

# Directors' Report

To the Members of

## BGR ENERGY SYSTEMS LIMITED

Your Directors have pleasure in presenting the Twenty Fifth Annual Report together with the audited financial statements for the year ended March 31, 2011.

### FINANCIAL RESULTS – “BILLION DOLLAR” REVENUE

During FY 2010-11, the total income of the Company crossed ₹ 4700 Crore, thus becoming a Billion Dollar company in revenues.

The highlights of the financial performance of the Company during the financial year ended March 31, 2011 as compared with the previous financial year ended March 31, 2010 are summarized below:

(₹ in Crore)

Description	2010-11	2009-10
Sales	4747	3069
Other income	22	25
Total Income	4769	3094
Expenditure	4210	2726
Profit before depreciation, Interest and Tax	559	368
Interest	60	54
Depreciation	17	10
Profit before tax	482	305
Provision for tax and FBT	158	104
Profit after tax	324	201
Amount available for appropriation	324	201
Less:		
a) Dividend	72	50
b) Tax on dividend	12	9
c) Transfer to general reserve	32	20
Balance carried to Balance Sheet	208	122

The sales registered a growth of 55% and stood at ₹ 4747.49 Crore as compared to ₹ 3069.25 Crore in the previous year. The Company's Profits from Operations for the year ended 31<sup>st</sup> March, 2011 increased by 52% to ₹ 559.28 Crore as compared to ₹ 368.22 Crore in the previous year. The consolidated financial statements are attached to this report.

### DIVIDEND

The Board of Directors recommended a dividend of ₹ 10 per equity share of ₹ 10 each subject to the approval of the Members at the forthcoming 25th Annual General Meeting. The dividend will be paid to members whose name appear in the Register of Members as on September 22, 2011. Your directors wish to carry an amount of ₹ 207.55 Crore to the Balance Sheet after appropriation towards dividend, corporate dividend tax and transfer to general reserve.

### BUSINESS PERFORMANCE

The progress in growth achieved by your Company during the last three years has been well recognized and the leading financial dailies and magazines have consistently categorized your Company as a “Fast Growing Company.” Your Company achieved quantum growth over the previous year in income, profitability and other key performance parameters.

A brief overview and major milestones of operations are as follows:

- The Power Projects Division secured a contract for Balance of Plant (“BoP”) for 2 x 660 MW coal based supercritical thermal power project at Krishnapatnam, Andhra Pradesh from Thermal Powertech Corporation India Limited, promoted by Gayathri projects, and Semcorp, Singapore. The value of the order is ₹ 2168 Crore.
- Your Board takes pride to inform that the 500 MW Vijayawada Thermal Power Station project was completed and after successful performance test handed over to APGENCO during the year. The 500 MW Kakatiya Thermal Power Project of APGENCO has achieved commercial operation during September, 2010. The 500 MW Kothagudam Thermal Power project of APGENCO achieved plant synchronization in March, 2011. The 500 MW Khaperkheda Thermal Power project of MAHAGENCO achieved plant synchronization in March, 2011. Your Directors wish to state that your Company is the only private sector EPC Company in India to have completed three BoP contracts for 500 MW units and successfully commissioned and synchronized the plants.
- The 600 MW Mettur Thermal power project of TNEB achieved boiler hydro test during December, 2010 and the unit is gearing up for commencement of power generation in September, 2011. The boiler hydro test for 2 x 600 MW Kalisindh project of RRVUNL was completed during April, 2011. Your Company is executing the Mettur and Kalisindh projects on EPC basis including supply of Boiler, Steam Turbine and Generator.
- Electrical Projects Division has secured a contract for ₹ 17.02 Crore from Nuclear Power Corporation of India Limited for Bharatiya Nabikiya Vidyut Nigam Limited at Kalpakkam for supply of cabling systems and other electrical works for Power island area in the 500 MW Prototype Fast Breeder Reactor and a turnkey contract for ₹ 36.61 Crore from Power Grid Corporation of India Limited for fiber optic cable based communication solutions over powerlines in Southern region, which is being implemented in lieu of the existing Unified Load Despatch Centre.
- Environmental Engineering Division has achieved a breakthrough during the year in Condensate Polishing Unit business by bagging two orders for Super Critical power projects of 2 x 660 MW Tiroda (Maharashtra) and 2 x 660 MW Kawai (Rajasthan) of Adani Power Limited. The division also commissioned Mannari and Karaipudur common effluent treatment plants using Reverse Osmosis Technology during the year.
- Air Fin Cooler division has registered sales of ₹ 130 Crore and closed the year with a healthy order book of ₹ 155 Crore. The division has expanded its production facilities during the year.
- During the year, Oil & Gas Equipment division has successfully executed contracts for SCOP, Iraq, Akash & Al-Mansuriya and Southern Refinery Company. The division has bagged orders from Cairn Energy, GEO Enpro Petroleum, GPEC, Bharuch, IOCL and other reputed customers in India. The new 100% Export Oriented Unit is now servicing international markets.

## STRATEGIC INITIATIVES

During the year under review, your Company's strategic alliance with Hitachi for Super Critical Steam Turbine and Generators and Steam Generators have been successfully consummated into joint ventures. These joint ventures have brought to life two special purpose companies with equity participation from Hitachi as explained below.

