



BGR ENERGY SYSTEMS LIMITED

27th ANNUAL REPORT 2012-13



எண்ணிய எண்ணியாங் கெய்துப எண்ணியார்
திண்ணியர் ஆகப் பெறின். -திருக்குறள்

www.bgrcorp.com

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- வினைத்திட்டம் 2.2.4.666, திருக்குறள்

*A person with firm resolve in pursuit of his goal
will achieve it, as envisioned by him.*



The couplet above from Thirukural, one of the Tamil classic scripts aptly sums up the life and achievement of our beloved Founder, Chairman and Managing Director, Mr. B.G. Raghupathy. He laid the foundation for this organization with a small factory at Pannamgadu Industrial Estate, in Nellore District of Andhra Pradesh. His penchant for growth catapulted BGR Energy Systems Limited to be among the leaders in EPC & BoP segments of power plant construction in India.

On 28th July, 2013 we lost our visionary founder Mr. B.G.Raghupathy. His vision in life was to establish a world-class manufacturing, engineering & contracting company serving the power and process sector. He was a pioneer and trend setter in BoP and Dry Cooling system in India. He has built a strong organization with great zeal and energy. We resolve to build on and make his vision come true.





LAI D STRONG FOUNDATION FOR A GREAT FUTURE

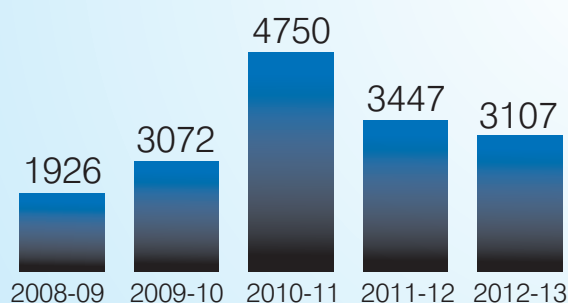


Financial Highlights

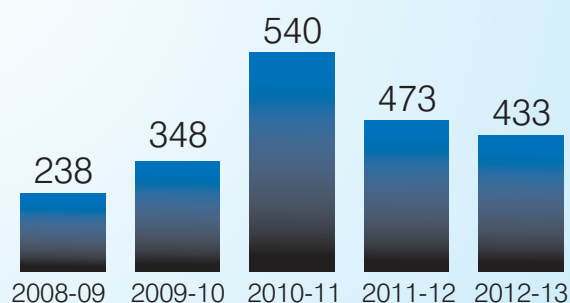
(₹ in Crores except per share data)

DESCRIPTIONS	2008-09	2009-10	2010-11	2011-12	2012-13
SALES AND EARNINGS					
Sales	1926.07	3072.04	4750.29	3447.05	3107.17
Other Income	27.55	21.91	19.12	5.26	5.44
EBIDTA	237.80	348.04	540.17	473.10	433.34
PAT	115.09	201.02	324.20	223.52	163.67
ASSETS					
Fixed Assets	96.47	149.45	175.39	198.41	210.28
Investments	4.78	4.78	136.80	235.85	363.71
Other Asset (Net)	1246.19	1514.31	2285.56	2849.78	3284.17
Total Assets	1347.44	1668.54	2597.75	3284.04	3858.16
FUNDED BY					
Equity Share Capital	72.00	72.00	72.16	72.16	72.16
Reserves & Surplus	489.15	631.2	877.60	1042.41	1147.38
Networth	561.15	703.2	949.76	1114.57	1219.54
Deferred Taxes	78.49	158.91	311.68	401.35	424.28
Borrowings	707.80	806.43	1336.31	1768.12	2214.34
Total Liabilities	1347.44	1668.54	2597.75	3284.04	3858.16
EPS (₹)	15.98	27.92	44.97	30.98	22.68
Dividend per equity share (₹)	3.00	7.00	10.00	7.00	7.00

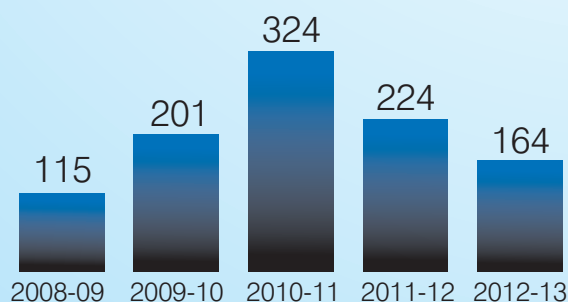
Sales (₹ in Crores)



