

# Directors' Report

To the Members of

## BGR ENERGY SYSTEMS LIMITED

Your Directors have pleasure in presenting the Twenty Fifth Annual Report together with the audited financial statements for the year ended March 31, 2011.

### FINANCIAL RESULTS – “BILLION DOLLAR” REVENUE

During FY 2010-11, the total income of the Company crossed ₹ 4700 Crore, thus becoming a Billion Dollar company in revenues.

The highlights of the financial performance of the Company during the financial year ended March 31, 2011 as compared with the previous financial year ended March 31, 2010 are summarized below:

(₹ in Crore)

Description	2010-11	2009-10
Sales	4747	3069
Other income	22	25
Total Income	4769	3094
Expenditure	4210	2726
Profit before depreciation, Interest and Tax	559	368
Interest	60	54
Depreciation	17	10
Profit before tax	482	305
Provision for tax and FBT	158	104
Profit after tax	324	201
Amount available for appropriation	324	201
Less:		
a) Dividend	72	50
b) Tax on dividend	12	9
c) Transfer to general reserve	32	20
Balance carried to Balance Sheet	208	122

The sales registered a growth of 55% and stood at ₹ 4747.49 Crore as compared to ₹ 3069.25 Crore in the previous year. The Company's Profits from Operations for the year ended 31<sup>st</sup> March, 2011 increased by 52% to ₹ 559.28 Crore as compared to ₹ 368.22 Crore in the previous year. The consolidated financial statements are attached to this report.

### DIVIDEND

The Board of Directors recommended a dividend of ₹ 10 per equity share of ₹ 10 each subject to the approval of the Members at the forthcoming 25th Annual General Meeting. The dividend will be paid to members whose name appear in the Register of Members as on September 22, 2011. Your directors wish to carry an amount of ₹ 207.55 Crore to the Balance Sheet after appropriation towards dividend, corporate dividend tax and transfer to general reserve.

### BUSINESS PERFORMANCE

The progress in growth achieved by your Company during the last three years has been well recognized and the leading financial dailies and magazines have consistently categorized your Company as a “Fast Growing Company.” Your Company achieved quantum growth over the previous year in income, profitability and other key performance parameters.

A brief overview and major milestones of operations are as follows:

- a) The Power Projects Division secured a contract for Balance of Plant (“BoP”) for 2 x 660 MW coal based supercritical thermal power project at Krishnapatnam, Andhra Pradesh from Thermal Powertech Corporation India Limited, promoted by Gayathri projects, and Semcorp, Singapore. The value of the order is ₹ 2168 Crore.
- b) Your Board takes pride to inform that the 500 MW Vijayawada Thermal Power Station project was completed and after successful performance test handed over to APGENCO during the year. The 500 MW Kakatiya Thermal Power Project of APGENCO has achieved commercial operation during September, 2010. The 500 MW Kothagudam Thermal Power project of APGENCO achieved plant synchronization in March, 2011. The 500 MW Khaperkheda Thermal Power project of MAHAGENCO achieved plant synchronization in March, 2011. Your Directors wish to state that your Company is the only private sector EPC Company in India to have completed three BoP contracts for 500 MW units and successfully commissioned and synchronized the plants.
- c) The 600 MW Mettur Thermal power project of TNEB achieved boiler hydro test during December, 2010 and the unit is gearing up for commencement of power generation in September, 2011. The boiler hydro test for 2 x 600 MW Kalisindh project of RRUNL was completed during April, 2011. Your Company is executing the Mettur and Kalisindh projects on EPC basis including supply of Boiler, Steam Turbine and Generator.
- d) Electrical Projects Division has secured a contract for ₹ 17.02 Crore from Nuclear Power Corporation of India Limited for Bharatiya Nabikiya Vidyut Nigam Limited at Kalpakkam for supply of cabling systems and other electrical works for Power island area in the 500 MW Prototype Fast Breeder Reactor and a turnkey contract for ₹ 36.61 Crore from Power Grid Corporation of India Limited for fiber optic cable based communication solutions over powerlines in Southern region, which is being implemented in lieu of the existing Unified Load Despatch Centre.
- e) Environmental Engineering Division has achieved a breakthrough during the year in Condensate Polishing Unit business by bagging two orders for Super Critical power projects of 2 x 660 MW Tiroda (Maharashtra) and 2 x 660 MW Kawai (Rajasthan) of Adani Power Limited. The division also commissioned Mannari and Karaipudur common effluent treatment plants using Reverse Osmosis Technology during the year.
- f) Air Fin Cooler division has registered sales of ₹ 130 Crore and closed the year with a healthy order book of ₹ 155 Crore. The division has expanded its production facilities during the year.
- g) During the year, Oil & Gas Equipment division has successfully executed contracts for SCOP, Iraq, Akash & Al-Mansuriya and Southern Refinery Company. The division has bagged orders from Cairn Energy, GEO Enpro Petroleum, GPEC, Bharuch, IOCL and other reputed customers in India. The new 100% Export Oriented Unit is now servicing international markets.

## STRATEGIC INITIATIVES

During the year under review, your Company's strategic alliance with Hitachi for Super Critical Steam Turbine and Generators and Steam Generators have been successfully consummated into joint ventures. These joint ventures have brought to life two special purpose companies with equity participation from Hitachi as explained below.

### Hitachi Power Europe GmbH, Germany – BGR Boilers Private Limited

Your Company has signed a Joint Venture agreement with Hitachi Power Europe GmbH, Germany for the business of design, engineering and manufacture of Super Critical Steam Generator of 600 MW, 800 MW, 1000 MW and 1100 MW rating and the new JV Company "BGR Boilers Private Limited" will establish manufacturing facilities as a Special Purpose Vehicle. Hitachi Power Europe will contribute 30% of the equity share capital of the new JV Company. During FY 2010-11, your Company invested ₹ 36.05 Crore in the share capital of JV Company and holds 70% of the equity capital.

### Hitachi, Ltd., Japan – BGR Turbines Company Private Limited

Your Company has signed a Joint Venture agreement with Hitachi, Ltd., Japan for the business of design, engineering and manufacture of Supercritical Steam Turbine and Generators of 660 MW, 800 MW and 1000 MW capacity and the new JV Company "BGR Turbines Company Private Limited" will establish manufacturing facilities as a Special Purpose Vehicle. Hitachi will contribute 26% of the equity share capital of the JV Company. During FY 2010-11, your Company invested ₹ 95.96 Crore in the share capital of the JV Company and holds 74% of the equity capital.

With these strategic Joint Ventures your Company has positioned itself well to capture entire value chain in EPC contracting business for power sector.

## INDIAN POWER SECTOR SCENARIO

The Indian economy has emerged rapidly from the global slowdown of 2007-2009 and remains one of the fast growing economies of the world. The GDP growth is well over 8% and the growth momentum is maintained. The Government of India and State and Central utilities continue to accord primacy to capacity addition in power generation. In view of environmental consideration and need for higher efficiency, there has been marked preference for supercritical technology based power equipment viz., Boiler, Turbine and Generator of large unit sizes during the year under review. The capacity addition target for the 12th Five year plan is well over 100,000 MW. Of this, it is estimated that about 80,000 MW would be coal based thermal power plants utilizing supercritical technology. The Government policy on power sector investment encourages manufacturing capacity build-up within the country. During the year, the investment interest in power sector by private sector industries has witnessed a positive trend. A number of IPP projects currently planned on merchant power plant basis auger well for the power sector development in India. Your Company is now targeting projects for an aggregate capacity of 40,000 MW and anticipates to be successful to secure sizeable market share.

During the year under review, there has been a slow down and delays in award of contracts for large power projects by State and

Central utilities on account of variety of reasons including coal linkage, environmental clearance, land acquisition etc.

## FUTURE OUTLOOK, THE YEAR AHEAD

The growth trajectory of Indian economy makes it imperative for the public and private sector utilities to make investment in generation, transmission and distribution of power. The capacity addition programme of 12<sup>th</sup> Five Year Plan and investment plans by private parties in power sector offer robust growth opportunities for your Company. Your Company's strategic initiative to set up manufacturing facilities to manufacture Super Critical Boiler, Turbine and Generator would provide competitive edge in terms of cost, price and delivery. EPC and BOP contracting business of the Company faces intense competition from domestic players. Your Company's position of pre-eminence in the industry, despite intense competition and cost pressures, is expected to reinforce your Company's ability to overcome these challenges. With robust demand for power in the foreseeable future and the resulting opportunities for power generation equipment and EPC business, your Company's power projects division is well positioned to sustain the growth momentum in the mid-term and in the long-term as well. The proven execution capabilities, competencies and the capacity to offer the entire range of services and equipment viz., design, engineering, project execution, construction, manufacturing and supply of Steam Generator, Steam Turbine and Generator, BOP equipment and civil works would continue to facilitate your Company to achieve improved order booking, revenue and profitability.

## CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-27 on financial reporting of interest in Joint Ventures, the audited Consolidated Financial Statements are annexed to this Annual Report.

## PERFORMANCE OF SUBSIDIARIES

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account (wherever applicable) and other documents of the subsidiary companies are not attached with the financial statements of the Company. The Company will make available the annual accounts of the subsidiary companies and related information to the members of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

## HUMAN RESOURCES

In the backdrop of growth in power and infrastructure sector, there has been an acute shortage of human resources. However, your Company has been successful in attracting talents at senior and middle level positions to manage design, engineering and project management responsibilities. Your Company has initiated steps to build a highly competent and motivated manpower pool and has recruited graduate engineers from colleges of National repute.

In order to evaluate, reward and recognize performance, the Company has installed robust Performance Management System. The Company's Human Resource process is being IT enabled. Your Company continues to lay strong emphasis on HR, talent

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acquisition and retention. Your Company has witnessed a rapid growth in human resources during the financial year 2010-11 and the current employee strength is 1829.

## EMPLOYEE STOCK OPTION SCHEME

The Company has implemented the Employee Stock Option Scheme ("Scheme") in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the SEBI Guidelines"). The Compensation Committee, constituted in accordance with the SEBI Guidelines, administers and monitors the Scheme. The applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2011 are attached as Annexure – I of this report.

## STATUTORY INFORMATION

The disclosure of information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to conservation of energy are not applicable to your Company. The particulars relating to technology absorption are enclosed as Annexure – II of this report. During the FY 2010-11, the Foreign exchange earnings and outgo were ₹ 1124.90 Crore and ₹ 24.32 Crore respectively. In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of Section 219(1) (b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company. Any member interested in obtaining such particulars, may write to the Company Secretary of the Company.

## BOARD OF DIRECTORS

Mr. M. Gopalakrishna and Mr. S.A. Bohra, Directors, retire by rotation and being eligible for re-appointment, offer themselves for re-appointment. The Board recommends their re-appointment. Profile of these Directors are given in the Notice convening the 25<sup>th</sup> Annual General Meeting of the Company.

On February 10, 2011, Mr. Gnana Rajasekaran has been co-opted as an independent Director on the Board and he holds office up to the date of the forthcoming Annual General Meeting in terms of Section 257 of the Companies Act, 1956. The Company received a notice proposing Mr. Gnana Rajasekaran for appointment to the office of Director. The profile of Mr. Gnana Rajasekaran is given in the Notice convening the 25<sup>th</sup> Annual General Meeting of the Company. The Board recommends his appointment.

Mr. S. Rathinam was re-appointed as Director – Finance of the Company for a period of one year effective from February 7, 2011. The profile of Mr. S. Rathinam and the terms and conditions of his appointment including remuneration are given in the Notice convening the 25<sup>th</sup> Annual General Meeting of the Company.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 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, 2011, the applicable accounting

standards read with requirements set out under Schedule VI to the Companies Act, 1956 have been followed and there are no material departures from the same;

- b) the Directors have selected such accounting policies and applied them consistently and made judgements 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, 2011 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, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the Directors have prepared the annual accounts for the year ended March 31, 2011 on a going concern basis.

## STATUTORY AUDITORS' AND AUDITORS' REPORT

Manohar Chowdhry & Associates, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter from Manohar Chowdhry & Associates, Chartered Accountants to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the Companies Act, 1956.

## CORPORATE GOVERNANCE

The Company is committed to maintain and comply with the standards of Corporate Governance as set out in Clause 49 of the Listing Agreement and your Directors are pleased to attach a report on Corporate Governance together with the following Certificates / Declarations.

- a) Chief Executive Officer and Chief Financial Officer certificate.
- b) Declaration on code of conduct.
- c) Certificate from the Company's Auditors.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis report for the financial year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is presented in a separate section forming part of the Annual Report.

## ACKNOWLEDGEMENTS

Your Directors wish to take this opportunity to thank the customers, vendors, consortium of banks, collaborators, business partners / associates, statutory authorities, Central and State Governments for the valuable co-operation, assistance and support received during the last financial year. Your Directors place on record their sincere appreciation of the contribution made by the employees of the Company at all levels through their hard work, dedication and support.

For and on behalf of the Board

Place : Chennai  
Date : May 26, 2011

**B. G. Raghupathy**  
Chairman & Managing Director

## ANNEXURE – I DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES:

Particulars	2010-11
Options Outstanding in the Beginning of the Year	532,770
a Options granted	0
b Exercise Price	₹ 408/-
c Options Vested	114,231
d Options Exercised	161,660
e Total no. of shares arising as result of exercise of Options	161,660
f Options lapsed - include options forfeited and options cancelled / lapsed	35,259
g Variation in terms of Options	None
h Money realised by exercise of Options	₹ 65,957,280
i Total number of options in force	335,851
j Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 Earnings per Share	₹ 44.90
k Pro Forma Adjusted Net Income and Earnings Per Share	
Particulars	
<b>Net Income</b>	
<b>As Reported</b> (₹ in Million)	3242.08
Add: Intrinsic Value Compensation Cost	0.00
Less: Fair Value Compensation Cost	-1.08
<b>Adjusted Pro Forma Net Income</b>	3241.00
<b>Earnings Per Share: Basic</b> (in ₹)	
As Reported	44.97
Adjusted Pro Forma	44.96
<b>Earnings Per Share: Diluted</b> (in ₹)	
As Reported	44.90
Adjusted Pro Forma	44.88

## ANNEXURE – II

### DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1	Efforts, in brief, made towards technology absorption, adaptation and innovation.	Under implementation
2	Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	N.A.
3	In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished:	
	(a) Technology imported	Technology relating to Design, engineering and manufacture of Heat Recovery Steam Generators
	(b) Year of import	2010
	(c) Has technology been fully absorbed	Under implementation
	(d) If not fully absorbed areas where this has not taken place, reasons there for and future plans of action.	Under implementation

# Corporate Governance Report

Besides Compliance to Clause 49 of the Listing Agreement on Corporate Governance, your Company is committed to good Corporate Governance in all its activities and processes. The Board of Directors endeavour to create an environment of Truth, Trust and Transparency in transactions along with fairness and equity. The Company's objective is to secure long term shareholder value, while respecting the rights and expectations of all the stakeholders viz., Banks, Employees, Central and State Governments and the society at large. The Company is in compliance with requirements of the guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges except the composition of the Board which it expects to do shortly.

## BOARD OF DIRECTORS

In line with Corporate Governance philosophy, all statutory and other significant material information are placed before the Board to enable it to discharge its responsibility of superintendence, control and direction of management of strategic and day to day affairs of the Company. The Board comprises of 11 Directors drawn from diverse fields of expertise viz., Business Management, Finance, Public Administration, Power, Technology, Arts, Culture and International Business. The Chairman of the Board is the Promoter and Managing Director as well. There are five Independent Directors and four professional Whole-time Directors. Presently, the composition of the Board is not in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges. Your Company has appointed Mr. Gnana Rajasekaran as an Independent Director on the Board with effect from February 10, 2011. Your Company is taking steps to co-opt one more Independent Director so as to strengthen the Board composition with an equal number of Independent Directors and functional Directors, in conformity with the Listing Agreement.

The Company formulated and implemented "Standard Operating System and Procedure" which governs the policy, system and procedures relating to management of business of the Company and

to report to the Board all relevant information, to seek authority and direction from the Board of Directors.

None of the Directors on the Board is a Member of more than ten Committees or Chairman of more than five Committees across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2011 have been made by the Directors.

## MEETINGS OF THE BOARD

The Board Meetings are held at the Corporate Office. The Agenda for the meeting is prepared by the President – Corporate & Secretary in consultation with the Chairman & Managing Director. Agenda papers containing all necessary information / documents are made available to the Board in advance to enable the Board to study, take informed decisions and effectively discharge its responsibility. Where it is not practicable to attach or send the relevant information as a part of agenda papers, the same are tabled at the meeting or presentations are made by the concerned President & CEOs of the divisions to the Board. Considerable time is spent by the Directors on discussions and deliberations at the Board Meetings and with the executives as well. The Company is continually improving these practices so as to enable more effective strategy formulation, direction, monitoring and reviews by active participation by the Board.

During the Financial Year 2010-11, 7 (seven) Board Meetings were held on April 28, 2010, May 28, 2010, July 30, 2010, August 7, 2010, October 28, 2010, December 24, 2010 and February 10, 2011, and not more than four months have elapsed between any two meetings. The information as specified in Annexure 1A to Clause 49 of the Listing Agreement is regularly made available to the Board, wherever applicable for discussion and consideration.

Particulars of the Directors' attendance at the Board Meeting and the last Annual General Meeting and particulars of their other company directorships and committee memberships are given below:

Name & Category of the Director	Attendance at meetings during 2010-11		No. of Directorship in other Companies@	No. of Committee Membership & Chairmanship in other Companies#
	Board Meetings	Last AGM		
Mr. B.G. Raghupathy Chairman & Managing Director, Promoter, Executive	7	Yes	10	-
Mr. T. Sankaralingam Managing Director, Executive	7	Yes	2	-
Mr. S. Rathinam Director – Finance, Executive	7	Yes	5	-
Mr. V.R. Mahadevan Director – Technologies & HR, Executive	6	Yes	5	-
Mr. A. Swaminathan Director – Sales & Marketing, Executive	4	Yes	1	-
Mrs. Sasikala Raghupathy Director, Non-Executive	7	Yes	9	-
Mr. Heinrich Bohmer Director, Independent	5	Yes	-	-
Mr. M. Gopalakrishna Director, Independent	7	Yes	7	5
Mr. S.A. Bohra Director, Independent	7	No	-	-
Mr. S.R. Tagat Director, Independent	7	Yes	-	-
Mr. Gnana Rajasekaran* Director, Independent	1	N.A.	1	3

\* Mr. Gnana Rajasekaran was inducted into the Board as an Additional Director with effect from February 10, 2011.

@ Excludes private companies, foreign companies and Section 25 companies.

# Includes only membership of Audit and Shareholders & Investors Grievances Committee.

# Corporate Governance Report

Mrs. Sasikala Raghupathy is the spouse of Mr. B.G. Raghupathy, Chairman and Managing Director.

The Company has not granted any Stock options to any of its Directors or employees during the year under review.

The Board constituted the following Committees:

## AUDIT COMMITTEE

The terms of reference of the Audit Committee are as given below, which cover all applicable matters specified under Clause 49 of the Listing Agreement dealing with Corporate Governance and Section 292A of the Companies Act, 1956.

1. Oversight of Company's financial reporting process and disclosure of its financial information.
2. Recommendation to the Board for appointment and fixation of remuneration of Statutory Auditors.
3. Approval of payment to Statutory Auditor for other services.
4. Appointment and fixation of remuneration of Internal Auditors.
5. Review of Quarterly, Half yearly and Annual financial statements and all related statements before submission to the Board.
6. Review of uses and application of funds raised through IPO.
7. Review of performance of Statutory and Internal Auditors, Internal Control System and adequacy thereof and to ensure compliance thereof.
8. Review of scope of internal audit and structure of internal audit function.
9. Review of action taken on observations of auditors.
10. Review of change in accounting policies and practices.
11. Review and discussion on qualifications in auditors' report.
12. Review of disclosure of related party transactions.
13. Investigation into fraud and irregularities etc., and action taken thereon.
14. Review of servicing and defaults of institutional and bank loans and debts.
15. Review of Company's financial and risk management policies.
16. Review of all mandatory reports furnished by the Board to the shareholders.
17. Review of compliance with tax Laws.
18. Review of financial statements of unlisted subsidiary companies.
19. Any other matter referred to the Audit Committee by the Board of Directors of the Company.

