

# THEORY OF EVOLUTION

**Sunilhitech** 



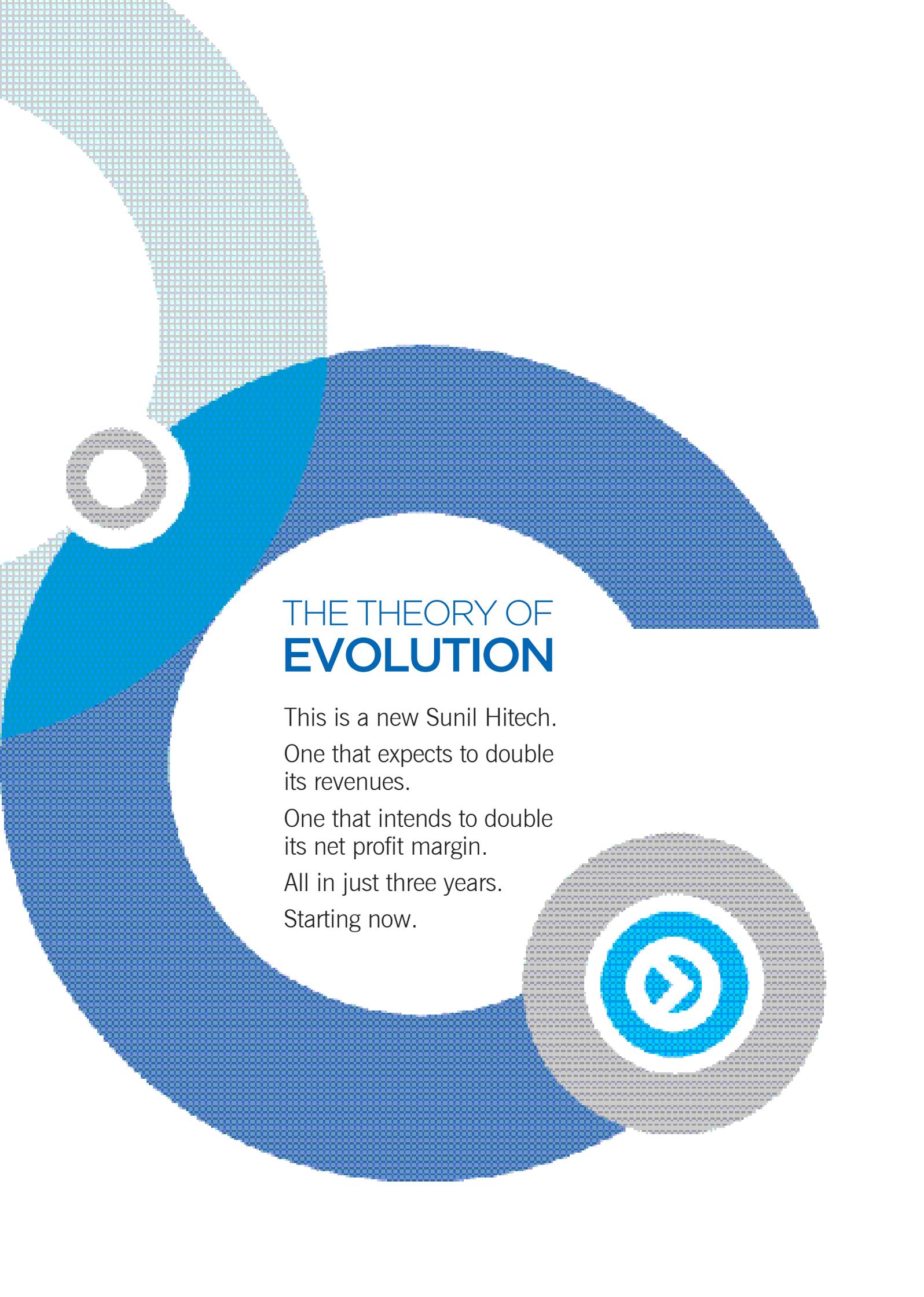
Sunil Hitech Engineers Limited  
17<sup>th</sup> Annual Report 2014-15

## Forward-looking statements

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 'anticipates', 'estimates', '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 realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise

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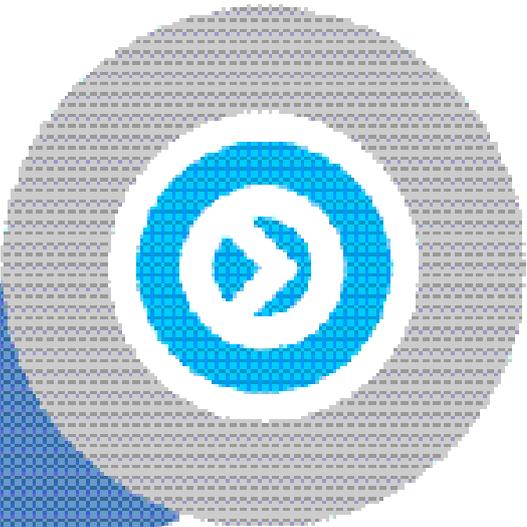


## THE THEORY OF **EVOLUTION**

This is a new Sunil Hitech.  
One that expects to double  
its revenues.

One that intends to double  
its net profit margin.

All in just three years.  
Starting now.



THERE IS JUST ONE BIG MESSAGE  
THAT WE WISH TO SEND OUT TO  
OUR SHAREHOLDERS.

THE YEAR 2014-15 WAS  
NOT THE BEST FOR INDIA'S  
INFRASTRUCTURE SECTOR.

AND YET, WE RETURNED TO  
PROFITABLE GROWTH.

THIS OUTPERFORMANCE WAS  
THE RESULT OF A CONSCIOUS  
**EVOLUTION.**

- We focused on growing one business from scratch across the first number of years of our existence
- We grew our revenues by 92.05% in the three years leading to 2014-15; we grew our revenues by 15.13% during FY2014-15.
- We reported a PAT growth of 53.95% in the three years leading to 2014-15; we grew our PAT by 47.70% during FY2014-15.

# 2,295

As on 31st March 2013 (in ₹ crore)

85	15
----	----

Power (%)

Non-power (%)

Our evolving  
order book

# 3,243

As on 31st March 2014 (in ₹ crore)

64	36
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Power (%)

Non-power (%)

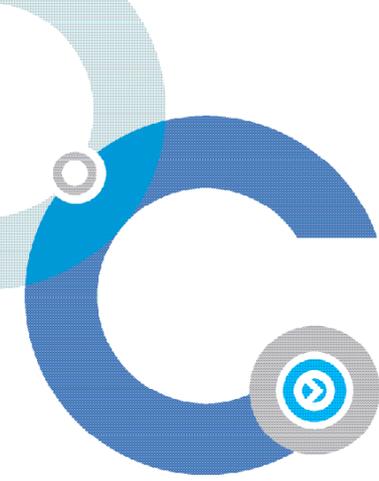
# 3,580

As on 31st March 2015 (in ₹ crore)

51	49
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Power (%)

Non-power (%)



## SUNIL HITECH ENGINEERS LIMITED.

LEVERAGING THE EXPERIENCE OF THE PAST.  
STRENGTHENING THE CREDENTIALS OF THE PRESENT.  
BUILDING A ROBUST FOUNDATION FOR THE FUTURE.

01

**The Sunil Hitech of the past** was one which focused on mechanical engineering projects solely from the BoP in the country's power generation sector.

**The Sunil Hitech of the future** is one which focuses on diverse opportunities from the country's rapidly growing civil (power and non-power), roads, bridges, and civil-mechanical-electrical engineering segments.

02

**The Sunil Hitech of the past** was one which drew all its revenues from projects related to the country's power sector.

**The Sunil Hitech of the future** is one which expects to derive at least 40% of its annual revenues from the country's non-power sector.

03

**The Sunil Hitech of the past** was one which was based out of one location (Nagpur).

**The Sunil Hitech of the future** is one which has a presence across Mumbai, Noida and Nagpur to ensure enhanced focus and accelerated growth.

04

**The Sunil Hitech of the past** was one which focused on growth at all costs, convinced that this would lead to greater visibility and more projects.

**The Sunil Hitech of the future** is one which expects to report sustainable revenue growth at a CAGR of 15% y-o-y with assured incremental profitability.

05

**The Sunil Hitech of the past** was topline-driven and bid aggressively for orders, hoping that economies-of-scale would translate into higher profits.

**The Sunil Hitech of the future** is a bottomline-driven organisation that bids only for lucrative orders which, when delivered on time, leads to higher margins.

06

**The Sunil Hitech of the past** was a topline-driven company that bid aggressively for orders in overcrowded spaces, hoping that the benefits of scale would translate into higher profits.

**The Sunil Hitech of the future** is a bottomline-driven organisation that bids only for large profitable orders in relatively under-crowded spaces, translating into a combination of high revenues and superior margins.

07

**The Sunil Hitech of the past** bid for large BoP projects in the power sector that strengthened the order book but lengthened the receivables cycle because projects took years to be closed.

**The Sunil Hitech of the future** bids largely for projects where its projects are delivered directly to clients, closed with speed and entail a shorter receivables cycle.

08

**The Sunil Hitech of the past** worked with governmental clients within a narrow sectoral niche in the hope of getting similar projects.

**The Sunil Hitech of the future** works with governmental clients to strengthen its credentials as a dependable contractor that can be trusted with projects across diverse sectors.

09

**The Sunil Hitech of the past** was an organisation where strategy formulation, implementation and day-to-day control were centrally managed.

**The Sunil Hitech of the future** is one where the articulation of the strategy is the responsibility of the senior management while the implementation is delegated to empowered business heads and day-to-day control exerted by dependable managers.

10

**The Sunil Hitech of the past** was one which engaged in civil engineering projects as a manager or as a sub-vendor to a larger corporate.

**The Sunil Hitech of the future** is an end-to-end solutions provider in the civil construction sector.

11

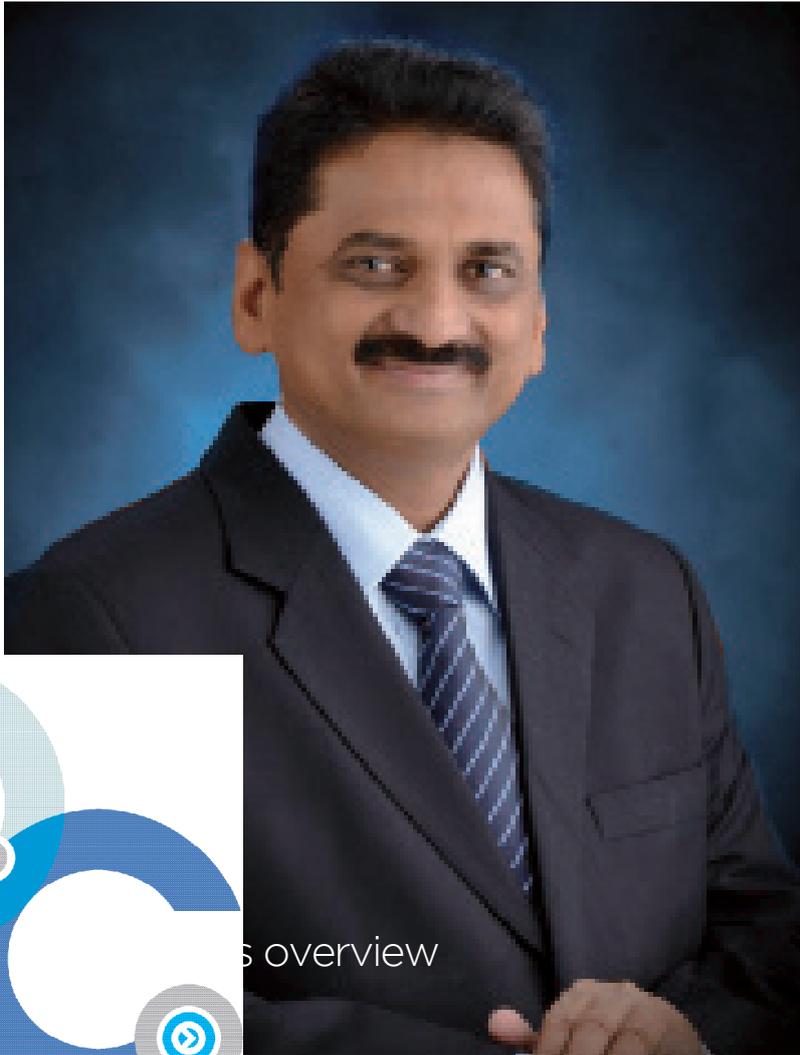
**The Sunil Hitech of the past** was one which largely focused on civil construction projects inside power plants.