### Hitachi Power Europe GmbH, Germany – BGR Boilers Private Limited

Your Company has signed a Joint Venture agreement with Hitachi Power Europe GmbH, Germany for the business of design, engineering and manufacture of Super Critical Steam Generator of 600 MW, 800 MW, 1000 MW and 1100 MW rating and the new JV Company "BGR Boilers Private Limited" will establish manufacturing facilities as a Special Purpose Vehicle. Hitachi Power Europe will contribute 30% of the equity share capital of the new JV Company. During FY 2010-11, your Company invested ₹ 36.05 Crore in the share capital of JV Company and holds 70% of the equity capital.

### Hitachi, Ltd., Japan – BGR Turbines Company Private Limited

Your Company has signed a Joint Venture agreement with Hitachi, Ltd., Japan for the business of design, engineering and manufacture of Supercritical Steam Turbine and Generators of 660 MW, 800 MW and 1000 MW capacity and the new JV Company "BGR Turbines Company Private Limited" will establish manufacturing facilities as a Special Purpose Vehicle. Hitachi will contribute 26% of the equity share capital of the JV Company. During FY 2010-11, your Company invested ₹ 95.96 Crore in the share capital of the JV Company and holds 74% of the equity capital.

With these strategic Joint Ventures your Company has positioned itself well to capture entire value chain in EPC contracting business for power sector.

## INDIAN POWER SECTOR SCENARIO

The Indian economy has emerged rapidly from the global slowdown of 2007-2009 and remains one of the fast growing economies of the world. The GDP growth is well over 8% and the growth momentum is maintained. The Government of India and State and Central utilities continue to accord primacy to capacity addition in power generation. In view of environmental consideration and need for higher efficiency, there has been marked preference for supercritical technology based power equipment viz., Boiler, Turbine and Generator of large unit sizes during the year under review. The capacity addition target for the 12th Five year plan is well over 100,000 MW. Of this, it is estimated that about 80,000 MW would be coal based thermal power plants utilizing supercritical technology. The Government policy on power sector investment encourages manufacturing capacity build-up within the country. During the year, the investment interest in power sector by private sector industries has witnessed a positive trend. A number of IPP projects currently planned on merchant power plant basis auger well for the power sector development in India. Your Company is now targeting projects for an aggregate capacity of 40,000 MW and anticipates to be successful to secure sizeable market share.

During the year under review, there has been a slow down and delays in award of contracts for large power projects by State and

Central utilities on account of variety of reasons including coal linkage, environmental clearance, land acquisition etc.

## FUTURE OUTLOOK, THE YEAR AHEAD

The growth trajectory of Indian economy makes it imperative for the public and private sector utilities to make investment in generation, transmission and distribution of power. The capacity addition programme of 12<sup>th</sup> Five Year Plan and investment plans by private parties in power sector offer robust growth opportunities for your Company. Your Company's strategic initiative to set up manufacturing facilities to manufacture Super Critical Boiler, Turbine and Generator would provide competitive edge in terms of cost, price and delivery. EPC and BOP contracting business of the Company faces intense competition from domestic players. Your Company's position of pre-eminence in the industry, despite intense competition and cost pressures, is expected to reinforce your Company's ability to overcome these challenges. With robust demand for power in the foreseeable future and the resulting opportunities for power generation equipment and EPC business, your Company's power projects division is well positioned to sustain the growth momentum in the mid-term and in the long-term as well. The proven execution capabilities, competencies and the capacity to offer the entire range of services and equipment viz., design, engineering, project execution, construction, manufacturing and supply of Steam Generator, Steam Turbine and Generator, BOP equipment and civil works would continue to facilitate your Company to achieve improved order booking, revenue and profitability.

## CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-27 on financial reporting of interest in Joint Ventures, the audited Consolidated Financial Statements are annexed to this Annual Report.

## PERFORMANCE OF SUBSIDIARIES

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account (wherever applicable) and other documents of the subsidiary companies are not attached with the financial statements of the Company. The Company will make available the annual accounts of the subsidiary companies and related information to the members of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

## HUMAN RESOURCES

In the backdrop of growth in power and infrastructure sector, there has been an acute shortage of human resources. However, your Company has been successful in attracting talents at senior and middle level positions to manage design, engineering and project management responsibilities. Your Company has initiated steps to build a highly competent and motivated manpower pool and has recruited graduate engineers from colleges of National repute.

In order to evaluate, reward and recognize performance, the Company has installed robust Performance Management System. The Company's Human Resource process is being IT enabled. Your Company continues to lay strong emphasis on HR, talent

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acquisition and retention. Your Company has witnessed a rapid growth in human resources during the financial year 2010-11 and the current employee strength is 1829.

## EMPLOYEE STOCK OPTION SCHEME

The Company has implemented the Employee Stock Option Scheme ("Scheme") in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the SEBI Guidelines"). The Compensation Committee, constituted in accordance with the SEBI Guidelines, administers and monitors the Scheme. The applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2011 are attached as Annexure – I of this report.

## STATUTORY INFORMATION

The disclosure of 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 are not applicable to your Company. The particulars relating to technology absorption are enclosed as Annexure – II of this report. During the FY 2010-11, the Foreign exchange earnings and outgo were ₹ 1124.90 Crore and ₹ 24.32 Crore respectively. In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1) (b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company. Any member interested in obtaining such particulars, may write to the Company Secretary of the Company.

