



POWERING UP

BGR ENERGY SYSTEMS LIMITED
31st ANNUAL REPORT 2016-17



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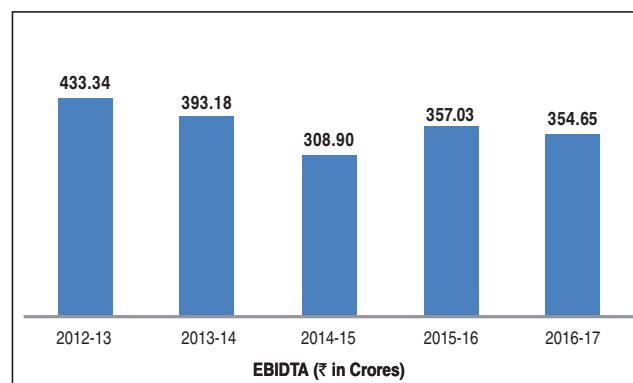
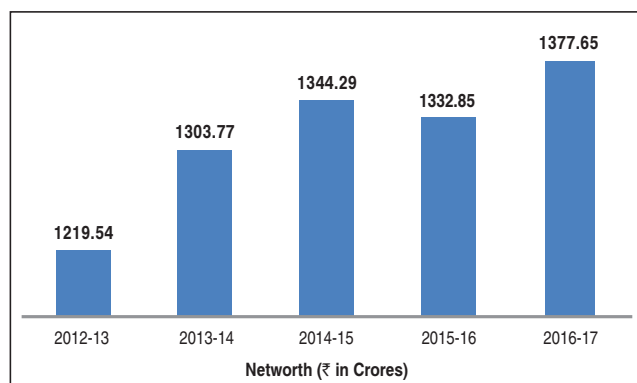
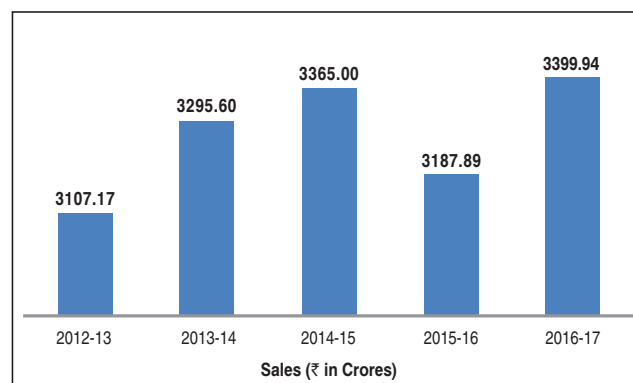
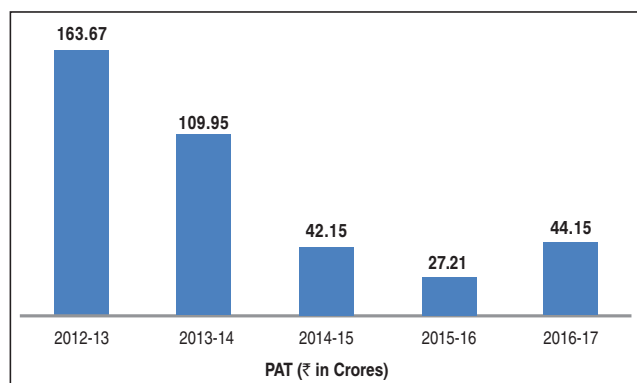
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Financial Highlights

(₹ in Crores except per share data)

DESCRIPTION	2012-13	2013-14	2014-15	2015-16	2016-17
SALES AND EARNINGS					
Sales	3107.17	3295.60	3365.00	3187.89	3399.94
Other Income	5.44	0.50	1.50	5.89	0.01
EBIDTA	433.34	393.18	308.90	357.03	354.65
PAT	163.67	109.95	42.15	27.21	44.15
ASSETS					
Fixed Assets	210.28	198.05	182.72	179.45	172.42
Investments	363.71	363.61	363.61	363.69	364.02
Other Asset (Net)	3284.17	3272.11	3256.31	3381.72	3124.11
Total Assets	3858.16	3833.77	3802.64	3924.86	3660.55
FUNDED BY					
Equity Share Capital	72.16	72.16	72.16	72.16	72.16
Reserves & Surplus	1147.38	1231.61	1272.13	1260.69	1305.49
Networth	1219.54	1303.77	1344.29	1332.85	1377.65
Deferred Taxes	424.28	510.66	346.72	343.52	357.12
Borrowings	2214.34	2019.34	2111.63	2248.49	1925.78
Total Liabilities	3858.16	3833.77	3802.64	3924.86	3660.55
EPS (₹)	22.68	15.24	5.84	3.77	6.12
Dividend per equity Share (₹)	7.00	3.00	—	—	—



