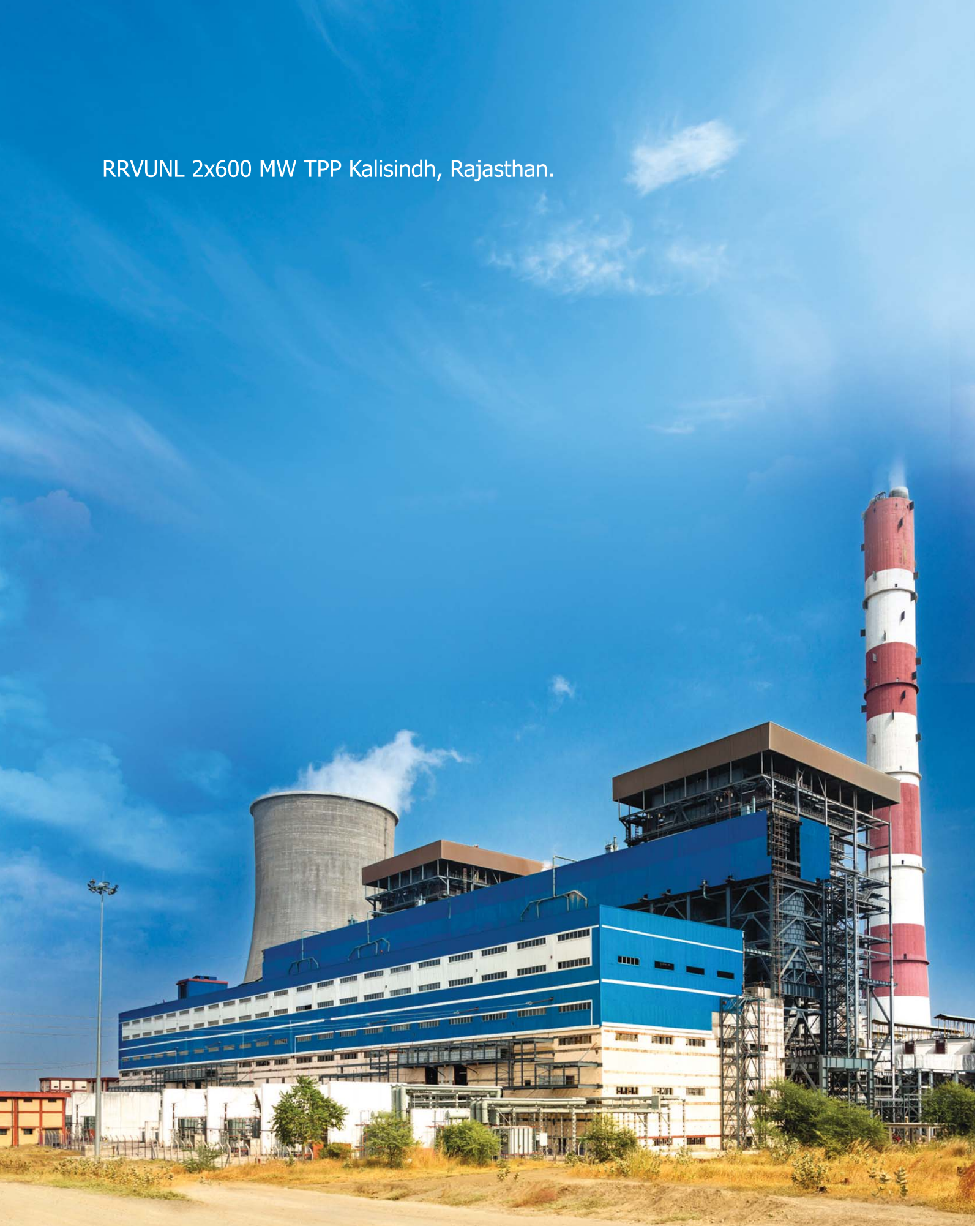


BGR ENERGY SYSTEMS LIMITED  
30<sup>th</sup> ANNUAL REPORT 2015-16





RRVUNL 2x600 MW TPP Kalisindh, Rajasthan.