## BOARD OF DIRECTORS

Mr. M. Gopalakrishna and Mr. S.A. Bohra, 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 25<sup>th</sup> Annual General Meeting of the Company.

On February 10, 2011, Mr. Gnana Rajasekaran has been co-opted as an independent Director on the Board and he holds office up to the date of the forthcoming Annual General Meeting in terms of Section 257 of the Companies Act, 1956. The Company received a notice proposing Mr. Gnana Rajasekaran for appointment to the office of Director. The profile of Mr. Gnana Rajasekaran is given in the Notice convening the 25<sup>th</sup> Annual General Meeting of the Company. The Board recommends his appointment.

Mr. S. Rathinam was re-appointed as Director – Finance of the Company for a period of one year effective from February 7, 2011. The profile of Mr. S. Rathinam and the terms and conditions of his appointment including remuneration are given in the Notice convening the 25<sup>th</sup> 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:

- a) In the preparation of the annual accounts for the Financial year ended March 31, 2011, the applicable accounting

standards read with requirements set out under Schedule VI to the Companies Act, 1956 have been followed and there are no material departures from the same;

- b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profit of the Company for the financial year ended on that date;
- c) 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; and
- d) the Directors have prepared the annual accounts for the year ended March 31, 2011 on a going concern basis.

## STATUTORY AUDITORS' AND AUDITORS' REPORT

Manohar Chowdhry & Associates, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter from Manohar Chowdhry & Associates, Chartered Accountants to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the Companies Act, 1956.

## CORPORATE GOVERNANCE

The Company is committed to maintain and comply with the standards of Corporate Governance as set out in Clause 49 of the Listing Agreement and your Directors are pleased to attach a report on Corporate Governance together with the following Certificates / Declarations.

- a) Chief Executive Officer and Chief Financial Officer certificate.
- b) Declaration on code of conduct.
- c) Certificate from the Company's Auditors.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis report for the financial year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is presented in a separate section forming part of the Annual Report.

## ACKNOWLEDGEMENTS

Your Directors wish to take this opportunity to thank the customers, vendors, consortium of banks, collaborators, business partners / associates, statutory authorities, Central and State Governments for the valuable co-operation, assistance and support received during the last financial year. 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 : May 26, 2011

**B. G. Raghupathy**  
Chairman & Managing Director

# Directors' Report

## ANNEXURE – I DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES:

Particulars	2010-11
Options Outstanding in the Beginning of the Year	532,770
a Options granted	0
b Exercise Price	₹ 408/-
c Options Vested	114,231
d Options Exercised	161,660
e Total no. of shares arising as result of exercise of Options	161,660
f Options lapsed - include options forfeited and options cancelled / lapsed	35,259
g Variation in terms of Options	None
h Money realised by exercise of Options	₹ 65,957,280
i Total number of options in force	335,851
j Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 Earnings per Share	₹ 44.90
k Pro Forma Adjusted Net Income and Earnings Per Share	
Particulars	
<b>Net Income</b>	
<b>As Reported</b> (₹ in Million)	3242.08
Add: Intrinsic Value Compensation Cost	0.00
Less: Fair Value Compensation Cost	-1.08
<b>Adjusted Pro Forma Net Income</b>	3241.00
<b>Earnings Per Share: Basic</b> (in ₹)	
As Reported	44.97
Adjusted Pro Forma	44.96
<b>Earnings Per Share: Diluted</b> (in ₹)	
As Reported	44.90
Adjusted Pro Forma	44.88

## ANNEXURE – II

### DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1	Efforts, in brief, made towards technology absorption, adaptation and innovation.	Under implementation
2	Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	N.A.
3	In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished:	
	(a) Technology imported	Technology relating to Design, engineering and manufacture of Heat Recovery Steam Generators
	(b) Year of import	2010
	(c) Has technology been fully absorbed	Under implementation
	(d) If not fully absorbed areas where this has not taken place, reasons there for and future plans of action.	Under implementation

# Corporate Governance Report

Besides Compliance to Clause 49 of the Listing Agreement on Corporate Governance, your Company is committed to good Corporate Governance in all its activities and processes. The Board of Directors endeavour to create an environment of Truth, Trust and Transparency in transactions along with fairness and equity. The Company's objective is to secure long term shareholder value, while respecting the rights and expectations of all the stakeholders viz., Banks, Employees, Central and State Governments and the society at large. The Company is in compliance with requirements of the guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges except the composition of the Board which it expects to do shortly.

## BOARD OF DIRECTORS

In line with Corporate Governance philosophy, all statutory and other significant material information are placed before the Board to enable it to discharge its responsibility of superintendence, control and direction of management of strategic and day to day affairs of the Company. The Board comprises of 11 Directors drawn from diverse fields of expertise viz., Business Management, Finance, Public Administration, Power, Technology, Arts, Culture and International Business. The Chairman of the Board is the Promoter and Managing Director as well. There are five Independent Directors and four professional Whole-time Directors. Presently, the composition of the Board is not in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges. Your Company has appointed Mr. Gnana Rajasekaran as an Independent Director on the Board with effect from February 10, 2011. Your Company is taking steps to co-opt one more Independent Director so as to strengthen the Board composition with an equal number of Independent Directors and functional Directors, in conformity with the Listing Agreement.

The Company formulated and implemented "Standard Operating System and Procedure" which governs the policy, system and procedures relating to management of business of the Company and

to report to the Board all relevant information, to seek authority and direction from the Board of Directors.