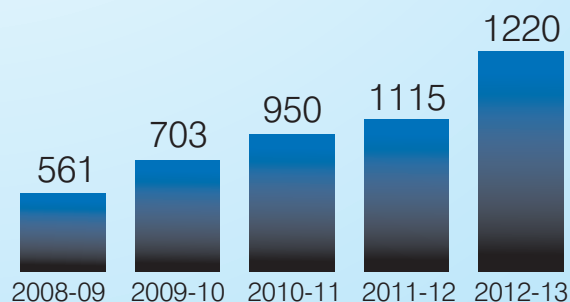
EBIDTA (₹ in Crores)



PAT (₹ in Crores)



NETWORTH (₹ in Crores)



Corporate Information

BOARD OF DIRECTORS

B. G. Raghupathy
Chairman & Managing Director

V. R. Mahadevan
Director - Technologies & HR

A. Swaminathan
Director - Sales & Marketing

Swarnamugi Karthik
Director - Corporate Strategy

K. Chandrashekhar
Director - Projects

M. Gopalakrishna
Director

S. A. Bohra
Director

S. R. Tagat
Director

M. S. Sundara Rajan
Director

Gnana Rajasekaran
Director

Heinrich Bohmer
Director

Sasikala Raghupathy
Director

COMPANY SECRETARY

R. Ramesh Kumar

CHIEF FINANCIAL OFFICER

P. R. Easwar Kumar

STATUTORY AUDITOR

M/s. Manohar Chowdhary & Associates
Chartered Accountants
No.27, Subramanian Street
Abhirampuram, Chennai 600018

INTERNAL AUDITORS

J V Associates
V Krishnan & Co.
Ramachandran & Murali
Brahmayya & Co.
Venkatesh & Co.

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
IDBI Bank Limited
Indian Bank
Corporation Bank
Punjab National Bank
Bank of India
Axis Bank Limited
The Karur Vysya Bank Limited
Vijaya Bank Limited
Indian Overseas Bank
Central Bank of India
Allahabad Bank
Syndicate Bank
Andhra Bank
ING Vysya Bank Limited
Export Import Bank of India
ICICI Bank Limited

REGISTERED OFFICE

A-5 Pannamgadu Industrial Estate,
Ramapuram Post, Nellore District,
Sullurpet Taluk, Andhra Pradesh 524401

CORPORATE OFFICE

443 Anna Salai, Teynampet,
Chennai 600018 India

REGIONAL OFFICES

New Delhi
Plot No.1, Sector -16A, Film City
Noida 201301 Uttar Pradesh

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

Hyderabad
Plot No.44, Sagar Society
Road No.2 Banjara Hills
Hyderabad 500034

WEB SITE

www.bgrcorp.com

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W)
Mumbai 400078

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Directors' Report

To the Members of
BGR ENERGY SYSTEMS LIMITED

Your directors have pleasure in presenting the Twenty Seventh Annual Report together with the audited financial statements for the year ended March 31, 2013.

FINANCIAL RESULTS

The highlights of the financial performance of the Company during the financial year ended March 31, 2013 as compared with the previous financial year ended March 31, 2012 are summarized below:

(₹ Crore)

Description	2012-13	2011-12
Income from operations	3107	3447
Other income	5	5
Total Income	3112	3452
Earnings before Interest, Depreciation, Tax and Amortization	433	473
Profit before tax	245	327
Tax Expense	81	103
Net Profit	164	224
Amount available for appropriation	164	224
Less :		
a) Dividend	51	51
b) Tax on dividend	8	8
c) Transfer to general reserve	16	22
Balance carried to Balance Sheet	89	143

DIVIDEND

Your Board of Directors have recommended a dividend of ₹ 7 per equity share of ₹ 10/- each subject to the approval of the Members at the forthcoming 27th Annual General Meeting. This will result in dividend payment of ₹ 50.51 crores and payment of dividend tax of ₹ 8.19 crores. The dividend will be paid to members whose names appear on the Register of Members as on September 25, 2013 and as informed to the Company by National Securities Depository Limited and Central Depository Services Limited, in respect of shares held in demat mode. Your directors wish to carry an amount of ₹ 88.60 crores to the Balance Sheet after appropriation towards dividend, corporate dividend tax and transfer to general reserve.

PERFORMANCE REVIEW

During the year, your Company successfully bid for a BoP Contract from Odisha Power Generation Corporation Limited and the resulting contract is expected to be received shortly in the current financial year.

