has forty-five live project sites all over the country.

But the power sector is by no means our sole source of projects. We have in the past years focused on making our presence felt in industries such as steel, aluminium, and gas based plants. We also assist global EPC companies like SEPCO, China in boiler installations.

In the coming years, we expect this diversification into other industries to manifest with a greater impact.

We are in a comprehensive process of empowerment – empowering ourselves for greater opportunities, empowering our people for leadership and responsibilities, and in

empowering our governance to satisfy the expectations of all our stakeholders.

The results of this empowerment will be greater efficiency, accelerated growth, better management and an increased top and bottom line.

All trends that will benefit our stake holder family.

Yours sincerely,

**Ratnakar M. Gutte**  
Chairman



# Performance

empowered

Sunil Hi Tech is present in nearly **17,500 MW of active power projects** in the country in one capacity or another.

*We believe our performance empowers our customers.*

Building these structures over time is what we call empowerment.

We work as steel fabricators for the power sector.

Our specialty is building steel super structures.

For the past 15 years we have maintained power plants for various power generation companies and we also manufacture spare parts that are required in power plants.

Our involvement spans both thermal as well as hydro power plants. We are spread over length and breadth of the country covering more than 14 states.

Our services are used to **build** power plants, **maintain** them, **refurbish** them as well as **transmit** and **distribute** power.

You could say our involvement in the power sector is comprehensive.

# Vision

empowered



*Every achievement works as a stepping stone to something larger.*

#### Our Vision sets the direction of our efforts

Our contribution to the development of the power and process industry along with related infrastructure areas is the starting point for setting high standards.

The standards which customers can swear by in terms of quality, price and schedules - consistently.

It is this single minded focus on the customer that helped us emerge into what we are today.

Some of the milestones of our transformational journey include:

- g Transformation into a principal contractor for NTPC, BHEL, Jindal, Sterlite and major State Electricity boards.
- g Undertaking boiler installation for major EPC players in the power sector.
- g Expanding geographical presence with 45 active projects all over the country.
- g Arrangements with foreign EPC contractors like SEPCO for undertaking power plant construction work.
- g Undertaking lump sum jobs with material supply for Boiler Rehab work.

Every achievement works as a stepping stone to something larger.

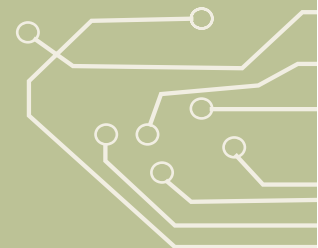
You could call it our structured pathway to higher capability and growth.

Our transformative vision has helped us evolve from a **labour contractor** into a **principal contractor**. That is just the stepping stone.

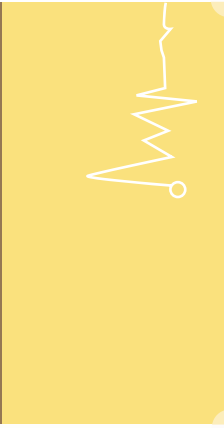


# People

empowered



Manpower costs constitute 30 percent of our billing, but commands 100 percent of our attention.



*We believe our performance is a reflection of the performance of our team.*

People power is the secret of our growth.

Manpower was our first business. It still remains the bedrock of our success.

We are one of the few companies who will remain undaunted by an immediate requirement for 100 HP welders. We have the resources to mobilize such large teams rapidly.

A full 30 percent of our billing is based on manpower costs. We are a team based organization.

We go to extreme lengths to ensure the safety of our employees and team members.

We lay great emphasis on employee and worker safety.

Our recognition and rewards for achievement begins at the workmen's level.

We have set up an in-house training school that trains around 50 students every year. Students from the training school are hired by reputed companies giving a fillip to their career.

Yes. Manpower may be 30 percent of our costs, but we believe they contribute 100 percent to our success.



# Structure

empowered

**Fabrication and erection are our core strengths.**

When we noticed great similarity in deliverables in the steel industry, we diversified our focus to include it. Soon we perceived our expertise could serve other industries as well and today we offer a wide variety of fabrication and erection services for steel plants, cement plants, petrochemical plants, refineries and gas based power plants.

We fabricate and erect chimney flues. We take turnkey contracts for fuel oil systems including tanks.

We undertake complete boiler and auxiliaries erection upto 500 MW, piping works related to thermal power plants, process industry, ash disposal piping and yard piping for power and the process industry. We also contribute to the erection of sugar mills and HRSG's.

So while our services find usage across many industries, our specialty remains the same.

*We believe that while the structure of our order book reflects the dominance of the power sector, we structurally empower more industries.*

Though power projects dominate our order books, we are increasingly working for diversification in industries such as **steel, aluminum, hydro power plants, gas based projects and refineries.**

# Nation

empowered

Power is one of the elemental building blocks of the national economy.

Every developmental domain is dependent on power – be it industry, service sector or private enterprise. Development will come to a grinding halt if there is inadequate power. Empowered by the impressive growth of the economy, the government of India has ambitious plans for invigorating the power sector and setting up fresh power-generation capacity to the tune of 132,000 MW by 2012.

(Source: Ministry of Power)

Sunil Hi Tech's involvement in all sectors of the power sector makes it an important contributor to this national goal.

It is a role that we take pride in.

Our expansion and diversification has led us to serve some other equally pivotal sectors of the economy – the steel sector. These projects help in generating employment, investments in down stream industries and in bettering the quality of life of millions of people.

We believe when we empower ourselves, we set in motion a cascading trend that in time empowers all others. The empowerment of a nation begins with the empowerment of one person, one group.

*The empowerment of a nation begins with the empowerment of one person, one group.*

By contributing to the vision of increasing generation capacity to 132,000 MW by 2012, we serve the nation and its citizens.

# Management Profiles



**Ratnakar Manikrao Gutte**



**Sudhamati Ratnakar Gutte**



**Vijay R. Gutte**



**Mattathil Narayanan Mohanan**



**Sunil Ratnakar Gutte**

## **Ratnakar Manikrao Gutte** *Chairman & Managing Director*

Mr. Gutte brings in twenty years of rich experience in project-execution i.e. fabrication, erection testing and commissioning of power plants. He started his career in the power sector, working as a helper to a contractor engaged in rendering contractor-ship services to the State Electricity Board and he grew to the present rank by virtue of his sheer hard work and great insight. Being a first-generation starter, with his working knowledge of engineering, finance, banking, taxation, general management and commercial matters, he empowered the company with the necessary direction for growth and vision. He has skillfully nurtured the company since its inception and has established it as one of the leading companies specialized to undertake work on thermal power plants. His key strength is delivering qualitative and timely services. His forte is strong liaisoning in the industry. Recently, he was honoured with the "Lifetime Udyog Achievement Award 2004" and "Great Achiever in Industrial Excellence Award 2004" by ECSI and IOCI respectively.

## **Sudhamati Ratnakar Gutte** *Director*

Mrs. Gutte has more than fourteen years of working experience looking after the overall management and administration of the company since its inception. She has been assisting the Managing Director since the inception of the company and has immensely contributed in the growth of the business via her key strengths like team-building, motivation and managing administration and back-office functions. She is equally responsible for nurturing the organization to its present status.

## **Vijay R. Gutte** *Director*

Mr. Gutte 23 Years, a post graduate in MBA, specialization is marketing and Finance. He is a fresher having the best of knowledge in the specialized field, has worked on many important projects in the field of Banking, financial, institution, airline industry, taxes in India and many more. His strengths are team building leadership qualities, dedication towards work and getting new working style in the company.

## **Sunil Ratnakar Gutte** *Director*

Mr. Gutte joined the company as a management trainee, armed with a degree in Mechanical Engineering from Pune, Maharashtra, To hone his skills, he underwent rigorous training at BHEL's Welding Research Institute in Tiruchirapalli on Welding Technology. He also completed an intensive training programme in project management from IIM, Ahmedabad, to have a broader perspective of the functioning of the company. By virtue of his zeal and creativity, sound inter-personal relations and effective ability to motivate members of the Board on one hand and the work-force on the other, he has helped to synergise the human resource assets in the company. He rose through the ranks to the post of General Manager, and in the month of 2005, he was promoted as the Executive Director reporting to the Board of Directors of the company. He revamped the technological capabilities of the company. He has pioneered change in the management structure, reporting standards, structured decision-making and HR policy.

## **Mattathil Narayanan Mohanan** *Director*

Mr. Mohanan has twenty-nine years of rich experience and is the 'Execution Man' in the company. His wide experience in power sector projects, and his ability to handle a large number of projects at a time have made him an invaluable asset to the company. He has experience in the field of fabrication and construction of heavy steel structures, boilers, auxiliaries and electrostatic precipitators among other equipment such as power cycle piping and LP piping, he has headed many key projects with various reputed customers of the company and under his able administration, these have been completed well ahead of schedule.

# Management Profiles



S.K. Kodandaramaiah



Sajid Ali



Dilip Y. Ghanekar



Sarita Rathi



Kamlakar G. Holkar

## S.K. Kodandaramaiah *Director*

Mr. Kodandaramaiah, is a postgraduate in Mechanical Engineering with more than thirty-two years of experience in the power sector. His twenty-one years in Bharat Heavy Electricals Ltd. (BHEL) have helped him gain wide exposure in various areas such as project management, construction management, commerce, contracting and overseas marketing to name a few. He was also part of the export marketing team that helped BHEL Western Region to implement the 120 MW turn-key export job in Malaysia. He was involved in the execution of installing power plants of more than 4000 MW capacity.

In addition to this, he was appointed as Executive Director (Commerce) in General Electric Power (GE) Services Ltd. New Delhi for five years. He has also worked as Advisor for one year to Dhamwari Sunda Hydro-Electric Company in the development of the 70 MW Hydro-Power Project in Himachal Pradesh. He also has to his credit a training programme at Oslo University, Norway in 'Energy Planning and Environment'.

## Sajid Ali *Independent Director*

Mr. Ali is a graduate engineer with 40 years of experience in the erection and commissioning of equipment in coke oven plants, piping, boiler erection, turnkey projects. He has vast knowledge about the planning and execution of various projects and has handled large-volume projects. His forte is able administration. He was in charge of total construction management of the power sector for BHEL, Western region, in 1994.

## Dilip Y. Ghanekar *Independent Director*

After his graduation from V.R.C.E., Nagpur, Mr. Ghanekar worked for thirty six years in Maharashtra State Electricity Board. He has experience in operation, maintenance, construction and planning of power stations with a capacity of 500 MW units. He has also been in charge of global procurement of equipment and encouragement of non-conventional energy development of contracts for power purchase. He retired as Technical Director, MSEB.

He has also undergone a four-week customer training programme at M/s. Combustion Engineering U.S.A. as well as another four-week training programme on Coal Technology and Environment conducted by the United Nations in Australia.

## Sarita Rathi *Independent Director*

Ms. Rathi a diploma-holder in Business Management, has completed an intensive programme on Self-Managing Leadership for entrepreneurs and managers conducted by experts from Paris and Australia, at Mount Abu. She has also undergone a training programme on value-based education held at Oxford Retreat, London. She also provides training in human resource development to many companies such as Thermax Limited and KSB Pumps Limited to name a few

## Kamlakar G. Holkar *Independent Director*

Mr. Holkar, an engineer from Ujjain University, served BHEL, an esteemed organization in the power sector for over four decades. He retired from BHEL as General Manager (Western Region). During his tenure, he had also undergone a specialized training programme in General Electric, UK.

He has a sound experience in manufacturing, construction, testing, commissioning, repair and services in the power sector. He has to his credit the construction, testing and commissioning of a 500 MW thermal power plant at Chandrapur for the MSEB, a task that was accomplished in record time. His key strength is powerful leadership through efficient and effective administration resulting in fast-track completion of important projects.



## Management's Discussion & Analysis

### INDUSTRY OVERVIEW

- g India needs US \$150 billion over a period of five years to meet power requirements.
- g The total installed capacity in India as on January 1, 2007 in the country is 127,925 MW, of which 84,192 MW is thermal, 33,541 MW is hydro/wind, 3,900 MW is nuclear and 6,190 MW is in the form of renewable energy sources.
- g Currently, there are seventeen State Electricity Boards (SEB) in operation and these generate over 70 percent of the electricity that is supplied in the country.
- g The annual peak demand-supply gap (peak shortage) has risen to about 11 percent in 2006 from 7 percent in 2005.
- g The sector requires an integrated growth in generation, transmission and distribution.

Power has gained importance due to the increasing demand-supply gap. The Government has set an ambitious target of providing 'Power for All' during Eleventh Plan. Based on the 16th Electricity Power Survey prepared by the CEA, India would require an additional capacity creation of nearly 100,000 MW by 2012 to achieve this goal.

The T&D system in India is a three-tier structure

comprising regional grids, state grids and distribution networks. The distribution network and the state grids are owned and operated by SEBs or State Governments through SEBs. Most of the inter-state transmission links are owned and operated by POWERGRID. In order to facilitate the transfer of power between neighbouring states, state grids are inter-connected to form regional grids. More orders are expected to flow in the transmission segment as a result of growth in the generation area.

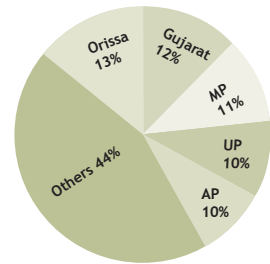
Of late, there has been an increase in the setting up of captive power plants in various industries. There are approximately 1,627 factories in India with captive power plants at an installed capacity exceeding 20,000 MW in aggregate. It is estimated that the demand for power from captive power plants will reach an additional 1,500 MW to 2,000 MW per year.

The Government has continued with its policy of boosting the power sector with the announcement of two more Ultra Mega Power Projects (UMPP) and five other power projects in the 2007- 2008 Budget. In addition, there is a provision to set up merchant power plants

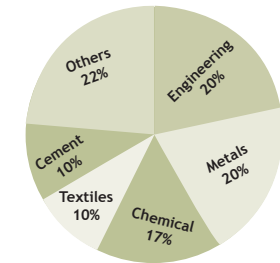
through the participation of private developers in transmission projects. This provision will increase the pace of power distribution projects due to easy availability of funds.

The Government has made an increase in the budgetary allocation of the Accelerated Power Development and Reforms Project (ARDP) with a jump from Rs. 6.5 billion in FY 2007 to Rs. 8 billion in FY 2008. The fund provision for the Rajiv Gandhi Grameen Vidutikaran Yojna has also been increased from Rs. 30 billion to Rs. 39.8 billion.

Market Size Of Captive Power Plants



Industry wise usage of CPP



Source: www.cea.nic.in, Cygnus Research

**MARKET DYNAMICS AND THE GREAT PARADIGM SHIFT IN THE POWER SECTOR:**

- 1) An addition of 100,000 MW has been planned in the tenth and Eleventh Plans up to 2012.
- 2) The GOI and Power Finance Corporation are planning massive investments in rehab to upgrade old units.
- 3) The NTPC intends to have a capacity of 46,000 MW by 2012, which amounts to a hike of nearly 50% in its expansion schemes, as per the Eleventh Plan.
- 4) Reliance Energy is planning 20,000 MW of power generation capacity in the next five to seven years.
- 5) Reliance Energy has achieved a breakthrough by undertaking the EPC jobs with a Rs. 2,000 crore order for the 2x300 MW Yamuna Nagar Project.
- 6) The new Electricity Act, 2003 can fuel both captive and IPP sectors for additional power gen

**COMPANY OVERVIEW**

An ISO 9001:2000 company, Sunil Hi Tech Engineers Limited was incorporated in 1998. The Company was established with an objective

to engage in the business of fabrication, construction and commissioning-related works required for power plants. It has executed projects to set up bunkers, ESPs, boilers, TG sets in power plants, both in the public and private sectors. Sunil Hi Tech is amongst the very few companies which is firmly focussed in the ever-growing power sector over the past two decades.

Sunil Hi Tech has executed many projects ranging from the 30 MW Parli TPS to the 500 MW Korba STPS (Super Thermal Power Station), the Chandrapur STPS, the Vindhachal STPS, the Talcher STPP (Super Thermal Power Plant), the Rihandh STPP and also the 250 MW Suratgarh and the 210 MW Khaperkheda project to name a few.

