

BGR ENERGY SYSTEMS LIMITED
26TH ANNUAL REPORT 2011 - 12



Leaping ahead

Projects - National Footprint



Chairman's Message

Dear Shareholders,

Warm Greetings.

It is my pleasure in communicating with you through the 26th annual report. I shall take this opportunity to give you highlights of our results for FY 2011-12, a brief about the orders that we had won and the outlook for the future of your company, BGR Energy Systems Limited.

Your company now holds the distinction of having established itself as a strong player in the EPC segment and joins the big league to be among the top three in the Indian Power sector. Our revenue for last year was ₹ 3452 Crores and we earned a net profit of ₹ 224 Crores. The drop in revenues compared to the previous year is attributable to the sluggish pace of order inflows. Yet, the good sign of growth from within comes from the fact that our capital goods businesses – Air Fin Cooler division (AFC), Environment Engineering Division (EED), Oil and Gas Equipment Division (OGED) and Electrical Projects Division (EPD) – contributed 11.71% to the revenue compared to 7.17% last year. The AFC, EED and EPD business registered significant growth over the previous year. We achieved a higher EBIDTA margin of 13.73% and your board is pleased to recommend a dividend of ₹ 7.00 per share. As of 31st March 2012, your company carried an order book of over ₹ 15000 Crores.

FY 2011-12 was a hallmark year for BGR Energy winning large orders for EPC and supply of Boiler, Turbine and Generator. On 15th September 2011, BGR Energy emerged as the successful bidder for NTPC's 9x800 MW Supercritical Steam Turbine and Generators. We would supply four TG units to 2x800 MW to Lara Super Thermal Power project in Chattisgarh and 2x800 MW Darlipali Super Thermal Power project in Orissa for an aggregate value of ₹ 2968 Crores. In quick sequence, we received an EPC contract for setting up 2x300 MW Thermal Power project in Chattisgarh by TRN Energy Private Limited with an order value of ₹ 1698 Crores.

On 29th February 2012, BGR Energy emerged as the successful bidder in NTPC's 660 MW super critical boiler tender. BGR Energy would supply six units to Solapur Super Thermal Power Project (2x660 MW) - Maharashtra, Meja Thermal Power Project (2x660 MW) - Uttar Pradesh and Raghunathpur Thermal Power Project, Phase II (2x660 MW) - West Bengal. The aggregate value of the contracts is about ₹ 5565 Crores.

BGR Energy's Electrical Projects Division was awarded a prestigious turnkey implementation contract by The Nuclear Power Corporation at two of its upcoming nuclear power plants. The order valued at ₹ 444 Crores involves supply, erection, testing and commissioning of main plant electrical systems including Nuclear island electricals at Kota, Rajasthan (2x700 MW) and Kakrapar, Gujarat (2x700 MW).

With great pleasure, I wish to inform you that last year, BGR Energy successfully completed the world's tallest natural draught cooling tower - 202 Metres tall having a diameter of 145 Metres at Kalisindh 1200 MW power project in Rajasthan.

Now, let me present you a quick summary of the Industrial context in which we were operating and the outlook. The Indian power industry was fraught with hurdles and challenges - coal availability, land availability and delay in approvals, lack of clarity in policies impacting



businesses – your company's strategy to stay on its course and FOCUS on growth has paid dividends.

The Government of India's policy to impose 21% duty hike on imported equipment is expected to offer a level playing field for domestic manufacturers. While Independent Power Producers (IPPs) rely on imported equipment, State and Central Government generation companies prefer reliable domestic equipment manufacturers.

Our BTG manufacturing facilities which are being established in JV with Hitachi are expected to become operational in 2013. To all of us at BGR Energy, it is a leap forward in the tracks of our growth.

I thank you all for your continued support and providing us the inspiration to leap ahead. Your company continues to stay competitive providing exceptional service to a growing marquee customers like NTPC. We continue to add skilled manpower to strengthen our domain expertise and allow them to perform at their best with customer delight as their most critical key result area.

Thanking you

B.G. Raghupathy

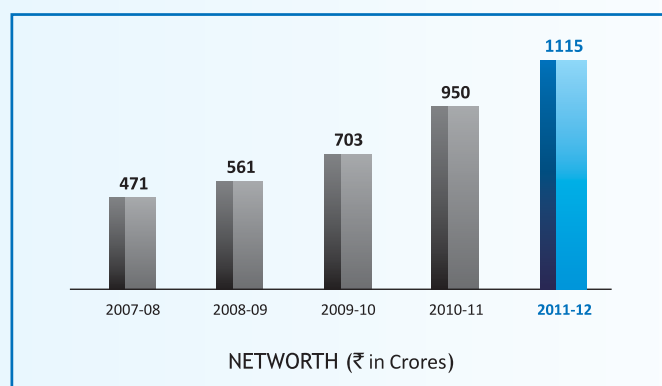
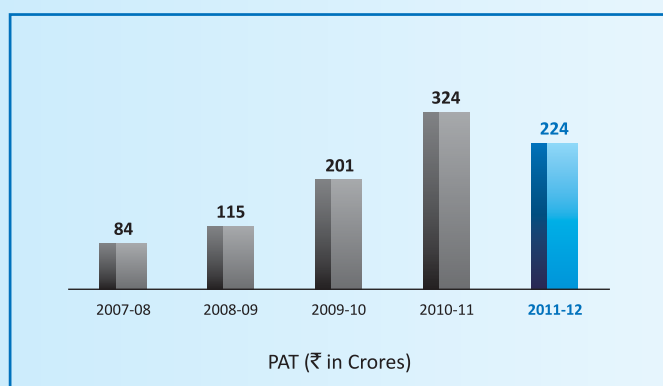
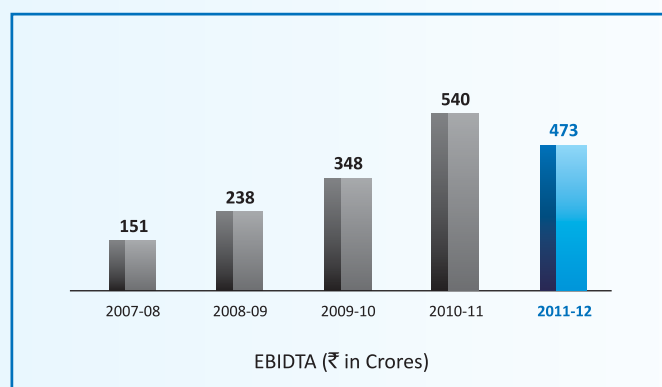
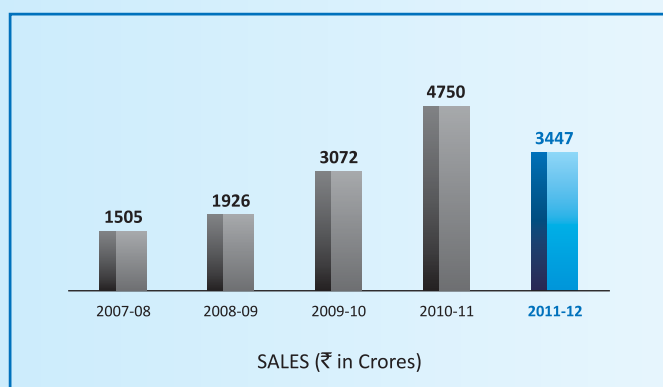
Chairman and Managing Director



Financial Highlights

(₹ in Crores except per share data)

DESCRIPTIONS	2007-08	2008-09	2009-10	2010-11	2011-12
SALES AND EARNINGS					
Sales	1505.40	1926.07	3072.04	4750.29	3447.05
Other Income	3.92	27.55	21.91	19.12	5.26
EBIDTA	151.01	237.80	348.04	540.17	473.10
Net Profit	84.44	115.09	201.02	324.20	223.52
ASSETS					
Fixed Assets	46.09	96.47	149.45	175.39	198.41
Investments	155.65	4.78	4.78	136.80	235.85
Other Asset (Net)	810.24	1246.19	1514.31	2285.56	2849.78
Total Assets	1011.98	1347.44	1668.54	2597.75	3284.04
FUNDED BY					
Equity Share Capital	72.00	72.00	72.00	72.16	72.16
Reserves & Surplus	399.32	489.15	631.20	877.60	1042.41
Deferred Taxes	39.33	78.49	158.91	311.68	401.35
Borrowings	501.33	707.80	806.43	1336.31	1768.12
Total Liabilities	1011.98	1347.44	1668.54	2597.75	3284.04
EPS (₹)	12.64	15.98	27.92	44.97	30.98
Dividend per equity share (₹)	2.00	3.00	7.00	10.00	7.00



Corporate Information

BOARD OF DIRECTORS

B. G. Raghupathy
Chairman & Managing Director

T. Sankaralingam
Managing Director

V. R. Mahadevan
Director - Technologies & HR

A. Swaminathan
Director - Sales & Marketing

M. Gopalakrishna
Director

S. A. Bohra
Director

S. R. Tagat
Director

M. S. Sundara Rajan
Director

Gnana Rajasekaran
Director

Heinrich Bohmer
Director

Sasikala Raghupathy
Director

COMPANY SECRETARY

R. Ramesh Kumar

CHIEF FINANCIAL OFFICER

P. R. Easwar Kumar

STATUTORY AUDITORS

Manohar Chowdhry & Associates
Chartered Accountants
No.27, Subramanian Street
Abhiramapuram, Chennai 600018

INTERNAL AUDITORS

J V Associates
V Krishnan & Co.
Ramachandran & Murali
Brahmayya & Co.
Venkatesh & Co.

BANKERS

State Bank of India
State Bank of Hyderabad
State Bank of Travancore
State Bank of Patiala
State Bank of Bikaner & Jaipur
State Bank of Mysore
IDBI Bank Limited
Indian Bank
Corporation Bank
Punjab National Bank
Bank of India
Axis Bank Limited
The Karur Vysya Bank Limited
Vijaya Bank Limited
Indian Overseas Bank
Central Bank of India
Allahabad Bank
Syndicate Bank
Andhra Bank
ING Vysya Bank Limited

REGISTERED OFFICE

A-5 Pannamgadu Industrial Estate,
Ramapuram Post, Sullurpet Taluk,
Nellore District, Andhra Pradesh 524401

CORPORATE OFFICE

443 Anna Salai, Teynampet,
Chennai 600018, India

REGIONAL OFFICES

New Delhi

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

Mumbai

Unit No. 171, Building No.1
7th Floor, Solitaire Corporate Park,
Chakala, Andheri (East),
Mumbai 400093

Hyderabad

Plot No.44, Sagar Society,
Road No.2 Banjara Hills,
Hyderabad 500034

WEB SITE

www.bgrcorp.com

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W)
Mumbai 400078

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Directors' Report

To the Members of BGR ENERGY SYSTEMS LIMITED

Your directors are pleased to present Twenty Sixth Annual Report together with the audited financial statements for the year ended March 31, 2012.

FINANCIAL RESULTS

During FY 2011-12, your company has achieved total income of ₹ 3452.31 Crores. The highlights of the financial performance of the Company during the financial year ended March 31, 2012 as compared with the previous financial year ended March 31, 2011 are summarized below:

	(₹ Crores)	
Description	2011-12	2010-11
Income from operations	3447	4750
Other income	5	19
Total Income	3452	4769
Earnings before Interest, Depreciation, Tax and Amortization	473	540
Profit before tax	327	482
Tax Expense	103	158
Net Profit	224	324
Amount available for appropriation	224	324
Less :		
a) Dividend	51	72
b) Tax on dividend	8	12
c) Transfer to general reserve	22	32
Balance carried to Balance Sheet	143	208

DIVIDEND

Your Board of Directors have recommended a dividend of ₹ 7 per equity share of ₹ 10 each subject to the approval of the Members at the forthcoming 26th Annual General Meeting. This will result in dividend payment of ₹ 50.51 Crores and payment of dividend tax of ₹ 8.20 Crores. The dividend will be paid to members whose names appear on the Register of Members as on September 21, 2012 and as informed to the Company by National Securities Depository Limited and Central Depository Services Limited, in respect of shares held in demat mode. Your directors wish to carry an amount of ₹ 142.46 Crores to the Balance Sheet after appropriation towards dividend, corporate dividend tax and transfer to general reserve. Your directors kept in view of the requirement of resources to finance increased working capital, equity contribution for setting up of Steam Generator, Steam Turbine and Generator manufacturing facilities and decline in profit in FY 2011-12.

BUSINESS PERFORMANCE

The Power Projects business of your Company is executing EPC and BoP turnkey project contracts for State electricity utilities and private sector IPPs. The projects have rated capacity of 500 MW, 600 MW and 660 MW and are of Sub critical and Super Critical technologies. The capital goods businesses are engaged in Electrical, Environment, Oil and Gas sector in India and abroad for executing turnkey contracts for supply of high tech equipment and installation of power equipment.

An overview and major milestones of operations during the year are as under;

- An Engineering, Procurement and Construction ("EPC") contract for 2 x 300 MW coal based thermal power project located in Chattisgarh from TRN Energy Private Limited, for a value of ₹ 1,698 Crores was secured.
- Your company has emerged as the lowest bidder in the tender called for by NTPC for supply of 9 x 800 MW super critical Steam Turbine and Generators units and would supply 4 units of 2 x 800 MW to Lara Super Thermal Power project and 2 x 800 MW Darlipali Super Thermal Power project for an aggregate value of ₹ 2,968 Crores.
- Your company has also emerged as the lowest bidder in NTPC's 11 x 660 MW Super critical boiler tender. This tender is for supply of 11 Super critical boilers of 660 MW capacity. Your Company would supply 6 units to 2 x 660 MW Solapur Super Thermal power project, 2 x 660 MW Meja Thermal Power project and 2 x 660 MW Raghunathpur Thermal Power project for an aggregate value of ₹ 5,565 Crores.
- Your Company successfully completed, perhaps, the World's largest and tallest natural draught cooling tower with height of 202 meters and diameter of 145 meters at Kalisindh 1200 MW power project in Rajasthan.
- Electrical Project Division has bagged a large EPC contract for Electrical systems for 4 units of 700 MW of Nuclear Power projects for a value of ₹ 444.48 Crores from Nuclear Power Corporation. Electrical Projects business is qualified to implement large OPGW live-line projects and has installed over 2400 KM in various States for Power Grid Corporation. This division has executed projects for supply and installation of Gas Insulated Switch gear for PSU customers.
- Air Fin Cooler division has achieved ever highest turnover of ₹ 178 Crores registering over 36% growth over the previous year and closed the year with healthy order book position of ₹ 180 Crores. Your Company made significant expansion of export markets in Kuwait, Oman and Qatar. Despite stiff competition and challenges in international markets, Air Fin Cooler business has achieved secular improvement in its performance.
- Environment Engineering division is engaged in the business of supply of Deaerators, Condensate Polishing Unit ("CPU") and Water Treatment Plant. During the year, significant success was made in Deaerator business and your company firmly established its market position in CPU business.
- Despite drop in sales over the previous year, the Oil & Gas Equipment division has profitably executed contracts for supply of Oil storage tanks, Mobile Test separator, scrapper launching / receiving stations and gas processing units. The USD 80.5 Million contract with SCOP, Iraq for Akash and Al-Mansuriya gas field development was terminated with mutual consent of the company and client and contractual claims will be settled with mutual agreement. This termination of contract became necessary in view of the client's decision to award gas development projects to private companies.

PROGRESS AND STATUS OF JOINT VENTURE

The joint venture companies established in strategic partnership with Hitachi Japan and Germany for Super Critical Steam Turbine and Generators and Steam Generators ("BTG") are progressing well and are gearing up to commence the manufacturing during the

Directors' Report

first half of FY 2013–14. The strategic tie up through joint venture has positioned your company as a full service EPC company with capability design, engineering and manufacture of BTG and BoP equipment and civil works in the same platform with BHEL and L&T.

BGR BOILERS PRIVATE LIMITED

Your Company invested ₹ 94.90 Crores towards equity contribution constituting 70 % in the equity capital of BGR Boilers Private Limited. The Joint venture with Hitachi Power Europe, Germany has acquired lands for setting up of manufacturing facility for Super critical steam generators of 660 MW, 800 MW and 1000 MW capacity. Towards implementation of the project, technology transfer and technical training from Hitachi Power are progressing and the JV company has also placed orders for purchase of long lead capital equipment. The Joint venture company is expected to achieve financial closure for the manufacturing facility during the current financial year.

BGR TURBINES COMPANY PRIVATE LIMITED

Your Company has so far invested ₹ 136.16 Crores towards equity contribution constituting 74 % in the equity capital of BGR Turbines Company Private Limited. The joint venture with Hitachi, Japan has acquired lands required for setting up of manufacturing facility for Steam Turbines and Generators. During the year, technology transfer and technical training have commenced. The JV company has placed orders for purchase of long lead capital equipment. The Joint venture company is expected to achieve financial closure for the manufacturing facility during the current financial year.

INDIAN POWER SECTOR SCENARIO

The Indian power sector is making slow but steady progress even with peak shortage of 10.3% during FY 2011 – 12. The growth of power sector is synonymous with the sustenance and the drive to keep up growth momentum of GDP. The Government of India, State and Central utilities continue to give greater importance of adopting Super critical technology in all fossil fuel based power plants, with high efficiencies and lower emission. India made a modest beginning in deploying Super critical technology based power equipment of large unit sizes viz., Boilers, Turbine and Generators with increased visible presence only in recent years. In 12th plan period, about 60% of the coal based power projects are of Super critical technology and in 13th plan period all coal based projects are likely to be based on super critical technology.

The increase in variable cost and interest rate has adversely affected the cost of power generation for Central, State utilities & independent power producers and it has in turn laid thrust on more efficient power plants in future to save on cost of fuel. The Integrated Energy Policy envisages coal to be the predominant fuel till 2031 – 32. With Central Electricity Authority directive of blending of 30% of imported coal and coal shortage, has further increased the importance of efficiency of power plants and proven technology products from BTG suppliers, with ability to handle variety of coal combinations. During the year under review, there has been a slow down and delays in award of contracts for large power projects by Central and State utilities and Independent power producers on account of variety of reasons including natural gas availability, coal linkage, abnormal increase in price of imported coal, land acquisition, environmental clearance and poor financial health of State Discoms. These factors adversely affected the economics of power generation, which in turn has drastically reduced the market potential for power plant EPC contractors and equipment manufacturers in the last fiscal year.

Your company's capital goods business service Power and Process sector in India and abroad. These businesses also have witnessed

slowdown and delays in capacity addition by industries.

FUTURE OUTLOOK, THE YEAR AHEAD

In Supercritical technology based power projects, many customers are opting for complete range of Engineering, Procurement and Construction ("EPC") route over the multiple package route. The in-house capability to manufacture Super critical BTG have enabled your company to equip with proven, efficient and cost competitive technology solutions to customers. Your company is one of the three Indian EPC companies to manufacture both Super critical boilers and steam turbine generators, which has a distinct advantage in offering a competitive and complete EPC package due to the vast experience in turnkey Balance of Plant. Your company have an added advantage of continuous improvements in in-house engineering standards, augmentation, retention of human resources, adoption of best practices in construction, in-house manufacturing, increased mechanization and augmentation of construction equipment for faster execution.

The Capital goods business segment would continue to lay thrust on domestic and international markets. GIS sub stations, OPGW, LNG terminal, Hydro Carbon sector and export markets would offer significant growth opportunities for these business segment.

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.

In accordance with the general Circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not attached with the financial statements of the Company. The Company will make available the Annual financial statements of the subsidiary companies and related information to the members of the Company who may be interested in obtaining the same. The Annual reports of the subsidiary companies will be open for inspection by shareholders at the Registered and Corporate Office of the Company and Subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

HUMAN RESOURCES

The Company's business has been growing at a rapid pace and in order to ensure a vibrant organization which is capable of coping up with the challenges of growth thrust areas in FY 2011 – 12 have been ;

- a) Building highly competent and committed team of people.
- b) Inculcating a performance driven culture.
- c) Identifying and developing employee potential through adequate training and developmental interventions.

Building an organization of highly competent work force has been of vital importance and consequently talent acquisition across different levels, functions and business verticals has been the most significant effort. The Company, over a period of time, has established itself as a visible, respected brand in the industry thereby attracting talent at senior levels from across leading companies in the country. Your Company added 930 employees, mostly engineers and professionals during the year. Your company has set up Engineering & Project Management Centre of Excellence at New Delhi Regional Office, in addition to its existing infrastructure in Chennai.

Directors' Report

In addition to lateral induction across various levels, your company has taken steps to build talent pool through Graduate and Post Graduate trainee programme so as to sustain and manage organizational challenges over period of times. These graduates are recruited from premier campuses across the country and are imparted comprehensive tailor made training.

The Company laid stress on performance reward driven culture thereby creating and nurturing an environment that fosters highly motivated work force. In order to ensure overall employee growth, your company imparts in-house as well as external training in the areas of technical, techno commercial and behavioral skills. In the coming years, in order to enhance knowledge and skill levels to cope-up with the changing business needs and the training would focus on project management, communication and leadership besides technical training.

EMPLOYEE STOCK OPTION SCHEME

The Company has implemented the Employee Stock Option Scheme 2007 in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. 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, 2012 are attached as Annexure – I of this report.

STATUTORY INFORMATION

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 2011-12, the Foreign exchange earnings and outgo were ₹ 454.51 Crores and ₹ 686.95 Crores 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 Companies Act, 1956, the annual report excluding the aforesaid information is being sent to all the members of the Company. Any member interested in obtaining such information, may write to the Company Secretary of the Company.