Your Company has achieved progress in the implementation of all ongoing EPC and BoP project contracts viz., Kalisindh (2 X 600 MW EPC), Marwa (2 x 500 MW BoP), Mettur (1 X 600 MW EPC), Chandrapur (2 x 500 MW BoP), Nawapara (2 X 300 MW EPC), Krishnapatnam (2 X 660 MW BoP).

In respect of break-through contracts in Super Critical technology space secured through NTPC's bulk tender process for supply of 6 units of 660 MW steam generators to Solapur (2 X 660), Meja (2 x 660) and DVC-Raghunathpur (2 X 660), your Company is executing engineering works and commenced manufacturing

activities in collaboration with BGR Boilers Private Limited and Hitachi Power Europe. Similarly, the contract for supply of 2 x 800 MW Steam Turbine and Generator to Lara project is being executed in collaboration with BGR Boilers Private Limited and Hitachi Japan.

During the year under review, Electrical Project Division has commissioned all 4 units of 33 MW Hydroelectric project for NHPC at Teesta, Siliguri, West Bengal as e-BoP contractor and this is the first hydroelectric project carried out by your Company. The Division has completed over 4750 KM of OPGW stringing under LIVE-LINE conditions on EHV transmission lines rated up to 400 KV which was spread over 10 States of India. This Division is executing e-BoP contract for 4 units of 700 MW Nuclear projects of Nuclear Power Corporation. Your Company has taken steps to qualify for e-BoP projects including EHV switchyards for Ultra Mega Power projects for which tenders are being floated by clients.

Air Fin Cooler division has achieved growth in profit by 38% compared to the previous financial year and this is the second consecutive year to achieve more than 30% growth in profit. Your Company received major orders from IOCL for Paradip Refinery and BPCL, Siemens for NMDC project in Chattisgarh. Your Company supplied equipment to International clients/markets, including GPS, Al-Hassan, Toledo, Dodsai, CCC, SiadMi and AlKhorayef. Your Company has successfully completed IBR Tube Bundles for IOCL – Paradip with shortest lead time of 5 months. Opportunities in Indian market have been very poor as no new refineries came up in the year 2012-13. However, there are signs of improvement with expansion of two major refineries viz., BPCL and Reliance Jamnagar and they are expected to open up good business in the current financial year. Your Company would lay focus on business prospects in new markets like Nigeria, South East Asia and North Africa and repeat orders from clients.

Environment Engineering Division has bagged a prestigious order from Dodsai for 2 x 700 MW Deaerator Package for Khakrapara-NPCIL project. This, when executed, will be the largest Deaerator in India surpassing the earlier largest one supplied by your Company to NPCIL. During FY 2012-13, your Company firmly established itself as a significant market player in Condensate Polishing Units.

Oil & Gas Equipment division posted muted performance due to competition and constraints in bidding for large projects due to lack of pre-qualification. Your Company has adopted strategy to tie-up with global technology majors and bid for large EPC and LSTK projects. The benefits of this market approach will be realized in the years to come.

INDIAN POWER SECTOR SCENARIO

The Policy emphasis laid by the Govt. of India to the power sector in the preceding years, has facilitated setting up of additional power generation capacity in the country. Bulk tenders invited by NTPC for 11 units of 660 MW and 9 units 800 MW Super-critical Steam Generators and Steam Turbine Generators have played a critical role in catalyzing the sector.

Some of the major challenges affecting the Power sector generation capacity addition are:

1. Availability of land
2. Lack of firm commitment on fuel supply and unpredictable pricing of imported fuel (coal/gas)
3. Slow and tedious process of environmental clearances linked with clearance for coal mines
4. Deteriorating financial health of State Power Utilities

Directors' Report

There is a significant back log of new power projects which are held up for either grant of fuel linkages or for conversion of assured linkages to firm Fuel Supply Agreements. Some of these projects (without Fuel Supply Agreements) are already under advanced stages of construction. Even many completed projects are awaiting fuel supply to start generation. It is being reported that around 7-8% of the installed base of the country 223 GW is idle because of either lack of fuel (coal and gas) or evacuation challenges. Most of the IPPs on the planning stage which had called for bids have either shelved their plans or have put them on hold due to the reasons mentioned above. The combined effect of all the above created serious short term concerns for the entire power sector and all its stake holders. As an immediate impact the market size for new power projects has shrunk and as a result competition has become very intense impacting margins of contracts for new power projects.