The major features of the Company's business growth over the last two decades are stated below:

- g Transformation from a mere labour contractor in 1984 into the principal contractor for NTPC, BHEL, Jindal, Sterlite and major State Electricity Boards
- g Undertaking installation of boilers for major players in EPC for the power sector.
- g Consolidating its position with approximately forty four under-execution sites spread across the country.
- g Forging new relationships with major players like Punj Lloyd Ltd, Micon (Mysore Constructon Company) and SNC (Shankar Narayana Construction)
- g Entering agreements with foreign EPC contractors like SEPCO to undertake power plant construction work.
- g Undertaking wide-ranging jobs with material supply for boiler rehab work.

**FACTORS IMPACTING OUR BUSINESS GROWTH:**

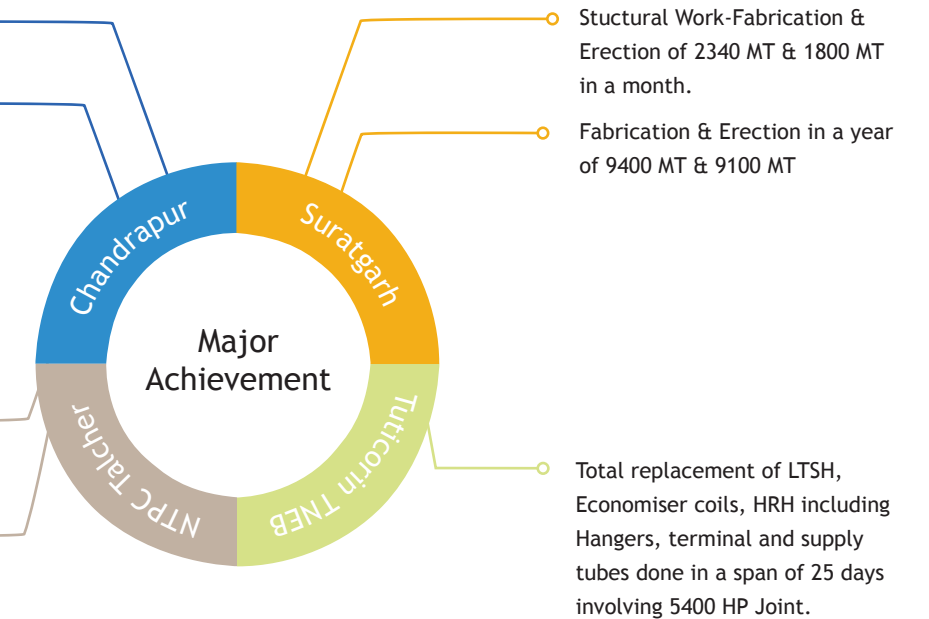
- g Expected growth of 100,000 MW in the power sector by 2012
- g New investment in the steel industry to

Fast track Construction of 500 MW.

8500 MT of power House Structures Completed in 18 months.

Structural Work-Fabrication and Erection in a single month 1947 MT & 1,879 MT.

Fabrication & Erection in a single year of 15,478 MT & 13,447 MT



increase the capacity addition to more than 100 million tonnes.

- g New investment in the aluminum industry.
- g Large gas-based projects emerging in the public and private sectors.
- g Expansion of refining capacity.
- g Rehabilitation of old power plants.
- g Captive power plants for the process industry.

**PRODUCTS AND SERVICES**

Sunil Hi Tech offers diversified products and services, which cater to the power, process and piping industries.

Such a diverse portfolio has enabled Sunil Hi Tech to make a name for itself as a responsible and dynamic organization.

**Generation**

**Thermal Power Plants**

- g Fabrication and erection of heavy structures for:

- Power stations (up to 660 MW units)
- Process industry
- Heavy industry
- Steel and metal industry.

- g Civil works for thermal power stations up to 500 MW.
- g Erection of boiler and auxiliaries up to 500 MW.
- g Boiler auxiliaries like ESP, fans, mills, ducting.
- g Fabrication and erection of chimney flues.
- g Turn-key contracts for fuel-oil systems including tanks.
- g Piping works related to:
  - Critical piping for thermal power stations
  - LP/HP piping for power and process industry
  - Ash slurry and ash disposal piping
  - Yard piping for power and process industry
  - Erection and testing of piping for LNG projects.
- g Fabrication and erection of large dia-piping.
- g Erection of sugar mills.
- g Erection of HRSGs.

### Hydro Power Plants

Civil and Hydro-mechanical works.

### Super Structures

- g Fabrication & Erection of heavy/ super structures for power stations (up to 660 MW units)
- g Bunkers ( 10,000 to 15,000 MT)
- g Turbine Generator Building ( 10,000 to 12,000 MT)

### Steel & Metal industry

- g Fabrication & Erection of Technological Structures
- g Structural Steel Works for Castor Shop
- g Structural Steel Works for Steel Melt Shop
- g Structural Steel Works for Blast Furnace
- g Complete installation of Sinter Plant excluding equipment erection
- g Sand/Shot Blasting and Painting Works

### Transmission

- g EHV Transmission lines upto 132 kV, 220 kV, 400 kV
- g EHV Substations upto 132 kV, 220 kV, 400 kV
- g Erection, Testing, Commissioning of Power Transformers upto 200 MVA, C & R Panels, SCADA System, PLCC Equipments, HT Capacitors.
- g Construction of control rooms for EHV substations, cable trenches.
- g Construction of heavy consignment roads for carrying out transformers and other equipments upto 250 MT.

- g Earthing system for the entire substation.

### Distribution

- g Sub-transmission lines for 11kV, 22kV & 33 kV.
- g Substations for 33/11 kV & 22/11 kV upto 10 MVA rating.
- g Erection, testing & commissioning of pole mounted & plinth mounted distribution transformers upto 630 kVA rating.
- g Distribution network including UG cable from 1.1 kV upto 33 kV.

### O & M

- g Renovation of boilers and auxiliaries.
- g Repair, modification and rehabilitation for

utility boilers of 210 MW to 500 MW.

- g Pressure parts, milling system, rotating parts and ducting.
- g HP/LP piping works.

### Manufacturing

- g Design and supply of :
  - Re-heater coils.
  - LTSH coils.
  - Economizer coils.
  - Pressure parts bends.
  - Water Walls
  - Structures
  - Tanks and vessels
  - Piping
  - Supply of boiler pressure parts tubes for 210 MW to 500 MW.

### NDT

In-house facilities for:

- g NDT(RT, UT, MPT, PT)

### CAPABILITIES

- g Mobilize 100 HP welders meeting IBR and ASME standards for quality boiler and piping work.
- g Mobilize more than 1000 LP welders for piping work.
- g Possess more than 115 cranes of 8T to 150T capacities.
- g Possess more than 1100 units of welding equipment.
- g Ability to fabricate and erect 1,25,000 MT of structures in a year.
- g Ability to complete 75,000 Non-IBR Field weld joints in a year.
- g Ability to achieve 2,500 - 3,500 MT of peak fabrication & erection in a month per site.
- g Ability to complete 250 MW Boiler works in 16-18 months.
- g In-house capabilities for Radiography, UT & MPT.
- g Engineering drawing detailing by state of the art software (Stru Cad of ACE CAD Software system, UK) & dedicated team for the same.
- g Ability to complete more than 60,000 high-pressure joints in overhauling & maintenance works in a year.

### STRENGTHS

- g **Professional Management:** The Company has to its advantage the promoters' experience of more than twenty years in engineering and construction activities. Further, the management team is also supported by the Directors of the company, who have experience in the power sector industry for over two decades.
  - g **Skilled manpower:** The Company, at present, has the strength of skilled manpower of one thousand employees. They include engineers and a supervisor who have wide experience in the present activity of the Company. In-house training facility is also provided via various courses to meet the HR requirement.
  - g **Competitive advantage:** The Company has the necessary capital, equipment and technical expertise, which enable the company to undertake major civil and structural projects and thus have an edge over its competitors.
  - g **Order-book position:** Total work order was Rs. 8,000 million as of May 2007.
  - g **Client profile:** The existing client-base of the company includes clients from the public and private sectors, namely MSEP, NTPC, BHEL and Reliance Energy
- ### WEAKNESS
- g The foray into investment with turn-key and wide-ranging jobs is risky as it involves greater financial stakes.

### RISK ASSESSMENT

The risk assessment which has been carried by the company has identified the following risk

Operational Risks	Machine/ System breakdown & spares availability, water availability
Project Implementation Risks	Suppliers'/Agencies not meeting the project requirements, Dependence on single source, Equipment, technology, experience of contractor/ supplier/ manufacturer, New Technological product/ systems, proven ness of equipment
Business Risks	Non-compliance of contractual commitments in international business, Entry in newer business areas
Customer Risk	Revenue Realisation
Asset Risks	Natural calamities like storm, hurricane earthquake ,flood etc Fire-explosion/ implosion and other major accidents
Financial Risks	Funding Risk, Foreign Exchange Fluctuations, Financial Frauds
Human Resource risk	Attraction / Retention of quality people, Safety & Security
IT Risks	Failure of servers for Business Applications, Failure of Business Applications

- g Greater share of material-content can affect the bottom-line, with a resultant fluctuation in the material-cost.
- g Uncertainties in capital investment in major infrastructure projects.
- g Human resource intensive and shortages of any technical competence can be damaging.

### OPPORTUNITY

- g Proposed addition of 100,000 MW has been planned in the Tenth and Eleventh Plans till 2012.
- g NTPC intends to have a capacity of 46,000 MW by 2012. This constitutes a hike of nearly 50 percent in its expansion plans for the Eleventh Plan.
- g Reliance Energy is planning 20,000 MW of power generation capacity in the next five to seven years. Power-shortage in almost all the states offers a tremendous growth opportunity.
- g Massive investment for upgradation of old units.
- g Huge steel plant expansion via new and expansion of existing capacities nearly 100 million tons.

### THREAT

- g Competitions from Indian companies in similar service segment.
- g Entry of foreign players especially from countries like China.

### INTERNAL CONTROL

The Company has a sound system of Internal Controls for financial reporting of various transactions, efficiency of operations and compliance with relevant laws and regulations. Suitable delegation of powers and guidelines for accounting has been issued for uniform compliance. In order to ensure that all checks and balances are in place and all internal control systems are in order, regular and exhaustive internal audits are conducted by experienced firms of Chartered Accountants in close co-ordination with Company's own Internal Audit Department. Besides, the Company has two Committees of the Board viz. Audit Committee and Committee on Management Controls which periodically review the important findings of different Audits keeping a close watch on compliance with Internal Control System.

### FINANCIAL OVERVIEW

#### Profit & Loss Statement Analysis

##### Net Sales

The Company's Net Sales for 2006-2007 stood at Rs. 1,448.05 million as compared to Rs. 1,327.43 million 2005-2006, a growth of 9 percent.

##### Other Income

The Company's other income increased from Rs. 4.35 million in 2005-2006 to Rs. 15.76 million in 2006-2007, indicating a growth of 262.21 percent due to increase in interest and dividend earnings.

##### Expenditure

Administrative expenses registered an increase from 2.82 percent of sales from last financial year to 3.58 percent in the current fiscal year, due to an increase in employment.

##### Profits

The gross profit recorded a growth of 44.85 percent, rising from Rs. 82.53 million in the last financial year to Rs. 119.55 million at present. The net profit increased by 35.39 percent, from Rs. 55.89 million to Rs. 75.67 million in 2006-07. Growth in profits is mainly due to the improved economies of scale achieved through an increased number of project packages at one site and the availability of owned cranes for better progress.

##### Earnings per Share

The Company's Earnings per share increased from Rs. 5.59 in 2005-06 to Rs. 7.58 in 2006-07, calculated on basis of profits realized, an increase of 35.6 percent.

#### Balance Sheet Analysis

##### SOURCES OF FUNDS

##### Equity share capital

There has been no change in the equity share capital of the company during 2006-07.

##### Reserves and surplus

Reserves and surplus are the undistributed profits retained over the years. Reserves and surplus increased by 15.03 percent from Rs. 408.96 million to Rs. 470.44 million.

##### Loan Funds

The total loan funds increased from Rs. 138.03 million to Rs 443.66 million.

##### APPLICATION OF FUNDS

##### Fixed assets

The company's gross block increased from Rs. 289.36 million in 2005-2006 to Rs. 520.33 million in 2006-2007, representing a growth of 79.82 percent.

##### Inventories

Inventories increased from Rs. 63.06 million in 2005-2006 to Rs. 117.02 million in 2006-2007.

##### Debtors

The company's debtor increased from Rs. 281.76 million to Rs. 497.12 million, representing an increase of 76.43 percent.

### OUTLOOK

Engineering activities are greatly dependent on capital investments and capacity additions in power and process sectors. At present, the major share of business for the company lies in the power sector, while there is very little in the process sector. The growth in the power sector in the last three years has seen increased capacity addition and also entry of foreign players in the field for EPC projects. The new Electricity Act has also facilitated greater investments especially in the private sector. Power crisis in many of the states is forcing the entry of private players and increasing the capacities of the existing power plants. The Government's initiative to bring in power sector reforms will usher in a sharp growth in this sector.

Therefore, future business needs to be tuned to these growths plans. It is also essential to identify the diversification measures to be undertaken area-wise to strengthen the investments made by the company.

### HUMAN RESOURCES

In 2006-07 the Company witnessed a significant growth in its human resources by a rise in the number of employees to 1000 as compared to 750 employees in 2005-06, a 33 percent growth in employee based as against nearly 100 percent growth in the top line. Moreover the absolute low manpower turnover reflects the quality of the Company's human resources.

### CEO / CFO CERTIFICATION

I, Sunil R. Gutte, Executive Director, responsible for the finance function certify that:

I have reviewed financial statements and the cash flow statement for the financial year 2006-2007 and that to the best of my knowledge and belief:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) I accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.

(d) I have indicated to the auditors and the Audit committee:

(i) significant changes in internal control during the year

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(iii) I am not aware of any significant fraud, the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Place : Nagpur

Date : 29th May 2007

### AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Shareholders

Sunil Hitech Engineers Limited

We have examined the compliance of conditions of Corporate Governance by Sunil Hitech Engineers Limited for the year ended on 31st March, 2007, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the condition of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For VIVEK RANDAD & CO.  
Chartered Accountants

VIVEK RANDAD

Proprietor

Place : Nagpur

Date : 29th May 2007 Membership No. 116014

# Directors' Report

## Dear Shareholders,

Your Directors are pleased to present the 9<sup>th</sup> Annual Report and the audited accounts of the Company for the year ended 31 March 2007.

It is our privilege to present the second report since our debut entry into the equity segment of the capital market. From small beginnings your Company has come a long way in a short span of time. The initial public offering of your Company met with an overwhelming response demonstrating the faith of the investor communities.

## FINANCIAL RESULTS

Particulars	(Rs. million)	
	2006-07	2005-06
Net Sales	1448.05	1327.43
Other Income	25.95	7.84
Total Income	1474.00	1335.27
Operating Profit	196.55	134.90
Interest	32.99	23.50
Depreciation	44.10	28.87
Profit before Tax	119.56	82.54
Taxation - Current	40.24	27.78
- Deferred	(0.40)	(1.76)
- Fringe Benefit Tax	1.20	0.50
Profit after Taxation (before extraordinary item)	78.51	56.02
Profit after Taxation (after extraordinary item)	75.67	55.89
Balance brought forward	64.79	25.91
Balance Carried to Balance Sheet	118.82	64.79

## OPERATIONS

During the year under review, your Company recorded a revenue growth of 9.08 percent to Rs. 1,448.05 million. PBT grew by 44.85 percent to Rs. 119.56 million and PAT increased by 40.18 percent to Rs. 78.51 million.

In 2006-07, your Company is commissioning about 20,000 MW through current projects with a total order book of about Rs. 8,000 million as of May 2007. In December 2006, your Company set up a manufacturing plant for high pressure boiler parts to carry out projects not only for the parent company but also for external clients. The unit earned Rs. 50 million in four months and has orders worth Rs. 160 million in this segment. Your Company also earned an income of about Rs.800 million from its power distribution segment.

A detailed analysis of your Company's operations, segment-wise performance, project review, risk management, strategic initiatives and financial review & analysis has been given in the Management Discussion & Analysis Report which forms a part of the Annual Report as a separate section.

## DIVIDEND

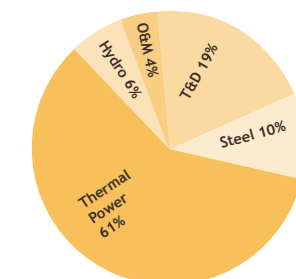
Board of Directors of the Company at its meeting held on May 29, 2007, inter alia, has recommended dividend of @ 12% on the equity share of Rs 10/- each i.e. Rs 1.20 per share, subject to approval of the forthcoming Annual General Meeting of the Company.