**The Sunil Hitech of the future** leverages the rich experience accumulated over the years to enter new spaces, enhanced skills and bid for larger projects.

12

**The Sunil Hitech of the past** was one which generated the bulk of its revenues from capital-intensive civil construction opportunities inside power plants.

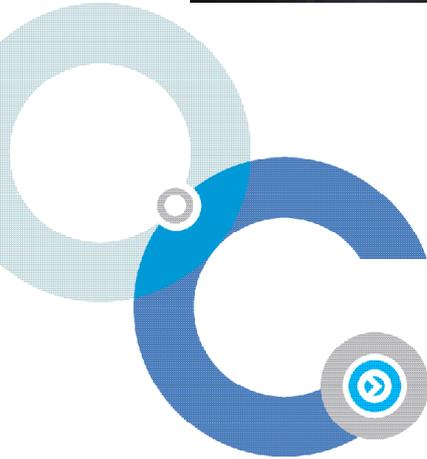
**The Sunil Hitech of the future** is increasingly engaged in the opportunities which have no retention money involved.



Dear shareholders,

I AM PLEASED TO REPORT THAT SUNIL HITECH LIMITED REPORTED THE BIGGEST QUANTUM GROWTH IN CONSOLIDATED BOTTOMLINE IN ITS EXISTENCE DURING WHAT WAS AN EXTREMELY CHALLENGING 2014-15.

THIS REBOUND REPRESENTS MORE THAN JUST A NUMERICAL IMPROVEMENT IN THE COMPANY'S PERFORMANCE; IT REPRESENTS AN INFLECTION POINT.



Business overview

The use of the term 'inflection point' is deliberate. From this point onwards, we expect an unprecedented improvement in the Company's performance – marked by an order book that is larger, faster-growing and more diversified. This, combined with encouraging margins growth, augurs well for us.

Considering that this improvement transpired against the landscape of an economic slowdown, shareholders and well-wishers are likely to ask how this was achieved. To answer this faithfully, it would be important to rewind a few years ago to when our order book was no more than ₹1,702 crore.

In our opinion, Sunil Hitech was highly risk-prone at that point.

The competencies and knowledge notwithstanding, the Company was largely dependent on the prospects coming out of one sector. As it turned out, global and Indian economies weakened following the 2008-09 fiscal, foreign investments in India's power sector declined, issues related to land availability deepened and there was a growing concern regarding raw material (coal) security.

### **Prudent spin-off**

However, intimidating it might have appeared, Sunil Hitech embarked on the long and patient journey towards a progressively de-risked, multi-sectoral proxy of the infrastructure growth coming out of India. The Company was

attractively placed to grow from one business to multiple businesses. Here is how: the Company's entrenched experience of handling BoP projects in the power segment had in addition to improving existing competencies helped infuse skills warranted by civil construction (power and non-power), road building and urban infrastructure projects. All that Sunil Hitech now needed to do was spin these competencies into full-fledged independent businesses.

This is precisely what Sunil Hitech did by expressing its intent to enter the businesses of civil construction, road building and urban infrastructure in 2010-11.



THE COMPANY POSSESSES A NET WORTH OF ₹363.54 CRORE AND A GEARING OF 1.04, WHICH IS COMMENDABLE IN A SECTOR MARKED BY STRETCHED BALANCE SHEETS AND SPIRALING LOSSES.

The Company also invested ₹ 318.28 crore in the captive ownership of equipment that facilitated timely project completion, moderated equipment rentals and provided precious depreciation cover.

### Weathering the downturn

However well-intentioned this decision was, the economic downturn, resulting in a decline in the quantum of projects as well as in the margins for such projects. Temporarily, Sunil Hitech appeared to have been caught on the wrong foot. The Company barely had any pre-qualifications and was compelled to seek low margin orders, build credentials and slowly pay off the debt incurred to build its equipment bank.

The combination of these realities was reflected on the Company's financials. The Company's net margin declined and the bottomline veered between ₹ 2,396.70 lac and ₹3,689.67 lac in the three years leading to 2014-15.

However, even as the Company's financial prospects appeared muted; a gradual evolution had begun to unfold, undetected by the radar.

• **Power sector:** The Company, which was present in the BoP mechanical segment, entered the equipment erection and T&D projects segments. The Company began with a ₹235 crore order in 2009-10 for a margin of less than 5%. It graduated to ₹1,200 crore in orders by 2011 and an order book worth ₹1,500 crore by 2013-14 - at higher margins.

• **Civil projects:** The Company qualified for outside-of-plant projects for a number of its government customers. The Company bagged projects for building residences, schools and hospitals. As the Company's qualifications strengthened, based on the delivery of completed assignments, it was deemed worthy of larger projects. Gradually, the Company's order book increased significantly.

• **Road building:** The Company leveraged its road-building experience in BoP projects to grow its presence in this cashflow-rich and retention-friendly business. There was an emphasis on projects funded by international institutions. The Company worked as a sub-contractor for Grade-A contractors or bid directly for projects.

### Inflection point

This is why we can safely say that the Sunil Hitech of today finds itself at an inflection point.

The Company possesses all the relevant qualifications – size and completed assignments – to bid for margin-accretive projects.

The Company is attractively positioned in the infrastructural space where sizeable investments have started to come in.

The Company possesses a net worth of ₹363.54 crore and a gearing of 1.04, which is commendable in a sector marked by stretched Balance Sheets and spiraling losses.

The Company has liquidated its low-margin projects. The Company has

restructured operations under strategic business units, empowered its teams and made available all necessary resources to drive growth in line with the sectoral potential. Consequently, it expects to double its net margin over the next three years.

The Company's Board of Directors comprises individuals possessing in-depth knowledge and strategic clarity.

### Growth agenda

So how does Sunil Hitech expect to grow?

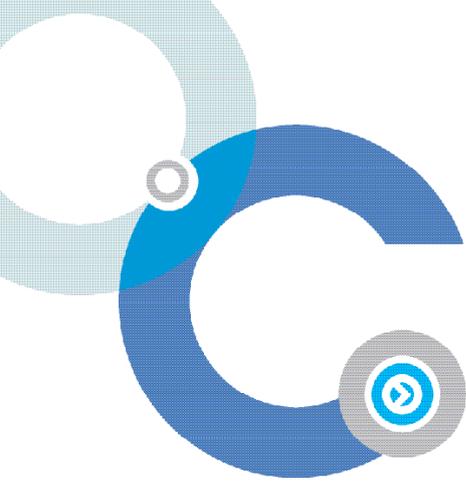
My answer is that the Company expects to grow in a responsible and sustainable manner. For one, the Company will only grow to the extent permitted by its desired risk appetite. The Company does not intend to assume sizeable debt in its pursuit of growth, which could threaten viability in the event of an unforeseen economic downtrend.

I am optimistic of our prospects because the sectors in which the Company is present are high on the government's priority agenda.

It is for these reasons that I am convinced that Sunil Hitech is at the right place at the right time and equipped with the right business model to embark on the second round of its growth journey.

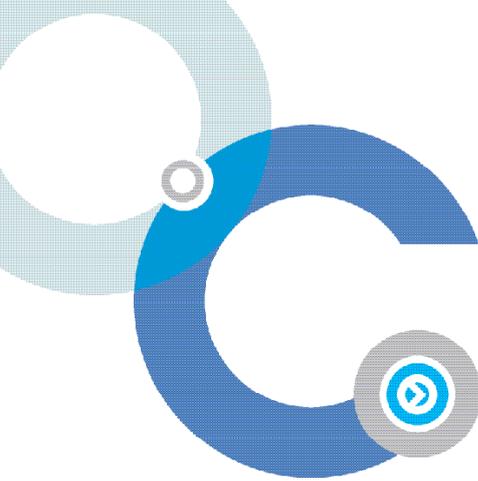
Regards,

**Ratnakar M. Gutte**  
Chairman



## WHAT EXCITES US ABOUT THE SECTORS IN WHICH THE REINVENTED SUNIL HITECH OPERATES IS...

THE CAUSE	THE EFFECT	SUNIL HITECH'S PRESENCE
<p>A BILLION PEOPLE NEED MORE ENERGY</p>	<ul style="list-style-type: none"> <li>• India's per capita energy consumption projected to rise from 940 kilowatt-hours towards the international average of 2,500 kilowatt-hours.</li> <li>• Planned investments worth \$250 billion in India's power sector over the next few years.</li> <li>• Capacity power generation additions of 174.9 gigawatts up to 2022, 70% of what took India more than 100 years to build.</li> </ul>	<ul style="list-style-type: none"> <li>• Sunil Hitech is among leading EPC contractors in the Indian power industry; the Company specialises in BoP project execution.</li> <li>• The Company's cumulative commissioned capacity stood at 22,365 megawatts.</li> </ul>
<p>A BILLION PEOPLE NEED TO COMMUTE QUICKER AND BETTER</p>	<ul style="list-style-type: none"> <li>• Expansion of India's road network from 92,850 kilometres to 100,000 kilometres by 2017.</li> <li>• Proposed investment of \$31 billion in highways over five years.</li> <li>• PPP highway investments projected at around \$31 billion.</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified to bid for NHAI BOT projects worth up to ₹900 crore.</li> <li>• Won the bid for EPC for road projects worth ₹496 crore in Karnataka, West Bengal and Andhra Pradesh.</li> <li>• Plans to actively bid for road EPC tenders.</li> </ul>
<p>A BILLION PEOPLE NEED SMART CITIES AND INTEGRATED TOWNSHIPS</p>	<ul style="list-style-type: none"> <li>• Estimated \$650 billion required to upgrade India's urban infrastructure in 20 years.</li> <li>• India's urban population to grow from 377 million to 590 million by 2030.</li> <li>• The Urban Development Mission intends to develop 500 new cities.</li> <li>• The Indian real estate market is expected to grow from \$78.5 billion in 2013 to \$140 billion by 2017.</li> </ul>	<ul style="list-style-type: none"> <li>• Executing a township development project for the Kanpur Development Authority.</li> <li>• Bagged and EPC project of ₹350 crore for the construction of Central Sudhar Ghar at Bhatinda and Govindawal in Punjab.</li> <li>• Bagged a ₹100 crore order for the redevelopment in Mumbai suburbs.</li> <li>• Qualified to bid for projects with value in excess of ₹200 crore in 2015-16.</li> </ul>
<p>A BILLION PEOPLE NEED BETTER URBAN INFRASTRUCTURE</p>	<ul style="list-style-type: none"> <li>• Urban water infrastructure expected to emerge as an annual \$30 billion opportunity.</li> <li>• Close to 1,15,000 metric tonnes of municipal solid waste generated daily in India expected to double by 2025.</li> <li>• Per capita waste generation (0.2-0.6 kilograms per day) increasing by 13% per annum.</li> </ul>	<ul style="list-style-type: none"> <li>• Possesses EPC capabilities for urban water infrastructure and municipal solid waste management.</li> <li>• Intends to bid aggressively in this space in the coming years.</li> </ul>



## SUNIL HITECH ENGINEERS LIMITED.

DRAWN COMPETENCIES FROM ONE BUSINESS.  
NOW GROWN TO MULTIPLE BUSINESS SPACES.  
THEORY OF EVOLUTION.

### Philosophy

- To enhance project management, execution skills, meet customer benchmarks related to timely execution of projects meeting quality standards.
- To improve on existing quality systems in operations.
- To achieve greater productivity and heighten safety standards.
- To develop human resources and improve employee attitudes.
- To maintain steady net worth growth and build on the Company's assets.
- To emerge as a market leader and highly dependable service provider.
- To develop partnerships for growth and diversification.
- To continuously strive to achieve greater customer satisfaction.