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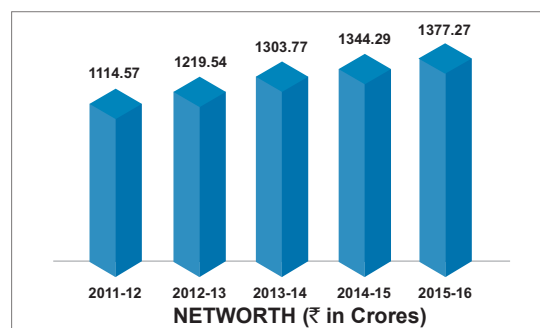
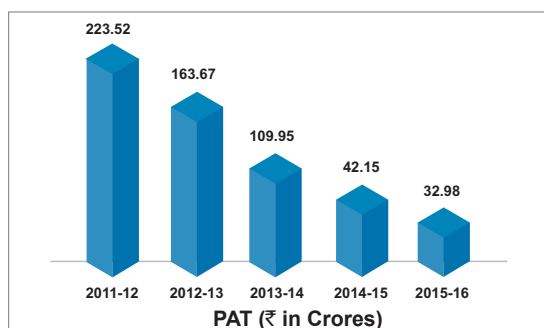
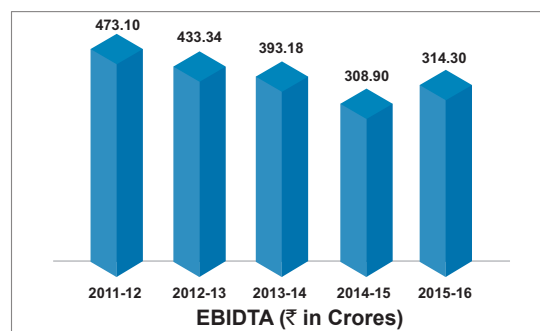
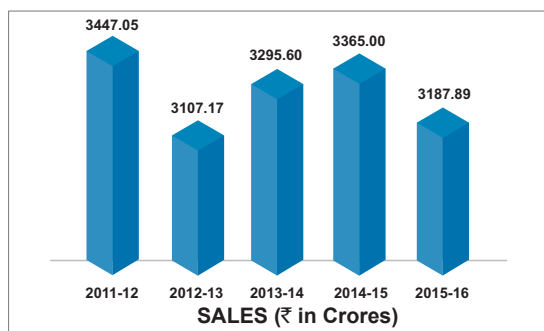
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# Financial Highlights

(₹ in Crores except per share data)

DESCRIPTION	2011-12	2012-13	2013-14	2014-15	2015-16
<b>SALES AND EARNINGS</b>					
Sales	3447.05	3107.17	3295.60	3365.00	3187.89
Other Income	5.26	5.44	0.50	1.50	5.89
EBIDTA	473.10	433.34	393.18	308.90	314.30
PAT	223.52	163.67	109.95	42.15	32.98
<b>ASSETS</b>					
Fixed Assets	198.41	210.28	198.05	182.72	179.45
Investments	235.85	363.71	363.61	363.61	363.61
Other Asset (Net)	2849.78	3284.17	3272.11	3256.31	3456.54
<b>Total Assets</b>	<b>3284.04</b>	<b>3858.16</b>	<b>3833.77</b>	<b>3802.64</b>	<b>3999.60</b>
<b>FUNDED BY</b>					
Equity Share Capital	72.16	72.16	72.16	72.16	72.16
Reserves & Surplus	1042.41	1147.38	1231.61	1272.13	1305.11
Networth	1114.57	1219.54	1303.77	1344.29	1377.27
Deferred Taxes	401.35	424.28	510.66	346.72	373.84
Borrowings	1768.12	2214.34	2019.34	2111.63	2248.49
<b>Total Liabilities</b>	<b>3284.04</b>	<b>3858.16</b>	<b>3833.77</b>	<b>3802.64</b>	<b>3999.60</b>
EPS (₹)	30.98	22.68	15.24	5.84	4.57
Dividend per equity share (₹)	7.00	7.00	3.00	-	-



