

750 MWe Vertical Tube
Supercritical Boiler

Courtesy of Foster Wheeler - USA

DESIGN ENGINEERING CONSTRUCTION

| 92.2 MW VALUTHUR CCPP PHASE - II, TNEB, TAMILNADU - COMMISSIONED |



Dear Shareholders,

I am happy to place company's annual report for the FY 09 before you. The year 2008-09 witnessed unprecedented adversities such as meltdown of the global financial system, liquidity crunch, worst economic crisis in 75 years, skyrocketing of commodity prices, near collapse of real estate sector, continued shrinkage of GDP and world trade of many countries, resultant downsizing, unemployment, wage cuts etc. However, the intervention of governments, timely announcement of multiple stimulus packages, measures taken by central banks etc., have helped the economies to halt the down trend, stabilize and slowly exhibit sign of recovery. It was a situation of survival of the fittest. Though no economy is fully insulated, India managed to escape unscathed, barring minor turbulences. Nevertheless, the growth rate has to be reduced to 6 to 7% as against 9 to 10% in the previous three years. Even in such a scenario India remained as the second fastest growing economy in the world, thanks to our leaders and India that it is.

PERFORMANCE HIGHLIGHTS

Your company has managed to maintain its robust growth trajectory albeit this adverse environment. The order book reached all time high of Rs.9523 Crore as at March 31, 2009 thus recording revenue visibility for 3 financial years. The company made major break through by bagging two large EPC contracts to an aggregate value of Rs.8000 Crore. The turnover grew by 29 % to Rs.1955.23 Crore and the Profit After Tax (PAT) grew by 36% year on year. This robust performance enabled your company to recommend a dividend of Rs.3/- per equity share. The earnings per share were up by 26% in FY 09. All these positives were possible on account of prudent management practices followed by the company and the dedicated contribution made by the employees.

FUTURE OUTLOOK

Given the huge potential and business opportunities in Indian power sector your company is well positioned to reach greater heights. Your company has established good track record and credentials in executing large power projects and project management practice. Your company has fortunately realized the global meltdown and deferred the proposal of setting up new manufacturing units in India, Middle East and China. However, capacities in the existing facilities are further augmented. The initiative taken by the utilities in the backdrop of huge power shortage across the country offers promising business potential to your company. Hopefully the Oil & Gas sector will also grow in the years to come. The company has added 472 people to its human resources during FY 09 and has plans to add more manpower in FY 10 to gear up for further growth.

The group has signed up a license agreement with Foster Wheeler USA for manufacture of subcritical and supercritical boilers upto 1000 MW and the group is poised to set up facilities for manufacture of key power plant equipment. All these positive developments will catapult your company in a higher growth momentum.

I take this opportunity to thank each and everyone in BGR Energy for their fullest commitment and continued support for the outstanding performance of the company in FY 09. I appreciate the continued patronage and confidence of our valued customers, vendors, bankers, shareholders and members of the board.

I look forward to yet another exciting year ahead.



B G RAGHUPATHY
Chairman & Managing Director



BOARD OF DIRECTORS

B G Raghupathy	Chairman & Managing Director
S Rathinam	Director - Finance
V R Mahadevan	Director - Technologies & HR
S A Bohra	Director
M Gopalakrishna	Director
S R Tagat	Director
Heinrich Bohmer	Director
Sasikala Raghupathy	Director

COMPANY SECRETARY

R Ramesh Kumar	President - Corporate & Secretary
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CHIEF EXECUTIVE OFFICERS

A Swaminathan	Power Projects
Major H L Khajuria	Environmental Engineering
G Suresh	Captive Power
V Balakrishnan	Electrical Projects
S Ilanchezhian	Air Fin Cooler
N Murali	Oil and Gas Equipment

CHIEF FINANCIAL OFFICER

P R Easwar Kumar

STATUTORY AUDITORS

Manohar Chowdhry & Associates
Chartered Accountants

INTERNAL AUDITORS

J V Associates
Cost Accountants & Public Auditors

B B Naidu & Co.
Chartered Accountants

V Krishnan & Co.
Chartered Accountants

Ramachandran & Murali
Chartered Accountants

Brahmayya & Co.
Chartered Accountants

Venkatesh & Co.
Chartered Accountants

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
State Bank of Indore
IDBI Bank Limited
UCO Bank
Indian Bank
Corporation Bank
Punjab National Bank
Bank of India
Axis Bank
The Karur Vysya Bank Limited
Vijaya Bank
Indian Overseas Bank
Central Bank of India
Allahabad Bank
Syndicate Bank
Andhra Bank