Corporate Information

BOARD OF DIRECTORS

Sasikala Raghupathy

Chairperson

A. Swaminathan

Joint Managing Director & CEO

V.R. Mahadevan

Joint Managing Director

Arjun Govind Raghupathy

Deputy Managing Director & COO

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

REGISTERED OFFICE

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

Andhra Pradesh – 524401

CIN : L40106AP1985PLC005318

CORPORATE OFFICE

443, Anna Salai, Teynampet,
Chennai, Tamil Nadu – 600018.

Phone : 91 44 24301000

Email : investors@bgrenergy.com

REGIONAL OFFICES

New Delhi

Plot No.1, Sector – 16A, Film City
Noida – 201301, Uttar Pradesh

Mumbai

Room Numbers 301 & 304

Vinayak Chambers

4th Road, Khar (West)

Mumbai – 400052

Hyderabad

Plot No. 44, Sagar Society

Road No.2, Banjara Hills

Hyderabad – 500034

WEBSITE

www.bgrcorp.com

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited

C-101, 247 Park, L B S Marg

Vikhroli (west)

Mumbai – 400083

STATUTORY AUDITORS

Manohar Chowdhry & Associates

Chartered Accountants, Chennai

No. 27, Subramanian Street

Abhiramapuram

Chennai – 600018

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 KarurVysya 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

Boards' Report

To the Members of

BGR ENERGY SYSTEMS LIMITED

Your directors have pleasure in presenting their 31st Annual Report together with the audited financial statements for the year ended March 31, 2017.

FINANCIAL RESULTS (AS PER IND AS)

The highlights of the standalone financial performance of the Company during the financial year ended March 31, 2017 as compared with the previous financial year ended March 31, 2016 are summarized below:

(₹ in Crores)

Description	2016-17	2015-16
Income from operations	3447	3247
Other income	0.01	6
Total Income	3448	3253
Earnings before Interest, Depreciation, Tax and Amortization	334	363
Profit before exceptional item and tax	48	50
Exceptional item	20	0
Tax Expense	24	22
Net Profit after tax	44	28
Other Comprehensive income (net)	0.64	0.52
Transfer to general reserve	4	3
Net Worth	1378	1333

The financial year gone-by has been an yet another challenging period for all players in the thermal power sector in India. With significant slowdown and very limited opportunities your Company faced with pressures on most of the performance metrics. However, it is heartening that your Company even amidst this scenario, recorded an increase of 6% in revenue from operations at ₹ 3447 Crores.

No material changes and commitments have occurred after the closure of the Financial Year 2016-17 till the date of this Report,

which would affect the financial position of your Company.

DIVIDEND AND APPROPRIATION

The Board of Directors do not recommend dividend for the FY 2016-17 with an objective of augmenting long term financial resources of the Company. Your directors wish to carry an amount of ₹ 41 Crores to the Balance Sheet after appropriation of ₹ 4 Crores to the general reserve.

OPERATING PERFORMANCE

The Company's affairs, operations review and future outlook have been discussed and analyzed in the Management Discussion & Analysis report (Annexure VIII) forming part of this Board's report.

SUBSIDIARIES AND JOINT VENTURES

The Settlement Agreement entered into with Hitachi in respect of joint venture companies viz., BGR Boilers Private Limited and BGR Turbines Company Private Limited became effective and binding during financial year under review and certain transactions have been completed. BGR Boilers Private Limited has supplied super critical steam generators to the Company and thus made operating income of ₹ 678.46 Crores and the profit before tax for the year was ₹ 46.68 Crores. BGR Turbines Company Private Limited has supplied super critical steam turbine and generator components to the Company and thus made operating income of ₹ 129.79 Crores and the profit before tax for the year was ₹ 0.44 Crore.

These JV companies have carried necessary and significant accounting adjustments consequent to the Settlement Agreement and such adjustments have been duly dealt with in the respective company's books of account and has had no impact on your Company's financial statements.