### Positioning

- Sunil Hitech Engineers Limited, the flagship of the Sunil Hitech Group, is among India's leading niche energy technology players, providing solutions in power plant BoP and EPC spaces and contributing to India's energy security.
- The Company has now extended to projects in the non-power civil space, roads and bridge construction, as well as the civil-mechanical-electrical engineering spaces.
- The Company has contributed to the commissioning of 3,560 megawatts of power-generating assets in India (during the Financial Year 2014-15), positioning it among the largest such players in the country.
- The Sunil Hitech Group offers engineered and fabricated boiler components through Seam Industries Limited (subsidiary of Sunil Hitech Engineers Limited).
- The Group also supplies sugar, ethanol and power through Gangakhed Sugar and Energy Limited (associate company).

### Background

- Sunil Engineering Works (commissioned 1984) was renamed Sunil Hitech Engineers Limited following acquisition by the present management in 1998.
- The Company provides design, fabrication, erection and commissioning-related BoP (excluding the boiler, turbine, generator) assignments for power plants with its expertise also spanning fabrication, erection, testing and the commissioning of bunkers, electrostatic precipitators, boilers and TG sets in power plants.
- The Company has diversified into high growth sectors in civil engineering like road and bridge building, solar power project commissioning, construction of correctional homes, solid waste management among others.

### Human capital

- Sunil Hitech prides on being an equal opportunity establishment with an employee base of 2,059. The total employee base comprises graduates, engineers, MBAs, CAs, CS and other professionals.

### Listing

- The Equity Shares of Sunil Hitech are listed on the Bombay and National Stock Exchanges with the promoters holding a 62.45% stake.
- The Company's market capitalisation (free float) stood at ₹218.43 crore as on 31<sup>st</sup> March 2015.

### Location

- Sunil Hitech is headquartered in Mumbai (Maharashtra) with delegated operations from Noida, Nagpur and Mumbai.
- The Company manages projects in 44 locations across 14 Indian states.

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## Competencies

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### EPC/turnkey projects

- Balance of plant package for up to 660 megawatts
- Sugar plant with co-generation of 30 megawatts
- \*Storage sheds
- CHP bunker belt extension
- Raw water/LP piping system
- Fuel oil system with tankers
- Sub-station up to 220 kilovolts/400 kilovolts
- RAPDRP (restructured accelerated power development and reforms programme) projects

### Civil

- Civil and architectural works up to 660 megawatts
- Civil works for hydropower plants
- Staff quarters, school building, rest house building
- Storage sheds

### Structural

- Fabrication and erection of heavy structures up to 800 megawatts
- Fabrication and erection of building and technological structures of various utilities for steel plants
- Structural works for sugar and metal plants
- Structural works of process and heavy industry

### Mechanical

- Erection of boilers and auxiliaries up to 800 megawatts
- Erection of HRSG

- Erection of TG and auxiliaries up to 660 megawatts
- Complete installation of sinter plant
- Hydro-mechanical works of hydropower plants
- Fabrication and erection of raw water piping system
- Fabrication and erection of chimney flues up to 660 megawatts
- Erection of HP/LP piping system of up to 660 megawatts

### Transmission

- EHV transmission lines up to 132 kilovolts, 220 kilovolts and 400 kilovolts
- EHV sub-station of up to 132 kilovolts, 220 kilovolts and 400 kilovolts
- Erection, testing, commissioning of power transformers
- C&R panels
- SCADA system
- PLCC equipment
- HT capacitors
- Construction of control rooms for EHV
- Construction of heavy consignment roads for carrying out transformers and other equipment of up to 250 metric tonnes
- Earthing system for the entire sub-station

### Distribution

- Sub-transmission lines for 11 kilovolts, 22 kilovolts and 33 kilovolts
- Sub-stations for 33/11 kilovolts and

- 22/11 kilovolts
- Erection, testing and commissioning of pole mounted and plinth mounted distribution transformers
- Distribution network including UG cable from 1.1 kilovolts up to 33 kilovolts

### O&M

- Renovation of boilers, TG and auxiliaries
- Repair, modification and rehabilitation for utility boilers up to 500 megawatts
- Pressure plants, milling system, rotating parts and ducting
- HP/LP piping works
- Operations and maintenance of CHP and AHP

### Manufacturing

- Design and supply of super heater and re-heater coils
- Economiser and LTSH coils
- Water wall panels
- High pressure parts bend
- Structure of TG, bunkers and boilers
- Technological structures for power and process industry
- Tanks and vessels
- Piping
- Boiler pressure parts tubes up to 500 megawatts
- Collection and emitting electrodes of ESP
- Air register assemblies

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## Clientele

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- National Thermal Power Corporation Limited
- Chhattisgarh State Power Generation Company Limited
- Bharat Heavy Electricals Limited
- Rajasthan Rajya Vidyut Utpadan Nigam Limited
- Tamil Nadu Electricity Board
- Bharat Aluminium Company Limited
- Madhya Pradesh Power Generating Company Limited
- Maharashtra State Transmission Company Limited
- Shandong Electric Power Construction Corporation, China
- Dodson- Lindblom International Incorporated, USA
- Skoda Exports Company Limited
- Reliance Energy Limited

- Jindal Steel & Power Limited
- Gujarat State Electricity Corporation Limited
- Mahadiscom
- Hindustan Steelwork Construction Limited
- Hindalco Industries Limited
- Rashtriya Ispat Nigam Limited
- Maharashtra State Power Generation Company Limited
- JSW Steel Limited
- Jaypee Group
- Larsen & Toubro
- Maharashtra State Electricity Distribution Company Limited
- Punj Lloyd Limited
- Tata Projects Limited
- JSW Energy Limited

- National Buildings Construction Corporation Limited
- Haryana Vidyut Prasaran Nigam Limited
- Adani Power Limited
- Jaypee Group
- National Highway Authority of India
- Ministry of Road Transport & Highway
- DOOSAN India Limited
- GAIL (India) Limited
- Abir Infrastructure Limited
- Kanpur Development Authority
- Alstom Bharat Forge Power Limited
- Indian Oil
- Thermax
- BGR Energy System Limited
- APGENCO
- Singareni Collieries Company Limited



## Sunil Hitech Engineers Limited

### Flagship Company

- Primarily engaged in EPC business for the power sector, roads, bridges, buildings and urban infrastructure
- The Company has completed BoP projects up to 250 megawatts (can undertake projects upto 800 megawatts)
- The Company has an expertise in the T&D sector, having erected EHV transmission lines and substations up to 400 Kilovolts
- The Company has a strong client base including NTPC, BHEL, Adani Group, Reliance Energy among others.

#### SEAM Industries Ltd.

(88.60%)

- Manufactures boiler pressure parts and components, industrial boilers, steel pipes and pipe fittings, tanks, vessels, among others.
- Strong fabrication capabilities
- Complements SHEL's turnkey/EPC projects

#### Sunilhitech Solar (Dhule) Pvt. Ltd.

(100%)

- 5 megawatts under commissioning
- Target of 200 megawatts over the next five years

#### Sunilhitech India Infra Pvt. Ltd.

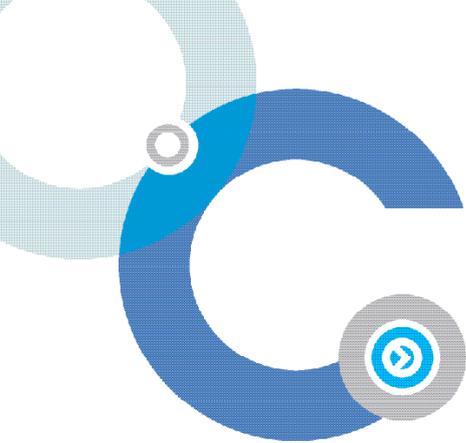
(90%)

- Focus on roads and renewable energy sectors
- Secured projects worth ₹500 crore in its first year of business

#### Gangakhed Sugar & Energy Ltd.

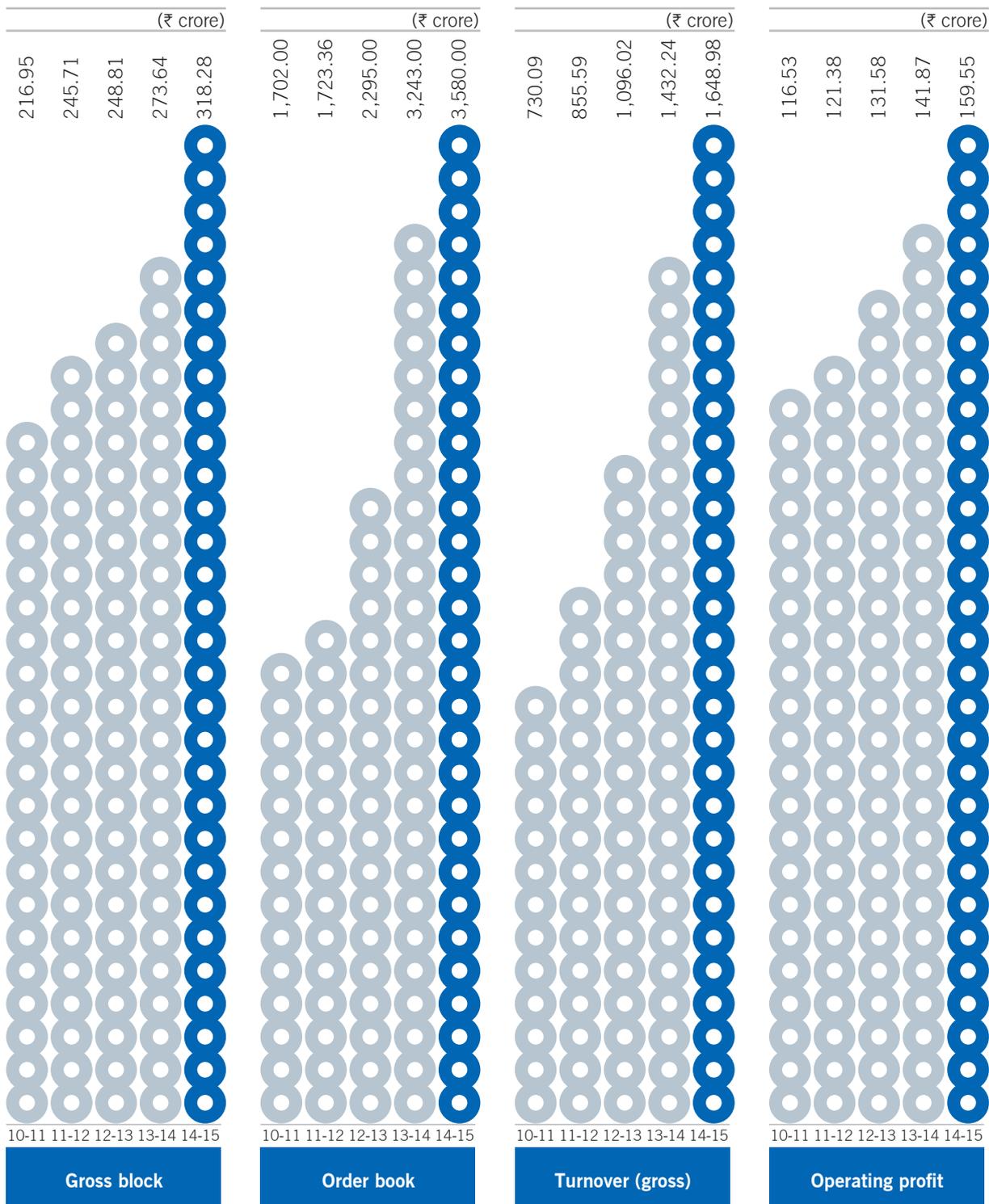
(28.03%)