The members of the Audit Committee are:

- a) Mr. S.R. Tagat (Independent Director) – Chairman
- b) Mr. S.A. Bohra (Independent Director) – Member
- c) Mr. S. Rathinam (Director - Finance) – Member
- d) Mr. M. Gopalakrishna (Independent Director) – Member

More than two-thirds of the members are independent directors and all the members of Audit Committee are financially literate. The Composition of the Audit Committee is in conformity with Clause 49 and Section 292A of the Companies Act, 1956. The Company's Managing Director, Chief Financial Officer, Statutory Auditor and Internal Auditors of the Company are permanent invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Committee. The quorum for Committee Meeting is two members or one third of the total strength of the Committee, whichever is higher.

There were 4 (Four) meetings of the Audit Committee held during Financial Year 2010-11 on May 27, 2010, July 30, 2010, October 27, 2010 and February 9, 2011.

The number of meetings attended by each member of the Audit Committee is as follows:

Name of the Member	No. of Meetings attended
Mr. S.R. Tagat	4
Mr. S.A. Bohra	4
Mr. S.Rathinam	4
Mr. M. Gopalakrishna	4

The Chairman of the Audit Committee Mr. S.R. Tagat attended the previous Annual General Meeting of the Company held on September 24, 2010.

## REMUNERATION OF DIRECTORS

(₹ in Lakh)

Name of Director	Remuneration		Sitting Fees*
	Salary & Allowances	Commission / Bonus / Incentive	
Mr. B.G. Raghupathy, Chairman & Managing Director	139.80	2452.55	-
Mr. T. Sankaralingam, Managing Director	627.20	-	-
Mr. S. Rathinam, Director – Finance	151.13	-	-
Mr. V.R. Mahadevan, Director – Technologies & HR	116.91	-	-
Mr. A.Swaminathan Director – Sales & Marketing	145.78	-	-
Mrs. Sasikala Raghupathy, Director	-	-	1.40
Mr. Heinrich Bohmer, Director	-	-	0.99
Mr. M. Gopalakrishna, Director	-	-	3.00
Mr. S.A. Bohra, Director	-	-	2.60
Mr. S.R. Tagat, Director	-	-	2.20
Mr. Gnana Rajasekaran, Director	-	-	0.20

\* Sitting Fees paid to the Directors includes Board and Committee meetings.

# Corporate Governance Report

Details of Shares of the Company held by Directors as on March 31, 2011 and Options granted under ESOS 2007 to the Directors held by them as on March 31, 2011 are as below:

Name	Number of Shares	Number of Options (outstanding)
Mr. B.G. Raghupathy	1,97,12,160	-
Mr. T. Sankaralingam	-	-
Mr. S. Rathinam	12,100	8,450
Mr. V.R. Mahadevan	716	20,000
Mr. A.Swaminathan	18,000	41,265
Mrs. Sasikala Raghupathy	1,15,79,120	-
Mr. Heinrich Bohmer	-	-
Mr. M. Gopalakrishna	-	-
Mr. S.A. Bohra	-	-
Mr. S.R. Tagat	135	-
Mr. Gnana Rajasekaran	-	-

## COMMITTEE OF DIRECTORS

The Board of Directors at its meeting held on May 25, 2007 constituted a Committee of Directors which was reconstituted on October 29, 2009 and February 5, 2010. The Committee of Directors consists of Mr. B.G. Raghupathy, Chairman & Managing Director, Mr. T. Sankaralingam, Mr. A. Swaminathan, Mr. V.R. Mahadevan and Mr. S. Rathinam as Members of the Committee. The quorum for Committee meetings is two members or one third of the total strength of the Committee, whichever is higher.

There were 9 (nine) meetings of Committee of Directors held during Financial Year 2010-11 on April 13, 2010, June 25, 2010, July 30, 2010, September 4, 2010, October 15, 2010, November 22, 2010, December 24, 2010, February 16, 2011 and March 16, 2011.

The following are the terms of reference of the Committee of Directors:

- Borrowing moneys from Banks, NBFCs, companies, firms, and other institutions by way of overdraft, cash credit, hire purchase, lease and other funded and non-funded facilities (i.e., guarantees, letters of credit), lines of credit or otherwise and hire purchase, leasing, bills discounting or any other form of borrowings; provided that the total amount so borrowed and outstanding at any time shall not exceed ₹ 10,000 Crore (Rupees Ten Thousand Crore) and all such borrowings shall be in the ordinary course of business and be repayable on demand except hire purchase and lease or the like transactions.
- Open, close banking accounts for the Company; and to determine the day to day operations of all banking accounts of the Company and to authorise such persons, as the Committee may determine from time to time, for operating such accounts.

## COMPENSATION COMMITTEE

The Compensation Committee was constituted by the Board at its Meeting held on July 18, 2007 and comprises of Mr. B.G. Raghupathy, Chairman of the Committee, Mr. M. Gopalakrishna and Mr. S. A. Bohra, Members of the Committee.

The terms of reference of the Compensation Committee are the administration of the Employee Stock Option Plan of the Company. The Compensation Committee met twice during the year on July 30, 2010 and February 10, 2011.

## SHAREHOLDERS AND INVESTORS GRIEVANCE COMMITTEE

The Shareholders and Investors Grievance Committee was constituted by the Board at its Meeting held on July 18, 2007 and comprises of Mr. M. Gopalakrishna, Chairman of the Committee, Mr. Heinrich Bohmer and Mr. V.R. Mahadevan, Members of the Committee. Mr. R. Ramesh Kumar, President – Corporate & Secretary, is the Secretary to the Committee. The Committee reviews and redresses all investors' grievances and complaints in general including non-receipt of dividends, annual report and non-receipt of refund amount and shares allotted in IPO, if any.

During the Financial Year, the Company received 56 complaints from Investors / Shareholders. All the complaints were attended to as per applicable guidelines and regulations. There are 3 complaints pending before District Consumer Forum and 1 complaint pending before a Civil Court. As at March 31, 2011, there was no pending share transfer. The Committee met twice during the year on July 30, 2010 and February 9, 2011 and reviewed the status of pending investor complaints and steps taken by the Company to redress the same.

## SHARE TRANSFER COMMITTEE

The Board of Directors at its meeting held on June 12, 2008 constituted the Share Transfer Committee. The Share Transfer Committee consists of Mr. B.G. Raghupathy, Chairman & Managing Director, Mr. S.R. Tagat, Mr. S. Rathinam and Mr. V.R. Mahadevan, Members of the Committee.

The following are the terms of reference of the Share Transfer Committee.

- To approve remat request and issue physical share certificates.
- To approve and register, transfer and transmission of equity shares.
- To register power of attorney or any similar documents.
- To sub-divide, split, consolidate and issue share certificates.
- To affix or authorise affixation of Common Seal of the Company on the share certificates and
- To do all such acts, things and deeds as may be necessary and incidental for the exercise of the powers; provided that in doing so, the Committee shall comply with the provisions of the Companies Act, Depositories Act, Listing Agreement, Securities Contracts (Regulation) Act and all other applicable laws.

## GENERAL BODY MEETINGS

The last three Annual General Meetings were held as per details given below:

Financial Year	Date	Time	Venue
2009-10	September 24, 2010	3.00 p.m.	Registered Office
2008-09	September 14, 2009	4.00 p.m.	Registered Office
2007-08	September 19, 2008	2.00 p.m.	Registered Office

One Extraordinary General Meeting of the Members was held on January 28, 2011 at 3.00 p.m. at the Registered Office. All the resolutions, including Special Resolutions, were passed by the shareholders as set out in the respective notices. No resolution was put through postal ballot during the Financial Year 2010-11.

## CODE OF CONDUCT

The Board of Directors has adopted a code of conduct, applicable to directors and to employees of the Company. This has been posted on the Company's website for strict compliance. The Company has obtained declarations from all its directors and senior management personnel affirming compliance with the code of conduct. The declaration by the Chairman & Managing Director under Clause 49 affirming compliance with the code of conduct by all members of the Board and the Senior Management Personnel for the year ended March 31, 2011 is attached to this Corporate Governance Report.

## SUBSIDIARY COMPANIES

The Company does not have any material non-listed Indian subsidiary, whose turnover or net worth (i.e.) paid-up capital and free reserves, exceeds 20% of the consolidated turnover or net worth respectively, of the Company and its subsidiary in the financial year ended March 31, 2011.

The Company monitors the performance of its subsidiaries, *inter alia*, by the following means:

- The financial statements of the unlisted subsidiary companies are reviewed by the Audit Committee and Board of the Company.
- The minutes of meetings of Board of Directors of the subsidiaries are noted at the Board Meetings of the Company.
- Details of significant transactions and arrangements entered into by the unlisted subsidiary companies are placed before the Board of the Company.

## DISCLOSURES

### Risk Management

The Company as part of Standard Operating System and Procedure, institutionalized risk management, covering risk identification, mitigation and management measures. In order to further improve the system, the Company has prepared risk management charter & policy. This charter, policy and report are approved for implementation by the Company. The Company has taken steps to strengthen risk management team.

### Related Party Transactions

(₹ in lakh)

Particulars	Subsidiary Companies	Other Companies	Key Management Personnel	Relatives	For the year ended 31.03.11	For the year ended 31.03.10
Sales	-	4634.70	-	-	4634.70	2154.69
Purchases	35.98	3174.71	-	-	3210.69	1555.84
Advances Received	-	7.00	-	-	7.00	30.36
Advances Paid	1555.74	1710.51	-	-	3266.25	-
Investments made	13201.54	-	-	-	13201.54	-
Remuneration	-	-	3633.38	14.89	3648.27	2153.26
Rent Paid	110.92	50.14	41.59	-	202.65	183.72
Others - Royalty	-	-	11.03	-	11.03	11.03
Balance Outstanding	2145.90	1888.03	(13.24)	-	4020.69	1686.10

The Company has complied with the requirements of Clause 49 of the Listing Agreement except the composition of Board of Directors which is under process. During the year, the Company has received a letter from National Stock Exchange of India Limited and Bombay Stock Exchange Limited seeking explanation on non-compliance of Corporate Governance requirement in respect of composition of Board on which action is being taken. During the last three years, no penalties or strictures have been imposed on the Company on any matters related to the Capital markets by Stock Exchange or SEBI or any statutory authorities.

To enhance standards on Corporate Governance and strengthen controls, the Company will formulate and adopt necessary policies and procedures for complying with non-mandatory requirements of Clause 49 in the current year.

A qualified practicing Company Secretary carries out reconciliation of share capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) with the total issued, paid-up and listed capital. The reconciliation of share capital audit report confirms that the total issued/ paid-up/ listed capital are in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

## COMMUNICATION

The Company's quarterly financial results, after their approval by the Board of Directors, are promptly furnished to BSE and NSE where the Company's equity shares are listed. These financial results, in the prescribed format, as per Clause 41 of the listing agreements are published in leading English Newspapers nationwide and Vernacular Newspaper (Telugu) and also posted on the Company's website www.bgrcorp.com. Press Releases made by the Company from time to time are also displayed on the Company's website.

## GENERAL SHAREHOLDER INFORMATION

AGM Date : Thursday, September 22, 2011

Time & Venue : 3.00 p.m.

Registered Office : A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Taluk, Nellore District, Andhra Pradesh 524 401.

As required under Clause 49 (IV)(G)(i) of the Listing Agreement with the Stock Exchanges, particulars of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (AGM) are given in the annexure to the notice of the AGM to be held on September 22, 2011.

Financial Year : April 1, 2010 to March 31, 2011

Publication of financial results : Unaudited results for the quarter ending June 30, 2011 – On or before August 15, 2011. Unaudited results for the half year ending September 30, 2011 – On or before November 15, 2011.

Unaudited results for the quarter and nine months ending December 31, 2011 – On or before February 15, 2011.

Audited results for the year ending March 31, 2012 – On or before May 30, 2012.



# Corporate Governance Report

Dividend : September 28, 2011  
 Payment Date  
 Dates of Book : September 19, 2011 to September 22, 2011.  
 closure  
 Listing on Stock : National Stock Exchange of India Limited  
 Exchanges Bombay Stock Exchange Limited  
 The listing fees for the Financial Year 2011-12  
 have been paid to the above Stock Exchanges.  
 Stock Code : National Stock Exchange of India Limited –  
 BGREENERGY  
 Bombay Stock Exchange Limited – 532930  
 Demat ISIN : INE661I01014

## DETAILS OF SHARES HELD IN SUSPENSE ACCOUNT

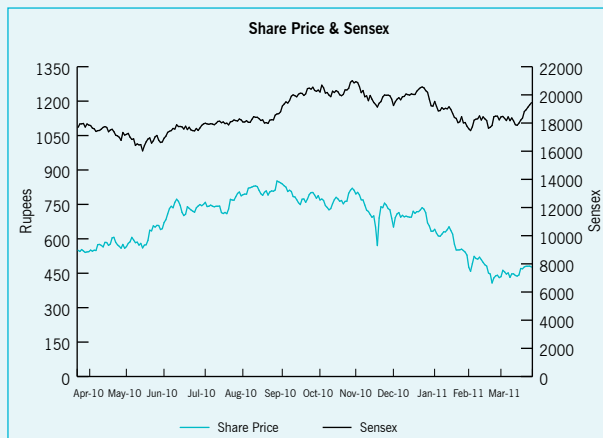
Sr. No.	Particulars	(in Nos.)
1	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	131 shareholders 1834 shares
2	Number of shareholders who approached issuer for transfer of shares from suspense account during the year	7 shareholders 98 shares
3	Number of shareholders to whom shares were transferred from suspense account during the year	7 shareholders 98 shares
4	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	124 shareholders 1736 shares

The Board hereby confirms that the voting rights in respect of the above shares held in suspense account shall remain frozen till the rightful owner of such shares claims the shares.

## STOCK MARKET PRICE DATA & STOCK PERFORMANCE IN BSE:

Month	BSE		SENSEX	
	High (₹)	Low (₹)	High	Low
Apr-10	607.20	530.10	18047.86	17276.80
May-10	643.40	554.00	17536.86	15960.15
Jun-10	780.70	603.65	17919.62	16318.39
Jul-10	769.00	693.00	18237.56	17395.58
Aug-10	838.80	738.00	18475.27	17819.99
Sep-10	871.00	744.00	20267.98	18027.12
Oct-10	819.90	719.00	20854.55	19768.96
Nov-10	826.80	528.20	21108.64	18954.82
Dec-10	778.00	628.00	20552.03	19074.57
Jan-11	744.70	547.90	20664.80	18038.48
Feb-11	578.85	402.10	18690.97	17295.62
Mar-11	491.00	414.60	19575.16	17792.17

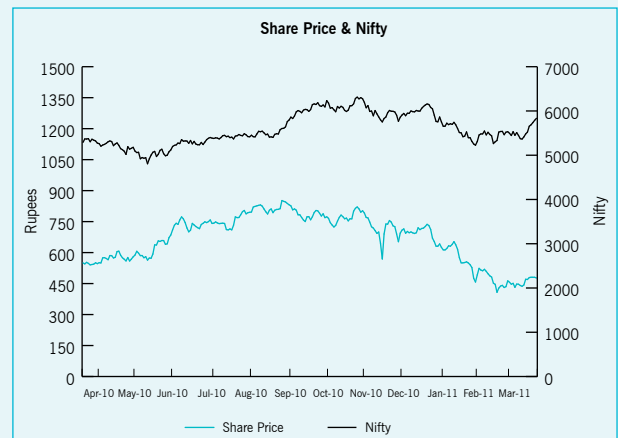
The Chart showing Share Price Performance at BSE in comparison to SENSEX is given below:



## STOCK MARKET PRICE DATA & STOCK PERFORMANCE IN NSE:

Month	NSE		NIFTY	
	High (₹)	Low (₹)	High	Low
Apr-10	609.95	534.00	5399.65	5160.90
May-10	642.65	550.10	5278.70	4786.45
Jun-10	780.00	621.65	5366.75	4961.05
Jul-10	769.00	692.15	5477.50	5225.60
Aug-10	950.00	744.95	5549.80	5348.90
Sep-10	871.25	747.00	6073.50	5403.05
Oct-10	820.00	719.10	6284.10	5937.10
Nov-10	830.00	525.00	6338.50	5690.35
Dec-10	777.00	626.40	6147.30	5721.15
Jan-11	744.80	545.05	6181.05	5416.65
Feb-11	579.00	401.10	5599.25	5177.70
Mar-11	490.80	401.00	5872.00	5348.20

The Chart showing Share Price Performance at NSE in comparison to NIFTY is given below:



# Corporate Governance Report

## REGISTRAR AND SHARE TRANSFER AGENT:

**Link Intime India Private Limited**  
 C-13, Pannalal Silk Mills Compound,  
 L.B.S. Marg, Bhandup West,  
 Mumbai - 400 078  
 Tel: 022-25946970, Fax: 022-25946969  
 E-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
 Contact Person:  
 Ms. Udaya Rao  
 Senior Executive – Corporate Registry

Shareholders are requested to correspond with the Registrar and Share transfer agent for transfer / transmission of shares, demat, remat, change of address, nomination, all queries pertaining to their shareholding, dividend etc., at the address given above.

## SHARE TRANSFER SYSTEM

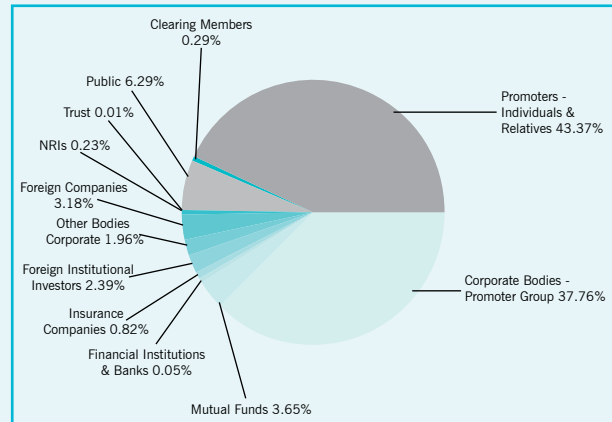
Share transfers are processed and approved, subject to receipt of all requisite documents. The Company seeks to ensure that all transfers are approved for registration within the stipulated period. With a view to expediting the approval process, the Board of Directors has constituted Share Transfer Committee to approve registration of transfer of shares.

## DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011

Shareholding	No. of Shareholders	% of total	No. of Shares	% of total
1 – 500	103729	98.77	3268622	4.53
501 – 1000	652	0.62	498932	0.69
1001 – 2000	292	0.28	439556	0.61
2001 – 3000	80	0.08	205900	0.29
3001 – 4000	52	0.05	179833	0.25
4001 – 5000	39	0.04	181108	0.25
5001 – 10000	54	0.05	382299	0.53
10001 and above	115	0.11	67005310	92.85
<b>Total</b>	<b>105013</b>	<b>100</b>	<b>72161560</b>	<b>100</b>

## SHAREHOLDING PATTERN AS ON MARCH 31, 2011

Sl. No.	Category	Shares	Holders	Percent
1	Promoters - Individuals & Relatives	31295600	3	43.37
2	Corporate Bodies - Promoter Group	27248400	4	37.76
3	Mutual Funds	2632014	24	3.65
4	Financial Institutions & Banks	35018	5	0.05
5	Insurance Companies	591756	12	0.82
6	Foreign Institutional Investors	1725932	47	2.39
7	Other Bodies Corporate	1416421	949	1.96
8	Foreign Companies	2295322	9	3.18
9	NRIs	164264	869	0.23
10	Trusts	9702	9	0.01
11	Public	4535857	102787	6.29
12	Clearing Members	211274	295	0.29
	<b>Total</b>	<b>72161560</b>	<b>105013</b>	<b>100</b>



## DEMATERIALISATION OF SHARES AND LIQUIDITY

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on March 31, 2011, 18.87% of the total paid-up equity share capital was held in dematerialisation form of which NSDL constitutes 16.28% and CDSL constitutes 2.59%. The ISIN of the Company's equity shares is INE661101014. The Shares of the Company are actively traded in National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

## PLANT LOCATION:

- 171, Panjetty Village, Ponneri Taluk, Ponneri, Tamil Nadu.
- Survey 167/1 & 173, Durai Nallur village, Pudukkottai Road, Pudukkottai Post, Ponneri Taluk, Tiruvallur District.

## MAJOR PROJECT LOCATIONS :

- 500 MW coal based Thermal Power Plant of MAHAGENCO at Khaperkeda, Maharashtra.
- 500 MW coal based Thermal Power Plant of APGENCO at Kothagudam, Andhra Pradesh.
- 1 x 600 MW coal based Thermal Power Plant of TNEB at Mettur, Tamil Nadu.
- 2 x 600 MW coal based Thermal Power Plant of RRVUNL at Kalisindh, Jhalawar District, Rajasthan.
- 2 x 500 MW coal based Thermal Power Plant of MAHAGENCO at Chandrapur
- 2 x 500 MW coal based Thermal Power Plant of MAHAGENCO at Marwa.
- 2 X 660 MW coal based Thermal Power Plant of Thermal Powertech Corporation India Limited at Krishnapatnam.

