

BGR ENERGY SYSTEMS LIMITED | **2017-18**
32ND ANNUAL REPORT



UNIT - 1
2x660 MW

STEAM GENERATOR AT
NTPC SOLAPUR SUPER THERMAL POWER STATION



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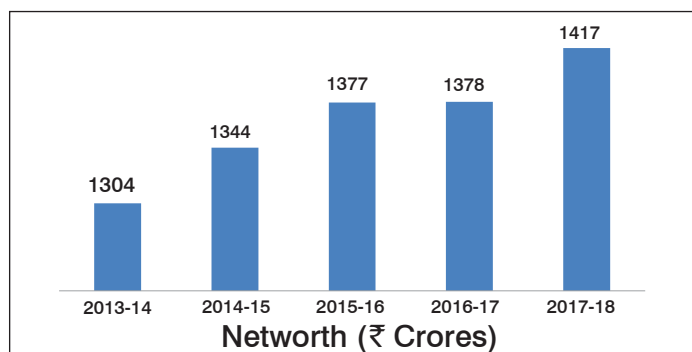
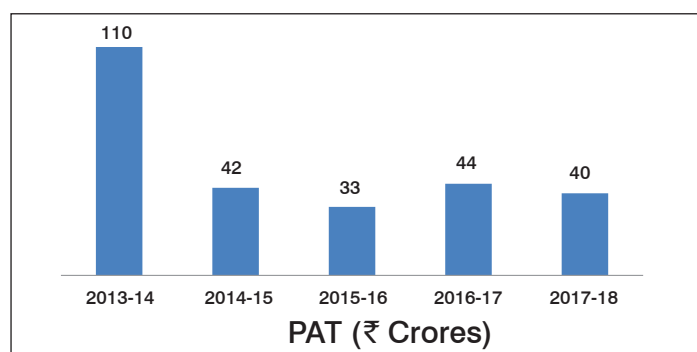
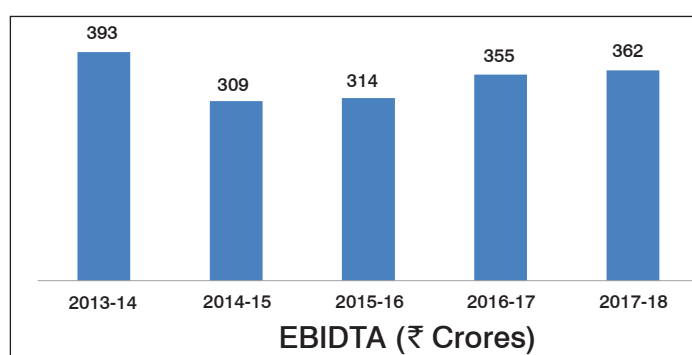
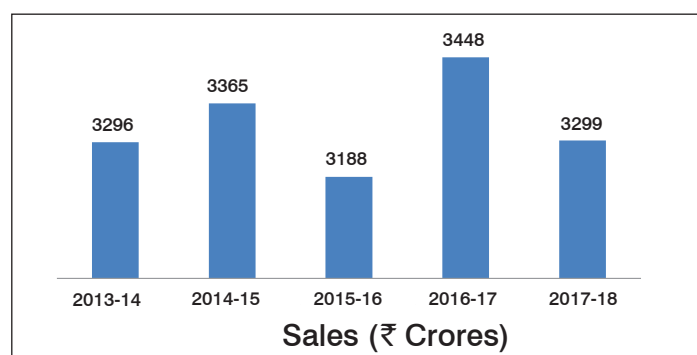
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Financial Information of
Subsidiaries

FINANCIAL HIGHLIGHTS

(₹ Crores except per share data)

DESCRIPTION	2013-14	2014-15	2015-16	2016-17	2017-18
SALES AND EARNINGS					
Sales	3296	3365	3188	3448	3299
Other Income	1	2	6	0	21
EBIDTA	393	309	314	355	362
PAT	110	42	33	44	40
ASSETS					
Fixed Assets	198	183	179	173	178
Investments	364	364	364	364	364
Other Asset (Net)	3272	3256	3457	3094	3344
Total Assets	3834	3803	4000	3631	3886
FUNDED BY					
Equity Share Capital	72	72	72	72	72
Reserves and Surplus	1232	1272	1305	1306	1345
Networth	1304	1344	1377	1378	1417
Deferred Taxes	511	347	374	327	344
Borrowings	2019	2112	2249	1926	2125
Total Liabilities	3834	3803	4000	3631	3886
EPS (₹)	15.24	5.84	4.57	6.12	5.49



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 R 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

N. R. Doraiswami & Co.,
Chartered Accountants
No.75, (3H), Third Floor,
Prince Arcade, New No.29,
Old No.22-A, Cathedral Road,
Chennai – 600 086

INTERNAL AUDITORS

J V Associates
V Krishnan & Co.
Ramachandran & Murali
Raghu & Gopal
A. John Moris & Co,

SECRETARIAL AUDITORS

B. Chitra & Co.,
Company Secretary
Flat No. 'G' 1st Floor Senthil Flats,
New No. 59, Burkit Road, T.Nagar.
Chennai - 600 017.

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

BOARD'S REPORT

To the Members of

BGR ENERGY SYSTEMS LIMITED

Your directors have pleasure in presenting their 32nd Annual Report together with the audited standalone and consolidated financial statements for the year ended March 31, 2018 and the auditors' reports thereon.