# Corporate Information

## BOARD OF DIRECTORS

**Sasikala Raghupathy**  
Chairperson

**A. Swaminathan**  
Joint Managing Director & CEO

**V.R. Mahadevan**  
Joint Managing Director

**Swarnamugi Karthik**  
Director – Corporate Strategy

## INDEPENDENT DIRECTORS

**M. Gopalakrishna**

**S.A. Bohra**

**S R. Tagat**

**Gnana Rajasekaran**

**Heinrich Bohmer**

## COMPANY SECRETARY

**R. Ramesh Kumar**

## CHIEF FINANCIAL OFFICER

**P. R. Easwar Kumar**

## STATUTORY AUDITORS

Manohar Chowdhry & Associates  
Chartered Accountants  
No. 27, Subramanian Street  
Abhiramapuram  
Chennai - 600 018

## INTERNAL AUDITORS

J V Associates  
V Krishnan & Co.,  
Ramachandran & Murali  
Raghu & Gopal.,  
A. John Moris & 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  
The Karur Vysya Bank Limited  
Vijaya Bank  
Indian Overseas Bank  
Central Bank of India  
Allahabad Bank  
Syndicate Bank  
Andhra Bank  
Kotak Mahindra Bank Ltd  
Export- Import Bank of India  
ICICI Bank Limited  
Union Bank of India

## REGISTERED OFFICE

A-5, Pannamgadu Industrial Estate,  
Ramapuram Post, Sullurpet Taluk,  
Nellore District,  
Andhra Pradesh – 524 401  
**CIN : L40106AP1985PLC005318**

## CORPORATE OFFICE

443, Anna Salai, Teynampet  
Chennai - 600 018, India

## REGIONAL OFFICES

### New Delhi

Plot No.1, Sector - 16A, Film City,  
Noida - 201 301, Uttar Pradesh

### Mumbai

401, Hitech Town Centre, IV Floor,  
90 S.V. Road, Khar (West),  
Next to Khar RTO  
Mumbai - 400 052

### Hyderabad

Plot No. 44, Sagar Society  
Road No.2, Banjara Hills  
Hyderabad - 500 034

### Website

[www.bgrcorp.com](http://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 - 400 078



# Directors' Report

## To the Members of BGR ENERGY SYSTEMS LIMITED

Your directors have pleasure in presenting their 30th Annual Report together with the audited financial statements for the year ended March 31, 2016.

## FINANCIAL RESULTS

The highlights of the standalone financial performance of the Company during the financial year ended March 31, 2016 as compared with the previous financial year ended March 31, 2015 are summarized below:

(₹ Crore)

Description	2015-16	2014-15
Income from operations	3188	3365
Other income	5.89	1.50
Total income	3194	3367
Earnings before Interest, Depreciation, Tax and Amortization	320	310
Profit before tax	60	79
Tax Expense	27	37
Net Profit	33	42
Amount available for appropriation	33	42
Transfer to general reserve	3	4
Balance carried to Balance Sheet	30	38

## DIVIDEND AND APPROPRIATION

The Board of Directors do not recommend dividend for the FY 2015-16 in order to augment internal accruals to fund the working capital. Your directors wish to carry an amount of ₹30 crores to the Balance Sheet after appropriation of ₹3 crores to general reserve.

## OPERATING PERFORMANCE

During the year, the Company has successfully commissioned its first 2 X 660MW Super Critical Thermal Power

Plant at Krishnapatnam. Both the units have achieved commercial operation and have been handed over to the client. Your Company has also handed over both units of the 2 x 600 MW EPC Kalisindh Project and the plants are currently under commercial operation by the client, RRVUNL. During the year your Company has achieved full load operation for Unit #9 of the 2 x 500 MW Chandrapur TPS and commercial operation date (COD) was declared for Unit #1 of 2 x 500 MW Marwa project.

The Company's affairs and operations have been analyzed in the Management Discussion & Analysis report (Annexure IX) forming part of this Directors report.

## STATUS OF JOINT VENTURES

### BGR Boilers Private Limited and BGR Turbines Company Private Limited

These joint venture companies with Hitachi were set up in 2010 to carry on the business of design, engineering and manufacture of supercritical steam generators and supercritical steam turbine and generators of 660 MW, 800 MW and 1000 MW capacity. Until 2014 these companies have acquired substantial private lands required for setting up of manufacturing facilities and also made significant progress towards purchase of capital equipment. The setting up of manufacturing facilities of supercritical steam generators and supercritical steam turbine and generators got adversely impacted consequent to the global merger/integration of thermal power businesses of Hitachi and Mitsubishi Heavy Industries Limited through new Company in Japan viz., Mitsubishi Hitachi Power Systems Limited (MHPS) in Japan and Mitsubishi Hitachi Power Systems Europe GmbH (MHPSE) in Germany. This has created an adverse impact on the Company's business in BTG and EPC segments and in NTPC contracts for Solapur, Meja, Lara and Raghunathpur project contract with DVC. Your Company has initiated legal proceedings before the Madras High Court and Competition Commission of India against Hitachi.