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

In accordance with Companies Act, 2013 and implementation requirements of Indian Accounting Standards (Ind AS) Rules on accounting and disclosure requirements, which is applicable from the current financial year, and as prescribed by Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Audited Consolidated Financial Statements are provided in 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 statements.

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.

BOARD OF DIRECTORS

Mr.M.S.Sundara Rajan, independent director resigned from the Board of Directors of the Company with effect from July 01, 2016. In accordance with the provisions of Companies Act, 2013. Mrs. Swarnamugi Karthik, Director retires by rotation and being eligible offers herself for reappointment. A brief profile of Mrs.Swarnamugi Karthik is given in the notice convening the 31st Annual General Meeting of the Company.

On November 11, 2016, the Board of Directors, with an objective of strengthening the management team with a representative of the promoter group, has co-opted

Board's Report

Mr.Arjun Govind Raghupathy as an additional director. He was appointed as Deputy Managing Director & Chief Operating Officer of the Company for a period of 5 years with effect from November 11, 2016. As per the provisions of Section 161 of the Companies Act, 2013 Mr.Arjun Govind Raghupathy holds office only upto the date of forthcoming Annual General Meeting and seeks appointment. The Company has received a notice under Section 160 of the Companies Act, 2013 proposing Mr.Arjun Govind Raghupathy for appointment to the office of Director.

The profile of Mr.Arjun Govind Raghupathy and the terms and conditions of his appointment including remuneration are given in the Notice of 31st Annual General Meeting of the Company.

Consequent to expiry of the term of appointment, on May 30, 2017, Mr.V.R.Mahadevan, was re-appointed as Joint Managing Director of the Company for a period of 2 years with effect from June 01, 2017. His appointment is subject to the approval of the shareholders in the ensuing AGM. The profile of Mr.V.R.Mahadevan and the terms and conditions of his appointment including remuneration are given in the Notice of 31st Annual General Meeting of the Company.

The Board of Directors recommends these proposed appointments.

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

MEETINGS OF BOARD

During the year 7 Board meetings and 6 Audit Committee meetings were convened and held. The details of these meetings 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 and having due regard to the SEBI's Guidance Note on Board Evaluation dated January 05, 2017, 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, Committee of Directors, Stakeholders Relationship Committee and Nomination and Remuneration Committee. A comprehensive evaluation process was formulated by the Nomination and Remuneration Committee covering various aspects of the functioning of the Board and the same was circulated to all the Directors to evaluate the performance of the Board. The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairperson of the Company was also carried out by the independent directors, taking into account the views of the executive and non-executive directors. The Directors expressed their satisfaction with the evaluation process.

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. All key recommendations and observations of the Audit were accepted and acted upon the management and compliance thereof are regularly reviewed by the Committee.

SHARE CAPITAL

The paid-up equity share capital of the Company as on March 31, 2017 was ₹ 72.16 Crores. During the year under review, the Company has not issued new shares, 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 ₹ 4,07,076 being the unclaimed dividend declared by the Company for the financial year ended March 31, 2009 was transferred to the Investor Education and Protection Fund of the Central Government in October 2016 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, 2010 at the Annual General Meeting held on September 24, 2010 will be transferred to the Investor Education and Protection Fund of the Central Government in November 2017 pursuant to the provisions of Section 205A of the Companies Act, 1956. Thereafter no claim shall lie on these dividends from the shareholders.

Pursuant to the General Circulars issued by the Ministry of Corporate Affairs with respect to Section 124(6) of the Companies Act, 2013 read with Rules made thereunder in relation to transfer of unclaimed shares to Investor Education and Protection Fund (IEPF), the matter is under due consideration. The Company will comply with the formalities, as may be necessary in this regard.

HUMAN RESOURCES

An overview on the Company's human resources development and efforts to acquire and nurture talent is given in the Management Discussion & Analysis report (Annexure VIII) forming part of this Board's report.

For prevention, prohibition and redressal of sexual harassment of Women at Workplace the Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding

Board's Report

sexual harassment. All employees are covered under this Policy. The Policy is gender neutral. During the year under review, no complaint was received by ICC with allegations of sexual harassment.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 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 Companies Act, 2013 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

All the vested options but not exercised and unvested options of the Company aggregating to 5,43,210 numbers issued under the Employee Stock Option Scheme 2007 (ESOS 2007) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 had lapsed on January 4, 2017 as per clause 3.4 of ESOS 2007 due to expiry of time limit. The Nomination and Remuneration Committee considered and recorded its intention of not to re-issue the lapsed options and the ESOS 2007 stood terminated effective January 4, 2017.