BOARD OF DIRECTORS

Mr.S. Rathinam, Director – Finance relinquished his office with effect from February 7, 2012. Your directors wish to place on record their appreciation for valuable service and guidance rendered by Mr.Rathinam during his tenure on the Board of the Company. The Board also wish to convey its gratitude to Mr.Rathinam for the invaluable contribution and wise counsel rendered by him during his two decades of service with the company.

Mr.S.R. Tagat and Mr.V.R. Mahadevan, Directors, retire by rotation and being eligible for re-appointment, offer themselves for re-appointment. The Board recommends their re-appointment. Profiles of these directors are given in the notice convening the 26th annual general meeting of the Company.

On November 14, 2011, Mr.M.S. Sundara Rajan 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.M.S. Sundara Rajan for appointment to the office of director. The profile of Mr.M.S. Sundara Rajan is given in the notice convening the 26th annual general meeting of the Company. The Board recommends his appointment.

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:

- In the preparation of the annual accounts for the Financial year ended March 31, 2012, 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;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the Financial year ended on that date;
- 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
- the Directors have prepared the annual accounts for the year ended March 31, 2012 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 reappointment. Manohar Chowdhry & Associates, Chartered Accountants confirmed 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 in terms 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis report for the financial year under review, is presented in a separate section forming part of the Annual Report.

ACKNOWLEDGEMENTS

Your Directors would like to express their appreciation for the patronage, support and co-operation received from the customers, vendors, consortium of banks, collaborators, business partners / associates, statutory authorities, Central and State Governments during the year under review. 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 performance.

For and on behalf of the Board

Place : Chennai
Date : May 30, 2012

B. G. RAGHUPATHY
Chairman & Managing Director

Directors' Report

ANNEXURE – I

DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES:

Particulars	2011-12
Options Outstanding in the Beginning of the Year	335,851
a Options granted	-
b Pricing formula	85% of Issue Price ₹ 408/-
c Options Vested	32,444
d Options Exercised	-
e Total no. of shares arising as result of exercise of Options	-
f Options lapsed	44,851
g Variation in terms of Options	None
h Money realised by exercise of Options	-
i Total number of options in force	291100*
* 100 Options added since application for allotment of shares was withdrawn.	
j employee wise details of options granted to	
(i) Senior Managerial Personnel	None
(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	None
(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None
k Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 'Earnings per Share'	30.98
Pro Forma Adjusted Net Income and Earning Per Share	
Particulars	Rs. in Million
Net Income	
As Reported	2235.22
Add: Intrinsic Value Compensation Cost	-
Less: Fair Value Compensation Cost	-2.23
Adjusted Pro Forma Net Income	2237.45
Earning Per Share : Basic	
As Reported	30.98
Adjusted Pro Forma	30.94
Earning Per Share : Diluted	
As Reported	30.98
Adjusted Pro Forma	30.94
l Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	N.A.
m Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	N.A.
n A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	
(i) risk-free interest rate	N.A.
(ii) expected life	N.A.
(ii) expected volatility	N.A.
(iv) expected dividends and	N.A.
(v) the price of the underlying share in market at the time of option grant.	N.A.

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

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

In accordance with Clause 49 of the Listing Agreement with Stock Exchanges on Corporate Governance, your Company is committed to follow high standards of Corporate Governance in all its activities and processes. The Board of Directors endeavour to create an environment of Fairness, Equity and Transparency. The Company's objective is to secure long term shareholder value, while respecting the rights and expectations of all other stakeholders viz., Customers, Vendors, 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.

BOARD OF DIRECTORS

COMPOSITION OF BOARD

In line with Corporate Governance philosophy, all statutory and other significant material informations are placed before the Board of Directors ("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 eleven Directors drawn from diverse fields of expertise viz., Business Management, Banking, Finance, Public Administration, Power, Technology, Arts, Culture and International Business. The Board at present consists of six independent directors, three professional whole-time directors and one non-independent and non-executive director and Chairman of the Board, who is the Promoter/ Managing Director.

The Company has defined guidelines and established framework for the meetings of the Board and Committees. The Board critically evaluates business strategies, policies and its effectiveness. The Board reviews all strategic and operating plans, financial reporting, budgets and capital expenditure.

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, 2012 have been made by the Directors.

MEETINGS AND ATTENDANCE OF THE BOARD DURING THE YEAR

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. In our endeavour to improve the practices with regards to the Board Meetings, the agenda and the relevant papers are circulated in advance to facilitate the members of the Board to take informed decisions and discharge their responsibility effectively. Where it is not practicable to attach or forward any document/ information as part of the agenda papers, the same are tabled at the meeting or presentations by the concerned Presidents and CEOs of the divisions

to the Board. 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.

The following information are regularly placed before the Board:

- i) Appointment, resignation and retirement of directors.
- ii) Constitution and reconstitution of Board committee.
- iii) Disclosure of interest of Directors.
- iv) Minutes of the meetings of the Board.
- v) Minutes of the meetings of all Board Committees viz., Audit, Investors relationship, Employee Stock Option, Share Transfer and Committee of Directors.
- vi) Statutory compliance report on quarterly basis.
- vii) Corporate Governance compliance.
- viii) Action taken on the minutes of the previous meetings of the Board and Committees.
- ix) Corporate Budget including Capital expenditure budget.
- x) Review of Project wise budget Vs actual performance.
- xi) Progress of the EPC, BOP and Capital goods contracts and profitability.
- xii) Quarterly, Half yearly and Annual financial statements of the Company and Subsidiary companies.
- xiii) Appropriation of profits to dividend and reserves.
- xiv) Investment in Joint ventures and Subsidiaries.
- xv) Progress of Joint venture companies and capital projects.
- xvi) Audit Committee's recommendations on internal and statutory audits, auditor recommendation, accidents and untoward incidents.
- xvii) Show cause notices and other material legal action against the company.

During the Financial Year 2011-12, 5 (five) Board Meetings were held on May 26, 2011, July 27, 2011, November 14, 2011, February 6, 2012, and March 14, 2012 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 are regularly made available to the Board, wherever applicable for discussion and consideration. The relevant decisions of the Board are communicated to the concerned Business unit Heads or Department Heads for prompt action and the results or action taken thereon are placed before the Board for review, direction or record.

Particulars of the Directors' attendance at the Board Meetings and at the Annual General Meeting held on September 22, 2011 and particulars of their directorships and committee memberships in other companies are given below:

Corporate Governance Report

Name & Category of the Director	Attendance at meetings during 2011-2012		No. of Directorship in other Companies@	No. of Committee Membership & Chairmanship in other Companies#
	Board Meetings	At Last AGM held on 22 nd September, 2011		
B.G. Raghupathy Chairman & Managing Director, Promoter, Executive	5	Yes	11	-
T. Sankaralingam Managing Director, Executive	5	Yes	3	-
S. Rathinam* Director – Finance, Executive	3	No	4	-
V.R. Mahadevan Director – Technologies & Human Resources, Executive	5	No	3	-
A. Swaminathan Director – Sales & Marketing, Executive	5	Yes	1	-
M. Gopalakrishna Director, Independent	5	No	7	3
S.A. Bohra Director, Independent	4	No	-	-
S.R. Tagat Director, Independent	5	Yes	-	-
M. S. Sundara Rajan** Director, Independent	3	N.A.	7	3
Gnana Rajasekaran Director, Independent	5	No	1	1
Heinrich Bohmer Director, Independent	4	No	-	-
Sasikala Raghupathy Director, Non-Executive & Non-Independent	5	Yes	9	-

Yes – Present

No – Absent

* Mr.S. Rathinam, Whole-time Director of the Company relinquished his office with effect from February 7, 2012.

** Mr.M. S. Sundara Rajan was inducted into the Board as an additional director with effect from November 14, 2011.

@ Excludes private companies and foreign companies.

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

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.

REMUNERATION OF DIRECTORS

(₹ in Lakhs)

Name of Director	Remuneration		Sitting Fees*
	Salary & Allowances	Commission / Bonus / Incentive	
B.G. Raghupathy, Chairman & Managing Director	145.32	2452.54	-
T. Sankaralingam, Managing Director	130.08	-	-
S. Rathinam,** Director – Finance	98.22	-	-
V.R. Mahadevan, Director – Technologies & Human Resources	94.55	-	-

Name of Director	Remuneration		Sitting Fees*
	Salary & Allowances	Commission / Bonus / Incentive	
A. Swaminathan Director – Sales & Marketing	135.76	-	-
M. Gopalakrishna, Director	-	-	2.60
S.A. Bohra, Director	-	-	2.00
S.R. Tagat, Director	-	-	1.80
M. S. Sundara Rajan, Director	-	-	0.60
Gnana Rajasekaran, Director	-	-	1.00
Heinrich Bohmer, Director	-	-	1.20
Sasikala Raghupathy, Director	-	-	1.00

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

Corporate Governance Report

** Mr.S. Rathinam, Whole-time Director of the Company relinquished his office with effect from February 7, 2012.

Details of Shares of the Company held by Directors as on March 31, 2012 and Options granted under ESOS 2007 to the Directors and held by them as on March 31, 2012 are as below:

Name	Number of Shares	Number of Options (outstanding)
B.G. Raghupathy	19712160	-
T. Sankaralingam	-	-
S Rathinam*	12100**	8450
V.R. Mahadevan	716	20000
A. Swaminathan	18000	41265
Sasikala Raghupathy	11579120	-
Heinrich Bohmer	-	-
M. Gopalakrishna	-	-
S.A. Bohra	-	-
S.R. Tagat	135	-
Gnana Rajasekaran	-	-
M. S. Sundara Rajan	-	-

* Mr.S. Rathinam, Whole-time director of the Company relinquished office with effect from February 7, 2012.

** The number of shares held as on February 7, 2012.

COMMITTEES OF THE BOARD

The Board constituted the following committees:

AUDIT COMMITTEE

The Audit Committee of the Board comprises of three directors. All three members are independent directors and all the members of Audit Committee are financially literate with financial, accounting and audit experience.

The members of the Audit Committee are:

S. R. Tagat	Chairman	Independent Director
S. A. Bohra	Member	Independent Director
M. Gopalakrishna	Member	Independent Director

The Composition of the Audit Committee is in conformity with Clause 49 of the Listing Agreement 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 quorum for Committee Meeting is two members or one third of the total strength of the Committee, whichever is higher. The Committee enables the Board to discharge its responsibility for overseeing accounting, auditing and reporting process and for ensuring legal and regulatory compliance.

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. Overseeing Company's financial reporting process and disclosure of its financial information.
2. Recommendation to the Board for appointment, re-appointment, fixation of remuneration, and if required, the

replacement or removal of Statutory Auditors and fixation of audit fees.

3. Approval of payment to Statutory Auditor for any other services rendered by them.
4. Appointment and fixation of remuneration of Internal Auditors.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, annual financial statements and all related statements before submission to the Board focusing primarily on:
 - a. Review in change in accounting policies and practices, reviewing the major accounting entries involving the estimates based on the exercise of judgment by management
 - b. Review and discuss on qualifications in the auditors' report
 - c. Significant adjustments made in the financial statements arising out of audit
 - d. Compliance with listing agreement, accounting standards, internal policies, procedures and methodology
 - e. Review of action taken on observation of auditors
 - f. Review of disclosure of related party transactions.
 - g. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - h. Specific suggestions on system/ process improvements based on audit and review.
7. Reviewing with the management the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue etc.), statement of funds utilized for the purposes other than those stated in the offer document / prospectus/ notice and the report submitted by the monitoring agency monitoring the utilization proceeds of public issue or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
8. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems and procedures, report control gaps and recommendations. Discussion with statutory auditors before the commencement of audit about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
9. Discussion with the internal auditors any significant findings and follow up thereon.
10. Review of scope of internal audit and structure of internal audit function.
11. Review of action taken on observations of auditors.
12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is any suspected fraud and irregularities etc., and action taken thereon, failure of internal control systems of a material nature and reporting the matter to the Board.
13. Review of servicing and defaults of institutional and bank loans and debts, to look into the reasons for substantial defaults in payment of dividend to shareholders.

Corporate Governance Report

14. Review of Company's financial and Risk Management Policies.
15. Review of all mandatory reports furnished by the Board to the Shareholders.
16. Review of compliance with Tax Laws and review statutory tax compliance.
17. Audit of fixed assets and adequacy of insurance cover.
18. Scrutiny, audit and review of payroll and all labour charges.
19. Review of construction and project activities at project location.
20. Review of financial statements of unlisted subsidiary companies.
21. Any other matter referred to the Audit Committee by the Board of Directors of the Company.

There were 4 (Four) meetings of the Audit Committee held during Financial Year 2011 - 12 on May 25, 2011, July 27, 2011, November 14, 2011 and February 6, 2012.

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

Name of the Member	No. of Meetings attended
S.R. Tagat	4
S.A. Bohra	4
S.Rathinam*	3
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 22, 2011.

*Mr.S. Rathinam, Whole-time director of the Company relinquished his office with effect from February 7, 2012.

COMMITTEE OF DIRECTORS

The Board of Directors at its meeting held on February 5, 2010 reconstituted the Committee of Directors. The Committee of Directors consists of Mr.B. G. Raghupathy, Chairman & Managing Director, Mr.T. Sankaralingam, Managing Director, Mr.V. R. Mahadevan, Director - Technologies & Human Resources, Mr.A. Swaminathan, Director - Sales & Marketing, 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 5 (five) meetings of Committee of Directors held during Financial Year 2011 - 12 on April 16, 2011, July 14, 2011, September 17, 2011, September 27, 2011, and December 28, 2011.

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

Name of the Member	No. of Meetings attended
B.G. Raghupathy	5
T. Sankaralingam	4
S. Rathinam*	3
V. R. Mahadevan	5
A. Swaminathan	2

*Mr.S. Rathinam, Whole-time director of the Company relinquished his office with effect from February 7, 2012.

The Board of Directors at its meeting held on May 30, 2012 varied the terms of reference of the Committee of Directors, which are as follows:

- a) Borrowing moneys from banks, NBFCs, companies, firms, and other institutions by way of overdraft, cash credit, hire purchase, lease, lines of credit or otherwise and hire purchase, leasing, bills discounting and any other form of borrowings; provided that the total amount so borrowed and outstanding at any time shall not exceed ₹ 5,000 Crores (Rupees Five Thousand Crores) and all such borrowings shall be in the ordinary course of business except hire purchase and lease or the like transactions.
- b) Availment of non-funded facilities viz., Bank guarantees, Letters of Credit, Letters of comfort and any other instruments of like nature from banks and financial institutions; provided that non-funded facilities so availed shall not exceed ₹ 10,000 Crores at any time.
- c) To open, close banking accounts for the Company; and to determine the day to day operations of all banking accounts of the Company and to authorize such persons, as the Committee may determine from time to time, for operating such accounts.
- d) Exercise all powers to borrow moneys (otherwise than by issue of debentures) within the limits approved by the Board and taking necessary actions connected therewith including alternative financing or refinancing for optimization of borrowing costs.
- e) Giving of guarantees / indemnities / counter guarantees / issuing letters of comfort / providing securities within the limits approved by the Board.
- f) Provide corporate guarantee / performance guarantee / indemnity / counter guarantee / counter indemnity by the company in the ordinary course of business.
- g) Carry out any other function as required from time to time and/or enforced by any statutory notification, amendment or modification as may be applicable.
- h) Delegate authorities from time to time to the executives / officers / authorized persons to implement the decisions of the Committee.
- i) Issue and allot equity shares of the Company from time to time pursuant to ESOS, 2007 Scheme of the Company and in compliance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, Companies Act, 1956 and all other applicable laws and regulations.
- j) To affix the Common Seal of the Company to any document and instrument in respect of transactions specified hereinabove (a) to (h) in the presence of Mr.B. G. Raghupathy, Chairman & Managing Director or Mr.T. Sankaralingam, Managing Director or Mr.V. R. Mahadevan, Director-Technologies & HR or Mr.A. Swaminathan, Director - Sales & Marketing of the Company, wherever necessary and Mr.R. Ramesh Kumar, President – Corporate & Secretary of the Company in terms of Article 68 of the Articles of Association of the Company.

COMPENSATION COMMITTEE

The Compensation Committee was constituted by the Board and the Committee 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 quorum for the Committee meetings is two member or one-third of the total strength of the Committee, whichever is higher. The Compensation Committee met twice during the year on July 27, 2011 and February 6, 2012.

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

Name of the Member	No. of Meetings attended
B.G. Raghupathy	2
S.A. Bohra	2
M. Gopalakrishna	2

SHAREHOLDERS AND INVESTORS GRIEVANCE COMMITTEE

The Shareholders and Investors Grievance Committee was constituted by the Board and the Committee comprises of Mr.M. Gopalakrishna, Chairman of the Committee, Mr.Heinrich Bohmer and Mr.V.R. Mahadevan, Members of the Committee. The Committee reviews and redresses all investors' grievances and complaints in general including non-receipt of dividend warrants, annual report and non-receipt of refund amount in IPO, non-credit of shares allotted in IPO, and others.

During the Financial Year, the Company received 78 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, 2012, there were no pending share transfers. The Committee met twice during the year on July 27, 2011 and February 6, 2012 and reviewed the status of pending investor complaints and steps taken by the Company.

Securities and Exchange Board of India ("SEBI") vide its circular dated June 3, 2011, has commenced the processing of investor complaints in a centralized web based complaints redress system SEBI Complaint Redressal System ("SCORES"). Pursuant to this circular, all the complaints pertaining to the company are sent electronically through SCORES. The Company views and submits Action Taken Reports ("ATRs") alongwith the supporting documents electronically in SCORES.

The number of meetings attended by each member of the Shareholders and Investors Grievance Committee is as follows:

Name of the Member	No. of Meetings attended
M. Gopalakrishna	2
Heinrich Bohmer	2
V.R. Mahadevan	2

SHARE TRANSFER COMMITTEE

The Share Transfer Committee of the Company consists of Mr.B.G. Raghupathy, Chairman & Managing Director, Mr.S.R. Tagat, Director, Mr.S Rathinam, Director-Finance* and Mr.V. R. Mahadevan, Director – Technologies & Human Resources, as 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 to 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.

Mr.R. Ramesh Kumar, President – Corporate & Secretary acts as the secretary to all the Board Committees and is required to cause compliance with the Companies Act, 1956, Securities Law, Listing Agreement and the relevant and applicable laws and regulations.

*Mr.S Rathinam, Whole-time director of the Company relinquished his office with effect from February 7, 2012

GENERAL BODY MEETINGS

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

Financial Year	Date	Time	Venue
2010 - 11	September 22, 2011	3.00 P.M.	Registered Office
2009 – 10	September 24, 2010	3.00 P.M.	Registered Office
2008 – 09	September 14, 2009	4.00 P.M.	Registered Office

- Special resolution passed through postal ballot : –

No special resolution was passed through postal ballot during the Financial Year 2011-12. None of the business proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through postal ballot.

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 www.bgrcorp.com for strict compliance. All Board members and Senior Management Personnel have affirmed compliance of the code. 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, 2012 is given below.

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, 2012.

Place : Chennai
Date : May 30, 2012

B G RAGHUPATHY
Chairman & Managing Director

Corporate Governance Report

SUBSIDIARY COMPANIES

The Company does not have material non-listed subsidiary, whose turnover or net worth (i.e.,) Paid-up capital & free reserves, exceeds 20% of the consolidated turnover or net worth respectively, of the Company and its subsidiary in the immediately preceding accounting year ended March 31, 2012.

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

- The financial statements, in particular the investment made by the unlisted subsidiary companies, are reviewed by the Audit Committee as well as by the Board.
- The minutes of Board meetings of the subsidiaries are placed and noted at the Board meetings of the Company.
- The progress reports of capital projects currently executed by two subsidiaries (out of the three subsidiaries) are placed before the Board for review, control and monitoring.

DISCLOSURES

Risk Management

The Company as part of Standard Operating System and Procedure institutionalized Risk Management covering risk identification, mitigation and management measures. This Risk Charter and Policy have been brought to practice as part of internal control systems and procedures. The Management has applied the Risk Management Policy to activities and processes of the business and this is reviewed periodically by the Board to ensure that executive management manages risk through means of a properly defined framework.

Related Party Transactions (₹ in Lakhs)

Particulars	Subsidiary Companies	Other Companies	Key Management Personnel	Relatives	For the year ended 31.03.2012	For the year ended 31.03.2011
Sales	-	6716	-	-	6716	4635
Purchases	416	1906	-	-	2322	3211
Advances given	-	-	-	-	-	3266
Repayment of Advance given	1235	1203	-	-	2438	7
Investment made	9905	-	-	-	9905	13202
Remuneration	-	-	2212	29	2241	3648
Rent Expenses	4	74	44	-	122	203
Guarantees	232	270	-	-	502	744
Purchase of Asset	-	9	-	-	9	-
Sale of Asset	111	-	-	-	111	-
Others	-	3	11	-	14	11
Balance Outstanding	863	2914	(11)	-	3766	4021

During the last three years, no penalties or strictures have been imposed on the Company on any matters related to the capital markets by the Stock Exchange, SEBI or any other statutory authority.

RECONCILIATION OF SHARE CAPITAL AUDIT

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 is in

agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges.

COMMUNICATION

The Company's quarterly financial results, after the Boards' approval are promptly furnished to National Stock Exchange ("NSE") and Bombay Stock Exchange ("BSE"). These financial results, in the prescribed format, as per Clause 41 of the listing agreements are published in leading English National and vernacular newspapers (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.