REGISTERED OFFICE

A-5, Pannamgadu Industrial Estate
Ramapuram Post, Sullurpet Taluk
Nellore District, Pin: 524401

CORPORATE OFFICE

443, Anna Salai, Teynampet
Chennai 600018 India

REGIONAL OFFICES

New Delhi

48, Okhla Industrial Estate, Phase III
New Delhi 110020

Mumbai

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

Hyderabad

8-2-120/86/5, Sneha House, III Floor
Road No. 3 Banjara Hills,
Hyderabad 500034

Website

www.bgrcorp.com

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited
(formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai 400 078

CONTENTS	PAGE NO.
Directors' Report	1
Annexure I - Information on ESOP	4
Annexure II - Sec 217(2A) Statement	5
Corporate Governance Report	6
CEO & CFO Certification	13
Declaration from CEO	14
Auditors' Certificate	14
Management Discussion and Analysis	15
 STANDALONE RESULTS	
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Schedules	22
Accounting Policies and Notes	29
Cash Flow Statement	45
Statement under Section 212 of the Companies Act, 1956	46
 CONSOLIDATED ACCOUNTS	
Auditors' Report	47
Balance Sheet	48
Profit and Loss Account	49
Schedules	50
Accounting Policies and Notes	56
Cash Flow Statement	65
 SUBSIDIARY RESULTS - PROGEN SYSTEMS AND TECHNOLOGIES LIMITED	
Directors' Report	66
Auditors' Report	67
Financial Statements	70

To the Members of

BGR ENERGY SYSTEMS LIMITED

Your directors have great pleasure in presenting their Twenty Third Annual Report together with the audited financial statements for the year ended March 31, 2009 to the family of the shareholders and other stake holders of the company.

FINANCIAL PERFORMANCE

During FY 2008 - 09, your company achieved turnover of Rs.1955.23 Crore as against the previous year's turnover of Rs.1509.11 Crore, accounting for a topline growth of 30%. The key parameters of EBIDTA and PAT witnessed a growth of 53% and 36% over the previous year. The highlights of the financial performance of the company during the year ended March 31, 2009 in comparison with the previous financial year ended March 31, 2008 are summarized below:

(Rs. in Crore)

Description	2008-09	2007-08
Total Income	1955.23	1509.11
Expenditure	1715.64	1352.25
EBIDTA	239.59	156.86
Interest	57.94	26.59
Depreciation	7.00	5.02
Profit before tax	174.65	125.25
Provision for tax and FBT	59.56	40.81
Profit after tax	115.09	84.44
Surplus brought forward from previous year	68.22	9.06
Amount available for appropriation	183.31	93.50
Less :		
a) Dividend	21.60	14.40
b) Tax on dividend	3.67	2.44
c) Transfer to general reserve	11.51	8.44
Balance carried to Balance Sheet	146.53	68.22

CONSOLIDATED REVENUE AND PROFIT

Your Company's consolidated revenue and profitability too show an upward trend.

(Rs. in Crore)

Description	2008-09	2007-08
Sales	1963.09	1524.20
EBIDTA	240.60	161.89
PAT	115.57	88.46

DIVIDEND

Your directors, after taking into account the financial results of the Company during the year, recommend payment of a dividend of Rs.3/- per equity share of Rs.10/- each for the FY 2008 - 09. Your directors wish to carry an amount of Rs.146.53 Crore to the Balance Sheet after appropriation towards dividend, corporate dividend tax and transfer to general reserves.

BUSINESS PERFORMANCE

During the year under review, your company's operations continued to grow by registering all-round increase in turnover, profit and other key elements.

A brief overview of the significant operational and business developments in various businesses / projects are given below;

- i) During the FY 2008-09, your company secured 2 prestigious EPC contracts for ;
 - a) 1 x 600 MW thermal power project at Mettur from TNEB for a value of Rs.3100 Crore, which represents the Company's first 600 MW EPC contract.
 - b) 2 x 600 MW thermal power project at Jhalawar from Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) for a value of Rs.4900 Crore, possibly the largest ever EPC contract in the country.