DEPOSITS

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

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 I. During the FY 2016-17, the Foreign exchange earnings and outgo were ₹ 552 Crores and ₹ 10 Crores respectively.

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

Your Company has in place adequate internal control system which includes financial control 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. During the year no reportable material weakness or significant deficiencies in the design or operation of internal financial controls was observed.

INDIAN ACCOUNTING STANDARDS (IND AS) ADOPTION

Your Company has adopted Indian Accounting Standards for the accounting period beginning on April 1, 2016 pursuant to Ministry of Corporate Affairs Notification dated February 16, 2015 notifying the Companies (Indian Accounting Standard) Rules, 2015.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility Committee was constituted by the Board of Directors with Mrs. Sasikala Raghupathy as Chairperson 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 is focusing on CSR activities pertaining to education, health, skill development and destitute women care and welfare. The Annual Report on CSR activities is annexed herewith as Annexure II.

REMUNERATION POLICY

The Remuneration Policy formulated under Section 178 of the Companies Act, 2013 by the Nomination and Remuneration Committee is given in Annexure III.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

Your Company has established a vigil mechanism for directors and employees to report genuine concerns as required by Section 177 of the Companies Act, 2013 read with 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 disclosed in the note No.41 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 IV (Form AOC 2). There were no

Board's Report

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. 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.

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. The Company has initiated steps to make risk management process more robust in the current year.

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, 2017, 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, 2017 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, 2017 on a going concern basis.

(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 29th Annual General Meeting held on September 24, 2015 to hold office until the conclusion of the 31st Annual General Meeting in terms of Section 139 of the Companies Act, 2013. The maximum tenure of appointment of Manohar Chowdhry & Associates under Section 139 of the Companies Act, 2013 expires at the ensuing AGM and hence a new Auditor is required to be appointed in their place. The Board of Directors on the recommendation of the Audit Committee has

approved and recommended to the Members the appointment of N.R.Doraisami & Co., Chartered Accountants (Firm Registration Number 000771S). The Members are requested to appoint N.R.Doraisami & Co., as Statutory Auditors of the Company in place of M/s.Manohar Chowdhry & Associates at the ensuing Annual General Meeting for a period of 5 years from the conclusion of the ensuing Annual General Meeting till the conclusion of the 36th Annual General Meeting. As required under the provisions of Section 139(1) of the Companies Act, 2013 the Company has received written consent from N.R.Doraisami & Co., Chartered Accountants, Coimbatore, 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 appointment in terms of Section 141 of the Companies Act, 2013.

COST AUDITORS

The Board of Directors appointed Mr.A.N.Raman, Cost Accountant as the Cost Auditor of the Company for the Financial year 2017-18, under Section 148 of the Companies Act, 2013. The Cost Audit Report for the financial year ended March 31, 2016 issued by Mr. A.N.Raman, Cost Auditor was submitted to the Central Government on August 25, 2016.

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 V. The audit report is unqualified and without reservation or adverse comment on compliance.

REPORTING OF FRAUDS BY AUDITORS

During the year under review, the Statutory Auditors, Cost Auditors and Secretarial Auditor have not reported any instance of fraud committed in the Company by its

Board's Report

officers or employees to the Audit Committee under Section 143(12) of the Companies Act, 2013, details of which needs to be reported in the Board's Report.

CORPORATE GOVERNANCE

A Report on Management Discussion & Analysis of Performance (Annexure VIII) and Compliance of Corporate Governance under SEBI (LODR) and the certificate from the auditors confirming compliance of the conditions of Corporate Governance are included in this Annual Report as Annexure VI.

EXTRACT OF ANNUAL RETURN

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

ANNEXURES FORMING PART OF BOARD'S 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 the Board.

ANNEXURE	PARTICULARS
I	Energy conservation and Technology absorption
II	Annual Report on CSR activities
III	Remuneration Policy
IV	Related Party transactions
V	Secretarial Audit Report
VI	Corporate Governance Report along with the Certificate of Auditors
VII	Extract of Annual Return in Form MGT-9
VIII	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 continued support and co-operation during the year under review.

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

For and on behalf of the Board

Sasikala Raghupathy
Chairperson

Place : Chennai
Date : August 11, 2017