A Management Discussion and Analysis Report, forming part of the Directors Report, is being presented in the Annual Report.

In line with the circular no. NSE/LIST/C/2011 dated September 29, 2011 of the National Stock Exchange Limited ("NSE"), the Company from the quarter ended September 30, 2011, uploads its quarterly shareholding pattern and the Corporate Governance report through NSE Electronic Application System ("NEAPS"), which is a web based application designed by National Stock Exchange for corporates, in order to enhance the quality and speed of submission and assist in moving towards paperless submission of documents to the exchange.

GENERAL SHAREHOLDER INFORMATION

Day, date, time and venue of the 26th Annual General Meeting:

AGM Date : September 21, 2012
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 Agreements with the Stock Exchanges, particulars of Directors seeking appointment / re-appointment at the forthcoming annual general meeting are given hereunder:

Profile of Directors seeking appointment/re-appointment :

- Mr.S.R. Tagat is an independent Director on the Board of your company. Mr.Tagat, a Chartered Accountant holds a Bachelor's degree in Commerce. He was inducted into the Board as independent director of the Company on July 18, 2007. Mr.Tagat has earlier served in various State public sector enterprises and handled audit of corporates, banks and insurance companies. Presently, Mr.Tagat is a partner in a reputed firm of Chartered Accountants. Mr.Tagat is the Chairman of the Audit Committee and a member of Share Transfer Committee of the Company. Mr.Tagat holds 135 equity shares of the Company. Mr.Tagat does not hold directorship in any other company.
- Mr.V.R. Mahadevan, Whole-time director, is designated as Director – Technologies & Human Resources. Mr.Mahadevan holds a Bachelor's degree in Electrical Engineering. He joined the Company in the year 1987 and served the Company for more than two decades in various capacities and has proven experience in project management, engineering, sales and business management. Mr.Mahadevan is a member of Shareholders and Investors Grievances Committee of the Company. Mr.Mahadevan holds 716 equity shares of the Company. Mr.Mahadevan is a director of the companies given below:

Sl No.	Names of the Companies
1.	GEA BGR Energy System India Limited
2.	BGR Boilers Private Limited
3.	Germanischer Lloyd Industrial Services India Private Limited
4.	Govin Engineering and Constructions Limited
5.	Schmitz India Private Limited
6.	Pragati Computers Limited
7.	Pragati Information Technologies Private Limited
8.	GOA Oceanarium Private Limited
9.	BGR Enertech Sdn., Bhd., Malaysia

iii) Mr.M.S. Sundara Rajan, 62, holds Master Degree in Economics and is an associate member of the Institute of Company Secretaries of India and a Certified Associate of Indian Institute of Bankers. Sundara Rajan retired as Chairman & Managing Director, Indian Bank on 31st March, 2010. He has served in banking sector for more than three decades in various capacities including at Board levels of various subsidiary companies of Indian Bank. Sundara Rajan brings with him rich and vast experience in credit, merchant banking, corporate banking, housing finance, fund management and other strategic areas of banking. Sundara Rajan does not hold any share in the Company. Sundara Rajan shall be liable to retire by rotation in accordance with the provisions of the Articles of Association of the Company and the Companies Act, 1956. Sundara Rajan holds directorship in companies given below.

Sl No.	Names of the Companies
1.	NSDL Database Management Limited
2.	M R L Postnet Private Limited
3.	The Clearing Corporation of India Limited
4.	Aadhar Housing Finance Private Limited
5.	Sundaram Trustee Company Limited
6.	Royal Sundaram Alliance Insurance Company Limited
7.	My Mobile Payments Limited
8.	Sharda Worldwide Exports Private Limited
9.	Kisan Mouldings Limited
10.	Gitanjali Gems Limited
11.	Frontier Lifeline Private Limited

The details about financial year, results, book closure date and listing

Financial Year : April 1, 2011 to March 31, 2012
 Publication of financial results : Unaudited Results for the quarter ending June 30, 2011 – On or before August 15, 2011.
 Unaudited Results for the quarter and 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, 2012.
 Audited Results for the year ending March 31, 2012 – On or before May 30, 2012.

Dividend Payment Date : September 26, 2012
 Dates of Book closure : September 17, 2012 to September 21, 2012.

Listing on Stock Exchanges : National Stock Exchange of India Limited
 Bombay Stock Exchange Limited
 The listing fees for the Financial Year 2012-13 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

Sl. No.	Particulars	(in Nos.)
1	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	124 shareholders 1736 shares
2	Number of shareholders who approached issuer for transfer of shares from suspense account during the year	1 shareholder 14 shares
3	Number of shareholders to whom shares were transferred from suspense account during the year	1 shareholder 14 shares
4	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	123 shareholders 1722 shares

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.

Corporate Governance Report

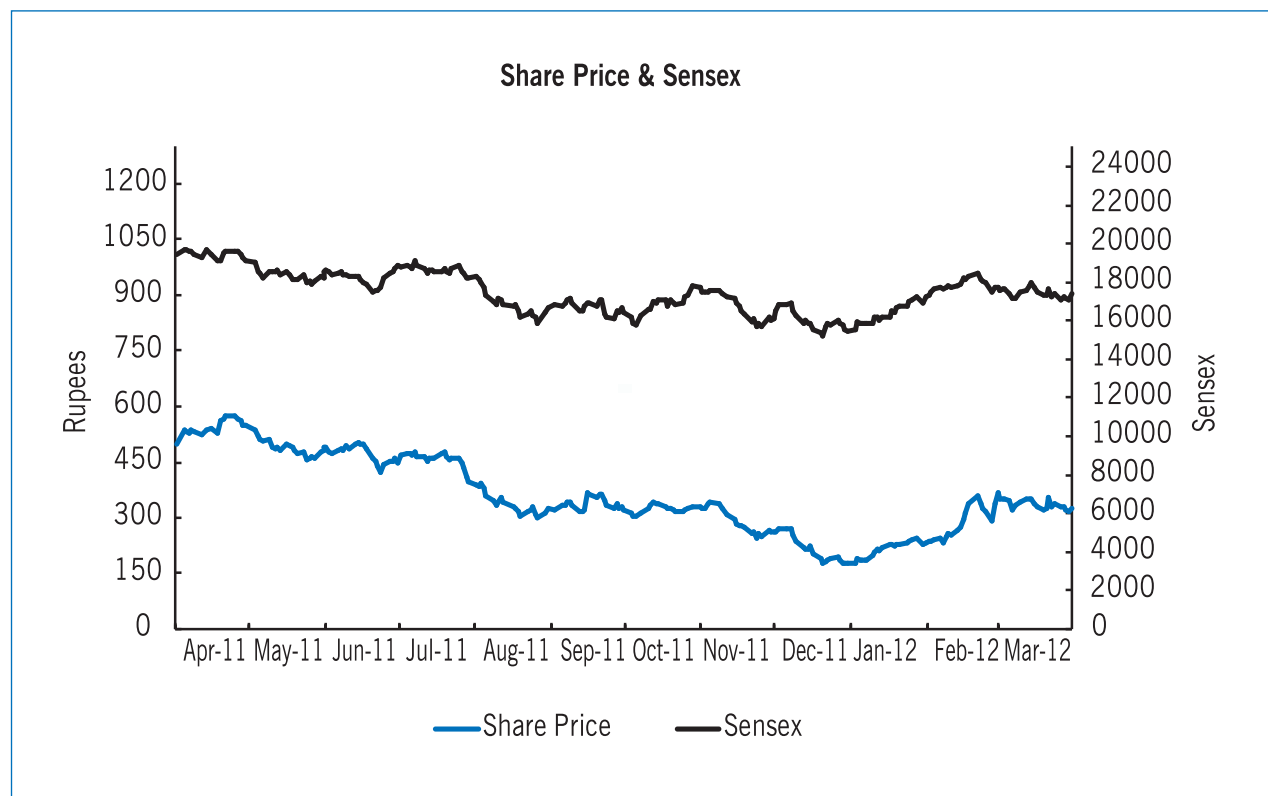
STOCK MARKET PRICE DATA & STOCK PERFORMANCE IN BSE:

Month	BSE		SENSEX	
	High (₹)	Low (₹)	High	Low
Apr-11	588.00	480.00	19811.14	18976.20
May-11	555.00	455.50	19253.87	17786.13
Jun-11	512.40	418.00	18873.39	17314.38
Jul-11	484.30	395.10	19131.70	18131.86
Aug-11	404.95	296.00	18440.07	15765.53
Sep-11	377.70	315.05	17211.80	15801.01
Oct-11	350.00	301.50	17908.13	15745.43
Nov-11	348.45	240.10	17702.26	15478.69
Dec-11	277.20	174.80	17003.71	15135.86
Jan-12	250.60	172.55	17258.97	15358.02
Feb-12	370.95	227.30	18523.78	17061.55
Mar-12	373.90	310.80	18040.69	16920.61

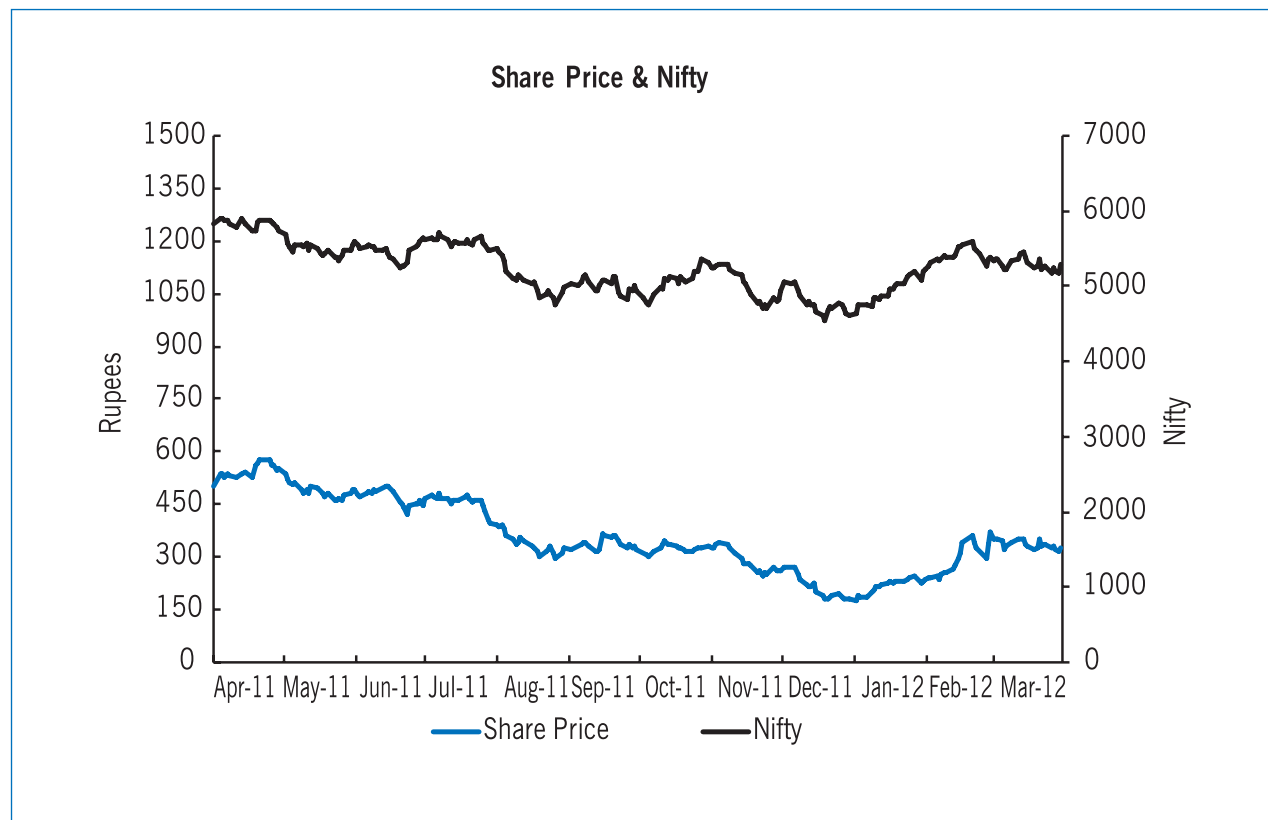
STOCK MARKET PRICE DATA & STOCK PERFORMANCE IN NSE:

Month	NSE		NIFTY	
	High (₹)	Low (₹)	High	Low
Apr-11	588.00	477.00	5944.45	5693.25
May-11	554.55	451.15	5775.25	5328.70
Jun-11	512.50	416.40	5657.90	5195.90
Jul-11	484.50	395.00	5740.40	5453.95
Aug-11	405.20	295.50	5551.90	4720.00
Sep-11	375.90	314.95	5169.25	4758.85
Oct-11	350.00	301.00	5399.70	4728.30
Nov-11	348.50	240.10	5326.45	4369.10
Dec-11	277.20	174.60	5099.25	4531.15
Jan-12	250.75	172.20	5217.00	4588.05
Feb-12	371.35	227.50	5629.95	5159.00
Mar-12	371.90	310.50	5499.40	5135.95

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



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



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

Contact Person: 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.

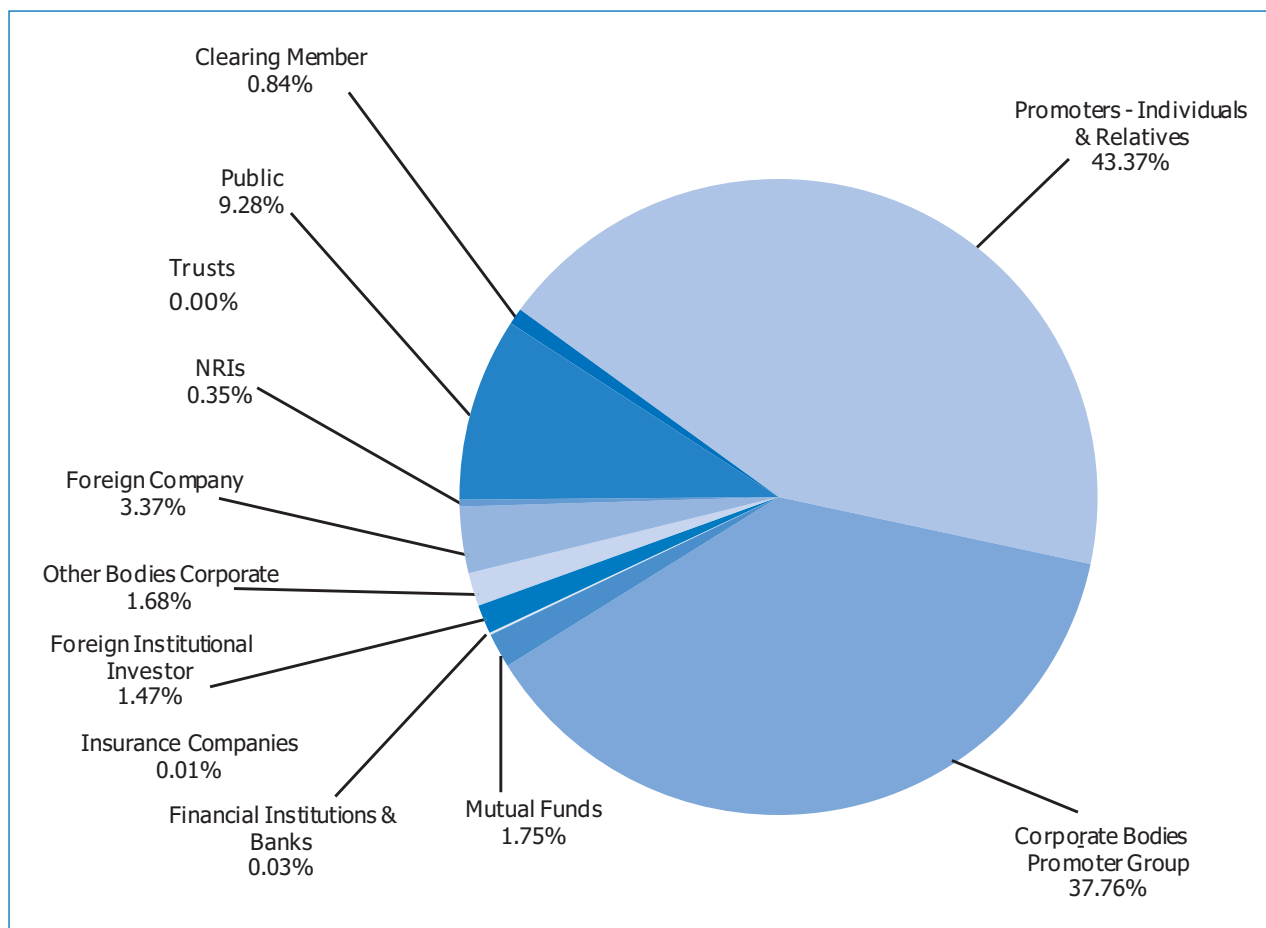
DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2012

Shareholding	No. of Shareholders	% of total	No. of Shares	% of total
1 – 500	115849	98.42	4654477	6.45
501 – 1000	1055	0.90	805878	1.12
1001 – 2000	418	0.36	624320	0.87
2001 – 3000	135	0.11	332512	0.46
3001 – 4000	59	0.05	207779	0.29
4001 – 5000	46	0.04	212541	0.29
5001 – 10000	70	0.06	466480	0.65
10001 and above	77	0.07	64857573	89.88
TOTAL	117709	100	72161560	100

Corporate Governance Report

SHAREHOLDING PATTERN AS ON MARCH 31, 2012

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	1261660	8	1.75
4	Financial Institutions & Banks	20888	5	0.03
5	Insurance Companies	69564	3	0.10
6	Foreign Institutional Investors	1061512	25	1.47
7	Other Bodies Corporate	1210880	963	1.68
8	Foreign Companies	2428307	7	3.37
9	NRIs	251845	1093	0.35
10	Trusts	1712	6	0.002
11	Public	6701940	115215	9.28
12	Clearing Members	609252	377	0.84
	Total	72161560	117709	100



DEMATERIALIZATION 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, 2012, except 930 equity shares, 100.00 % of the total paid up equity share capital was held in dematerialisation form of which NSDL constitutes 95.77% and CDSL constitutes 4.23%. The ISIN of the Company's equity shares is INE661I01014. The Shares of the Company are actively traded in National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

Outstanding GDRs/ ADRs

The Company has not issued Global Depository Receipt / American Depository Receipt/ Warrant or convertible instruments.

- Plant Locations :
- 171, Panjetty Village, Ponneri Taluk, Ponneri, Tamil Nadu.
 - Survey 167/1 & 173, Thurai Nallur village, Pudukkottai Road, Pudukkottai Post, Ponneri Taluk, Tiruvallur District.
- Major Project Locations :
- 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, Rajasthan.
 - 2 x 500 MW coal based Thermal Power Plant of MAHAGENCO at Chandrapur, Maharashtra.
 - 2 x 500 MW coal based Thermal Power Plant of MAHAGENCO at Marwa, Chhattisgarh.
 - 2 x 660 MW coal based Thermal Power Plant of Thermal Powertech Corporation India Limited at Krishnapatnam, Andhra Pradesh.
 - 2 X 300 MW coal based Thermal Power Plant of TRN Energy Private Limited; at Nawapara, Chhattisgarh.

Name of the Compliance Officer and Address for Correspondence

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

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.

REQUEST TO INVESTORS

- Investors are requested to communicate change of address, if any directly to the Register and Share Transfer Agent of the Company.
- Investors holding shares in electronic form are requested to deal only with their respective depository participant for change of address, nomination facility and bank account number.
- 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 credits of dividends, refunds, etc., from the company and avoid postal delays and loss in transit. Investor must update new bank account number allotted after implementation of Core Banking Solution ("CBS") to the Company in case of shares held in physical form and to the depository participant in case of shares held in demat form.
- Investors should register their nomination in case of physical shares with the Company and in case of dematerialized shares with their depository participant. Nomination would help the nominees to get the shares transmitted in favour of nominees without any hassles. Investors must ensure that nomination made is in the prescribed form and must be witnessed by two witnesses in order to be effective. The Form may be obtained from Link Intime India Private Limited, Registrar & Share Transfer Agent of the Company.
- The shareholders are requested to note that it is 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 30, 2012

B. G. RAGHUPATHY
Chairman & 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 2011 – 12 :
 - 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 30, 2012

P.R. EASWAR KUMAR

President & Chief Financial Officer

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 March 31, 2012 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 the 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 till November 13, 2011 as required under 49-I (A) of the Listing Agreement, 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 CHOWDHRY & ASSOCIATES**

Chartered Accountants

Firm Registration No. 001997S

G.R. HARI

Partner

Place : Chennai

Date : May 30, 2012

Membership No.206386

1. HIGHLIGHTS OF 2011-12

During the year the Company emerged as the successful bidder in the Bulk tender process of NTPC for 4 units of 9 X 800 MW super-critical steam Turbine and Generators and 6 units of 11 X 660 MW super-critical steam Generators. These are prestigious break through orders for the company and will instil greater confidence in establishing manufacturing facility for super critical Boiler, Turbine and Generators in India. The construction of new facility will get initial impetus to with these orders on hand. The total value of orders from the NTPC bulk tender will be about ₹ 8500 Crores to be executed over a period of 4 years.

The Company completed the Worlds' Largest and Tallest Natural Draught Cooling Tower of 202 metres height and 145 metres diameter at the Kalisindh 1200 MW thermal power project.

Air Fin Cooler business achieved all time high sales of ₹ 178 Crores and posted creditable operating performance.

