



750 MWe Vertical Tube
Supercritical Boiler

Courtesy of Foster Wheeler - USA

DESIGN ENGINEERING CONSTRUCTION

| 92.2 MW VALUTHUR CCPP PHASE - II, TNEB, TAMILNADU - COMMISSIONED |

Report  Junction.com



Dear Shareholders,

I am happy to place company's annual report for the FY 09 before you. The year 2008-09 witnessed unprecedented adversities such as meltdown of the global financial system, liquidity crunch, worst economic crisis in 75 years, skyrocketing of commodity prices, near collapse of real estate sector, continued shrinkage of GDP and world trade of many countries, resultant downsizing, unemployment, wage cuts etc. However, the intervention of governments, timely announcement of multiple stimulus packages, measures taken by central banks etc., have helped the economies to halt the down trend, stabilize and slowly exhibit sign of recovery. It was a situation of survival of the fittest. Though no economy is fully insulated, India managed to escape unscathed, barring minor turbulences. Nevertheless, the growth rate has to be reduced to 6 to 7% as against 9 to 10% in the previous three years. Even in such a scenario India remained as the second fastest growing economy in the world, thanks to our leaders and India that it is.

PERFORMANCE HIGHLIGHTS

Your company has managed to maintain its robust growth trajectory albeit this adverse environment. The order book reached all time high of Rs.9523 Crore as at March 31, 2009 thus recording revenue visibility for 3 financial years. The company made major break through by bagging two large EPC contracts to an aggregate value of Rs.8000 Crore. The turnover grew by 29 % to Rs.1955.23 Crore and the Profit After Tax (PAT) grew by 36% year on year. This robust performance enabled your company to recommend a dividend of Rs.3/- per equity share. The earnings per share were up by 26% in FY 09. All these positives were possible on account of prudent management practices followed by the company and the dedicated contribution made by the employees.

FUTURE OUTLOOK

Given the huge potential and business opportunities in Indian power sector your company is well positioned to reach greater heights. Your company has established good track record and credentials in executing large power projects and project management practice. Your company has fortunately realized the global meltdown and deferred the proposal of setting up new manufacturing units in India, Middle East and China. However, capacities in the existing facilities are further augmented. The initiative taken by the utilities in the backdrop of huge power shortage across the country offers promising business potential to your company. Hopefully the Oil & Gas sector will also grow in the years to come. The company has added 472 people to its human resources during FY 09 and has plans to add more manpower in FY 10 to gear up for further growth.

The group has signed up a license agreement with Foster Wheeler USA for manufacture of subcritical and supercritical boilers upto 1000 MW and the group is poised to set up facilities for manufacture of key power plant equipment. All these positive developments will catapult your company in a higher growth momentum.

I take this opportunity to thank each and everyone in BGR Energy for their fullest commitment and continued support for the outstanding performance of the company in FY 09. I appreciate the continued patronage and confidence of our valued customers, vendors, bankers, shareholders and members of the board.

I look forward to yet another exciting year ahead.



B G RAGHUPATHY
Chairman & Managing Director



BOARD OF DIRECTORS

B G Raghupathy	Chairman & Managing Director
S Rathinam	Director - Finance
V R Mahadevan	Director - Technologies & HR
S A Bohra	Director
M Gopalakrishna	Director
S R Tagat	Director
Heinrich Bohmer	Director
Sasikala Raghupathy	Director

COMPANY SECRETARY

R Ramesh Kumar	President - Corporate & Secretary
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CHIEF EXECUTIVE OFFICERS

A Swaminathan	Power Projects
Major H L Khajuria	Environmental Engineering
G Suresh	Captive Power
V Balakrishnan	Electrical Projects
S Ilanchezhian	Air Fin Cooler
N Murali	Oil and Gas Equipment

CHIEF FINANCIAL OFFICER

P R Easwar Kumar

STATUTORY AUDITORS

Manohar Chowdhry & Associates
Chartered Accountants

INTERNAL AUDITORS

J V Associates
Cost Accountants & Public Auditors
B B Naidu & Co.
Chartered Accountants
V Krishnan & Co.
Chartered Accountants
Ramachandran & Murali
Chartered Accountants
Brahmayya & Co.
Chartered Accountants
Venkatesh & Co.
Chartered Accountants

