



TRANSFORMING ENERGY $\xrightarrow{\text{INTO}}$ ACTION

BGR ENERGY SYSTEMS LIMITED
ANNUAL REPORT 2018-19



**660 MW Super Critical
Steam Generator – NTPC
Solapur Thermal Power Plant**



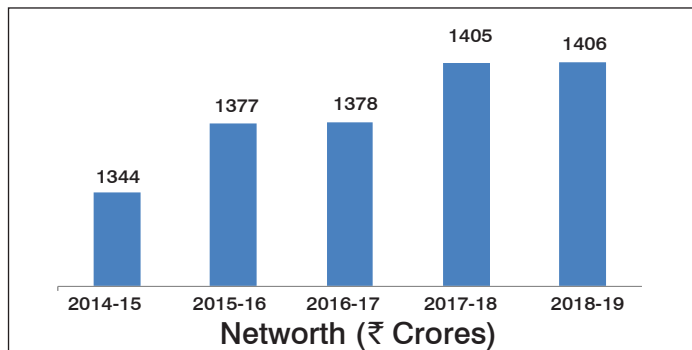
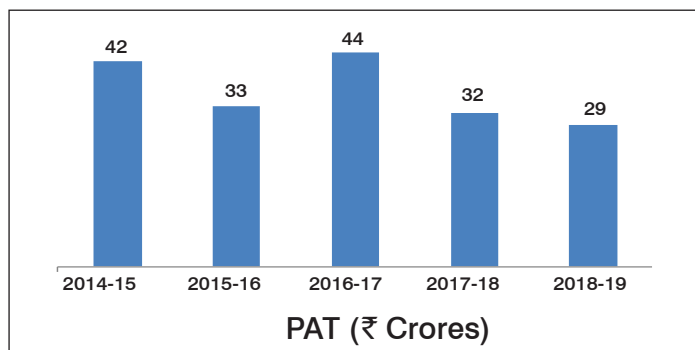
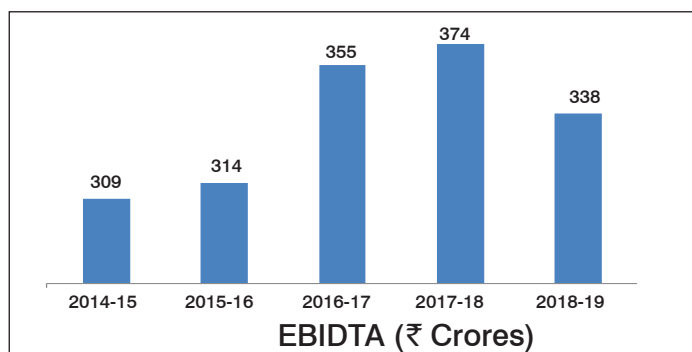
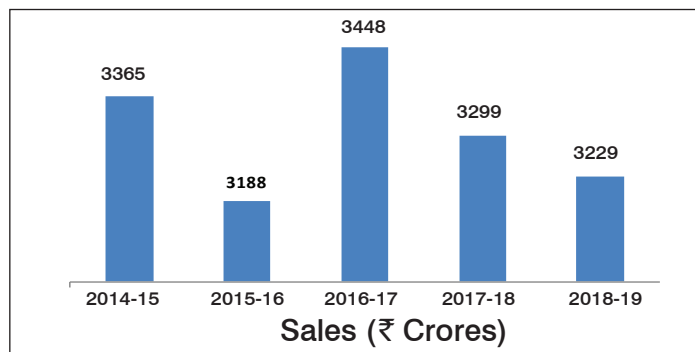
**Main Plant Electrical Package
for 2 x 700 MWe
Kakrapar Nuclear Power Project**

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Financial Highlights

(₹ Crores except per share data)

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19
SALES AND EARNINGS					
Sales	3365	3188	3448	3299	3229
Other Income	2	6	0	21	1
EBIDTA	309	314	355	374	338
PAT	42	33	44	32	29
ASSETS					
Fixed Assets	183	179	172	178	177
Investments	364	364	364	364	364
Other Asset (Net)	3256	3457	3094	3332	3334
Total Assets	3803	4000	3631	3874	3875
FUNDED BY					
Equity Share Capital	72	72	72	72	72
Reserves and Surplus	1272	1305	1305	1333	1334
Networth	1344	1377	1378	1405	1406
Deferred Taxes	347	374	327	344	344
Borrowings	2112	2248	1926	2125	2124
Total Liabilities	3803	4000	3631	3874	3875
EPS (₹)	5.84	4.57	6.12	4.49	4.03