None of the Directors on the Board is a Member of more than ten Committees or Chairman of more than five Committees across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2011 have been made by the Directors.

## MEETINGS OF THE BOARD

The Board Meetings are held at the Corporate Office. The Agenda for the meeting is prepared by the President – Corporate & Secretary in consultation with the Chairman & Managing Director. Agenda papers containing all necessary information / documents are made available to the Board in advance to enable the Board to study, take informed decisions and effectively discharge its responsibility. Where it is not practicable to attach or send the relevant information as a part of agenda papers, the same are tabled at the meeting or presentations are made by the concerned President & CEOs of the divisions to the Board. Considerable time is spent by the Directors on discussions and deliberations at the Board Meetings and with the executives as well. The Company is continually improving these practices so as to enable more effective strategy formulation, direction, monitoring and reviews by active participation by the Board.

During the Financial Year 2010-11, 7 (seven) Board Meetings were held on April 28, 2010, May 28, 2010, July 30, 2010, August 7, 2010, October 28, 2010, December 24, 2010 and February 10, 2011, and not more than four months have elapsed between any two meetings. The information as specified in Annexure 1A to Clause 49 of the Listing Agreement is regularly made available to the Board, wherever applicable for discussion and consideration.

Particulars of the Directors' attendance at the Board Meeting and the last Annual General Meeting and particulars of their other company directorships and committee memberships are given below:

Name & Category of the Director	Attendance at meetings during 2010-11		No. of Directorship in other Companies@	No. of Committee Membership & Chairmanship in other Companies#
	Board Meetings	Last AGM		
Mr. B.G. Raghupathy Chairman & Managing Director, Promoter, Executive	7	Yes	10	-
Mr. T. Sankaralingam Managing Director, Executive	7	Yes	2	-
Mr. S. Rathinam Director – Finance, Executive	7	Yes	5	-
Mr. V.R. Mahadevan Director – Technologies & HR, Executive	6	Yes	5	-
Mr. A. Swaminathan Director – Sales & Marketing, Executive	4	Yes	1	-
Mrs. Sasikala Raghupathy Director, Non-Executive	7	Yes	9	-
Mr. Heinrich Bohmer Director, Independent	5	Yes	-	-
Mr. M. Gopalakrishna Director, Independent	7	Yes	7	5
Mr. S.A. Bohra Director, Independent	7	No	-	-
Mr. S.R. Tagat Director, Independent	7	Yes	-	-
Mr. Gnana Rajasekaran* Director, Independent	1	N.A.	1	3

\* Mr. Gnana Rajasekaran was inducted into the Board as an Additional Director with effect from February 10, 2011.

@ Excludes private companies, foreign companies and Section 25 companies.

# Includes only membership of Audit and Shareholders & Investors Grievances Committee.



# Corporate Governance Report

Mrs. Sasikala Raghupathy is the spouse of Mr. B.G. Raghupathy, Chairman and Managing Director.

The Company has not granted any Stock options to any of its Directors or employees during the year under review.

The Board constituted the following Committees:

## AUDIT COMMITTEE

The terms of reference of the Audit Committee are as given below, which cover all applicable matters specified under Clause 49 of the Listing Agreement dealing with Corporate Governance and Section 292A of the Companies Act, 1956.

1. Oversight of Company's financial reporting process and disclosure of its financial information.
2. Recommendation to the Board for appointment and fixation of remuneration of Statutory Auditors.
3. Approval of payment to Statutory Auditor for other services.
4. Appointment and fixation of remuneration of Internal Auditors.
5. Review of Quarterly, Half yearly and Annual financial statements and all related statements before submission to the Board.
6. Review of uses and application of funds raised through IPO.
7. Review of performance of Statutory and Internal Auditors, Internal Control System and adequacy thereof and to ensure compliance thereof.
8. Review of scope of internal audit and structure of internal audit function.
9. Review of action taken on observations of auditors.
10. Review of change in accounting policies and practices.
11. Review and discussion on qualifications in auditors' report.
12. Review of disclosure of related party transactions.
13. Investigation into fraud and irregularities etc., and action taken thereon.
14. Review of servicing and defaults of institutional and bank loans and debts.
15. Review of Company's financial and risk management policies.
16. Review of all mandatory reports furnished by the Board to the shareholders.
17. Review of compliance with tax Laws.
18. Review of financial statements of unlisted subsidiary companies.
19. Any other matter referred to the Audit Committee by the Board of Directors of the Company.

The members of the Audit Committee are:

- a) Mr. S.R. Tagat (Independent Director) – Chairman
- b) Mr. S.A. Bohra (Independent Director) – Member
- c) Mr. S. Rathinam (Director - Finance) – Member
- d) Mr. M. Gopalakrishna (Independent Director) – Member

More than two-thirds of the members are independent directors and all the members of Audit Committee are financially literate. The Composition of the Audit Committee is in conformity with Clause 49 and Section 292A of the Companies Act, 1956. The Company's Managing Director, Chief Financial Officer, Statutory Auditor and Internal Auditors of the Company are permanent invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Committee. The quorum for Committee Meeting is two members or one third of the total strength of the Committee, whichever is higher.

There were 4 (Four) meetings of the Audit Committee held during Financial Year 2010-11 on May 27, 2010, July 30, 2010, October 27, 2010 and February 9, 2011.