## OUTLOOK FOR 2007-08

### Growth

The company offers a diversified assortment of products and services, catering to the Power, Steel & process industries. Such a diverse portfolio has enabled the company to spread its wings over different areas across the nation and make a name for itself as an able organization.

During 2006-07 the company established its operations in various sectors and the division of orders is as mentioned in the pie chart below :-



Strategic planning for new generation technologies in power sector :

**1. UMPP - Ultra Mega Power Plants**

The Government has continued with its policy of boosting the power sector with the announcement of two more Ultra Mega Power Plant Projects and five other power projects in the 2007-2008 Budget. In addition, there is a provision to setup merchant power plants through the participant of private developers in transmission projects. This provision will increase the pace of power distribution projects due to easy availability of funds.

The company is systematically acquiring capital assets, operational skills and required certification so as to enable itself to be technically qualified for working in UMPP. Various equipments are being acquired by the company required for execution of UMPP. The company is also undergoing 18001 OHSAS (Occupational Health & Safety) certification from DNV, Netherland (Det Norske Veritas) to match the unparalleled operational skills with highest safety standards.

**2. GIS Substation (Gas Insulated Substation) :**

The GIS Substation is a very advance and upgraded technology. Already this is being used by NTPC and few state electricity boards. Here there are no manufacturers in India having this technology.

As the company has already forayed into substation jobs in transmission sector and is executing jobs ranging in the capacity of 132 kv to 220 kv. So looking at the future growth and planning for this sector company has identified suppliers in Japan for the GIS substation technology and is bidding for the same.

**3. Steel Sector :**

Steel sector is one of the high potential sectors identified by the company for its growth operations. There is going to be tremendous growth happening in the steel sector via expansions of the existing capacity and new steel plants to the tune of more than 100 million tons.

The company has already forayed into the

steel sector via two prestigious orders from RINL (Rashtriya Ispat Nigam Limited), Vizag and Jindal Steel, Vijay Nagar, Bellary for various works like fabrication and erection of technological structures for castor shop, steel melt shop and complete execution of sinter plant.

The Company's unexecuted order book stands at Rs. 8,000 million as of May 2007 to be executed over 2-2.5 years and hence to maintain the timelines of the projects the company needs Growth of nearly 50 percent (Y-o-Y).

**DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors state:

- a. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. That the Directors had selected such accounting policies and applied them consistently and made judgements 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 of the Company for that period;
- c. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That the Directors had prepared the annual accounts on a going concern basis.
- e. That the Directors had prepared the annual

**AUDITORS**

The Auditors of the Company M/S Vivek Randad & Co., Chartered Accountants, Aurangabad, retire at the forthcoming Annual General Meeting. However they have expressed their unwillingness to be reappointed. The Company has decided to appoint G.G.Randad & Co., Aurangabad, as new Auditor in the forthcoming Annual General Meeting, the details of which have been mentioned in the notice convening the meeting

**HUMAN RESOURCES**

Human Capital is a key to the growth of any organization as it directs and manages resources towards achievement of organization goals. Your Company has integrated its policies to develop employees through training and encourages them to grow with the Company. Your Company creates a harmonious and vibrant working environment for its employees, offers training programmes, encourages team-building and empowers independent decision making, in an effort to mould the talents of employees to suit organizational needs.

During the fiscal year 2006-07 there was no employee in the company in respect of whom particulars pursuant to section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975; as amended ; are required to be given.

**CORPORATE GOVERNANCE**

Your Company continues in its commitment to good corporate governance standards and specifically those prescribed under Clause 49 of the Listing Agreement with the stock exchanges. A Report on Corporate Governance & Shareholder Information together with the Auditors' Certificate on the same is annexed as part of the Annual Report.

Your Company had also adopted a "Code of Conduct" for its Directors and Senior Management, as required under Clause 49 of the Listing agreement and all Directors and Senior Managers have affirmed compliance with the Code for 2006-07. A certificate, signed by the Managing Director, affirming compliance of Directors & Senior Management, forms part of the Report on Corporate Governance.

**ENERGY CONSERVATION , TECHNOLOGY ABSORPTION AND FOREIGN EARNING AND OUTGO**

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in respect of Conservation of Energy and Technology Absorption are set out as follows:

**(A) Conservation of Energy**

The Company puts in continuous efforts for improvement in energy efficiency and conservation of energy is given a very high priority while implementing all our projects as well as at our offices

**(B) Technolgy absorption**

It has been Company's constant endeavor to apply such latest domestic and imported technology which improves efficiency and reduces cost. The company has in past imported cranes and other heavy equipments which are fully operational at present and have resulted in substantive enhancement of productivity and reduction in cost in many of its projects.

**(c) Foreign Exchange Earnings and Outgo**

The Company has Imported Capital Goods Worth Rs. 31,060,602 during the year.

**ACKNOWLEDGEMENT**

Your Directors take this opportunity to thank all shareholders, banks, customers, suppliers, regulatory & government authorities, project associates & other business associates and stakeholders for their assistance, co-operation and the confidence reposed in your Company. Your Directors also extend their deep sense of appreciation to the employees of the Company for their commitment and contribution during the period under review.

For and on behalf of the Board  
Ratnakar M. Gutte  
Chairman and Managing Director

Date: 29th May 2007  
Place: Nagpur

# Report on Corporate Governance



## 1. THE COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

In the era of globalization, Board, Management and Staff of Sunil Hi Tech are committed to maintain highest quality of corporate governance through the process of business integrity, transparency and professionalism. We believe that good corporate governance is synonymous with discipline, independence, accountability, responsibility, fairness and social responsibility. Following these principles we strive to ensure to achieve business excellence by enhancing interest of the entire stakeholders in the spirit of partnership and cooperation.

## 2. BOARD OF DIRECTORS

### Role

The Company's business is conducted by its employees, managers, and officers, under the direction of the Board & its Chairman, to enhance the long-term value of the Company for its shareholders. The Board is elected by the shareholders to oversee management and to assure that the long-term interests of the shareholders are being served. Both the Board and management recognize that the long-term interests of the shareholders are advanced by responsibly

addressing the concerns of other shareholders and interested parties, including employees, customers, suppliers, the communities the Company serves, government officials, and the public at large.

## INFORMATION PLACED BEFORE THE BOARD

In terms of corporate governance policy, the following information is being placed before the Board.

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the company its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the board.
5. The information of recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices

and penalty notices which are materially important.

7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any Material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on conduct of the company or taken an adverse view regarding another enterprise that can have negative implication on the company.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources/Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.



13. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.

14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

15. Non-compliance of any regulatory, statutory or listings requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

### Composition of Board

Name	Category	No. of Board Meetings attended during 2006-07	Whether attended AGM held on 20th July 2006	No. of Directorships in other public companies		No. of Committee positions held in other public companies	
				Chairman	Member	Chairman	Member
Mr. Ratnakar M. Gutte	Executive Director	3	Yes	No	No	-	-
Mrs. Sudhamati R. Gutte	Executive Director	3	Yes	No	No	-	-
Mr. Sunil R. Gutte	Executive Director	4	Yes	No	No	-	-
Mr. S.K. Kodandaramaiah	Executive Director	2	Yes	No	No	-	-
Mr. M.N. Mohanan	Executive Director	3	Yes	No	No	-	-
Mr. Ashok V. Sakalakar	Independent Director	2	Yes	No	No	-	-
Mr. Kamlakar G. Holkar	Independent Director	3	Yes	No	No	-	-
Ms. Sarita Rathi	Independent Director	2	Yes	No	No	-	-
Mr. Dilip Y. Ghanekar	Independent Director	1	No	No	No	-	-

### Details of the Board Meetings held during the financial year

Sl. No.	Date	No. of Directors present
1.	11th May, 2006	6
2.	31st July, 2006	4
3.	30th October, 2006	6
4.	30th January, 2007	5

### Board Committees

Currently the Board has three committees, i.e. Audit Committee, Remuneration Committee and Investors' Grievance Committee. All Committees excepting the Audit Committee consist of entirely Independent Directors. Normally the Committees meet four to five times in a year. The quorum of the meetings is two members or one-third of the strength, which ever is higher.

### 3. AUDIT COMMITTEE

#### Purpose

Audit Committee assists the Board in the effective discharge of its responsibilities for corporate governance, financial reporting and corporate control. In the discharge of its functions, the Committee exercises the powers and responsibilities vested on it under the Companies Act, 1956, or any re-enactment thereof and the relevant clauses of the listing agreement with Stock Exchanges. The Board will continue to have the overall responsibility in respect of all such matters. Clause 49 of the listing agreement makes it mandatory for the listed companies to make the Audit Committee charter. The primary objective of the audit committee is to supervise and effectively monitor the financial reporting in object of proper, effective and timely disclosures and ensure transparency, quality and integrity in financial reporting.

#### Organisation

- (i) The audit committee has three directors as members. Two-thirds of the members of audit committee are independent directors.
- (ii) All members of audit committee are

financially literate and have accounting or related financial management expertise.

- (iii) The Chairman of the Audit Committee is an independent director;
- (iv) The Company Secretary is the secretary to the committee.

#### Powers

The Audit Committee has the following powers;

- a. To investigate any matter within its terms of reference or in relation to the compliance with the provisions of the Companies Act, 1956 or referred to it by the Board
- b. To seek information from any employee.
- c. To obtain outside legal or other professional advice.
- d. To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### Role

The role of the Audit is as follows:

- (i) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- (iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (iv) Review with the management, of the annual financial statements before submission to the

board for approval, with particular reference to:

- a. Matters required to be included in the Director's Responsibility Statement forming part of the Board's report in terms of relevant provisions of the Companies Act, 1956 or any re-enactment thereof;
- b. Changes, if any, in accounting policies and practices and reasons for the same;
- c. Major accounting entries involving estimates based on the exercise of judgment by management;
- d. Significant adjustments made in the financial statements arising out of audit findings;
- e. Compliance with listing and other legal requirements relating to financial statements;
- f. Disclosure of any related party transactions;
- g. Qualifications in the draft audit report.
- (v) Review with the management, of the quarterly financial statements before submission to the board for approval
- (vi) Review with the management, of the performance of statutory and internal auditors, adequacy of the internal control systems.
- (vii) Review of the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (viii) Discussion with internal auditors any significant findings and follow up there on.
- (ix) Review of the findings of any internal

investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

- (x) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (xi) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- (xii) Review of the functioning of the Whistle Blower mechanism.
- (xiii) Carrying out any other function as may be assigned to the Committee by the Board from time to time.
- (xiv) Review of information relating to:
  - a) Management discussion and analysis of financial condition and results of operations;
  - b) Statement of significant related party transactions, submitted by management;
  - c) Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - d) Internal audit reports relating to internal control weaknesses; and
  - e) The appointment, removal and terms of remuneration of the Chief internal auditor.

**Details of the Audit Committee meetings during the financial year**

During the financial year ended 31st March, 2007, four meetings of the audit committee were as follows:

Name of Members	Category	No. of Meetings attended during the Year 2006-07
Mr. Ashok V. Sakalikar	Chairman	5
Mr. Sunil R. Gutte	Executive Director	5
Mr. Dilip Y. Ghanekar	Independent Director	2
Mr. Pramod H. Mitkary	Independent Director	2

Mr. Pramod H. Mitkary resigned on 21.12.2006 & Mr. Ashok V. Sakalikar replaced Mr. Mitkary in the committee

**4. REMUNERATION COMMITTEE**

The Remuneration committee is constituted of three Independent Directors.

Name of Members	Category	No. of Meetings attended during the Year 2006-07
Mr. K.G.Holkar	Chairman	2
Ms. Sarita Rathi	Independent Director	5
Mr. Dilip Y. Ghanekar	Independent Director	1
Mr. Ashok Sakalikar	Independent Director	5
Mr. Pramod Mitkary	Independent Director	1

**Remuneration Policy**

The Remuneration Committee which comprises of three independent directors, in setting remuneration policy, recognises the need to be competitive circumstances. The Committee's policy is to set remuneration levels which ensure that the executive directors are fairly and responsibly rewarded in return for high levels of performance. Remuneration policy is designed to support key business strategies and create a strong, performance-orientated

environment. At the same time, the policy must attract, motivate and retain talent. The Remuneration Committee considers that a successful remuneration policy must ensure that a significant part of the remuneration package is linked to the achievement of stretching corporate performance targets. The policy adopted by the Committee ensures that a significant proportion of the remuneration of executives is aligned with corporate performance, generating a strong alignment of interest with shareholders.

**Details of remuneration for 2006-07 of Managing Director and Whole-time Directors**

(Rs. in lacs)

Name	Salary	Perquisites & Allowances	Commission	Stock Options
Mr. Ratnakar M. Gutte, MD	36.00	15.98	nil	nil
Mrs. Sudhamati R. Gutte	18.00	23.83	nil	nil
Mr. Sunil R. Gutte	6.24	20.16	nil	nil
Mr. M.N. Mohanan	4.80	1.10	nil	nil
Mr. S.K. Kodandaramaiah	3.60	5.00	nil	nil

Apart from the sitting fees, no other remuneration is being paid to Non-Executive Directors.

Mr. Promad H. Mitkary resigned on 21.12.2006 & Mr. K.G.Holkar replaced Mr. Mitkary in the committee.

#### Service Contracts, Severance Fees and Notice Period.

The appointment of the Executive Directors is governed by the resolutions passed by the Board and shareholders of the company which cover the terms and conditions of such appointment read with service rules of the company. There is no separate provision for the payment of severance fee under the resolutions governing the appointment of Executive Directors. The statutory provisions however apply.

#### Shareholding of the Directors in the Company as on 31st March, 2007

Director held singly and/or jointly	No. of Ordinary Shares of Rs.10/- each
Mr. Ratnakar M. Gutte	2,202,500
Mrs. Sudhamati R. Gutte	1,968,750
Mr. Sunil R. Gutte	1,678,740
Mr. M.N. Mohanan	1,005
Mr. S.K. Kodandaramaiah	1,005

#### 5. INVESTORS' GRIEVANCE COMMITTEE

The Investors' grievance committee comprised of three Directors and all of them are Independent Directors. The Committee oversees the complaints and grievances of the investors.

Name of Members	Category	Nature of Directorship	No. of Meetings attended during the year 2006-07
Mr. Ashok Sakalika	Independent Director	Chairman	6
Mr. Pramod H. Mitkary	Independent Director	Member	2
Ms. B.B.Thombare	Independent Director	Member	1
Mr.Dilip Y. Ghanekar	Independent Director	Member	2
Mr. K.G.Holkar	Independent Director	Member	6

Mr. Promad H. Mitkary & Mr. B.B. Thombare resigned on 21.12.2006 & 1.09.2006 respectively

Mr. K.G.Holkar & Mr. Dilip Y. Ghanekar replaced them in the committee.

#### Name, designation & address of

Compliance Officer:

**Mr. Kalyan K. Ghosh**

Company Secretary & Compliance Officer  
97, East High Court Road,  
Ramdaspath,  
Nagpur - 440010

#### Shareholder/Investor Complaints

Complaints pending as on 31st March, 2007

Sr. No.	Description	Nos. Received	Total Replied	Total Pending
1	Non recpt. Of R.O./ALLT. Advice	43	43	Nil
2	Non receipt Of R.O. after correction	1	1	Nil
3	Correction in R.O.	11	11	Nil
4	Non receipt of credit	2	2	Nil
5	CHQ return cases	2	2	Nil
6	Issue of Duplicate refund order	8	8	Nil
7	Non receipt of dividend warrant	2	2	Nil

#### 6. GENERAL BODY MEETINGS

Location and time of last AGM held

Financial Year	Details of Location	Date & Time
2005 - 2006	Registered office at Parli, Vajinath	20th July, 2006 at 3PM

No special resolution was passed in last AGM. During financial year 2006-2007 no resolution was passed through Postal Ballot.

#### 7. DISCLOSURES

i) Materially significant related party transactions that may have been potential conflict with the interests of the company at large - None. All related party transactions during the year under reference were in the ordinary course of business and on arm's length basis.

ii) Non compliance, penalties, strictures imposed by stock exchange, SEBI, other statutory authorities or any matter related to Capital Market - None

iii) All Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct and a declaration is given below:

"I hereby confirm that the Company has obtained from all the members of the Board and Senior Management affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year 2006-07."