BANKERS

State Bank of India
State Bank of Hyderabad
State Bank of Travancore
State Bank of Patiala
State Bank of Bikaner & Jaipur
State Bank of Mysore
State Bank of Indore
IDBI Bank Limited
UCO Bank
Indian Bank
Corporation Bank
Punjab National Bank
Bank of India
Axis Bank
The Karur Vysya Bank Limited
Vijaya Bank
Indian Overseas Bank
Central Bank of India
Allahabad Bank
Syndicate Bank
Andhra Bank

REGISTERED OFFICE

A-5, Pannamgadu Industrial Estate
Ramapuram Post, Sullurpet Taluk
Nellore District, Pin: 524401

CORPORATE OFFICE

443, Anna Salai, Teynampet
Chennai 600018 India

REGIONAL OFFICES

New Delhi

48, Okhla Industrial Estate, Phase III
New Delhi 110020

Mumbai

Unit No. 171, Building No.1
7th Floor, Solitaire Corporate Park,
Chakala, Andheri (East),
Mumbai 400093

Hyderabad

8-2-120/86/5, Sneha House, III Floor
Road No. 3 Banjara Hills,
Hyderabad 500034

Website

www.bgrcorp.com

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited
(formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai 400 078

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Directors' Report

To the Members of

BGR ENERGY SYSTEMS LIMITED

Your directors have great pleasure in presenting their Twenty Third Annual Report together with the audited financial statements for the year ended March 31, 2009 to the family of the shareholders and other stake holders of the company.

FINANCIAL PERFORMANCE

During FY 2008 - 09, your company achieved turnover of Rs.1955.23 Crore as against the previous year's turnover of Rs.1509.11 Crore, accounting for a topline growth of 30%. The key parameters of EBIDTA and PAT witnessed a growth of 53% and 36% over the previous year. The highlights of the financial performance of the company during the year ended March 31, 2009 in comparison with the previous financial year ended March 31, 2008 are summarized below:

(Rs. in Crore)

Description	2008-09	2007-08
Total Income	1955.23	1509.11
Expenditure	1715.64	1352.25
EBIDTA	239.59	156.86
Interest	57.94	26.59
Depreciation	7.00	5.02
Profit before tax	174.65	125.25
Provision for tax and FBT	59.56	40.81
Profit after tax	115.09	84.44
Surplus brought forward from previous year	68.22	9.06
Amount available for appropriation	183.31	93.50
Less :		
a) Dividend	21.60	14.40
b) Tax on dividend	3.67	2.44
c) Transfer to general reserve	11.51	8.44
Balance carried to Balance Sheet	146.53	68.22

CONSOLIDATED REVENUE AND PROFIT

Your Company's consolidated revenue and profitability too show an upward trend.

(Rs. in Crore)

Description	2008-09	2007-08
Sales	1963.09	1524.20
EBIDTA	240.60	161.89
PAT	115.57	88.46

DIVIDEND

Your directors, after taking into account the financial results of the Company during the year, recommend payment of a dividend of Rs.3/- per equity share of Rs.10/- each for the FY 2008 - 09. Your directors wish to carry an amount of Rs.146.53 Crore to the Balance Sheet after appropriation towards dividend, corporate dividend tax and transfer to general reserves.

BUSINESS PERFORMANCE

During the year under review, your company's operations continued to grow by registering all-round increase in turnover, profit and other key elements.

A brief overview of the significant operational and business developments in various businesses / projects are given below;

i) During the FY 2008-09, your company secured 2 prestigious EPC contracts for ;

- 1 x 600 MW thermal power project at Mettur from TNEB for a value of Rs.3100 Crore, which represents the Company's first 600 MW EPC contract.
- 2 x 600 MW thermal power project at Jhalawar from Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) for a value of Rs.4900 Crore, possibly the largest ever EPC contract in the country.