2. ECONOMIC SCENARIO

On the Order Booking front, FY 2011-12 continued to be slow due to concerns raised on Environment, land and fuel availability. This is 2nd year in a row where orders from IPP and State Utilities have been deferred. The requirements of domestic manufacturing facilities in the NTPC Bulk tendering process for supply of Super Critical Boilers, Turbine and Generators has thrown open opportunity to companies in the BTG segment. Given the power shortage in the country, it is inevitable that additional capacities have to be built. The capacity addition target for the 13th Plan in the order of 100,000 MW, we expect good order flow from the power sector during the coming years from State and Central Utilities. In 12th plan period, a substantial number of projects will adopt Super critical technology. During the 13th plan 2017-2022 the super critical technology would be adopted fully. The Company believes that preference of EPC route will prevail over the multiple package route.

3. REVIEW OF OPERATIONS

The BOP, EPC and Construction segment has achieved turnover of ₹ 3133 Crores which was lower compared to the previous year. The Capital Goods Segment has however, registered a modest growth of 17% in terms of Sales.

In the current year, we have successfully completed commercial operation of BOP contracts of 1 x 500 MW Kothagudem Thermal Power Station of APGENCO and 1 x 500 MW Khapherkheda Thermal Power Station of MAHAGENCO. The EPC contract of 1 x 600 MW Mettur TPS for TANGEDCO is in advanced stage of commissioning.

The project progress in respect of BOP contracts of 2 x 500 MW Marwa TPP ("CSPGCL"), 2 x 500 MW Chandrapur STPS ("MAHAGENCO"), 2 x 660 MW Krishnapatnam TPP ("TPCIL") and EPC contract of 2 x 600 MW Kalisindh STPS ("RRVUNL") are satisfactory.

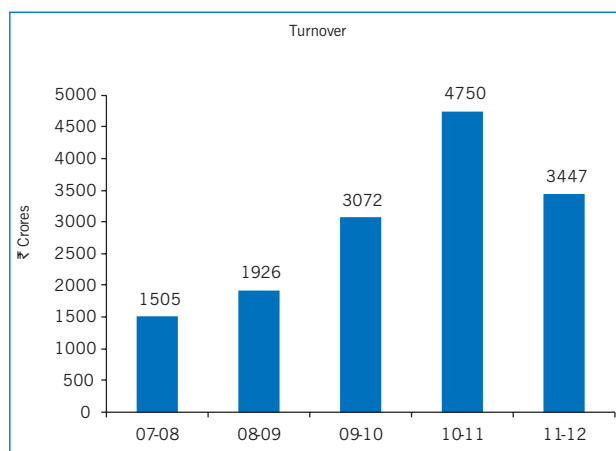
The company has augmented various resources required for timely completion of contracts including equipments and manpower.

Air Fin Cooler division achieved a turnover of ₹ 178 Crores during FY 2011-12, registering a growth of 36% over last year. New orders booked during the year were ₹ 180 Crores. Despite economic recession in other parts of the world, the division hopes to significantly increase its turnover during FY 2012-13.

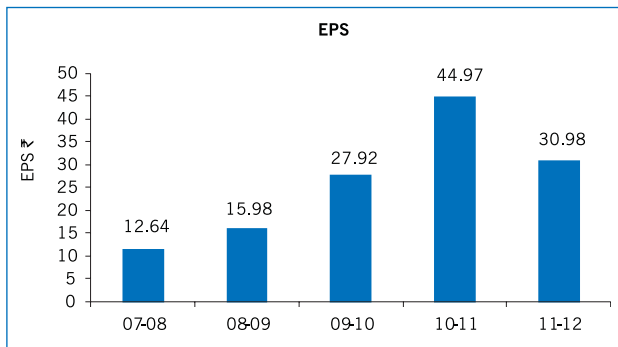
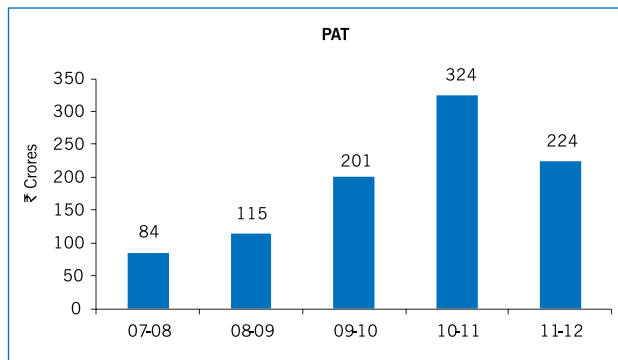
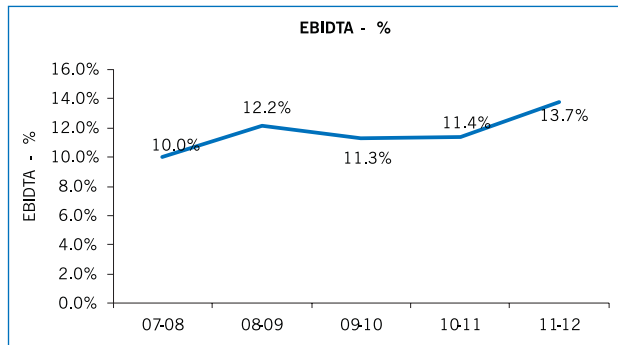
Environmental Engineering Division achieved an order booking of ₹ 36 Crores during FY 2011-12. Electrical Projects Division booked new order of ₹ 453 Crores during the current year including an order of ₹ 442 Crores from Nuclear Power Corporation of India Limited. The division is poised to significantly increase its revenue during 2012-13. Oil and Gas Equipment Division is progressing well to complete execution of Export and domestic projects on hand. During 2011-12 the division has booked its 1st domestic order on EPC basis from CPCL, Chennai for ₹ 25 Crores for construction of Fire Water Storage Tanks.

4. FINANCIAL REVIEW

Description	Unit	FY 10-11	FY 11-12
Income from Operations	₹ Crore	4750	3447
EBIDTA	₹ Crore	540	473
EBIDTA	%	11.37	13.72
PBT	₹ Crore	482	327
PAT	₹ Crore	324	224
Networth	₹ Crore	950	1115
PBT Ratio	%	10.15	9.48
PAT Ratio	%	6.83	6.48
Return on Networth	%	34.10	20.05
Employee Cost to Turnover	%	3.01	4.96
Overheads to Turnover	%	3.24	3.49
Interest Cost to Turnover	%	1.27	3.93



₹ Crores



5. STRENGTH AND OPPORTUNITIES

- Track record to successfully execute large contracts
- In-house design and engineering capability
- In-house packages and equipments
- Capability to manage multiple projects simultaneously
- Professional management and expertise in project management
- Cost Competitiveness
- Setting up domestic manufacturing facility for super critical Boiler, Turbine and Generator in joint venture with Hitachi.

The company is well placed to undertake contracts based on Customer requirement and has capability to execute contracts in the EPC, BTG, BOP and LSTK space.

6. EFFECTIVE AUDIT & CONTROL SYSTEM

As part of the 4 tier audit system, the company has in-house experienced System Auditor and Works Auditor. For each division an external firm of Auditors carries out Internal Audit. For the Power Projects division, for each order, a separate external audit firm carries out the internal audit on a monthly basis. The audit plan is documented; scope reviewed periodically and as a well defined audit plan is rolled out for each year. 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 a time bound action plan for the observations made are implemented. A summary of key audit observations and action taken is submitted to the audit committee once a quarter. The present internal control and audit systems are considered to be adequate.

7. RISK MANAGEMENT

The company has a well documented Standard Operating Systems and Procedures ("SOSP"). The business of the Company encompasses design at offices, manufacturing at factories and project sites, civil and mechanical construction, erection of machineries and commissioning. These activities have inherent and natural risks. The SOSP mandates concerned officers of the company to identify and take advance and mitigative action to manage these risks. The Audit committee regularly reviews steps taken by the Company towards management of operating and financial risks.

To the Members of

BGR Energy Systems Limited

1. We have audited the attached Balance Sheet of **BGR ENERGY SYSTEMS LIMITED** ('the Company') as at March 31, 2012, related Statement of Profit and Loss 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 Annexure to this 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, Statement of Profit and Loss 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, Statement of Profit and Loss 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, 2012, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act; and
 - f) 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, 2012;
 - (ii) in the case of the Statement of Profit and Loss, 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
Firm Registration No. 001997S

Place : Chennai
Date : May 30, 2012

G.R. HARI
Partner
Membership No. 206386

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, 2012. 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 material discrepancies noticed on physical verification between book stock and physical stock.
- (iii) (a) The company has granted interest free unsecured loans to 10 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 ₹ 6,347.99 Lakhs and ₹ 2,243.13 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;
- (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 explanation 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 there under.
- (vii) In our opinion, the company has an internal audit system commensurate with the size of the company and nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (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, 2012 for a period of more than six months from the date they became payable; and
- (b) As per the information and explanations given to us, the following are the details of disputed statutory dues and the forum in which they are pending :

Financial year	Amount ₹ in Lakhs	Type of statutory dues	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	39.98	Sales Tax	Deputy Commissioner Appeals, Ernakulam, Kerala
2005-06	16.96	Central Sales Tax	Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh
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
2006-07	2915.49	Income Tax	Income Tax Appellate Tribunal, Hyderabad
2007-08	7.43	Sales Tax	Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh
2007-08	2.11	Sales Tax	Appellate Deputy Commissioner, Guntur, Andhra Pradesh
2007-08	3779.69	Income Tax	Income Tax Appellate Tribunal, Hyderabad
2006-07	3179.83	Sales Tax	Assistant Commissioner (CT) LTU, Nellore, Andhra Pradesh. Interim suspension has been granted by the High Court of Andhra Pradesh.
2007-08 & 2008-09			
2008-09	23.67	Entry Tax	Deputy Commissioner (Appeals), Ajmer, Rajasthan
2008-09	110.48	Sales Tax	Deputy Commissioner Appeal, Ajmer, Rajasthan
2010-11	1926.45	Royalty	Office of Tahsildar, Saoner, Maharashtra. Stay has been granted by the Nagpur Bench, Bombay High Court.
2010-11	211.45	Royalty	Office of Tahsildar, Chandrapur, Maharashtra. Stay has been granted by the Nagpur Bench, Bombay High Court.
Total	12,276.01		

- (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, 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 loan for acquiring various fixed assets. As per the information and explanations provided to us, we are of the opinion that the same was applied for the purpose for which it was availed.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet, 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 not raised any monies by way of public issues during the year.
- (xxi) Based on the audit procedures performed and on the basis of information given to us, we report that no fraud by the company has been noticed or reported during the year. An instance of fraud on the Company by certain employees has been reported and the Company has filed a police complaint in this regard – refer to note number 42 of Notes to Financial Statements.

For **MANOHAR CHOWDHRY & ASSOCIATES**
Chartered Accountants
Firm Registration No. 001997S

G.R. HARI
Partner

Place : Chennai
Date : May 30, 2012

Membership No. 206386

Balance Sheet

₹ in Lakhs

	Note No.	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	7216	7216
Reserves and Surplus	2	104241	87760
Non-Current Liabilities			
Long Term Borrowings	3	4242	4356
Deferred Tax Liabilities (net)		40135	31168
Other Long-Term Liabilities	4	65121	78427
Long - Term Provisions	5	20445	17027
Current Liabilities			
Short-Term Borrowings	6	170257	128237
Trade Payables	7	130277	119444
Other Current Liabilities	8	36761	41586
Short-Term Provisions	9	6545	9341
TOTAL		585240	524562
ASSETS			
Non-Current Assets			
Fixed Assets	10		
Tangible Assets		18391	15003
Intangible Assets		999	1240
Capital Work-in-Progress		451	1296
Non-Current Investments	11	23585	13680
Long-Term Loans and Advances	12	25860	17849
Other Non-Current Assets	13	59947	5635
Current Assets			
Inventories	14	2956	3836
Trade Receivables	15	313750	310251
Cash and Bank Balances	16	84484	94481
Short-Term Loans and Advances	17	52470	58342
Other Current Assets	18	2347	2949
TOTAL		585240	524562
Significant Accounting Policies Notes to Financial Statements	1 to 45		

B.G. RAGHUPATHY
Chairman & Managing Director

T. SANKARALINGAM
Managing Director

V.R. MAHADEVAN
Director - Technologies & HR

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

A. SWAMINATHAN
Director - Sales & Marketing

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

G.R. HARI
Partner
Membership No.206386

S.R. TAGAT
Director

M.S. SUNDARA RAJAN
Director

GNANA RAJASEKARAN
Director

HEINRICH BOHMER
Director

SASIKALA RAGHUPATHY
Director

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President - Corporate & Secretary

P. R. EASWAR KUMAR
President & Chief Financial Officer

Chennai
May 30, 2012

Statement of Profit and Loss

₹ in Lakhs

	Note No.	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue from Operations	19	344705	475029
Other Income	20	526	1912
TOTAL REVENUE		345231	476941
Expenses			
Cost of Material Consumed	21	217279	344842
Cost of Manufacturing & Construction	22	44767	40452
Other Direct Cost	23	6196	6347
(Increase) / Decrease in work in progress		17	(326)
Employee Benefits Expense	24	17105	14312
Finance Costs	27	13542	6047
Depreciation and Amortization Expense	26	1611	1681
Other Expenses	25	12031	15386
TOTAL EXPENSES		312548	428741
Profit Before Tax		32683	48200
TAX EXPENSES			
Current Tax		6511	9613
Deferred Tax		8967	15276
MAT Credit Entitlement		(5147)	(9110)
PROFIT FOR THE YEAR		22352	32421
Earnings per equity share of face value of ₹ 10 each	28		
Basic (in ₹)		30.98	44.97
Diluted (in ₹)		30.98	44.90
Significant Accounting Policies	1 to 45		
Notes to Financial Statements			

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Cash Flow Statement

	For the Year ended 31.03.2012 ₹ in Lakhs	For the Year ended 31.03.2011 ₹ in Lakhs
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	32683	48200
Adjustments for :		
Depreciation, Amortization & Impairment	1611	1681
Dividend from Investments - Other	(1)	(1)
Dividend from Investments - Trade	(3)	(3)
(Profit) / Loss on Sale of Fixed Assets	-	3
(Profit) / Loss on Unrealized Foreign Exchange Gain	(3198)	(1336)
Premium on Forward Exchange Contract Amortized	(24)	-
Provision for Warranty & Contractual Obligation	2918	9163
Bad Debts written off	-	-
Provision for Bad Debts	598	-
Interest Expense	13542	6047
Operating Profit Before Working Capital Changes	48126	63754
Changes in Working Capital		
(Increase) / Decrease in Trade Receivables	(4097)	(112378)
(Increase) / Decrease in Inventories	880	(2291)
(Increase) / Decrease in Current Assets	(53709)	(6976)
(Increase) / Decrease in Loans And Advances	(2138)	(6446)
Increase / (Decrease) in Trade Payables	(3687)	51922
	(62751)	(76169)
Cash Generated from Operations	(14625)	(12415)
Direct Taxes Paid	(1805)	(6151)
Net Cash Flow From Operating Activities	(16430)	(18567)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(4867)	(4035)
Sale of Fixed Assets	108	17
Investment in Subsidiaries	(9905)	(13202)
Decrease / (Increase) in Capital Work-In-Progress	845	(260)
Dividend from Investments - Other	1	1
Dividend from Investments - Trade	3	3
Net Cash from Investing Activities	(13815)	(17476)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue Of Share Capital (ESOS)	-	16
Share Premium (ESOS)	-	643
Long Term Borrowings (Repaid) / Availed	(114)	(542)
Payment of Dividend	(7216)	(5048)
Tax on Dividend Paid	(1199)	(858)
Short Term Borrowings (Repaid) / Availed	42020	52492
Interest Paid	(13243)	(5906)
Net Cash Flow From Financing Activities	20248	40797
Net Increase in Cash And Cash Equivalents (A+B+C)	(9997)	4755
Cash And Cash Equivalents as at 01.04.2011 (Op. Bal)	94481	89726
Cash And Cash Equivalents as at 31.03.2012 (Cl. Bal)	84484	94481
Cash Balance	17	26
Bank Balance - Current Account	2134	22526
Bank Balance - Deposit Account	82333	71929

As per our report of even date

for M/s MANOHAR CHOWDHRY & ASSOCIATES

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Chennai
May 30, 2012

SIGNIFICANT ACCOUNTING POLICIES

A COMPANY OVERVIEW

BGR Energy Systems Limited is a public limited company incorporated under the provisions of Companies Act, 1956. Its equity shares are listed on Bombay Stock Exchange (“BSE”) and National Stock Exchange (“NSE”). The company is a manufacturer of Capital Equipment for Power Plants, Petrochemical Industries, Refineries, Process Industries and undertake turnkey BOP and EPC contracts for Power plants. The Company has been achieving its objectives through its five business units: Power projects, Electrical projects, Oil and Gas equipment, Environmental engineering and Air Fin Coolers.

B. SIGNIFICANT ACCOUNTING POLICIES

i. Accounting Conventions

The financial statements are prepared under the historical cost convention and following the accrual basis of accounting, in accordance with the Generally Accepted Accounting Principles in India (“I-GAAP”) and mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities Exchange Board of India (“SEBI”).

ii. Use of Estimates

The preparation of financial statements, in conformity with I-GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and the estimates are recognized prospectively in the year in which the results are known / materialized.

iii. Fixed Assets & Intangible 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 the costs of such intangible assets 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.

iv. Depreciation & Amortization

Depreciation on fixed assets is provided on straight line method in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956. Intangible assets are amortized over a period of 5 years on straight line basis.

v. Investments

Investments are classified into long-term and current investments based on the intent of management at the time of acquisition.

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

vi. Earnings per share (EPS)

Basic and diluted EPS are computed in accordance with Accounting standard (AS) 20 – “Earnings per share”

Basic Earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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.

vii. Revenue Recognition

- a) Sales are accounted on the basis of despatches.
- b) Sales include equipment billed but despatch of which is withheld at the request of the customer.
- c) Revenue from services is recognized in accordance with the specific terms of contract on performance.
- d) Revenue from construction contracts is recognized by reference to the stage of completion of the contract activity at the reporting date of the financial statements on the basis of percentage of completion method. The stage of completion of contracts is measured by reference to the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs for each contract.

Significant Accounting Policies

- e) Expected Loss, if any, on the construction / project related activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of costs and related incidental income not included is taken into consideration.
- f) Other Income – i) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable, ii) Dividend income is recognized when the company's right to receive dividend is established.

viii. Inventories

Raw materials and stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products, in which they will be used are expected to be sold at or above cost.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Finished goods and work-in-progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Saleable scrap, whose cost is not identified, is valued at net realizable value

ix. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items are translated at the rates prevailing on the balance sheet date. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement and also on translation of monetary items at the balance sheet date is recognized as income or expense.

For forward contracts which are entered into to hedge the foreign currency risk of the underlying outstanding on the date of entering into that forward contract, the premium or discount on such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as an income or expense for the period. The exchange difference on such a forward exchange contract is calculated as the difference between :-

- a) the foreign currency amount of the contract translated at the exchange rate at the balance sheet date, or the settlement date where the transaction is settled during the reporting period, and
- b) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting period in which the exchange rates change.

x. Cash Flows

Cash and cash equivalents consist of cash and cash on deposit with scheduled banks.

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 operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. The cash flows from regular revenue generating, financing and investing activities of the company are segregated.

xi. 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 in accordance with the provisions of the Income-tax Act, 1961. 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 the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Minimum alternate 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 period in which the Company is allowed to carry forward the MAT credit as per the provisions of the Income-tax Act, 1961 ("specified period"). The company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit asset to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

xii. Impairment of Assets

At every balance sheet date, the company determines whether the provisions should be made for the impairment loss on 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". All impairment losses are recognized in statement of Profit & Loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is recognized in the Statement of Profit & Loss.

xiii. Employee Benefits

- a) Short-Term Employee Benefits :

Short-term employee benefits are recognized as an expense at the undiscounted amount in the Statement of profit and loss for the year in which related services are rendered.

b) Post Employment Benefits:

i) Defined Contribution plan:

Company's contributions paid/payable during the year towards provident fund, pension scheme and employees' state insurance (ESI) scheme are recognized in the statement of profit and loss.

ii) Defined Benefit Plan:

Company's liability towards gratuity in accordance with The Payment of Gratuity Act, 1972 is determined by actuarial valuation as at 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.

c) Other Long-term Employee Benefits:

The company provides for compensated absences subject to certain rules. The employees are entitled to accumulate such absences for availment as well as encashment. As per the regular past practice followed by the employees, it is not expected that the entire accumulated absence shall be encashed or availed by the employees during the next twelve months and accordingly the benefit is treated as other long-term employee benefits. The liability is recognized on the basis of the present value of the future benefit obligations as determined by actuarial valuation.

xiv. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of such asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

xv. Leases

Finance leases, which 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 interest rate or incremental borrowing rate as applicable. Finance charges are charged directly against income. The costs identified as directly attributable to activities performed for a finance lease are included as part of the amount recognized as leased assets.

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

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

Lease payments under operating lease are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term.

xvi. Segment Reporting

a) Segment policies:

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

b) Identification of segments:

The risks and returns of the company are affected predominantly by differences in the products and services it produces / renders and hence the primary format for reporting segment information is its business segments.

c) Allocation of common costs:

Common allocable costs are allocated to each segment on a reasonable basis.

d) Unallocated items:

Unallocable items include general corporate income and expense items which are not allocated to any business segments.

xvii. 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.