Ratnakar M. Gutte

#### Secretarial Audit

A qualified practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total numbers of shares in physical form and the total numbers of dematerialized shares held with NSDL and CDSL.

#### 8. MEANS OF COMMUNICATION

##### Results

The quarterly, half yearly and annual results along with the segment report are generally published in Business Line (Hindu Publication) and Lokmat newspapers shortly after the submission of the same to stock exchanges and displayed at the company's website at [www.sunilhitech.com](http://www.sunilhitech.com).

**Official news releases**

Official news is regularly posted in company's website.

**Management discussions and analysis report**

Management discussions and analysis report is a part of directors' report.

**Companies Corporate Website**

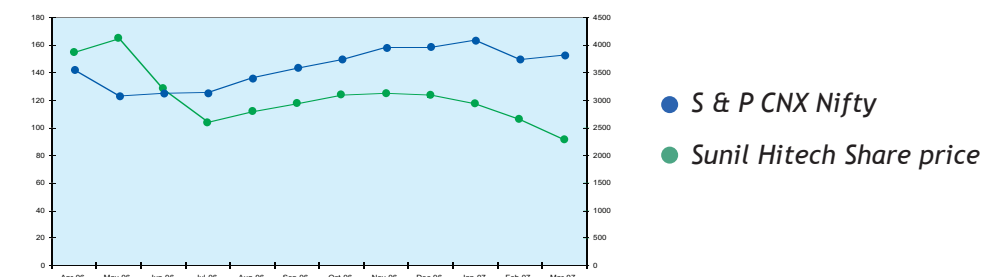
The Company's website is a comprehensive reference on Sunil Hitech's management, Vision, mission, policies, corporate governance, corporate sustainability, investor relations, sales network, updates and news. The section on 'Investor Relations' serves to inform the shareholders, by giving complete financial details, shareholding patterns, corporate benefits, information relating to stock exchanges, registrars and share transfer agents and frequently asked questions.

**9. GENERAL SHAREHOLDER INFORMATION**

- (i) AGM: Date, time and venue : September 20, 2007  
10:30 AM  
Parli, Vajjnath, Dist. Beed, Maharashtra
- (ii) Financial Year : April to March every year
- (iii) Date of book closure : 14th September 2007 to 20th September 2007
- (iv) Dividend Payment date : 19th October 2007
- (v) Listing on stock exchange : Bombay Stock Exchange  
National Stock Exchange
- (vi) Stock Code : BSE CODE : 532711  
NSE CODE : SUNILHITEC
- (vii) Market Price Data : Monthly High & Low quotes of shares traded in National Stock Exchange (NSE)

Month	High (Rs.)	Low (Rs.)
April 2006	154.60	118.15
May 2006	165.05	100.05
June 2006	128.00	75.20
July 2006	103.90	78.40
August 2006	111.75	83.00
September 2006	117.60	92.25
October 2006	123.90	105.05
November 2006	124.95	98.00
December 2006	123.50	98.00
January 2007	117.70	102.10
February 2007	105.90	83.20
March 2007	91.45	61.60

**viii) Performance of share price in comparison to S & P CNX Nifty**

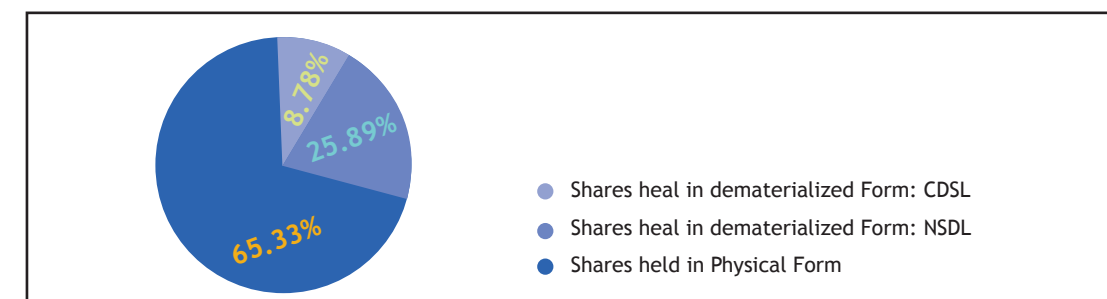


- ix) Registrar and Transfer Agents : Bigshare Services Private Limited,  
E/2, Ansa Industrial Estate,  
Saki Vihar Road,  
Saki Naka,  
Andheri (W), Mumbai - 400 072
- x) Share Transfer System : Share Transfers in physical form can be lodged with Bigshare Services Private Limited at the above address. The transfers are generally processed within 10-12 days from the date of receipt if the documents are complete in all respects. Certain Directors and Company Secretary are severally empowered to approve the transfers

**XI) DISTRIBUTION OF SHAREHOLDING**

Category	Total No. of Shares	%
Promoter Group	6,530,990	65.15
Fls/Banks	2,500	0.02
Foreign Institutional Investors	89,353	0.90
Bodies Corporate	652,703	6.51
Public & Others	2,696,623	26.90
NRIs	52,991	0.52
<b>TOTAL</b>	<b>10,025,160</b>	<b>100.00</b>

**xii) Dematerialization of shares and liquidity**



- xiii) Address for Correspondence : Sunil Hitech Engineers Ltd  
97, East High Court Road,  
Ramdaspath,  
Nagpur - 440 010.

## Auditor's Report

To The Members of,  
Sunil Hitech Engineers Ltd.

1. We have audited the attached balance sheet of, Sunil Hitech Engineers Limited as at 31st March 2007, the profit and loss account and also the Cash flow statements for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit included examining, on a test basis, evidence supporting that amounts and disclosures in the financial statements. An audit also included assessing the accounting

principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4 A) of section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.

b) In our opinion, proper books of account as required by law have been kept by the company so far as

appears from our examination of those books.

c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.

d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standard referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

e) On the basis of written representation received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we have report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) In the case of the balance sheet, of the state

of affairs of the company as at 31st March 2007

(ii) In the case of the profit and loss account, of the profit/loss for the period ended on that date. and

(iii) In the case of the cash flow statement, of the cash flows for the period ended on that date.

For **VIVEK RANDAD & CO.**  
Chartered Accountants

**VIVEK RANDAD**  
Proprietor  
M. No. 116014

Place : Nagpur  
Date : May 29th, 2007

## Annexure to the Auditor's Report

(i) (a) The company has maintained proper record showing full particulars including quantitative details and situation of fixed asset. All the assets have not been physically verified by the management during the period ended on 31st March 2007 but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.

(b) During the period ended on 31st March 2007, the company has not disposed off a major part of the fixed assets

(ii) (a) The inventory has been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) (a) The company has not taken or granted loans from / to companies, firms, or other parties covered in the register maintained under section 301 of the Companies Act, 1956. and therefore, the provision of Clause 4(iii), of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(iv) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls

(v) (a) 1) The Company has not taken any loans, secured or unsecured from companies,

firms or other parties covered in the register maintained under Section 301 of the Act.

The company has granted an interest free unsecured loan to a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the balance of such loans aggregates to Rs. 390.16 lacs and Rs. 60 lacs, respectively.

2) It is not possible to comment upon the rate of interest, terms and conditions, repayment of amount, as company has not formulated any policy regarding this.

(b) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the Year ended on 31st March 2007 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public during the year

(vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

(viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any of the products of the Company.

(ix) (a) According to the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2007 for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.

(ix) In our opinion, there are no accumulated losses of the company. The company has not incurred cash losses during the period ended on 31st March 2007 covered by our audit and in the immediately preceding financial period.

(x) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xi) We are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xii) In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xiii) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xiv) In our opinion, the company has not given any guarantees for loans taken by other from banks or financial institutions.

(xv) In our opinion, term loans have been applied for the purpose for which they were raised.

(xvi) According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.

(xvii) According to the information and explanations given to us, the company has not been made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

(xviii) According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures hence no need to create any security.

(xix) We have verified the end use of money raised by public issue as disclosed in the notes to the financial statements.

(xx) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For VIVEK RANDAD & CO.  
Chartered Accountants

VIVEK RANDAD

Proprietor

M. No. 116014

Place : Nagpur,

Date : May 29th, 2007

## Balance Sheet as at 31st March, 2007

Rupees

Particulars	Schedules	MARCH 31, 2007	MARCH 31, 2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Fund</b>			
Share Capital	A	100,251,600	100,251,600
Reserves and Surplus	B	470,444,360	408,969,886
		570,695,960	509,221,486
<b>Loan Funds</b>			
Secured Loans	C	350,698,777	110,748,612
Unsecured Loans	D	92,969,337	27,282,994
		443,668,114	138,031,606
Deferred Tax Liability (Net)	J	1,628,645	2,028,957
<b>TOTAL</b>		<b>1,015,992,720</b>	<b>649,282,049</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	E	520,334,922	289,363,026
Less : Depreciation		141,348,542	100,988,556
Net Block		378,986,380	188,374,470
Capital Work-in Progress		5,228,091	1,000,000
Investments	F	39,000,000	52,000,000
<b>Current Assets, Loans and Advances</b>			
Inventories	G	117,024,784	63,067,002
Sundry Debtors and Bills Receivables		497,123,179	281,763,017
Prepaid Expenses		12,125,432	6,773,767
Cash and Bank Balance		152,199,879	193,581,158
Loans, Advances and Deposits		241,866,287	148,542,845
		1,020,339,561	693,727,789
Less: Current Liabilities and Provisions	H	435,758,877	295,629,013
<b>Net Current Assets</b>		<b>584,580,684</b>	<b>398,098,776</b>
Miscellaneous Expenditure (To the extent not written off or adjusted)	I	8,197,566	9,808,803
<b>TOTAL</b>		<b>1,015,992,720</b>	<b>649,282,049</b>
<b>NOTES ON ACCOUNTS</b>	K		

As per our report of even date attached

For Vivek Randad & Co.  
Chartered Accountants  
VIVEK RANDAD Proprietor

Place : Nagpur  
Date : 29th May, 2007

For and on behalf of the Board of Directors

R. M. GUTTE Chairman & Managing Director  
SUNIL R. GUTTE Executive Director  
K. K. GHOSH Company Secretary

## Profit &amp; Loss Account for the year ended on 31st March, 2007

Rupees

Particulars	Schedules	MARCH 31, 2007	MARCH 31, 2006
<b>INCOME</b>			
Work Order	1	1,448,046,280	1,327,426,024
Other Income	2	15,760,786	4,351,185
Accretion/(Decretion) to Work in Progress	3	10,186,964	3,484,786
<b>TOTAL</b>		<b>1,473,994,030</b>	<b>1,335,261,995</b>
<b>EXPENDITURE</b>			
Consumption of Materials	4	522,333,122	629,524,160
Site and Operating Expenses	5	633,582,660	490,613,294
Personnel Cost	6	69,537,280	42,748,710
Administration Cost	7	51,891,622	37,474,551
Interest and Financial Charges	8	32,989,282	23,495,184
Depreciation	E	44,103,487	28,870,650
<b>TOTAL</b>		<b>1,354,437,452</b>	<b>1,252,726,550</b>
<b>PROFIT BEFORE TAXES</b>		<b>119,556,577</b>	<b>82,535,445</b>
<b>Provision for Taxes</b>			
Current Tax		41,442,744	28,279,474
Deferred Tax		(400,309)	(1,761,071)
<b>PROFIT BEFORE EXCEPTIONAL ITEMS</b>		<b>78,514,142</b>	<b>56,017,042</b>
Loss From Forward Exchange Contract		1,042,231	-
Loss from Sale of Investment		857,641	-
Income Tax For Prior Period		939,503	124,905
<b>NET PROFIT FOR THE PERIOD</b>		<b>75,674,767</b>	<b>55,892,137</b>
Balance Brought Forward from Previous Year		64,786,685	25,914,950
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>		<b>140,461,452</b>	<b>81,807,087</b>
Proposed Dividend		12,030,192	10,025,160
Provision for Tax on Proposed Dividend		2,045,133	1,406,029
General Reserve		7,567,477	5,589,214
Balance Carried to Balance Sheet		118,818,651	64,786,685
<b>TOTAL</b>		<b>140,461,452</b>	<b>81,807,087</b>
<b>Earnings per share - Basic &amp; Diluted (Rs.)</b>			
-excluding exceptional items		7.83	8.20
-including exceptional items		7.55	8.18
Weighted average number of shares		10,025,160	6,834,396
<b>NOTES ON ACCOUNTS</b>	K		

As per our report attached to the Balance Sheet

For Vivek Randad & Co.  
Chartered Accountants  
VIVEK RANDAD Proprietor

Place : Nagpur  
Date : 29th May, 2007

For and on behalf of the Board of Directors

R. M. GUTTE Chairman & Managing Director  
SUNIL R. GUTTE Executive Director  
K. K. GHOSH Company Secretary

## Schedules Forming Part of Balance Sheet as at 31st March, 2007

Rupees

	MARCH 31, 2007	MARCH 31, 2006
<b>SCHEDULE : A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
1,20,00,000 Equity Shares of Rs.10/- each	120,000,000	120,000,000
<b>Issued and Subscribed</b>		
1,00,25,160 Equity Shares of Rs.10/- each	100,251,600	100,251,600
<b>Paid Up</b>		
1,00,25,160 Fully Paid Up Equity Shares of Rs.10/- each	100,251,600	100,251,600
<b>TOTAL</b>	<b>100,251,600</b>	<b>100,251,600</b>
<b>SCHEDULE : B</b>		
<b>RESERVES AND SURPLUS</b>		
<b>General Reserve</b>		
Opening Balance	10,244,379	4,655,165
Transferred from Profit & Loss A/c.	7,567,477	5,589,214
	17,811,854	10,244,379
<b>Profit and Loss Account</b>		
Balance in Profit & loss Account	118,818,651	64,786,684
	118,818,651	64,786,684
Revaluation Reserve	6,299,454	6,424,422
<b>Securities Premium</b>		
During the Year (Bonus Share )	327,514,400	13,750,000
Add.During the Period	-	313,764,400
	327,514,400	327,514,400
<b>TOTAL</b>	<b>470,444,360</b>	<b>408,969,886</b>
<b>SCHEDULE : C</b>		
<b>SECURED LOANS</b>		
G.E. Capital & Finance	1,334,536	2,004,080
ICICI Bank Limited	45,550,931	21,860,577
H.D.F.C. Bank Ltd.	18,972,034	11,356,482
UCO Bank Term Loan	15,891,334	5,889,397
Housing Loan From UCO Bank	14,537,400	19,852,421
Cash Credit - UCO Bank	149,736,444	49,785,655
Cash Credit - Union Bank	53,251,660	-
Cash Credit - SBI	39,797,649	-
ABN Amro Bank	11,626,789	-
<b>TOTAL</b>	<b>350,698,777</b>	<b>110,748,612</b>
<b>SCHEDULE : D</b>		
<b>UNSECURED LOANS</b>		
Mobilisation Advance	89,066,743	25,506,994
Other Secured Advance	3,902,594	1,776,000
<b>TOTAL</b>	<b>92,969,337</b>	<b>27,282,994</b>

## Schedules Forming Part of Balance Sheet as at 31st March, 2007

SCHEDULE : E  
FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Original Cost RUPEES	Additions During the Year RUPEES	Deduction/ Adjustments RUPEES	As At 31.03.07 RUPEES	Upto 31.03.2006 RUPEES	For The Year 2006-07 RUPEES	Deduction/ Adjustments RUPEES	As At 31.03.07 RUPEES	As At 31.03.2006 RUPEES
<b>A. Tangible Assets :</b>									
Land	17,185,272	16,892,220	-	34,077,492	-	-	-	34,077,492	17,185,272
Building	39,505,133	49,751,375	124,968	89,131,540	4,696,823	2,760,741	-	81,673,976	34,808,310
Plant & Machinery	201,831,416	139,647,330	4,440,370	337,038,376	83,086,270	35,113,063	(3,743,501)	222,582,544	118,745,146
Computer & Printer	3,523,474	2,850,226	-	6,373,700	1,648,843	1,081,859	-	3,642,998	1,874,631
Furniture & Fixtures	8,485,854	10,845,455	-	19,331,309	2,812,620	1,489,350	-	15,029,339	5,673,234
Vehicles	18,831,877	13,504,948	-	32,336,825	8,744,000	3,658,474	-	19,934,351	10,087,877
<b>B. Intangible Assets :</b>									
Computer Software	-	2,045,680	-	2,045,680	-	-	-	2,045,680	-
<b>TOTAL</b>	<b>289,363,026</b>	<b>235,537,234</b>	<b>4,565,338</b>	<b>520,334,922</b>	<b>100,988,556</b>	<b>44,103,487</b>	<b>(3,743,501)</b>	<b>378,986,380</b>	<b>188,374,470</b>
Previous Year	202,917,700	86,460,326	15,000	289,363,026	72,092,216	28,896,340	25,690	188,374,470	130,825,484