## NAME OF THE COMPLIANCE OFFICER AND ADDRESS FOR CORRESPONDENCE:

**Mr. R. Ramesh Kumar,**  
 President - Corporate & Secretary  
 BGR Energy Systems Limited  
 443, Anna Salai, Teynampet, Chennai 600 018  
 Tel : 044 - 24326171  
 Fax : 044 - 24360576  
 E-mail: [investors@bgrenergy.com](mailto:investors@bgrenergy.com)

## VOLUNTARY CORPORATE GUIDELINES

During the year, the Company has taken up for implementation the Corporate Social Responsibility Voluntary Guidelines, 2009 and Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs.

## NON-MANDATORY REQUIREMENTS

The Company is taking steps to comply with the non-mandatory requirements. The Board wishes to assure that the non-mandatory disclosure requirements would be complied in the near future.

## REQUEST TO INVESTORS

- (a) Investors are requested to communicate change of address, if any, directly to the Registrar and Share Transfer Agent of the Company.
- (b) Investors holding shares in electronic form are requested to deal only with their respective depository participant for change of address, nomination facility, bank account number etc.
- (c) Investors holding the shares in physical form should provide the National Electronic Clearing Service (NECS) mandate to the Company and investors holding the shares in demat form should ensure that correct and updated particulars of their bank account are available with Depository Participant

(DP). This would facilitate in receiving direct credit of dividend from the company and avoid postal delays and loss in transit. Investor must update the new bank account number allotted after implementation of Core Banking Solution (CBS) in case of shares held in physical form and to the DP in case of shares held in demat form.

- (d) Investors should register their nominations in case of physical shares with the Company and in case of dematerialized shares with their DP. Nomination would help the nominees to get the shares transmitted in their favour without any hassles. Investors must ensure that nomination in order to be effective is made in the prescribed form and must be witnessed by two witnesses. The form may be obtained from Link Intime India Private Limited, Registrar & Share Transfer Agent of the Company.
- (e) In terms of SEBI circular No. MRD/DoP/Cir-05/1009 dated May 20, 2009 the shareholders are requested to note that it has now become mandatory to furnish a copy of Permanent Account Number ("PAN") for registration of transfer of shares in physical mode.

For and on behalf of the Board of Directors

Place : Chennai  
Date : May 26, 2011

**B.G. RAGHUPATHY**  
Chairman and Managing Director

## CEO / CFO CERTIFICATION

To the Board of Directors

### BGR ENERGY SYSTEMS LIMITED

We, B.G. Raghupathy, Chairman & Managing Director and P.R. Easwar Kumar, President & Chief Financial Officer of BGR Energy Systems Limited to the best of our knowledge and belief certify that ;

- a) We have reviewed financial statements and the Cash Flow Statement of the Company for the year 2010-11:
  - i) these financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c) We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit Committee:
  - i) significant changes in internal control over financial reporting during the year.
  - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

### B. G. RAGHUPATHY

Chairman & Managing Director

Place : Chennai

Date : May 26, 2011

### P. R. EASWAR KUMAR

President & Chief Financial Officer

## DECLARATION BY THE CEO UNDER CLAUSE 49(I)(D) OF THE LISTING AGREEMENT

To

The Members of **BGR Energy Systems Limited**

I, B. G. Raghupathy, Chairman and Managing Director of BGR Energy Systems Limited, to the best of my knowledge and belief, declare that all the members of the Board of Directors and Senior Management personnel have affirmed compliance with the code of conduct of the Company for the year ended March 31, 2011.

Place : Chennai

Date : May 26, 2011

**B. G. RAGHUPATHY**

Chairman and Managing Director

To

The Members of **BGR ENERGY SYSTEMS LIMITED**

We have examined the compliance of conditions of Corporate Governance by BGR Energy Systems Limited (hereinafter referred to as "the Company"), for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

Except in respect of the composition of Board of Directors of the company, which is not in conformity with Clause 49-I (A) of the Listing Agreement entered into with Stock Exchanges, in our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **MANOHAR CHOWDHARY & ASSOCIATES**

Chartered Accountants

FR No.: 001997S

**G R HARI**

Partner

Place : Chennai

Date : May 26, 2011

M. No. 206386

## 1. HIGHLIGHTS OF 2010-11

During the year, the Turnover exceeded ₹ 4700 Crore, thus making your Company a Billion Dollar Company in terms of revenue. The company bagged the First prestigious BOP contract for Super Critical Project of 2 x 660 MW units valuing ₹ 2168 Crore from Thermal Power Tech Corporation India Limited for their Project at Krishnapatnam. This is the First Contract in the Super Critical space from an IPP for the Company.

## 2. ECONOMIC SCENARIO

On the order booking front, the year 2010-11 slowed down due to concerns raised on environment and fuel availability. The requirements of NTPC bulk tendering process, by insisting on domestic manufacturing facilities for super critical boilers and turbines and generators has thrown open the opportunity to companies in the BTG segment. With the policies of the Union government, the Indian economy is expected to achieve robust growth and provide favourable environment for growth for various sectors.

## 3. REVIEW OF OPERATIONS

The Construction and EPC segment has achieved 55 % growth in terms of sales. The capital goods segment has also done exceedingly well in registering a growth of 58% in terms of sales.

In the current year, The Kothagudem TPS 500 MW BOP contract from APGENCO and Khaperkheda TPS 500 MW BOP Contract from MAHAGENCO executed by Power Projects Division were synchronized in March, 2011. Various other large size power plants are under construction. The supplies from the Chinese BTG vendor have been satisfactory and the Company is geared to complete the two EPC contracts as per contractual conditions.

The Company has augmented various resources required for timely completion of contracts including equipment and manpower.

The Air Fin Cooler division achieved a turnover of ₹ 131 Crore during 2010-11 and has booked orders valuing ₹ 135 Crore. Despite economic recession in other parts of the world the division hopes to significantly increase its turnover during 2011-12.

The Environmental Engineering Division achieved an order booking of ₹ 90 Crore in the current year which has been the best record for the division. The division has bagged 2 orders of Condensate Polishing Unit for Supercritical Projects during the year.

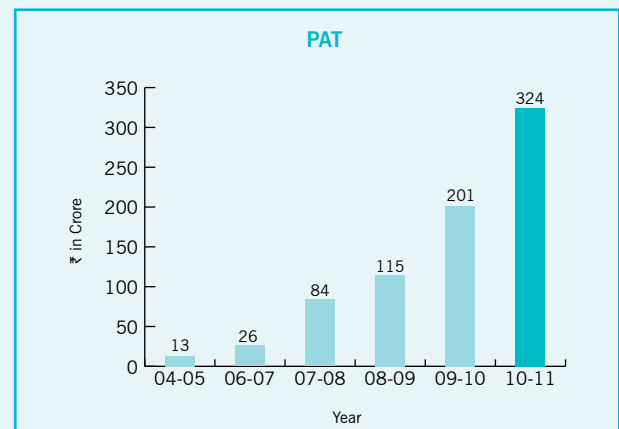
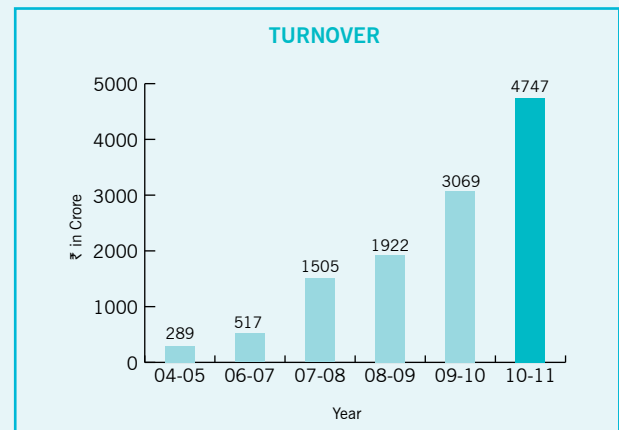
The Electrical Projects Division has an order book of ₹ 125 Crore as at the end of the year. The division is poised to significantly increase its revenue in the current year.

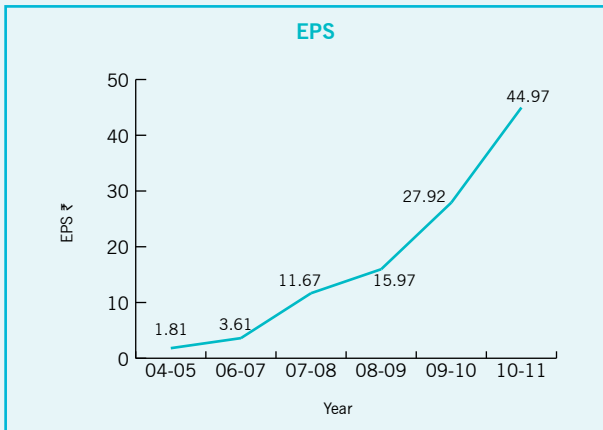
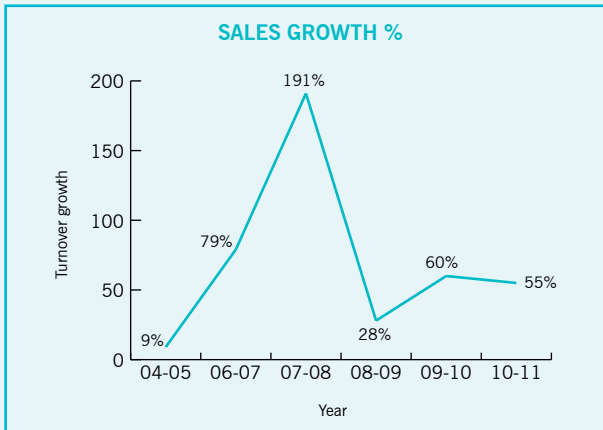
The Oil and Gas Equipment Division has a healthy order book of ₹ 395 Crore as at the end of the year. It is expected to achieve significant growth in the current year in the backdrop of the contract from SCOP Iraq being activated by signing a revised contract and receiving the requisite letter of credit.

## 4. FINANCIAL REVIEW

- The turnover at ₹ 4747 Crore registered a growth of 55%
- EBIDTA at ₹ 551 Crore registered a growth of 58%
- Profit Before Tax at ₹ 482 Crore registered a growth of 58%
- Net Profit After Tax at ₹ 324 Crore registered a growth of 61%
- The Networth stood at ₹ 950 Crore compared to ₹ 703 Crore in the previous year.
- The Return on Capital Employed improved to 34.14% as compared to 28.6% in the previous year.
- The EPS for the year improved to ₹ 44.97 compared to ₹ 27.92.

Description	Unit	FY 09-10	FY 10-11
Turnover	₹ Cr.	3069	4747
PBT	₹ Cr.	305	482
PAT	₹ Cr.	201	324
Networth	₹ Cr.	703	950
PBT Ratio	%	9.9	10.15
PAT Ratio	%	6.55	6.83
Return on Networth	%	28.59	34.10
Employee cost to Turnover	%	4.06	3.01
Overheads to Turnover	%	3.73	3.24
Interest to Turnover	%	1.75	1.27





The gearing ratio and the liquidity of the Company are satisfactory. The relationship with banks and stakeholders were healthy. The Company took several strategic initiatives to secure interest arbitrage thus reducing the cost of borrowings. The prudent financial management helped the Company to bring about overall improvement in profitability and other financial ratios.

## 5. STRENGTH AND OPPORTUNITIES

- Proven track record in execution and delivery of large power projects.
- In-house design and engineering resources.

- In-house BOP equipment manufacture and execution of civil works.
- Capability to simultaneously manage multiple projects.
- Professional management and expertise in project management.
- Cost Competitiveness.

The Company is well placed to undertake contracts based on Customer requirements and can execute contracts in the nature of EPC, BTG or BOP as the case may be.

## 6 RISK MANAGEMENT

The nature of business of the Company is such that it is exposed to certain risks. The risk management framework has identified and graded the risks according to their intensity. The Company is evaluating such risks periodically and taking mitigation and management measures. The Company has appointed a senior professional for risk management.

The risk management team would identify areas of risk in the operations and suggest mitigation measures. In addition to the above, detailed reviews are done by the Audit Committee once in a quarter.

## 7. AUDIT AND INTERNAL CONTROL SYSTEM

There is a 4-tier audit system. This is supplemented by SAP system implemented across many modules. As part of the 4 tier audit system, the Company has in-house Systems auditor and Works auditor. For each division, an external firm of auditors carry out the internal audit. For Power Projects Division, for each project contract a separate external firm of Chartered Accountants carry out internal audit. The audit plan is documented and the scope is well defined. This is approved by the Audit Committee and circulated to the Auditors in advance. In addition, payments are subjected to pre-audit. The statutory auditors carry out test checks and review the entire audit and control systems. The Chairman of Audit Committee and the Finance Department review the reports of the internal auditors, pre-auditors and in-house auditors in detail and the summary is submitted to the Audit Committee once in a quarter for Audit Committee's review and direction. The present internal control and audit systems are considered adequate.

## REPORT OF THE AUDITORS TO THE MEMBERS OF BGR ENERGY SYSTEMS LIMITED

1. We have audited the attached Balance Sheet of **BGR ENERGY SYSTEMS LIMITED** as at March 31, 2011 and the related Profit and Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
  2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
  3. As required by the Companies (Auditors Report) Order, 2003 (the 'Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
  4. Further to our comments in the report referred to in paragraph 3 above, we report that:
    - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
    - b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books;
    - c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
  - e) On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - f) In our opinion, there were no dues on account of cess under Section 441A of the Act, since the aforesaid section has not yet been made effective by the Central Government of India as on March 31, 2011; and
  - g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
    - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **MANOHAR CHOWDHRY & ASSOCIATES**  
Chartered Accountants  
FR No: 001997S

**G R HARI**  
Partner

M.No. 206386

Place : Chennai  
Date : May 26, 2011

## ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report to the Members of **BGR ENERGY SYSTEMS LIMITED** for the year ended March 31, 2011. We report that:

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has conducted physical verification of fixed assets at reasonable intervals and no material discrepancies were noticed on such verification; and
- (c) In our opinion, the fixed assets disposed off during the year were not substantial and therefore, do not affect the going concern assumption.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year;
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business; and
- (c) The Company is maintaining proper records of inventory. There are no major material discrepancies noticed on physical verification between book stock and physical stock.
- (iii) (a) The Company has granted interest free unsecured loans to 6 parties covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end-balance of these loans amounts to ₹ 1,432.45 lakhs and ₹ 1,418.33 lakhs respectively;
- (b) In our opinion and as per the information and explanations given to us, the terms and conditions of the said loans are not prima facie prejudicial to the interest of the company;
- (c) In our opinion and on verification of the books of account, in respect of the above mentioned loans, there has been no regular repayment of the principal amount during the year;
- (d) In our opinion, in respect of the above mentioned loans, reasonable steps have been taken by the company for recovery of the principal amount due. The outstanding principal amount as on March 31, 2011 is ₹ 1,418.33 lakhs;
- (e) According to the information and explanations given to us, the Company has not availed any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. In view of the foregoing, the question of reporting on Clauses 4(iii)(f) and 4(iii)(g) of the said Order does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in aforesaid internal control system.
- (v) (a) As per the information and explanations furnished by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained u/s. 301 have been entered; and
- (b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A, 58AA or any of the relevant provisions of the Act and rules framed thereunder.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) There is no order or notification by the Central Government prescribing maintenance of cost records by the Company u/s. 209 (1)(d) of the Companies Act, 1956.
- (ix) (a) In our opinion and according to the information given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Profession Tax, Income-tax, Sales-tax, VAT, Works Contract Tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other statutory dues have generally been regularly deposited during the year by the company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.  

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Profession Tax, Income-tax, Sales-tax, VAT, Works Contract Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess were in arrears as at March 31, 2011 for a period of more than six months from the date they became payable; and
- (b) As per the information and explanations provided to us, the following are the details of Disputed Tax Liabilities and the forum in which they are pending:



# Auditors' Report

Financial year	Amount ₹ in lakhs	Type of Tax Liability	Forum in which the Appeal is lying in
1997-98	39.23	Sales Tax	Honorable High Court, Andhra Pradesh
1998-99	0.12	Sales Tax	Commercial Tax officer, Andhra Pradesh
1999-00	0.11	Sales Tax	Commercial Tax officer, Tamilnadu
2001-02	2.21	Sales Tax	Sales Tax Appellate Tribunal, Tamilnadu
2004-05	5.57	Sales Tax	Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh
2005-06	9.95	Sales Tax	Appellate Deputy Commissioner, Guntur, Andhra Pradesh
2005-06	16.96	Central Sales Tax	Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh
2005-06	39.98	Sales Tax	Deputy Commissioner Appeals, Ernakulam, Kerala
2006-07	2.59	Sales Tax	Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh
2006-07	2.69	Sales Tax	Appellate Deputy Commissioner, Guntur, Andhra Pradesh
2007-08	7.43	Sales Tax	Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh
2007-08	41.75	Service Tax	Commissioner Appeals, Central Excise, Chennai, Tamilnadu
2007-08	19.37	Sales Tax	Appellate Deputy Commissioner, Kota, Rajasthan
2007-08	2.11	Sales Tax	Appellate Deputy Commissioner, Guntur, Andhra Pradesh
2007-08	3779.69	Income Tax	Commissioner Appeals, Guntur, Andhra Pradesh
2008-09	13.17	Entry Tax	Honorable High Court of Rajasthan

- (x) The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information given to us, the Company has not defaulted in repayment of dues to any financial institution or banks.

- (xii) In our opinion and according to the explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The Company is not a chit fund/nidhi/mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) The Company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof, in our opinion, are not prejudicial to the interest of the Company.
- (xvi) During the year, the Company has availed term loans for acquiring various fixed assets. As per the information and explanations provided to us, we are of the opinion that these loans were applied for the purpose for which the same were availed.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act.
- (xix) The Company has not issued any debentures.
- (xx) The Company has raised net proceeds of ₹ 19012 lakhs by way of initial public offering (IPO) during the year ended March 31, 2008. During the year, the Company has utilized the balance proceeds of ₹ 6512 lakhs towards augmenting working capital requirements being one of the objects of issue. The Company has disclosed the end use of money by way of notes to accounts in point 18 of Schedule 14 B.
- (xxi) Based on the audit procedures performed and on the basis of information and explanations given to us, we report that no fraud by the Company has been noticed or reported during the year. However, an instance of theft of Intellectual property, information and data has been reported, as referred to in note 20 of notes to accounts in Schedule 14B.