Mounting losses of the State Utility/Discom companies have severely impacted the cash flow of projects under implementation. This also adversely impacts financing of new power projects. The Financial Restructuring Plan implemented by the Central Government in late 2012 is expected to improve financial health of the State Utility/Discoms and could become harbinger for overall improvement of Power sector.

Despite the huge challenges and shrinking market size, your Company has closed the year with healthy order book of over ₹ 11000 Crores.

FUTURE OUTLOOK, THE YEAR AHEAD

The challenges in Power sector are still persisting. However, considering the fact that power being the most crucial component of economic growth and sustenance the current challenges are expected to be resolved sooner than later. Thermal power projects will constitute almost 2/3rd of the new power projects in the next decade and almost all coal based power projects will be based on super-critical technology. Your Company will continue to play a significant role in its area of strength and in the short term your Company will focus projects which are free of present bottlenecks and is confident of securing large value BoP and equipment contracts and in the near term keep itself agile to the supercritical technology based power projects.

Your Company's design and Engineering strength and proven execution track record will help your Company to weather the current market conditions and stay nimble footed so as to avail of opportunities when the sector's fortunes turn around.

In this backdrop, your Company has taken initiatives to explore overseas power project prospects, with a specific emphasis on Middle East markets, where a number of gas power projects are coming up.

The underlying aspects of the slow growth phase bottoming out and promise of latent power demand in the country are the silver lining for the sector and your Company will continue to play a significant role in the development of the power infrastructure of the country.

PROGRESS AND STATUS OF JOINT VENTURE & SUBSIDIARY

During the year under review, your Company signed a Memorandum of Understanding with the Tamil Nadu Government in November 2012 to secure the support of the Government of Tamil Nadu for the Joint Venture Projects.

BGR BOILERS PRIVATE LIMITED

The Joint Venture established to Design, Manufacture, Install and Commission of Supercritical Boilers of 660 MW, 800 MW and 1000 MW rating capacity has obtained all approvals required to

commence construction of its manufacturing plant and is expects to start production by early 2015.

BGR TURBINES COMPANY PRIVATE LIMITED

The Joint Venture was established to Design, Manufacture, Install and Commission of Supercritical Steam Turbines and Generators of 660 MW, 800 MW and 1000 MW units. The company plans to commence production by later 2015.

SRAVANAA PROPERTIES LIMITED, SUBSIDIARY

Your Company on 2nd November, 2012 acquired 100% of the equity share capital of Sravanaa Properties Limited, which owns landed property in Chennai. Your company intends to set up its office in this land property to house the operating divisions and corporate office of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

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.

In accordance with the general Circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not attached with the financial statements of the Company. The Company will make available the Annual financial statements of the subsidiary companies and related information to the members of the Company who may be interested in obtaining the same. The Annual reports of the subsidiary companies will be open for inspection by shareholders at the Registered and Corporate Office of the Company and Subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

HUMAN RESOURCES

Your Company's focussed effort of talent building over the last few years have yielded very good results and the company has in place a strong team of experienced and competent professionals. Being an EPC Organization, Project Management is of paramount importance and therefore, during the year, your Company had substantially strengthened the Project Management teams through induction of senior level resources.

Your Company has also successfully established an effective performance driven culture and this has motivated the employees to perform better. The focus during the current financial year was towards nurturing, equipping the talent pool to manage bigger challenges in the coming years by providing them with adequate training in technical and behavioral areas. With a view to enhance the Company's in-house Project Management capabilities, exclusive Certification courses were organised for the core Project Management team which has resulted in overall improvement. In addition, training in vital areas like Leadership, Time management and Communication by leading trainers during the year have also helped to enhance Company's Employee Capabilities.

EMPLOYEE STOCK OPTION SCHEME

The Company has implemented the Employee Stock Option Scheme 2007 in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. 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, 2013 are attached as Annexure – I of this report.

Directors' Report

DEPOSITS

Your Company has not accepted any deposit from the public during the period under review and did not have any outstanding deposits.

STATUTORY INFORMATION

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 2012-13, the Foreign exchange earnings and outgo were ₹ 8488 lakhs and ₹ 949 lakhs 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 Companies Act, 1956 the annual report excluding the aforesaid information is being sent to all the members of the Company. Any member interested in obtaining such information, may write to the Company Secretary of the Company.

BOARD OF DIRECTORS

Mr. T. Sankaralingam, Managing Director relinquished his office and he was relieved from the office of Managing Director of the Company with effect from 31st December 2012. Your directors wish to place on record their appreciation for valuable contribution and services rendered by Mr. T. Sankaralingam during his tenure as the Managing Director of the Company.