## Schedules Forming Part of Balance Sheet as at 31st March, 2007

Rupees

Particulars	MARCH 31, 2007	MARCH 31, 2006
<b>SCHEDULE : F</b>		
<b>INVESTMENTS</b>		
<b>Long Term Trade Investments</b>		
<b>Quoted Equity Shares (Fully Paid)</b>		
<b>Unquoted Equity Shares (Fully Paid)</b>		
Pangeshwar Sugar Factory	4,000,000	4,000,000
Yogeshwari Sugar Factory	1,000,000	1,000,000
Niyojit Vidarbha Sahakari Bank	100,000	100,000
Less : Diminution in Value of Long Term Investment	100,000 -	
<b>Unquoted Equity Shares in Subsidiary Companies (Fully Paid) :</b>		
Sunil Hi-Tech Engg. & Mgf. P. Ltd.	29,000,000	3,100,000
<b>Other Long Term Investments</b>		
<b>Units of Mutual Fund</b>		
ICICI Prudential	2,500,000	-
(Purchased on 12-01-2007)		
HDFC Mutual Fund	2,500,000	-
(Purchased on 11-01-2007)		
D92 DSP Merrill Lynch Fixed Term	-	40,000,000
Plan Series 1 C Growth		
D50 DSP Merrill Lynch Liquidity Fund Weekly- Regular-Dividend	-	3,800,000
	5,000,000	43,800,000
<b>TOTAL</b>	<b>39,000,000</b>	<b>52,000,000</b>

## Schedules Forming Part of Balance Sheet as at 31st March, 2007

Rupees

Particulars	MARCH 31, 2007	MARCH 31, 2006
<b>SCHEDULE : G</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>[A] CURRENT ASSETS</b>		
<b>Inventories</b> (As valued and certified by Management)		
Consumable Stores	40,596,978	23,592,812
Non-Consumable Stores	29,788,321	14,735,690
Electrodes	24,098,213	14,457,708
Gases	522,867	502,889
Others	2,053,539	-
Work in Progress Closing (At estimated cost)	19,964,867	9,777,903
	<b>117,024,784</b>	<b>63,067,002</b>
<b>Sundry Debtors</b>		
Unsecured, Considered good		
Within Six Months		
Good Debt	453,724,662	253,603,642
Above Six Months		
Good debt	40,292,325	22,528,928
Doubtful Debt	3,790,474	5,630,447
	497,807,461	281,763,017
Less : Provision for doubtful debts	684,282	-
	497,123,179	281,763,017
<b>Prepaid Expenses</b>	<b>12,125,432</b>	<b>6,773,767</b>
<b>Cash and Bank Balances</b>		
Cash on Hand	3,793,681	2,465,583
<b>Bank Balances</b>		
a) With Scheduled Banks		
in Current Accounts	15,819,110	11,856,602
in Deposit Accounts	132,587,088	179,258,973
b) With Non Scheduled Bank		
in Current Accounts	-	152,199,879
<b>TOTAL (A)</b>	<b>778,473,274</b>	<b>545,184,944</b>

## Schedules Forming Part of Balance Sheet as at 31st March, 2007

Rupees

Particulars	MARCH 31, 2007	MARCH 31, 2006
<b>[B] LOANS AND ADVANCES</b> (Unsecured Considered Good)		
Advance recoverable in cash or in kind or for value to be received Security Deposit, Earnest Money, Retention Money and Withheld with Customers	135,291,518	93,489,388
Deposits with Government Organisations	7,671,157	4,532,646
Less : Provision for Doubtful Advances	(158,500)	-
	142,804,175	98,022,034
Advance to Employees	1,287,813	1,064,316
Advance to Suppliers	26,542,770	-
Cenvat Credit	10,997,990	5,085,081
Advance Taxes	39,536,355	29,185,038
Advance for Fixed Assets	5,500,000	300,000
Loans to Subsidiary Company	6,000,000	8,021,711
Other Receivables	9,197,184	6,864,664
	99,062,112	50,520,811
<b>TOTAL (B)</b>	<b>241,866,287</b>	<b>148,542,845</b>
<b>TOTAL (A + B)</b>	<b>1,020,339,561</b>	<b>693,727,789</b>
<b>Note:</b>		
1) Loans & Advance in the nature of loans to subsidiary companies”		
Sunil Hitech Engg. & Mfg. Pvt. Ltd.	6,000,000	
2) Advance to Suppliers include amount paid to subsidiary”		
Sunil Hitech Engg. & Mfg. Pvt. Ltd.	15,871,235	

## Schedules Forming Part of Balance Sheet as at 31st March, 2007

Rupees

Particulars	MARCH 31, 2007	MARCH 31, 2006
<b>SCHEDULE : H</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>[A] CURRENT LIABILITIES</b>		
i) <b>Sundry Creditors</b>	<b>106,156,572</b>	
a) For Goods Supplied	96,812,796	55,912,850
b) For Others	9,343,776	
ii) <b>Sub-Contractors</b>	<b>215,196,265</b>	<b>156,169,048</b>
Amount Payable Against work	175,573,100	127,233,914
Security Deposit of Petty Contractors,	39,623,165	28,935,134
Retention Money, Withheld from Contractor		
iii) <b>Other Payable</b>	<b>58,887,973</b>	<b>42,203,569</b>
<b>[B] PROVISIONS</b>		
Provision for Taxation	41,442,744	29,912,357
Provision for Proposed Dividend	12,030,192	10,025,160
Provision for Tax on Proposed Dividend	2,045,133	1,406,029
<b>TOTAL</b>	<b>435,758,878</b>	<b>295,629,013</b>
<b>SCHEDULE : I</b>		
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not Written off or adjusted)		
Preliminary Expense	-	-
Expenses on Subscription of Shares	7,356,601	9,808,803
Pre-Operative Expenses	395,279	-
Membership Fees	445,686	
<b>TOTAL</b>	<b>8,197,566</b>	<b>9,808,803</b>
<b>SCHEDULE : J</b>		
<b>DEFERRED TAX LIABILITY (NET)</b>		
Deferred Tax Liability	2,028,952	3,790,028
i) IPO Expenses disallowed U/s. 40(a) of I.T. Act. 1961 in last Financial Year	332,579	
ii) Others	-	
Less: Deferred Tax Asset		
i) Difference in Depreciation for Accounting & Tax purpose	732,888	1,428,492
i) IPO Expenses	- (400,309)	332,579 (1,761,071)
<b>TOTAL</b>	<b>1,628,643</b>	<b>2,028,957</b>

## Schedules Forming Part of Profit and Loss Account for the year ended on 31st March, 2007

Rupees

Particulars	MARCH 31, 2007	MARCH 31, 2006
<b>SCHEDULE : 1</b>		
<b>NET SALES</b>		
Work Order (Fabrication, Erection, Modification & Overhauling)	1,432,961,333	1,283,076,169
Gross Sales	17,140,943	
Less: Excise Duty	2,055,996	
Net Sales	15,084,947	44,349,855
<b>TOTAL</b>	<b>1,448,046,280</b>	<b>1,327,426,024</b>
<b>SCHEDULE : 2</b>		
<b>OTHER INCOME</b>		
Interest Income From Bank	11,134,430	1,974,389
Interest from Investment	947,430	873,273
Dividend from Investment	1,743,167	-
Other	1,935,759	1,503,523
<b>TOTAL</b>	<b>15,760,786</b>	<b>4,351,185</b>
<b>SCHEDULE : 3</b>		
<b>ACCRETION/ (DECRETION) TO WORK IN PROGRESS</b>		
Work in Progress		
Closing Work in Progress	19,964,867	9,777,903
Less : Opening Work in Progress	9,777,903	6,293,117
	10,186,964	3,484,786
<b>TOTAL</b>	<b>10,186,964</b>	<b>3,484,786</b>
<b>SCHEDULE : 4</b>		
<b>CONSUMPTION OF MATERIALS</b>		
i) Steel	199,166,508	403,285,365
ii) Material Consumed (Other than Steel)		
Opening Stock	53,289,098	36,915,786
Add: Purchases	353,685,497	207,647,107
	406,974,595	244,562,893
Less : Closing Stock	97,059,917	53,289,098
	309,914,677	191,273,795
iii) Purchases (trading based)	13,251,937	34,965,000
<b>TOTAL</b>	<b>522,333,122</b>	<b>629,524,160</b>

## Schedules Forming Part of Profit and Loss Account for the year ended on 31st March, 2007

Rupees

Particulars	MARCH 31, 2007	MARCH 31, 2006
<b>SCHEDULE : 5</b>		
<b>SITE AND OPERATING EXPENSES</b>		
Construction, Erection & Fabrication Exp.	540,271,869	432,564,341
Hire Charges	31,485,961	21,169,878
Repair & Maintenance	12,206,491	6,095,765
Taxes	19,268,514	7,628,266
Others	30,349,826	23,155,045
<b>TOTAL</b>	<b>633,582,660</b>	<b>490,613,294</b>
<b>SCHEDULE : 6</b>		
<b>PERSONNEL COST</b>		
ESIC	77,891	46,323
Provident Fund	3,320,376	3,072,213
Salary to Staff	46,470,123	33,372,223
Insurance Employer / Employee Scheme	2,500,000	-
Other Benefits	10,304,890	6,257,951
Salary to Director	6,864,000	4,560,000
<b>TOTAL</b>	<b>69,537,280</b>	<b>47,308,710</b>
<b>SCHEDULE : 7</b>		
<b>ADMINISTRATION EXPENSES</b>		
Auditors Remuneration	491,724	467,292
Travelling & Conveyance	9,555,923	6,566,633
Insurance Expenses	9,147,456	5,229,821
Communication	3,801,882	2,802,333
Repair & Maintenance	5,132,991	3,230,617
Rate, Fees & Taxes	2,736,384	777,208
Donations	101,503	30,000
Diminution in Value of Long Term Investment	100,000	-
Provision for Doubtful Debt	684,282	-
Provision for Doubtful Advances	158,500	-
Electricity Charges	922,294	1,035,021
IPO Expenses	2,452,202	2,324,871
Legal Expenses	527,743	135,636
Professional Charges	5,035,577	1,291,355
Service Tax	4,653,201	3,239,722
Other Administration Expenses	6,389,960	5,784,043
<b>TOTAL</b>	<b>51,891,622</b>	<b>32,914,551</b>
<b>SCHEDULE : 8</b>		
<b>INTEREST AND FINANCIAL CHARGES</b>		
Interest Paid to Bank	18,089,320	14,958,966
Interest on Service Tax	1,385,333	1,153,931
Interest Paid to Customer(Against Advance)	1,697,410	893,311
Others	11,817,218	6,488,976
<b>TOTAL</b>	<b>32,989,282</b>	<b>23,495,184</b>

## Cash Flow Statement for the year ended on 31st March, 2007

Rupees

Particulars		MARCH 31, 2007	MARCH 31, 2006
<b>I Cash flow from Operating Activities</b>			
Net Profit before tax and extraordinary items.	(A)	119,556,577	82,535,445
<b>Adjustment for</b>			
Depreciation		44,103,487	28,870,650
Provision For Doubtful Debts And Advances		842,782	0
Diminution In Value Of Long-Term Investments		100,000	0
Misc. Expenditure Write Off		2,452,202	0
Interest & Financial Charges		32,989,282	23,495,184
Profit On Sale Of Fixed Assets (Net)		(1,20,000)	0
Interest Income		(12,081,860)	(2,847,662)
Dividend Income		(1,743,167)	0
	(B)	66,542,726	49,518,172
<b>Adjustment for</b>			
Trade and Other Receivables and Advances		(309,526,386)	(199,326,578)
Prepaid Expenses		(5,351,665)	(899,840)
Inventories/ WIP		(53,957,778)	(19,858,095)
Trade and other Payable		125,955,342	74,501,232
	(C)	(242,880,487)	(145,583,281)
Direct Taxes( Paid)		(29,912,357)	(13,123,775)
	(D)	(29,912,357)	(36,618,959)
Extraordinary Item		(1,042,231)	0
Pre operative Expenses		(840,973)	(9,808,803)
Prior year adjustment		(939,503)	(124,905)
	(E)	(2,822,707)	(9,933,708)
<b>Net Cash Flow from Operating Activities</b>			
<b>( A + B + C + D + E )</b>	(F)	<b>(89,516,248)</b>	<b>(60,082,331)</b>
<b>II Cash Flow from Investment Activities</b>			
Purchase of Fixed Assets		(235,537,234)	(86,566,178)
Sale of Fixed Assets		816,869	15,000
Advances for Asset(Capital WIP)		(4,228,091)	6,750,000
Purchase of Investments		(30,900,000)	(46,933,000)
Sale Investment/Bonds		42,942,359	0
Interest Received		12,081,860	2,847,662
Dividend Received		1,743,167	0
Net Cash Flow From Investment Activities	(G)	<b>(213,081,069)</b>	<b>(123,049,490)</b>
<b>III Cash Flow from Financing Activities</b>			
Proceeds from Issue of Share Capital		0	35,001,600
Proceeds from Share Premium		0	313,764,400
Proceeds from Long Term Borrowings		239,950,165	11,442,046
Proceeds from Unsecured Loans		65,686,343	(25,479,524)
Interest & Financial Charges		(32,989,282)	(23,495,184)
Dividend & Dividend Tax Paid		(11,431,189)	0
Net Cash Used in Financial Activities	(H)	<b>261,216,037</b>	<b>334,728,522</b>
<b>Total =( F + G + H )</b>	(I)	<b>(41,381,279)</b>	<b>150,759,676</b>
Net Increase/ (Decrease) in Cash and Cash Equivalents		(41,381,279)	150,759,676

As per our report of even date attached

For Vivek Randad &amp; Co.

Chartered Accountants

VIVEK RANDAD Proprietor

Place : Nagpur

Date : 29th May, 2007

For and on behalf of the Board of Directors

R. M. GUTTE Chairman &amp; Managing Director

SUNIL R. GUTTE Executive Director

K. K. GHOSH Company Secretary

### A. SIGNIFICANT ACCOUNTING POLICIES ADOPTED IN PREPARATION AND PRESENTATION OF ACCOUNTS.

#### a) Method of Accounting:

i) The company follows mercantile system of accounting and recognizes Income and Expenditure on accrual basis except of Leave Encashment and Gratuity are accounted for on cash basis.

ii) The accounts have been prepared in accordance with Accounting Standards referred to in sub-section (3C) of the Section 211 of the Companies Act, 1956.

iii) Financial Statements are based on historical cost. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.

#### b) Revenue Recognition:

(i) Revenue from construction contracts is recognized on Percentage Completion Method as per Accounting Standard 7.

(ii) Subject to (i) above, Contract receipt are accounted for on the basis of Bills submitted to clients/bills certified by clients and do not include material supplied by clients free of cost.

(iii) Amounts due in respect of price escalation claims and/or variation in contract work approved by the customers are recognized as revenue only if the contract allow for such claims or variations and/or there is evidence that the customer has accepted it.

(iv) Revenue from interest income is recognized on time basis.

(v) Revenue from work in progress is recognized on estimated basis as certified by technical managers.

(vi) Revenues from sale of products and services :

Revenue from sales of products are recognized on dispatch of goods to customers which corresponds to transfer of significant risk and rewards of ownership and are net of sales tax and trade discounts. Revenues from services are recognized when such services are rendered.

#### c) Taxation :

i) Provision for current income tax is made in accordance with the Income Tax Act, 1961.

ii) Deferred tax is recognized, subject to consideration of prudence on timing differences, being the differences between taxable income and accounting income that origin in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

iii) In case of matters under appeal, if any, due to disallowances or otherwise, full provision is made when the said liabilities are accepted by the Company.