The number of meetings attended by each member of the Audit Committee is as follows:

Name of the Member	No. of Meetings attended
Mr. S.R. Tagat	4
Mr. S.A. Bohra	4
Mr. S.Rathinam	4
Mr. M. Gopalakrishna	4

The Chairman of the Audit Committee Mr. S.R. Tagat attended the previous Annual General Meeting of the Company held on September 24, 2010.

## REMUNERATION OF DIRECTORS

(₹ in Lakh)

Name of Director	Remuneration		Sitting Fees*
	Salary & Allowances	Commission / Bonus / Incentive	
Mr. B.G. Raghupathy, Chairman & Managing Director	139.80	2452.55	-
Mr. T. Sankaralingam, Managing Director	627.20	-	-
Mr. S. Rathinam, Director – Finance	151.13	-	-
Mr. V.R. Mahadevan, Director – Technologies & HR	116.91	-	-
Mr. A.Swaminathan Director – Sales & Marketing	145.78	-	-
Mrs. Sasikala Raghupathy, Director	-	-	1.40
Mr. Heinrich Bohmer, Director	-	-	0.99
Mr. M. Gopalakrishna, Director	-	-	3.00
Mr. S.A. Bohra, Director	-	-	2.60
Mr. S.R. Tagat, Director	-	-	2.20
Mr. Gnana Rajasekaran, Director	-	-	0.20

\* Sitting Fees paid to the Directors includes Board and Committee meetings.

# Corporate Governance Report

Details of Shares of the Company held by Directors as on March 31, 2011 and Options granted under ESOS 2007 to the Directors held by them as on March 31, 2011 are as below:

Name	Number of Shares	Number of Options (outstanding)
Mr. B.G. Raghupathy	1,97,12,160	-
Mr. T. Sankaralingam	-	-
Mr. S. Rathinam	12,100	8,450
Mr. V.R. Mahadevan	716	20,000
Mr. A.Swaminathan	18,000	41,265
Mrs. Sasikala Raghupathy	1,15,79,120	-
Mr. Heinrich Bohmer	-	-
Mr. M. Gopalakrishna	-	-
Mr. S.A. Bohra	-	-
Mr. S.R. Tagat	135	-
Mr. Gnana Rajasekaran	-	-

## COMMITTEE OF DIRECTORS

The Board of Directors at its meeting held on May 25, 2007 constituted a Committee of Directors which was reconstituted on October 29, 2009 and February 5, 2010. The Committee of Directors consists of Mr. B.G. Raghupathy, Chairman & Managing Director, Mr. T. Sankaralingam, Mr. A. Swaminathan, Mr. V.R. Mahadevan and Mr. S. Rathinam as Members of the Committee. The quorum for Committee meetings is two members or one third of the total strength of the Committee, whichever is higher.

There were 9 (nine) meetings of Committee of Directors held during Financial Year 2010-11 on April 13, 2010, June 25, 2010, July 30, 2010, September 4, 2010, October 15, 2010, November 22, 2010, December 24, 2010, February 16, 2011 and March 16, 2011.

The following are the terms of reference of the Committee of Directors:

- Borrowing moneys from Banks, NBFCs, companies, firms, and other institutions by way of overdraft, cash credit, hire purchase, lease and other funded and non-funded facilities (i.e., guarantees, letters of credit), lines of credit or otherwise and hire purchase, leasing, bills discounting or any other form of borrowings; provided that the total amount so borrowed and outstanding at any time shall not exceed ₹ 10,000 Crore (Rupees Ten Thousand Crore) and all such borrowings shall be in the ordinary course of business and be repayable on demand except hire purchase and lease or the like transactions.
- Open, close banking accounts for the Company; and to determine the day to day operations of all banking accounts of the Company and to authorise such persons, as the Committee may determine from time to time, for operating such accounts.

## COMPENSATION COMMITTEE

The Compensation Committee was constituted by the Board at its Meeting held on July 18, 2007 and comprises of Mr. B.G. Raghupathy, Chairman of the Committee, Mr. M. Gopalakrishna and Mr. S. A. Bohra, Members of the Committee.

The terms of reference of the Compensation Committee are the administration of the Employee Stock Option Plan of the Company. The Compensation Committee met twice during the year on July 30, 2010 and February 10, 2011.

## SHAREHOLDERS AND INVESTORS GRIEVANCE COMMITTEE

The Shareholders and Investors Grievance Committee was constituted by the Board at its Meeting held on July 18, 2007 and comprises of Mr. M. Gopalakrishna, Chairman of the Committee, Mr. Heinrich Bohmer and Mr. V.R. Mahadevan, Members of the Committee. Mr. R. Ramesh Kumar, President – Corporate & Secretary, is the Secretary to the Committee. The Committee reviews and redresses all investors' grievances and complaints in general including non-receipt of dividends, annual report and non-receipt of refund amount and shares allotted in IPO, if any.

During the Financial Year, the Company received 56 complaints from Investors / Shareholders. All the complaints were attended to as per applicable guidelines and regulations. There are 3 complaints pending before District Consumer Forum and 1 complaint pending before a Civil Court. As at March 31, 2011, there was no pending share transfer. The Committee met twice during the year on July 30, 2010 and February 9, 2011 and reviewed the status of pending investor complaints and steps taken by the Company to redress the same.