This milestone is a breakthrough in your company's strategy to become a full service EPC company in Indian power sector. These contracts were secured in competition with a leading large player.

ii) Your Board is pleased to inform that execution of Balance of Plant contract for the 500 MW Vijayawada Thermal Power Station was successfully completed by your Company in April 2009.

iii) Your company built a 170 meter tall Natural Draft Cooling Tower for Kakatiya Thermal Power Plant. Similarly, the chimney having a height of 275 meter for Kakatiya Thermal Power plant was completed in 166 days, possibly a national record made by your Company. The entire design, engineering and construction of these gigantic structures were carried out by your company in-house.

iv) Air Fin Cooler division has manufactured Incolloy tube bundles. The turnover of the division during 2008-09 was Rs.109 Crore even in the backdrop of economic slowdown.

- v) Oil & Gas equipment division has successfully executed a contract for supply of 45 nos. of Hydrocarbon storage tanks to State Company of Oil Projects (SCOP), Iraq.
- vi) Environmental Engineering division has secured a prestigious contract for Design, Engineering, Supply, Erection and Commissioning of large "Total Water System" at a value of Rs.15.50 Crore from Maithon Power Limited, Jharkhand for 2 x 525 MW Maithon Thermal Power project.
- vii) An MoU has been signed with OHL Medio Ambiente Inima, S.A.U., Spain for bidding for a 100 MLD Desalination Plant project at Nemmeli of an approximate value of Rs.750 Crore on consortium basis.
- viii) Electrical projects division has commissioned 3 nos. of 66 KV sub-stations for Karnataka Power Transmission Corporation Limited.
- ix) During the year, the Electrical Projects division completed construction of fiber optic network covering a distance of 425 kms connecting the regional offices of Tamilnadu Electricity Board with its head office at Chennai.
- x) The Rural Electrification project for Jodhpur Vidyut Vitran Nigam Limited for supplying electricity to 591 villages and hamlets in Rajasthan was completed.

STRATEGIC INITIATIVES

Your Company signed strategic relationships with international players for technology. Your Company entered into an Exclusive License Agreement with Termomeccanica Ecologia (TME), Italy, for technology transfer of Condensate Polishing Plants (CPP). CPP is a niche technology mainly used in thermal power plants of capacity of more than 500 MW. The agreement grants to the Company exclusive rights to manufacture and sell CPPs.

An Exclusive License Agreement has been entered between BGR Boilers Private Limited, your Company's Special Purpose Vehicle and Foster Wheeler North America Corp., a subsidiary of Foster Wheeler Global Power Group with its operational headquarters in New Jersey. The agreement grants to BGR Boilers an exclusive license and rights in India to design, manufacture and sell Sub-critical and Super-critical coal fired steam generators of upto 1000 MW. This agreement is a major step forward for the Company to become manufacturer of critical power equipment in India and will support the Government of India's vision for sustained capacity addition in the power sector. The feasibility study on capital expenditure, funding pattern, project cost and other aspects are under evaluation.

REGIONAL OFFICE

During the year under review, your Company has set up a Regional Office at People's Republic of China. This would facilitate liaisoning with BTG suppliers for timely delivery.

FUTURE OUTLOOK – CURRENT YEAR AND YEAR AHEAD

The capacity addition targets during the 11th and 12th plan periods are 78,700 MW and 82,200 MW respectively. The recent policy statement of the Government of India to achieve capacity addition of at least 13,000 MW per year would offer huge opportunities for your Company. The widening gap between demand and supply of power would continue to provide ample scope for EPC and BOP companies in India to sustain growth trajectory. Although the Indian economic growth has slowed during 2008, the demand for power utilities is unlikely to witness slowdown. These opportunities coupled with the company's technology initiatives and improved capabilities are expected to facilitate clear visibility in the near future. Consequently, your Board of Directors are confident of delivering improved financial results in the years to come.

PERFORMANCE OF SUBSIDIARY

Your company's non-material unlisted subsidiary, Progen Systems and Technologies Limited, engaged in the business of manufacture of Welded Finned Tubes and Pressure Vessels for power and process industries, has recorded a turnover of Rs.10.28 Crore and net profit of Rs.0.49 Crore for the year ended March 31, 2009. Statement under Section 212 of the Companies Act, 1956 is attached to this report.