#### d) Foreign Currency Transaction: Foreign

Currency transactions other than those covered by forward contracts are recorded at the exchange rate prevailing at the date of transaction. Exchange differences arising on settlement of transactions, except those relating to fixed assets, are recognized as income or expenses in the year in which they arise. The cost of respective fixed assets are adjusted for exchange differences arising on the repayment of liabilities incurred for the purpose of acquiring such fixed assets.

#### e) Retirement Benefits:

Cost of retirement benefits i.e. Provident Fund is accounted for on accrual basis however company has not been provided amount for Gratuity and Leave encashment in accordance with prescribed policies.

#### f) Deferred Revenue Expenditure:

Revenue expenses of a substantial magnitude which are expected to benefit for some years in future are charged considering relative benefit of expenditure.

#### g) Fixed Assets and Depreciation:

Tangible Assets:

i) Fixed Assets are stated at cost less depreciation. Costs include all expenses incurred to bring the assets to its present location and condition. Exchange differences

on translation of foreign currency transaction obtained to purchase fixed assets from countries outside India are included in the cost of such assets.

ii) Depreciation is provided on written down value method except freehold land at the rate and in the manner laid down in Schedule XIV to the Companies Act, 1956.

iii) Depreciation is calculated on a pro-rata basis from the date of addition.

iv) Fixed Assets excluding buildings, computers and individually costing Rs. 5,000/- or less are not capitalized except when they are part of a larger capital investment program.

#### Intangible Assets:

Cost of software not put to use before the year end are disclosed under Fixed assets however it will be amortised over a period of three years from next financial year .

#### h) Capital Work in Progress

Advances paid towards the acquisition of fixed assets and cost of assets not put to use before the year end are disclosed under Capital Work in Progress.

#### i) Segment Reporting Policies

##### Identification of Segments:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

#### j) Use of estimates

The preparation of financial statements required the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the finance.

#### k) Valuation of Investments

Long term Investments comprising Mutual Funds investments are stated at cost less provision, if any, for diminution, which is other than temporary in nature. No current investments held by company as on date of Balance Sheet.

#### l) Inventories

i) Stocks at various sites are valued at cost or net realizable value, whichever is lower, following FIFO basis.

ii) Work in Progress is valued at estimated cost. Cost includes direct materials, labour cost and appropriate overheads.

#### m) Public Issue Expenses

Public Issue Expenses have been amortized in accordance with section 35-D of the Income Tax Act, 1961.

#### n) Custom Duties

Custom Duty payable on raw materials, stores and machinery are accounted for on clearing of goods from Custom Warehouse.

#### o) Sundry Debtors, Advances and Deposits

Book debts, advances and deposits balances considered irrecoverable are written off.

#### p) Other:

During the year, amount recovered by the company from petty contractors against material supply, to the extent of credit availed; (of indirect taxes) has been credited to raw material consumption, fabrication, erection expenses. However it's not possible to quantify above amount as it is credited to above account head individually as & when realized. According to us it has to be treated as an extra ordinary item and needs to present separately in Profit & Loss account.

#### q) Contingent Liabilities

Contingent Liabilities are disclosed in the accounts by way of note giving nature of liability and its quantum, if ascertained.

r) Figures for previous year have been regrouped wherever considered necessary and practicable to the extent data is readily available.

## B. NOTES ON ACCOUNTS

1. (i) Term Loan from UCO Bank is secured by way of first pari-passu charge on specific movable and immovable fixed assets of the Company procured out of Term Loan.
- (ii) Working Capital facilities from Consortium Bankers i.e. UCO Bank, SBI, Union Bank of India & HSBC Bank are secured by way of hypothecation of stock and book-debts both present and future of the Company, first pari-passu charge (hypothecation) on the fixed assets, Personal Guarantees of Chairman, and their relatives.
- (iii) Housing Loan from UCO Bank, HDFC Bank, ICICI Bank are secured by way

4. Maximum amount due at any time during the year from Concern/Companies in which Directors and/or their relatives are interested.

Name	Current Year (Rs. in lacs)	Previous Year (Rs. in lacs)
Trimurthy Engineers	Dr. 2.41	Dr. 20.57
Essar Engineering Works	Dr. 1.40	Dr. 2.66
Vijay Construction Company	Dr. 2.14	NIL

5. Commitments
  - a) Estimated amount of Contracts remaining to be executed on Capital Account (Net of Advances) Rs. 37.27 Lacs
  - b) The Company has undertaken to provide continued financial support to its subsidiaries, Sunil Hi-tech Engineers & Mfg. Pvt. Ltd.
6. In the opinion of Board of Directors all the Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated and that all the known liabilities relating to the year have been provided for.

- of equitable mortgage of immovable property procured out of loan.
- (iv) Mobilization Advances from clients are secured against bank guarantees.
  - (v) Hire purchase finance from ICICI, HDFC Bank, GE Capital & ABN Amro Bank are secured by way of hypothecation of respective assets, first pari-passu charge on the fixed assets, personnel guarantees of Chairman, & their relatives.
2. Contingent liabilities not provided for :
    - (i) Guarantees : Rs. 5509.72 Lacs
    - (ii) Letter of Credit : Rs. 122.62 Lacs.
    - (iii) Service Tax : Rs. 52.60 Lacs
  3. Parties balances are subject to confirmation from them.

7. Profit for the year has been arrived after adjusting prior period debits of Rs. 9.40 Lacs and prior period credits of Rs. Nil Lacs charged/credited to Profit & Loss Account.
8. Loans to Subsidiary:  
Sunil HI-Tech Engineers Limited had granted interest-free, short-term loans of Rs. 60,00,000/- to its wholly owned subsidiary M/s. Sunil Hi-Tech Engineers & Manufacturers Pvt. Ltd. It is granted to finance the Land, machinery and for construction of Factory Building.

## 9. Managerial Remunerations paid/payable to Directors:

	2006 - 2007 Rs.	2005 - 2006 Rs.
Salaries & Allowances	6,864,000	4,560,000
Contribution to Provident Fund	30,600	Nil
Promoters Commission	Nil	850,000
Estimated Value of perquisite ( Rent Free House)	884,000	354,200
Insurance	5,692,887	1,192,887
Total (Rs.)	13,471,487	6,957,087

**Note :** The above amount does not include Insurance premium paid by company Rs. 5 Lacs under Employer Employee insurance scheme on behalf of one directors, as company has cancelled the policy.

## 10. Computation of Net Profit in accordance with section 198 of the Companies Act, 1956, &amp; Commission payable to the Directors:-

	2006 - 2007		2005 - 2006	
	Rs.	Rs.	Rs.	Rs.
Profit Before Tax		119,556,577		82,535,445
Add :				
i) Remuneration Paid to Directors	13,471,487		6,602,887	
ii) Provision for doubtful debts/ Advances	842,782	14,314,269	-	6,602,887
Less:				
Profit on sale of assets		120,000	-	-
Net Profit as per section 309(5) of the Companies Act, 1956		133,750,846		89,138,332

**Note :** The Company has filed application with Ministry Company Affairs to increase the remuneration from 10% to 15% wide -resolution passed in Annual general meeting dated 20th July, 2006

## 11. Auditor's Remuneration

	2006 - 2007 Rs.	2005 - 2006 Rs.
Statutory Audit	200,000	200,000
Other Audit Service / Certification	200,000	200,000
Reimbursement of Expenses	91,524	50,000

## 12. CIF Value of Imports:

	2006 - 2007 Rs.	2005 - 2006 Rs.
Raw Materials & Components	NIL	NIL
Capital Goods	31,060,602	NIL

13. Expenditure in Foreign Currency(Cash Basis): NIL NIL

14. Earning in Foreign Currency(Cash Basis): NIL NIL

15. Dividend Remitted in Foreign Currency (Cash Basis) : NIL NIL

## 16. Opening Stock &amp; Closing Stock:

Note : Opening Stock & Closing Stock of Trading based items are nil.

## 17. Sales by Class of Goods:

Product	Unit	2006 - 2007 Qty.	Value
Seamless Straight Tube	Mtr.	5,665	6,668,436
Fin Flat on Size	Kgs.	3,000	180,201
Acute Bend	Nos.	800	6,992,477
90 Degree Bend	Nos.	360	2,040,759
Steam Cooled Wall	Nos.	40	109,5974
SH Horizontal Tube 90 Deg.	Nos.	200	163,096
Total			17,140,943

## 18. Purchase of Finished Goods

Product	Unit	2006-2007 Qty.	2006-2007 Value
Seamless Straight Tube	Mtr.	5,665	6,407,096
Fin Flat on Size	Kgs.	3,000	174,201
Acute Bend	Nos.	800	5,558,052
90 Degree Bend	Nos.	360	1,959,759
Steam Cooled Wall	Nos.	40	1,049,942
SH Horizontal Tube 90 Deg.	Nos.	200	156,296
Total			15,305,346

## 19. Statement Of Earning Per Share :

	2006-07	2005-06
Net Profit after tax attributable to shareholders	75,674,767	55,892,137
Weighted Average Number of Equity Shares Outstanding	10,025,160	6,834,396
During the year		
Nominal Value Per Share (In Rupees)	10	10
Basic/Diluted Earning Per Share (In Rupees)	7.55	8.18

## 20. Loans &amp; Advances in nature of Loans given to Subsidiaries and Associates etc:

Sr. No.	Name of The Company	As at 31st Mar 2007	Maximum Balance During The Year
1.	Sunil Hi-Tech Eng. & Mfg. Pvt. Ltd.	60.00	390.16

Rs. in Lacs

## 21. Related Party Disclosures

## a) Name of the related party and nature of relationship :

## i) Key Management Personnel

- a) R.M. Gutte - C.M.D.  
b) Mrs. S. R. Gutte - Executive Director  
c) Sunil R. Gutte - Executive Director  
d) M. N. Mohanan - Executive Director  
e) S. K. K. Ramaiah - Executive Director

## ii) Relative of Key Management Personnel

- a) Vijay R. Gutte - Relative of Directors  
b) Swati R. Gutte - Relative of Directors  
c) Lahoodas M. Gutte - Relative of Directors  
d) Essar Engineering Works - Concern over which Director has significant influence

- e) Trimurti Engineers - Concern over which relative of Director has significant influence  
f) Vijay Construction Company - Concern over which relative of Director has significant influence

iii) Subsidiary of Reporting Enterprise  
Sunil Hi-Tech Engg. & Mfg. Pvt. Ltd.

## b) Transactions with related party during the year :

(Amount in Rs.)

Particulars	Subsidiaries	Associates	Key Mangmt. Personnel	Relative of Key Mangmt. Personnel	Total
Remunerations	-	-	6,864,000	540,000	7,404,000
Loans & Advances	6,000,000	-	-	-	6,000,000
House Rent	-	-	1,891,600	150,000	2,041,600
Vehicle Hire Charges	-	-	936,000	494,000	1,430,000
Investment in Subsidiary	29,000,000	-	-	-	29,000,000
Advance Against Material Supply	15,871,235	-	-	-	15,871,235
Sale of Fixed Asset	-	-	161,046	198,315	359,361
Purchase of goods, Services & facilities	13,251,937	-	-	-	13,251,937
Dividend Paid	-	-	5,852,000	681,000	6,533,000
Interest Income	-	-	-	-	-
Interest Paid	481,402	-	-	-	481,402
Others	-	-	-	-	-

## c) Balances with related party :

(Amount in Rs.)

Particulars	Subsidiaries	Associates	Key Mangmt. Personnel	Relative of Key Mangmt. Personnel	Total
Debtors	-	-	-	-	-
Loans & Advances	6,000,000	-	29,138	50,000	6,079,138
Creditors / Payable	-	-	-	520,688	520,688
Advances to suppliers	15,871,235	-	-	-	15,871,235
Others	-	-	-	-	-

The information given above, have been reckoned on the basis of information available with the company.

**22. Details of Investments: -**

Name of the Company	As at 31st March 2007			As at 31st March 2006		
	Face Value	No. of Units	Value	Face Value	No. of Units	Value
<b>Long Term Investments</b>						
Quoted Equity Shares (Fully Paid)			NIL			NIL
<b>Unquoted Equity Shares (Fully Paid)</b>						
Pangeshwar Sugar Factory	10	400,000	4,000,000	10	400,000	4,000,000
Yogeshwari Sugar Factory	10	100,000	1,000,000	10	100,000	1,000,000
Niyojit Vidarbha Sahakari Bank			100,000			10,000
<b>Unquoted Equity Shares in Subsidiary Companies (Fully Paid)</b>						
Sunil Hi-Tech Engg. & Mfg. P. Ltd.	10	2,900,000	29,000,000	NIL	NIL	NIL
Share Application Money in subsidiary company	NIL	NIL	NIL	NIL	NIL	3,100,000
<b>Other Long Term Investments</b>						
<b>Units of Mutual Fund</b>						
ICICI Prudential (Purchased on 12-01-2007)	24.78	100,887.813	2,500,000	NIL	NIL	NIL
HDFC Mutual Fund (Purchased on 11-01-2007)	23.119	108,136.165	2,500,000	NIL	NIL	NIL
D92 DSP Merrill Lynch Fixed Term Plan Series 1 C Growth	NIL	NIL	NIL	1,000	40,000	40,000,000
D50 DSP Merrill Lynch Liquidity Fund Weekly-Regular-Dividend	NIL	NIL	NIL	12.4088	306,234.285	3,800,000
Less : Provisions for Diminution			100,000			NIL
			<u>39,000,000</u>			<u>52,000,000</u>

**23. Following Short Term Investments were Purchased and redeemed / Sold during the year:**

Name of The Company / Mutual Fund	(Rs. in lacs)		
	Face Value	Purchase Cost	Sale / Redemption Proceeds
Units of Mutual Funds	50.00	50.00	430.61
Previous Year :	(438)	(438)	NIL

**24. Statement Pursuant to section 212 of the Companies Act, 1956, relating to subsidiary companies:**

Name of The Subsidiary Company	Sunil Hi-Tech Engg. & Mfg. Pvt. Ltd.
The Financial year of the subsidiary company ended on	31.03.2007
Number of shares in the subsidiary company held by Sunil Hitech Engineers Ltd. At the above date	2,900,000 Shares of Rs.10 each
Extent of Holding	96.67%

25. Information relevant to outstanding dues to Small Scale Industrial undertakings as define under clause (j) of Section 3 of the Industrial (Development and Regulation) Act.,1951, is not available.

26. The company had deployed funds raised in public issue as per prospectus which is as under :

	(Rs. In Lacs)	
	2006-07	2005-06
(i) Long Term Incremental Working Capital	1636.67	1000.00
(ii) Foreclosure of Term Loans	554.33	284.00
Total	2191.00	1284.00

27. The name of small scale industrial undertakings to whom the Company owes any sum and is outstanding for more than thirty days as at 31st March 2007 are :

1. Maruti Weld	4. Shree Pavitra Industries
2. Fusion Engineering Products Ltd.	5. Vikrants Ropes Pvt. Ltd.
3. Panchsheel Fasteners	6. Orion Ropes Pvt. Ltd.

**28. SEGMENT INFORMATION**

Primary Segment Reporting : Business Segment

The Company's business segments were classified into Project, O & M and Supply.

Project Segment: This segment is engaged in the business of fabrication, erection & commissioning of Boilers (Power Plants), erection, Testing, Commissioning of ESP.

O & M Segment: This segment is engaged in the business of Repair & Maintenance, Overhauling, and Renovations of Boilers and auxiliaries, Ash Handling Systems etc.

Supply Segment: This segment is engaged in the business of Supply of Economizer Coils, Reheater Coils, Raiser Tubes & J Bends at various Thermal Power Plants.

Inter Segment Transfer: Segment revenues, segment expenses and segment results include transfer between business segments that are made based on negotiation between segments with reference to the costs, market prices and business risks, within the overall optimization objective for the Company and are comparable with competitive market prices charged to external customers. Inter-segment transfer are eliminated on consolidation.

As per our report of even date attached

For Vivek Randad & Co.

Chartered Accountant

VIVEK RANDAD Proprietor

Place : Nagpur

Date : 29th May, 2007

For and on behalf of the Board of Directors

R. M. GUTTE Chairman & Managing Director

SUNIL R. GUTTE Executive Director

K. K. GHOSH Company Secretary

## Balance Sheet Abstract And Company's General Business Profile

## I. Registration Details

Registration No.