## SHARE TRANSFER COMMITTEE

The Board of Directors at its meeting held on June 12, 2008 constituted the Share Transfer Committee. The Share Transfer Committee consists of Mr. B.G. Raghupathy, Chairman & Managing Director, Mr. S.R. Tagat, Mr. S. Rathinam and Mr. V.R. Mahadevan, Members of the Committee.

The following are the terms of reference of the Share Transfer Committee.

- To approve remat request and issue physical share certificates.
- To approve and register, transfer and transmission of equity shares.
- To register power of attorney or any similar documents.
- To sub-divide, split, consolidate and issue share certificates.
- To affix or authorise affixation of Common Seal of the Company on the share certificates and
- To do all such acts, things and deeds as may be necessary and incidental for the exercise of the powers; provided that in doing so, the Committee shall comply with the provisions of the Companies Act, Depositories Act, Listing Agreement, Securities Contracts (Regulation) Act and all other applicable laws.

## GENERAL BODY MEETINGS

The last three Annual General Meetings were held as per details given below:

Financial Year	Date	Time	Venue
2009-10	September 24, 2010	3.00 p.m.	Registered Office
2008-09	September 14, 2009	4.00 p.m.	Registered Office
2007-08	September 19, 2008	2.00 p.m.	Registered Office

One Extraordinary General Meeting of the Members was held on January 28, 2011 at 3.00 p.m. at the Registered Office. All the resolutions, including Special Resolutions, were passed by the shareholders as set out in the respective notices. No resolution was put through postal ballot during the Financial Year 2010-11.

# Corporate Governance Report

## CODE OF CONDUCT

The Board of Directors has adopted a code of conduct, applicable to directors and to employees of the Company. This has been posted on the Company's website for strict compliance. The Company has obtained declarations from all its directors and senior management personnel affirming compliance with the code of conduct. The declaration by the Chairman & Managing Director under Clause 49 affirming compliance with the code of conduct by all members of the Board and the Senior Management Personnel for the year ended March 31, 2011 is attached to this Corporate Governance Report.

## SUBSIDIARY COMPANIES

The Company does not have any material non-listed Indian subsidiary, whose turnover or net worth (i.e.) paid-up capital and free reserves, exceeds 20% of the consolidated turnover or net worth respectively, of the Company and its subsidiary in the financial year ended March 31, 2011.

The Company monitors the performance of its subsidiaries, *inter alia*, by the following means:

- The financial statements of the unlisted subsidiary companies are reviewed by the Audit Committee and Board of the Company.
- The minutes of meetings of Board of Directors of the subsidiaries are noted at the Board Meetings of the Company.
- Details of significant transactions and arrangements entered into by the unlisted subsidiary companies are placed before the Board of the Company.

## DISCLOSURES

### Risk Management

The Company as part of Standard Operating System and Procedure, institutionalized risk management, covering risk identification, mitigation and management measures. In order to further improve the system, the Company has prepared risk management charter & policy. This charter, policy and report are approved for implementation by the Company. The Company has taken steps to strengthen risk management team.

### Related Party Transactions

(₹ in lakh)

Particulars	Subsidiary Companies	Other Companies	Key Management Personnel	Relatives	For the year ended 31.03.11	For the year ended 31.03.10
Sales	-	4634.70	-	-	4634.70	2154.69
Purchases	35.98	3174.71	-	-	3210.69	1555.84
Advances Received	-	7.00	-	-	7.00	30.36
Advances Paid	1555.74	1710.51	-	-	3266.25	-
Investments made	13201.54	-	-	-	13201.54	-
Remuneration	-	-	3633.38	14.89	3648.27	2153.26
Rent Paid	110.92	50.14	41.59	-	202.65	183.72
Others - Royalty	-	-	11.03	-	11.03	11.03
Balance Outstanding	2145.90	1888.03	(13.24)	-	4020.69	1686.10

The Company has complied with the requirements of Clause 49 of the Listing Agreement except the composition of Board of Directors which is under process. During the year, the Company has received a letter from National Stock Exchange of India Limited and Bombay Stock Exchange Limited seeking explanation on non-compliance of Corporate Governance requirement in respect of composition of Board on which action is being taken. During the last three years, no penalties or strictures have been imposed on the Company on any matters related to the Capital markets by Stock Exchange or SEBI or any statutory authorities.

To enhance standards on Corporate Governance and strengthen controls, the Company will formulate and adopt necessary policies and procedures for complying with non-mandatory requirements of Clause 49 in the current year.

A qualified practicing Company Secretary carries out reconciliation of share capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) with the total issued, paid-up and listed capital. The reconciliation of share capital audit report confirms that the total issued/ paid-up/ listed capital are in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

## COMMUNICATION

The Company's quarterly financial results, after their approval by the Board of Directors, are promptly furnished to BSE and NSE where the Company's equity shares are listed. These financial results, in the prescribed format, as per Clause 41 of the listing agreements are published in leading English Newspapers nationwide and Vernacular Newspaper (Telugu) and also posted on the Company's website [www.bgrcorp.com](http://www.bgrcorp.com). Press Releases made by the Company from time to time are also displayed on the Company's website.

## GENERAL SHAREHOLDER INFORMATION

AGM Date : Thursday, September 22, 2011

Time & Venue : 3.00 p.m.