This milestone is a breakthrough in your company's strategy to become a full service EPC company in Indian power sector. These contracts were secured in competition with a leading large player.
- ii) Your Board is pleased to inform that execution of Balance of Plant contract for the 500 MW Vijayawada Thermal Power Station was successfully completed by your Company in April 2009.
- iii) Your company built a 170 meter tall Natural Draft Cooling Tower for Kakatiya Thermal Power Plant. Similarly, the chimney having a height of 275 meter for Kakatiya Thermal Power plant was completed in 166 days, possibly a national record made by your Company. The entire design, engineering and construction of these gigantic structures were carried out by your company in-house.
- iv) Air Fin Cooler division has manufactured Incolloy tube bundles. The turnover of the division during 2008-09 was Rs.109 Crore even in the backdrop of economic slowdown.

- v) Oil & Gas equipment division has successfully executed a contract for supply of 45 nos. of Hydrocarbon storage tanks to State Company of Oil Projects (SCOP), Iraq.
- vi) Environmental Engineering division has secured a prestigious contract for Design, Engineering, Supply, Erection and Commissioning of large "Total Water System" at a value of Rs.15.50 Crore from Maithon Power Limited, Jharkhand for 2 x 525 MW Maithon Thermal Power project.
- vii) An MoU has been signed with OHL Medio Ambiente Inima, S.A.U., Spain for bidding for a 100 MLD Desalination Plant project at Nemmeli of an approximate value of Rs.750 Crore on consortium basis.
- viii) Electrical projects division has commissioned 3 nos. of 66 KV sub-stations for Karnataka Power Transmission Corporation Limited.
- ix) During the year, the Electrical Projects division completed construction of fiber optic network covering a distance of 425 kms connecting the regional offices of Tamilnadu Electricity Board with its head office at Chennai.
- x) The Rural Electrification project for Jodhpur Vidut Vitran Nigam Limited for supplying electricity to 591 villages and hamlets in Rajasthan was completed.

STRATEGIC INITIATIVES

Your Company signed strategic relationships with international players for technology. Your Company entered into an Exclusive License Agreement with Termomeccanica Ecologia (TME), Italy, for technology transfer of Condensate Polishing Plants (CPP). CPP is a niche technology mainly used in thermal power plants of capacity of more than 500 MW. The agreement grants to the Company exclusive rights to manufacture and sell CPPs.

An Exclusive License Agreement has been entered between BGR Boilers Private Limited, your Company's Special Purpose Vehicle and Foster Wheeler North America Corp., a subsidiary of Foster Wheeler Global Power Group with its operational headquarters in New Jersey. The agreement grants to BGR Boilers an exclusive license and rights in India to design, manufacture and sell Sub-critical and Super-critical coal fired steam generators of upto 1000 MW. This agreement is a major step forward for the Company to become manufacturer of critical power equipment in India and will support the Government of India's vision for sustained capacity addition in the power sector. The feasibility study on capital expenditure, funding pattern, project cost and other aspects are under evaluation.

REGIONAL OFFICE

During the year under review, your Company has set up a Regional Office at People's Republic of China. This would facilitate liasioning with BTG suppliers for timely delivery.

FUTURE OUTLOOK – CURRENT YEAR AND YEAR AHEAD

The capacity addition targets during the 11th and 12th plan periods are 78,700 MW and 82,200 MW respectively. The recent policy statement of the Government of India to achieve capacity addition of at least 13,000 MW per year would offer huge opportunities for your Company. The widening gap between demand and supply of power would continue to provide ample scope for EPC and BOP companies in India to sustain growth trajectory. Although the Indian economic growth has slowed during 2008, the demand for power utilities is unlikely to witness slowdown. These opportunities coupled with the company's technology initiatives and improved capabilities are expected to facilitate clear visibility in the near future. Consequently, your Board of Directors are confident of delivering improved financial results in the years to come.

PERFORMANCE OF SUBSIDIARY

Your company's non-material unlisted subsidiary, Progen Systems and Technologies Limited, engaged in the business of manufacture of Welded Finned Tubes and Pressure Vessels for power and process industries, has recorded a turnover of Rs.10.28 Crore and net profit of Rs.0.49 Crore for the year ended March 31, 2009. Statement under Section 212 of the Companies Act, 1956 is attached to this report.

HUMAN RESOURCES

Your Company during the year has augmented highly competent human resources which is vital to support the current growth momentum of your Company. This has been facilitated through campus recruitments and Employee Referral Scheme. Your Company has achieved 51% growth in human resources over the previous year.