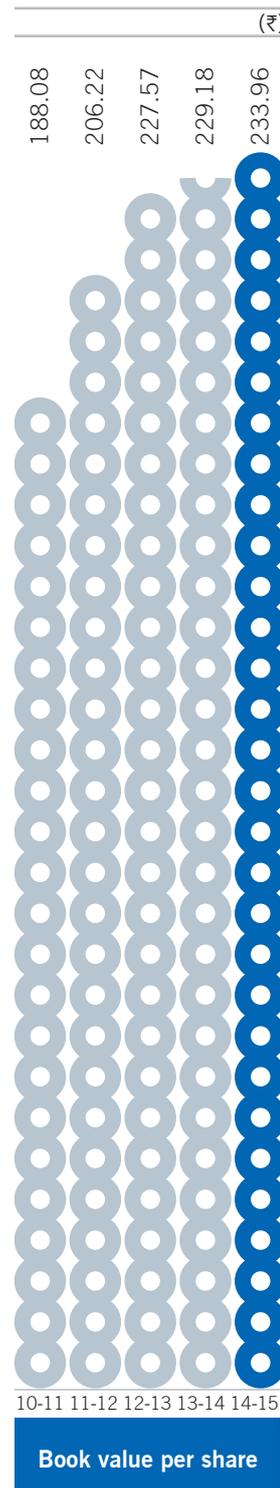
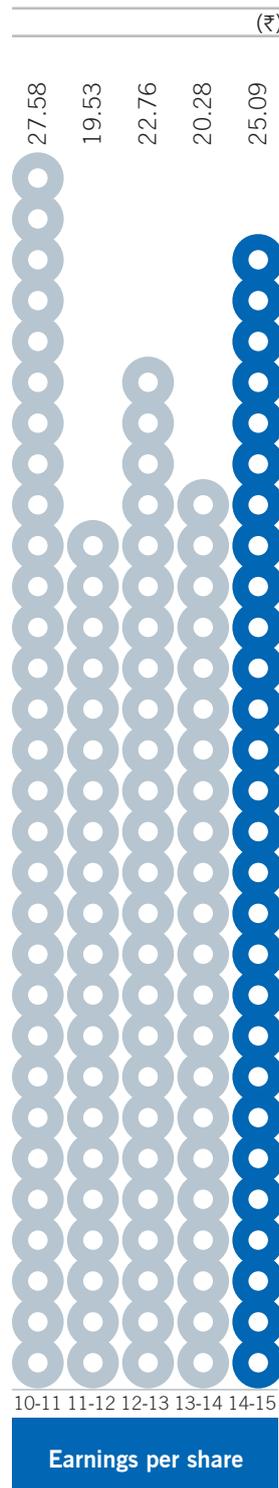
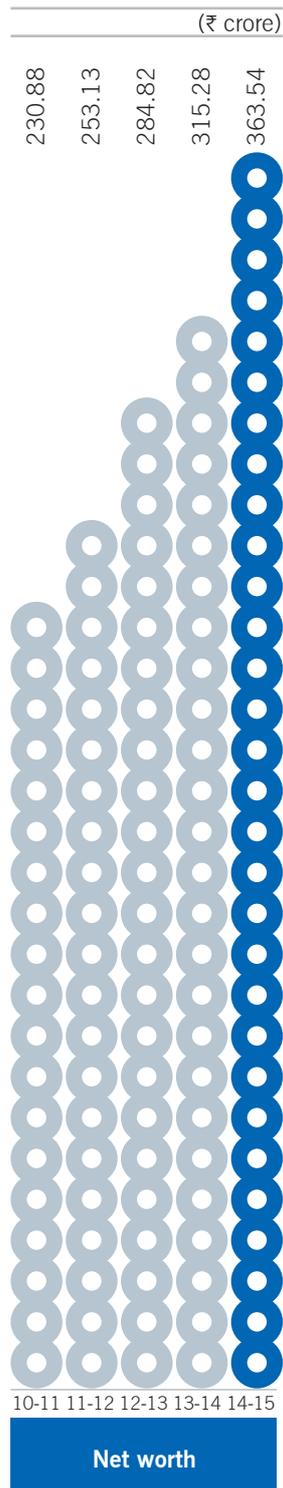
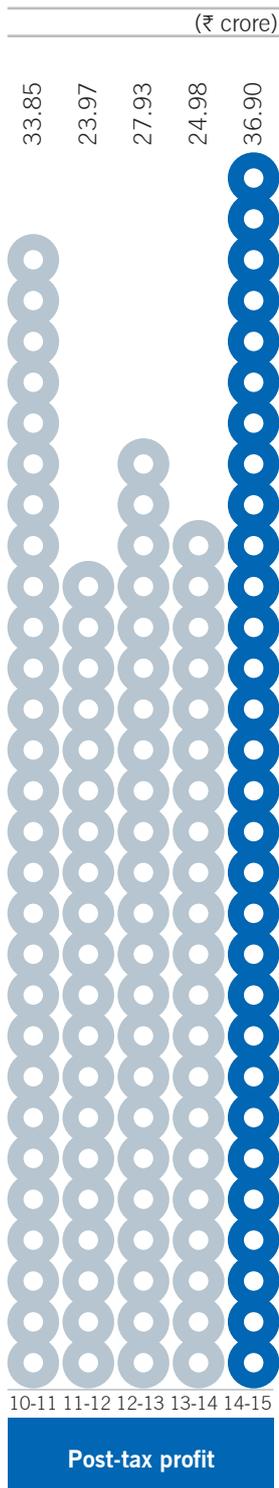
- GSEL runs a 600 tonnes of cane per day sugar plant and a 30 megawatts captive power plant and 7000 Ltr distillery products and 1.80 megawatts Co-gen power
- GSEL was commissioned in 2010 by SHEL

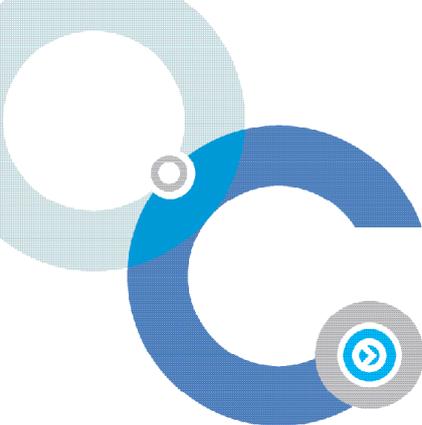


THE YEAR 2014-15 WAS A CHALLENGING YEAR FOR THE INDIAN ECONOMY.

**THE YEAR WAS ALSO THE BEST-EVER AT SUNIL HITECH.**







“THE MESSAGE THAT WE WISH TO SEND OUT TO OUR SHAREHOLDERS IS CLEAR: THE COMPANY HAS EVOLVED AND IS READY TO CLIMB INTO THE NEXT ORBIT.”

A conversation with Mr. Sunil Gutte,  
Managing Director



**Q: Were you pleased with the performance of the Company during the fiscal gone by?**

There is absolutely no doubt in my mind that the Company's performance during the fiscal gone by was the result of pursuing a consciously chosen path – broadbasing our sectoral presence, diversifying our revenues streams, building our credentials, investing in a captive equipment bank, turning projects around faster and gravitating towards more remunerative projects. I am pleased to state that the Company validated the efficacy of its business strategy through improved financials even as things continued to remain sluggish in infrastructural development in India.

**Q: What were some of the developments that you are especially proud of?**

The Company registered significant profitable growth, wherein our consolidated bottomline grew considerably more than the growth in our revenues. At a time when most service providers to India's infrastructure sector were extensively affected by a drying up of orders and stretched Balance Sheets, I am pleased to state that our Company acquitted itself creditably on both counts.

**Q: Shareholders are likely to be impressed by the sharp increase in your bottomline. What are some of the other numbers that you would**

**like to draw the attention of readers to?**

There are some numbers that faithfully reflect the full extent of our evolution. Our net profit margin improved from 1.74% in 2013-14 to 2.24% in 2014-15. This is an unambiguous measure of our profitability and the fact that this improved after a gap of two years indicates that the evolution we had been envisaged has well and truly commenced.

In a working capital-intensive business, we efficiently used our financial resources. Consequently, even as our topline increased by ₹213.73 crore, our interest outflow strengthened only by ₹0.88 crore. Correspondingly, our improved interest cover (number of times



IN A WORKING CAPITAL-INTENSIVE BUSINESS, WE EFFICIENTLY USED OUR FINANCIAL RESOURCES. CONSEQUENTLY, EVEN AS OUR TOPLINE INCREASED BY ₹213.73 CRORE, OUR INTEREST OUTFLOW STRENGTHENED ONLY BY ₹0.88 CRORE.

EBIDTA covered the interest outflow) reflects the increased viability of our business.

The message that I want to send out is: this is the start of a new growth phase at Sunil Hitech and from this point onwards, the numbers should only get better.

**Q: It might appear that the economy performed better during the year under review?**

This is something that I must caution shareholders about. At no point do I wish to communicate that it was a relatively easy year. There were a number of challenges that we faced related to the multi-location management of project sites that threatened the timely execution of ongoing projects. Any delay would not only have implications related to our reputation but would also affect our ability to close projects and raise our final bills. The other challenge was that there was an ongoing slowdown within the Indian economy, which throttled order book accretion. There was a fear that if the competitive pressures did not subside, although we would be able to generate new orders but they would be at margins that would not do justice to our investments. And lastly, the high cost of funds within the country threatened the viability of all EPC companies and we were no exception.

**Q: The Company has undergone a significant transformation in its financial and operational parameters over five years. Could you explain the transition?**

One might assume that our improved financials during the year under review were the result of what we did during the last financial year. That would be an erroneous assumption. What we achieved during the last year was the result of initiatives that we invested in our business a few years ago.

We had recognised that the EPC Balance of Plant business was getting increasingly competitive and used the experience of civic projects to extend into new domains. We strengthened our credentials. We recruited competent personnel. We re-organised our internal divisions by creating SBUs. We assigned independent charge to experienced industry professionals (calibre of Mr. Venkatraman and Mr. Dhiman) who were mandated to lay the foundation for long-term profitable growth of our civil engineering and road verticals. And most importantly, we remain focused on bidding only for projects that would generate higher EBIDTA margins than we enjoyed in the past. So what people saw in our 2014-15 performance was an outcome of a conscious repositioning embarked upon a few years ago.

**Q: Would you like to elaborate how the Company reported profitable growth?**

At the end of the day, each corporate – whichever sector it is placed in – needs to decide whether it wants to be a volume player or a value player.

At Sunil Hitech, we have made our decision. We would like to be positioned as a volume-cum-value player. We will bid for sizeable large projects that offer

attractive margins. We will select to specialise in spaces relatively protected from extensive competition. We will consciously vacate projects that draw significant competition and do not leave enough value on our table. In short, we will be more bottomline-focused from now on.

**Q: How has Sunil Hitech strengthened its competitiveness related to its presence in industry spaces, margins and the strength of its Balance Sheet?**

There is an industry churn that has transpired over the last few years. There was a time when EPC companies like ours generated a net profit margin of around 4.5%. The high industry profitability attracted a number of players into this space. A number of them undercut the prevailing industry realisations with the objective to carve out a larger market share. The result was that the business lost more than 250 bps in net margin over the years, falling below the 2% mark in 2013-14.

When this transpired, all those companies with a short-term view of the business found it unviable to remain profitable. These companies reported significant losses. In turn, this affected their qualification credentials (net worth), which ensured that they could not bid for the next round of large projects.

As the competitive pressure declined, the companies that had survived, Sunil Hitech being one, could immediately generate fair margins. And that is precisely what transpired with us: we



THE COMPANY FINISHED THE YEAR UNDER REVIEW WITH AN ORDER BOOK WORTH ₹3,580 CRORE. I MUST ASSURE SHAREHOLDERS THAT THE MAJOR PART OF THIS ORDER BOOK HAS BEEN DERIVED AT ATTRACTIVE MARGINS.

generated a 50 bps increase in our net margin to 2.24% in 2014-15.

**Q: There is a danger of the Company stretching its financials while attempting to grow rapidly. This is something that has happened to a number of EPC players in the past. How does the Company expect to address this possibility?**

At Sunil Hitech, we recognise that the EPC business is one where the size of our Balance Sheet dictates the quantum of our growth that one would be able to generate. Hence, the growth guidelines are fairly evident: in our opinion, a company that programmes itself to grow revenues by 15-20% each year can hope to progressively moderate the use of debt, and in doing so, get into a virtuous cycle marked by a higher return on equity. Therefore, what shareholders can safely expect is responsible, controlled and sustainable growth.