For **MANOHAR CHOWDHRY & ASSOCIATES**

Chartered Accountants  
FR No: 001997S

**G R HARI**

Partner

M.No. 206386

Place : Chennai

Date : May 26, 2011

# Balance Sheet as at 31<sup>st</sup> March, 2011

Description	Sch. No.		As at 31.03.2011 (₹ in lakhs)		As at 31.03.2010 (₹ in lakhs)
<b>SOURCES OF FUNDS</b>					
(1) Shareholders' Funds	1				
(a) Share Capital			7216.16		7200.00
(b) Employee stock options application money			0.41		-
(c) Reserves and Surplus			87760.36		63120.20
(2) Loan Funds	2				
(a) Secured Loans			86028.82		40518.53
(b) Unsecured Loans			47602.05		40124.21
(3) Deferred Tax Liabilities (Net)			31167.82		15891.20
<b>Total</b>			<b>259775.62</b>		<b>166854.14</b>
<b>APPLICATION OF FUNDS</b>					
(1) Fixed Assets	3				
(a) Gross Block		20989.21		17042.75	
(b) Less: Depreciation and Impairment		4746.83		3134.16	
Net Block			16242.38		13908.59
(c) Capital Work-in-Progress (Including Capital Advances)			1296.34		1036.29
(2) Investments	4		13679.54		478.00
(3) Current Assets, Loans & Advances	5				
(a) Inventories		3835.71		1544.41	
(b) Sundry Debtors		315718.90		197873.06	
(c) Cash and Bank balances		94649.71		89725.89	
(d) Other Current Assets		4783.35		1886.93	
(e) Loans and Advances		83688.57		72704.68	
			502676.24	363734.97	
LESS:					
Current Liabilities & Provisions	6				
(a) Liabilities		238676.74		188980.21	
(b) Provisions		35442.14		23323.50	
			274118.88	212303.71	
Net Current Assets			228557.36		151431.26
<b>Total</b>			<b>259775.62</b>		<b>166854.14</b>
<b>NOTES ON ACCOUNTS</b>	14				

B.G. RAGHUPATHY  
Chairman & Managing Director

T. SANKARALINGAM  
Managing Director

S. RATHINAM  
Director - Finance

As per our report of even date  
for M/s MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

V.R. MAHADEVAN  
Director - Technologies & HR

A. SWAMINATHAN  
Director - Sales & Marketing

S.R. TAGAT  
Director

G.R. HARI  
Partner  
M.No. 206386

SASIKALA RAGHUPATHY  
Director

M. GOPALAKRISHNA  
Director

S.A. BOHRA  
Director

GNANA RAJASEKARAN  
Director

HEINRICH BOHMER  
Director

R. RAMESH KUMAR  
President - Corporate & Secretary

P.R. EASWAR KUMAR  
President & Chief Financial Officer

Chennai  
May 26, 2011

# Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011

Description	Sch. No.		For the Year ended 31.03.2011 (₹ in lakhs)		For the Year ended 31.03.2010 (₹ in lakhs)
<b>INCOME</b>					
Turnover (Gross)			<b>475835.13</b>		307621.76
Less: Excise Duty			<b>1085.80</b>		696.87
Turnover (Net)	7		<b>474749.33</b>		306924.89
Other Income	8		<b>2191.46</b>		2470.30
Increase / (Decrease) in WIP			<b>326.19</b>		(187.75)
			<b>477266.98</b>		309207.44
<b>EXPENDITURE</b>					
Cost of Materials	9		<b>344841.68</b>		218442.83
Cost of Manufacturing	10		<b>40452.09</b>		23437.35
Other Direct Cost	11		<b>6346.92</b>		6595.55
Administration, Selling & General Expenses	12		<b>29697.91</b>		23909.58
Interest	13		<b>6046.77</b>		5376.20
Depreciation and Impairment	3		<b>1681.44</b>		978.49
			<b>429066.81</b>		278740.00
<b>PROFIT BEFORE TAX</b>					
			<b>48200.17</b>		30467.44
Provision for Taxation					
Current Tax			<b>9612.62</b>		5181.74
Deferred Tax			<b>15276.62</b>		8041.66
MAT Credit entitlement			<b>(9109.86)</b>		10365.27
<b>PROFIT AFTER TAX</b>					
			<b>32420.79</b>		20102.17
<b>APPROPRIATIONS</b>					
Transfer to General Reserve			<b>3242.08</b>		2010.22
Proposed Dividend			<b>7223.82</b>		5040.00
Corporate Dividend Tax			<b>1199.82</b>		856.55
Profit for the year			<b>20755.07</b>		12195.40
<b>Earnings Per Equity Share (Face Value ₹ 10)</b>					
Basic			<b>44.97</b>		27.92
Diluted			<b>44.90</b>		27.88
<b>NOTES ON ACCOUNTS</b>					
	14				

B.G. RAGHUPATHY  
Chairman & Managing Director

T. SANKARALINGAM  
Managing Director

S. RATHINAM  
Director - Finance

As per our report of even date  
for M/s MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

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Director - Technologies & HR

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Director

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President - Corporate & Secretary

P.R. EASWAR KUMAR  
President & Chief Financial Officer

Chennai  
May 26, 2011

# Schedules

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

Sch. No.	Description		As at 31.03.2011 (₹ in lakhs)	As at 31.03.2010 (₹ in lakhs)
<b>1.</b>	<b>SHAREHOLDERS' FUNDS</b>			
(a)	<b>Share Capital</b>			
	<b>Authorised</b>			
	10,00,00,000 Equity Shares of ₹ 10/- each		<b>10000.00</b>	10000.00
	<b>Issued, Subscribed and Paid up</b>			
	7,21,61,560 (7,20,00,000) Equity Shares of ₹ 10/- each			
	Of the above, 6,46,50,000 (6,46,50,000) Equity Shares of ₹ 10 each were allotted as fully paid-up bonus shares by capitalisation of profits		<b>7216.16</b>	7200.00
(b)	<b>Reserves and Surplus</b>			
		<b>31.03.11</b>	31.03.10	
i.	Securities Premium			
	Opening Balance	<b>31252.36</b>	31252.36	
	Add: Additions during the Year	<b>643.01</b>	-	
		<b>31895.37</b>	31252.36	<b>31895.37</b>
ii.	General Reserve			
	Opening Balance	<b>5019.33</b>	3009.11	
	Add: Transferred during the year	<b>3242.08</b>	2010.22	
		<b>8261.41</b>	5019.33	<b>8261.41</b>
iii.	Balance in Profit & Loss A/c			
	Opening Balance	<b>26848.51</b>	14653.11	
	Add: Profit for the year	<b>20755.07</b>	12195.40	
		<b>47603.58</b>	26848.51	<b>47603.58</b>
				<b>87760.36</b>
<b>2.</b>	<b>LOAN FUNDS</b>			
(a)	<b>Secured Loans</b>			
i.	Term Loan from Banks		<b>4709.97</b>	3431.93
ii.	Working Capital Loan from Banks		<b>80737.42</b>	35740.09
iii.	Fixed Assets Loans			
	- From Banks		<b>513.99</b>	1236.59
	- From Others		<b>67.44</b>	109.92
			<b>86028.82</b>	40518.53
(b)	<b>Unsecured Loans</b>			
i.	Interest Free Sales Tax Loan		<b>96.84</b>	119.42
ii.	From Banks - Short Term		<b>47505.21</b>	40004.79
			<b>47602.05</b>	40124.21

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

## 3. FIXED ASSETS

(₹ in Lakhs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			IMPAIRMENT LOSS	NET BLOCK			
	As at 31.03.2010	Additions during the year	Deletions during the year	As at 31.03.2011	Up to 31.03.2010	Additions during the year		Deletions during the year	Up to 31.03.2011	For 2010-11	As at 31.03.2011
<b>Tangible Assets</b>											
Land	1083.06	-	-	<b>1083.06</b>	-	-	-	-	-	<b>1083.06</b>	1083.06
Buildings	387.71	127.61	-	<b>515.32</b>	86.00	12.96	-	<b>98.96</b>	-	<b>416.36</b>	301.71
Plant & Machinery	11226.04	3181.74	31.67	<b>14376.11</b>	1729.35	1008.24	22.02	<b>2715.57</b>	-	<b>11660.54</b>	9496.69
Furniture & Fixtures	162.02	40.59	-	<b>202.61</b>	35.80	18.35	-	<b>54.15</b>	-	<b>148.46</b>	126.22
Office Fixtures	212.30	85.96	-	<b>298.26</b>	118.94	45.21	-	<b>164.15</b>	-	<b>134.11</b>	93.36
Office Equipments	727.95	141.28	32.52	<b>836.71</b>	191.42	89.19	32.35	<b>248.26</b>	<b>9.07</b>	<b>579.38</b>	536.53
Electrical Installations	106.71	20.80	0.14	<b>127.37</b>	39.18	10.22	0.04	<b>49.36</b>	-	<b>78.01</b>	67.53
Vehicles	1207.16	184.72	24.62	<b>1367.26</b>	359.64	119.25	14.36	<b>464.53</b>	-	<b>902.73</b>	847.52
<b>Intangible Assets*</b>											
Technical Know-How	760.77	95.21	-	<b>855.98</b>	200.88	129.14	-	<b>330.02</b>	-	<b>525.96</b>	559.89
Softwares	1169.03	157.50	-	<b>1326.53</b>	372.95	239.81	-	<b>612.76</b>	-	<b>713.77</b>	796.08
<b>TOTAL</b>	<b>17042.75</b>	<b>4035.41</b>	<b>88.95</b>	<b>20989.21</b>	<b>3134.16</b>	<b>1672.37</b>	<b>68.77</b>	<b>4737.76</b>	<b>9.07</b>	<b>16242.38</b>	<b>13908.59</b>
As on 31.03.2010	11317.48	5880.71	155.44	17042.75	2211.83	967.78	56.16	3123.45	10.71	13908.59	

\* Both the assets are other than internally generated.

# Schedules

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

Sch. No.	Description	As at 31.03.2011 (₹ in lakhs)	As at 31.03.2010 (₹ in lakhs)
<b>4.</b>	<b>INVESTMENTS</b>		
	<b>Trade Unquoted (at cost):</b>		
	<b>a) Investment in Subsidiary Companies:</b>		
	(i) Progen Systems and Technologies Limited 42,50,000 Equity Shares of ₹ 10 each, fully paid-up	425.00	425.00
	(ii) BGR Boilers Private Limited 3,60,50,000 Equity Shares of ₹ 10 each, fully paid-up	3605.00	-
	(iii) BGR Turbines Company Private Limited 9,59,65,400 Equity Shares of ₹ 10 each, fully paid-up	9596.54	-
	<b>b) Investment in Other Companies:</b>		
	i) GEA Cooling Tower Technologies (India) Private Limited 10,000 Equity Shares of ₹ 10 each, fully paid-up (10,000 Equity Shares of ₹ 10 each, fully paid-up) (Inclusive of 8000 bonus shares)	0.20	0.20
	ii) Cuddalore Powergen Corporation Limited 1,00,900 Shares of ₹ 10 each, fully paid-up (1,00,900 Shares of ₹ 10 each, fully paid-up)	10.09	10.09
	<b>Other Quoted (at cost):</b>		
	<b>Equity Shares</b>		
	i) Indian Bank 13,970 Fully Paid Equity Shares at ₹ 91 per share Market Value ₹ 232.70 (₹ 174.55 ) per share as on 31.03.2011	12.71	12.71
	<b>Mutual Funds</b>		
	ii) SBI Mutual Fund-Magnum Multi Cap Fund - Dividend 50,000 units of ₹ 10 each NAV ₹ 13.29 (₹ 13.41) per unit as on 31.03.2011	5.00	5.00
	iii) SBI Mutual Fund-Infrastructure Fund - I - Growth 2,50,000 units of ₹ 10 each NAV ₹ 9.28 (₹ 10.29) per unit as on 31.03.2011	25.00	25.00
		<b>13679.54</b>	<b>478.00</b>

1) Aggregate market value of quoted investments ₹ 62.35 Lakhs (₹ 56.81 Lakhs)

2) Aggregate Book value of quoted investments ₹ 42.71 Lakhs (₹ 42.71 Lakhs)

3) Aggregate Book value of unquoted investments ₹ 13636.83 Lakhs (₹ 435.29 Lakhs)

# Schedules

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

Sch. No.	Description	As at 31.03.2011 (₹ in lakhs)	As at 31.03.2010 (₹ in lakhs)
<b>5.</b>	<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>a)</b>	<b>Inventories</b>		
	(i) Raw Material, Consumables, Bought outs and Components	3442.81	1477.70
	(ii) Work-in-Progress	392.90	66.71
		<b>3835.71</b>	<b>1544.41</b>
<b>b)</b>	<b>Sundry Debtors</b>		
	(Unsecured and Considered good)		
	Over Six Months	5652.20	5194.69
	Others	310066.70	192678.37
		<b>315718.90</b>	<b>197873.06</b>
<b>c)</b>	<b>Cash and Bank Balances</b>		
	i. Cash Balance	26.41	37.35
	ii. Bank Balances with Scheduled Banks		
	- Current Account	22523.67	1105.34
	- Deposit Account	72096.81	88580.89
	iii. Bank Balances with Non-Scheduled Banks		
	- Current Account	2.82	2.31
	Maximum balance outstanding during the year		
		2010-11	2009-10
	Bank of Alexandria, Egypt	2.82	2.38
		<b>94649.71</b>	<b>89725.89</b>
<b>(d)</b>	<b>Other Current Assets</b>		
	Interest accrued on deposits	2948.63	1607.95
	Share Capital Advance	1834.72	278.98
		<b>4783.35</b>	<b>1886.93</b>
<b>(e)</b>	<b>Loans and Advances</b>		
	(i) Advances recoverable in cash or in kind or for value to be received		
	a) Secured, Considered Good	10283.27	30580.26
	b) Unsecured, Considered Good	55827.46	34518.23
	(Includes ₹ 672.94 Lakhs (₹ 671.85 Lakhs) due from Progen Systems and Technologies Ltd, a subsidiary of this company. The maximum balance outstanding during the year is ₹ 672.94 Lakhs (₹ 671.85 Lakhs))		
	(ii) MAT Credit	15760.59	6650.73
	(iii) Deposits	1817.25	955.46
		<b>83688.57</b>	<b>72704.68</b>

# Schedules

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

Sch. No.	Description	As at 31.03.2011 (₹ in lakhs)	As at 31.03.2010 (₹ in lakhs)
<b>6.</b>	<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>(a)</b>	<b>Current Liabilities</b>		
	Sundry Creditors due to Micro and Small Enterprise	201.38	74.78
	Sundry Creditors - Others	161958.83	110259.05
	Advances from Customers	69848.41	74731.47
	Other Liabilities	6472.96	3854.26
	Interest accrued but not due	195.16	60.65
		<b>238676.74</b>	<b>188980.21</b>
<b>(b)</b>	<b>Provisions</b>		
	Income Tax	9900.43	9448.03
	Proposed Dividend	7216.16	5040.00
	Corporate Dividend Tax	1198.51	856.55
	Gratuity	23.12	38.29
	Warranty & Contractual Obligations	17103.92	7940.63
		<b>35442.14</b>	<b>23323.50</b>



# Schedules

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

Sch. No.	Description	For the year ended 31.03.2011 (₹ in lakhs)	For the year ended 31.03.2010 (₹ in lakhs)
<b>7.</b>	<b>SALES &amp; SERVICES</b>		
	Sale of Manufactured Goods	20385.77	12057.43
	Less: Excise Duty	1085.80	696.87
	Net Sale of Manufactured Goods	19299.97	11360.56
	Contracting Income	455169.50	295507.99
	Erection & Service Income	279.86	56.34
		<b>474749.33</b>	<b>306924.89</b>
<b>8.</b>	<b>OTHER INCOME</b>		
	Dividend from Investments - Other	0.56	0.77
	Dividend from Investments - Trade	3.00	2.00
	Foreign Exchange Variation (Net)	991.68	-
	Interest on Fixed Deposits	858.81	2014.87
	Others	337.41	452.66
		<b>2191.46</b>	<b>2470.30</b>
<b>9.</b>	<b>COST OF MATERIALS</b>		
	Opening inventory	1477.70	993.93
	(Raw materials, Consumables, Bought Outs and Components)		
	Add: Purchases	346806.81	218926.60
		<b>348284.51</b>	<b>219920.53</b>
	Less: Closing Inventory	3442.83	1477.70
	(Raw materials, Consumables, Bought Outs and Components)		
		<b>344841.68</b>	<b>218442.83</b>
<b>10.</b>	<b>COST OF MANUFACTURING &amp; CONSTRUCTION</b>		
	Subcontracting & Processing Charges	40116.71	23228.77
	Power & Fuel	335.38	208.58
		<b>40452.09</b>	<b>23437.35</b>
<b>11.</b>	<b>OTHER DIRECT COST</b>		
	Agency Commission	349.43	630.22
	Insurance	402.75	348.61
	Bank Charges	4959.37	4831.79
	Professional Fees	64.52	384.67
	Packing & Forwarding	570.85	400.26
		<b>6346.92</b>	<b>6595.55</b>

# Schedules

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

Sch. No.	Description	For the year ended 31.03.2011 (₹ in lakhs)	For the year ended 31.03.2010 (₹ in lakhs)
<b>12.</b>	<b>ADMINISTRATION, SELLING &amp; GENERAL EXPENSES</b>		
	Rent	1181.64	1001.66
	Repairs to Building	35.60	22.69
	Repairs to Machinery	90.63	43.00
	Repairs & Maintenance	528.77	299.78
	Salaries and Allowances	12728.09	10366.95
	Bonus	112.01	86.99
	Contribution to P.F., E.S.I., & Gratuity	538.06	422.39
	Workmen & Staff Welfare Expenses	933.51	1599.88
	Insurance	54.97	68.27
	Rates and Taxes	142.65	112.03
	Electricity charges	160.84	199.60
	Administration Expenses	832.57	513.51
	Auditor's Remuneration		
	For Audit	2010-11 34.00	2009-10 34.00
	For Taxation Matters	4.00	4.00
	For Certification	2.91	2.69
	Bank Charges	62.56	30.38
	Bad Debts Written Off	500.81	651.54
	Conveyance and Vehicle Running Expenses	236.51	231.66
	Selling Expenses	200.74	125.90
	Loss on Sale of Fixed Assets (Net)	3.03	2.31
	Provision for Warranty & Contractual Obligation	9163.30	5761.19
	Professional charges	708.52	792.86
	Foreign Exchange Variation (Net)	-	379.86
	Sitting Fees	10.39	7.17
	Security charges	98.45	61.35
	Telephone, Telex, Fax, Courier & Postage	200.08	199.72
	Travelling Expenses - Inland	805.92	609.02
	Travelling Expenses - Overseas	327.35	279.18
		<b>29697.91</b>	<b>23909.58</b>
<b>13.</b>	<b>INTEREST</b>		
	Interest on Bank Credit	5713.24	5094.35
	Interest on Term Loan	333.53	281.85
		<b>6046.77</b>	<b>5376.20</b>

As per our report of even date  
for M/s MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

B.G. RAGHUPATHY Chairman & Managing Director	T. SANKARALINGAM Managing Director	S. RATHINAM Director - Finance	
V.R. MAHADEVAN Director - Technologies & HR	A. SWAMINATHAN Director - Sales & Marketing	S.R. TAGAT Director	G.R. HARI Partner M.No. 206386
SASIKALA RAGHUPATHY Director	M. GOPALAKRISHNA Director	S.A. BOHRA Director	
GNANA RAJASEKARAN Director	HEINRICH BOHMER Director	R. RAMESH KUMAR President - Corporate & Secretary	P.R. EASWAR KUMAR President & Chief Financial Officer Chennai May 26, 2011

## 14. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### A. SIGNIFICANT ACCOUNTING POLICIES

#### a. Accounting Convention

The financial statements have been prepared under the historical cost convention and following the accrual method of accounting in accordance with the applicable mandatory accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of Companies Act, 1956.

#### b. Use of Estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting year. Differences between the actual results and the estimates are recognized in the year in which the results are known / materialized.

#### c. Fixed Assets

Fixed assets are assets held with the intention of being used for purpose of producing or providing goods and services and is not held for sale in the ordinary course of business. The Cost of Fixed assets comprise the purchase price including import duties and other non refundable taxes or levies and any directly attributable cost to bring the asset to the working condition for intended use. Further any trade discounts and rebates are deducted in arriving at the cost.

Intangible assets are identifiable non-monetary assets, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets are separately acquired and are capable of being measured reliably. The cost of intangible asset comprises the purchase price including import duties and other non refundable taxes or levies and any directly attributable cost on making the asset ready for intended use.

#### d. Depreciation & Amortization

Fixed assets are depreciated as per straight line method on all assets in accordance with the rates prescribed under Schedule XIV of Companies Act, 1956. Intangible assets are amortized over a period of 5 years through Straight Line Method.

#### e. Investments

Long-term investments are stated at cost less provision for diminution in value other than temporary, if any. Short-term investments are valued at Cost or Fair Value whichever is lower.

#### f. Earnings per share (EPS)

The earnings considered in ascertaining the company's Basic EPS is the attributable net profit or loss to the equity shareholders as per AS-20 "Earnings per Share". The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The Diluted EPS is calculated on the same basis as Basic EPS, after adjusting for the effects of potential dilutive equity shares unless the effect of the potential dilutive equity shares is anti-dilutive.

#### g. Revenue Recognition

- i) Sales are accounted on basis of despatches.
- ii) Sales include equipment billed but despatch of which is withheld at the request of the customer.
- iii) In respect of Construction contracts, executed over a period of more than one financial year, the company recognizes revenue on the basis of percentage of completion method as per AS-7 (Revised) "Construction Contracts".
- iv) Construction contracts revenue is based on the ratio of cost incurred to date to total estimated cost and physical work done as estimated by the technical staff.
- v) Other Income – a) Interest income is accounted at applicable coupon rates on respective investments, on time basis.  
b) Dividend income is accounted as and when received.

#### h. Inventories

Raw materials, work in progress, consumables, stores and spares have been valued at cost, ascertained on weighted average basis. Work in progress value includes all direct costs and applicable production overheads to bring the goods to the present location and condition. Loose tools acquired during the year have been fully written off.

#### i. Foreign Currency Transactions

- i) Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of acquisition. Monetary items are translated at the rates prevailing on reporting dates. The exchange difference between rate prevailing on

the date of transaction and on the date of settlement and also on translation of monetary items at the reporting date is recognized as income or expense.

- ii) The company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. Forward contracts are not used for speculation purposes. The gain or loss on the forward contract is charged to the profit and loss account, proportionately over the duration of the hedge, in accordance with Accounting Standard 11 (Revised).