EMPLOYEE STOCK OPTION SCHEME

Disclosure in respect of Employee Stock Option Scheme ("ESOP") 2007 is given in Annexure - I of this report.

DISCLOSURES

The 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 and technology absorption are not applicable to your company. During the

FY 2008 - 09 the foreign exchange earnings and outgo were Rs.84.16 Crore and Rs.253.25 Crore respectively.

The particulars required under Section 217 (2A) of the Companies Act, 1956 and the Rules made thereunder are given in Annexure – II.

BOARD OF DIRECTORS

Mr. S. Rathinam 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. Profile of these directors are given in the Notice convening the 23rd Annual General Meeting of the Company.

Mr. T. Sankaralingam has been co-opted as an additional director on the Board. He has been appointed as Managing Director for a period of 5 years. These appointments will take effect from the date on which he assumes office of Managing Director. The profile of Mr. T. Sankaralingam and the terms and conditions of his appointment including remuneration are given in the Notice convening the 23rd Annual General Meeting of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- In the preparation of the annual accounts for the year ended March 31, 2009 the applicable accounting standards have been followed and proper explanations were provided for material departures, if any ;
- 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, 2009 and of the profit of the company for the year ended March 31, 2009;
- 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;
- The directors have prepared the annual accounts for the year ended March 31, 2009 on a going concern basis.

AUDITORS AND AUDITORS' REPORT

M/s. Manohar Chowdhry & Associates, Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting of the Company. They have offered themselves for re-appointment as Statutory Auditors and have confirmed that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

CORPORATE GOVERNANCE

The Company complies with the principles of Corporate Governance as set out in Clause 49 of the Listing Agreement continuously and your Directors are pleased to attach a report on Corporate Governance together with the following Certificates / declarations.

- CEO and CFO certificate.
- Declaration on code of conduct.
- Certificate from the Company's Auditors.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis on business and operations of the Company is attached to this report.

ACKNOWLEDGEMENTS

Your Directors express their appreciation of the valuable support and co-operation received from customers, consortium of banks, vendors, investors, statutory authorities and associates. Your Directors place on record their sincere appreciation of the contribution made by the employees of the Company at all levels through their hard work, dedication and support.

For and on behalf of the Board

Place : Chennai
Date : June 22, 2009

B. G. RAGHUPATHY
Chairman & Managing Director

ANNEXURE - I
EMPLOYEE STOCK OPTION SCHEME - DISCLOSURE IN THE DIRECTORS' REPORT AS PER SEBI GUIDELINES

Particulars	2008-09
Options Outstanding in the Beginning of the Year	704,770
a. Options granted	0
b. Exercise Price	Rs. 408/-
c. Options Vested	208,780
d. Options Exercised	0
e. Total no. of shares arising as result of exercise of Options	0
f. Options lapsed *	133,530
g. Variation in terms of Options	None
h. Money realised by exercise of Options	0.00
i. Total number of options in force	571,240
* Lapsed options include options forfeited and options cancelled / lapsed	
j. Employee wise details of options granted during the year to :	
• Senior Managerial Personnel	None
• Any other employee who receives grant in any one year of option amounting to 5% or more of option granted during that year	None
• Employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding 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'	15.86

I. Pro Forma Adjusted Net Income and Earnings Per Share

Particulars	Rs. in Lakhs
Net Income	
As Reported	11509
Add: Intrinsic Value Compensation Cost	0
Less: Fair Value Compensation Cost	103
Adjusted Pro Forma Net Income	11406
Earnings Per Share: Basic	
As Reported	15.98
Adjusted Pro Forma	15.84
Earnings Per Share: Diluted	
As Reported	15.86
Adjusted Pro Forma	15.71

ANNEXURE - II - PARTICULARS DISCLOSED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

