



swelect ENERGY SYSTEMS LIMITED

(Formerly Known as NUMERIC POWER SYSTEMS LIMITED)

TWENTY FIRST ANNUAL REPORT 2015-16

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mr. V.M. SIVASUBRAMANIAM
(DIN:00017249)

MANAGING DIRECTOR

Mr. R. CHELLAPPAN
(DIN:00016958)

JOINT MANAGING DIRECTOR

Mr. A. BALAN
(DIN:00017091)
(w.e.f. 03.10.2015)

WHOLE TIME DIRECTOR

Mr. V. C. RAGHUNATH
(DIN:00703922)

DIRECTORS

Mr. N. NATARAJAN
(DIN:00017368)

Mr. G. S. SAMUEL
(DIN:05284689)
(w.e.f. 03.10.2015)

Mrs. JAYASHREE NACHIAPPAN
(DIN: 03173327)

Mrs. VASANTHA BALAN
(DIN:05324401)
(up to 03.10.2015)

CHIEF FINANCIAL OFFICER

Mr. P.JAGAN

COMPANY SECRETARY

Mrs. J. BHUVANESWARI
(up to 31.03.2016)

Mr. R. SATHISHKUMAR
(w.e.f. 01.04.2016)

BANKERS

STATE BANK OF MYSORE
Santhome and Industrial Finance Branch,
Chennai.

THE HONGKONG AND SHANGHAI
BANKING CORPORATION LIMITED
Chennai.

HDFC BANK LIMITED
ITC Centre Anna Salai & Mylapore Branch,
Chennai.

BARCLAYS BANK PLC,
Mumbai.

DBS BANK
Bangalore.

YES BANK
Chennai.

STATE BANK OF INDIA
Industrial Finance Branch, Chennai.

ICICI BANK
Mylapore, Chennai.

REGISTERED OFFICE

No.5, Sir P.S. Sivasamy Salai,
Mylapore, Chennai – 600 004
Tel : +91 44 24993266
Fax : +91 44 24995179
Email Id : cg.ird@swelectes.com

PLANT LOCATIONS

No.	Location of Plant	Details of the plant
1.	Coimbatore Kuppaepalayam SF No. 166 & 169, Sembagoundan Pudur, No. 51, Kuppepalayam Village, Coimbatore - 641107.	SWELECT 1.1 MW Solar Plant
2.	Naranapuram Village, Ponnapuram, Dharapuram Taluk, Tiruppur District .	SWELECT 1.5 MW Wind Mill Power Unit
3.	58/3 (14 D, D/1) Salem Main Road, Veerappampalayam PO Idappadi -637105, Salem District.	UNIT 3S
4.	Kollakkudi, Thottiyam Taluk, Trichy District.	SWELECT 10 MW Solar plant

STATUTORY AUDITORS

S.R. Batliboi & Associates LLP
Chartered Accountants,
Tidel Park, 6th & 7th Floor,
A-Block No.4, Rajiv Gandhi Salai,
Taramani, Chennai - 600113.

INTERNAL AUDITORS

S. K. Ram Associates
Chartered Accountants
Old No. 57/2, New No. 103,
P S Sivaswamy Salai, Mylapore,
Chennai - 600004.

SECRETARIAL AUDITOR

Mr. R. Kannan
Practising Company Secretary
Door No. 6A, 10th Street,
New Colony, Adambakkam,
Chennai - 600 088.

COST AUDITOR

Mr. R. Ravichandran
No.16, 3rd Street,
New Colony, Adambakkam,
Chennai - 600 088.

REGISTRAR AND SHARE TRANSFER AGENT (RTA)

Cameo Corporate Services Ltd.
Subramanian Building,
No.1 Club House Road,
Anna Salai, Chennai - 600002.

DIRECTORS' REPORT

Our Valued Shareholders

We have pleasure in presenting the Twenty First Annual Report and the Audited accounts of the Company for the year ended 31st March 2016.