Registered Office : A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Taluk, Nellore District, Andhra Pradesh 524 401.

As required under Clause 49 (IV)(G)(i) of the Listing Agreement with the Stock Exchanges, particulars of Directors seeking appointment/ re-appointment at the forthcoming Annual General Meeting (AGM) are given in the annexure to the notice of the AGM to be held on September 22, 2011.

Financial Year : April 1, 2010 to March 31, 2011

Publication of financial results : Unaudited results for the quarter ending June 30, 2011 – On or before August 15, 2011.

Unaudited results for the half year ending September 30, 2011 – On or before November 15, 2011.

Unaudited results for the quarter and nine months ending December 31, 2011 – On or before February 15, 2011.

Audited results for the year ending March 31, 2012 – On or before May 30, 2012.



# Corporate Governance Report

Dividend : September 28, 2011  
 Payment Date  
 Dates of Book : September 19, 2011 to September 22, 2011.  
 closure  
 Listing on Stock : National Stock Exchange of India Limited  
 Exchanges Bombay Stock Exchange Limited  
 The listing fees for the Financial Year 2011-12  
 have been paid to the above Stock Exchanges.  
 Stock Code : National Stock Exchange of India Limited –  
 BGRENERGY  
 Bombay Stock Exchange Limited – 532930  
 Demat ISIN : INE661I01014

## DETAILS OF SHARES HELD IN SUSPENSE ACCOUNT

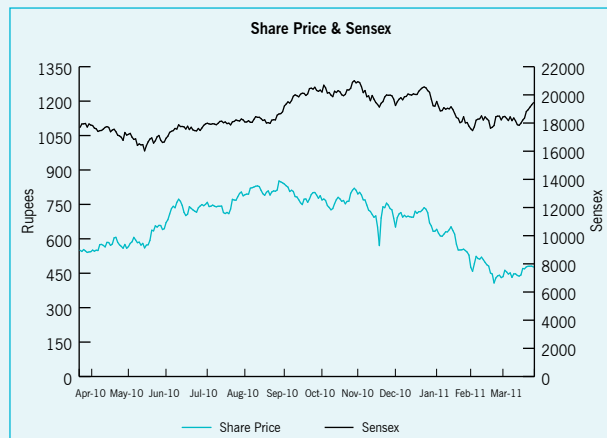
Sr. No.	Particulars	(in Nos.)
1	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	131 shareholders 1834 shares
2	Number of shareholders who approached issuer for transfer of shares from suspense account during the year	7 shareholders 98 shares
3	Number of shareholders to whom shares were transferred from suspense account during the year	7 shareholders 98 shares
4	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	124 shareholders 1736 shares

The Board hereby confirms that the voting rights in respect of the above shares held in suspense account shall remain frozen till the rightful owner of such shares claims the shares.

## STOCK MARKET PRICE DATA & STOCK PERFORMANCE IN BSE:

Month	BSE		SENSEX	
	High (₹)	Low (₹)	High	Low
Apr-10	607.20	530.10	18047.86	17276.80
May-10	643.40	554.00	17536.86	15960.15
Jun-10	780.70	603.65	17919.62	16318.39
Jul-10	769.00	693.00	18237.56	17395.58
Aug-10	838.80	738.00	18475.27	17819.99
Sep-10	871.00	744.00	20267.98	18027.12
Oct-10	819.90	719.00	20854.55	19768.96
Nov-10	826.80	528.20	21108.64	18954.82
Dec-10	778.00	628.00	20552.03	19074.57
Jan-11	744.70	547.90	20664.80	18038.48
Feb-11	578.85	402.10	18690.97	17295.62
Mar-11	491.00	414.60	19575.16	17792.17

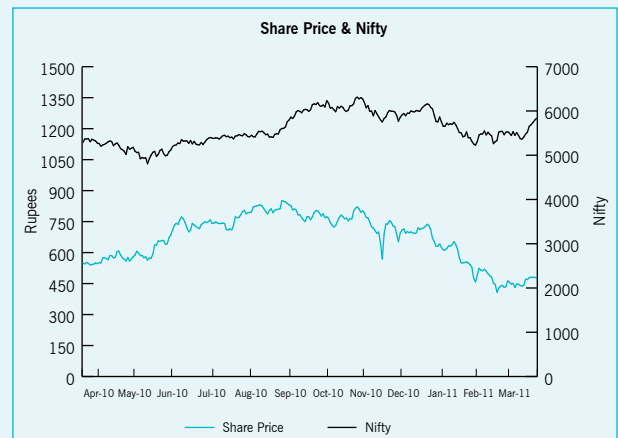
The Chart showing Share Price Performance at BSE in comparison to SENSEX is given below:



## STOCK MARKET PRICE DATA & STOCK PERFORMANCE IN NSE:

Month	NSE		NIFTY	
	High (₹)	Low (₹)	High	Low
Apr-10	609.95	534.00	5399.65	5160.90
May-10	642.65	550.10	5278.70	4786.45
Jun-10	780.00	621.65	5366.75	4961.05
Jul-10	769.00	692.15	5477.50	5225.60
Aug-10	950.00	744.95	5549.80	5348.90
Sep-10	871.25	747.00	6073.50	5403.05
Oct-10	820.00	719.10	6284.10	5937.10
Nov-10	830.00	525.00	6338.50	5690.35
Dec-10	777.00	626.40	6147.30	5721.15
Jan-11	744.80	545.05	6181.05	5416.65
Feb-11	579.00	401.10	5599.25	5177.70
Mar-11	490.80	401.00	5872.00	5348.20

The Chart showing Share Price Performance at NSE in comparison to NIFTY is given below:



# Corporate Governance Report

## REGISTRAR AND SHARE TRANSFER AGENT:

**Link Intime India Private Limited**  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup West,  
Mumbai - 400 078  
Tel: 022-25946970, Fax: 022-25946969  
E-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
Contact Person:  
Ms. Udaya Rao  
Senior Executive – Corporate Registry

Shareholders are requested to correspond with the Registrar and Share transfer agent for transfer / transmission of shares, demat, remat, change of address, nomination, all queries pertaining to their shareholding, dividend etc., at the address given above.