1 1 5 1 5 5

State Code

1 1

Balance Sheet Date

3 1 0 3 0 7

Capital Raised during the year

Public Issue

NIL

Bonus Issue

NIL

Position of Mobilisation and Deployment of Funds

Total Liabilities

1 0 1 5 9 9 2 7 2 0

Right Issue

NIL

Private Placement

NIL

Total Assets

1 0 1 5 9 9 2 7 2 0

Source of Funds

Paid-up- Capital

1 0 0 2 5 1 6 0 0

Secured loans

3 5 0 6 9 8 7 7 7

Reserve and Surplus

4 7 0 4 4 4 3 6 0

Unsecured Loans

9 2 9 6 9 3 3 7

Deferred Tax Liability

1 6 2 8 6 4 5

Application of Funds

Net fixed Assets

3 8 4 2 1 4 4 7 1

Net Current Assets

5 8 4 5 8 0 6 8 4

Miscellaneous Expenditure

8 1 9 7 5 6 6

Investments

3 9 0 0 0 0 0 0

Share Issue Expenses

NIL

Accumulated Losses

NIL

Performance of Company

Total Income

1 4 7 3 9 9 4 0 3 0

Profit / ( Loss) before Tax

1 1 9 5 5 6 5 7 7

Earning per Share

(Weighted Average)

7 . 5 5

Total Expenditure

1 3 5 4 4 3 7 4 5 2

Profit/(Loss)after Tax

7 5 6 7 4 7 6 7

Dividend Rate%

1 2

Generic Names of Principal Products/

Services of the Company

( As per Monetary basis) Item Code No.

NIL

Products Description

Fabrication, Erection and Overhauling

## Statement pursuant to Section 212 of the Companies Act, 1956

Name Of Subsidiary Company	Issued & Subscribed Share Capital	Reserves	Total Assets	Total Liabilities	Long Term	Investment		Turnover	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend
						Current	Total					
Sunil Hitech Engineers & Manufacturers Pvt. Ltd.	30,000,000.00	1,097,842.00	94,525,967.00	94,525,967.00	-	-	-	48,862,763.00	1,834,519.00	145,693.00	1,688,826.00	-

## Consolidated Financial Statements

## Auditor's Report on Consolidated Financial Statements

To The Member of,  
Sunil Hitech Engineers Ltd.

1. We have audited the attached Consolidated balance sheet of, Sunil Hitech Engineers Limited and its subsidiary company as at 31st March 2007, the consolidated profit and loss account and also the consolidated Cash flow statements for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements & other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit included examining, on a test basis, evidence supporting that amounts and disclosures in the financial statements. An audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides as reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiary, whose financial statements reflect total assets of Rs. 944.63 Lacs as at 31st March 2007, the total revenue of Rs. 488.63 lacs and net cash inflows amounting to Rs. 7.44 lacs for the year that ended. These financial statements and other financial information have been audited by other auditors whose report have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standards AS-21, issued by the Institute of Chartered Accountants of India.
5. Based on our audit on consideration of the reports of other auditors on separate financial statements, and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In the case of consolidated balance sheet, of the state of affairs of the Sunil Hitech Group as at 31st March 2007
- (ii) In the case of consolidated profit and loss account, of the profit/loss for the year ended on that date. and
- (iii) In the case of consolidated cash flow statement, of the cash flows for the year ended on that date.

For VIVEK RANDAD & CO.  
Chartered Accountants

Place : Nagpur  
Date : 29th May, 2007

VIVEK RANDAD  
Proprietor  
Membership No. 116014

## Consolidated Balance Sheet as at 31st March, 2007

		Rupees	
Particulars	SCH	31ST MARCH, 2007	
<b>SOURCES OF FUNDS</b>			
Shareholders' Fund			
Share Capital	A	100,251,600	
Reserve and Surplus	B	470,583,507	570,835,107
Minority Interest			1,004,793
Loans Funds			
Secured Loans	C	402,326,902	
Unsecured Loans	D	98,769,337	
			501,096,239
Deferred Tax Liability(Net)	J		2,219,627
<b>Total</b>			<b>1,075,155,766</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	E		
Gross Block		544,831,963	
Less : Depreciation		142,710,220	
Net Block			402,121,743
Capital Work-in Progress			41,694,756
Investments	F		10,000,000
Current Assets, Loans and Advances	G		
Inventories		180,715,478	
Sundry Debtors and Bills Receivables		504,637,883	
Prepaid Expenses		12,207,312	
Cash and Bank Balance		152,943,596	
Loans, Advances and Deposits		237,586,456	
		1,088,090,725	
Less: Current Liabilities and Provisions	H	477,307,582	
Net Current Assets			610,783,143
Miscellaneous Expenditure	I		10,556,124
( To the extent not written off or adjusted )			
<b>Total</b>			<b>1,075,155,766</b>
NOTES ON ACCOUNTS	K		

As per our report of even date attached

For Vivek Randad & Co.  
Chartered Accountants  
VIVEK RANDAD Proprietor

Place : Nagpur  
Date : 29th May, 2007

For and on behalf of the Board of Directors

R. M. GUTTE Chairman & Managing Director  
SUNIL R. GUTTE Executive Director  
K. K. GHOSH Company Secretary

## Consolidated Profit And Loss Account for the year ended on 31st March, 2007

		Rupees	
Particulars	SCH.	31ST MARCH, 2007	
<b>INCOME</b>			
Work Order	1		1,483,037,072
Other Income	2		16,380,820
Accretion/(Decretion) to Work in Progress	3		10,186,964
<b>Total</b>			<b>1,509,604,856</b>
<b>EXPENDITURE</b>			
Consumption of Materials	4		540,146,154
Site and Operating Expenses	5		641,631,195
Personnel Cost	6		73,243,481
Administration Cost	7		53,767,176
Interest and Financial Charges	8		34,914,493
Depreciation	E		45,465,165
<b>Total</b>			<b>1,389,167,663</b>
<b>PROFIT BEFORE TAXES</b>			<b>120,437,193</b>
Provision for Taxes			
Current Tax			41,588,437
Provision For Taxation			
Deferred Tax			(190,675)
<b>PROFIT BEFORE EXCEPTIONAL ITEMS</b>			<b>78,658,081</b>
Loss From Forward Exchange Contract			1,042,231
Loss from Sale of Investment			857,641
Income Tax For Prior Period			939,503
<b>NET PROFIT FOR THE YEAR BEFORE MINORITY INTEREST</b>			<b>75,818,706</b>
Minority Interest			4,793
<b>NET PROFIT FOR THE PERIOD</b>			<b>75,813,913</b>
Balance Brought Forward from Previous Year			64,786,685
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>			<b>140,600,598</b>
Proposed Dividend			12,030,192
Provision for Tax on Proposed Dividend			2,045,133
General Reserve			7,581,391
Balance Carried to Balance Sheet			118,943,882
<b>Total</b>			<b>140,600,598</b>
<b>Earnings per share - Basic &amp; Diluted (Rs.)</b>			
-excluding exceptional items			7.85
-including exceptional items			7.56
Weighted average number of shares			10,025,160
NOTES ON ACCOUNTS	K		

As per our report of even date attached

For Vivek Randad & Co.  
Chartered Accountants  
VIVEK RANDAD Proprietor

Place : Nagpur  
Date : 29th May, 2007

For and on behalf of the Board of Directors

R. M. GUTTE Chairman & Managing Director  
SUNIL R. GUTTE Executive Director  
K. K. GHOSH Company Secretary

## Schedules Forming Part Of Consolidated Balance Sheet as at 31st March, 2007

Rupees

Particulars	31ST MARCH, 2007
<b>SCHEDULE : A</b>	
<b>SHARE CAPITAL</b>	
<b>Authorised</b>	
1,20,00,000 Equity Shares of Rs.10/- each	120,000,000
<b>Issued and Subscribed</b>	
1,00,25,160 Equity Shares of Rs.10/- each	100,251,600
<b>Paid up</b>	
1,00,25,160 Fully Paid up Equity Shares of Rs.10/- each	100,251,600
<b>TOTAL :</b>	<b>100,251,600</b>
<b>SCHEDULE : B</b>	
<b>RESERVE AND SURPLUS</b>	
General Reserve	
Opening Balance	10,244,379
Transferred from Profit & Loss A/c.	7,581,391
	17,825,770
Profit and Loss Account	
Balance in Profit & loss Account	118,943,882
	118,943,882
Revaluation Reserve	
	6,299,454
Securities Premium	
During the Year ( Bonus Share )	327,514,400
Add. During the Period	-
	327,514,400
<b>TOTAL :</b>	<b>470,583,507</b>
<b>SCHEDULE : C</b>	
<b>SECURED LOANS</b>	
From Banks	
G.E. Capital & Finance	1,334,536
ICICI Bank Limited	45,550,931
H.D.F.C. Bank Ltd.	18,972,034
UCO Bank Term Loan	26,067,810
Housing Loan From UCO Bank	14,537,400
Cash Credit - UCO Bank	166,145,004
Cash Credit - Union Bank	53,251,660
Cash Credit - SBI	39,797,649
ABN Amro Bank	11,626,789
BOI Term Loan	10,057,946
Cash Credit - BOI Bank	14,985,143
<b>TOTAL :</b>	<b>402,326,902</b>
<b>SCHEDULE : D</b>	
<b>UNSECURED LOANS</b>	
Mobilisation Advance	
	89,066,743
Other Secured Advance	
	3,902,594
From Promoters	
SHEL	-
Mr. R. M. Gutte	4,000,000
Mr. S. R. Gutte	1,800,000
	98,769,337
<b>TOTAL :</b>	<b>98,769,337</b>

## Schedules Forming Part Of Consolidated Balance Sheet as at 31st March, 2007

SCHEDULE : E  
FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Original Cost RUPEES	Additions During the Year RUPEES	Deduction / Adjustments RUPEES	As At 31.03.07 RUPEES	Upto 31.03.2006 RUPEES	%	For The Year 2006-07 RUPEES	As At 31.03.2007 RUPEES	As At 31.03.2006 RUPEES
<b>A. Tangible Assets :</b>									
Land	19,243,262	21,356,598	-	40,599,860	-	0.00%	-	40,599,860	17,185,272
Building	39,505,133	49,751,375	124,968	89,131,540	4,696,823	5.00%	2,760,741	81,673,976	34,808,310
Plant & Machinery	201,831,416	139,647,330	4,440,370	337,038,376	83,086,270	20.87%	35,113,063	222,582,544	118,745,146
Plant & Machinery	959,302	15,662,589	-	16,621,891	-	13.91%	1,178,689	15,443,202	959,302
Computer & Printer	3,572,574	3,174,968	-	6,747,542	1,648,843	40.00%	1,155,254	3,943,445	1,874,631
Furniture & Fixtures	8,485,854	11,786,731	-	20,272,585	2,812,620	18.10%	1,592,450	15,867,515	5,673,234
Vehicles	18,831,877	13,542,619	-	32,374,496	8,744,000	25.89%	3,664,967	19,965,529	10,087,877
<b>B. Intangible Assets :</b>									
Computer Software	-	2,045,680	-	2,045,680	-	0.00%	-	2,045,680	-
<b>TOTAL</b>	<b>292,429,418</b>	<b>256,967,890</b>	<b>4,565,338</b>	<b>544,831,970</b>	<b>100,988,556</b>		<b>45,465,164</b>	<b>402,121,751</b>	<b>189,333,772</b>

1. A figure of Rs. 8,42,360/- has been included in the amount of Plant & Machinery, which is towards purchase of Hydra Expenses

2. A the Hydra was purchased on 31-03-2007, it has been not put to use and hence no depreciation has been claimed on the above for the financial year 2006-2007.

## Schedules Forming Part Of Consolidated Balance Sheet as at 31st March, 2007

Particulars	Rupees
	31ST MARCH, 2007
SCHEDULE : F	
INVESTMENTS	
Long Term	-
( At Cost . Unquoted. Non Trade )	
Shares in Pangeswar Sugar Factory (Shares ( P. Y. 40,00,000 ) of Rs. 10/- each.)	4,000,000
Shares in Yogeshwari Sugar Factory (Shares ( P. Y. 10,00,000 ) of Rs. 10/- each.)	1,000,000
Shares in Niyojit Vidarbha Sahakari Bank	100,000
DSP Merrill Lynch (Mutual Fund)	-
HDFC Core & Satellite Fund	2,500,000
Prudential ICICI emerging star fund	2,500,000
Less : Dimuniation in Value of Investments	(100,000)
	<u>10,000,000</u>
Note: Face Value of Unquoted Shares	

## Schedules Forming Part Of Consolidated Balance Sheet as at 31st March, 2007

Particulars	Rupees
	31ST MARCH, 2007
SCHEDULE : G	
CURRENT ASSETS, LOANS AND ADVANCES	
[A] CURRENT ASSETS	
Inventories	
(As valued and certified by Management)	
Consumable Stores	40,596,978
Non-Consumable Stores	29,788,321
Electrodes	24,098,213
Gases	522,867
Others	65,744,233
Work in Progress Closing (At estimated cost)	19,964,867
	<u>180,715,478</u>
Sundry Debtors	
Unsecured, Considered good	
Within Six Months	
Good Debt	461,239,366
Above Six Months	
Good debt	44,082,799
Doubtful Debt	3,790,474
	<u>509,112,639</u>
Less : Provision for doubtful debts	684,282
	<u>504,637,883</u>
Prepaid Expenses	12,207,312
Cash and Bank Balances	
Cash on Hand	3,913,782
Bank Balances	
a) With Scheduled Banks	
in Current Accounts	47,656,726
in Deposit Accounts	101,373,088
b) With NonScheduled Bank	
in Current Accounts	-
	<u>152,943,596</u>

## Schedules Forming Part Of Consolidated Balance Sheet as at 31st March, 2007

Rupees

Particulars	31ST MARCH, 2007	
[B] LOANS AND ADVANCES (Unsecured Considered Good)		
Advance recoverable in cash or in kind or for value to be received Security Deposit, Earnest Money, Retention Money and Withheld with Customers	135,291,518	
Deposits with Government Organisations	17,787,731	
Less : Provision for Doubtful Advances	(158,500)	
	152,920,749	
Advance to Employees	1,287,813	
Advance to Suppliers	13,524,969	
Cenvat Credit	10,997,990	
Advance Taxes	39,536,355	
Advance for Fixed Assets	5,500,000	
Loans to Subsidiary Company	-	
Other Receivables	13,818,580	
	84,665,707	237,586,456
		1,088,090,725

## Schedules Forming Part Of Consolidated Balance Sheet as at 31st March, 2007

Rupees

Particulars	31ST MARCH, 2007	
SCHEDULE : H CURRENT LIABILITIES AND PROVISIONS		
[A] CURRENT LIABILITIES		
Sundry Creditors		145,153,663
i) For Goods Supplied	133,967,976	
For other	11,185,687	
ii) Sub-Contractors		276,635,850
Amount Payable Against work	175,573,100	
Security Deposit of Petty Contractors, Retention Money, Withheld from Contractor	39,623,165	
iii) Other Payable	61,439,586	
[B] PROVISIONS		
Provision for Taxation		41,442,744
Provision for Proposed Dividend		12,030,192
Provision for Tax on Proposed Dividend		2,045,133
		477,307,582
SCHEDULE : I MISCELLANEOUS EXPENDITURE (To the extent not Written off or adjusted)		
Preliminary Expense		-
Expenses on Subscription of Shares		7,356,601.00
Pre-Operative Expenses		2,753,837.00
Membership Fees		445,686.00
		10,556,124
SCHEDULE : J DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liability		2,028,952
i) IPO Expenses disallowed U/s. 40(a) of I.T. Act. 1961 in last Financial Year	332,579	
ii) Difference in Depreciation for Accounting & Tax purpose	590,984	
iii) Others		
Less: Deferred Tax Asset		
i) Difference in Depreciation for Accounting & Tax purpose	732,888	
Total		2,219,627