**Q: Over the years, we have seen the power sector being prone to downturns and periods of slow on-ground activity. How does the Company intend to risk-proof from this reality?**

The Company witnessed a meltdown in the power sector in 2009-10 when projects slowed significantly due to land acquisition challenges, non-availability of clearances, steep coal price rise and decline in financing sources. At Sunil Hitech, the Board deliberated on the need to hedge the Company's power sector exposure while at the same time recognizing the need to extend

its areas of competence. One such area considered by the management was expanding the civil engineering expertise acquired by the Company in the course of executing projects for power plants that could be manifested in the construction of hospitals, schools, residential quarters, administrative buildings, internal roads and a range of civil, mechanical and structural engineering assignments. The result is that from 2010-11, the Company started gravitating towards these verticals; it started to bid independently for civil engineering projects as well. As a validation of this strategy, the Company won orders worth ₹350 crore cumulatively for the construction of a *sudhar ghar* (correctional facility) in Punjab, and is executing 300 km road projects in West Bengal and Karnataka. The Company has thus grown its civil engineering vertical, de-risking from the uncertainties of the power sector and extending into attractive new streams.

**Q: Could you explain how the Company has evolved its presence in the civil engineering vertical?**

Over the past three years, we have met with a fair success in these spaces. For one, we were able to complete assignments related to this space that now serve as credentials that reinforce our pre-qualification to get more such assignments. Two, our stronger pre-qualification credentials have translated into growing order books within each segment. Three, we have spun each of these verticals into strategic business units headed by experienced industry professionals (Mr. Dhiman and Mr. Venkatraman with 33 and 34 years

of industry experience respectively). Four, we have graduated from thin margin projects to higher margin projects that should lift overall corporate profitability. Over time, we expect the non-power sector component of revenues to increase substantially, widening our ability to capitalise on a broader sweep of the country's economic turnaround. In the current fiscal, we expect to consolidate our presence in the civil engineering space, enhance our exposure in the roads segment and widen EPC presence across the solar power and solid waste management segment. The Company believes that the incumbent Government's focus in bridging the deficit in civil infrastructure and impetus in road construction will present significant opportunities for us.

**Q: Does the Company wish to draw attention to the quality of its order book and projected revenues?**

The Company finished the year under review with an order book worth ₹3,580 crore. I must assure shareholders that the major part of this order book has been derived at attractive margins. All we now need to do is complete these projects on schedule, which in turn will translate into timely inflows.

Over the years, we have prudently invested in dedicated teams and captive equipment; we expect to leverage our enviable track record when it comes to timely project completion to report yet another year of successful growth. So the message that we wish to send out to our shareholders is clear: the Company's evolution has begun and it is ready to climb into the next orbit.



## THE INDIAN ENERGY SECTOR

**249,488.31 megawatts**

India's installed power generation capacity

**~ 135,000 megawatts**

India's daily power generation

**30,000 megawatts**

Daily power outage in India

**23.65%**

T&D losses in 2013 in India against a global benchmark of 15%

**940 kilowatt-hour**

India's per capita power sector consumption is among the lowest in the world, China stands at 4,000 kilowatt-hour

**3.7%**

Peak electricity shortage faced by in June, 2014

**1,75,000 megawatts**

Target for renewable energy capacity by 2022

**2022**

Target year for achievement of 'Power for all' in India

## THE INDIAN CIVIL INFRASTRUCTURE SECTOR

**10,000 kilometres**

Target for awarding road projects in 2015-16.

**₹200 billion**

Corpus of the newly created National Infrastructure Fund

**₹827 billion**

Allocation to the Ministry of Road Transport and Highways in Budget 2015-2016

**₹200,000 crore**

Spending outlay for the Swachh Bharat Mission over 2014-2019

**66.2 million**

Estimated shortage of dwelling units in rural and urban India

**\$1 trillion**

Investment required for developing India's infrastructure in the 12th Five Year Plan period (2012-2017)

**₹98,000 crore**

Outlay for the development of 100 Smart Cities under the Smart Cities Mission and 500 cities under the Atal Mission for Rejuvenation and Urban Transformation

**₹700 billion**

Increase in infrastructure investment in 2015-16 over the preceding fiscal



VERTICAL#1

## POWER SECTOR

### EPC PROJECTS IN THE POWER SECTOR; BALANCE OF PLANT IMPLEMENTATION AND COMMISSIONING

#### Overview

BoP and EPC services for power plants represent the Company's core competence. The Company entered this space in 2010, acquired considerable expertise while being associated with the completion of 40969-megawatt power plants in India, the largest by any sectoral player in India. The extensive experience in managing large-scale BoP and EPC projects helped carve a niche and progressively spin standalone businesses.

The Company serviced the BoP and EPC needs of some of the most prominent power generating companies in India like Mahagenco, NTPC, BHEL, L&T etc. The competencies derived by the Company through these engagements comprised projects like Parli, Meja, Sarni, Koradi and DB Power Projects.

#### Strengths

- Sunil Hitech is empanelled for EPC projects with all major power generating units, its expertise spanning the fabrication, erection, testing and commissioning of bunkers, electrostatic precipitators, boilers and TG sets in power plants
- In-house engineering and fabrication capabilities for boiler components through the Company's 88.60%-subsidiary, SEAM Industries Limited
- Cumulative execution experience over the last 30 years of 40969 megawatts
- Longstanding relationships with all major power generation units across India
- Extensive track record in efficient project management across locations

#### Highlights, 2014-15

The Company won 15 tenders valued at ₹1,460 crore during the course of the year. The Company ended the year under review with an order book of ₹3,580 crore, which was 10% higher than the corresponding order book as on 31st March 2014. The average project tenure was 30 months compared to 36 months in the previous year, translating into attractive revenue visibility. EBIDTA margins for the order book climbed considerably strengthening the Company's outlook.

Some of the challenging projects comprised the erection and commissioning of NTPC's plant at Kudgi (Karnataka), NTPC's plant at Lara (Chattisgarh) and the design and execution of river water intake systems for NTPC's plant at Meja (Uttar Pradesh).

#### Outlook, 2014-15

The Company expects to capitalise on proposed capacity additions and growth in the Indian power sector. Around 58% of India's power generation is derived from coal-fired power plants, where the Company possesses established competence.

The incumbent Government has a stated objective of providing uninterrupted power supply throughout India by 2019. This could translate into 88,000 megawatts of thermal power plant capacity additions during the Twelfth Five Year Plan (2012-17).

The fact that India is targeting capacity addition of 174.9 gigawatts, nearly 70% of the capacity created in India across the last 100 years, in only the next seven years is an index of the vastness of the emerging opportunity.



VERTICAL#2

## CIVIL ENGINEERING

EPC FOR CIVIL WORKS SUCH AS CIVIL PROJECTS, ROADS AND BRIDGES CONSTRUCTION, AS WELL AS SOLID WASTE MANAGEMENT, AMONG OTHERS

### Overview

The Company progressively leveraged the rich experience derived from BoP and EPC projects inside power plants to bid for a wider spectrum of projects. These projects comprise road construction, structural engineering, bridges, sewage management and other civil engineering projects.

### Strengths

#### **Non-power civil**

- The Company bid for projects worth ₹2,200 crore and was awarded eight with a strike rate of 25% (by value).
- The Company enjoys the reputation for timely project delivery; it had on its payrolls 2,000 workers across five locations.
- The business strengthened its credibility through complementary alliances (four international and five Indian companies); it tied up with a Ukrainian company to build three hospitals.
- The Company addressed large governmental projects in the ₹350-400 crore range.
- The Company received necessary funding from commercial banks.

#### **Roads**

The business built its credibility from scratch, having closed the year under review with road building projects spanning 142 kilometres.

The business possesses an equipment

pool of ₹450 crore, facilitating timely project completion.

The business is margins-accretive by virtue of being retention-friendly, strengthening cash flows.

The Company strengthened its credentials to address NHAI projects.

The Company focuses on projects where it can engage as a direct contractor or work as a vendor for a Grade-A contractor.

The Company bid for projects backed by prominent international funding institutions (World Bank and Asian Development Bank), assuring timely project completion.

The Company appointed a business head with prior experience of having led a large infrastructure company and overseen around 7,000 kilometres of road construction.

The Company received NHAI qualification for BoT projects up to ₹900 crore.

The Company has achieved a strike rate of 16% in bidding for road projects.

### Highlights, 2014-15

#### **Non-power civil**

**Operational:** In this vertical the Company won 15 projects valued at ₹1,460 crore in 2014-15. The three major projects were a ₹91 crore project for Singareni Collieries, a ₹100 crore contract for the development of a township in Kanpur for Kanpur Development Authority and a ₹350 crore project for the construction of Central Sudhargarh correctional facilities in Bhatinda and Govindwal Saheb for the Central Public Works Department. The Company commenced work on these contracts with an estimated turnaround of 18 months. It successfully vied for tenders for various civil EPC projects. The Company completed ₹150 crore worth of projects under the non-power civil vertical during the year under review.

#### **Roads**

**Operational:** The Company won 13 road projects valued at ₹450 crore covering 142 kilometres during the course of the year, a number of them won against stiff bidding. During FY2014-15, the major



THE COMPANY IS OPTIMISTIC OF REPORTING STRONG GROWTH IN THE NON-POWER CIVIL SEGMENT, MARKED BY PROGRESSIVELY LARGER GOVERNMENT SPENDING OF \$1 TRILLION TILL 2017.

road EPC contracts bagged were in West Bengal (₹322 crore) and Karnataka (₹122 crore) awarded by the Ministry of Road, Transport and Highways and in Telangana (₹52 crore) awarded by the Hyderabad Metropolitan Development Authority. Sunil Hitech ended the year under review with an order book of ₹496 crore in the road construction business.

#### **Solar power plant**

The Company bolstered its competence by venturing into EPC contracts for solar power plants. The Company commissioned 5-megawatt solar power plant pilot project in Sholapur, Maharashtra, during the year.

#### **Sewage management**

Sunil Hitech views this as a high-growth segment; it possesses the expertise to execute large and complex projects. During the year, the Company won prestigious project under Sewage management.

#### **Outlook 2014-15**

##### **Non-power civil**

The company is optimistic of a strong growth in this segment, marked by progressively larger government spending of \$1 trillion till 2017. With a burgeoning population sizeable amounts are expected to be spent in the creation of essential infrastructure, especially in the area of public welfare such as hospitals and solid waste management facilities. Margins have revived and are likely to get strengthened. The Company is engaged in bidding for 20 projects with an aggregate value of ₹5,000 crore; it expects to bid for ₹600 crore projects in standalone capacity by 2017-18.

##### **Roads**

A keen emphasis on road-building has been laid by the Central Government. The 2015-16 Union Budget raised the budgetary allocation for the highways sector by 48% from ₹28,881 crore to ₹42,913 crore. The current pace of

road construction is 12 kilometres per day and projected to rise to around 30 kilometres per day by 2017. It has been estimated that close to 95% of the 190 stalled road projects have been restarted. Besides, there is a growing focus on the creation of civil infrastructure like bridges, hospitals and airports, among others.

The Company is optimistic, having bid for 30 projects with an aggregate value of around ₹6,000 crore. Besides, there has been a gradual improvement in road building margins. The Company possesses adequate qualifications, economies-of-scale and competent teams to address the growing sectoral opportunity.

The Company is optimistic that its deep-rooted engagement in this space will enhance profitability; it expects to bid for road building projects worth ₹800 crore in a standalone capacity by 2017-18.



# RISK MANAGEMENT

## Execution risk

### RISK IMPACT

FAILURE TO WIN AND EXECUTE COMPLEX PROJECTS SUCCESSFULLY MAY ADVERSELY IMPACT THE COMPANY.

### MITIGATION MEASURES

The Company evaluates projects and places bids drawing on its significant experience and core competency in areas such as EPC in Balance of Plant, EPC services for power plants, road construction and civil infrastructure among others. The Company makes efforts to consciously avoid entering into projects that are in areas outside of its core competency and domain expertise. The Company has a flawless track record of successfully bidding and executing as many as 75 projects over the past decade.

## Strategic risk

### RISK IMPACT

A MYOPIC BUSINESS STRATEGY COULD PREVENT THE COMPANY FROM TAKING ADVANTAGE OF BUSINESS OPPORTUNITIES.

### MITIGATION MEASURES

The Company is proactively engaged in making the most of emerging business opportunities. The Company has an experienced team of employees that remains abreast of industrial developments and continually focus on deriving the fullest advantage from these. The Company is an established EPC contractor in the power segment with a focus on the BoP and other power plant-related civil infrastructure projects. Further, the Company has entered into the pure-play civil construction space since 2009 to hone its core competencies.

## Economic risk

### RISK IMPACT

A SEVERE DOWNTURN IN THE ECONOMY MAY LEAD TO A SLOWDOWN IN INFRASTRUCTURE CREATION AND IMPACT THE PROSPECTS OF THE COMPANY.