Financial Highlights

(Rs. In Lakhs)

S.No.	Particulars	Standalone		Consolidated	
		For the year ended 31/3/2016	For the year ended 31/3/2015	For the year ended 31/3/2016	For the year ended 31/3/2015
1.	Sales / Income from operations	6187.57	4887.49	21210.62	22756.04
	Less: Taxes and duties	61.34	54.49	575.98	571.45
2.	Net Sales/Income from Operations	6126.23	4833.00	20634.64	22184.59
3.	Other income	3808.56	2478.58	3514.96	2678.21
	Total Income from Operations	9934.79	7311.58	24149.60	24862.80
4.	Total Expenditure	4964.47	4881.94	19113.60	21532.70
5.	Profit Before Depreciation, Interest and Tax	4970.32	2429.64	5036.00	3330.10
6.	Finance Cost	891.40	1059.90	1065.46	1205.30
7.	Depreciation	1017.78	871.71	1739.70	1693.08
8.	Exceptional item	81.67	-203.12	30.00	-203.12
9.	Profit Before Tax	3142.81	294.91	2260.84	228.60
10.	Tax Expense	917.15	161.98	938.62	254.34
11.	Share of Profit / (loss) of associate Company	-	-	-	-11.79
12.	Net Profit / (Loss) for the year	2225.66	132.93	1322.22	-37.53
13.	Transfer to General Reserve	222.57	13.29	222.57	13.29
14.	Interim Dividend	303.18	-	303.18	-
15.	Proposed Final Dividend	101.06	252.65	101.06	252.65
16.	Tax on Dividend	82.29	51.43	82.29	51.43
17.	Equity Capital	1010.58	1010.58	1010.58	1010.58
18.	Reserves and Surplus	65202.43	63463.30	68143.17	66789.23
19.	EPS(Rs.)	22.02	1.32	13.08	-0.37

Major Line of business:

- I - Manufacturing : Solar PV Modules, Solar Inverters and Mounting Structures
- II - Solar Power Generation & Systems Integration
- III - Iron & Steel Foundry Products

Your Company with a strong back drop of 30 years of Power electronics and Power Systems experience is well positioned in the Renewable Energy space with over 50 MW of Solar Photovoltaic EPC experience. With a commanding and deep vertically integrated supply line management to cater its customers with business agility and superior technical know-how; is fully geared to tackle the challenges of the industry.

The drop in crude oil prices was posing a momentary delay in adoption of Solar Power. Also the fluctuations in foreign exchange was posing an inflation on the imported raw materials cost. Predatory and non-sustainable pricing by late entrants is also posing a challenging market environment. Recently, some Government PPA (Power Purchase Agreement) is following reverse bidding mechanism for price discovery on the tariff, which has instigated adventurous bidding by some industry players without long term sustainable business models.

This year the industry did have a bit of market consolidation and dynamics, still your Company saw the opportunity to grow and innovate. Based on its proven business acumen and market intelligence, your Company was able to record a significant growth and a profitable business enterprise.

General review of the Business of the Company:

During the year, your Company achieved a growth of 26.76 % over the previous financial year on (Standalone) total Revenue and income from operations. The Profit After Tax for the current year is Rs.2225.66 lakhs.

Dividend

The Board of Directors had declared an interim dividend of Rs.3/- per equity share [ie. 30% on the paid up equity share capital of Rs.10,10,58,400/- (Rupees Ten Crores Ten Lakhs Fifty Eight Thousand Four Hundred Only)] at its meeting held on 14.03.2016 and the total dividend amount of Rs. 303.18 lakhs was paid to shareholders on 29.03.2016. The Company also paid dividend distribution tax of Rs 61.72 lakhs, on the same.

The Board of Directors have recommended a final Dividend of Re. 1/- per equity share [@ 10% on the equity share capital of Rs.10,10,58,400/- (Rupees Ten Crores Ten Lakhs Fifty Eight Thousand Four Hundred Only)], for the year ended 31st March 2016, subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company. The money outflow for the Company would be Rs.101.06 Lakhs towards final dividend and Rs.20.57 lakhs towards dividend distribution tax.

Share Capital

During the year under review, there was no change in the Company's issued, subscribed and paid-up equity share capital. On March 31, 2016, it stood at Rs.10,10,58,400/- divided into 1,01,05,840 equity shares of Rs.10/- each.