## **j. Cash Flows**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

## **k. Income taxes**

Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between taxable income and accounting income which are capable of reversal in subsequent periods and are measured using relevant enacted tax rates.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. The Company reviews the same at each balance sheet date and reverse the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Tax on distributable profits payable by the Company in accordance with the provisions of Income-tax Act, 1961 is disclosed in accordance with the guidance note on Accounting for Corporate Dividend Tax issued by ICAI.

## **l. Impairment of Assets**

At every balance sheet date, the Company determines whether the provisions should be made for the impairment loss on fixed assets by considering the indications that the carrying amount of the asset exceeds the recoverable amount as per recognition and measurement principles laid down in AS-28 "Impairment of Assets". For the purpose of impairment, assets are grouped as cash generating and non cash generating units for which there are separately identifiable cash flows.

## **m. Employee Benefits**

- i) Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account for the year in which related services are rendered.
- ii) Defined Contribution plan:  
Company's contributions paid/payable during the year towards Provident Fund, ESI and Medical coverage are recognized in the profit and loss account
- iii) Defined Benefit Plan:  
Company's liability towards gratuity in accordance with The Payment of Gratuity Act, 1972 is determined by actuarial valuation as on the balance sheet date. The Company contributes all the ascertained liabilities to SBI Life Insurance which administers the contributions and makes the payment at retirement, death, incapacitation or termination of employment.

## **n. Borrowing Costs**

Borrowing costs that are attributable to acquisition or construction of qualifying assets are included as part of the cost of such assets.

## **o. Leases**

Finance Leases, which effectively transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased term, are classified as operating leases.

Operating lease payments are recognized as an expense in the Profit and loss account on a straight line basis over the lease term.

## p. Provisions

- i) The Company recognizes provision when there is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits which can be measured only by using a substantial degree of estimation.
- ii) Provision for contractual obligation has been provided for in accounts based on management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.

## q. Contingent Liabilities

The Company recognizes contingent liability for disclosure in notes to accounts, if any of the following conditions fulfilled:

- i) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- ii) a present obligation that arises from past events but is not recognized because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - a reliable estimate of the amount of the obligation cannot be made.

## B. NOTES TO ACCOUNTS

### 1. SECURED LOANS

- a) Term Loan of ₹ 2123.66 Lakhs (₹ 1380.62 Lakhs) from State Bank of Travancore is secured by a first charge on Fixed Assets of the Company. ₹ 2527.56 Lakhs (₹ 2023.43 Lakhs) from State Bank of India and ₹ 58.75 Lakhs (₹ Nil) State Bank of Travancore for purchase of capital equipment are Secured against respective Assets of the Project.
- b) The company has availed Working Capital loan on *pari-passu* basis from State Bank of India and State Bank of Hyderabad. These loans are secured by hypothecation of inventories, book debts and movable current assets of the Capital Goods divisions of the Company. These loans are further secured by personal guarantees of two Directors of the company, including the Chairman & Managing Director of the Company. The loan from State Bank of India and State Bank of Hyderabad is further secured by a second charge on the Fixed Assets of the company.
- c) The Company has availed contract specific Working Capital loans from 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, Punjab National Bank, Vijaya Bank, Indian Bank, Indian Overseas Bank, Corporation Bank, Allahabad Bank, Bank of India, Andhra Bank, Central Bank of India, Syndicate Bank, Axis Bank and The Karur Vysya Bank Limited. These loans are secured by hypothecation of inventories, book debts and movable current assets of the respective contracts. The participating banks share the security on *pari-passu* basis. Certain specific project loans are further secured by personal guarantees of two Directors, including the Chairman & Managing Director of the company.
- d) Secured Loans includes ₹ 581.43 lakhs (₹ 1346.51 lakhs) for which the respective Fixed Assets acquired under Loan are held as security.

### 2. CONTINGENT LIABILITIES, GUARANTEES AND CAPITAL COMMITMENTS

₹ Lakhs

	PARTICULARS	As at 31.03.2011	As at 31.03.2010
<b>A</b>	<b>CONTINGENT LIABILITIES</b>		
	Claims against the Company not acknowledged as debt		
	a) On account of Sales Tax	161.49	178.09
	b) On account of Income Tax	3779.69	2915.49
	c) On account of Service Tax	41.75	32.41
	d) On account of Contractual Obligations	2350.25	2350.25
	<b>GUARANTEES</b>		
	Guarantees and Counter Guarantees given on behalf of Subsidiary and Other Company	744.49	775.83
<b>B</b>	<b>CAPITAL COMMITMENTS</b>		
	Estimated amount of contracts remaining to be executed on capital account	8361.54	1371.63

# Notes to Accounts

## 3. CAPACITY AND PRODUCTION

S.No.	DESCRIPTION	UNITS	INSTALLED CAPACITY		PRODUCTION FOR THE		SALES FOR THE	
			As on 31.03.11	As on 31.03.10	Year ended 31.03.11	Year ended 31.03.10	Year ended 31.03.11	Year ended 31.03.10
1	Air Cooled Heat Exchanger	No. of Bundles	1000	600	898	496	898	496
2	Deaerators	Nos	24	24	17	11	17	10
3	Oil and Gas Equipment	Nos	65	65	27	53	27	53

## 4. SUMMARY OF SALES

₹ Lakhs

PARTICULARS OF SALES	For the year ended 31.03.2011	For the year ended 31.03.2010
Manufactured Equipment for Power / Process sector	19299.97	11360.56
Contract Income	455169.50	295507.99
Erection and Services Income	279.86	56.34
<b>Total</b>	<b>474749.33</b>	<b>306924.89</b>

## 5. VALUE OF IMPORTS ON CIF BASIS

₹ Lakhs

PARTICULARS	For the year ended 31.03.2011	For the year ended 31.03.2010
Raw Materials, Components, Consumables and Spare parts	189062.14	97358.80
Capital Items	1101.68	3042.97

## 6. DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED

S.No.	Description	Units	For the year ended 31.03.2011		For the year ended 31.03.2010	
			Qty (Lakhs)	Value (₹ Lakhs)	Qty (Lakhs)	Value (₹Lakhs)
1	Steel Plates	Kgs	141.62	5904.93	44.62	1798.34
2	Structural	Mtrs	28.39	3692.71	18.91	868.15
3	Pipes, Tubes and Fittings	Kgs	26.65	4069.20	14.58	2785.38
4	Bought Outs – Mechanicals	Lots	-	189186.13	-	89586.44
5	Bought Outs – Electrical	Lots	-	70654.85	-	53592.58
6	Aluminum Fin Strips	Kgs	10.69	2745.36	9.28	1275.74
7	Elbows, Rounds and Others	Lots	-	15479.51	-	18146.77
8	Consumables	Lots	-	36597.48	-	34508.06
9	Stores	Lots	-	14486.37	-	13870.57
10	Electrical Cables	Lots	-	2025.14	-	2010.80
<b>Total</b>				<b>344841.68</b>		<b>218442.83</b>

## 7. VALUE OF RAW MATERIAL & COMPONENTS CONSUMED DURING THE YEAR

PARTICULARS	For the year ended 31.03.2011 (₹ lakhs)	%	For the year ended 31.03.2010 (₹ lakhs)	%
Imported	225519.57	65.40	116391.39	53.28
Indigenous	119322.11	34.60	102051.44	46.72
<b>Total</b>	<b>344841.68</b>		<b>218442.83</b>	

## 8. EXPENDITURE IN FOREIGN CURRENCY

₹ Lakhs

PARTICULARS	For the year ended 31.03.2011	For the year ended 31.03.2010
Travelling	293.60	93.39
Part Processing and Professional charges	53.68	0.63
Commission on sales	238.63	417.27
Royalty	19.44	-
Agency Commission, Bank Charges & Others	863.24	999.31
Capital Items	1101.68	3042.97
<b>Total</b>	<b>2570.27</b>	<b>4553.57</b>

## 9. EARNINGS IN FOREIGN CURRENCY

₹ Lakhs

PARTICULARS	For the year ended 31.03.2011	For the year ended 31.03.2010
Sales	112225.38	33506.03
Services	264.86	254.31
<b>Total</b>	<b>112490.24</b>	<b>33760.34</b>

## 10. MANAGERIAL REMUNERATION

### a. Computation of Commission Payable to Managerial Personnel

₹ Lakhs

PARTICULARS	For the year ended 31.03.2011	For the year ended 31.03.2010
Profit as per Profit and Loss A/c	48200.17	30467.45
Add:		
Directors remuneration including commission	3633.38	2144.29
Directors sitting fees	10.39	7.17
Loss / (Profit) on sale of assets	3.03	2.31
<b>Total</b>	<b>51846.97</b>	<b>32621.22</b>
Remuneration to Chairman & Managing Director @ 5% on above profits of the Company	2592.35	1631.06
Less: Salaries, Allowances and perquisites to Chairman & Managing Director	139.80	138.81
Commission to Chairman & Managing Director	2452.55	1492.25

### b. Managerial Remuneration to Directors (including Managing Directors)

₹ Lakhs

PARTICULARS	For the year ended 31.03.2011	For the year ended 31.03.2010
Salaries and Allowances	1137.08	647.62
Perquisites to Chairman & Managing Director and Other Directors	43.75	4.41
Commission to Chairman & Managing Director	2452.55	1492.25
<b>Total</b>	<b>3633.38</b>	<b>2144.28</b>

11. Sundry Debtors – Others, includes Retention amount of ₹ 114441.27 lakhs (₹ 74953.81 lakhs) which, in accordance with the terms of the contracts were not due for payments as at March 31, 2011.

## 12. CASH AND BANK BALANCES

- Deposits amounting to ₹ 44068.51 lakhs (₹ 44639.51 lakhs) are under lien to Banks.
- The balance of Cash and Cash equivalents includes ₹ 13.44 Lakhs (₹ 8.01 Lakhs) as at March 31, 2011, being amount lying in unpaid dividend accounts.

## Notes to Accounts

- iii) Bank balances of ₹ 3.48 Lakhs (₹ 3.68 Lakhs) are subject to confirmation.
- iv) The balance in project specific escrow account have been netted off against respective project's working capital account.

13. All the Investments held by the Company are long term in nature.

### 14. LOANS AND ADVANCES

**Cochin Project:** The end client of Cochin Port Road Connectivity Project viz., Cochin Port Road Company Ltd., (SPV of NHAI) terminated the contract on 28.05.2007. Consequently, the end client encashed BGs for a value of ₹ 1270 lakhs furnished by the Company on behalf of MECON – GEA (JV). The main contractor viz., MECON – GEA (JV) contested the termination of the contract and had taken steps to constitute the Disputes Review Board (DRB) in terms of the contract. The DRB had given recommendations only partly allowing the claims of the JV. The JV preferred to approach the Arbitration Tribunal by invoking the arbitration proceedings. The Tribunal has been constituted and arbitration has commenced. In anticipation of determination of the dispute and based on the legal opinion, the company has identified a sum of ₹ 1654.35 lakhs (₹ 1654.35 lakhs) as on 31.03.2011 as recoverable advances from the end client through the JV and is shown under loans and advances.

**Tuticorin Project:** The end client namely Tuticorin Port Road Company Ltd (SPV of NHAI) viz, Thirunelveli – Tuticorin Port Connectivity Project has terminated the contract and encashed BGs furnished by the company on behalf of MECON – GEA (JV). The High Court has ordered restitution of the Bank Guarantee and has directed NHAI to redeposit the amount of BGs. The main contractor viz., MECON – GEA (JV) contested the termination of the contract and had taken steps to constitute the Disputes Review Board (DRB) in terms of the contract and DRB gave the recommendations favoring main contractor (MECON – GEA (JV)). NHAI has invoked the arbitration clause against the recommendation of DRB. Arbitrators have been nominated by both parties. In view of these developments, the Company has identified a sum of ₹ 1460.72 Lakhs (₹ 1460.72 lakhs) as on 31.03.2011 as recoverable advances from the end client through the JV and is shown under loans and advances.

15. Plant and Machinery include ₹ 686.72 lakhs (₹ 686.72 lakhs), which are jointly owned along with a Joint Venture, of which the Company is a member.

### 16. MICRO, SMALL & MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

Disclosure pertaining to Micro, Small and Medium Enterprises (as per information available with the Company):

S. No.	PARTICULARS	₹ Lakhs	
		As at 31.03.2011	As at 31.03.2010
1	Amount due to Vendors	201.38	74.78
2	Interest due on (1) above and unpaid	15.15	8.51
3	Interest paid to the supplier	8.26	-
4	Payments made to the supplier beyond the appointed day during the year	-	-
5	Interest due and payable for the period of delay	-	-
6	Interest accrued and remaining unpaid	-	-
7	Amount of further interest remaining due and payable in succeeding year	-	-

The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.

### 17. CONSTRUCTION CONTRACTS

In respect of all construction contracts in progress

S. No.	PARTICULARS	₹ Lakhs	
		For the year ended 31.03.2011	For the year ended 31.03.2010
a.	The aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date	1017864.98	569899.00
b.	The amount of advances received	90077.51	69464.48
c.	The amount of retentions	114441.27	74953.81
d.	The gross amount due from customers for contract work as an asset	78851.73	52806.97
e.	The gross amount due to customers for contract work as a liability	16938.60	19091.21



## 18. UTILISATION OF IPO FUNDS

The Company has raised ₹ 19012 Lakhs from IPO (Net of Issue Expenses) during the year 2007-2008. ₹ 19012 Lakhs has been fully utilized towards working capital requirement, as per the terms of the prospectus.

19. Securities Premium of ₹ 31895.37 Lakhs (₹ 31252.36 Lakhs) represents money raised on account of IPO ₹ 31252.36 Lakhs (₹ 31252.36 Lakhs) and ESOS ₹ 643 Lakhs (₹ Nil).
20. During the year the Company has filed a police complaint against 3 of its employees for having stolen and passed on certain intellectual property information and data to competitor company. The value of the theft is not determinable. The Company has taken effective steps to strengthen the IT architecture to prevent recurrence of such instance.

## 21. EMPLOYEE BENEFITS

As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:

### Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized as expense for the year are as under: ₹ Lakhs

Particulars	2010-11	2009-10
Employer's Contribution to Provident Fund	252.50	213.82
Employer's Contribution to Pension Scheme	112.08	106.21

### Defined Benefit Plan

The liability for gratuity is funded through a scheme administered by an insurer and provision is made based on actuarial valuation carried out as at Balance Sheet date.

### Gratuity Plan

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service.

### I. Reconciliation of opening and closing balances of Defined Benefit Obligation

₹ Lakhs

Particulars	Gratuity (Funded) 2010-11	Gratuity (Funded) 2009-10
Defined Benefit obligation at beginning of the year	403.99	342.50
Current service cost	70.99	101.38
Interest cost	31.29	27.22
Actuarial (gain)/loss	24.57	(62.74)
Settlement cost	Nil	Nil
Curtailment cost	Nil	Nil
Benefits paid	(25.71)	(4.37)
Defined Benefit obligation at year end	505.14	403.99

### II. Reconciliation of opening and closing balances of fair value of plan assets

₹ Lakhs

PARTICULARS	Gratuity (Funded) 2010-11	Gratuity (Funded) 2009-10
Fair value of plan assets at beginning of the year	365.71	272.78
Expected return on plan assets	32.34	24.19
Actuarial gain/(loss)	6.10	9.59
Employer contribution	103.58	63.52
Benefits paid	(25.71)	(4.37)
Fair value of plan assets at the year end	482.02	365.71
Actual return on plan asset	38.44	33.78

### III. Reconciliation of Fair value of assets and obligations

₹ Lakhs

PARTICULARS	Gratuity (Funded)	Gratuity (Funded)
	2010-11	2009-10
Fair value of plan assets (a)	482.02	365.71
Present value of obligation (b)	505.14	403.99
Present Value of obligation unfunded at the end of the year recognized as liability as on 31.03.2011 (b-a)	23.12	38.28

### IV. Expense recognized during the year

₹ Lakhs

PARTICULARS	Gratuity (Funded)	Gratuity (Funded)
	2010-11	2009-10
Current service cost	70.99	101.38
Interest cost	31.29	27.22
Expected return on plan assets	(32.34)	(24.19)
Actuarial (gain) / loss	18.46	(72.34)
<b>Net Cost included under contribution to gratuity</b>	<b>88.41</b>	<b>32.08</b>

### V. Actuarial assumptions

₹ Lakhs

PARTICULARS	Gratuity (Funded)	Gratuity (Funded)
	2010-11	2009-10
Mortality Table (LIC)	(Ultimate) 94-96	(Ultimate) 94-96
Discount rate (per annum)	8.00%	8.00%
Expected rate of return on plan assets (per annum)	8.00%	8.00%
Rate of escalation in salary (per annum)	5%	5%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors. The discount rate has been chosen by reference to market yields on Government Bonds. The above information is certified by the actuary.

## 22. SEGMENTAL REPORTING

Information about Business Segments (information provided in respect of revenue items for the 12 months period ended 31.03.2011 and in respect of assets / liabilities as at 31.03.2011) are furnished below:

₹ Lakhs

PARTICULARS	For the year ended 31.03.2011			For the year ended 31.03.2010		
	Capital Goods Segment	Construction and EPC Contracts Segment	Total	Capital Goods Segment	Construction and EPC Contracts Segment	Total
a) Revenue	27692.90	448142.23	475835.13	17519.14	290102.62	307621.76
b) Result	2351.21	51033.36	53384.57	2062.32	31763.68	33826.00
<b>Add: Un allocable Income net of expenditure</b>	-	-	862.37	-	-	2017.64
<b>Profit before Interest and Tax</b>	-	-	54246.94	-	-	35843.64
Interest	-	-	6046.77	-	-	5376.20
<b>Profit Before Tax</b>	-	-	48200.17	-	-	30467.44
<b>Provision for Taxation</b>						
- Provision for Current Tax			9612.62			5181.74
- Provision for Deferred Tax			15276.62			8041.66
- MAT Credit entitlement			(9109.86)			(2858.13)
- <b>Total</b>			15779.38			10365.27
<b>Net Profit After Tax</b>			32420.79			20102.17

PARTICULARS	For the year ended 31.03.2011			For the year ended 31.03.2010		
	Capital Goods Segment	Construction and EPC Contracts Segment	Total	Capital Goods Segment	Construction and EPC Contracts Segment	Total
c) Assets	33473.02	500421.46	533894.48	19026.04	353276.99	372303.03
Add: Unallocated Corporate Assets	-	-	-	-	-	19472.36
<b>Total Assets</b>			<b>533894.48</b>			<b>391775.39</b>
d) Liabilities	21893.87	350413.74	372307.61	15342.04	266898.45	282240.49
Add: Unallocated Corporate Liabilities	-	-	66609.96	-	-	39214.70
<b>Total Liabilities</b>			<b>438917.57</b>			<b>321455.19</b>
e) Capital Assets acquired during the year	466.84	3568.57	4035.41	749.94	5130.77	5880.71
f) Depreciation & Impairment	171.38	1510.06	1681.44	130.73	847.76	978.49

## 23. PARTICULARS OF RELATED PARTIES

### List of Related Parties

#### a. Subsidiary Companies

Progen Systems and Technologies Ltd.  
BGR Boilers Private Limited  
BGR Turbines Company Private Limited

#### b. Associate Company – Nil

#### c. Other Companies

i. GEA Cooling Tower Technologies (India) Private Ltd.  
ii. GEA BGR Energy System India Ltd.  
iii. Germanischer Lloyd Industrial Services (India) Private Ltd.  
iv. Mega Funds India Ltd.  
v. Sasikala Estate Private Ltd.  
vi. Schmitz India Private Ltd.  
vii. Cuddalore Powergen Corporation Ltd.  
viii. Ani Constructions Private Limited  
ix. Nannilam Property Private Limited

#### d. Joint Ventures

Mecon – GEA Energy System (India) Limited (JV)

#### e. Key Management Personnel :

i. Mr. B.G. Raghupathy : Chairman & Managing Director  
ii. Mr. T. Sankaralingam : Managing Director  
iii. Mr. S. Rathinam : Director - Finance  
iv. Mr. V.R. Mahadevan : Director - Technologies & HR  
v. Mr. A. Swaminathan : Director - Sales & Marketing

#### f. Relatives of Key Management Personnel

i. Ms. Swarnamugi Karthik (Daughter of Mr. B.G. Raghupathy)  
ii. Ms. Priyadarshini Raghupathy (Daughter of Mr. B.G. Raghupathy)  
iii. Ms. Vaani Raghupathy (Daughter of Mr. B.G. Raghupathy)  
iv. Mr. R.Prabhu (Son of Mr. S. Rathinam)

## Related party transactions

₹ Lakhs

Particulars	Subsidiary Companies	Other Companies	Key Management Personnel	Relatives	For the year ended 31.03.11	For the year ended 31.03.10
Sales	-	4634.70	-	-	4634.70	2154.69
Purchases	35.98	3174.71	-	-	3210.69	1555.84
Advances Received	-	7.00	-	-	7.00	30.36
Advance Paid	1555.74	1710.51	-	-	3266.25	-
Investment made	13201.54	-	-	-	13201.54	-
Remuneration	-	-	3633.38	14.89	3648.27	2153.26
Rent	110.92	50.14	41.59	-	202.65	183.72
Others-Royalty	-	-	11.03	-	11.03	11.03
Balance Outstanding	2145.90	1888.03	(13.24)	-	4020.69	1686.10

## 24. DEFERRED TAXES

Major components of Deferred Tax Assets and Liabilities are as under:

₹ Lakhs

Component	Deferred Tax Asset as on 31.03.2011	Deferred Tax Liability as on 31.03.2011	Deferred Tax Asset as on 31.03.2010	Deferred Tax Liability as on 31.03.2010
Depreciation	-	904.51	-	705.29
R & D	-	32.31	-	33.06
Impairment of Assets	45.36	-	43.33	-
Contractual Obligation	-	-	2396.18	-
Gratuity	41.68	-	34.79	-
PL Encashment	163.23	-	127.97	-
Others	14.58	-	13.27	-
Retention Money	-	30495.85	-	17768.39
<b>Total</b>	<b>264.85</b>	<b>31432.67</b>	2615.54	18506.74
<b>Net</b>		<b>31167.82</b>		15891.20

## 25. EMPLOYEE STOCK OPTION SCHEME

Stock option granted to the employees under the stock option scheme established are evaluated as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee stock purchase scheme Guidelines, 1999 issued by Securities Exchange Board of India. The Company follow the intrinsic value method of accounting for the options and accordingly, the excess of market value of the stock options on the date of grant over the exercise price of the options, if any, is recognized as deferred employee compensation and is charged to the Profit and Loss Account.