FINANCIAL RESULTS

The highlights of the standalone financial performance of the Company during the financial year ended March 31, 2018 as compared with the previous financial year ended March 31, 2017 are summarized below:

(₹ in Crore)

Description	2017-18	2016-17
Income from operations	3299	3448
Other income	21	-
Total Income	3320	3448
Earnings before Interest, Depreciation, Tax and Amortization	394	334
Profit before exceptional item and tax	82	48
Exceptional item	-11	20
Tax Expense	32	24
Net Profit after tax	39	44
Other Comprehensive income(net)	-0.27	0.64
Transfer to general reserve	-	4
Net Worth	1417	1378

No material changes and commitments have occurred after the closure of the Financial Year 2017-18 till the date of this Report, which would affect the financial position of your Company.

DIVIDEND AND APPROPRIATION

In order to augment working capital resources of your Company through retention of internal accruals, your Board of Directors have not recommended dividend during the year. Your Board of Directors does not propose to appropriate any amount to reserves and wish to carry the entire profits to balance sheet.

OPERATING PERFORMANCE

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

SUBSIDIARIES AND JOINT VENTURES

In terms of the Settlement and Separation Agreement entered into with Hitachi in respect of joint venture companies viz., BGR Boilers Private Limited and BGR Turbines Company Private Limited certain transactions have been completed during the year. BGR Boilers Private Limited made an operating income of ₹ 312.61 Crores and incurred a loss of ₹ 24.51 Crores for the year. BGR Turbines Company Private Limited has made an operating income of ₹ 34.90 Crores and incurred a loss of ₹ 15.39 Crores for the year. These performance figures have not been audited. 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, 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 financial statements in respect of each of its subsidiary, to any shareholder of the company who asks for it.

BOARD OF DIRECTORS

In accordance with the provisions of Companies Act, 2013, Mr.V.R.Mahadevan, Director retires by rotation and being eligible offers himself for reappointment. Consequent to expiry of the term of appointment, Mrs.Swarnamugi R Karthik, was

reappointed as Director – Corporate Strategy for a period of 5 years from February 08, 2018. Her appointment is subject to the approval of the shareholders in the ensuing AGM. A brief profile of Mr.V.R.Mahadevan and Mrs.Swarnamugi R Karthik are given in the notice convening the 32nd Annual General Meeting of the Company. The Board of Directors recommends these 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, 4 Board meetings and 4 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 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. 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 Committee were accepted and acted upon by 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, 2018 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 124(5) of the Companies Act, 2013, a sum of ₹ 5,11,700 being the unclaimed dividend declared by the Company for the financial year ended March 31, 2010 was transferred to the Investor Education and Protection Fund of the Central Government in November 2017 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, 2011 at the Annual General Meeting held on September 22, 2011 will be transferred to the Investor Education and Protection Fund of the Central Government in November 2018 pursuant to the provisions of Section 124(5) of the Companies Act, 2013. Thereafter no claim shall lie on these dividends from the shareholders.

Pursuant to the provisions of Section 124(6) of the Companies Act, 2013 and the Rules made thereunder the shares pertaining to the unclaimed dividend for the FY 2008-09 and FY 2009-10 were transferred to the demat account of Investor Education and Protection Fund (IEPF).

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 VII) forming part of this Directors 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. During the year under review, no complaint was received by the Internal Complaints Committee (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 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.

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 2017-18, the Foreign exchange earnings and outgo were ₹ 324 Crores and ₹ 1 Crore 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.

CORPORATE SOCIAL RESPONSIBILITY

The Company has the Corporate Social Responsibility Committee of the Board of Directors with Mrs.Sasikala Raghupathy as Chairperson and Mrs.Swarnamugi R 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.3 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. 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. 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 is taking steps to have robust risk management process.

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, 2018, 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, 2018 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, 2018 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

N.R.Doraiswami & Co, Chartered Accountants, Chennai (Firm Regn. No. 000771S) were appointed as the Statutory Auditors of the Company at the 31st Annual General Meeting held on September 27, 2017 to hold office until the conclusion of the 36th Annual General Meeting to be held in the year 2022 subject to ratification of appointment at every annual general meeting in terms of Section 139 of the Companies Act 2013. They were appointed in place of Manohar Chowdhry & Associates whose term of office expired at the conclusion of 31st Annual General Meeting of the Company. The requirement for annual ratification of appointment of Auditors at AGM has since been dispensed with by the Companies (Amendment) Act, 2017 effective May 07, 2018. Accordingly, no ratification is required henceforth and the statutory auditors would continue in the normal course till the conclusion of 36th AGM. N.R.Doraiswami & Co have confirmed that they are not disqualified from continuing as Auditors of the Company.

COST RECORDS AND COST AUDITORS

The Company is required to maintain cost records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013 and accordingly during the year such accounts and records were made and maintained by the Company. The Board of Directors appointed Mr.A.N.Raman, Cost Accountant as the Cost Auditor of the Company for the Financial year 2018-19, under Section 148 of the Companies Act, 2013. The Cost Audit Report for the financial year ended March 31, 2017 issued by Mr.A.N.Raman, Cost Auditor was submitted to the Central Government on September 07, 2017.

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

CORPORATE GOVERNANCE

A Report on Management Discussion & Analysis of Performance (Annexure VII) 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 V.

EXTRACT OF ANNUAL RETURN

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

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	Secretarial Audit Report
V	Corporate Governance Report along with the Certificate of Auditors
VI	Extract of Annual Return in Form MGT-9
VII	Management Discussion & Analysis 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 to the bankers for their trust and continuous support to the Company. Your Directors place on record their sincere appreciation to the employees of the company at all levels for their commitment and valuable contribution to the Company.

For and on behalf of the Board

Place : Chennai
Date : August 14, 2018

Sasikala Raghupathy
Chairperson