Significant Accounting Policies

- iii) The company provides warranty based on the management assessment and estimation, as and when it recognizes the revenue and maintains the same through the warranty period.

xviii. 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.

SHAREHOLDERS' FUNDS	As at 31 March 2012 ₹ in Lakhs	As at 31 March 2011 ₹ in Lakhs
1. SHARE CAPITAL		
Authorised		
100000000 Equity Shares of ₹ 10/- each (100000000)	10000	10000
Issued, Subscribed and Paid up		
72161560 Equity Shares of ₹ 10/- each (72161560)	7216	7216

a. Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year

Equity Shares

	31 March 2012	31 March 2012	31 March 2011	31 March 2011
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
At the beginning of the year	72161560	7216	72000000	7200
Issued during the period - Employee Stock Option Scheme	-	-	161560	16
Outstanding at the end of the year	72161560	7216	72161560	7216

b. Terms/rights attached to equity shares

The company has one class of shares referred to as equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share.

c. 54000000 (54000000) Shares out of the issued, subscribed and paid up share capital were allotted as bonus shares in the last five years by capitalization of profits.

d. Details of shareholders holding more than 5% shares in the company

	As at 31 March 2012		As at 31 March 2011	
	No. of Shares	% held	No. of Shares	% held
Mr. B G Raghupathy	19712160	27.32	19712160	27.32
Mrs. Sasikala Raghupathy	11583440	16.05	11583440	16.05
Priya Securities Private Limited	8640000	11.97	8640000	11.97
BGR Investment Holdings Company Limited	8640000	11.97	8640000	11.97
Vani Securities Private Limited	5428080	7.52	5428080	7.52
Arjun Securities Private Limited	4540320	6.29	4540320	6.29

e. The company has reserved issuance of 291100 (335851) Equity shares of ₹ 10/- each for offering to eligible employees of the company and its subsidiary under the employee stock option scheme - 2007. (Refer Note 31)

Notes to financial statements

2. RESERVES & SURPLUS	As at 31.03.2012		As at 31.03.2011	
	₹ in Lakhs		₹ in Lakhs	
i. Securities Premium Account				
Opening Balance		31895		31252
Add: Additions on ESOS exercised		-		643
		31895		31895
ii. General Reserve				
Opening Balance		8261		5019
Add: Amount transferred from Statement of Profit and Loss		2235		3242
		10496		8261
iii. Balance in statement of Profit and Loss				
Opening Balance		47604		26849
Add : Profit for the year		22352		32421
Less : Appropriations				
Proposed Dividend		5051		7224
Tax on proposed dividend		820		1200
Transfer to General reserve		2235		3242
		61850		47604
TOTAL		104241		87760

3. LONG-TERM BORROWINGS	As at 31.03.2012		As at 31.03.2011	
	Non Current	Current	Non Current	Current
	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs
Secured				
i. Term Loans from Banks	4213	2182	4196	514
ii. Fixed Assets Loans				
a. From Banks	12	41	51	463
b. From Financial Institutions	17	24	43	24
Unsecured				
iii. Deferred payment liabilities - Interest Free Sales Tax Loan	-	66	66	31
	4242	2313	4356	1032
Less : - Amount disclosed under the head "other current liabilities" (Note 8)	-	2313	-	1032
	4242	-	4356	-

Term Loan includes ₹ 2463 Lakhs (₹ 2124 Lakhs) from State Bank of Travancore is secured by a first charge on fixed assets of the Company. The loan is repayable in 20 quarterly equal instalments starting from September, 2011. All the other term loans and fixed assets loans are secured against the assets purchased out of the respective loans. Fixed Assets loans are payable in monthly instalments. Fixed Assets purchased under Buyers Credit arrangements are payable on maturity.

Notes to financial statements

4. OTHER LONG TERM LIABILITIES	As at 31.03.2012	As at 31.03.2011
	₹ in Lakhs	₹ in Lakhs
Advance from Customers	22201	35618
Trade Payables	42894	42806
Other Payables *	26	3
* Other payables include Trade payables-Expenses, Retentions	<u>65121</u>	<u>78427</u>
5. LONG TERM PROVISIONS		
Warranty and Contractual obligation	20445	17027
	<u>20445</u>	<u>17027</u>
6. SHORT TERM BORROWINGS		
Secured		
Working Capital Loans from Banks	122757	80737
Unsecured		
Unsecured Loans - Banks	47500	47500
	<u>170257</u>	<u>128237</u>

- a) The balance in project specific escrow account have been netted off against respective project's working capital loan account.
- b) The Company has availed Working Capital loans on pari-passu basis from State Bank of India and State Bank of Hyderabad. These loans are secured by hypothecation of inventories, trade receivables and movable assets of the Capital goods segment 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, trade receivables and movable current assets of the respective contracts. The participating banks share the securities on pari-passu basis.

7. TRADE PAYABLES	As at 31.03.2012	As at 31.03.2011
	₹ in Lakhs	₹ in Lakhs
Micro, Small and Medium Enterprises	81	201
Trade Payable	130196	119243
	<u>130277</u>	<u>119444</u>

7.1 Details of dues to Micro Small and Medium Enterprises as defined under the MSME Act, 2006

₹ in Lakhs

S.No.	Particulars	As at 31.03.2012	As at 31.03.2011
1	Amount due and remaining unpaid	15	201
2	Interest due on (1) above and unpaid	2	15
3	Interest paid to the supplier	15	8
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 above disclosure has been given in respect of vendors to the extent they could be identified as "Micro Small and Medium" enterprises on the basis of information available with the company.

Notes to financial statements

8. OTHER CURRENT LIABILITIES	As at 31.03.2012	As at 31.03.2011
	₹ in Lakhs	₹ in Lakhs
Current maturities of Advance from Customers	29840	34230
Current maturities of Long Term Borrowings (Note 3)	2313	1032
Withholding and Other Taxes Payable	341	326
Other Payable *	3744	5785
Unpaid Dividends	24	13
Interest accrued but not due on borrowings	499	200
	36761	41586
* Other payable include Expenses payable, Employee dues, Statutory dues, Trade payables - Expenses		
9. SHORT-TERM PROVISIONS		
i. Provision for Employee Benefits		
Provision for Bonus & Leave Encashment	306	258
Provision for Gratuity	131	23
ii. Others		
Provision for Warranty and contractual obligation	109	77
Proposed dividend	5051	7216
Provision for		
Tax on Proposed dividend	820	1199
Wealth tax	6	5
Income taxes (net)	122	563
	6545	9341

(₹ in Lakhs)

10. FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION			IMPAIRMENT LOSS		NET BLOCK		
	As at 31.03.2011	During the year Additions	Deletions	As at 31.03.2012	Up to 31.03.2011	For the year	Deletions	Up to 31.03.2012	For 2011-12	As at 31.03.2012	As at 31.03.2011
Tangible Assets											
Land	1083	-	-	1083	-	-	-	-	-	1083	1083
Buildings	515	1169	-	1684	99	23	-	122	-	1562	416
Plant & Equipment	14376	2723	24	17075	2716	834	8	3542	-	13533	11660
Furniture & Fixtures	203	276	22	457	54	31	9	76	-	381	149
Office Fixtures	298	15	98	215	164	29	14	179	-	36	134
Office Equipments	837	246	87	996	257	98	95	260	34	702	580
Electrical Installations	127	135	-	262	49	9	-	58	-	204	78
Vehicles	1367	122	8	1481	465	131	5	591	-	890	902
Tangible Assets	18806	4686	239	23253	3804	1155	131	4828	34	18391	15003
Intangible Assets *											
Technical Know-How	856	-	-	856	330	142	-	472	-	384	526
Softwares	1327	181	-	1508	613	280	-	893	-	615	714
Intangible Assets	2183	181	-	2364	943	422	-	1365	-	999	1240
TOTAL	20989	4867	239	25617	4747	1577	131	6193	34	19390	16243
As at 31.03.2011	17043	4035	89	20989	3135	1672	69	4738	9	16243	

* Both the assets are other than internally generated.

- (a) Plant and Equipment include ₹ 687 Lakhs (₹ 687 Lakhs), which are jointly owned along with a joint venture, of which the Company is a member
- (b) Office Fixtures and Office Equipments includes ₹ 11.1 Lakhs (Nil), which are jointly owned along with subsidiary companies.
- (c) Buildings includes ₹ 1169 Lakhs (Nil), which are constructed on lease hold land.

Notes to financial statements

11. NON-CURRENT INVESTMENTS	As at 31.03.2012	As at 31.03.2011
(Long-Term Investments)	₹ in Lakhs	₹ in Lakhs
Trade Investments		
In Equity Shares of Subsidiary Companies - Unquoted, fully paid up		
4250000 Progen Systems and Technologies Limited (4250000) of ₹ 10/- each	425	425
94900000 BGR Boilers Private Limited (36050000) of ₹ 10 each	9490	3605
136162900 BGR Turbines Company Private Limited (95965400) of ₹ 10 each	13616	9597
In Equity Shares of Other Companies - Unquoted, fully paid up		
10000 GEA Cooling Tower Technologies (India) Private Limited (10000) (Inclusive of 8000 bonus shares) of ₹ 10 each (₹ 20000) (₹ 20000))	-	-
100900 Cuddalore Powergen Corporation Limited (100900) of ₹ 10 each	10	10
In Equity Shares of Other Companies - Quoted, fully paid up		
13970 Indian Bank (13970) of ₹ 91 per share	13	13
In Mutual Funds - Quoted fully paid up - Face Value ₹ 10 each		
50000 SBI Mutual Fund-Magnum Multi Cap Fund - Dividend (50000) units	5	5
250000 SBI Mutual Fund-Infrastructure Fund - I - Growth (250000) units	25	25
	23585	13680
1) Aggregate market value of quoted investments	60	62
2) Aggregate Book value of quoted investments	43	43
3) Aggregate Book value of unquoted investments	23542	13637
12. LONG-TERM LOANS AND ADVANCES		
Secured considered good		
Advance to Suppliers	560	22
Unsecured considered good		
Loans and Advances to Related Parties (note 34)	1151	1153
MAT Credit Entitlement	17115	11968
Other Loans and Advances *	5694	3796
Deposits	1340	910
	25860	17849
* Other Loans and advances include TDS Receivables, Dues from Customers & Tax refund (net of provision for taxation) from the Government.		

Notes to financial statements

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. The disputes after having been reviewed by the Dispute Review Board are now subject to arbitration. The Arbitral Tribunal has passed preliminary order in favour of the JV, which is under challenge before the High Court of Delhi. The arbitral award is expected in due course of time. Based on legal opinion, the company has identified a sum of ₹ 1654 Lakhs (₹ 1654 Lakhs) as on 31.03.2012 as recoverable advances from the end client through the JV and is grouped under loans and advances.

Tuticorin Project : The end client of Tirunelveli – Tuticorin Port Connectivity Project viz., Tuticorin Port Road Company Ltd (SPV of NHAI) has terminated the contract and encashed BGs for aggregate value of ₹ 2652 Lakhs and the same were restituted as per orders of the High Court. The disputes, including termination of contract, after having been reviewed by the Disputes Review Board are now subject to arbitration. In view of these facts, the Company has identified the sum of ₹ 83 Lakhs (₹ 1461 Lakhs) as on 31.03.2012 as recoverable advances from the end client through the JV and is grouped under loans and advances.

13. OTHER NON-CURRENT ASSETS	As at 31.03.2012	As at 31.03.2011
	₹ in Lakhs	₹ in Lakhs
Unsecured		
Trade Receivables - Considered good	59779	5467
Trade Receivables - Considered doubtful	598	
Less:- Provision for Doubtful receivable	598	-
Fixed deposit - maturity more than 12 Months	168	168
	59947	5635
14. INVENTORIES		
Raw Materials and Components	2580	3443
Work-in-progress	376	393
	2956	3836
15. TRADE RECEIVABLES		
(Unsecured and Considered good)		
Over Six Months	2190	5652
Others	311560	304599
	313750	310251

15.1 Trade Receivables – Others, includes Retention amount of ₹ 120798 Lakhs (₹ 114441 Lakhs) which, in accordance with the terms of the contracts were not due for payments as at 31st March 2012

15.2 The Company and State Company for Oil Projects, Iraq (Client) terminated with mutual consent the contract for two gas development projects in Iraq. The Company and Client agreed to settle contract claims by mutual agreement. Hence no provision or write off or write back on account of this contract is made in the books of account. The contract value is ₹ 40465 Lakhs and the revenue recognised so far is ₹ 8362 Lakhs. The balance receivable from the contractor and the amount of advance held by the Company are ₹ 4909 Lakhs and ₹ 4998 Lakhs, respectively.

16. CASH AND BANK BALANCES	As at 31.03.2012	As at 31.03.2011
	₹ in Lakhs	₹ in Lakhs
Balances with banks :		
On current accounts	2110	22513
Fixed Deposits	82333	71929
On unpaid dividend accounts	24	13
Cash on hand	17	26
	84484	94481

Notes to financial statements

16.1 Fixed deposits with banks include deposits of ₹ 42298 Lakhs (₹ 44069 Lakhs) which are under lien to banks

16.2 Fixed deposits maintained by the company with banks, other than lien marked deposits, can be withdrawn by the company at any point without any prior notice or penalty

16.3 Bank balances of ₹ 3 Lakhs (₹ 3 Lakhs) are subject to confirmation.

17. SHORT TERM LOANS AND ADVANCES	As at 31.03.2012	As at 31.03.2011
	₹ in Lakhs	₹ in Lakhs
Secured considered good		
Advance to Suppliers	8878	10262
Unsecured considered good		
Loans and Advances to Related Parties (note 34)	1092	265
Other Loans and advances *	42300	46908
Deposits	200	907
	52470	58342
* Includes advance to Suppliers and Forward contract valuation		
18. OTHER CURRENT ASSETS		
Interest accrued on fixed deposits	2347	2949
	2347	2949
19. REVENUE FROM OPERATIONS	For the year ended	For the year ended
	31.03.2012	31.03.2011
	₹ in Lakhs	₹ in Lakhs
Sale of Manufactured Goods	29715	20386
Less: Excise Duty	1616	1086
	28099	19300
Contracting Income	316147	455170
Erection & Service Income	207	280
Other Operating Revenue	252	279
	344705	475029
20. OTHER INCOME		
Dividend from Investments - Quoted	1	1
Dividend from Investments - Unquoted	3	3
Foreign Exchange Variation (Net)	-	992
Interest on Fixed Deposits / Advances	486	859
Others	36	57
	526	1912
21. COST OF MATERIAL CONSUMED		
Opening inventory	3443	1478
(Raw materials, Consumables, Bought Outs and Components)		
Add : Purchases	216416	346807
	219859	348285
Less: Closing Inventory	2580	3443
(Raw materials, Consumables, Bought Outs and Components)		
	217279	344842

Notes to financial statements

Details of raw material and components consumed

	For the year ended 31.03.2012 ₹ in Lakhs	For the year ended 31.03.2011 ₹ in Lakhs
Bought Outs- Mechanicals	79538	169341
Steel plates, Beams & Structural	64042	39041
Stores & Consumables	27763	40894
Pipes, Tubes Elbows Rounds & others	15460	13380
Bought Outs- Electricals	11908	70656
Cements & building materials	9815	5173
Electrical cables & Fittings	6472	3612
Aluminium Fin Strips	2281	2745
	217279	344842

Value of raw material & components consumed during the year

₹ in Lakhs

Particulars	For the year ended 31.03.2012	%	For the year ended 31.03.2011	%
Imported	65227	30.02	225520	65.40
Indigenous	152052	69.98	119322	34.60
TOTAL	217279		344842	

22. COST OF MANUFACTURING & CONSTRUCTION

	For the year ended 31.03.2012 ₹ in Lakhs	For the year ended 31.03.2011 ₹ in Lakhs
Subcontracting & Processing Charges	44261	40117
Power & Fuel	506	335
	44767	40452

23. OTHER DIRECT COST

Agency Commission	552	349
Insurance	482	403
Bank Charges	4232	4959
Professional Fees	193	65
Packing & Forwarding	737	571
	6196	6347

24. EMPLOYEE BENEFITS EXPENSE

Salaries and Allowances & Bonus	15199	12840
Contribution to P.F., E.S.I. & Gratuity	674	538
Workmen & Staff Welfare Expenses	1232	934
	17105	14312

Notes to financial statements

25. OTHER EXPENSES	For the year ended 31.03.2012 ₹ in Lakhs	For the year ended 31.03.2011 ₹ in Lakhs
Rent	1711	1182
Trade Receivables Written off	-	501
Provision for Doubtful Receivables	598	-
Audit Fees (Refer details below)	53	41
Bank Charges	95	62
Conveyance & vehicle running expenses	402	236
Electricity Charges	202	161
Foreign Exchange Loss	1780	-
Insurance	75	55
Loss on sale of Asset	-	3
Other Admin Expenses	931	833
Professional charges	537	708
Rates and taxes	127	143
Repairs & Maintenance	867	655
Security Charges	167	99
Selling expenses	186	201
Sitting Fees	10	10
Telephone expenses	208	200
Travelling expenses - Domestic	924	806
Travelling expenses - Foreign	240	327
Warranty & Contractual obligation	2918	9163
	12031	15386
Payment to auditors		
For Audit Fees	42	34
For Tax Matters	4	4
For Certification	7	3
	53	41
26. DEPRECIATION, IMPAIRMENT AND AMORTIZATION EXPENSE		
Depreciation of tangible assets (Including impairment loss)	1189	1312
Amortization of Intangible assets	422	369
	1611	1681
27. FINANCE COSTS		
(a) Interest on working capital loans	12748	5713
(b) Interest on Term loans	794	334
	13542	6047

28. EARNINGS PER SHARE ("EPS")	For the year ended 31.03.2012 ₹ in Lakhs	For the year ended 31.03.2011 ₹ in Lakhs
The following reflects the profit and share data used in the basic and diluted EPS computations :		
Basic EPS		
Profit after tax as per accounts	22352	32421
Weighted average no. of shares (Face value ₹ 10 per share) (Lakhs Nos)	722	721
Basic EPS (₹)	30.98	44.97
Diluted EPS		
Profit for the year for Basic EPS	22352	32421
Less : Adjustment	-	-
Adjusted profit for Diluted EPS	22352	32421
Weighted average number of Equity shares for Basic EPS (Lakh Nos.)	722	721
Add : Adjustment		
Employee Stock Option Payment	-	1
Weighted average number of Equity shares (Face Value ₹ 10 per share) for Diluted EPS (Lakh Nos.)	722	722
Diluted EPS (₹)	30.98	44.90

29. CONSTRUCTION CONTRACTS

In respect of all construction contracts in progress

₹ in Lakhs

S.No.	Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
a.	The aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date	1111171	1017865
b.	The amount of advances received	41751	90078
c.	The amount of retentions	144190	114441
d.	The gross amount due from customers for contract work as an asset	71829	78852
e.	The gross amount due to customers for contract work as a liability	19638	16939

30. EMPLOYMENT BENEFITS

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

₹ in Lakhs

Particulars	2011-12	2010-11
Employer's Contribution to Provident Fund	319	253
Employer's Contribution to Pension Scheme	123	112
Employer's Contribution to Employee's State Insurance	6	9

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.

Notes to financial statements

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

₹ in Lakhs

Particulars	Leave encashment (Unfunded) 2011-12	Gratuity (Funded) 2011-12	Gratuity (Funded) 2010-11
Defined Benefit obligation at beginning of the year	220	505	404
Current service cost	66	106	71
Interest cost	18	39	31
Actuarial (gain)/loss	(36)	27	25
Settlement cost	Nil	Nil	Nil
Curtailement cost	Nil	Nil	Nil
Benefits paid	-	(27)	(26)
Defined Benefit obligation at year end	268	650	505

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

Particulars	Gratuity (Funded) 2011-12	Gratuity (Funded) 2010-11
Fair value of plan assets at beginning of the year	482	366
Expected return on plan assets	39	32
Actuarial gain/(loss)	2	6
Employer contribution	23	104
Benefits paid	(27)	(26)
Fair value of plan assets at the year end	519	482
Actual return on plan asset	41	38

III. Reconciliation of Fair value of assets and obligations

Particulars	Leave encashment (Unfunded) 2011-12	Gratuity (Funded) 2011-12	Gratuity (Funded) 2010-11
Fair value of plan assets (a)	-	519	482
Present value of obligation (b)	268	650	505
Present Value of obligation unfunded at the end of the year recognized as liability as on 31.03.2012 (b-a)	268	131	23

IV. Expense recognized during the year

Particulars	Leave encashment (Unfunded) 2011-12	Gratuity (Funded) 2011-12	Gratuity (Funded) 2010-11
Current service cost	67	105	71
Interest cost	17	39	31
Expected return on plan assets	-	(38)	(32)
Actuarial (gain) / loss	(36)	25	18
Net Cost included under contribution to gratuity	48	131	88

V. Actuarial assumptions

Particulars	Gratuity (Funded) 2011-12	Gratuity (Funded) 2010-11
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 an Actuary.

31. EMPLOYEE STOCK OPTION PLANS

Stock option granted to the employees under the stock option scheme established are evaluated as per the accounting treatment prescribed by the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The company follows the intrinsic value method of accounting for the options and accordingly, the excess of value of the stock options as determined by an independent valuer on the date of grant over the exercise price of the options, if any, is recognized as deferred employee compensation cost and is charged to the Statement of Profit and Loss.