HUMAN RESOURCES

Your Company during the year has augmented highly competent human resources which is vital to support the current growth momentum of your Company. This has been facilitated through campus recruitments and Employee Referral Scheme. Your Company has achieved 51% growth in human resources over the previous year.

EMPLOYEE STOCK OPTION SCHEME

Disclosure in respect of Employee Stock Option Scheme ("ESOP") 2007 is given in Annexure - I of this report.

DISCLOSURES

The information pursuant to 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 with respect to conservation of energy and technology absorption are not applicable to your company. During the

FY 2008 - 09 the foreign exchange earnings and outgo were Rs.84.16 Crore and Rs.253.25 Crore respectively.

The particulars required under Section 217 (2A) of the Companies Act, 1956 and the Rules made thereunder are given in Annexure – II.

BOARD OF DIRECTORS

Mr. S. Rathinam and Mr. V. R. Mahadevan, Directors, retire by rotation and being eligible for re-appointment, offer themselves for re-appointment. The Board recommends their re-appointment. Profile of these directors are given in the Notice convening the 23rd Annual General Meeting of the Company.

Mr. T. Sankaralingam has been co-opted as an additional director on the Board. He has been appointed as Managing Director for a period of 5 years. These appointments will take effect from the date on which he assumes office of Managing Director. The profile of Mr. T. Sankaralingam and the terms and conditions of his appointment including remuneration are given in the Notice convening the 23rd Annual General Meeting of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- In the preparation of the annual accounts for the year ended March 31, 2009 the applicable accounting standards have been followed and proper explanations were provided for material departures, if any ;
- The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2009 and of the profit of the company for the year ended March 31, 2009;
- The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The directors have prepared the annual accounts for the year ended March 31, 2009 on a going concern basis.

AUDITORS AND AUDITORS' REPORT

M/s. Manohar Chowdhry & Associates, Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting of the Company. They have offered themselves for re-appointment as Statutory Auditors and have confirmed that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

CORPORATE GOVERNANCE

The Company complies with the principles of Corporate Governance as set out in Clause 49 of the Listing Agreement continuously and your Directors are pleased to attach a report on Corporate Governance together with the following Certificates / declarations.

- CEO and CFO certificate.
- Declaration on code of conduct.
- Certificate from the Company's Auditors.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis on business and operations of the Company is attached to this report.

ACKNOWLEDGEMENTS

Your Directors express their appreciation of the valuable support and co-operation received from customers, consortium of banks, vendors, investors, statutory authorities and associates. Your Directors place on record their sincere appreciation of the contribution made by the employees of the Company at all levels through their hard work, dedication and support.

For and on behalf of the Board

Place : Chennai
Date : June 22, 2009

B. G. RAGHUPATHY
Chairman & Managing Director

ANNEXURE - I

EMPLOYEE STOCK OPTION SCHEME - DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES

Particulars	2008-09
Options Outstanding in the Beginning of the Year	704,770
a. Options granted	0
b. Exercise Price	Rs. 408/-
c. Options Vested	208,780
d. Options Exercised	0
e. Total no. of shares arising as result of exercise of Options	0
f. Options lapsed *	133,530
g. Variation in terms of Options	None
h. Money realised by exercise of Options	0.00
i. Total number of options in force	571,240
* Lapsed options include options forfeited and options cancelled / lapsed	
j. Employee wise details of options granted during the year to :	
• Senior Managerial Personnel	None
• Any other employee who receives grant in any one year of option amounting to 5% or more of option granted during that year	None
• Employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding warrants and conversions) of the Company at the time of grant	None
k. Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 'Earnings per Share'	15.86

I. Pro Forma Adjusted Net Income and Earnings Per Share

Particulars	Rs. in Lakhs
Net Income	
As Reported	11509
Add: Intrinsic Value Compensation Cost	0
Less: Fair Value Compensation Cost	103
Adjusted Pro Forma Net Income	11406
Earnings Per Share: Basic	
As Reported	15.98
Adjusted Pro Forma	15.84
Earnings Per Share: Diluted	
As Reported	15.86
Adjusted Pro Forma	15.71