### Employee Stock Option Scheme – 2007

Pursuant to the decision of the shareholders, at their meeting held on July 11, 2007, the Company has established an 'Employee Stock Option Plan 2007' ('ESOS 2007' or 'the Scheme') to be administered by the Compensation Committee of the Board of Directors.

ESOS 2007 provides for grant of options amounting to not more than 1.5% of the issued and paid-up equity capital of the company outstanding at any point of time to officers, directors and Key employees to purchase Equity shares of face value of ₹ 10 each, with such option conferring a right upon the employee to apply for one equity shares of the company, in accordance with the terms and conditions of such issue. The exercise price of the option is ₹ 408

### Vesting Schedule

For Employees completed 3 years or more (Category-1)

Date of Vesting	Vesting Proportion	Time Based (Part A)	Performance Based (Part B)	Earliest Date of Exercise	Last Date of Exercise
Jan 3, 2009	33%	100%	0%	Jan 3, 2009	Jan 3, 2014
Jan 3, 2010	33%	75%	25%	Jan 3, 2010	Jan 3, 2015
Jan 3, 2011	34%	75%	25%	Jan 3, 2011	Jan 3, 2016

## Notes to Accounts

For Employees less than 3 years (Category-2)

Date of Vesting	Vesting Proportion	Time Based (Part A)	Performance Based (Part B)	Earliest Date of Exercise	Last Date of Exercise
Jan 3, 2009	25%	100%	0%	Jan 3, 2009	Jan 3, 2014
Jan 3, 2010	25%	75%	25%	Jan 3, 2010	Jan 3, 2015
Jan 3, 2011	25%	75%	25%	Jan 3, 2011	Jan 3, 2016
Jan 3, 2012	25%	75%	25%	Jan 3, 2012	Jan 3, 2017

The following are the number of options outstanding during the year:

PARTICULARS	2010-11	2009-10
Number of options outstanding in the beginning of the year	532770	571240
Number of options granted during the year	-	-
Number of options vested during the year	114231	129273
Number of vested options cancelled	10867	18277
Number of unvested options cancelled	24392	20193
Number of vested options forfeited during the year	35259	38470
Number of options exercised during the year	161660	-
Number of options outstanding at the end of the year	335851	532770
Number of options exercisable at the end of the year	83365	166053

### 26. LEASES

#### Operating Lease

The Company has taken various commercial premises and plant and machinery under cancellable operating leases. These lease agreements are normally renewed on expiry. Lease rental expense in respect of operating leases: ₹ 1181.64 Lakhs (₹ 1001.66 Lakhs).

### 27. EARNINGS PER SHARE

₹ Lakhs

PARTICULARS		For the Year ended 31.03.2011	For the Year ended 31.03.2010
<b>Basic EPS</b>			
Profit after tax as per accounts	A	32420.79	20102.17
Weighted Average Number of shares (Face Value ₹ 10 per share) subscribed (Lakh Nos.)	B	720.93	720.00
<b>Basic EPS (₹)</b>	A / B	44.97	27.92
<b>Diluted EPS</b>			
Profit for the year for Basic EPS	A	32420.79	20102.17
Less: Adjustment	C	Nil	Nil
Adjusted Profit for Diluted EPS	D = A - C	32420.79	20102.17
Weighted average number of Equity shares for Basic EPS (Lakh Nos.)	E	720.93	720.00
Add: Adjustment	F	1.21	0.95
a. Employee Stock Option Payment			
b. Share Application Advance	G	-	-
Weighted average number of Equity shares (Face Value ₹ 10 per share) for Diluted EPS (Lakh Nos.)	H = E + F + G	722.14	720.95
<b>Diluted EPS (₹)</b>	I = D / H	44.90	27.88

### 28. JOINT VENTURES

The company along with Mecon Ltd has formed an unincorporated Joint Venture namely Mecon – GEA Energy System (India) Limited (JV) (Association of Persons) for execution of two road projects.

# Notes to Accounts

## 29. IMPAIRMENT OF ASSETS

### a. Cash Generating Units :

There is no impairment loss of cash generating assets and hence no provision was made in the financial statements.

### b. Other Assets :

The company has made a provision of ₹ 9.07 Lakhs (₹ 10.71 lakhs) in the books of accounts towards impairment of other fixed assets based on the technical valuation.

## 30. PROVISIONS

The company has made a provision of ₹ 9163.30 Lakhs (₹ 5761.19 Lakhs) towards Warranty and Contractual obligations on the products supplied / contracts executed by the company during the year 2010-11.

### Movement in provisions

₹ Lakhs

PARTICULARS	Provision for Warranty	Provision for Contractual obligations	Provision for Warranty	Provision for Contractual Obligations
	2010-11	2010-11	2009-10	2009-10
Opening Balance	890.96	7049.67	529.19	1650.25
Add: Additional provision	593.32	8597.37	373.76	5399.42
Less: Provision used & Reversed	27.39	-	11.99	-
Closing Balance	1456.89	15647.04	890.96	7049.67

31. Previous year figures have been regrouped wherever necessary for comparative purposes and shown along side or in brackets.

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Chairman & Managing Director

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Managing Director

S. RATHINAM  
Director - Finance

As per our report of even date  
for M/s MANOHAR CHOWDHRY & ASSOCIATES  
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Director

G.R. HARI  
Partner  
M.No. 206386

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Director

M. GOPALAKRISHNA  
Director

S.A. BOHRA  
Director

GNANA RAJASEKARAN  
Director

HEINRICH BOHMER  
Director

R. RAMESH KUMAR  
President - Corporate & Secretary

P.R. EASWAR KUMAR  
President & Chief Financial Officer

Chennai  
May 26, 2011

# Abstract and Profile

## I. Registration details

Registration No.	L 4 0 1 0 6 A P 1 9 8 5 P L C 0 0 5 3 1 8
State code	01
Balance Sheet Date	31.03.2011

## II. Capital raised during the year (Amount in ₹ Lakhs)

Public issue	– Rights issue	–
Bonus issue	– Private placement	16.16

## III. Position of mobilisation and deployment of funds (Amount in ₹ Lakhs)

Total Liabilities	533894.50	Total assets	533894.50
Sources of funds			
Paid-up capital	7216.16	Reserves & Surplus	87760.36
Secured Loans	86028.82	Unsecured loans	47602.05
Deferred Taxation	31167.82		
Application of funds			
Net Fixed Assets	17538.72	Investments	13679.54
Net Current Assets	228557.36	Miscellaneous expenditure	–
Accumulated Losses	–		

## IV. Performance of Company (Amount in ₹ Lakhs)

Turnover	477266.98	Total expenditure	429066.81
Profit/(loss) before tax	+48200.17	Profit/(loss) after tax	+32420.79
(Please tick appropriate box + for Profit, – for Loss)			
Earnings per share (in ₹)	44.97	Dividend rate%	100

## V. Generic names of two principal products/services of the Company (As per monetary items)

Item code No. (ITC Code)	84.19
Product Description	AIR COOLED HEAT EXCHANGERS
Item code No. (ITC Code)	84.02
Product Description	DEAERATOR
Item code No. (ITC Code)	35.49
Product Description	OIL AND GAS EQUIPMENT

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PR. EASWAR KUMAR  
President & Chief Financial Officer

Chennai  
May 26, 2011

# Cash Flow Statement for the year ended 31<sup>st</sup> March, 2011

	For the Year ended 31.03.2011 ₹ in lakhs	For the Year ended 31.03.2010 ₹ in lakhs
<b>A. Cash Flow From Operating Activities</b>		
Net Profit Before Tax and Extraordinary Items	48200.17	30467.44
<b>Adjustments for:</b>		
Depreciation & Amortization	1681.44	978.49
Dividend from Investments - Other	(0.56)	(0.77)
Dividend from Investments - Trade	(3.00)	(2.00)
(Profit) / Loss on Sale of Fixed Assets	3.03	2.31
(Profit) / Loss on Foreign Currency Translation	(991.68)	379.86
Provision For Contractual Obligation & Warranty	9163.30	5761.19
Bad Debts Written Off	500.81	651.54
Interest Expense	6046.77	5376.20
Operating Profit Before Working Capital Changes	64600.28	43614.26
Changes in Working Capital		
(Increase) / Decrease in Sundry Debtors	(118346.64)	(70722.62)
(Increase) / Decrease in Inventories	(2291.30)	(296.02)
(Increase) / Decrease in Other Current Assets	(2896.42)	(28.73)
(Increase) / Decrease in Loans and Advances	(4882.48)	(8162.71)
Increase / (Decrease) in Trade Payables	50538.50	65666.57
	(77878.34)	(13543.51)
Cash Generated from Operations	(13278.07)	30070.75
Direct Taxes Paid	(6151.78)	2861.96
<b>Net Cash Flow from Operating Activities</b>	(19429.84)	32932.71
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(4035.41)	(5880.71)
Sale of Fixed Assets	17.15	96.97
Investment in Subsidiaries	(13201.54)	-
Decrease / (Increase) in Capital Work-in-Progress	(260.05)	(494.70)
Dividend From Investments - Other	0.56	0.77
Dividend From Investments - Trade	3.00	2.00
<b>Net Cash From Investing Activities</b>	(17476.29)	(6275.67)
<b>C. Cash Flow From Financing Activities</b>		
Proceeds From Issue Of Share Capital (ESOS)	16.16	-
Share Premium (ESOS)	643.01	-
Employee Stock Options Application Money	0.41	-
Secured Loans (Repaid) / Availed	512.96	2296.84
Unsecured Loans (Repaid) / Availed	7477.84	32942.54
Payment of Dividend	(5047.67)	(2160.00)
Tax on Dividend Paid	(857.85)	(367.09)
Secured Working Capital Loans (Repaid) / Availed	44997.33	(25376.73)
Interest Paid	(5912.25)	(5349.55)
<b>Net Cash Flow From Financing Activities</b>	41829.94	1986.01
Net Increase in Cash and Cash Equivalents (A+B+C)	4923.82	28643.04
Cash and Cash Equivalents as at 01.04.2010 (Op. Bal)	89725.89	61082.85
Cash and Cash Equivalents as at 31.03.2011 (Cl. Bal)	94649.71	89725.89
Cash Balance	26.41	37.35
Bank Balance - Current Account	22526.49	1107.65
Bank Balance - Deposit Account	72096.81	88580.89

As per our report of even date  
for M/s MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

B.G. RAGHUPATHY Chairman & Managing Director	T. SANKARALINGAM Managing Director	S. RATHINAM Director - Finance	
V.R. MAHADEVAN Director - Technologies & HR	A. SWAMINATHAN Director - Sales & Marketing	S.R. TAGAT Director	G.R. HARI Partner M.No. 206386
SASIKALA RAGHUPATHY Director	M. GOPALAKRISHNA Director	S.A. BOHRA Director	
GNANA RAJASEKARAN Director	HEINRICH BOHMER Director	R. RAMESH KUMAR President - Corporate & Secretary	P.R. EASWAR KUMAR President & Chief Financial Officer Chennai May 26, 2011



# Auditors' Report on Consolidated Financial Statements

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF BGR ENERGY SYSTEMS LIMITED

1. We have audited the attached Consolidated Balance Sheet of BGR Energy Systems Limited ("the Company"), its subsidiaries and an unincorporated Joint Venture (collectively referred to as 'the Group') as at March 31, 2011, the consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These consolidated Financial Statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of a subsidiary company, namely, Progen Systems and Technologies Limited whose financial statements reflect total assets of ₹ 1715.19 lakhs as on 31.03.2011 and a total loss of ₹ 116.64 lakhs for the year ended on that date. We did not audit the financial statements of the joint venture, namely, Mecon – GEA Energy System (India) Ltd. (JV) whose financial statements reflect total assets of ₹ 3450.40 lakhs as on 31.03.2011 and total loss of ₹ 0.33 lakhs for the year ended on that date. These financial statements and other financial information have been audited by respective auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of such subsidiary and joint venture, is based solely on the report of the other auditors.
4. The financial statements of the two subsidiary companies, namely, BGR Boilers Private Limited and BGR Turbines Company Private Limited, have not been audited and therefore, the unaudited financial statements and financial information certified by the management have been furnished to us. These subsidiaries account for 3.77% of total assets as shown in these consolidated financial statements, and therefore are not material to the consolidated financial statements. As per the information and explanation provided by the management of the Group, these two subsidiaries are in the construction stage and therefore no income statement has been drawn for the year ended 31.03.2011. Our report, in so far as it relates to the amounts included in respect of these subsidiary companies, is based solely on the unaudited financial statements and financial information certified by the management as furnished to us.
5. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements' and Accounting Standard 27, 'Financial Reporting on Interests in Joint Ventures' as notified by Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and to the best of the information and according to the explanations given to us, and on consideration of other auditors on separate financial statements and the unaudited financial statements, in our opinion the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
  - b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **MANOHAR CHOWDHRY & ASSOCIATES**  
Chartered Accountants  
FR No.: 001997S

**G. R. HARI**

Partner

M.No. 206386

Place : Chennai

Date : May 26, 2011

# Consolidated Balance Sheet as at 31<sup>st</sup> March, 2011

Description	Sch. No.	As at 31.03.2011 (₹ in lakhs)	As at 31.03.2010 (₹ in lakhs)
<b>SOURCES OF FUNDS</b>			
(1) Shareholders' Funds	1		
(a) Share Capital		7216.16	7200.00
(b) Employee stock options application money		0.41	-
(c) Reserves and Surplus		87984.89	63426.00
(2) Minority Interest		5186.58	292.79
(3) Loan Funds	2		
(a) Secured Loans		86041.38	40518.53
(b) Unsecured Loans		47691.73	40227.12
(4) Deferred Tax Liabilities (Net)		30775.44	15506.40
<b>Total</b>		<b>264896.59</b>	<b>167170.84</b>
<b>APPLICATION OF FUNDS</b>			
(1) Goodwill on Consolidation of Subsidiaries		58.70	58.70
(2) Fixed Assets	3		
(a) Gross Block		25081.28	18189.76
(b) Less: Depreciation and Impairment		5304.67	3652.89
Net Block		19776.61	14536.87
(c) Capital Work-in-Progress (Including Capital Advances)		8619.02	1036.29
(3) Investments	4	53.00	53.00
(4) Current Assets, Loans & Advances	5		
(a) Inventories		4106.87	1617.59
(b) Sundry Debtors		315797.29	198025.74
(c) Cash and Bank balances		104487.68	90185.50
(d) Other Current Assets		3153.21	1814.96
(e) Loans and Advances		84004.92	72732.31
		511549.97	364376.10
LESS:			
Current Liabilities & Provisions	6		
(a) Liabilities		239707.83	189550.85
(b) Provisions		35452.88	23339.27
		275160.71	212890.12
Net Current Assets		236389.26	151485.98
<b>Total</b>		<b>264896.59</b>	<b>167170.84</b>
<b>NOTES ON ACCOUNTS</b>	14		

B.G. RAGHUPATHY  
Chairman & Managing Director

T. SANKARALINGAM  
Managing Director

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Director - Finance

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Director

R. RAMESH KUMAR  
President - Corporate & Secretary

P.R. EASWAR KUMAR  
President & Chief Financial Officer

Chennai  
May 26, 2011

# Consolidated Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011

Description	Sch. No.	For the year ended 31.03.2011 (₹ in lakhs)	For the year ended 31.03.2010 (₹ in lakhs)
<b>INCOME</b>			
Turnover (Gross)		476093.81	308077.46
Less : Excise Duty		1111.80	737.76
Turnover (Net)	7	474982.01	307339.70
Other Income	8	2227.45	2499.83
Increase/(Decrease) in WIP		509.02	(250.98)
		<b>477718.48</b>	<b>309588.55</b>
<b>EXPENDITURE</b>			
Cost of Materials	9	345078.27	218444.46
Cost of Manufacturing	10	40603.78	23594.11
Other Direct Cost	11	6346.92	6600.47
Administration, Selling & General Expenses	12	29836.63	24033.19
Interest	13	6046.84	5376.36
Depreciation and Impairment	3	1730.10	1028.47
		<b>429642.54</b>	<b>279077.06</b>
<b>PROFIT BEFORE TAX</b>			
		<b>48075.94</b>	<b>30511.49</b>
Provision for Taxation			
Current tax		9612.62	5188.55
Deferred Tax		15269.04	8035.32
MAT Credit entitlement		(9109.86)	(2858.13)
		<b>15771.80</b>	<b>10365.74</b>
<b>PROFIT AFTER TAX</b>			
		<b>32304.14</b>	<b>20145.75</b>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		3242.08	2010.22
Proposed Dividend		7223.82	5040.00
Corporate Dividend Tax		1199.82	856.55
Minority interest		(35.38)	13.22
		<b>11630.34</b>	<b>7919.99</b>
<b>PROFIT FOR THE YEAR</b>			
		<b>20673.80</b>	<b>12225.76</b>
<b>Earnings Per Equity Share (Face Value ₹ 10)</b>			
Basic		44.81	27.98
Dilluted		44.73	27.94
<b>NOTES ON ACCOUNTS</b>			
	14		

As per our report of even date  
for M/s MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