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 with 3 years of completed 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 with 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	2011-12	2010-11
Number of options outstanding in the beginning of the year	335851	532770
Number of options granted during the year	-	-
Number of options vested during the year	32444	114231
Number of vested options cancelled	17825	10867
Number of unvested options cancelled	27026	24392
Number of vested options forfeited during the year	44851	35259

Notes to financial statements

Number of options exercised during the year	-	161660
Number of options outstanding at the end of the year	291100*	335851
Number of options exercisable at the end of the year	70958	83365

*100 Options added since application for allotment of shares was withdrawn.

32. LEASES

Operating Lease

The company has taken various residential / commercial premises and land under cancellable and non-cancellable operating leases. These lease agreements are normally renewed on expiry.

The future minimum lease payments in respect of non-cancellable leases as at 31st March, 2012 are as follows:

₹ in Lakhs

Particulars	Total minimum lease payments outstanding as at	
	31st March 2012	31st March 2011
Due within one year	340	374
Due later than one year and not later than five years	1028	1111
Due later than five years	790	1047
Total	2158	2532

Lease rental expense in respect of operating leases recognized in the statement of profit and loss for the year: ₹ 1711 Lakhs (₹ 1182 Lakhs)

33. SEGMENT REPORTING

Information about Business Segments (information provided in respect of revenue items for the year ended 31.03.2012 and in respect of assets / liabilities as at 31.03.2012) are furnished below:

₹ in Lakhs

Particulars	For the year ended 31.03.2012			For the year ended 31.03.2011		
	Capital Goods Segment	Construction and EPC Contracts Segment	Total	Capital Goods Segment	Construction and EPC Contracts Segment	Total
a) Revenue	31414	313291	344705	26643	448386	475029
b) Result	4056	41643	45699	2229	50106	52335
Add: Un allocable Income net of expenditure	-	-	526	-	-	1912
Profit before Interest and Tax	-	-	46225	-	-	54247
Interest	-	-	13542	-	-	6047
Profit Before Tax	-	-	32683	-	-	48200
Provision for Taxation	-	-	-	-	-	-
- Provision for Current Tax	-	-	6511	-	-	9613
- Provision for Deferred Tax	-	-	8967	-	-	15276
- MAT Credit entitlement	-	-	(5147)	-	-	(9110)
- Total	-	-	10331	-	-	15780
Net Profit After Tax	-	-	22352	-	-	32421

Particulars	For the year ended 31.03.2012			For the year ended 31.03.2011		
	Capital Goods Segment	Construction and EPC Contracts Segment	Total	Capital Goods Segment	Construction and EPC Contracts Segment	Total
c) Assets	34493	551344	585837	33473	500421	533894
Add: Unallocated Corporate Assets			-			-
Total Assets			585837			533894
d) Liabilities	18932	408281	427213	22018	365710	380080
Add: Unallocated Corporate Liabilities			46571			49506
Total Liabilities			473784			429587
e) Capital Assets acquired during the year	1670	3197	4867	467	3568	4035
f) Depreciation, Amortisation & Impairment	191	1420	1611	171	1510	1681
g) Other non cash charges except depreciation, amortisation & impairment	34	3482	3516	179	9485	9664

34. PARTICULARS OF RELATED PARTIES

List of Related Parties

a. Subsidiary Companies

- i. Progen Systems and Technologies Limited
- ii. BGR Boilers Private Limited
- iii. BGR Turbines Company Private Limited

b. Associate Company – Nil

c. Other Companies (Enterprises where significant influence exists and enterprises where key management personnel have significant influence)

- i. GEA Cooling Tower Technologies (India) Private Limited
- ii. GEA BGR Energy System India Limited
- iii. Germanischer Lloyd Industrial Services (India) Private Limited
- iv. Mega Funds India Limited
- v. Sasikala Estate Private Limited
- vi. Schmitz India Private Limited
- vii. Cuddalore Powergen Corporation Limited
- viii. ANI Constructions Private Limited
- ix. Nannilam Property Private Limited
- x. Pragati Computers Limited
- xi. BGR Odisha Powergen 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 (relinquished office on 07.02.2012)
- iv. Mr. V.R. Mahadevan Director - Technologies & HR
- v. Mr. A.Swaminathan Director - Sales & Marketing

Notes to financial statements

f. Relatives of Key Management Personnel

- i. Ms. Swarnamugi Karthik (Daughter of Mr. B.G.Raghupathy and Mrs. Sasikala Raghupathy)
- ii. Ms. Priyadarshini Raghupathy (Daughter of Mr. B.G.Raghupathy and Mrs. Sasikala Raghupathy)
- iii. Miss. Vaani Raghupathy (Daughter of Mr. B.G.Raghupathy and Mrs. Sasikala Raghupathy)
- iv. Mr. Arjun Govind Raghupathy (Son of Mr. B.G.Raghupathy and Mrs. Sasikala Raghupathy)
- v. Mr. R.Prabhu (Son of Mr. S.Rathinam)

Related party transactions

₹ in Lakhs

Particulars	Subsidiary Companies	Other Companies	Key Management Personnel	Relatives of Key Management Personnel	For the year ended 31.03.2012	For the year ended 31.03.2011
Sales	-	6716	-	-	6716	4635
Purchases	416	1906	-	-	2322	3211
Advances given	-	-	-	-	-	3266
Repayment of Advance given	1235	1203	-	-	2438	7
Investment made	9905	-	-	-	9905	13202
Remuneration	-	-	2212	29	2241	3648
Rent Expenses	4	74	44	-	122	203
Guarantees	232	270	-	-	502	744
Purchase of Asset	-	9	-	-	9	-
Sale of Asset	111	-	-	-	111	-
Others	-	3	11	-	14	11
Balance Outstanding	863	2914	(11)	-	3766	4021

Disclosure in respect of related party transactions during the year :

1. Sales represents, GEA Cooling Tower Technologies (India) Private limited ₹ 6716 Lakhs (₹ 4635 Lakhs).
2. Purchase include, Progen Systems and Technologies Limited ₹ 416 Lakhs (₹ 36 Lakhs), GEA Cooling Tower Technologies (India) Private limited ₹ 1040 Lakhs (₹ 2709 Lakhs), GEA BGR Energy System India Limited ₹ 866 Lakhs (₹ 466 Lakhs).
3. Purchase / Subscription of investment include, BGR Boilers Private Limited ₹ 5885 Lakhs (₹ 3605 Lakhs), BGR Turbines Company Private Limited ₹ 4020 Lakhs (₹ 9597 Lakhs).
4. Remuneration to Key Management Personnel include, Mr. B.G. Raghupathy ₹ 1771 Lakhs (₹ 2592 Lakhs), Mr. T. Sankaralingam ₹ 127 Lakhs (₹ 127 Lakhs), Mr. S. Rathinam ₹ 94 Lakhs (₹ 151 Lakhs), Mr. V.R. Mahadevan ₹ 91 Lakhs (₹ 117 Lakhs), Mr. A. Swaminathan ₹ 129 Lakhs (₹ 146 Lakhs).
5. Remuneration to relatives of Key Management Personnel include, Ms. Swarnamugi Karthik ₹ 6 Lakhs (₹ 3 Lakhs), Ms. Priyadarshini Raghupathy ₹ 12 Lakhs (₹ 5 Lakhs), Miss. Vaani Raghupathy ₹ 1 Lakh (₹ 1 Lakh), Mr. Arjun Govind Raghupathy ₹ 2 Lakhs (₹ Nil), Mr. R. Prabhu ₹ 8 Lakhs (₹ 5 Lakhs).
6. Rent paid include, Progen Systems and Technologies Limited ₹ 4 Lakhs (₹ 111 Lakhs), GEA Cooling Tower Technologies (India) Private limited ₹ 24 Lakhs (₹ Nil), GEA BGR Energy System India Limited. ₹ 0.33 Lakh (₹ 1 Lakh), Sasikala Estate Private Limited ₹ 41 Lakhs (₹ 40 Lakhs), ANI Construction Private Limited ₹ 9 Lakhs (₹ 9 Lakhs). Mr. B G Raghupathy ₹ 44 Lakhs (₹ 42 Lakhs).
7. Purchase of Fixed Assets include, Cuddalore Powergen Corporation Limited ₹ 9 Lakhs (₹ Nil).
8. Sale of Fixed Assets include, BGR Boilers Private Limited ₹ 89 Lakhs (₹ Nil), BGR Turbines Company Private Limited ₹ 22 Lakhs (₹ Nil).
9. Others, include Royalty to Mr. B.G. Raghupathy ₹ 11 Lakhs (₹ 11 Lakhs), Pragati Computers Limited ₹ 3 Lakhs (₹ Nil) towards travel and other admin expenses.
10. Advance given include, BGR Boilers Private Limited ₹ Nil (₹ 1084 Lakhs), BGR Turbines Company Private Limited ₹ Nil (₹ 472 Lakhs), Nannilam Property Private Limited ₹ Nil (₹ 1686 Lakhs), BGR Odisha Powergen Limited ₹ Nil (₹ 21 Lakhs), GEA BGR Energy System India Limited ₹ Nil (₹ 4 Lakhs).

11. Repayment of Advance given include, Progen Systems and Technologies Limited ₹ 2 Lakhs (₹ Nil), BGR Boilers Private Limited ₹ 450 Lakhs (₹ Nil), BGR Turbines Company Private Limited ₹ 783 Lakhs (₹ Nil), BGR Odisha Powergen Limited ₹ 21 Lakhs (₹ Nil), Nannilam Property Private Limited ₹ 1178 Lakhs (₹ Nil), Mega Funds Limited ₹ 4 Lakhs (₹ 7 Lakhs).
12. Balances outstanding (Net) include, Progen Systems and Technologies Limited ₹ 541 Lakhs (₹ 590 Lakhs), BGR Boilers Private Limited ₹ 300 Lakhs (₹ 1084 Lakhs), BGR Turbines Company Private Limited ₹ 22 Lakhs (₹ 472 Lakhs), GEA Cooling Tower Technologies (India) Private Limited ₹ 1651 Lakhs (₹ 408 Lakhs (cr. bal)), GEA BGR Energy System India Limited ₹ 20 Lakhs (cr. bal) (₹ 174 Lakhs (cr. bal)), Cuddalore Powergen Corporation Limited ₹ 671 Lakhs (₹ 671 Lakhs), Nannilam Property Private Limited ₹ 508 Lakhs (₹ 1686 Lakhs), Mega Funds India Limited ₹ 43 Lakhs (₹ 47 Lakhs), Schmitz India Private Limited ₹ 60 Lakhs (₹ 60 Lakhs) BGR Odisha Powergen Limited ₹ Nil (₹ 20 Lakhs), Mr. B.G.Raghupathy ₹ 11 Lakhs (cr. Bal) (₹ 13 Lakhs (cr. bal)), Pragati Computers Limited ₹ Nil (₹ 3 Lakhs (cr. Bal)), Sasikala Estate Private Limited ₹ Nil (₹ 3 Lakhs (cr. bal)), ANI Constructions Private Limited ₹ Nil (₹ 8 Lakhs (cr. bal)).
13. Gurantees given include, Progen Systems and Technologies Limited ₹ 232 Lakhs (₹ 83 Lakhs), GEA Cooling Tower Technologies (India) Private limited ₹ 270 Lakhs (₹ 662 Lakhs).

35. CONTINGENT LIABILITIES, GUARANTEES & CAPITAL COMMITMENTS

₹ in Lakhs

Particulars		As at 31.03.2012	As at 31.03.2011
A	Contingent Liabilities		
	Claims against the company not acknowledged as debt		
	a) On account of Sales Tax	3443	161
	b) On account of Income Tax*	6695	3780
	c) On account of Service Tax	-	42
	d) On account of Contractual Obligations	2350	2350
	e) On account of Royalty	2138	-
	Guarantees		
	Guarantees and Counter Guarantees given on behalf of Subsidiary and Other Company	502	744
B	Capital Commitments		
	Estimated amount of contracts remaining to be executed on capital account	12172	8362

* Income Tax demand represents a sum of ₹ 6695 Lakhs (Nil) which has been contested by the IT authorities before the Income Tax Appellate Tribunal.

36. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

a. Derivatives outstanding as at the balance sheet date

₹ in Lakhs / Foreign currency in Million

Particulars	As at March 31, 2012 A/c Receivable	As at March 31, 2011 A/c Payable
No of Contracts	4	2
Value in Foreign currency		
EUR		3
USD	11	
Value in INR	5573	1860

Notes to financial statements

b. Particulars of unhedged foreign currency exposure as at the reporting date

Particulars	As at March 31, 2012		As at March 31, 2011	
	Foreign Currency	INR Equivalent	Foreign Currency	INR Equivalent
Amounts payable				
USD	46	23288	125	55946
Euro	10	701	1	910
Amounts Receivable				
USD	35	17621	45	20218

37. VALUE OF IMPORTS ON CIF BASIS

₹ in Lakhs

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Raw Materials, Components, Consumables & Spare parts	65298	189062
Capital Items	1782	1102

38. EXPENDITURE IN FOREIGN CURRENCY

₹ in Lakhs

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Travelling	240	294
Part Processing and Professional charges	35	54
Commission on sales	552	239
Royalty	-	19
Agency Commission, Bank Charges & Others	295	863
Interest	493	583
Total	1615	2052

39. EARNINGS IN FOREIGN CURRENCY

₹ in Lakhs

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Sales	45451	112225
Services	-	265
Total	45451	112490

40. DEFERRED TAXES

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

₹ in Lakhs

Component	Deferred Tax Asset as on 31.03.2012	Deferred Tax Liability as on 31.03.2012	Deferred Tax Asset as on 31.03.2011	Deferred Tax Liability as on 31.03.2011
Depreciation	-	1193	-	905
R & D	-	-	-	32
Provision for Bad Debts	194	-	-	-
Impairment of Assets	55	-	45	-
Gratuity	76	-	42	-
PL Encashment	175	-	163	-
Others	29	-	15	-
Retention Money	-	39471	-	30496
TOTAL	529	40664	265	31433
Net		40135		31168

41. 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 ₹ 34 Lakhs (₹ 9 Lakhs) in the books of accounts towards impairment of other fixed assets based on the technical valuation.

42. During the year, a fraud on the company has been identified and a police complaint was filed against certain employees of the Company. The sum involved as per First Information Report filed is ₹ 54 Lakhs. However, the eventual amount involved is under investigation. Pending investigation the employees are under suspension.

43. PROVISIONS

The company has made a provision / transfer of ₹ 3451 Lakhs (₹ 9163 Lakhs) towards Warranty and Contractual obligations on the products supplied / contracts executed by the company during the year 2011-2012.

Movement in provisions

₹ in Lakhs

Particulars	Provision for Warranty	Provision for Contractual obligations	Provision for Warranty	Provision for Contractual Obligations
	11-12	11-12	10-11	10-11
Opening Balance	1457	15647	891	7050
Add : Addition / Transfers	431	3035	593	8597
Less : Provision used & Reversed	15	-	27	-
Closing Balance	1873	18682	1457	15647

Notes to financial statements

44. DETAILS OF ROUNDED OFF AMOUNTS

The financial statements are presented in ₹ in lakh. Those items which are required to be disclosed and which were not presented in the financial statement due to rounding off to the nearest ₹ in lakh are given as follows:

Description	Note	31.03.2012 ₹ in Lakhs	31.03.2011 ₹ in Lakhs
Share Application Money		-	0.41
Investment in GEA Cooling Tower Technologies (India) Private Limited	11	0.20	0.20

45. PREVIOUS YEAR FIGURES

Pursuant to the Notification No.447(E) dated February 28, 2011 and Notification No. 653 (E) dated March 30, 2011, issued by the Ministry of Corporate Affairs, the Company has prepared its annual financial statements as per revised Schedule VI to the Companies Act, 1956 with effect from April 1, 2011. Accordingly, the previous year periods / year's figures have been regrouped / rearranged, wherever required to align the financial statements to the revised format.

B.G. RAGHUPATHY
Chairman & Managing Director

T. SANKARALINGAM
Managing Director

V.R. MAHADEVAN
Director - Technologies & HR

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

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Director

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President - Corporate & Secretary

P. R. EASWAR KUMAR
President & Chief Financial Officer

Chennai
May 30, 2012

Auditors' Report on Consolidated Financial Statements

To the Board of Directors
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, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These 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 regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the 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. We did not audit the financial statements of three subsidiaries, namely, Progen Systems and Technologies Limited, BGR Boilers Private Limited and BGR Turbines Company Private Limited, whose financial statements reflect total assets of ₹ 34095 Lakhs as at March 31, 2012, total revenue of ₹ 1663 Lakhs and negative cash flows (net) amounting to ₹ 26 Lakhs for the year then ended. We did not audit the financial statements of the joint venture, namely, Mecon – GEA Energy System (India) Limited (JV) whose financial statements reflect total assets of ₹ 1808 Lakhs as at March 31, 2012 and total loss of ₹ 0.21 Lakh for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements' and Accounting Standard 27, 'Financial Reporting of Interests in Joint Ventures' as notified by the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached 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, 2012;
 - b. in the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
 - c. in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **MANOHAR CHOWDHRY & ASSOCIATES**
Chartered Accountants
Firm Registration No. 001997S

G.R. HARI
Partner

Place : Chennai
Date : May 30, 2012

Membership No. 206386

Consolidated Balance Sheet

(₹ in Lakhs)

	Note No.	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	7216	7216
Reserves and Surplus	2	104534	87987
Minority Interest		9130	5184
Non-Current Liabilities			
Long Term Borrowings	3	4323	4445
Deferred Tax Liabilities (net)		39741	30776
Other Long Term liabilities	4	65302	78427
Long Term Provisions	5	20465	17038
Current Liabilities			
Short Term Borrowings	6	170357	128250
Trade Payables	7	130114	120022
Other Current Liabilities	8	36809	42040
Short-Term Provisions	9	6549	9341
		594540	530726
ASSETS			
Non-Current Assets			
Good will on Consolidation		59	59
Fixed Assets	10		
Tangible Assets		29845	18535
Intangible Assets		1145	1242
Capital Work-in-Progress		10304	8619
Non-Current Investments	11	53	53
Long-term Loans and Advances	12	27333	17521
Other Non-Current Assets	13	60170	5873
Current Assets			
Inventories	14	3071	4107
Trade Receivables	15	313762	310330
Cash and Bank Balances	16	94073	104081
Short-Term Loans and Advances	17	52341	57283
Other Current Assets	18	2384	3023
		594540	530726
Significant Accounting Policies Notes to Financial Statements	1 to 34		

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President & Chief Financial Officer

Chennai
May 30, 2012

Consolidated Statement of Profit and Loss

(₹ in Lakhs)

	Note No.	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue From Operations	19	345050	475261
Other Income	20	1440	1947
TOTAL REVENUE		346490	477208
Expenses			
Cost of Material	21	217161	345078
Cost of Manufacturing & Construction	22	44924	40604
Other Direct Cost	23	6204	6347
(Increase)/Decrease in work in progress		167	(509)
Employee Benefits Expense	24	17590	14468
Finance Costs	27	13548	6047
Depreciation and Amortization Expense	26	1739	1730
Other Expenses	25	12310	15367
TOTAL EXPENSES		313643	429132
Profit Before Tax		32847	48076
Tax expense			
Current tax		6590	9613
Deferred tax		8966	15269
MAT Credit Entitlement		(5147)	(9110)
PROFIT FOR THE PERIOD		22438	32304
Earnings per equity share of face value of ₹ 10 each			
(1) Basic ₹		31.09	44.81
(2) Diluted ₹		31.09	44.73
Significant Accounting Policies			
Notes to Financial Statements	1 to 34		

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Chennai
May 30, 2012

Consolidated Cash Flow Statement

	For the year ended 31.03.2012 ₹ in Lakhs	For the year ended 31.03.2011 ₹ in Lakhs
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax And Extraordinary Items	32847	48076
Adjustments for :		
Depreciation & Amortization	1739	1730
Dividend From Investments - Other	(1)	(1)
Dividend From Investments - Trade	(3)	(3)
(Profit) / Loss On Sale Of Fixed Assets	21	6
(Profit) / Loss on Unrealized Foreign Exchange Gain	(3198)	(1336)
Premium on Forward Exchange Contract Amortized	(24)	-
Provision for Warranty & Contractual Obligation	2918	9163
Provision For Bad Debts	598	-
Share Of Minority Interest	(20)	38
Interest Expense	13548	6047
Operating Profit Before Working Capital Changes	48425	63720
(Increase) / Decrease In Sundry Debtors	(4030)	(112304)
(Increase) / Decrease In Inventories	1036	(2489)
(Increase) / Decrease In Current Assets	(53658)	(6310)
(Increase) / Decrease In Loans And Advances	(4872)	(6079)
Increase / (Decrease) In Trade Payables	(698)	57281
	(62222)	(69901)
Cash Generated From Operations	(13797)	(6181)
Direct Tax Paid	(1882)	(6159)
Net Cash Flow From Operating Activities	(15679)	(12340)
B CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase Of Fixed Assets	(13061)	(6996)
Sale Of Fixed Assets	86	20
Purchase Of Investments	-	-
Decrease / (Increase) In Capital Work-In-Progress	(1686)	(7583)
Dividend From Investments - Other	1	1
Dividend From Investments - Trade	3	3
Net Cash Flow From Investing Activities	(14657)	(14555)
C CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Borrowings (Repaid) / Availed	(121)	(555)
Payment Of Dividend	(7216)	(5048)
Tax On Dividend Paid	(1199)	(857)
Short Term Borrowings (Repaid) / Availed	42107	52504
Proceeds from Issue Of Share Capital (ESOS)	-	16
Share Premium (ESOS)	-	643
Interest Expense	(13244)	(5913)
Net Cash Flow From Financing Activities	20327	40790
Net Increase In Cash And Cash Equivalents (A+B+C)	(10009)	13895
Cash And Cash Equivalents As At 01.04.2011 (Op. Bal)	104081	90186
Cash And Cash Equivalents As At 31.03.2012 (Cl. Bal)	94073	104081
Cash Balance	18	29
Bank Balance - Current Account	2471	22580
Bank Balance - Deposit	91584	81472

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Chennai
May 30, 2012

Significant Accounting Policies

a. Accounting Conventions

The consolidated Financial Statements of the Group have been prepared in accordance with Accounting Standard 21 & 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 Generally Accepted Accounting Principles in India ("I-GAAP") and mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities Exchange Board of India ("SEBI").

b. Principles of Consolidation:

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

- i. The financial Statements (the Balance sheet, the Statement of Profit and Loss 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 transactions and the resulting unrealized profits or losses.
- ii. The difference between the cost of investment in the subsidiaries over the Company's share of net assets at the time of acquisition 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.
- iii. 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.