### MITIGATION MEASURES

India remains substantially under-invested in terms power generation and distribution infrastructure and resultantly the Central Government has set an ambitious target of 'Power for All' by 2019. In order to achieve this, massive investments are needed in the power sector in the years to come. Significant spending is also expected in civil infrastructure as the government expects to build more bridges, roads, dams, among others in order to support a burgeoning population and rapid urbanisation. It is expected that the Company would win infrastructure contracts and be a key beneficiary of the stipulated spending in and civil infrastructure sectors.

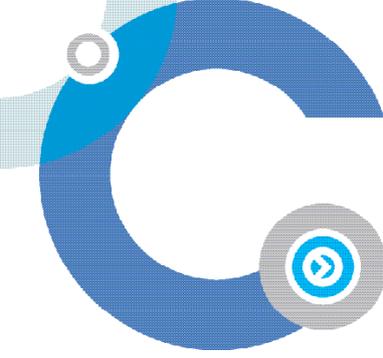
## Financial risk

### RISK IMPACT

PRUDENT FINANCIAL MANAGEMENT IS AN ESSENTIAL PART OF THE BUSINESS. AN INABILITY TO EXERT PROPER COST CONTROL CAN BRING DOWN PROFITABILITY OF THE COMPANY.

### MITIGATION MEASURES

Sunil Hitech has always prided itself on its prudent financial management. The Company focuses on managing capital judiciously to ensure that the debt-equity ratio remains comfortable and the Company is not financially stressed under any circumstances. Stringent controls on project costs are exercised and any project cost overruns are strictly monitored.



## OUR COMPETITIVE ADVANTAGES

### Turnkey BoP services

The Company enjoys significant experience in turnkey services for power plants; its proven expertise lies in the areas of design, fabrication and execution for BoP power plants.

### Civil engineering projects

Sunil Hitech has used the experience gained as an EPC player in the power sector to enter the civil engineering business. The Company has the experience and knowhow to execute a wide range of projects such as road building, civil structure construction, township developments, among others.

### In-house fabrication facilities

Sunil Hitech has an in-house facility for the fabrication of steel structures through its subsidiary Seam Industries. Seam Industries was established as a backward integration for the parent company; it offers fabrication and erection services for power plants.

### Sizeable order book

Sunil Hitech had an order of book of ₹3,580 crore as on 31<sup>st</sup> March 2015. This gives the Company assured revenue visibility for the next three years, allowing it to structure its projects and operations.

### Expansive customer portfolio

The Company has successfully executed contracts for some of the leading entities in the Indian power sector. Sunil Hitech is proud to have partnered majors such as BHEL, JSW Steel, Mahagenco, L&T Power, Jindal Steel & Power, NTPC, Chhattisgarh State Power Generation, BALCO, Reliance Energy, Jaypee Group, Punj Lloyd, Tata Projects, Adani Power, RINL, Mahadiscom, Hindalco, Dodson-Lindblom, Maharashtra State Transmission, Tamil Nadu Electricity Board, Skoda Exports and Gujarat State Electricity Corporation, among several others.

### Pan-India project execution capability

The Company has executed projects across the length and breadth of the country. Sunil Hitech often operates in challenging topographies, which present challenges related to a dearth of trained personnel, timely material supply, efficient equipment functioning and security concerns. The Company's hands-on management and entrepreneurial mindset ensure that these challenges are competently addressed. During the year under review, Sunil Hitech executed projects at 44 locations covering 14 states.

### **Strategic partnerships**

Sunil Hitech is looking for a strategic tie-up for providing boilers for power plants. This allows the Company to bid jointly for large EPC projects (capacities ranging between 300 and 800 megawatts) and deliver end-to-end solutions.

### **Widening presence**

Sunil Hitech is extensively engaged with EPC and BoP works for thermal power plants. On the strength of opportunities in the sector, the Company's order book has grown considerably and providing revenue visibility over the next couple of years. The Company's objective is to balance its portfolio and imbue it with predictability, profitability and quality.

### **Continuous growth**

The Company's business and growth are dependent on its ability to bid for and secure large and varied projects. Bidding for power plant projects, especially the ultra-mega power plants (each unit 660 megawatts), is dependent on various criteria (bid capacity and pre-qualification capability). Sunil Hitech strengthened qualifications along both parameters and consequently increased its bid capacity and order size.

### **Robust supply chain**

The Company's management believes material sourcing and logistics covering steel, cement and sand, among others, to be of mission-critical importance. The Company's ability to source key raw materials close to operating sites has rationalised transportation costs. Sunil Hitech has also set up mechanical loading and unloading lines and railway sidings at some of its sites for easy material transportation.

### **Quality gross block**

The Company owns critical high-end and modern construction equipment (crushers, excavators, cranes, batching plants, pavers, among others). The Company's gross asset base stood at around ₹318.27 crore at the close of 2014-15. The ownership of high-end equipment ensures timely mobilisation and continuous availability.

### **Quality management team**

Sunil Hitech believes that a well-trained, motivated and satisfied employee base drives our competitive advantage. The Company has more than 1472 employees, including engineers, MBAs and CAs. The skill sets of employees guarantees the flexibility to adapt to client needs and technical requirements. The Company's promoters possess decades-long expertise in the infrastructure sector and are actively involved in day-to-day operations. The experience gathered by our management team facilitates quick decisions, ensuring that projects are executed within contracted timelines. Sunil Hitech has the ISO 9001:2008 quality certification for civil, mechanical, fabrication, erection, repair, maintenance and electrical works.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDIAN ECONOMY

The forecasts of the World Bank and IMF expect the Indian GDP growth rate to be around 7.5% in 2015-16 and 8% in 2017-18. The World Bank has concluded that the Indian economy will accelerate GDP growth during the next five years on the back of increasing investments. Besides, India imports close to 85% of its fossil fuel energy requirements and has been a significant beneficiary of the decline in oil prices from \$110 per barrel to close to \$65 per barrel, which could lead to higher capital investments in infrastructure.

## INFRASTRUCTURE IN INDIA

Growth in infrastructure is essential to support economic growth and the needs of its population. There exist chronic shortages in urban infrastructure ranging from roads and highways, bridges and urban solid waste management

systems, among others. The incumbent government has taken on the task of accelerating infrastructure development. It is estimated that the country needs close to \$1 trillion in infrastructure spending to keep pace with economic growth.

## POWER SECTOR

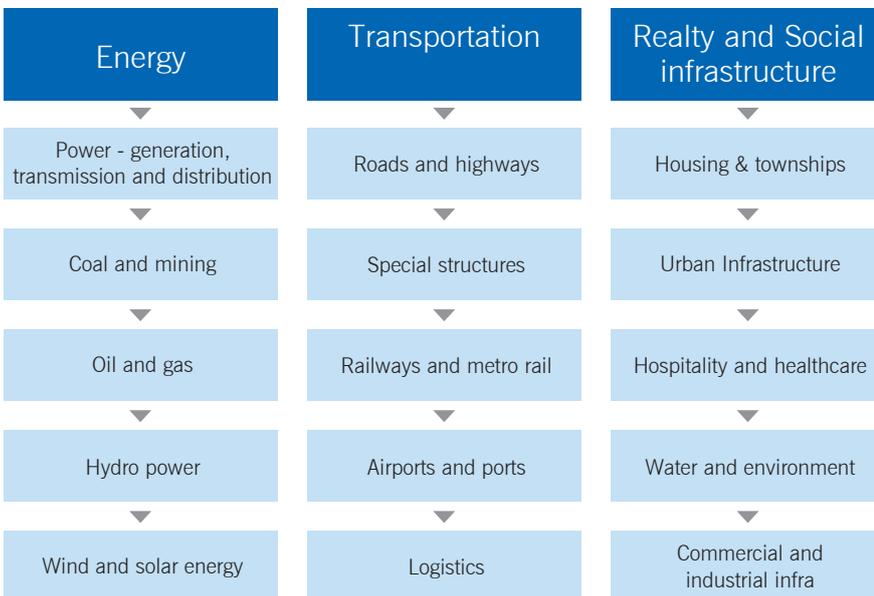
### Overview

The availability and affordability of electricity or power is a pre-requisite for the growth and development of any country. The manufacturing base of a nation is dependent on the power sector to provide reliable electricity at competitive rates. It is widely acknowledged that the growth in global GDP is expected to come from India and China. In order to support this growth and make it sustainable, it is essential that these countries invest in developing the requisite power

generation, transmission and distribution infrastructure.

The Government of India announced large budgetary allocations of \$250 billion for investment across the entire power industry chain comprising generation, transmission and distribution. Since the time of independence India has suffered from massive under-spending in the power sector and a rapid increase in investments is needed. At the ground level, several problems remain that are slowing sectoral growth. Major roadblocks include land acquisition for power plants and non-availability of coal supplies. The Government expects to resolve all roadblocks affecting the sector and has set itself the goal of 'Power for All' by 2019 covering the household, industrial and agriculture sectors.

## OPPORTUNITIES IN INDIA'S INFRASTRUCTURE SECTOR



### \$250 BILLION

Projected Indian investment in the power sector over the next five years to achieve 'Power for All' by 2019:

### \$100 BILLION

Investment in renewable energy

### \$50 BILLION

Transmission & Distribution sector investment

### \$60-70 BILLION

Power generation for fresh projects and restarting stalled projects

### \$5-6 BILLION

Energy efficiency projects investment



FOR THE 12TH FIVE YEAR PLAN, THE INDIAN GOVERNMENT HAS TARGETED A SIZABLE 88 GIGAWATTS OF POWER CAPACITY ADDITION.

### 12<sup>th</sup> Five Year Plan

For the 12<sup>th</sup> Five Year Plan, the Government has targeted 88 gigawatts of power capacity addition. This comprises 72.3 gigawatts of thermal power capacity, 10.8 gigawatts of hydro power and 5.3 gigawatts of nuclear power. The Plan lays down a renewable energy capacity addition of 30 gigawatts over the next five years.

### Per capita annual consumption

The current per capita annual consumption of electricity in India is 940 kilowatt-hours and among the lowest in the world. Over the next five years, per capita consumption is expected to rapidly rise to reach the international average of close to 2,500 kilowatt-hours due to increased urbanisation and last mile connectivity. It is expected that total energy consumption in India could double by 2019.

### National Power Grid

Certain parts of India are plagued by chronic power shortages while certain parts of India have excess power

capacity. It is important to create a National Power Grid to enable the evacuation of power from surplus areas to areas that are deficient. At the moment, close to 400 million Indians remain unconnected to the national power grid.

### Non-renewable energy scenario

Coal and gas are the major sources of energy for electricity generation in India. The country has rapidly added thermal power generation capacity over the last few years to meet rising demand from a growing population base.

Close to 67% of the installed capacity in India is thermal power-based. The average plant load factor for thermal capacity declined from 75% to 65.11% in 2014-15 due to an acute shortage of coal and gas supply.

The Indian power sector is undergoing a significant change. Sustained economic growth continues to drive power demand in India. The Government of

India's focus to attain 'Power for All' has accelerated capacity addition. At the same time, the competitive intensity is increasing on the market and supply sides (fuel, logistics, finances and manpower). The 12<sup>th</sup> Five Year Plan expects total domestic energy production to reach 669.6 million tonnes of oil equivalent by 2016-17 and 844 million tonnes of oil equivalent by 2021-22.

By 2030-35, energy demand in India is projected to be the highest among all countries according to the 2014 energy outlook report by British oil giant BP.