Sl. No.	Name	Designation/ Nature of Duties	Qualification	Age	Date of Commencement of Employment	Experience	Remuneration (Rs.)	Previous Employment
1	Adinarayana Rao D	General Manager-Projects	B.E.	49 Years	05-Aug-06	25 Years	31,83,900	National Building Constructions Corporation Ltd.
2	Bal Krishan Bhalla *	General Manager-Boiler Design & Engineering	B.E., M.Tech.	60 Years	10-Nov-08	37 Years	14,17,751	Bharat Heavy Electricals Ltd.
3	Balakrishnan V	President & CEO-Electrical Project Division	B.E.	53 Years	08-Sep-03	31 Years	26,41,672	Bombay Suburban Electric Supply Ltd.
4	Balasuaramanya H.M. *	General Manager-Mechanical	B.E., M.Tech	61 Years	24-Nov-08	40 Years	11,32,823	Bharat Heavy Electricals Ltd.
5	Bhattacharya B.K.	Vice President-Projects	B.E., D.I.I.T.	60 Years	26-Oct-07	38 Years	26,07,468	Tata Projects Ltd.
6	Chandrasekhar B*	Chief Operating Officer & General Manager - China Office	B.Tech., MBA	52 Years	02-Feb-09	29 Years	5,92,887	Doshion Veolia Water Solutions Ltd.
7	Easwar Kumar P. R.	Chief Financial Officer	B.Com., A.C.A.	42 Years	03-Jan-94	17 Years	43,90,167	Sundaram Industries Ltd.
8	Ilanchezhian S	President & CEO-Air Fin Cooler Division	B.E., MBA	49 Years	03-Mar-07	23 Years	37,60,991	DGP Himoday Industries Ltd.
9	James Annalan	Asst. Vice President - Proposals	B.E.	47 Years	07-Aug-96	24 Years	29,33,502	TATA Electric Company Limited
10	Krishna Kumar*	President-IPP	B.Tech., M.Tech.	58 Years	11-Sep-06	33 Years	45,20,027	PSEG India Pvt Ltd.
11	Mahadevan V.R.	Director-Technologies & HR	B.E.	50 years	01-Aug-87	27 Years	55,59,883	Best & Crompton Ltd.
12	Major H.L. Khajuria	President & CEO - Environmental Engineering Division	B.E.	61 Years	29-Oct-97	39 Years	38,51,916	Instrumentation Ltd.
13	Murali N	President & CEO-Oil & Gas Equipment Division	B.E.	51 Years	11-Aug-06	29 Years	26,28,819	Oman Refinery, Muscat
14	Panigrahy K C *	Vice President-Projects	B.Sc. (Engg)	63 Years	12-Jan-09	39 Years	7,06,098	Adani Power Ltd.
15	Parasuram T	President & CEO-Projects	B.E.	45 Years	30-Jan-95	21 Years	29,53,676	Upright Engineering Industries Pvt Ltd.
16	Prasad K R *	Vice President-Projects	A.M.I.E.	59 Years	04-Aug-08	37 Years	28,69,320	Reliance Energy Ltd.
17	Prashant Kumar Ambashta	General Manager-Mechanical Design	B.Sc (Mech)	45 Years	03-Oct-08	23 Years	12,33,532	Adani Power Ltd.
18	Raghupathy B.G.	Chairman & Managing Director	B. Sc.	56 Years	01-Feb-85	35 Years	6,64,51,027	Introls
19	Ramani S V *	Assistant Vice President-Mechanical	B.E.	51 Years	22-Nov-08	27 Years	9,71,356	National Thermal Power Corporation Ltd.
20	Ramesh Kumar R	President-Corporate & Secretary	M.A., F.C.S. A.C.I.S. (U.K.)	47 Years	20-Nov-92	22 Years	49,13,902	Tamil Nadu Industrial Explosives Ltd.
21	Rangarajan T*	Executive Director-Boiler Design & Engineering	B.E.,	57 Years	06-Jun-08	37 Years	22,14,363	Thermal Systems (Hyd) Pvt. Ltd.
22	Rathinam S	Director-Finance	B.Sc., F.C.A.	58 Years	06-May-92	31 Years	62,37,693	Tamil Nadu Industrial Explosives Ltd.
23	Sai Shankar L	Asst. Vice President-Mechanical Design	B.E., M.Tech	44 Years	08-Oct-01	20 Years	31,39,730	GVK Industries Ltd.
24	Satyanarayana Murthy T V B S	Asst. Vice President-Civil Design	B.E., M.Tech	48 Years	02-Jul-03	25 Years	30,70,144	Larsen & Toubro Ltd.
25	Sharma G D *	President-Human Resources	B.Com., M.A. (PM&IR)	55 Years	18-Oct-08	30 Years	28,19,673	Larsen & Toubro Ltd.,
26	Suresh G	President & CEO-Captive Power Division	B.E.	45 Years	25-Aug-88	24 Years	26,81,361	Lloyd Steel Industries Ltd.
27	Swaminathan R *	Senior Vice President-Projects	B.E.	49 Years	10-Sep-08	26 Years	18,31,643	Areva Ltd.
28	Swaminathan A	President & CEO-Power Projects Division	B.Tech.	53 Years	22-May-97	31 Years	1,02,13,055	REPL Engineering Ltd.
29	Venugopal H	Executive Director	B.E., D.M.S. D.L.M.	60 Years	01-Aug-07	37 Years	36,38,915	Tata Projects Ltd.