## SHARE TRANSFER SYSTEM

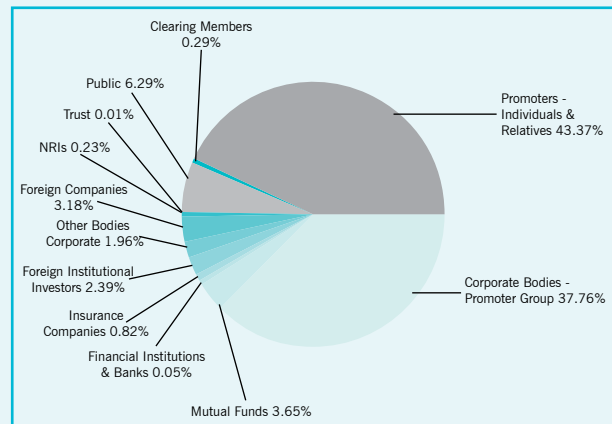
Share transfers are processed and approved, subject to receipt of all requisite documents. The Company seeks to ensure that all transfers are approved for registration within the stipulated period. With a view to expediting the approval process, the Board of Directors has constituted Share Transfer Committee to approve registration of transfer of shares.

## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011

Shareholding	No. of Shareholders	% of total	No. of Shares	% of total
1 – 500	103729	98.77	3268622	4.53
501 – 1000	652	0.62	498932	0.69
1001 – 2000	292	0.28	439556	0.61
2001 – 3000	80	0.08	205900	0.29
3001 – 4000	52	0.05	179833	0.25
4001 – 5000	39	0.04	181108	0.25
5001 – 10000	54	0.05	382299	0.53
10001 and above	115	0.11	67005310	92.85
<b>Total</b>	<b>105013</b>	<b>100</b>	<b>72161560</b>	<b>100</b>

## SHAREHOLDING PATTERN AS ON MARCH 31, 2011

Sl. No.	Category	Shares	Holders	Percent
1	Promoters - Individuals & Relatives	31295600	3	43.37
2	Corporate Bodies - Promoter Group	27248400	4	37.76
3	Mutual Funds	2632014	24	3.65
4	Financial Institutions & Banks	35018	5	0.05
5	Insurance Companies	591756	12	0.82
6	Foreign Institutional Investors	1725932	47	2.39
7	Other Bodies Corporate	1416421	949	1.96
8	Foreign Companies	2295322	9	3.18
9	NRIs	164264	869	0.23
10	Trusts	9702	9	0.01
11	Public	4535857	102787	6.29
12	Clearing Members	211274	295	0.29
	<b>Total</b>	<b>72161560</b>	<b>105013</b>	<b>100</b>



## DEMATERIALISATION OF SHARES AND LIQUIDITY

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on March 31, 2011, 18.87% of the total paid-up equity share capital was held in dematerialisation form of which NSDL constitutes 16.28% and CDSL constitutes 2.59%. The ISIN of the Company's equity shares is INE661I01014. The Shares of the Company are actively traded in National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

## PLANT LOCATION:

- 171, Panjetty Village, Ponneri Taluk, Ponneri, Tamil Nadu.
- Survey 167/1 & 173, Durai Nallur village, Pudukkottai Arni Road, Pudukkottai Post, Ponneri Taluk, Tiruvallur District.

## MAJOR PROJECT LOCATIONS :

- 500 MW coal based Thermal Power Plant of MAHAGENCO at Khaperkeda, Maharashtra.
- 500 MW coal based Thermal Power Plant of APGENCO at Kothagudam, Andhra Pradesh.
- 1 x 600 MW coal based Thermal Power Plant of TNEB at Mettur, Tamil Nadu.
- 2 x 600 MW coal based Thermal Power Plant of RRVUNL at Kalisindh, Jhalawar District, Rajasthan.
- 2 x 500 MW coal based Thermal Power Plant of MAHAGENCO at Chandrapur
- 2 x 500 MW coal based Thermal Power Plant of MAHAGENCO at Marwa.
- 2 X 660 MW coal based Thermal Power Plant of Thermal Powertech Corporation India Limited at Krishnapatnam.

## NAME OF THE COMPLIANCE OFFICER AND ADDRESS FOR CORRESPONDENCE:

**Mr. R. Ramesh Kumar,**  
President - Corporate & Secretary  
BGR Energy Systems Limited  
443, Anna Salai, Teynampet, Chennai 600 018  
Tel : 044 - 24326171  
Fax : 044 - 24360576  
E-mail: [investors@bgrenergy.com](mailto:investors@bgrenergy.com)