During the financial year 2015-16 Hitachi and the Company have negotiated and arrived at an amicable resolution in the matters of dispute and differences, including inter-se disputes and impact on NTPC contracts. These resolution of disputes has been

settled by way of an Agreement between the Hitachi and the Company on March 30, 2016. The Agreement, inter alia, provides for, execution of NTPC contracts for Solapur (2 x 660 MW) and Meja (2 x 660 MW) of Supercritical Steam Generators (Boilers) and Lara (2 x 800 MW) Supercritical Steam Turbines and Generators (STG) (collectively referred to as "NTPC Projects") and for certain arrangement with respect to the future of the JV relationship between HTC, HPE and the Company in respect of the existing Joint Venture companies viz., BGR Boilers Private Limited and BGR Turbines Company Private Limited after completion of the NTPC Projects in compliance of the NTPC contract and other related conditions.

### The Performance and financial position of each subsidiary and JV

A report on the performance and financial position of each of the subsidiaries and joint venture as per Rule 5 of the Companies (Accounts) Rules, 2014 is provided as annexure to the consolidated financial statement and hence not repeated here for the sake of brevity as required under rule 8(1) of the Companies (Accounts) Rules, 2014.

## CONSOLIDATED FINANCIAL STATEMENT

The Consolidated Financial Statements of the Company prepared in accordance with relevant Accounting Standards (AS-21 and AS-27) form part of this Annual Report.

As required under Section 129 of the Companies Act, 2013 a separate statement containing the salient features of the financial statements of subsidiaries is attached along with the financial statement.

In terms of Section 136 of the Companies Act, 2013 the Company has placed on its website the standalone and consolidated financial statements and the separate audited and unaudited accounts of all subsidiary companies, as the case may be, and the Company will provide a copy of separate audited financial statements in respect of each of its subsidiary, to any shareholder of the company who asks for it. The disputes with Hitachi as brought out herein above has adversely affected approval of audited financial statements of BGR Boilers and BGR Turbines by the respective Board of

# Directors' Report

Directors. Your Company is confident that in view of settlement of disputes the preparation, approval and adoption of financial statements will be completed very soon.

## BOARD OF DIRECTORS

In accordance with the provisions of Companies Act, 2013, Mr. A. Swaminathan, Director retires by rotation and being eligible offers himself for reappointment. A brief profile of Mr. A. Swaminathan is given in the notice convening the 30th annual general meeting of the Company.

Mr.M.S. Sundara Rajan, independent director resigned from the Board of Directors of the Company with effect from July 01, 2016.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the listing agreement.

## MEETINGS OF BOARD

During the year 5 Board meetings and 5 Audit Committee meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between any two meetings was within the period prescribed under the Companies Act, 2013.

## ANNUAL EVALUATION OF BOARD

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Board has carried out an annual evaluation of its own performance, individual directors separately as well as the evaluation of the working of its Audit, Committee of Directors, Stakeholders Relationship Committee and Nomination and Remuneration Committee. A comprehensive questionnaire formulated by the Nomination and Remuneration Committee covering various aspects of the functioning of the Board was circulated to all the Directors to evaluate the performance of the Board. A separate questionnaire was also circulated to each director to evaluate the performance of the other directors including the Chairman of the Board.

## AUDIT COMMITTEE

The Audit Committee of the Board comprises of four directors of which three members are

independent directors and all the members of Audit Committee are financially literate. More details of the Audit Committee are provided in the Corporate Governance Report.

## SHARE CAPITAL

The paid-up equity share capital of the Company as on March 31, 2016 was Rs.72.16 Crores. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity.

## TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

In compliance with Section 205A of the Companies Act, 1956 a sum of Rs.3,56,276 being the unclaimed dividend declared by the Company for the financial year ended March 31, 2008 was transferred to the Investor Education and Protection Fund of the Central Government in October 2015 after giving sufficient notice to the concerned shareholders.

Dividend which remains unclaimed out of the dividend declared by the Company for the financial year ended March 31, 2009 at the Annual General Meeting held on September 14, 2009 will be transferred to the Investor Education and Protection Fund of the Central Government in October 2016 pursuant to the provisions of Section 205A of the Companies Act, 1956. Thereafter no claim shall lie on these dividends from the shareholders.

## HUMAN RESOURCES

The Company's efforts on human resources development has been analyzed in the Management Discussion & Analysis report (Annexure IX) forming part of this Directors report.

## PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided elsewhere in the Annual Report.

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and

Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the annual report. Having regard to the provisions of the first proviso to Section 136(1) of the Act, the annual report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the registered office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

## EMPLOYEE STOCK OPTION SCHEME

Your 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 Nomination and Remuneration Committee, administers and monitors the Scheme. The applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2016 are attached as Annexure – I of this report.

## DEPOSITS

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

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is annexed herewith as Annexure II. During the FY 2015-16, the Foreign exchange earnings and outgo were Rs.131122 lakhs and Rs. 728 lakhs respectively.

## DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

Your Company has internal controls system which includes financial control,

# Directors' Report

commensurate with the size, scale and complexity of company's operations. The internal audit function evaluate the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective and remedial action in their respective areas of responsibility and thereby strengthen the controls. Significant audit observations and corrective actions thereon are periodically reviewed by the Audit Committee.

## CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility Committee was constituted by the Board of Directors with Mrs. Sasikala Raghupathy as Chairman and Mrs. Swarnamugi Karthik and Mr. Gnana Rajasekaran as members of the Committee. The CSR Policy formulated and recommended by the Committee is in place. The Policy is in line with Schedule VII of the Companies Act, 2013 and the Company will be focusing on CSR activities pertaining to education, health, skill development and destitute women care and welfare. The contents of CSR Policy is given in the Corporate Governance Report. The Annual Report on CSR activities is annexed herewith as Annexure III.

## REMUNERATION POLICY

The Remuneration Policy formulated by the Nomination and Remuneration Committee is given in Annexure IV.

## VIGIL MECHANISM/WHISTLE BLOWER POLICY

Your Company has established a vigil mechanism for directors and employees to report genuine concerns as required by the Companies (Meetings of Board and its Powers) Rules, 2014 and the policy/mechanism has adequate safeguards against victimization of persons who use such mechanism and provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases.

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Particulars of loans, guarantees or investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the note No.34 to the Financial Statements.

## RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were in the ordinary course of business and on an arm's length basis except one transaction. The details of transaction which was not on arm's length basis are provided in the Annexure V (Form AOC 2). There were no other materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. All related party transactions are placed before the Audit Committee for approval. A transaction not on arm's length is placed before the Board for approval subsequent to the recommendation and approval of Audit Committee. The Policy on related party transactions as approved by the Board is uploaded on Company's website.

## DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the Company.

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s.B.Chitra & Co., Company Secretaries in practice to undertake the secretarial audit

of the Company. The Report of secretarial audit is annexed as Annexure VI. The audit report is unqualified and without reservation or adverse comment on compliance.

## RISK MANAGEMENT POLICY

The Company as part of Standard Operating System and Procedure institutionalized risk management covering risk identification, mitigation and management measures. This Risk Charter and Policy have been brought to practice as part of internal control systems and procedures. The Management has applied the risk management policy to business activities and processes and this is reviewed to ensure that executive management manages risk through means of a properly defined framework.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 134(3) (c) of the Companies Act, 2013 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, 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any ;
- b) 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, 2016 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, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the Directors had prepared the annual accounts for the year ended March 31, 2016 on a going concern basis.