B.G. RAGHUPATHY  
Chairman & Managing Director

T. SANKARALINGAM  
Managing Director

S. RATHINAM  
Director - Finance

V.R. MAHADEVAN  
Director - Technologies & HR

A. SWAMINATHAN  
Director - Sales & Marketing

S.R. TAGAT  
Director

SASIKALA RAGHUPATHY  
Director

M. GOPALAKRISHNA  
Director

S.A. BOHRA  
Director

GNANA RAJASEKARAN  
Director

HEINRICH BOHMER  
Director

R. RAMESH KUMAR  
President - Corporate & Secretary

P.R. EASWAR KUMAR  
President & Chief Financial Officer

G.R. HARI  
Partner  
M.No. 206386

Chennai  
May 26, 2011

# Consolidated Schedules

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011

Sch. No.	Description			As at 31.03.2011 (₹ in lakhs)	As at 31.03.2010 (₹ in lakhs)
<b>1.</b>	<b>SHAREHOLDERS' FUNDS</b>				
(a)	<b>Share Capital</b>				
	<b>Authorised</b>				
	10,00,00,000 (1,50,00,000) Equity Shares of ₹ 10/- each			<b>10000.00</b>	10000.00
	<b>Issued, Subscribed and Paid up</b>				
	7,21,61,560 (7,20,00,000) Equity Shares of ₹ 10/- each Of the above, 6,46,50,000 (6,46,50,000) Equity Shares of ₹ 10/- each were allotted as fully paid up bonus shares by capitalisation of profits.			<b>7216.16</b>	7200.00
(b)	<b>Reserves and Surplus</b>				
i.	Securities Premium	<b>31.03.11</b>	31.03.10		
	Opening Balance	<b>31,252.36</b>	31252.36		
	Add :Additions during the Year	<b>643.01</b>	-		
		<b>31895.37</b>	31252.36	<b>31895.37</b>	31252.36
ii.	General Reserve				
	Opening Balance	<b>5019.33</b>	3009.11		
	Add: Transferred during the year	<b>3242.08</b>	2010.22		
		<b>8261.41</b>	5019.33	<b>8261.41</b>	5019.33
iii.	Balance in Profit & Loss A/c				
	Opening Balance	<b>27154.31</b>	14928.65		
	Add: Transferred during the year	<b>32304.14</b>	20145.75		
		<b>59458.45</b>	35074.40		
	Less: Transfers	<b>11630.34</b>	7919.99		
		<b>47828.11</b>	27154.31	<b>47828.11</b>	27154.31
	(Includes venturer's share of loss- ₹ 0.54 lakhs)				
				<b>87984.89</b>	63426.00
<b>2.</b>	<b>LOAN FUNDS</b>				
(a)	<b>Secured Loans</b>				
i.	Term Loan from Bank			<b>4709.97</b>	3431.93
ii.	Working Capital Loan from Banks			<b>80749.98</b>	35740.09
iii.	Fixed assets Loans				
	- From Banks			<b>513.99</b>	1236.59
	- From Others			<b>67.44</b>	109.92
				<b>86041.38</b>	40518.53
(b)	<b>Unsecured Loans</b>				
	<b>Short-Term</b>				
i.	Interest Free Sales Tax Loan			<b>186.35</b>	221.15
ii.	From Banks - Short Term			<b>47505.38</b>	40005.97
				<b>47691.73</b>	40227.12

# Consolidated Schedules

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011

### 3. FIXED ASSETS

(₹ in Lakhs)

PARTICULARS	GROSS BLOCK			DEPRECIATION				Impairment Loss		NET BLOCK		
	As at 31.03.2010	Additions during the year	Deletions during the year	As at 31.03.2011	Up to 31.03.10	Additions during the year	Deletions during the year	Up to 31.03.11	for 2010- 11	for 2009- 10	WDV as at	
											31.03.2011	31.03.2010
<b>Tangible Assets</b>												
Land	1159.38	2952.99	-	4112.37	-	-	-	-	-	-	4112.37	1159.38
Buildings	710.82	127.61	-	838.43	201.27	23.75	-	225.02	-	-	613.41	509.55
Plant & Machinery	11794.83	3182.19	31.67	14945.35	2024.59	1035.27	22.02	3037.84	-	-	11907.51	9770.24
Furniture & Fixtures	169.97	40.59	-	210.56	41.65	18.85	-	60.50	-	-	150.06	128.32
Office Fixtures	212.30	85.96	-	298.26	118.94	45.21	-	164.15	-	-	134.11	93.36
Office Equipments	762.27	142.16	32.52	871.91	219.58	92.19	32.35	279.42	9.07	10.71	583.42	542.69
Electrical Installations	208.81	20.80	15.67	213.94	93.67	15.03	9.59	99.11	-	-	114.83	115.14
Vehicles	1235.83	190.77	24.62	1401.98	377.03	120.59	14.36	483.26	-	-	918.72	858.80
<b>Intangible Assets *</b>												
Technical Know-How	760.77	95.21	-	855.98	200.88	129.14	-	330.02	-	-	525.96	559.89
Intangible Assets	1174.78	157.72	-	1332.50	375.28	241.00	-	616.28	-	-	716.22	799.50
<b>TOTAL</b>	<b>18189.76</b>	<b>6996.00</b>	<b>104.48</b>	<b>25081.28</b>	<b>3652.89</b>	<b>1721.03</b>	<b>78.32</b>	<b>5295.60</b>	<b>9.07</b>	<b>10.71</b>	<b>19776.61</b>	<b>14536.87</b>

\* Both the assets are other than internally generated.

# Consolidated Schedules

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011

Sch. No.	Description	As at 31.03.2011 (₹ in lakhs)	As at 31.03.2010 (₹ in lakhs)
<b>4.</b>	<b>INVESTMENTS</b>		
	<b>Trade Unquoted (at cost) :</b>		
	<b>a) Investment in Other Companies:</b>		
	i) GEA Cooling Tower Technologies (India) Private Limited 10,000 Equity Shares of ₹ 10 each, fully paid up (10,000 Equity Shares of ₹ 10 each, fully paid up) (Inclusive of 8000 bonus shares)	0.20	0.20
	ii) Cuddalore Powergen Corporation Limited 100900 Shares of ₹ 10 each, fully paid-up (100900 Shares of ₹ 10 each, fully paid-up)	10.09	10.09
	<b>Non-Trade Quoted (at cost) :</b>		
	<b>Equity Share</b>		
	i) Indian Bank 13,970 Fully Paid Equity Shares of ₹ 91 per share Market Value ₹ 232.70 (₹ 174.55) per share as on 31.03.2011	12.71	12.71
	<b>Mutual Funds</b>		
	ii) SBI Mutual Fund-Magnum Multi Cap 50,000 units of ₹ 10 each NAV ₹ 13.29 (₹ 13.41) per unit as on 31.03.2011	5.00	5.00
	iii) SBI Mutual Fund-Infrastructure Bond 2,50,000 units of ₹ 10 each NAV ₹ 9.28 (₹ 10.29) per unit as on 31.03.2011	25.00	25.00
		<b>53.00</b>	53.00
	1) Aggregate market value of quoted investments ₹ 62.35 Lakhs (₹ 56.81 lakhs)		
	2) Aggregate Book value of quoted investments ₹ 42.71 Lakhs (₹ 42.71 Lakhs)		
<b>5.</b>	<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
	<b>a) Inventories</b>		
	(i) Raw Material, Consumables, Bought outs and Components	3521.74	1542.66
	(ii) Work-in-Progress	583.97	74.93
	(iii) Loose Tools & Spares	1.16	-
		<b>4106.87</b>	1617.59
	<b>b) Sundry Debtors</b> (Unsecured and Considered good)		
	Over six Months	5652.20	5194.69
	Others	310145.09	192831.05
		<b>315797.29</b>	198025.74

# Consolidated Schedules

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011

Sch. No.	Description	As at 31.03.2011 (₹ in lakhs)	As at 31.03.2010 (₹ in lakhs)
<b>c)</b>	<b>Cash and Bank Balances</b>		
i.	Cash Balance	29.25	37.90
ii.	Bank Balances with Scheduled Banks		
	- Current Account	22571.52	1162.50
	- Deposit Account	81884.09	88982.79
iii.	Bank Balances with Non Scheduled Banks		
	- Current Account	2.82	2.31
	Maximum balance outstanding during the year		
		2010-11	2009-10
	Bank of Alexandria, Egypt	2.82	2.38
		<b>104487.68</b>	<b>90185.50</b>
<b>(d)</b>	<b>Other Current Assets</b>		
	Interest accrued on deposits	2961.46	1623.94
	Share capital Advance	191.75	191.02
		<b>3153.21</b>	<b>1814.96</b>
<b>(e)</b>	<b>Loans and Advances</b>		
(i)	Advances recoverable in cash or in kind or for value to be received		
	a) Secured, Considered Good	10224.39	30580.26
	b) Unsecured, Considered Good	64209.50	33442.05
(ii)	MAT Credit	7747.82	7747.82
(iii)	Deposits	1823.21	962.18
		<b>84004.92</b>	<b>72732.31</b>
<b>6.</b>	<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>(a)</b>	<b>Current Liabilities</b>		
	Sundry Creditors due to Micro and Small Enterprise	201.38	75.65
	Sundry Creditors	162536.96	110200.09
	Advances from customers	70249.74	75331.11
	Other Liabilities	6524.59	3883.35
	Interest accrued but not due	195.16	60.65
		<b>239707.83</b>	<b>189550.85</b>
<b>(b)</b>	<b>Provisions</b>		
	Income Tax	9900.43	9454.84
	Proposed Dividend	7216.16	5040.00
	Corporate Dividend Tax	1198.51	856.55
	Gratuity	33.86	47.25
	Warranty & Contractual Obligations	17103.92	7940.63
		<b>35452.88</b>	<b>23339.27</b>

# Consolidated Schedules

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011

Sch. No.	Description	For the year ended 31.03.2011 (₹ in lakhs)	For the year ended 31.03.2010 (₹ in lakhs)
<b>7.</b>	<b>SALES &amp; SERVICES</b>		
	Sale of Manufactured Goods	20644.45	12513.13
	Less: Excise Duty	1111.80	737.76
	Net Sale of Manufactured Goods	19532.65	11775.37
	Contracting Income	455169.50	295507.99
	Erection & Service Income	279.86	56.34
		<b>474982.01</b>	<b>307339.70</b>
<b>8.</b>	<b>OTHER INCOME</b>		
	Dividend from Investments - Trade	0.56	0.77
	Dividend from Investments - Non Trade	3.00	2.00
	Foreign Exchange Variation (Net)	991.68	-
	Interest on Fixed Deposits	885.40	2044.05
	Others	346.81	453.01
		<b>2227.45</b>	<b>2499.83</b>
<b>9.</b>	<b>COST OF MATERIALS</b>		
	Opening inventory	1542.66	1070.93
	(Raw materials, consumables, Bought Outs and components)		
	Add: Purchases	347057.35	218916.19
		<b>348600.01</b>	<b>219987.12</b>
	Less: Closing Inventory	3521.74	1542.66
	(Raw materials, consumables, Bought Outs and components)		
		<b>345078.27</b>	<b>218444.46</b>
<b>10.</b>	<b>COST OF MANUFACTURING &amp; CONSTRUCTION</b>		
	Part Processing Charges	40234.12	23353.89
	Power & Fuel	369.66	240.22
		<b>40603.78</b>	<b>23594.11</b>
<b>11.</b>	<b>OTHER DIRECT COST</b>		
	Agency Commission	349.43	630.22
	Insurance	402.75	348.61
	Bank Charges	4959.37	4831.79
	Professional Fees	64.52	384.67
	Packing & Forwarding	570.85	405.18
		<b>6346.92</b>	<b>6600.47</b>



# Consolidated Schedules

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011

Sch. No.	Description	For the year ended 31.03.2011 (₹ in lakhs)	For the year ended 31.03.2010 (₹ in lakhs)
<b>12.</b>	<b>ADMINISTRATION, SELLING &amp; GENERAL EXPENSES</b>		
	Rent	1081.07	912.85
	Repairs to Building	38.33	23.42
	Repairs to Machinery	99.22	52.70
	Repairs & Maintenance	544.09	310.11
	Salaries & Allowances	12862.98	10490.41
	Bonus	112.01	86.99
	Contribution to P.F., E.S.I., & Gratuity	545.91	429.77
	Workmen & Staff Welfare Expenses	946.77	1612.06
	Insurance	58.26	71.01
	Rates and Taxes	145.73	114.15
	Electricity charges	160.84	199.60
	Administration Expenses	853.81	529.25
	Auditor's Remuneration		
		2010-11	2009-10
	For Audit	34.68	34.68
	For Taxation Matters	4.00	4.00
	For Certification	3.24	3.02
	Bank Charges	66.39	34.59
	Bad Debts Written Off	500.81	651.54
	Conveyance and Vehicle Running Expenses	239.97	238.15
	Selling Expenses	205.03	125.90
	Loss on Sale of Fixed Assets (Net)	6.01	2.31
	Loss on demolition of fixed assets	0.29	-
	Provision for Contractual Obligation & Warranty	9163.29	5761.19
	Professional charges	710.49	795.03
	Foreign Exchange Variation (Net)	-	379.33
	Sitting Fees	10.39	7.17
	Security charges	106.33	71.29
	Telephone, Telex, Fax, Courier & Postage	201.37	201.50
	Travelling Expenses - Inland	807.97	610.42
	Travelling Expenses - Overseas	327.35	280.75
		29836.63	24033.19
<b>13.</b>	<b>INTEREST</b>		
	Interest on Bank Credit	5713.31	5094.51
	Interest on Term Loan	333.53	281.85
		6046.84	5376.36

As per our report of even date  
for M/s MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

B.G. RAGHUPATHY Chairman & Managing Director	T. SANKARALINGAM Managing Director	S. RATHINAM Director - Finance	
V.R. MAHADEVAN Director - Technologies & HR	A. SWAMINATHAN Director - Sales & Marketing	S.R. TAGAT Director	G.R. HARI Partner M.No. 206386
SASIKALA RAGHUPATHY Director	M. GOPALAKRISHNA Director	S.A. BOHRA Director	
GNANA RAJASEKARAN Director	HEINRICH BOHMER Director	R. RAMESH KUMAR President - Corporate & Secretary	P.R. EASWAR KUMAR President & Chief Financial Officer Chennai May 26, 2011

## 14. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### A. SIGNIFICANT ACCOUNTING POLICIES

#### a. Accounting Convention

The consolidated Financial Statements of the Group has been prepared in accordance with Accounting Standard 21, 23 & 27 on "Consolidated Financial Statements". The Consolidated Financial Statements are prepared under historical cost convention and following the accrual method of accounting in accordance with the applicable mandatory accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of Companies Act, 1956.

#### b. Principles of Consolidation:

The basis of preparation of the Consolidated Financial Statements is as follows:

The financial Statements (The Balance sheet, the Profit and Loss account and the Cash Flow statement) of the group have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances transactions and the resulting unrealized profit or losses.

The differential with respect to the cost of investments in the subsidiaries over the Company's share of net assets of subsidiary is recognized as Goodwill or Capital Reserve, as the case may be. Minorities' share of net assets is identified and disclosed separately in the Consolidated Balance Sheet.

Interest in the assets, liabilities, income and expense of the Joint Ventures are consolidated using proportionate consolidation method. The differential with respect to the cost of investments in the jointly controlled entity over the Company's share of its net assets of the jointly controlled entity is recognized as Goodwill or Capital Reserve, as the case may be in line with AS-27 – Financial reporting of interests in Joint ventures

Investments in associates are accounted for using the equity method. The differential with respect to the cost of investments in the associate entity over the Company's share of its net assets of the is identified and disclosed as Goodwill or Capital Reserve, as the case may be in line with AS-23 – Accounting for investment in Associates in Consolidated financial statements. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the associate.

The consolidated Financial Statements are prepared using the accounting policies for like transactions and other events in similar circumstances except stated otherwise.

The list of enterprises, which are included in this Consolidate Financial Statements along with Nature of relationship, Company's holding therein, is as under:

No.	Name of the Company	Nature of relationship	Last reporting date of the enterprise as incorporated in Consolidated Financial Statements	Voting Power/ share of interest % as at March 31, 2011
1.	Progen Systems and Technologies Limited.	Indian Subsidiary Company	March 31, 2011	69.67%
2.	Mecon - Gea Energy System (India) Limited (JV)	Indian Joint Controlled Entity	March 31, 2011	10.00%
3.	BGR Boilers Private Limited	Indian Subsidiary Company	March 31, 2011	70.00%
4.	BGR Turbines Company Private Limited	Indian Subsidiary Company	March 31, 2011	74.00%

#### c. Use of Estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting year. Differences between the actual results and the estimates are recognized in the year in which the results are known / materialized.

#### d. Fixed Assets

Fixed assets are assets held with the intention of being used for purpose of producing or providing goods and services and is not held for sale in the ordinary course of business. The Cost of Fixed assets comprise the purchase price including import duties and other non refundable taxes or levies and any directly attributable cost to bring the asset to the working condition for intended use. Further any trade discounts and rebates are deducted in arriving at the cost.

Intangible assets are identifiable non-monetary assets, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets are separately acquired and are capable of being measured reliably. The cost of intangible asset comprises the purchase price including import duties and other non-refundable taxes or levies and any directly attributable cost on making the asset ready for intended use.

**e. Depreciation and Amortization**

Fixed assets are depreciated as per straight line method on all assets in accordance with the rates prescribed under Schedule XIV of Companies Act, 1956. Intangible assets are amortized over a period of 5 years through Straight Line Method.

**f. Investments**

Long-term investments are stated at cost less provision for diminution in value other than temporary, if any. Short-term investments are valued at cost or fair value whichever is lower.

**g. Earnings per share (EPS)**

The earnings considered in ascertaining the Company's Basic EPS is the attributable net profit or loss to the equity shareholders as per AS-20 "Earnings per Share". The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The Diluted EPS is calculated on the same basis as Basic EPS, after adjusting for the effects of potential dilutive equity shares unless the effect of the potential dilutive equity shares is anti-dilutive.

**h. Revenue Recognition**

- i) Sales are accounted on basis of despatches.
- ii) Sales include equipment billed but despatch of which is withheld at the request of the customer.
- iii) In respect of Construction contracts, executed over a period of more than one financial year, the company recognizes revenue on the basis of percentage of completion method as per AS-7 (Revised) "Construction Contracts".
- iv) Construction contracts revenue is based on the ratio of cost incurred to date to total estimated cost and physical work done as estimated by the technical staff.
- v) Other Income – a) Interest income is accounted at applicable coupon rates on respective investments on time basis.  
b) Dividend income is accounted as and when received.

**i. Inventories**

Raw materials, work-in-progress, consumables, stores and spares have been valued at cost, ascertained on weighted average basis. Work-in-progress value includes all direct costs and applicable production overheads to bring the goods to the present location and condition. Loose tools acquired during the year have been fully written off.

**j. Foreign currency Transactions**

- i) Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of acquisition. Monetary items are translated at the rates prevailing on reporting dates. The exchange difference between rate prevailing on the date of transaction and on the date of settlement and also on translation of monetary items at the reporting date is recognized as income or expense.
- ii) The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. Forward contracts are not used for speculation purposes. The gain or loss on the forward contract is charged to the profit and loss account, proportionately over the duration of the hedge, in accordance with Accounting Standard 11 (Revised).

**k. Cash Flows**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the company are segregated.

**l. Income taxes**

Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between taxable income and accounting income which are capable of reversal in subsequent periods and are measured using relevant enacted tax rates.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. The Company reviews the same at each balance sheet date and reverse the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Tax on distributable profits payable by the company in accordance with the provisions of Income-tax Act, 1961 is disclosed in accordance with the guidance note on Accounting for Corporate Dividend Tax issued by ICAI.

**m. Impairment of Assets**

At every balance sheet date, the Company determines whether the provisions should be made for the impairment loss on fixed assets by considering the indications that the carrying amount of the asset exceeds the recoverable amount as

per recognition and measurement principles laid down in AS-28 "Impairment of Assets". For the purpose of impairment, assets are grouped as cash generating and non cash generating units for which there are separately identifiable cash flows.

## n. Employee Benefits

- i) Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit & loss account for the year in which related services are rendered.
- ii) Defined Contribution plan:  
Company's contributions paid/payable during the year towards Provident Fund, ESI and Medical coverage are recognized in the profit and loss account
- iii) Defined Benefit Plan:  
Company's liability towards gratuity in accordance with The Payment of Gratuity Act, 1972 is determined by actuarial valuation as on the balance sheet date. The Company contributes all the ascertained liabilities to SBI life insurance which administers the contributions and makes the payment at retirement, death, incapacitation or termination of employment.

## o. Borrowing Costs

Borrowing costs that are attributable to acquisition or construction of qualifying assets are included as part of the cost of such assets.

## p. Leases

Finance Leases, which effectively transfer to the company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased term, are classified as operating leases.

Operating lease payments are recognized as an expense in the Profit and loss account on a straight line basis over the lease term.

## q. Provisions

- i) The Company recognizes provision when there is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits which can be measured only by using a substantial degree of estimation.
- ii) Provision for contractual obligation has been provided for in accounts based on management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.

## r. Contingent Liabilities

The Company recognizes contingent liability for disclosure in notes to accounts, if any of the following conditions fulfilled:

- i) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- ii) a present obligation that arises from past events but is not recognized because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - a reliable estimate of the amount of the obligation cannot be made.