BOARD OF DIRECTORS

Sasikala Raghupathy
Chairperson

A. Swaminathan
Director -
Engineering & Construction Business

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

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

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 AUDITOR

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 AUDITOR

V Suresh
No.28, 1st Floor
Ganapathy Colony,
3rd Street, Teynampet
Chennai - 600018

BANKERS

State Bank of India
Andhra Bank
Allahabad Bank
Axis Bank
Bank of Baroda
Bank of India
Central Bank of India
Corporation Bank
Export Import Bank of India
ICICI Bank Limited
IDBI Bank Ltd
Indian Bank
Indian Overseas Bank
Kotak Mahindra Bank Ltd.
Punjab National Bank
Syndicate Bank
The Karur Vysya Bank Limited
Union Bank of India

Board's Report

To the Members of

BGR ENERGY SYSTEMS LIMITED

Your directors have pleasure in presenting their 33rd Annual Report together with the audited financial statements for the year ended March 31, 2019.

FINANCIAL RESULTS

The highlights of the standalone financial performance of the Company during the financial year ended March 31, 2019 as compared with the previous financial year ended March 31, 2018 are summarized below:

Description	₹ in Crore	
	2018-19	2017-18 (Restated)
Income from operations	3229	3299
Other income	0.71	21
Total Income	3230	3320
Earnings before Interest, Depreciation, Tax and Amortization	338	374
Profit before exceptional item and tax	41	83
Exceptional item	-	-19
Tax Expense	12	32
Net Profit after tax	29	32
Other Comprehensive income(net)	-0.62	-0.27
Restatement of retained earnings	-28	-
Net Worth	1406	1405

No material changes and commitments have occurred after the closure of the Financial Year 2018-19 till the date of this Report, which would affect the financial position of your Company.

DIVIDEND AND APPROPRIATION

Considering the lower profit during the year and as a measure to augment resources, your Board of Directors have not recommended any dividend during the year.

COMPANY'S STATE OF AFFAIRS

Your Company continues to serve one core sector of the Nation – Power generation and also other key sectors viz., Oil & Gas, Water, Electricity Transmission and Distribution. Your Company despite significant slowdown and challenges in Indian thermal power sector sustained its operating performance and the financial position remains strong.

Your Company has adopted a Strategy plan “BGR ASCEND 2025” with the objective to build and offer a portfolio of high technology systems and services to the Indian and international industry whereby sustained growth is achieved and an environment of high value creation to all stakeholders is enabled.

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 Directors report.

SUBSIDIARIES AND JOINT VENTURES

BGR Boilers Private Limited, which supplies 660 MW super critical steam generators, had an operating income of ₹ 124.02 Crores and incurred a loss of ₹ 15.40 Crores in the year 2018-19. BGR Turbines Company Private Limited, which supplies 800MW super critical steam turbine generators, has had an operating income of ₹ 9.82 Crores and made a profit of ₹ 0.29 Crore in the year 2018-19. These JV companies have carried necessary and significant accounting adjustments consequent to the Settlement Agreement with Hitachi 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 annual financial statements of 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

The first term of office of Mr.M.Gopalakrishna, Mr.S.A.Bohra, Mr.S.R.Tagat and Mr.Heinrich Bohmer, as independent directors of the Company in terms of the Companies Act, 2013 expired on March 31, 2019. Upon recommendation of the Nomination and Remuneration Committee and the Board of Directors the shareholders re-appointed Mr.M.Gopalakrishna, Mr.S.A.Bohra and Mr.S.R.Tagat as independent directors of the Company for a period of 5 years with effect from April 01, 2019 at the Extra-Ordinary General Meeting held on February 15, 2019.

Mr. Heinrich Bohmer, independent director of the Company has vacated his office of director on March 31, 2019.

The term of appointment of Mr. A. Swaminathan as Joint Managing Director & CEO expired on September 30, 2018 and pursuant to the recommendation of the Nomination and Remuneration Committee, he was appointed as Director - Engineering & Construction Business for a period of one year from October 01, 2018 or up to the date of the ensuing annual general meeting, whichever is earlier. Mr. Swaminathan retires by rotation at the ensuing annual general meeting and he does not seek reappointment.

The present term of appointment of Mr. V. R. Mahadevan as Director/ Joint Managing Director expires on May 31, 2019 and the Board, based on the recommendation of the Nomination and Remuneration Committee, appointed him as an additional director and also to office of Joint Managing Director for a further period of two years from June 01, 2019.

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, 5 Board meetings and 5 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.