At the end of 2014-15, total thermal installed capacity stood at 164.6 gigawatts, while hydro and gas-based energy installed capacity totalled 41.26 gigawatts and 23.10 gigawatts, respectively. At 5.78 gigawatts, nuclear energy capacity marginally increased from that in the previous year. (Source: *Indian Infrastructure*)

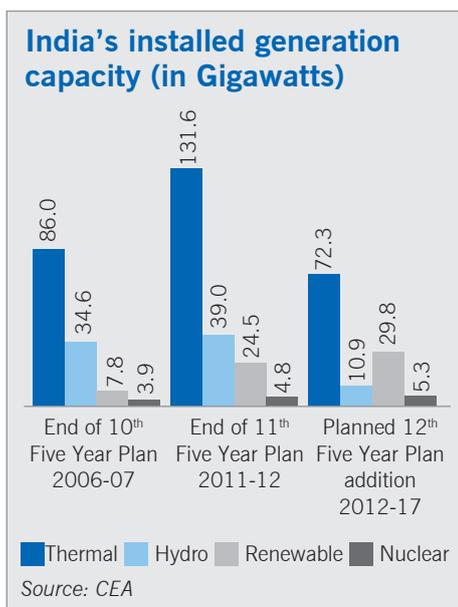
The Planning Commission of India set a

## THE POWER SUPPLY POSITION IN INDIA, 2009-10 TO 2014-15

Year	Energy				Peak			
	Requirement	Availability	Surplus(+)/Deficit(-)		Peak demand	Peak demand met	Surplus(+)/Deficit(-)	
	million units	million units	million units	(%)	megawatts	megawatts	megawatts	(%)
2009-10	8,30,594	7,46,644	-83,950	-10.1	1,19,166	1,04,009	-15,157	-12.7
2010-11	8,61,591	7,88,355	-73,236	-8.5	1,22,287	1,10,256	-12,031	-9.8
2011-12	9,37,199	8,57,886	-79,313	-8.5	1,30,006	1,16,191	-13,815	-10.6
2012-13	9,95,557	9,08,652	-86,905	-8.7	1,35,453	1,23,294	-12,159	-9.0
2013-14	10,02,257	9,59,829	-42,428	-4.2	1,35,918	1,29,815	-6,103	-4.5
2014-15*	10,67,085	10,28,955	-38,130	-3.6	1,41,160	1,41,160	-7,006	-4.7

(Source: Ministry of Power)

power capacity addition target of 88,537 megawatts (excluding renewables) for the 12<sup>th</sup> Five Year Plan ending March 2017.



### Renewable energy scenario

The Government of India reaffirmed its renewable energy focus by revising its 20,000 megawatts of solar energy capacity target by 2022 five-fold to 100,000 megawatts. A target of 60,000 megawatts from wind energy capacity has also been put in place. During the 12<sup>th</sup> Five Year Plan, the planned renewable capacity addition is almost one-third of the planned conventional

energy capacity addition.

The share of renewable energy in the country's total mix rose in excess of 13% in FY15. India has a 35.77 gigawatts of installed renewable energy capacity as of 31<sup>st</sup> March 2015; the Indian government plans to expand this to 175 gigawatts by 2022. During 2014-15, India added 4,089 megawatts of renewable energy capacity. Although the share of renewable energy in the generation mix has been rising, India continues to have a large untapped renewable energy potential.

### Major drivers of renewable energy in India

**Climate change:** The governments focus on climate change has speeded renewable energy projects in India.

**Cost competitiveness:** Renewable energy technologies are competitive against fossil fuel-based power generation. Solar module prices have declined almost 80% since 2008; wind turbine prices have declined close to 25% during the same period. This decline in equipment prices has led to a large deployment of these technologies.

**Vast untapped potential:** India has a vast untapped renewable energy source. For example, the country's large land

mass receives a high concentration of solar irradiation. This provides opportunities to create renewable energy-based generation facilities. The country also has numerous rivers and waterways; significant potential exists to generate hydropower.

### Favourable foreign investment policy:

100% FDI has been allowed for investment in renewable energy. The government is encouraging foreign investors to invest in renewable energy projects in India on a build, own, operate model in the country.

### INFRASTRUCTURE IN ROADS AND HIGHWAYS

#### Overview

Road networks are vital to economic development, trade and social integration. India has the second largest road network in the world at 4.7 million kilometres. The network handles more than 60% of goods transport in the country and over 85% of India's total passenger traffic.

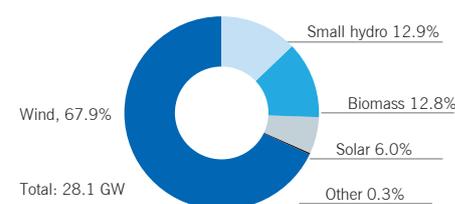
A sharp rise in passenger traffic and increasing freight traffic is set to put further pressure on India's existing network of roads and highways. The National Highway Development Programme has a \$60 billion outlay for a

### THE POWER SUPPLY POSITION IN INDIA, 2009-10 TO 2014-15

Renewable Technology	2010-11		2011-12		2012-13		2013-14	
	Target (MW)	Actual (MW) as on 30.6.13						
WIND POWER	2,000	2,350	2,400	3,197	2,500	1,699	2,500	512
SMALL HYDRO	300	307	350	353	350	237	300	54
BIO POWER	472	474	475	488	475	472	425	-
SOLAR POWER	200	27	200	905	800	754	1100	75
TOTAL	2,972	3,157	3,425	4,943	4,125	3,162	4,325	640

(Source: MNRE)

### INSTALLED CAPACITY OF RENEWABLE ENERGY IN INDIA



Source: MNRE; as on 31st March 2013  
Note: biomass includes bagasse cogeneration; 'other' includes waste-to-power

seven phase programme to focus on the widening, upgradation and rehabilitation of the 47,054 kilometres of National Highways.

### Outlook

It is expected that the length of national highways will grow from 92,850 kilometres in 2013-14 to 100,000 kilometres by end 2017. India has completed over 100 public private partnership projects and 165 ongoing projects as of March 2014.

The value of roads and bridges infrastructure in India is projected to grow at a compound annual growth rate of 17.4% over FY12-17. The country's roads and bridges infrastructure, valued at US\$ 6.9 billion in 2009, is expected to touch US\$ 19.2 billion by 2017.

## INFRASTRUCTURE IN SOLID WASTE MANAGEMENT

### Overview

With an urban population of 1.21 billion people, accounting for over 18% of the world's human population, India

lacks proper municipal solid waste disposal systems. Current solid wastes management services are inefficient, affecting public health, increasing environmental pollution, degrading natural resources and accelerating climate change.

The composition of urban municipal solid waste in India is 51% organics, 17.5% recyclables (paper, plastic, metal and glass) and 31% inerts. The per capita waste generation rate in India increased from 0.44 kilograms per day in 2001 to 0.5 kilograms per day in 2011. This has been fuelled by changing lifestyles and increased purchasing power of urban Indians. Currently, there are over 53 cities in India with a population in excess of a million people that generate 86,000 tonnes per day of solid waste at a per capita waste generation rate of 0.5 kilograms per day. The total solid waste generated in urban India is estimated at 68.8 million tonnes per year that translates into 188.500 tonnes per day of solid waste, leading to a steep increase in waste generation.

Large cities collect about 70 - 90% of solid waste generated, whereas smaller cities and towns collect less than 50% of waste generated. In excess of 91% of the solid waste collected formally is land-filled across open lands and dumps. It is estimated that about 2% of the uncollected waste is burnt openly on the streets. About 10% of the collected solid waste is openly burnt or is caught in landfill fires. Such open burning of solid waste and landfill fires together releases 22,000 tonnes of pollutants into the lower atmosphere of Mumbai every year.

India's renewable energy industry is likely to generate business opportunities worth \$160 billion in the next five years.

(Source: Economic Survey 2014-15)

## PROJECTED INVESTMENTS FOR ROAD INFRASTRUCTURE (₹ billion)

SCHEME	2012-17		2017-22		2022-27		2027-32		2012-32	
	TOTAL	PRIVATE SECTOR	TOTAL	PRIVATE SECTOR	TOTAL	PRIVATE SECTOR	TOTAL	PRIVATE SECTOR	TOTAL	PRIVATE SECTOR
Expressways	200	NIL	600	100	1,200	300	1,800	1,000	3,800	1,400
National Highways	2,150	600	3,150	800	4,200	1,150	5,700	1,450	15,200	4,000
Special schemes (SARDP-NE + Arunachal Package) (Central Government)	250	NIL	400	NIL	500	50.00	600	50	1,750	100
Other special schemes (Central Government)	100	NIL	150	NIL	200	NIL	200		650	
State Highways	2,100	150	2700	250	3,200	350	3600	400	11,600	1,150
Major district roads	1,000	NIL	1300	NIL	1,600	NIL	2,100		6,000	
Rural roads (including PMGSY)	1,450	NIL	1850	NIL	1,300	NIL	1,100		5,700	
<b>Total</b>	<b>7,250</b>	<b>750</b>	<b>10,150</b>	<b>1,150</b>	<b>12,200</b>	<b>1,850</b>	<b>15,100</b>	<b>2,900</b>	<b>44,700</b>	<b>6,650</b>

(Source: MNRE)

The Company operates four major business divisions: project management, overhauling and maintenance, project supply and civil engineering EPC.



The pollutants include carbon monoxide, carcinogenic hydrocarbons (includes dioxins and furans), particulate matter, nitrogen oxides (NOx) and sulphur dioxide.

### Outlook

There is a huge scarcity of suitable landfill sites for solid waste management. The huge increases in quantities of solid waste have put immense pressure on the budgetary resources of local civic authorities. The Government has invested significantly in solid waste management projects under the 12<sup>th</sup> Finance Commission and Jawaharlal Nehru National Urban Renewal Mission.

The waste generation rate generally increases with increase in GDP during the initial stages of economic development of a country, because increase in GDP increases the purchasing power of a country, which, in turn, causes changes in lifestyles. Even a slight increase in income in urban areas of developing countries can cause a few changes in lifestyles, food habits, living standards and changes in consumption patterns. Therefore, high income countries generate more waste per person compared to low income countries.

It is imperative to improve the standards of solid waste management in India as the present imminent danger to public health, India's environment and the general quality of life.

In recent years, there has been an increasing trend in public-private partnerships in solid waste management. The larger cities in India, such as Ahmedabad, Bengaluru, Chennai, Hyderabad, Surat, Guwahati, Mumbai, Jaipur have gone ahead with public-private partnerships for solid waste management activities such as door-to-door collection of solid waste, street sweeping, storage, transportation, treatment and disposal of waste.

### Division-wise performance

The Company operates four major business divisions: project management, overhauling and maintenance, project supply and civil engineering EPC.

**Project management:** This division is concerned with the business of fabrication, erecting boilers in power plants, erection testing, commission of ESP, transmission and distribution and EPC contract, civil and structural works, construction and development contracts.

**Overhauling and maintenance:** The

business of repairing, maintaining, overhauling and renovation of boilers and auxiliaries, such as ash handling systems, are part of this division.

**Civil projects EPC:** This division is concerned with projects relating to the execution of EPC projects in the construction of townships, roads, bridges, hospitals, infrastructure for the management of solid waste, among others.

The project division of the Company performed better during 2014-15 compared to the previous year on the back of increased capital expenditure on power plants and resumption of previously stalled projects. The overhauling and maintenance division of the Company benefitted from some larger orders during the year. The newly commissioned civil projects division gained traction during the year and is executing a township development project for a local statutory authority and constructing a correctional facility in Northern India.

### Internal control system and their adequacy

The Company has adequate internal control systems that are commensurate



During 2014-15, your Company registered the highest turnover in its history at ₹1,648.98 crore with profit after tax standing at ₹36.90 crore, an impressive increase of 47.72% over the previous year

with the size and nature of its business. The system has been designed to ensure that:

- a. The assets of the Company are acquired in an economical manner and safeguards remain in place for their upkeep and to ensure their protection against any damage or destruction.
- b. Controls relating to the financial and operational aspects of the business remain in place and are working satisfactorily to detect exceptions and raise alerts.
- c. The Company enforces stringent compliance with all applicable laws and internal policies.

The internal auditors of the Company regularly carry out reviews of the internal control system to detect deviations. The report of the internal auditors is submitted to the management on a monthly basis and is helpful in the prevention and detection of fraud and to report any discrepancies in the day-to-day activities of the Company.

Further, internal control systems are periodically reviewed by the Audit Committee and are kept updated and

consistent with the requirements of the organisation.

### **Discussion of overall financial performance**

The general economic scenario improved during 2014-15 with the resumption of stalled projects and increased spending on infrastructure. This translated into a significantly improved economic performance for the Company. During 2014-15, your Company registered the highest turnover in its history at ₹1,648.98 crore as against a turnover of ₹1,432.24 crore in the previous year.