Transfer to General Reserve

The Company has earned a total profit after tax of Rs.2225.66 lakhs out of which a sum of Rs. 222.57 lakhs has been transferred to General Reserve.

Financial Results of Subsidiary Companies

The financial position of the subsidiary Companies are included in the consolidated financial statements. The List of Subsidiary Companies are also furnished in Annexure - 2.

Scheme of Amalgamations

1. Amalgamation of BS Powertech Solutions Private Limited with Noel Media & Advertising Private Limited.

SWELECT Solar Energy Private Limited is a Wholly Owned Subsidiary of SWELECT Energy Systems Limited. SWELECT Solar Energy Private Limited was holding 100% equity capital in BS Powertech Solutions Private Limited and NOEL Media & Advertising Private Limited. BS Powertech Solutions Private Limited and NOEL Media & Advertising Private Limited are engaged in the business of generation of power from solar energy. The Board of Directors of both the Companies decided to amalgamate these Companies in order to ensure better management of the Company as a single unit and filed a petition before the Hon'ble High Court of Judicature at Madras on 2nd September 2015. The scheme of Amalgamation was sanctioned by the Hon'ble High Court of Madras on 8th January 2016.

2. Amalgamation of Amex Irons Private Limited with Amex Alloys Private Limited.

Amex Irons Private Limited and Amex Alloys Private Limited are the Wholly Owned Subsidiaries of SWELECT Energy Systems Limited. Amex Irons Private Limited is engaged in the business of manufacturing and sale of iron castings and Amex Alloys Private Limited is engaged in the business of manufacturing and sale of machine, alloys castings and patterns. The Board of Directors of these Companies decided to amalgamate Amex Irons Private Limited with Amex Alloys Private Limited, in order to ensure better management of the Company as a single unit. Accordingly a petition for the Scheme of Amalgamation was filed before the Hon'ble High Court of Judicature at Madras on 12th February 2016. The effective date of the scheme of Amalgamation will be 01.04.2015 and the scheme of Amalgamation is yet to be sanctioned by the Hon'ble High Court of Madras.

3. Amalgamation of HHV Solar Technologies Limited with SWELECT Energy Systems Limited.

HHV Solar Technologies Limited is a Wholly Owned Subsidiary of SWELECT Energy Systems Limited. HHV Solar Technologies Limited is engaged in the business of manufacture and supply of off-grid solar photovoltaic modules based on crystalline silicon technology and related solar solutions. In order to ensure better management of the Company as a single unit, it was decided to amalgamate HHV Solar Technologies Limited with SWELECT Energy Systems Limited and filed a petition for the Scheme of Amalgamation before the Hon'ble High Court of Judicature at Madras on 26th April 2016. The effective date of the scheme of Amalgamation will be 01.04.2015 and the scheme of Amalgamation is yet to be sanctioned by the Hon'ble High Court of Madras.

Deposits

The Company did not receive deposits from the public during the year.

Directors

Change in Directors and Key Managerial Personnel

The Board of Directors at their meeting held on 3.10.2015, appointed **Mr. A. Balan** as the Joint Managing Director of the Company for the period of 5 years from 3rd October 2015 to 2nd October 2020 as per the terms and conditions as set out in the resolution, subject to the approval of the shareholders at the ensuing Annual General Meeting.

Mr. G.S. Samuel was appointed as Additional Director of the Company with effect from 3.10.2015 who holds office up to the date of the ensuing Annual General Meeting.

Mr. G.S. Samuel has fulfilled the conditions as specified in Section 149(6) of the Companies Act 2013 and eligible to appoint him as an independent Director of the Company. The Board accordingly recommends a resolution for the approval of shareholders at the ensuing Annual General Meeting.

Mrs. Jayashree Nachiappan, Non-Executive Director, liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer herself for re-appointment.

Mrs. Vasantha Balan, Director resigned from the Board with effect from 3.10.2015.

The Profile of Mr. A. Balan, Mr. G.S. Samuel and Mrs. Jayashree Nachiappan, are given separately in the notice of AGM.