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

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

S.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, 2012	Voting Power/ share of interest % as at March 31, 2011
1.	Progen Systems and Technologies Limited.	Indian Subsidiary Company	March 31, 2012	69.67%	69.67%
2.	Mecon- GEA Energy System (India) Limited (JV)	Indian Joint Controlled Entity	March 31, 2012	10.00%	10.00%
3.	BGR Boilers Private Limited.	Indian Subsidiary Company	March 31, 2012	70.00%	70.00%
4.	BGR Turbines Company Private Limited.	Indian Subsidiary Company	March 31, 2012	74.00%	74.00%

c. Use of Estimates

The preparation of financial statements, in conformity with I-GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and the estimates are recognized prospectively in the year in which the results are known / materialized.

d. Fixed Assets & Intangible 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 the costs of such intangible assets 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 & 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.

Significant Accounting Policies

In the financial statements of BGR Boilers Private Limited and BGR Turbines Company Private Limited, depreciation is being measured and recognised using written down value method unlike straight line method used by the Group. The proportion of such assets is as follows:

Assets	Proportion of	
	Net Block March 31, 2012#	Depreciation for the year March 31, 2012#
Furniture & Fixtures	20%	18%
Vehicles	4%	1%
Office Equipments	5%	4%

Previous year proportions have not been mentioned since these assets have been purchased during the current financial year

f. Investments

Investments are classified into long-term and current investments based on the intent of management at the time of acquisition.

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)

Basic and diluted EPS are computed in accordance with Accounting standard (AS) 20 – “Earnings per share”

Basic Earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

- Sales are accounted on basis of despatches.
- Sales include equipment billed but despatch of which is withheld at the request of the customer.
- Revenue from services is recognized in accordance with the specific terms of contract on performance.
- Revenue from construction contracts is recognized by reference to the stage of completion of the contract activity at the reporting date of the financial statements on the basis of percentage of completion method. The stage of completion of contracts is measured by reference to the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs for each contract.
- Expected Loss, if any, on the construction / project related activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of costs and related incidental income not included is taken into consideration.
- Other Income – a) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable, b) Dividend income is recognized when the company's right to receive dividend is established.

i. Inventories

Raw materials and stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products, in which they will be used are expected to be sold at or above cost.

Work-in-progress and finished goods are valued at lower of cost and net realizable value. Finished goods and work-in-progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Saleable scrap, whose cost is not identified, is valued at net realizable value

j. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items are translated at the rates prevailing on the balance sheet date. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement and also on translation of monetary items at the balance sheet date is recognized as income or expense.

For forward contracts which are entered into to hedge the foreign currency risk of the underlying outstanding on the date of entering into that forward contract, the premium or discount on such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as an income or expense for the period. The exchange difference on such a forward exchange contract is calculated as the difference between : -

Significant Accounting Policies

- a) the foreign currency amount of the contract translated at the exchange rate at the balance sheet date, or the settlement date where the transaction is settled during the reporting period, and
- b) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting period in which the exchange rates change.

k. Cash Flows

Cash and cash equivalents consist of cash and cash on deposit with scheduled banks.

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 operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. 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 in accordance with the provisions of the Income-tax Act, 1961. 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 the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Minimum alternate 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 period in which the Company is allowed to carry forward the MAT credit as per the provisions of the Income-tax Act, 1961 ("specified period"). The company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit asset to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

m. Impairment of Assets

At every balance sheet date, the company determines whether the provisions should be made for the impairment loss on 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". All impairment losses are recognized in statement of Profit & Loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is recognized in the Statement of Profit & Loss.

n. Employee Benefits

- a) Short Term Employee Benefits :

Short-term employee benefits are recognized as an expense at the undiscounted amount in the Statement of profit and loss for the year in which related services are rendered.

- b) Post Employment Benefits:

- i) Defined Contribution plan:

Company's contributions paid/payable during the year towards provident fund, pension scheme and employees' state insurance ("ESI") scheme are recognized in the statement of profit and loss.

- ii) Defined Benefit Plan:

Company's liability towards gratuity in accordance with The Payment of Gratuity Act, 1972 is determined by actuarial valuation as at 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.

- c) Other Long-term Employee Benefits:

The company provides for compensated absences subject to certain rules. The employees are entitled to accumulate such absences for availment as well as encashment. As per the regular past practice followed by the employees, it is not expected that the entire accumulated absence shall be encashed or availed by the employees during the next twelve months and accordingly the benefit is treated as other long-term employee benefits. The liability is recognized on the basis of the present value of the future benefit obligations as determined by actuarial valuation.

o. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of such asset till such time the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Significant Accounting Policies

p. Leases

Finance leases, which 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 interest rate or incremental borrowing rate as applicable. Finance charges are charged directly against income. The costs identified as directly attributable to activities performed for a finance lease are included as part of the amount recognized as leased assets.

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

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

Lease payments under operating lease are recognized as an expense in the statement of profit and loss 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.
- iii) The company provides warranty based on the management assessment and estimation, as and when it recognizes the revenue and maintains the same through the warranty period.

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

S.No.	Name of the company	Country of Incorporation	Extent of Holding (%) as on March 31, 2012	Goodwill or (Capital Reserve) on account of Consolidation	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%	59	69.67%	59
2	BGR Boilers Private limited	India	70.00%	---	70.00%	---
3	BGR Turbines Company Private Limited	India	74.00%	---	74.00%	---

Joint Ventures

S.No.	Name of the company	Country of Incorporation	Extent of Interest (%) as on March 31, 2012	Goodwill or (Capital Reserve) on account of Consolidation	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	10% & 30% on two different construction projects	Nil

Notes to Consolidated Financial Statements

SHAREHOLDERS' FUNDS	As at 31 March 12 ₹ in Lakhs	As at 31 March 11 ₹ in Lakhs		
1. SHARE CAPITAL				
Authorised				
100000000 Equity Shares of ₹ 10/- each (100000000)	10000	10000		
Issued, Subscribed and Paid up				
72161560 Equity Shares of ₹ 10/- each (72161560)	7216	7216		
a. Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period				
Equity shares				
	31 March 2012 No. of Shares	31 March 2012 ₹ in Lakhs	31 March 2011 No. of Shares	31 March 2011 ₹ in Lakhs
At the beginning of the period	72161560	7216	72000000	7200
Issued during the period - Employee Stock Option Scheme	-	-	161560	16
Outstanding at the end of the period	72161560	7216	72161560	7216
b. Terms/rights attached to equity shares				
The company has one class of shares referred to as equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share.				
c.				
54000000 (54000000) Shares out of the issued, subscribed and paid up share capital were allotted as bonus shares in the last five years by capitalization of profits.				
d. Details of shareholders holding more than 5% shares in the company				
	31-Mar-12		31-Mar-11	
	No. in Lakhs	% holding	No. in Lakhs	% holding
Mr. B G Raghupathy	19712160	27.32	19712160	27.32
Mrs. Sasikala Raghupathy	11583440	16.05	11583440	16.05
Priya Securities Private Limited	8640000	11.97	8640000	11.97
BGR Investment Holdings Company Limited	8640000	11.97	8640000	11.97
Vani Securities Private Limited	5428080	7.52	5428080	7.52
Arjun Securities Private Limited	4540320	6.29	4540320	6.29
e.				
The company has reserved issuance of 291100 (335851) Equity shares of ₹ 10/- each for offering to eligible employees of the company and its subsidiary under the employee stock option scheme - 2007. (Refer Note 32)				
2. RESERVES & SURPLUS	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs		
i. Securities Premium Account				
Opening Balance	31895	31252		
Add : Additions on ESOS exercised	-	643		
	31895	31895		
ii. General Reserve				
Opening Balance	8261	5019		
Add : Amount transferred from Statement of Profit and Loss	2235	3242		
	10496	8261		
iii. Balance in statement of Profit and Loss				
Opening Balance	47831	27154		
Add : Profit for the year	22438	32304		
Less : Appropriations				
Proposed Dividend	5051	7224		
Tax on proposed dividend	820	1199		
Transfer to General reserve	2235	3242		
Minority Interest	20	(38)		
	62143	47831		
	104534	87987		

Notes to Consolidated Financial Statements

3. LONG TERM BORROWINGS	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs
Secured		
i. Term Loans From banks	4213	4196
ii. Fixed Assets Loans		
a. from banks	12	51
b. from Financial Institutions	17	43
Unsecured		
iii. Deferred payment liabilities - Interest Free Sales Tax Loan	81	155
	4323	4445

Term Loan includes ₹ 2463 Lakhs (₹ 2124 Lakhs) from State Bank of Travancore is secured by a first charge on fixed assets of the Company. The loan is repayable in 20 quarterly equal installments starting from September, 2011. All the other term loans and fixed assets loans are secured against the assets purchased out of the respective loans. Fixed Assets loans are payable in monthly installments. Fixed Assets purchased under Buyers Credit arrangements are payable on maturity.

4. OTHER LONG TERM LIABILITIES	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs
Advance from Customers	22302	35618
Trade Payables	42894	42806
Other Payables *	106	3
* Other payables include Trade payables-Expenses, Retentions	65302	78427

5. LONG TERM PROVISIONS	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs
Warranty and Contractual obligation	20445	17027
Employee benefit - Gratuity	20	11
	20465	17038

6. SHORT TERM BORROWINGS	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs
Secured		
Working capital loans from banks	122857	80750
Unsecured		
Unsecured Loans - Banks	47500	47500
	170357	128250

- a) The balance in project specific escrow account have been netted off against respective project's working capital loan account
- b) The Company has availed Working Capital loans on pari-passu basis from State Bank of India and State Bank of Hyderabad. These loans are secured by hypothecation of inventories, trade receivables and movable assets of the Capital goods segment 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, trade receivables and movable current assets of the respective contracts. The participating banks share the securities on pari-passu basis.

Notes to Consolidated Financial Statements

7. TRADE PAYABLES	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs
Micro, Small and Medium Enterprises	82	202
Trade Payable	130032	119820
	130114	120022
8. OTHER CURRENT LIABILITIES		
Advance from Customers	29846	34631
Current maturities of long term borrowings	2313	1032
Withholding and other taxes payable	365	338
Other payable*	3762	5826
Unpaid dividends	24	13
Interest accrued but not due on borrowings	499	200
* Other payable include Expenses payable, Employee dues, Statutory dues, Trade payables - Expenses	36809	42040
9. SHORT TERM PROVISIONS		
i. Provision for employee benefits		
Provision for bonus & Leave, current	310	258
Provision for Gratuity	131	23
ii. Others		
Provision for warranty and contractual obligation	109	77
Proposed dividend	5051	7216
Provision for		
Tax on dividend	820	1199
Wealth tax	6	5
Income taxes (net)	122	563
	6549	9341

Notes to Consolidated Financial Statements

(₹ in Lakhs)

10. FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				IMPAIRMENT LOSS	NET BLOCK		
	As at 31.03.2011	During the year		As at 31.03.2012	Up to 31.03.2011	For the year	Deletions	Up to 31.03.2012		For 2011-12	WDV as at	
		Additions	Deletions								31.03.2012	31.03.2012
Tangible Assets												
Land *	4112	7813	-	11925	-	-	-	-	-	11925	4112	
Buildings	838	1170	-	2008	225	34	-	259	-	1749	613	
Plant & Equipment	14945	2724	24	17645	3038	862	9	3891	-	13754	11908	
Furniture & Fixtures	211	364	22	553	61	50	9	102	-	451	150	
Office Fixtures	298	15	98	215	164	29	14	179	-	36	134	
Office Equipments	872	298	87	1083	288	115	95	308	34	741	584	
Electrical Installations	214	135	-	349	99	13	-	112	-	237	115	
Vehicles	1402	175	14	1563	483	139	11	612	-	952	919	
Intangible Assets **												
Technical Know-How	856	-	-	856	330	142	-	472	-	384	526	
Software	1333	367	-	1700	616	322	-	938	-	761	716	
TOTAL	25081	13061	245	37897	5305	1705	138	6872	34	30990	19777	
As at 31.03.2011	18190	6996	104	25081	3653	1721	78	5296	9	19777		

* Cost of land includes ₹ 1500 Lakhs towards standing trees, crops, plantation and other agricultural yields on the land and ₹ 479 Lakhs towards additional consideration for land development and resettlement payments in connection with the purchase of land.

** Both the assets are other than internally generated.

Notes to Consolidated Financial Statements

11. NON-CURRENT INVESTMENTS (Long-Term Investments)	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs
In Equity Shares of Other Companies - Unquoted, fully paid up		
10000 GEA Cooling Tower Technologies (India) Private Limited (10000) (Inclusive of 8000 bonus shares) of ₹ 10 each (₹ 20000 (₹ 20000))	-	-
100900 Cuddalore Powergen Corporation Limited (100900) of ₹ 10 each	10	10
In Equity Shares of Other Companies - Quoted, fully paid up		
13970 Indian Bank (13970) of ₹ 91 per share	13	13
In Mutual Funds - Quoted fully paid up - Face Value ₹ 10 each		
50000 SBI Mutual Fund-Magnum Multi Cap Fund - Dividend (50000) units	5	5
250000 SBI Mutual Fund-Infrastructure Fund - I - Growth (250000) units	25	25
	53	53
1) Aggregate market value of quoted investments	60	62
2) Aggregate Book value of quoted investments	43	43
3) Aggregate Book value of unquoted investments	10	10
12. LONG TERM LOANS AND ADVANCES		
i. Secured Considered good		
Advance to Suppliers	560	22
ii. Unsecured Considered good		
Loans and Advance to Related parties	537	537
Capital Advance	1523	12
MAT Credit entitlement	17115	11968
Other Loans and Advances*	6251	4066
Deposit	1347	916
	27333	17521

* Other Loans and advances include TDS Receivables, Dues from Customers & Tax refund (net of provision for taxation) from the Government.

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. The disputes after having been reviewed by the Dispute Review Board are now subject to arbitration. The Arbitral Tribunal has passed preliminary order in favour of the JV, which is under challenge before the High Court of Delhi. The arbitral award is expected in due course of time. Based on legal opinion, the company has identified a sum of ₹ 1654 Lakhs (₹ 1654 Lakhs) as on 31.03.2012 as recoverable advances from the end client through the JV and is grouped under loans and advances.

Tuticorin Project: The end client of Tirunelveli – Tuticorin Port Connectivity Project viz., Tuticorin Port Road Company Ltd (SPV of NHAI) has terminated the contract and encashed BGs for aggregate value of ₹ 2652 Lakhs and the same were restituted as per orders of the High Court. The disputes, including termination of contract, after having been reviewed by the Disputes Review Board are now subject to arbitration. In view of these facts, the Company has identified the sum of ₹ 83 Lakhs (₹ 1461 Lakhs) as on 31.03.2012 as recoverable advances from the end client through the JV and is grouped under loans and advances.

Notes to Consolidated Financial Statements

13. OTHER NON-CURRENT ASSETS	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs
Unsecured		
Trade Receivables - Considered good	59779	5467
Trade Receivables - Considered doubtful	598	
Less:- Provision for Doubtful receivable	598	-
Fixed Deposit - Maturity more than 12 Months	391	406
	60170	5873
14. INVENTORIES		
Raw Materials and Components	2632	3505
Consumables	19	17
Work-in-progress	417	584
Loose Tools	3	1
	3071	4107
15. TRADE RECEIVABLES		
(Unsecured and Considered good)		
Over Six Months	2191	5652
Others	311571	304678
	313762	310330

15.1 Trade Receivables – Others, includes Retention amount of ₹ 120798 Lakhs (₹ 114441 Lakhs) which, in accordance with the terms of the contracts were not due for payments as at 31st March, 2012

15.2 The Company and State Company for Oil Projects, Iraq (Client) terminated with mutual consent the contract for two gas development projects in Iraq. The Company and Client agreed to settle contract claims by mutual agreement. Hence no provision or write off or write back on account of this contract is made in the books of account. The contract value is ₹ 40465 Lakhs and the revenue recognised so far is ₹ 8362 Lakhs. The balance receivable from the contractor and the amount of advance held by the Company are ₹ 4909 Lakhs and ₹ 4998 Lakhs, respectively.

16. CASH AND BANK BALANCES	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs
Balances with Banks :		
On Current accounts	2447	22567
Fixed Deposits	91584	81472
On unpaid dividend accounts	24	13
Cash on hand	18	29
	94073	104081

16.1 Fixed deposits with banks include deposits of ₹ 42298 Lakhs (₹ 44069 Lakhs) are under lien to banks

16.2 Fixed deposits maintained by the company with banks, other than lien marked deposits, can be withdrawn by the company at any point without any prior notice or penalty

16.3 Bank balances of ₹ 3 Lakhs (₹ 3 Lakhs) are subject to confirmation.

Notes to Consolidated Financial Statements

17. SHORT TERM LOANS AND ADVANCES	As at 31.03.2012 ₹ in Lakhs	As at 31.03.2011 ₹ in Lakhs
Secured considered good		
Advance to Suppliers	8878	10262
Unsecured considered good		
Loans and Advances to Related Parties	1092	265
Other Loans and Advances*	42171	45849
Deposits	200	907
* Includes advance to Suppliers and Forward contract valuation	52341	57283
18. OTHER CURRENT ASSETS		
Interest accrued on fixed deposits	2384	3023
	2384	3023
19. REVENUE FROM OPERATIONS	For the year ended 31.03.2012 ₹ in Lakhs	For the year ended 31.03.2011 ₹ in Lakhs
Sale of Manufactured Goods	30095	20643
Less: Excise Duty	1658	1112
	28437	19531
Contracting Income	316147	455170
Erection & Service Income	207	280
Other Operating revenue	259	280
	345050	475261
20. OTHER INCOME		
Dividend from Investments - Other	1	1
Dividend from Investments - Trade	3	3
Foreign Exchange Variation (Net)	-	991
Interest on Fixed Deposits / Advances	1395	859
Others	41	93
	1440	1947
21. COST OF MATERIAL		
Opening inventory	3522	1543
(Raw materials, Consumables, Bought Outs and Components)		
Add : Purchases	216290	347057
	219812	348600
Less: Closing Inventory	2651	3522
(Raw materials, Consumables, Bought Outs and Components)		
	217161	345078
22. COST OF MANUFACTURING & CONSTRUCTION		
Sub contracting & Processing Charges	44371	40234
Power & Fuel	553	370
	44924	40604

Notes to Consolidated Financial Statements

23. OTHER DIRECT COST	For the year ended 31.03.2012 ₹ in Lakhs	For the year ended 31.03.2011 ₹ in Lakhs
Agency Commission	552	349
Insurance	482	403
Bank Charges	4232	4959
Professional Fees	193	65
Packing & Forwarding	745	571
	6204	6347
24. EMPLOYEE BENEFIT EXPENSES		
Salaries and Allowances	15635	12973
Contribution to P.F., E.S.I., & Gratuity	693	546
Workmen & Staff Welfare Expenses	1262	949
	17590	14468
25. OTHER EXPENSES		
Rent	1756	1081
Bad Debts Written off	-	501
Provision for Bad Debts	598	-
Audit Fees (Refer details below)	66	42
Bank Charges	95	66
Conveyance & vehicle running expenses	406	239
Electricity Charges	215	163
Foreign Exchange Loss	1769	-
Insurance	80	58
Loss/(Profit) on sale of Asset	21	6
Other Admin Expenses	978	852
Professional charges	600	710
Rates and taxes	129	146
Repairs & Maintenance	913	682
Security Charges	176	106
Selling expenses	200	205
Sitting Fees	10	10
Telephone expenses	213	202
Travelling expenses - Domestic	927	808
Travelling expenses - Foreign	240	327
Warranty & Contractual obligation	2918	9163
	12310	15367
Payment to Auditors		
For Audit Fees	55	35
For Tax Matters	4	4
For Certification	7	3
	66	42

Notes to Consolidated Financial Statements

26. DEPRECIATION, IMPAIRMENT AND AMORTIZATION EXPENSE	For the year ended 31.03.2012 ₹ in Lakhs	For the year ended 31.03.2011 ₹ in Lakhs
Depreciation of Tangible assets (Including impairment loss)	1316	1360
Amortization of Intangible assets	423	370
	1739	1730
27. FINANCE COST		
(a) Interest on working capital loans	12754	5713
(b) Interest on Term loans	794	334
	13548	6047

28. CONTINGENT LIABILITIES, GUARANTEES & CAPITAL COMMITMENTS ₹ in Lakhs

Particulars	As at 31.03.2012	As at 31.03.2011
A Contingent Liabilities		
Claims against the company not acknowledged as debt		
a) On account of Sales Tax	3443	161
b) On account of Income Tax*	6695	3780
c) On account of Service Tax	-	42
d) On account of Contractual Obligations	2350	2350
e) On account of Royalty	2138	-
Guarantees		
Guarantees and Counter Guarantees given on behalf of Other Company	270	662
B Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account	29571	11418
* Income Tax demand represents a sum of ₹ 6695 Lakhs (Nil) which has been contested by the IT authorities before the Income Tax Appellate Tribunal.		