POLICY ON DIRECTORS' APPOINTMENT, REMUNERATION AND OTHER DETAILS:

The Nomination and Remuneration Committee framed a policy on appointment of Directors including criteria for determining

qualification, positive attributes and other matters. The main objective of the policy are given below:

- (i) Enhancement of performance of the Board and facilitate effective Corporate Governance.
- (ii) Encourage diversity of thoughts, expertise and perspectives.
- (iii) Usher in independence in the performance of the Board.
- (iv) Eliminate gender bias, if any, in the constitution and functioning of the Board of Directors.
- (v) Provide and create an environment for succession planning.
- (vi) Identification of senior/key management personnel for appointment as Executive Directors.
- (vii) Provide for appropriate mix of promoter directors, professional directors and independent directors.

On the recommendation of the Nomination and Remuneration Committee, the Board has adopted and framed a Remuneration Policy for the Directors, Key Managerial Personnel and other employees pursuant to the provisions of the Companies Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

The Company's policy on diversity of Board of Directors is available on the Company's website at http://www.bgrcorp.com/policy/Policy_Diversity_Board.pdf.

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 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, 2019 was ₹ 72.16 Crores. During the year under review, the Company has not issued new shares or 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 ₹ 10,03,420/- being the unclaimed dividend declared by the Company for the financial year ended March 31, 2011 was transferred to the Investor Education and Protection Fund of the Central Government in November 2018 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, 2012 at

the Annual General Meeting held on September 21, 2012 will be transferred to the Investor Education and Protection Fund of the Central Government in November 2019 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 2010-11 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 VIII) forming part of this Directors report.

For prevention, prohibition and redressal of sexual harassment of Women at workplace the Company has put 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 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 2018-19, the Foreign exchange

earnings and outgo were ₹ 212.01 Crores and ₹ 20.15 Crore respectively. During the year there was no activity relating to technology absorption and hence there are no particulars to be disclosed with respect to technology absorption.

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

Your Company has in place adequate internal controls system which includes financial control, commensurate with the size, scale and complexity of company's operations. The internal audit function evaluates 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 except the following no reportable material weakness or significant deficiencies in the design or operation of internal financial controls was observed except manipulation of control system connected with a fraud reported below.

An employee of the Company was found to have committed fraud over a period of time by transfer of funds to many bank accounts created by him in fictitious names. He has created false records for making these fraudulent payments and abused his access to the IT network and software of the Company. In doing such fraudulent fund transfers he has committed forgery, falsification of documents and other criminal acts for which action has been initiated.

CORPORATE SOCIAL RESPONSIBILITY

The Company has constituted the Corporate Social Responsibility Committee 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 line with Schedule VII of the Companies Act, 2013 and the Company is focusing on CSR activities pertaining to education, health, skill development and care of destitute women care and their welfare. The information on CSR Policy and activities are given in the Corporate Governance Report. 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 and transactions which are not on arm's length were placed before the Board for approval based on the recommendation of the Audit Committee (Details are provided in Annexure IV in 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. All related party transactions are placed before the Audit Committee for approval and where prior approval was not obtained such transactions were reviewed and approved by the Audit committee subsequently. 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

During the Financial year 2018-19 orders were passed by a district court and awards given by two arbitral tribunals against the Company to the extent of ₹ 27.62 crores and there are no other 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 make the risk management process more robust and institutionalized.

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, 2019, 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, 2019 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, 2019 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. N.R.Doraiswami & Co have confirmed that they are not disqualified from continuing as Auditors of the Company for the FY 2019-20.

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 A N Raman & Associates, Cost Accountant as the Cost Auditor of the Company for the Financial year 2019-20, under Section 148 of the Companies Act, 2013. The Cost Audit Report for the financial year ended March 31, 2018 issued by Mr.A.N.Raman, Cost Auditor was submitted to the Central Government on September 07, 2018.

SECRETARIAL STANDARDS AND SECRETARIAL AUDIT

The Board of Directors confirm, that your Company has complied with the applicable Secretarial Standards during the year 2018-19.

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 Mr. V. Suresh, Company Secretary 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 FRAUD 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 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 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	Energy conservation
II	Annual Report on CSR activities
III	Remuneration Policy
IV	Form AOC 2
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 place on record their appreciation for the valuable support and co-operation extended by customers, 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 financial support and trust reposed in the Company. The Board acknowledges the commitment and contribution made by the employees at all levels during a difficult period. Your Board conveys its gratitude to the shareholders for their continued patronage and cooperation.

For and on behalf of the Board

Place : Chennai

Date : May 30, 2019

Sasikala Raghupathy

Chairperson