Mrs. Sasikala Raghupathy, Mr. Heinrich Bohmer and Mr. A. Swaminathan, Directors, retire by rotation and being eligible for re-appointment, offer themselves for re-appointment. The Board recommends their re-appointment. Profiles of these directors are given in the notice convening the 27th annual general meeting of the Company.

On November 01, 2012, Mr. K. Chandrashekhar was co-opted as an additional director on the Board and he retires at the forthcoming Annual General Meeting and seeks appointment in terms of Section 257 of the Companies Act, 1956. He has been appointed as Wholetime Director for a period of 5 years with effect from 1st November 2012. The profile of Mr. K. Chandrashekhar and the terms and conditions of his appointment including remuneration are given in the Notice of 27th Annual General Meeting of the Company.

On February 08, 2013, Ms. Swarnamugi Karthik was co-opted as an additional director on the Board and she retires at the forthcoming Annual General Meeting and seeks appointment in terms of Section 257 of the Companies Act, 1956. She has been appointed as Wholetime Director for a period of 5 years with effect from 8th February 2013. The profile of Ms. Swarnamugi Karthik and the terms and conditions of her appointment including remuneration are given in the Notice of 27th Annual General Meeting of the Company.

The Company has received notices proposing Mr. K. Chandrashekhar and Ms. Swarnamugi Karthik for appointment to the office of director. The Board of Directors recommends these proposed appointments.

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 Financial year ended March 31, 2013, 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;

- 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, 2013 and of the profit of the Company for the Financial year ended on that date;
- 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
- the Directors have prepared the annual accounts for the year ended March 31, 2013 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 reappointment. Manohar Chowdhry & Associates, Chartered Accountants confirmed 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 in terms of Section 226 of the Companies Act, 1956.

COST AUDITORS

As per the Order dated 24th January, 2012 issued by the Ministry of Corporate Affairs, the appointment of Cost Auditors becomes mandatory for your Company pursuant to the provisions of Section 233B of the Companies Act, 1956. Accordingly, the Board of Directors at its meeting held on 29th May, 2013 approved the appointment of Mr. K. Vaidyanathan, Cost Accountant as the Cost Auditors of the Company for the Financial year 2013-14, subject to the approval of the Central Government.

CORPORATE GOVERNANCE

A Report on Management Discussion & Analysis of Performance and Compliance of Corporate Governance under clause 49 of the listing agreement & Certificate from Auditors confirming compliance of conditions of Corporate Governance is included in this Annual Report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the excellent support and co-operation given by customers, shareholders, vendors, collaborators, business partners/associates, statutory authorities, Central and State Governments during the year under review.

Your Directors also record their appreciation and gratitude to the Bankers for their continued support and timely assistance in meeting the Company's resource requirements. Your Directors acknowledge the dedicated services rendered by all the employees of the company.

For and on behalf of the Board

Place : Singapore
Date : May 29, 2013

B. G. RAGHUPATHY
Chairman & Managing Director

Directors' Report

ANNEXURE – I

DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES:

Particulars	2012-13
Options Outstanding in the Beginning of the Year	291,100
a Options granted	0
b Pricing formula	85% of Issue Price ₹ 408/-
c Options Vested	0
d Options Exercised	0
e Total no. of shares arising as result of exercise of Options	0
f Options lapsed	5,242
g Variation in terms of Options	None
h Money realised by exercise of Options	0
i Total number of options in force	285,858
j employee wise details of options granted to	
(i) Senior Managerial Personnel	None
(ii) identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital excluding outstanding warrants and conversions of the company at the time of grant;	None
(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding 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'	22.68
Pro Forma Adjusted Net Income and Earning Per Share	
Particulars	₹ in Million
Net Income	
As Reported	1636.7
Add: Intrinsic Value Compensation Cost	0.00
Less: Fair Value Compensation Cost	0.31
Adjusted Pro Forma Net Income	1637.01
Earning Per Share	
: Basic	
As Reported	22.68
Adjusted Pro Forma	22.68
Earning Per Share	
: Diluted	
As Reported	22.68
Adjusted Pro Forma	22.68
l Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	N.A.
m Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	N.A.
n A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	
(i) risk-free interest rate	N.A.
(ii) expected life	N.A.
(iii) expected volatility	N.A.
(iv) expected dividends and	N.A.
(v) the price of the underlying share in market at the time of option grant.	N.A.

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 therefor and future plans of action.	—