Correspondingly, your Company reported a higher operating profit of ₹159.55 crore during the year, an increase of 12.46% over the previous year's performance. The profit after tax stood at ₹36.90 crore, an impressive increase of 47.72% over ₹24.98 crore earned in the previous year. The Board of Directors of the Company recommended a dividend of ₹1.80 per share to be paid subject to the approval of the shareholders of the Company.

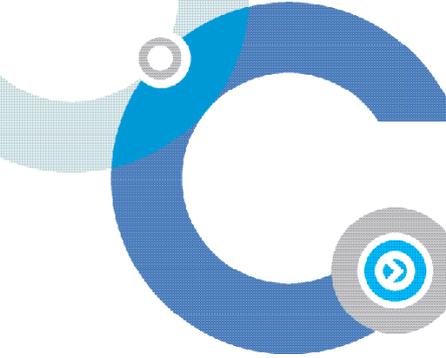
Continuous efforts were made to grow the business of the Company and this

translated into an increased order book of ₹3,580 crore as at 31<sup>st</sup> March 2015. The Company is striving to increase profitability by expanding into new areas of EPC in civil engineering, while retaining its focus on EPC for the power sector.

### **Material developments in the area of human resources**

The Company built a team of professionals with deep knowledge and insight in the areas where the Company operates. The Company intends to draw on these strengths to enhance its scale and scope of operations in the years to come. Sunil Hitech takes pride in being an equal opportunity employer. The management is regularly appraising the performance of employees, providing feedback wherever necessary to improve performance and productivity.

Industrial relations with the staff remained cordial during the year.



## PROFILE OF OUR BOARD OF DIRECTORS



### **Mr. Ratnakar Manikrao Gutte**

Chairman

Mr. Ratnakar Manikrao Gutte, promoter of Sunil Hitech Engineers Limited, is a first generation entrepreneur. Mr. Gutte started his career with a contractor rendering services to the State Electricity Board. Here he worked as a helper, welder and a fitter. In all these roles, it was only his determination to excel in his work that made him rise to his current stature in the industry. His 33 years of rich experience in project execution, especially in the areas of fabrication, erection, testing and commissioning of power plants has helped the Company immensely.

Buoyed by an entrenched understanding the intricacies of civil construction and machinery installation and an un-matched expertise in of finance, banking, taxation, general management and commercial matters, he steered Sunil Hitech Engineers Limited towards unprecedented success and growth. His visionary abilities have skillfully nurtured the Company since its inception and established it as one of the leading players in EPC projects for thermal power units.

Mr. Gutte has always stressed on delivering quality and timely services to his clients. In recognition of his services, he has been honoured with the Life Time Udyog Achievement award and the 'Great Achiever in Industrial Excellence' award in 2004 by EGSI and IOCI, respectively. He was also awarded the 'NCCL Entrepreneur of the Year 2007-08' by the Nagpur Chamber of Commerce Limited.



### **Mr. Sunil Ratnakar Gutte**

Managing Director

Mr. Sunil Gutte is a mechanical engineer from the Pune University. He thereafter completed the family business management course from S.P. Jain Institute of Management, Mumbai and the project management course from IIM, Ahmedabad.

After completing his education, he joined Sunil Hitech Engineers and took charge of project executions, administration and control. It was under his able guidance, expertise and a futuristic vision that Sunil Hitech converted from a private limited to a limited concern and then to being listed on the two major stock exchanges of India. Mr. Sunil Gutte successfully completed the Company's IPO in 2006 and QIP in 2008.

His dedication, and a keen understanding of business and finance, along with an ability to draft and implement effective developmental policies, broadened avenues for the Company to enter into various niche businesses.



### **Mrs. Sudhamati Ratnakar Gutte**

Wholetime Director

With more than 17 years hands-on experience in management and administration of the Company, Mrs. Gutte ensures smooth functioning of backend processes. She believes in interacting with employees to ascertain grey areas in the overall working of departments and suggests remedial measures to help teams overcome them so that the employees can utilise their time and expertise to the optimal level in the organisation.

In addition to the above, Mrs. Gutte regularly participates in social activities to fulfill the Company's CSR activities. She regularly interacts with the underprivileged and has in place various initiatives for their welfare like providing them with educational, medical and farming facilities.

She has set up offices for the procurement of sugarcane in the command area. She enjoys excellent rapport with the villagers. She has been guiding the farming community to adopt scientific agricultural practices. More fertile land is being brought under sugarcane cultivation due to her motivational efforts. She is held in great respect by the industrialists, workers and farmers in the Marathwada region. Her association with Gangakhed has facilitated harmonious relations with all the stakeholders.



### **Mr. Vijay Ratnakar Gutte**

Wholetime Director

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An MBA with specialisation in marketing and finance, Mr. Vijay Gutte's competencies lie in the areas of banking, finance, taxation and last but not the least, the airline industry. To his credit, he has completed various projects in these fields, thus helping build the Company's' prestige.

Since his induction in 2007, he has transformed Sunil Hitech's finance vertical into a highly robust one. He continuously monitors transactions to analyse defects and ascertain their causes and identify remedies for the same. Mr. Vijay Gutte has been responsible for investing in web-enabled capabilities to connect with vendors, customers, employees and managers.

His strengths are building leadership qualities in people who work with him and maintaining a healthy professional environment in the Company..



### **Mr. C. Venkataramana**

Wholetime Director

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MR. C. Venkataramana has over 33 years of versatile experience in marketing and infrastructure areas. He has served in senior positions in numerous reputed companies. He currently holds the position of Wholetime Director.

Mr. Venkataramana has in his capacity, handled various prestigious projects from bid to execution stage with two leading groups in the country - GVK and Essel Group (Zee TV). He has been partly instrumental for the success stories of these two groups establishing themselves in the infra space from scratch. In the case of Essel Group, it was Mr. Venkataramana who handled the total growth in infra space.



### **Mr. Anupam Dhiman**

Wholetime Director

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An alumnus of IIT Kanpur, Mr. Dhiman has 33 years of rich experience in the infrastructure and marketing domain. He has spent close to 10 years in the field of infrastructural development and has held several senior positions.

A versatile personality, Mr. Dhiman has handled several prestigious assignments in infra projects, right from the bid stage to the execution stage with leading groups in the country like ABB, Alstom, Punj Loyd and JMC Projects. He has acquired the right blend of experience in detailed engineering, EPC contracting and construction having worked for various prestigious companies in these sectors.

Apart from his rich experience, Mr. Dhiman has handled prestigious assignments in countries like Germany, France, Israel, the UK, Austria, Hong Kong, Indonesia, Kazakhstan and Bangladesh.



### **Mr. Dilip Y. Ghanekar**

Independent Director

Mr. Dilip Y. Ghanekar finished his graduation in the year 1967 from VRCE, Nagpur. He retired as technical director, MSEB. He has 36 years of work experience with the Maharashtra State Electricity Board in the areas of operation, maintenance, construction and planning at power stations up to 500 megawatts. Mr. Ghanekar is also adept at global procurement of equipment, encouraging non-conventional energy development of contracts for power purchase, and other areas of operations.

Mr. Ghanekar has undergone training at the boiler manufacturer M/s. Combustion Engineering, the US for 500 megawatt-units. He has also received training in Australia conducted by the United Nations in the realm of coal technology and environment.



### **Mr. Sajid Ali**

Independent Director

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



### **Mr. Parag Sakalikar**

Independent Director

Mr. Parag Sakalikar, a young entrepreneur, joined as the Company as an Additional Director in 2007. He completed his diploma in mechanical engineering from the Bombay Technical Board in 1994 and has a BE degree in mechanical engineering from Nagpur in 1998. After graduation, he joined as trainee in TUV Asia Private Limited's auditor training programme and got trained in ISO 9001-2000. Later he did his advanced training from Maruti Udyog Limited. He started his career as works manager in Maruti's authorised workshop.

Mr. Sakalikar later, went on to set up his own authorised automobile service station, (an ISO 9001:2000 certified company from TUV) for the entire range of Maruti vehicles.

Mr. Sakalikar's company was awarded not only for Maharashtra but also for the entire Western region (Maharashtra, Goa, Gujarat and Chhattisgarh) by Maruti Suzuki. He has also set up additional new Maruti authorised service stations in Butibori with 'A' grade category.



### **Mr. S.S. Waghmare**

Independent Director

Mr. S.S. Waghmare, a versatile personality, has accrued 33 years of experience in the banking sector. He retired as a deputy general manager with UCO Bank in 2006. Mr. Waghmare has been trained in project planning and management from the University of Bradford, England.

Mr. Waghmare is currently the chairman of Thar Anchalik Gramin Bank, Jodhpur, Rajasthan - a Government of India undertaking sponsored by UCO Bank.



### **Mr. Siddharth R. Mehta**

Independent Director

A bachelor of electrical engineering from the Indian Institute of Science, Bangalore, Mr. Siddharth R. Mehta has around 32 years of rich experience in areas of strategy and business development. His other areas of proficiency are project coordination, management and execution and good corporate governance.

Mr. Mehta has worked with big industrial houses like Tata Power and Torrent Power and has been part of their business expansion and growth projects. Currently he is serving Essar Power, looking after the development of their new distribution and transmission vertical working towards securitisation of the upcoming of generation through power distribution – DISCOMs, franchisees, open access and SEZs.



### **Mr. Anil R. Aurangabadkar**

Independent Director

Mr. Anil Aurangabadkar is a mechanical engineer and has obtained his master's degree in material science. He has been engaged with one of the most prominent companies belonging to the power sector, Bharat Heavy Electricals Limited for the past 37 years. He oversees activities pertaining to design, manufacturing, assembly and erection of rotating heavy electrical equipment, transformer, capacitor, bushing, hydro and thermal project management and execution at BHEL.

Mr. Aurangabadkar's has an excellent track record of executing over 45 projects for BHEL's power sector for the Western region. His expertise spans across functional sectors and the order ranges from small units to 600-megawatt conventional units, Frame-9FA advanced class gas turbines, largest CFBC boilers to cater to 250-megawatt output.

In 2012, he founded his consultancy services firm which services the power and industry sector. Within a very short time, his firm has successfully established and equipped itself to handle large projects to the fullest satisfaction of clients.

# CORPORATE INFORMATION

## Board of Directors

Mr. Ratnakar Manikrao Gutte - *Chairman*  
Mr. Sunil Ratnakar Gutte - *Managing Director*  
Mrs. Sudhamati Ratnakar Gutte - *Whole Time Director*  
Mr. Vijay Ratnakar Gutte - *Whole Time Director*  
Mr. Venkataramana Condoor - *Whole Time Director*  
Mr. Anupam Dhiman - *Whole Time Director*  
Mr. Dilip Yeshwant Ghanekar - *Independent Director*  
Mr. Sajid Ali - *Independent Director*  
Mr. Parag Ashok Sakaliker - *Independent Director*  
Mr. S.S. Waghmare - *Independent Director*  
Mr. Siddharth Ratilal Mehta - *Independent Director*  
Mr. Anil Ramchandra Aurangabadkar - *Independent Director*

## R & T Agents

M/s Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate,  
Saki Vihar Road, Sakinaka, Andheri (E), Mumbai - 400 072

## Depositories

National Securities Depositories Ltd, Central Depository Services (India) Ltd

## Company Secretary

Mr. Shrikant Chandrashekhar Rikhe  
97, East High Court Road, Ramdaspath, Nagpur - 440 010

## Auditors

M/s. V. Sankar Aiyar & Co., Chartered Accountants,  
2-C, Court Chambers, 35, New Marine Lines, Mumbai-400 020

## Bankers

UCO Bank  
Union Bank of India  
Oriental Bank of Commerce  
Punjab National Bank  
Bank of India  
IDBI Bank  
ICICI Bank  
HSBC Bank  
Axis Bank  
Kotak Mahindra Bank  
Syndicate Bank  
Karur Vysya Bank  
State Bank of Travancore  
Canara Bank  
Lakshmi Vilas Bank

## Registered office

'Ratnadeep' Jaynagar, Parli Vajinath,  
Distt. Beed - 431 520, Maharashtra

## Regional office

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Phone: + 91 712 2562087 / 88 / 6685200  
Fax: 2562091

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Website: [www.sunilhitech.com](http://www.sunilhitech.com)



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CIN: L28920MH1998PLC115155  
Website: [www.sunilhitech.com](http://www.sunilhitech.com)