* Employed for part of the year.

- Gross remuneration shown above is subject to tax and comprise Salaries, Bonus, Allowances, Medical benefits, Gratuity, Leave travel allowance as applicable in accordance with the Company's rules, Company's contribution to Provident Fund and perquisites.
- Commission paid to the Managing Director is computed in accordance with the provisions of the Companies Act, 1956.
- Nature of Employment: The above employees are whole time employees of the company during the year ended March 31, 2009 and the nature of their employment is contractual.
- None of the employees is a relative of any Director of the Company, except Mr. B. G. Raghupathy, who is a relative of Mrs. Sasikala Raghupathy.

CORPORATE GOVERNANCE REPORT

The Company adheres to good corporate governance practices and is constantly striving to better them and adopt emerging best practices. The Board of Directors shall always endeavour to create an environment of fairness, equity and transparency in transactions with the underlying objective of securing long term shareholder value creation and enhancement while, at the same time, respecting the rights of all stakeholders viz., Banks, Employees, Central and State Governments and the society at large. The Company is in compliance with requirements of the revised guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

BOARD OF DIRECTORS

The Board comprises of 8 directors drawn from diverse fields of expertise viz., Business Management, Finance, Public Administration, Technology and International Business. The Chairman of the Board is the Promoter / Managing Director. There are four independent directors and two professional whole time directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

In conformity with the Corporate Governance philosophy, all statutory and other significant material information are placed before the Board of Directors to enable it to discharge its responsibility of superintendence, control, direction and management of strategic and day-to-day affairs of the Company. The company formulated and implemented a 'Standard Operating System and Procedure' which governs the policy, system and procedure relating to management of business of the Company and to report to the Board all relevant information to seek authority and direction from the Board of Directors.

None of the Directors on the Board is a Member of more than ten Committees or Chairman of more than five Committees across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2009 have been made by the Directors.

MEETINGS OF THE BOARD

The Board meetings are held at the Corporate Office. The Agenda for the meeting is prepared by the Company Secretary in consultation with the Chairman and Managing Director. The notes for consideration of Agenda items are circulated to the Directors and wherever necessary agenda papers are tabled or presentations are made at the meeting.

The Company is now improving these practices so as to enable more effective and fruitful participation by the Board. The Board meets at least once in a quarter. The following information would be placed before the Board.

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the company and its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the board.
5. The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
10. Details of any Joint Venture or Collaboration Agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.,
13. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

In addition, all important and strategic matters will also be placed before the Board for consideration, review and requisite decision making.

During the FY 2008-09, 6 (six) Board Meetings were held on June 12, 2008, July 30, 2008, September 19, 2008, October 30, 2008, January 28, 2009, March 30, 2009 and not more than four months elapsed between any two meetings.

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

Name & Category of the Director	Attendance at meetings during 2008-09		No. of Directorships, Committee Memberships and Chairmanships	
	Board Meetings	Last AGM	Other Directorships @	Other Committee Memberships & Chairmanships
Mr. B.G. Raghupathy Chairman & Managing Director DIN 00174472	6	Yes	23	-
Mrs. Sasikala Raghupathy Non-Executive Director DIN 00490686	6	Yes	14	-
Mr. S. Rathinam Director – Finance DIN 00174594	6	Yes	7	1
Mr. V. R. Mahadevan Director – Technologies & HR DIN 00174667	6	Yes	7	-
Mr. Heinrich Bohmer Non-Executive Independent Director DIN 01710788	5	Yes	-	-
Mr. M. Gopalakrishna Non-Executive Independent Director DIN 00088454	6	Yes	8	-
Mr. S.A. Bohra Non-Executive Independent Director DIN 00791861	5	Yes	-	-
Mr. S.R. Tagat Non-Executive Independent Director DIN 01632756	5	Yes	-	-

@ Other directorship of Mr. B.G. Raghupathy includes 12 directorships in Private Companies and 4 directorships in Foreign Companies.