Company Secretary

Mrs. J. Bhuvaneswari, Company Secretary, resigned on 31.03.2016 and Mr R. Sathishkumar was appointed as Company Secretary and Compliance officer of the Company with effect from 1.4.2016.

Board and Committee Meetings

The Board met 12 times during the year. The details regarding the Board meetings, Audit committee meetings, Corporate Social Responsibility (CSR) committee meeting, Nomination and remuneration committee meeting etc., are given separately in the Corporate Governance report.

Disclosure on Composition of Audit Committee and its recommendation:

The details of Composition of Audit Committee is given in the Corporate Governance Report. The Board has accepted all recommendations of the Audit Committee.

Industrial Relations

During the year under review, the Company enjoyed cordial relationship with workers and employees at all levels.

Code of Conduct

All Directors, Key Management Personnel and senior management of the Company have confirmed compliance with the code of conduct applicable to the Directors and employees of the Company and a declaration in this effect made by the Managing Director is attached with this report.

Details of establishment of vigil mechanism for directors and employees

Vigil mechanism has been established in the Company and the policy on the Vigil mechanism is available on the website of the Company www.swelectes.com. The Audit Committee looks into the complaints if any raised and reports to the Board.

Disclosure under the Sexual Harassment of women at work place (prevention, prohibition and redressal) Act 2013.

The Company has in place an Anti-Sexual Harassment Policy in line with the requirement of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (Permanent, contractual, temporary, trainees) are covered under this policy. The following is a summary of sexual harassment complaints received and disposed off during the year 2015-2016.

The members of the Committee are 1. Mrs. S. Indira, 2. Mrs. C. Preethy, 3. Ms. Aarthi Balan and 4. Mr. K. Karthikeyan.

No. of complaints received during the year : Nil

No. of complaints disposed off during the year : Nil

Prevention of Insider Trading

The Company has adopted a Code of Conduct as per the Guidelines issued by the Securities and Exchange Board of India for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed.

The Board of Directors and the designated employees have confirmed compliance with the Code.

Statutory Auditors

M/s S.R. Batliboi & Associates LLP, Statutory Auditors of the Company retire at the ensuing Annual General meeting. The Board of Directors at their meeting held on 27.05.2016 recommended their re-appointment for the financial year 2016-2017.

Statutory Auditors Report for the year 2015-2016.

There are no qualifications or observations or remarks made by the Statutory Auditors in their report.

Secretarial Audit Report

A Secretarial Audit was conducted during the year by the Secretarial Auditor, Mr. R. Kannan, Practicing Company Secretary, in accordance with the provisions of section 204 of the Companies Act, 2013. The Secretarial Auditor's Report is also attached as part of this Report. There are no qualifications or remarks made by the Secretarial Auditor in his Report.

Cost Audit

As per the cost audit rules issued by the Ministry of Corporate Affairs, Cost Audit is not applicable to the Company for the year 2015-2016. However for the financial year 2016-17, the Cost Audit is applicable for the Company. The Board at its meeting held on 27.05.2016 appointed Mr. R. Ravichandran, as the Cost Auditor of the Company for the financial year 2016-17.

Management Discussion and Analysis

Management Discussion and Analysis for the year, as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented in a separate Section forming part of the Annual Report.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

The Conservation of energy, technology absorption and foreign exchange earnings and outgo forms part of the Board's report and is given in Annexure - 1.

Extract of the Annual Return

The Extract of the annual return in Form No. MGT – 9, is being annexed to the report in Annexure - 2.

Particulars of loans, guarantees or investments under section 186

The Company has provided working capital loan, Guarantee, securities to the wholly owned subsidiary Companies which is permitted under the Companies Act 2013. The details of the loans, Guarantee, and security provided are given in the financial statements.

The details of the investment made by the Company are given in the notes to the financial statement.

Corporate Social Responsibility

The Company undertakes "Corporate Social Responsibility" initiatives directly to the public in improving the quality of life. During the year 2015-16, the Company has undertaken many initiatives through a policy framework for expanding some of the present initiatives and undertaking newer CSR initiatives in the year to come.