## B. NOTES TO ACCOUNTS

1. The consolidated financial statements present the consolidated accounts of the company, which consists of the accounts of the company and its subsidiaries, joint ventures and associates, indicated below

### Subsidiary Companies

Sl. No.	Name of the Company	Country of Incorporation	Extent of Holding (%) as on March 31, 2011	Goodwill or (Capital Reserve) on account of Consolidation
1.	Progen Systems and Technologies Limited	India	69.67%	58.70
2	BGR Boilers Private limited	India	70.00%	-
3	BGR Turbines Company Private Limited	India	74.00%	-

## Joint Ventures

Sl. No.	Name of the Company	Country of Incorporation	Extent of Interest (%) as on March 31, 2011	Goodwill or (Capital Reserve) on account of Consolidation
1.	Mecon Gea Energy System (India) Limited (JV)	India	10% & 30% on two different construction projects	Nil

## 2. SECURED LOANS

- Term Loan of ₹ 2123.66 Lakhs (₹ 1380.62 Lakhs) from State Bank of Travancore is secured by a first charge on Fixed Assets of the Company. ₹ 2527.56 Lakhs (₹ 2023.43 Lakhs) from State Bank of India and ₹ 58.75 Lakhs State Bank of Travancore for purchase of capital equipment are Secured against respective Assets of the Project.
- The company has availed Working Capital loan on *pari passu* basis from State Bank of India and State Bank of Hyderabad. These loans are secured by hypothecation of inventories, book debts and movable current assets of the Capital Goods divisions of the Company. These loans are further secured by personal guarantees of two Directors of the Company, including the Chairman & Managing Director of the Company. The loan from State Bank of India and State Bank of Hyderabad is further secured by a second charge on the fixed assets of the Company.
- The Company has availed contract specific Working Capital loans from 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, Punjab National Bank, Vijaya Bank, Indian Bank, Indian Overseas Bank, Corporation Bank, Allahabad Bank, Bank of India, Andhra Bank, Central Bank of India, Syndicate Bank, Axis Bank and The Karur Vysya Bank Limited. These loans are secured by hypothecation of inventories, book debts and movable current assets of the respective contracts. The participating banks share the security on *pari passu* basis. Certain specific project loans are further secured by personal guarantees of two Directors, including the Chairman & Managing Director of the company.
- Secured Loans includes ₹ 581.43 lakhs (₹ 1346.51 lakhs) for which the respective Fixed Assets acquired under Loan are held as security.

## 3. CONTINGENT LIABILITIES, GUARANTEES & CAPITAL COMMITMENTS

PARTICULARS		As at 31.03.2011	As at 31.03.2010
<b>A</b>	<b>CONTINGENT LIABILITIES</b>		
	Bills Discounted (Backed by LC)	-	-
	Claims against the company not acknowledged as debt		
	a) On account of Sales Tax	161.49	178.09
	b) On account of Income Tax	3779.69	2915.49
	c) On account of Service Tax	41.75	32.41
	d) On account of Contractual Obligations	2350.25	2350.25
	<b>GUARANTEES</b>		
	Guarantees and Counter Guarantees given on behalf of Other Company	661.50	775.83
<b>B</b>	<b>CAPITAL COMMITMENTS</b>		
	Estimated amount of contracts remaining to be executed on capital account	8361.54	1371.63

## 4. LOANS AND ADVANCES

**Cochin Project:** The end client of Cochin Port Road Connectivity Project viz., Cochin Port Road Company Ltd., (SPV of NHAI) terminated the contract on 28.05.2007. Consequently, the end client encashed BGs for a value of ₹ 1270 lakhs furnished by the Company on behalf of MECON – GEA (JV). The main contractor viz., MECON – GEA (JV) contested the termination of the contract and had taken steps to constitute the Disputes Review Board (DRB) in terms of the contract. The DRB had given recommendations only partly allowing the claims of the JV. The JV preferred to approach the Arbitration Tribunal by invoking the arbitration proceedings. The Tribunal has been constituted and arbitration has commenced. In anticipation of determination of the dispute and based on the legal opinion, the company has identified a sum of ₹ 1654.35 lakhs (₹ 1654.35 Lakhs) as on 31.03.2011 as recoverable advances from the end client through the JV and is shown under loans and advances.

**Tuticorin Project:** The end client namely Tuticorin Port Road Company Ltd (SPV of NHAI) viz. Thirunelveli – Tuticorin Port Connectivity Project has terminated the contract and encashed BGs furnished by the company on behalf of MECON – GEA (JV). The High Court has ordered restitution of the Bank Guarantee and has directed NHAI to redeposit the amount of BGs. The main contractor viz., MECON – GEA (JV) contested the termination of the contract and had taken steps to constitute the Disputes Review Board (DRB) in terms of the contract and DRB gave the recommendations favouring main contractor (MECON – GEA (JV)). NHAI has invoked the arbitration clause against the recommendation of DRB. Arbitrators have been nominated by both parties. In view of these developments, the Company has identified a sum of ₹ 1460.72 Lakhs (₹ 1460.72 lakhs) as on 31.03.2011 as recoverable advances from the end client through the JV and is shown under loans and advances.

## 5. SEGMENTAL REPORTING

Information about Business Segments (information provided in respect of revenue items for the 12 months period ended 31.03.2011 and in respect of assets / liabilities as at 31.03.2011) are furnished below:

₹ Lakhs

PARTICULARS	For the year ended 31.03.2011			For the year ended 31.03.2010		
	Capital Goods Segment	Construction and EPC Contracts Segment	Total	Capital Goods Segment	Construction and EPC Contracts Segment	Total
a) Revenue	27951.58	448142.23	476093.81	17974.84	290102.62	308077.46
b) Result	2227.05	51033.36	53260.41	2106.53	31763.68	33870.21
Add: Un allocable Income net of expenditure			862.37			2017.64
Profit before Interest and Tax			54122.78			35887.85
Interest			6046.84			5376.36
<b>Profit Before Tax</b>			<b>48075.94</b>			<b>30511.49</b>
Provision for Taxation						
- Provision for Current Tax			9612.62			5188.55
- Provision for Deferred Tax			15269.04			8035.32
- MAT Credit entitlement			(9109.86)			(2858.13)
- <b>Total</b>			<b>15771.80</b>			<b>10365.74</b>
<b>Net Profit After Tax</b>			<b>32304.14</b>			<b>20145.75</b>
c) Assets	39635.84	500421.46	540057.30	19929.15	353276.99	373206.14
Add: Unallocated Corporate Assets			-			19472.36
<b>Total Assets</b>			<b>540057.30</b>			<b>392678.50</b>
d) Liabilities	23027.20	350413.74	373440.94	16015.59	266898.45	282914.04
Add : Unallocated Corporate Liabilities			66228.32			38845.67
<b>Total Liabilities</b>			<b>439669.26</b>			<b>321759.71</b>
e) Capital Assets acquired during the year	3427.43	3568.57	6996.00	762.73	5130.77	5893.50
f) Depreciation	220.04	1510.06	1730.10	180.71	847.76	1028.47

## 6. PARTICULARS OF RELATED PARTIES

### List of Related Parties

#### a) Companies Other than Subsidiary, Associates and Joint Venture

- i. GEA Cooling Tower Technologies (India) Private Ltd.
- ii. GEA BGR Energy System India Ltd.
- iii. Germanischer Lloyd Industrial Services (India) Private Ltd.
- iv. Mega Funds India Ltd.
- v. Sasikala Estate Private Ltd.
- vi. Schmitz India Private Ltd.
- vii. Cuddalore Powergen Corporation Ltd.
- viii. Ani Constructions Private Limited
- ix. Nannilam Property Private Limited

#### b) Key Management Personnel :

- i. Mr. B.G. Raghupathy : Chairman & Managing Director
- ii. Mr. T. Sankaralingam : Managing Director
- iii. Mr. S. Rathinam : Director - Finance
- iv. Mr. V.R. Mahadevan : Director - Technologies & HR
- v. Mr. A. Swaminathan : Director - Sales & Marketing
- vi. Mr. R. Ramesh Kumar : Director

#### c) Relatives of Key Management Personnel

- i. Ms. Swarnamugi Karthik (Daughter of Mr. B.G. Raghupathy)
- ii. Ms. Priyadarshini Raghupathy (Daughter of Mr. B.G. Raghupathy)
- iii. Ms. Vaani Raghupathy (Daughter of Mr. B.G. Raghupathy)
- iv. Mr. R. Prabhu (Son of Mr. S. Rathinam)

## Related party transactions

₹ in Lakhs

Particulars	Other Companies	Key Managerial Personnel	Relatives	For the year ended 31.03.11	For the year ended 31.03.10
Sales	4634.70	-	-	4634.70	2154.69
Purchases	3174.71	-	-	3174.71	1279.07
Advances Received	7.00	-	-	7.00	30.36
Advance paid	1710.51	-	-	1710.51	-
Remuneration	-	3633.38	14.89	3648.27	2153.27
Rent	50.14	41.59	-	91.73	72.80
Others	-	11.03	-	11.03	11.03
Balance Outstanding	1888.03	(13.24)	-	1874.79	1038.35

## 7. UTILISATION OF IPO FUNDS

The company has raised ₹ 19012 Lakhs from IPO (Net of Issue Expenses) during the year 2007-2008. ₹ 19012 Lakhs has been fully utilized towards working capital requirement, as per the terms of the prospectus.

## 8. EMPLOYEE STOCK OPTION SCHEME

Stock option granted to the employees under the stock option scheme established are evaluated as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee stock purchase scheme Guidelines, 1999 issued by Securities Exchange Board of India. The Company follow the intrinsic value method of accounting for the options and accordingly, the excess of market value of the stock options on the date of grant over the exercise price of the options, if any, is recognized as deferred employee compensation and is charged to the Profit and Loss Account.

### Employee Stock Option Scheme – 2007

Pursuant to the decision of the shareholders, at their meeting held on July 11, 2007, the company has established an 'Employee Stock Option Plan 2007' ('ESOS 2007' or 'the Scheme') to be administered by the Compensation Committee of the Board of Directors.

ESOS 2007 provides for grant of options amounting to not more than 1.5% of the issued and paid up equity capital of the Company outstanding at any point of time to officers, directors and Key employees to purchase Equity shares of face value of ₹ 10 each, with such option conferring a right upon the employee to apply for one equity shares of the Company, in accordance with the terms and conditions of such issue. The exercise price of the option is ₹ 408.

### Vesting Schedule

For Employees completed 3 years or more (Category-1)

Date of Vesting	Vesting Proportion	Time Based (Part A)	Performance Based (Part B)	Earliest Date of Exercise	Last Date of Exercise
Jan 3, 2009	33%	100%	0%	Jan 3, 2009	Jan 3, 2014
Jan 3, 2010	33%	75%	25%	Jan 3, 2010	Jan 3, 2015
Jan 3, 2011	34%	75%	25%	Jan 3, 2011	Jan 3, 2016

For Employees less than 3 years (Category-2)

Date of Vesting	Vesting Proportion	Time Based (Part A)	Performance Based (Part B)	Earliest Date of Exercise	Last Date of Exercise
Jan 3, 2009	25%	100%	0%	Jan 3, 2009	Jan 3, 2014
Jan 3, 2010	25%	75%	25%	Jan 3, 2010	Jan 3, 2015
Jan 3, 2011	25%	75%	25%	Jan 3, 2011	Jan 3, 2016
Jan 3, 2012	25%	75%	25%	Jan 3, 2012	Jan 3, 2017

The following are the no of options outstanding during the year:

PARTICULARS	2010-11	2009-10
Number of options outstanding in the beginning of the year	532770	571240
Number of options granted during the year	-	-
Number of options vested during the year	114231	129273
Number of vested options cancelled	10867	18277
Number of vested Options forfeited during the year	35259	38470
Number of options exercised during the year	161660	-
Number of options outstanding at the end of the year	335851	532770
Number of options exercisable at the end of the year	83365	166053

# Notes to Accounts

## 9. EARNINGS PER SHARE

₹ Lakhs

PARTICULARS		For the Year ended 31.03.2011	For the Year ended 31.03.2010
<b>Basic EPS</b>			
Profit after tax as per accounts	A	32304.14	20145.75
Weighted Average Number of shares subscribed (Lakh Nos.)	B	720.93	720.00
<b>Basic EPS (₹)</b>	<b>A / B</b>	<b>44.81</b>	<b>27.98</b>
<b>Diluted EPS</b>			
Profit for the year for Basic EPS	A	32304.14	20145.75
Less: Adjustment	C	Nil	Nil
Adjusted Profit for Diluted EPS	D = A - C	32304.14	20145.75
Weighted average number of Equity shares for Basic EPS (Lakh Nos.)	E	720.93	720.00
Add: Adjustment	F	1.21	0.95
a. Employee Stock Option Payment			
b. Share Application Advance	G	-	-
Weighted average number of Equity shares for Diluted EPS (Lakh Nos.)	H = E + F + G	722.14	720.95
<b>Diluted EPS (₹)</b>	<b>I = D / H</b>	<b>44.73</b>	<b>27.94</b>

## 10. IMPAIRMENT OF ASSETS

### a. Cash Generating Units :

There is no impairment loss of cash generating assets and hence no provision was made in the financial statements.

### b. Other Assets :

The Company has made a provision of ₹ 9.07 lakhs (₹ 10.71 lakhs) in the books of accounts towards impairment of other fixed assets based on the technical valuation.

## 11. PROVISIONS

The holding Company has made a provision of ₹ 9163.30 Lakhs (₹ 5773.18 Lakhs) towards Warranty and Contractual obligations on the products supplied/contracts executed by the company during the year 2010-2011.

### Movement in provisions

₹ Lakhs

PARTICULARS	Provision for Warranty	Provision for Contractual obligations	Provision for Warranty	Provision for Contractual Obligations
	2010-11	2010-11	2009-10	2009-10
Opening Balance	890.95	7049.67	529.18	1650.25
Add: Additional provision	593.32	8597.37	373.76	5399.42
Less: Provision used & Reversed	27.39	-	11.99	-
Closing Balance	1456.88	15647.04	890.95	7049.67

12. Previous year figures have been regrouped wherever necessary for comparative purposes and shown along side or in brackets.

B.G. RAGHUPATHY  
Chairman & Managing Director

T. SANKARALINGAM  
Managing Director

S. RATHINAM  
Director - Finance

As per our report of even date  
for M/s MANOHAR CHOWDHRY & ASSOCIATES  
Chartered Accountants

V.R. MAHADEVAN  
Director - Technologies & HR

A. SWAMINATHAN  
Director - Sales & Marketing

S.R. TAGAT  
Director

G.R. HARI  
Partner  
M.No. 206386

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Director

M. GOPALAKRISHNA  
Director

S.A. BOHRA  
Director

GNANA RAJASEKARAN  
Director

HEINRICH BOHMER  
Director

R. RAMESH KUMAR  
President - Corporate & Secretary

P.R. EASWAR KUMAR  
President & Chief Financial Officer

Chennai  
May 26, 2011



# Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March, 2011

	For the year ended 31.03.2011 ₹ in lakhs	For the year ended 31.03.2010 ₹ in lakhs
<b>A. Cash Flow From Operating Activities</b>		
<b>Net Profit Before Tax and Extraordinary Items</b>	<b>48075.94</b>	30511.49
<b>Adjustments For:</b>		
Depreciation & Amortization	1730.10	1028.47
Dividend From Investments - Other	(0.56)	(0.77)
Dividend From Investments - Trade	(3.00)	(2.00)
(Profit) / Loss on Sale of Fixed Assets	6.01	2.31
(Profit) / Loss on Foreign Currency Translation	(991.68)	379.33
Provision For Contractual Obligation and Warranty	9163.29	5761.19
Bad Debts Written Off	500.81	651.54
Share of Minority Interest	35.40	(13.22)
Interest Expense	6046.84	5376.36
Operating Profit Before Working Capital Changes	<b>64563.15</b>	43694.70
<b>Adjustments for:</b>		
(Increase) / Decrease in Sundry Debtors	(118272.36)	(70791.59)
(Increase) / Decrease in Inventories	(2489.33)	(220.75)
(Increase) / Decrease in Other Current Assets	(1338.24)	(34.83)
(Increase) / Decrease in Loans And Advances	(5171.20)	(8410.65)
Increase / (Decrease) in Trade Payables	55894.55	65894.13
	<b>(71376.58)</b>	(13563.70)
Cash Generated from Operations	<b>(6813.43)</b>	30131.00
Direct Tax Paid	<b>(6158.58)</b>	2856.95
<b>Net Cash Flow From Operating Activities</b>	<b>(12972.01)</b>	32987.95
<b>B. Cash Flow From Investing Activities :</b>		
Purchase of Fixed Assets	(6996.00)	(5893.53)
Sale of Fixed Assets	20.15	99.21
Purchase of Investments	-	-
Decrease / Increase in Capital Work-in-Progress	(7582.73)	(494.70)
Dividend From Investments - Other	0.56	0.77
Dividend From Investments - Trade	3.00	2.00
Increase In Misc Expenditure	0.01	-
<b>Net Cash Flow From Investing Activities</b>	<b>(14555.01)</b>	(6286.25)
<b>C. Cash Flow From Financing Activities</b>		
Secured Loans (Repaid) / Availed	512.96	2296.56
Unsecured Loans (Repaid) / Availed	7464.61	32925.75
Payment of Dividend	(5047.66)	(2160.00)
Tax on Dividend Paid	(857.86)	(367.09)
Secured Working Capital Loans (Repaid) / Availed	45009.89	(25376.73)
Increase on Share Capital	16.16	-
Increase on Security Premium	643.01	-
Increase on Share Application Money	0.41	-
Interest Expense	(5912.32)	(5349.70)
Net Cash Flow From Financing Activities	<b>41829.20</b>	1968.79
Net Increase in Cash and Cash Equivalents (A+B+C)	<b>14302.18</b>	28670.49
Cash and Cash Equivalents as at 01.04.2010 (Op. Bal)	<b>90185.50</b>	61515.00
Cash and Cash Equivalents as at 31.03.2011 (Cl. Bal)	<b>104487.68</b>	90185.49
Cash Balance	<b>29.25</b>	37.90
Bank Balance - Current Account	<b>22574.34</b>	1164.81
Bank Balance - Deposit	<b>81884.09</b>	88982.79

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President - Corporate & Secretary

P.R. EASWAR KUMAR  
President & Chief Financial Officer

Chennai  
May 26, 2011

## Financial Information

₹ in Crore

Sl. No.	Name of Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Details of Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
1	Progen Systems and Technologies Limited	INR	6.10	2.39	17.15	17.15	-	5.84	-1.24	-0.08	-1.17	-	India
2	BGR Boilers Private Limited	INR	51.50	-	62.61	62.61	-	-	-	-	-	-	India
3	BGR Turbines Company Private Limited	INR	129.68	-	141.17	141.17	-	-	-	-	-	-	India

Dear Member,

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by companies and has issued Circulars No.17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011. The Circulars provide that a company will be in compliance with the provisions of Sections 53 and 219 of the Companies Act, 1956, in case documents like notices, annual report and all other communications are sent in electronic mode to its members.

In view of the above, we propose to send the documents like the notices, annual report and all other communications, in electronic form, to your E-mail ID registered with the company. We, therefore, request all the members to be a part of this Green Initiative, by filing up the 'E-communication Registration Form' and send it back to us in this self-addressed pre-paid postage envelope.

Please note that all the documents sent to the members in the electronic form will also be uploaded on the website of the Company [www.bgrcorp.com](http://www.bgrcorp.com). As a member of the Company you are always entitled to receive all such communications, free of cost, on a request made to the Company in this behalf.

Yours faithfully  
For BGR Energy Systems Limited

R. Ramesh Kumar  
President-Corporate & Secretary

## BGR ENERGY SYSTEMS LIMITED

A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Taluk, Nellore District, Andhra Pradesh 524 401  
Tel: + 91 44 27900181, 27948549 Fax: + 91 44 27948249

### E-Communication Registration Form

Link Intime India Private Limited  
Unit: BGR Energy Systems Limited  
C-13, Pannalal Silk Mills Compound, LBS Marg,  
Bhandup (West), Mumbai-400078

Dear Sir/Madam,

#### RE: Green Initiative in Corporate Governance

I/We, agree to receive all communication from BGR Energy Systems Limited (the Company) in electronic mode. Please register my E-mail ID in your records for sending communication through e-mail.

Registered Folio No./DP ID/ Client ID No. : \_\_\_\_\_

PAN : \_\_\_\_\_

Name of the 1st Registered Holder : \_\_\_\_\_

Name of the Joint Holder(s) : \_\_\_\_\_

Email ID : \_\_\_\_\_

Date: \_\_\_\_\_ Signature of the 1st Registered holder: \_\_\_\_\_

#### Important Notes:

- (i) Investors can also forward the scanned copy of this Registration Form to [bgrenergygogreen@linkintime.co.in](mailto:bgrenergygogreen@linkintime.co.in)
- (ii) On registration, all the communication from the Company will be sent to the E-mail ID registered with the Company.
- (iii) The members are requested to keep the Company informed as and when there is any change in the E-mail ID. Else, the communication will be sent only to the E-mail ID registered with the Company. The 'E-communication Registration Form' can also be downloaded from the Company's website [www.bgrcorp.com](http://www.bgrcorp.com).

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C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai-400078

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