## Schedules Forming Part Of Consolidated Profit and Loss Account for the year ended on 31st March, 2007

Rupees

Particulars	31ST MARCH, 2007	
<b>SCHEDULE : 1</b>		
<b>NET SALES</b>		
Work Order (Fabrication, Erection, Modification & Overhauling)		1,432,961,333
Gross Sales	60,069,065	
Less: Excise Duty	9,993,325	
Net Sales		50,075,739
		<u>1,483,037,072</u>
<b>SCHEDULE : 2</b>		
<b>OTHER INCOME</b>		
Interest Income From Bank		11,134,430
Interest from Investment		947,430
Dividend from Investment		1,743,167
Misc. Income		620,034
Other		1,935,759
		<u>16,380,820</u>
<b>SCHEDULE : 3</b>		
<b>ACCRETION/ (DECRETION) TO WORK IN PROGRESS</b>		
Work in Progress		
Closing Work in Progress	19,964,867	
Less : Opening Work in Progress	9,777,903	
		<u>10,186,964</u>
<b>SCHEDULE : 4</b>		
<b>CONSUMPTION OF MATERIALS</b>		
i) Steel		199,166,508
ii) Material Consumed (Other than Steel)		
Opening Stock	53,289,098	
Add: Purchases	<u>448,441,160</u>	
	501,730,258	
Less : Closing Stock	160,750,611	
Material Consumption	-	<u>340,979,646</u>
iii) Purchases		-
		<u>540,146,154</u>

## Schedules Forming Part Of Consolidated Profit And Loss Account for the year ended on 31st March, 2007

Rupees

Particulars	31ST MARCH, 2007	
<b>SCHEDULE : 5</b>		
<b>SITE AND OPERATING EXPENSES</b>		
Construction, Erection & Fabrication Exp.		540,271,869
Hire Charges		31,485,961
Repair & Maintenance		12,663,871
Taxes		19,268,514
Others		37,940,981
		<u>641,631,195</u>
<b>SCHEDULE : 6</b>		
<b>PERSONNEL COST</b>		
ESIC		118,106
Provident Fund		3,405,848
Salary to Staff		48,137,177
Insurance Employer / Employee Schime		2,500,000
Other Benefits		10,733,350
Leave Encashment & LTC		-
Salary to Director		8,349,000
		<u>73,243,481</u>
<b>SCHEDULE : 7</b>		
<b>ADMINISTRATION EXPENSES</b>		
Auditors Remuneration		519,784
Travelling & Conveyance		9,630,996
Insurance Expenses		9,250,273
Communication		3,875,957
Repair & Maintenance		5,633,552
Packing & Forwarding Charges		18,711
Rate, Fees & Taxes		2,808,306
Donations		101,503
Diminution in Value of Long Term Investment		100,000
Provision for Doubtful Debth		684,282
Provision for Doubtful Advances		158,500
Electricity Charges		928,484
IPO Expences		2,452,202
Legal Expenses		551,343
Professional Charges		5,517,153
Service Tax		4,687,027
Other Administration Expenses		6,758,417
Misc. Expenses		-
Factory Expenses		90,686
		<u>53,767,176</u>
<b>SCHEDULE : 8</b>		
<b>INTEREST AND FINANCIAL CHARGES</b>		
Interest Paid to Bank		19,864,647
Interest on Service Tax		1,385,333
Interest Paid to Customer(Against Advance)		1,697,410
Others		11,967,102
		<u>34,914,493</u>

## Consolidated Cash Flow Statement for the year ended on 31st March, 2007

Rupees

Particulars	31ST MARCH, 2007	31ST MARCH, 2006
Cash flow from Operating Activities		
Net Profit before tax and extraordinary items.	(A) 120,437,193	82,535,445
Adjustment for		
Depreciation	45,465,166	28,870,650
Provision For Doubtful Debts And Advances	842,782	0
Diminution In Value Of Long-Term Investments	100,000	0
Misc. Expenditure Write Off	2,452,202	0
Interest & Financial Charges	34,914,493	23,495,184
Profit On Sale Of Fixed Assets (Net)	(120,000)	0
Interest Income	(12,081,860)	(3,684,688)
Dividend Income	(1,743,167)	0
	(B) 69,829,616	48,681,147
Adjustment for		
Trade and Other Receivables and Advances	(312,761,259)	(199,326,578)
Prepaid Expenses	(5,433,545)	(899,840)
Inventories/ WIP	(117,648,476)	(19,858,095)
Trade and other Payable	167,358,353	74,501,232
	(C) (268,484,927)	(145,583,281)
Direct Taxes( Paid)	(29,912,357)	(13,123,775)
	(D) (29,912,357)	(36,618,959)
Extraordinary Item	(1,042,231)	0
Pre operative Expenses	(3,199,531)	(9,808,803)
Prior year adjustment	(939,503)	(124,905)
	(E) (5,181,265)	(9,933,708)
Net Cash Flow from Operating Activities ( A + B + C + D + E )	(F) (113,311,741)	(60,919,356)
II Cash Flow from Investment Activities		
Purchase of Fixed Assets	(260,034,275)	(86,566,178)
Sale of Fixed Assets	816,869	15,000
Advances for Asset(Capital WIP)	(40,694,756)	6,750,000
Profit on Sale of Assets	0	0
Purchase of Investments	(1,900,000)	(46,933,000)
Sale Investment/Bonds	42,942,359	0
Interest Received	12,081,860	2,847,662
Dividend Received	1,743,167	0
Rent and Miscellaneous Receipt	0	837,026
Net Cash Flow From Investment Activities	(G) (245,044,776)	(123,049,490)
III Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	1,000,000	35,001,600
Proceeds from Share Premium	0	313,764,400
Proceeds from Long Term Borrowings	291,578,290	11,442,046
Proceeds from Unsecured Loans	71,486,343	(25,479,524)
Interest & Financial Charges	(34,914,493)	(23,495,184)
Dividend & Dividend Tax Paid	(11,431,189)	0
Net Cash Used in Financial Activities	(H) 317,718,951	334,728,522
Total =( F + G + H )	(I) (40,637,562)	150,759,676
Net Increase in Cash and Cash Equivalents	(40,637,562)	150,759,676

As per our report of even date attached

For Vivek Randad & Co.  
Chartered Accountants

VIVEK RANDAD Proprietor

Place : Nagpur

Date : 29th May, 2007

For and on behalf of the Board of Directors

R. M. GUTTE Chairman &amp; Managing Director

SUNIL R. GUTTE Executive Director

K. K. GHOSH Company Secretary

## K) Significant Accounting Policies

### a) Basis of Preparation

The consolidated financial statement of the group have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

### b) Principles of Consolidation

The Consolidated financial statements have been prepared on the following basis

- The financial statements of the parent company and the subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra group balances / transactions in full as per Accounting Standard 21 on Consolidated Financial statements.
  - The excess of cost to the Company of its investments in the subsidiaries companies over its share of the equity of the subsidiaries companies at the date on which the investment in the subsidiary company are made, is recognized as 'goodwill' being an asset in the consolidated financial statement. Alternatively, where the share of equity in the subsidiaries company as on the date of investment, is in excess of cost of investment of the company, it is recognized as 'Capital reserve' and shown under the head "Reserve and Surplus", in the consolidated financial statement.
  - Minority interest in the net assets of consolidated subsidiary consists of the amount of equity attributable to the minority shareholders at the date on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the date of investments.
- C) Revenue Recognition:**
- Revenue from construction contracts is recognized on Percentage Completion Method as per Accounting Standard 7.
  - Subject to (i) above, Contract receipt are accounted for on the basis of Bills submitted to clients/bills certified by clients and do not include material supplied by clients free of cost.
  - Amounts due in respect of price escalation claims and/or variation in contract work approved by the customers are recognized as revenue only if the contract allow for such claims or variations and/or there is evidence that the customer has accepted it.

(iv) Revenue from interest income is recognized on time basis.

(v) Revenue from work in progress is recognized on estimated basis as certified by technical managers.

(vi) Revenues from sale of products and services :

Revenue from sales of products are recognized on dispatch of goods to customers which corresponds to transfer of significant risk and rewards of ownership and are net of sales tax and trade discounts. Revenues from services are recognized when such services are rendered.

### d) Taxation:

i) Provision for current income tax is made in accordance with the Income Tax Act, 1961.

ii) Deferred tax is recognized, subject to consideration of prudence on timing differences, being the differences between taxable income and accounting income that origin in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

iii) Incase of mattes under appeal, if any, due to disallowances or otherwise, full provision is made when the said liabilities are accepted by the Company.

### e) Foreign Currency Transaction:

Foreign Currency transactions other than those covered by forward contracts are recorded at the exchange rate prevailing at the date of transaction. Exchange differences arising on settlement of transactions, except those relating to fixed assets, are recognized as income or expenses in the year in which they arise. The cost of respective fixed assets are adjusted for exchange differences arising on the repayment of liabilities incurred for the purpose of acquiring such fixed assets.

### f) Retirement Benefits:

Cost of retirement benefits i.e. Provident Fund is accounted for on accrual basis however company has not been provided amount for Gratuity and Leave encashment in accordance with prescribed policies.

### g) Deferred Revenue Expenditure:

Revenue expenses of a substantial magnitude which are expected to benefit for some years in future are charged considering relative benefit of expenditure.

## Code of Conduct (As evolved by the Industry)

- h) **Fixed Assets and Depreciation:**  
**Tangible Assets:**
- i) Fixed Assets are stated at cost less depreciation. Costs include all expenses incurred to bring the assets to its present location and condition. Exchange differences on translation of foreign currency transaction obtained to purchase fixed assets from countries outside India are included in the cost of such assets.
- ii) Depreciation is provided on written down value method except freehold land at the rate and in the manner laid down in Schedule XIV to the Companies Act, 1956.
- iii) Depreciation is calculated on a pro- rata basis from the date of addition.
- iv) Fixed Assets excluding buildings, computers and individually costing Rs. 5,000/- or less are not capitalized except when they are part of a larger capital investment program.
- Intangible Assets:**
- i) Cost of software not put to use before the year end are disclosed under Fixed assets however it will be amortized over a period of three years from next financial year .
- i) **Capital Work in Progress**  
Advances paid towards the acquisition of fixed assets and cost of assets not put to use before the year end are disclosed under Capital Work in Progress.
- j) **Segment Reporting Policies**  
**Identification of Segments:**  
The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.
- k) **Use of estimates**  
The preparation of financial statements required the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the finance.
- l) **Valuation of Investments**  
Long term Investments comprising mutual funds  
investments are stated at cost less provision, if any, for diminution, which is other than temporary in nature. No Current investments held by company as on date of Balance sheet
- m) **Inventories**
- i) Stocks at various sites are valued at cost or net realizable value, whichever is lower, following FIFO basis.
- ii) Work in Progress is valued at estimated cost. Cost includes direct materials, labour cost and appropriate overheads.
- n) **Public Issue Expenses**  
Public Issue Expenses have been amortized in accordance with section 35-D of the Income Tax Act, 1961.
- o) **Borrowing Costs**  
Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets.
- p) **Custom Duties**  
Custom Duty payable on raw materials, stores and machinery are accounted for on clearing of goods from Custom Warehouse.
- q) **Sundry Debtors, Advances and Deposits**  
Books Debts, advances and deposits balances considered irrecoverable are written off.
- r) **Other:**  
During the year, amount recovered by the company from petty contractors against material supply, to the extent of credit availed; (of indirect taxes) has been credited to raw material consumption, fabrication, erection expenses. However it's not possible to quantify above amount as it is credited to above account head individually as & when realized.  
According to us it has to be treated as an extra ordinary item and needs to present separately in Profit & Loss account.
- s) **Contingent Liabilities**  
Contingent Liabilities are disclosed in the accounts by way of note giving nature of liability and its quantum, if ascertained.
- t) Figures for previous year have been regrouped wherever considered necessary and practicable to the extent data is readily available.

For VIVEK RANDAD & CO.  
Chartered Accountants

VIVEK RANDAD  
Proprietor

Membership No. 116014

Place : Nagpur  
Date : 29th May, 2007

Sunil Hitech Engineers Limited has adopted a code of Conduct specifically for the members of the Board of Directors and / or members of the Senior Management of the Company, which sets out as follows:

- g. To act in the best interest of, and fulfill fiduciary obligations to the company; act honestly, ethically and with integrity, conduct themselves in professional, courteous and respectful manner and not take improper advantage of the position of Director;
- g. To comply with all applicable laws, rules and regulations;
- g. To act in good faith, responsibly, with due care, competence and diligence, without allowing their independent judgment to be subordinated;
- g. To act in the manner to enhance and maintain the reputation of the Company;
- g. To disclose any personal interest that they may have regarding any matters that may come before the Board and abstain from discussion, voting or otherwise influencing decision on any matter in which the concerned Directors has or may have such interest;
- g. To respect the confidentiality of information relating to the affairs of the Company acquired in the course of their services as Directors, while continuing as such a Director and even after ceasing to be such a Director, for a reasonable period of say two years, except when authorised or legally required to disclose such information;
- g. Restrain from using the Company's property or position for personal gain;
- g. Avoid such using any information or opportunity received in the capacity as Director for personal gain, or in a manner that would be detrimental to the Company's interest;
- g. Abstain from the Discussion, voting or otherwise influencing decision on any matters that may come before the Board in which they may have a conflict or potential conflict of interest.
- g. Not to use confidential information acquired in the course of their services as Directors for their personal advantage or for the advantage of and other entity in which they have a direct interest, or where they occupy a position of board or executive responsibility with influence over their decisions;
- g. Help, create and maintain a culture of high ethical standards and commitment to Compliance.

No Director shall seek, or accept, any gifts or incentives in their capacity as Directors of the Company, except what is duly authorised as acceptance under the Company's gift policy.

A Director who has concerns regarding compliance with this Code should raise such concerns with the Chairman of the Board who will deal with the same. No waiver or suspension of any or all requirements of this Policy, or any modifications of this policy,

shall be valid unless approved by the Board and formally minuted with reasons for such action.

Directors will annually sign a confirmation that they have read and will comply with this code.

This code shall be in addition to the code of Business Principles of the Company, copy of which is annexed.

### CODE OF BUSINESS PRINCIPLES

#### Standard of Conduct:

We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We shall similarly respect the legitimate interests of those with whom we have relationships.

#### Obeying the Law:

Sunil Hi Tech and our employees are required to comply with the laws and regulations of India and other countries in which we may have operation in future.

#### Employees:

Sunil Hi Tech is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company. We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. We are committed to safe and healthy working conditions for all employees. We will not use any form of the forced, compulsory or child labour. We are committed to working with employees to develop and enhance each individual's skills and capabilities. We respect the dignity of the individual and the right of employees to freedom of association. We will maintain good communication with the employees through the company based information and consultation procedures.

#### Consumers:

Sunil Hi Tech is committed to providing branded materials and services which consistently offer value in terms of quality and price and by completion of project within schedule or well before time provides the benefit to the consumer in terms of more earning opportunity.

#### Shareholders:

The company will conduct its operation in accordance with the internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

#### Business Partners:

# Code of Conduct (As evolved by the Industry)

Sunil Hi Tech is committed to establishing mutually beneficial relations with our suppliers, customers and business partners. In our business dealings we expect our partners to adhere to business principles consistent with our own.

## **Community involvement:**

Sunil Hi Tech strives to be a trusted corporate citizen and, as an integral part of society, to fulfill our responsibilities to the societies and communities in which we operate.

## **Public Activities:**

Sunil Hi Tech is encouraged to promote and defend their legitimate business interests. Sunil Hi Tech will co-operate with governments and other organizations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests. Sunil Hi Tech neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

## **The Environment:**

Sunil Hi Tech is committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business. Sunil Hi Tech will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

## **Innovation:**

In our scientific innovation to meet consumer needs we will respect the concerns of our consumers and of society. We will work on the basis of sound science, applying rigorous standards of product safety.

## **Competition:**

Sunil Hi Tech believes in vigorous yet fair competition and supports the development of appropriate competition laws. Sunil Hi Tech and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

## **Business Integrity:**

Sunil Hi Tech does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. Not employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe, any demand for, or offer of, a bribe must be rejected immediately and reported to management. Sunil Hi Tech accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

## **Conflicts of Interests:**

All Sunil Hi Tech 's employees are expected to avoid personal activities and financial interests which could conflict with their responsibilities to the Company. Sunil Hi Tech's employees must not seek gain for themselves or others through misuse of their positions.

## **Compliance - Monitoring - Reporting:**

Compliance with these principles is an essential element in our business success. The Sunil Hi Tech board is responsible for ensuring these principles are communicated to, and understood and observed by, all employees. Day-to-day responsibility is delegated to the senior management of the company and in charge of all sites of company. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs. Assurance of compliance is given and monitored each year. Compliance with the code is subject to review by the board supported by the audit committee of the board. Any breaches of the code must be reported in accordance with the procedures specified by the Secretary. The board of Sunil Hi Tech will into criticise management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions. The board of Sunil Hi Tech expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles. Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.