The Annual Report on CSR Activities in the prescribed format is given in the Annexure - 4.

Detailed composition of the CSR Committee, number of meetings held during the year under review and other related details are set out in the Corporate Governance Report which forms a part of this Report.

Particulars of contracts or arrangements with related parties

All transactions entered into with the Related Parties during the financial year under the review were on arm's length basis and were in the ordinary course of business. There were no material significant transactions with the Company's Promoters, Directors, Management or their relatives that could have had a potential conflict with the interests of the Company.

All Related party transactions are placed before the Audit Committee and Board for review and approval. Prior omnibus approval is obtained from Audit Committee for Related Party Transactions on a quarterly basis for transactions which are of repetitive nature and / or entered in the Ordinary Course of Business and are at Arm's Length.

In line with the requirements of the Companies Act, 2013 and Listing Regulation, the Company has formulated a Policy on Related Party Transactions which is also available on Company's website at www.swelectes.com/investor. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and the Related Parties.

There are no materially significant related party transactions which exceeds 10% of the consolidated turnover of the Company.

Annual Board Evaluation and Familiarizing programme

The Board carried out an annual evaluation of its own performance, the directors and committees of the Board based on the guideline formulated by the Nomination & Remuneration Committee. Board composition, quality and timely flow of information, frequency of meetings, and level of participation in discussions were some of the parameters considered during the evaluation process.

The Company provides details of webcast being conducted by the Institute of Company Secretaries of India and Institute of Chartered Accountant of India to the Independent Directors to facilitate updation on the various amendments in the Companies Act, 2013, rules, notifications etc. In addition the Company is arranging professional consultancy to update and clarify the development / changes in the Acts.

Further, during the year the Independent Directors of the Company met on March 14, 2016 to review the performance of the Non-executive directors, Chairman of the Company and performance of the Board as a whole.

Material Changes and commitments affecting the financial position of the Company which have occurred between 31st March 2016 and 27th May 2016 (date of report).

There were no material changes and commitments affecting the financial position of the Company between the end of the financial year 31st March 2016 and the date of the report 27th May 2016.

Disclosure of Accounting Treatment

The Company has followed the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable, in the preparation of the financial statements.

Corporate Governance Certificate

A report on Corporate Governance as stipulated under SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015, is attached to this Report.

A Compliance Certificate from Mr. R. Kannan, Practicing Company Secretary, regarding compliance of conditions of Corporate Governance as stipulated under the aforesaid regulation is annexed to this report.

Directors' Responsibility Statement

The Directors' Responsibility Statement referred to in clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, shall state that—

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had 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 at the end of the financial year and of the profit and loss of the company for that year;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (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.

Declaration by Independent Directors

Pursuant to sub section (6) of Section 149 of the Companies Act, 2013 and Reg. 16(1) (b) of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015, the Independent Directors of the Company have given a declaration to the Company that they qualify the criteria of independence as required under the Act and the regulations.

Policy on Nomination and Remuneration and Performance evaluation of Directors, KMP and Senior Management Personnel

The Board based on the recommendation of the Nomination and Remuneration Committee has formulated a policy on remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. The policy covers the appointment, including criteria for determining qualification, positive attributes, independence and remuneration of its Directors, Key Managerial Personnel and Senior Management Personnel. The Nomination and Remuneration Policy is annexed as Annexure – 6 to this report.

Particulars of Employees:

The information of required pursuant to Section 197 read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company is given in Annexure-3 of the Annual report.

Acknowledgement

Your Board places on record its appreciation of the support and co-operation received from the Government of India, State Governments, Banks, Suppliers, Customers and Vendors, whom your company looks upon as its valued partners in the path of progress. Your Directors also wish to place on record their appreciation for the valuable services rendered by Depositories, Stock Exchanges, and the Registrar and Transfer Agents. Your Directors thank all our valuable Investors who have been with the Company all these years and are also very much pleased to welcome all the new Investors and thank them for their continued patronage and confidence reposed in the Management.

For and on behalf of the Board of Directors

Chennai
May 27, 2016

R. CHELLAPPAN
Managing Director

A.BALAN
Joint Managing Director