# Directors' Report

- e) the Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## STATUTORY AUDITORS AND AUDITOR'S REPORT

M/s. Manohar Chowdhry & Associates, Chartered Accountants, Chennai (Firm Regn. No. 001997S) were appointed as the Statutory Auditors of the Company at the last Annual General Meeting held on September 24, 2015 to hold office for a term of two years, i.e. till the conclusion of the 31st Annual General Meeting, subject to ratification of their appointment by the shareholders at the next following Annual General Meeting of the Company. As required under the provisions of Section 139(1) of the Act, the Company has received written consent from Manohar Chowdhry & Associates, Chartered Accountants, Chennai, informing that their appointment, if made, would be within the limits prescribed under Section 139 of the Companies Act, 2013 and that they are not disqualified for re-appointment in terms of Section 141 of the Companies Act, 2013.

## COST AUDITOR

The Board of Directors appointed Mr.A.N.Raman, Cost Accountant as the Cost Auditor of the Company for the Financial year 2016-17, under Section 148 of the Companies Act, 2013. The Cost Audit Report for the financial year ended March 31, 2015 issued by Mr.R.Vaidhyanathan, Cost Auditor was submitted to the Central Government on September 30, 2015.

## CORPORATE GOVERNANCE

A Report on Management Discussion & Analysis of Performance (Annexure IX) and Compliance of Corporate Governance under clause 49 of the listing agreement and Certificate from auditors confirming compliance of conditions of Corporate Governance are included in this Annual Report as Annexure VII.

## EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as Annexure VIII.

## ANNEXURES FORMING PART OF DIRECTORS' REPORT

The annexures referred to in this report and other information which are required to be disclosed are annexed herewith and form part of this Report of Directors.

ANNEXURE	PARTICULARS
I	Disclosure on ESOP as per SEBI Guidelines
II	Energy conservation and Technology absorption
III	Annual Report on CSR activities
IV	Remuneration Policy
V	Related Party transactions
VI	Secretarial Audit Report
VII	Corporate Governance Report along with the Certificate of Auditors
VIII	Extract of Annual Return in Form MGT-9
IX	Management Discussion & Analysis Report

## ACKNOWLEDGEMENTS

Your Directors wish to thank the customers, vendors, collaborators, business partners/ associates, statutory authorities, Central and State Governments and shareholders for their support and cooperation during the year under review.

Your Directors also record their appreciation to the bankers for their continued financial support and guidance. Your Directors place on record their sincere appreciation to all the employees of the company for their commitment and continued contribution to the Company.

For and on behalf of the Board

**Sasikala Raghupathy**  
Chairperson

Place : Chennai

Date : July 28, 2016

# Directors' Report

## ANNEXURE I

### DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES

Sl. No.	Particulars	2015-16	
(i)	<b>Description of each ESOS existing during the year</b>		
	a) Date of shareholders' approval	11/07/2007	
	b) Total number of options approved under ESOS	704770	
	c) Vesting requirements	<p>The options granted shall vest so long as the employee continues to be in the employment of the company. Vesting of the options shall take place over a maximum period of 5 years with a minimum period of 1 year from the date of grant. The Board would determine the exact proportion and period in which the options would vest.</p> <p>The Board may, in its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance based vesting, and the proportion in which options granted under the scheme would vest (subject to the minimum vesting period as specified above.)</p>	
	d) Exercise price or pricing formula	₹ 408/-	
	e) Maximum term of options granted	5 years from the date of last vesting	
	f) Source of shares (primary, secondary or combination)	Primary	
	g) Variation in terms of options	None	
(ii)	<b>Method used to account for ESOS - Intrinsic or fair value</b>	Intrinsic	
(iii)	<b>Where the company opts for expensing of the options using the intrinsic value of the options, difference between the employee compensation cost so computed and the employee compensation cost shall have been recognised 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.</b>	All the expenses on account of both the grants dated 18th July, 2007 have been taken in the books over the vesting period of the options granted.	
(iv)	<b>a) Option movement during the year</b>		
	<b>Particulars</b>	<b>Details</b>	<b>Weighted Avg. Market Price</b>
	Number of options outstanding at the beginning of the period	259178	408
	Number of options granted during the year	0	N.A
	Number of options forfeited/lapsed during the year	182461	408
	Number of options vested during the year	0	N.A
	Number of options exercised during the year	0	N.A
	Number of shares arising as a result of exercise of options	0	N.A
	Money realised by exercise of options if scheme is directly implemented by the company	0	N.A
	Loan repaid by the Trust during the year from exercise price received	N.A.	N.A.