29. SEGMENT REPORTING

Information about Business Segments (information provided in respect of revenue items for the 12 months period ended 31.03.2012 and in respect of assets / liabilities as at 31.03.2012) are furnished below:

₹ in Lakhs

Particulars	For the year ended 31.03.2012			For the year ended 31.03.2011		
	Capital Goods Segment	Construction and EPC Contracts Segment	Total	Capital Goods Segment	Construction and EPC Contracts Segment	Total
a) Revenue	32145	312905	345050	26908	448353	475261
b) Result	3815	41140	44955	1968	50208	52176
Add: Un allocable Income net of expenditure	-	-	1440	-	-	1947
Profit before Interest and Tax	-	-	46395	-	-	54123
Interest	-	-	13548	-	-	6047
Profit Before Tax	-	-	32847	-	-	48076
Provision for Taxation	-	-	-	-	-	-
- Provision for Current Tax	-	-	6590	-	-	9613
- Provision for Deferred Tax	-	-	8966	-	-	15269
- MAT Credit entitlement	-	-	(5147)	-	-	(9110)
- Total	-	-	10409	-	-	15772
Net Profit After Tax	-	-	22438	-	-	32304
c) Assets	34874	559666	594540	34123	496603	530726
Add: Unallocated Corporate Assets	-	-	-	-	-	-
Total Assets	-	-	594540	-	-	530726

Notes to Consolidated Financial Statements

Particulars	For the year ended 31.03.2012			For the year ended 31.03.2011		
	Capital Goods Segment	Construction and EPC Contracts Segment	Total	Capital Goods Segment	Construction and EPC Contracts Segment	Total
d) Liabilities	19184	408275	427459	22283	368004	390287
Add : Unallocated Corporate Liabilities	-	-	55331	-	-	45234
Total Liabilities	-	-	482790	-	-	435521
e) Capital Assets acquired during the year	1681	11380	13061	3427	3569	6996
f) Depreciation, Amortisation & Impairment	239	1500	1739	220	1510	1730
g) Other non cash charges except depreciation, amortisation & impairment	34	3482	3516	179	9485	9664

30. PARTICULARS OF RELATED PARTIES

List of Related Parties

a. Other Companies (Enterprises where Significant Influence Exists and Enterprises where key Management Personnel have Significant Influence)

- i. GEA Cooling Tower Technologies (India) Private Limited
- ii. GEA BGR Energy System India Limited
- iii. Germanischer Lloyd Industrial Services (India) Private Limited
- iv. Mega Funds India Limited
- v. Sasikala Estate Private Limited
- vi. Schmitz India Private Limited
- vii. Cuddalore Powergen Corporation Limited
- viii. ANI Constructions Private Limited
- ix. Nannilam Property Private Limited
- x. Pragati Computers Limited
- xi. BGR Odisha Powergen 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 (relinquished office on 07.02.2012)
- iv. Mr. V.R. Mahadevan Director - Technologies & HR
- v. Mr. A. Swaminathan Director - Sales & Marketing

c. Relatives of Key Management Personnel

- i. Ms. Swarnamugi Karthik (Daughter of Mr. B.G. Raghupathy and Mrs. Sasikala Raghupathy)
- ii. Ms. Priyadarshini Raghupathy (Daughter of Mr. B.G. Raghupathy and Mrs. Sasikala Raghupathy)
- iii. Miss. Vaani Raghupathy (Daughter of Mr. B.G. Raghupathy and Mrs. Sasikala Raghupathy)
- iv. Mr. Arjun Govind Raghupathy (Son of Mr. B.G. Raghupathy and Mrs. Sasikala Raghupathy)
- v. Mr. R. Prabhu (Son of Mr. S. Rathinam)

RELATED PARTY TRANSACTIONS

₹ in Lakhs

Particulars	Other Companies	Key Managerial Personnel	Relatives	For the year 31.03.2012	For the year 31.03.2011
Sales	6716	-	-	6716	4635
Purchases	1906	-	-	1906	3175
Advances Received	1203	-	-	1203	7
Remuneration	-	2212	29	2241	3648
Rent	74	44	-	118	92
Guarantee	270	-	-	270	662
Purchase of Asset	9	-	-	9	-
Others	3	11	-	14	11
Balance Outstanding	2914	(11)	-	2903	1875

Disclosure in respect of related party transactions during the year :

- Sales represents, GEA Cooling Tower Technologies (India) Private limited ₹ 6716 Lakhs (₹ 4635 Lakhs).
- Purchase include, GEA Cooling Tower Technologies (India) Private limited ₹ 1040 Lakhs (₹ 2709 Lakhs), GEA BGR Energy System India Limited ₹ 866 Lakhs (₹ 466 Lakhs).
- Remuneration to key management Personnel include Mr. B.G. Raghupathy ₹ 1771 Lakhs (₹ 2592 Lakhs), Mr. T. Sankaralingam ₹ 127 Lakhs (₹ 127 Lakhs), Mr. S. Rathinam ₹ 94 Lakhs (₹ 151 Lakhs), Mr. V.R. Mahadevan ₹ 91 Lakhs (₹ 117 Lakhs), Mr. A. Swaminathan ₹ 129 Lakhs (₹ 146 Lakhs).
- Remuneration to relatives of key management personnel include, Ms. Swarnamugi Karthik ₹ 6 Lakhs (₹ 3 Lakhs), Ms. Priyadarshini Raghupathy ₹ 12 Lakhs (₹ 5 Lakhs), Miss. Vaani Raghupathy ₹ 1 Lakh (₹ 1 Lakh), Mr. Arjun Govind Raghupathy ₹ 2 lakhs (₹ Nil), Mr. R. Prabhu ₹ 8 Lakhs (₹ 5 Lakhs).
- Rent paid include, GEA Cooling Tower Technologies (India) Private limited ₹ 24 Lakhs (₹ Nil), GEA BGR Energy System India Limited. ₹ 0.33 Lakh (₹ 1 Lakh), Sasikala Estate Private Limited ₹ 41 Lakhs (₹ 40 Lakhs), ANI Construction Private Limited ₹ 9 Lakhs (₹ 9 Lakhs) Mr. B G Raghupathy ₹ 44 Lakhs (₹ 42 Lakhs).
- Purchase of Fixed Assets include Cuddalore Powergen Corporation Limited ₹ 9 Lakhs (₹ Nil).
- Others, include Royalty to Mr. B.G. Raghupathy ₹ 11 Lakhs (₹ 11 Lakhs), Pragati Computers Limited ₹ 3 Lakhs (₹ Nil) towards travel and other admin expenses.
- Advance given include Nannilam Property Private Limited ₹ Nil Lakh (₹ 1686 Lakhs), BGR Odisha Powergen Limited ₹ Nil (₹ 21 Lakhs), GEA BGR Energy System India Limited ₹ Nil (₹ 4 Lakhs).
- Repayment of Advance given include, BGR Odisha Powergen Limited ₹ 21 Lakhs (₹ Nil), Nannilam Property Private Limited ₹ 1178 Lakhs (₹ Nil), Mega Funds Limited ₹ 4 Lakhs (₹ 7 Lakhs).
- Balances outstanding (Net) include, GEA Cooling Tower Technologies (India) Private Limited ₹ 1651 Lakhs (₹ 408 Lakhs (cr. bal)), GEA BGR Energy System India Limited ₹ 20 Lakhs (cr. bal) (₹ 174 Lakhs (cr. bal)), Cuddalore Powergen Corporation Limited ₹ 671 Lakhs (₹ 671 Lakhs), Nannilam Property Private Limited ₹ 508 Lakhs (₹ 1686 Lakhs), Mega Funds India Limited ₹ 43 Lakhs (₹ 47 Lakhs), Schmitz India Private Limited ₹ 60 Lakhs (₹ 60 Lakhs) BGR Odisha Powergen Limited ₹ Nil (₹ 20 Lakhs), Mr. B.G.Raghupathy ₹ 11 Lakhs (cr. Bal) (₹ 13 Lakhs (cr. bal)), Pragati Computers Limited ₹ Nil (₹ 3 Lakhs (cr. bal)), Sasikala Estate Private Limited ₹ Nil (₹ 3 Lakhs (cr. bal)), ANI Constructions Private Limited ₹ Nil (₹ 8 Lakhs (cr. bal)).
- Guarantees given include GEA Cooling Tower Technologies (India) Private limited ₹ 270 Lakhs (₹ 662 Lakhs).

Notes to Consolidated Financial Statements

31. EARNINGS PER SHARE (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations :

	31.03.2012 ₹ in Lakhs	31.03.2011 ₹ in Lakhs
Basic EPS		
Profit after tax as per accounts	22438	32304
Weighted average no. of shares (Face value ₹ 10 per share) (Lakhs Nos.)	722	721
Basic EPS (₹)	31.09	44.81
Diluted EPS		
Profit for the year for Basic EPS	22438	32304
Less : Adjustment	-	-
Adjusted profit for Diluted EPS	22438	32304
Weighted average number of Equity shares for Basic EPS (Lakh Nos.)	721.62	720.93
Add : Adjustment		
a. Employee Stock Option Payment	-	1.21
b. Share Application Advance	-	-
Weighted average no. of shares (Face Value ₹ 10 per share) for Diluted EPS (Lakh Nos.)	721.62	722.14
Diluted EPS (₹)	31.09	44.73

32. EMPLOYEE STOCK OPTION PLANS

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

Notes to Consolidated Financial Statements

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

Particulars	2011-12	2010-11
Number of options outstanding in the beginning of the year	335851	532770
Number of options granted during the year	-	-
Number of options vested during the year	32444	114231
Number of vested options cancelled	17825	10867
Number of unvested options cancelled	27026	24392
Number of vested options forfeited during the year	44851	35259
Number of options exercised during the year	-	161660
Number of options outstanding at the end of the year	291100*	335851
Number of options exercisable at the end of the year	70958	83365

*100 Options added since application for allotment of shares was withdrawn.

33. DETAILS OF ROUNDED OFF AMOUNTS

The financial statements are presented in ₹ in lakh. Those items which are required to be disclosed and which were not presented in the financial statement due to rounding off to the nearest ₹ in lakh are given as follows:

Description	Note	31.03.2012 ₹ in Lakhs	31.03.2011 ₹ in Lakhs
Share Application Money		-	0.41
Investment in GEA Cooling Tower Technologies (India) Private Limited	11	0.20	0.20

34. PREVIOUS YEAR FIGURES

Pursuant to the Notification No.447(E) dated February 28, 2011 and Notification No. 653 (E) dated March 30, 2011, issued by the ministry of Corporate Affairs, the Company has prepared its annual financial statements as per revised Schedule VI to the Companies Act, 1956 with effect from April 1, 2011. Accordingly, the previous year periods / year's figures have been regrouped / rearranged, wherever required to align the financial statements to the revised format.

B.G. RAGHUPATHY
Chairman & Managing Director

T. SANKARALINGAM
Managing Director

V.R. MAHADEVAN
Director - Technologies & HR

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

A. SWAMINATHAN
Director - Sales & Marketing

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

G.R. HARI
Partner
Membership No.206386

S.R. TAGAT
Director

M.S. SUNDARA RAJAN
Director

GNANA RAJASEKARAN
Director

HEINRICH BOHMER
Director

SASIKALA RAGHUPATHY
Director

R. RAMESH KUMAR
President - Corporate & Secretary

P. R. EASWAR KUMAR
President & Chief Financial Officer

Chennai
May 30, 2012

Subsidiary Companies

FINANCIAL INFORMATION

₹ in Crores

Sl. No.	Name of Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Details of Investments	Turnover including other income	Profit / (loss) before Taxation	Provision for Taxation	Profit/ (loss) after Taxation	Proposed Dividend	Country
1	Progen Systems and Technologies Limited	INR	6.10	0.34	14.51	14.51	-	7.60	(2.12)	(0.09)	(2.05)	-	India
2	BGR Boilers Private Limited	INR	135.58	0.29	139.24	139.24	-	3.11	0.43	(0.14)	0.29	-	India
3	BGR Turbines Company Private Limited	INR	184.00	2.83	187.20	187.20	-	5.92	3.53	(0.70)	2.83	-	India



BGR ENERGY SYSTEMS LIMITED

Registered Office: A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Taluk, Nellore District, Pin: 524 401 Andhra Pradesh
Ph: +91 44 27900181, 27948549 **Fax:** +91 44 27948249 **E-mail:** investors@bgrenergy.com **Website:** www.bgrcorp.com
Corporate Office: 443, Anna Salai, Teynampet, Chennai 600018 India **Ph:** +91 44 24326171 **Fax:** +91 44 24364656

Notice to the Members of

BGR ENERGY SYSTEMS LIMITED

Notice is hereby given that the 26th Annual General Meeting of the Members of BGR Energy Systems Limited will be held at the Registered Office at A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Taluk, Nellore District, Andhra Pradesh – 524 401 at 3.00 p.m. on Friday, September 21, 2012 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a director in the place of Mr. S.R. Tagat, who retires by rotation and, being eligible for re-appointment, offers himself for re-appointment.
4. To appoint a director in the place of Mr. V.R. Mahadevan, who retires by rotation and, being eligible for re-appointment, offers himself for re-appointment.
5. To appoint Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if deemed fit, to pass the following resolution, with or without modification, as an Ordinary Resolution:

“RESOLVED that Mr. M.S. Sundara Rajan, in respect of whom the Company has received a notice in writing from a member proposing him as a candidate for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, and he is liable to retire by rotation.”

By order of the Board

Place : Chennai
Date : May 30, 2012

R. RAMESH KUMAR
President – Corporate & Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 AND INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT.

Item No.6

The Board of Directors of the Company appointed Mr. M.S. Sundara Rajan as an additional director pursuant to Section 260 of the Companies Act, 1956, with effect from November 14, 2011.

Mr. Sundara Rajan holds office upto the date of this annual general meeting. The company has received a notice in writing together with requisite deposit from a member proposing Mr. Sundara Rajan for appointment to the office of Director of the Company in terms of Section 257 of the Companies Act, 1956.

Mr. M.S. Sundara Rajan, 62, holds Master Degree in Economics and is an associate member of the Institute of Company Secretaries of India and a Certified Associate of Indian Institute of Bankers. Mr. Sundara Rajan retired as Chairman & Managing Director, Indian Bank on 31st March, 2010. He has served in banking sector for more than three decades in various capacities including at Board levels of various subsidiary companies of Indian Bank. Mr. Sundara Rajan brings with him rich and vast experience in credit, merchant banking, corporate banking, housing finance, fund management and other strategic areas of banking. Mr. Sundara Rajan does not hold any share in the Company. Mr. Sundara Rajan shall be liable to retire by rotation in accordance with the provisions of the Articles of Association of the Company and the Companies Act, 1956. Mr. Sundara Rajan holds directorship in companies given below. None of the Directors is interested or concerned in this resolution except Mr. Sundara Rajan. The Board commends the proposed appointment.

Sl No.	Names of the Companies
1.	NSDL Database Management Limited
2.	M R L Postnet Private Limited
3.	The Clearing Corporation of India Limited
4.	Aadhar Housing Finance Private Limited
5.	Sundaram Trustee Company Limited
6.	Royal Sundaram Alliance Insurance Company Limited
7.	My Mobile Payments Limited
8.	Sharda Worldwide Exports Private Limited
9.	Kisan Mouldings Limited
10.	Gitanjali Gems Limited
11.	Frontier Lifeline Private Limited

Profile of Directors seeking re-appointment :

Mr. S.R. Tagat is an independent director on the Board of your company. Mr. Tagat, a Chartered Accountant holds a Bachelor's degree in Commerce. He was inducted into the Board as independent director of the Company on July 18, 2007. Mr. Tagat has earlier served in various State public sector enterprises and handled audit of corporates, banks and insurance companies. Presently, Mr. Tagat is a partner in a reputed firm of Chartered Accountants. Mr. Tagat is the Chairman of the Audit Committee and a member of Share Transfer Committee of the Company. Mr. Tagat holds 135 equity shares of the Company. Mr. Tagat does not hold directorship in any other company.

Mr. V.R. Mahadevan, Whole-time director, is designated as Director – Technologies & Human Resources. Mr. Mahadevan holds a Bachelor's degree in Electrical Engineering. He joined the Company in the year 1987 and served the Company for more than two decades in various capacities and has proven experience in project management, engineering, sales and business management. Mr. Mahadevan is a member of Shareholders and Investors Grievances Committee of the Company. Mr. Mahadevan holds 716 equity shares of the Company. Mr. Mahadevan is a director of the companies given below:

Sl No.	Names of the Companies
1.	GEA BGR Energy System India Limited
2.	BGR Boilers Private Limited
3.	Germanischer Lloyd Industrial Services India Private Limited
4.	Govin Engineering and Constructions Limited
5.	Schmitz India Private Limited
6.	Pragati Computers Limited
7.	Pragati Information Technologies Private Limited
8.	GOA Oceanarium Private Limited
9.	BGR Eneritech Sdn., Bhd., Malaysia

Notes :

- i) **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member. Proxy in order to be valid shall be deposited at the Registered Office of the company at least 48 hours before the time fixed for the commencement of the meeting.**
- ii) The relevant explanatory statement as required under Section 173(2) of the Companies Act, 1956 in respect of the special business in the notice is appended herewith.
- iii) The Register of Members and Share transfer book of the Company shall remain closed from Monday, September 17, 2012 to Friday, September 21, 2012 (both days inclusive).
- iv) All documents referred to in the above notice and explanatory

statement are available for inspection at the Registered office of the Company on all working days (except Saturdays, Sundays and Public holidays) between 10.00 a.m. and 5.00 p.m. upto the date of the 26th Annual General Meeting.

- v) Members holding shares in physical form are requested to notify, any change in their address to the Registrar and Share Transfer Agent - Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 078.
- vi) Members holding shares in electronic form should update their details with their respective depository participants.
- vii) For any assistance or guidance for dematerialization, shareholders are requested to contact the Company's Registrar and Share Transfer Agent or Investors Relations Centre at the Corporate Office of the Company.
- viii) Members who have not encashed the dividend warrants for the FY 2007-08, FY 2008-09, FY 2009-10 and FY 2010-11 are requested to write to the Company giving necessary details.
- ix) Members are requested to forward their queries on Annual accounts and other sections of the annual report to the Company Secretary at least 10 days in advance for enabling the Company to furnish replies / clarifications at the annual general meeting.
- x) The Certificate from the Auditors of the Company certifying that the Employee Stock Option Scheme ("ESOS") of the Company is being implemented in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, will be placed at the 26th annual general meeting and will be open for inspection.
- xi) Members are requested to bring their copy of the Annual report to the meeting alongwith duly signed attendance slip.

By order of the Board

Place : Chennai
Date : May 30, 2012

R. RAMESH KUMAR
President – Corporate & Secretary



BGR ENERGY SYSTEMS LIMITED

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Corporate Office: 443, Anna Salai, Teynampet, Chennai 600018 India Ph: +91 44 24326171 Fax: +91 44 24364656

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE VENUE OF THE MEETING. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING.

FOLIO NO. / DP ID & CLIENT ID
NAME AND ADDRESS

I hereby record my presence at the 26th ANNUAL GENERAL MEETING held at A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Taluk, Nellore District, Andhra Pradesh - 524 401 on Friday, September 21, 2012 at 3.00 p.m.

NAME OF THE PROXY IN BLOCK LETTERS	SIGNATURE OF THE SHAREHOLDER/ PROXY

BGR ENERGY SYSTEMS LIMITED

Registered Office: A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Taluk, Nellore District, Pin: 524 401 Andhra Pradesh
Ph: +91 44 27900181, 27948549 Fax: +91 44 27948249 E-mail: investors@bgrenergy.com Website: www.bgrcorp.com

FORM OF PROXY

I/We of (write full address)

being a Member/Members of BGR Energy Systems Limited hereby appoint

of (write full address)

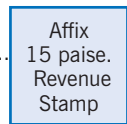
or failing him / herof (write full address)

as my/our proxy to attend and vote for me/us and on my/our behalf at the 26th ANNUAL GENERAL MEETING of the company to be held on Friday, September 21, 2012 at 3.00 p.m. and at any adjournment thereof.

Dated this day of2012.

FOLIO NO. DP CLIENT ID

Signed by the said.....



Notes:

1. The proxy need not be a Member
2. The proxy form shall be deposited at the Registered Office at least 48 hours before the scheduled time for the meeting.

ROMANCING THE SKY



It takes deep domain expertise and superior technology to embrace the skies. BGR Energy completed construction of the tallest cooling tower in the world. The picture you see here is the cooling tower rising to 202 metres having a cooling capacity of 75000 cubic meter/hour. We constructed this at Kalisindh, Rajasthan for our customer Rajasthan Rashtriya Vidyut Utpadan Nigam Limited. No doubt, we love achieving greater heights.



BGR ENERGY SYSTEMS LIMITED

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