Other directorship of Mrs. Sasikala Raghupathy includes 8 directorships in Private Companies.

Other directorship of Mr. S. Rathinam includes 1 directorship in Private Company.

Other directorship of Mr. V.R. Mahadevan includes 3 directorships in Private Companies.

Other directorship of Mr. M. Gopalakrishna includes 3 directorships in Private Companies.

During the year, information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for its consideration.

The Board constituted the following committees.

AUDIT COMMITTEE

The Audit Committee of the Company was constituted in the year 2000 and was reconstituted at the Board Meeting held on July 18, 2007. 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 and Section 292A of the Companies Act, 1956.

1. Oversight of company's financial reporting process and disclosure of its financial information.

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

The members of the Audit Committee are:

- a) Mr. S.R. Tagat, (Independent Director) - Chairman
- b) Mr. S.A. Bohra, (Independent Director) - Member
- c) Mr. S.Rathinam, (Director - Finance) - Member

The Composition of the Audit Committee is in conformity with Clause 49 and Section 292A of the Companies Act, 1956. The Chief Financial Officer, Statutory Auditors and Internal Auditors of the Company are permanent invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Committee.

As required under Clause 49 of the Listing Agreement, there were 4 (Four) meetings of the Audit Committee held during FY 2008-09 on June 11, 2008, July 29, 2008, October 30, 2008 and January 27, 2009.

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

Name of the Member	No. of Meetings attended
Mr. S. R. Tagat	4
Mr. S. A. Bohra	3
Mr. S. Rathinam	4

The Chairman of the Audit Committee Mr. S.R. Tagat attended the previous Annual General Meeting of the Company held on September 19, 2008.

REMUNERATION OF DIRECTORS

Name of Director	Remuneration (Rs.)	Sitting Fees (Rs.)
Mr. B.G. Raghupathy, Chairman & Managing Director	6,64,51,027	-
Mrs. Sasikala Raghupathy, Director	-	1,20,000
Mr. S. Rathinam, Director – Finance	62,37,693	-
Mr. V.R. Mahadevan, Director – Technologies & HR	55,59,883	-
Mr. Heinrich Bohmer, Director	-	1,40,000
Mr. M. Gopalakrishna, Director	-	2,00,000
Mr. S.A. Bohra, Director	-	2,00,000
Mr. S.R. Tagat, Director	-	1,80,000

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

Details of Shares of the Company held by Directors as on March 31, 2009 are as below:

Name of Director	No. of Shares
Mr. B.G. Raghupathy	1,97,12,160
Mrs. Sasikala Raghupathy	1,15,79,120
Mr. S. Rathinam	10,790
Mr. V.R. Mahadevan	7,716
Mr. S.R. Tagat	135

COMMITTEE OF DIRECTORS

The Board of Directors at its meeting held on May 25, 2007 constituted a Committee of Directors. The Committee of Directors consists of Mr.V.R.Mahadevan, Director-Technologies & HR, Mr.S. Rathinam, Director – Finance and Mr. B.G. Raghupathy, Chairman & Managing Director. The quorum for Committee meetings is two members or one third of the total strength of the Committee, whichever is higher.

There were 12 (twelve) meetings of Committee of Directors held during FY 2008 - 09 on April 8, 2008, May 29, 2008, June 13, 2008, July 19, 2008, July 30, 2008, August 27, 2008, October 10, 2008, November 5, 2008, December 12, 2008, March 10, 2009, March 21, 2009 and March 30, 2009. The following are the terms of reference of the Committee of Directors.

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

COMPENSATION COMMITTEE

The Compensation Committee was constituted by the Board at its Meeting held on July18, 2007 and comprises of Mr. B.G. Raghupathy, Chairman & Managing Director - Chairman of the Committee, Mr. M. Gopalakrishna, Independent Director - Member of the Committee and Mr. S. A. Bohra, Independent Director - Member of the Committee.

The terms of reference of the Compensation Committee are the administration of the Employee Stock Option Plans of the Company. The Compensation Committee met twice during the year on June 11, 2008 and January 28, 2009.

SHAREHOLDERS AND INVESTORS GRIEVANCE COMMITTEE

The Shareholders and Investors Grievance Committee comprises of Mr. M. Gopalakrishna, Chairman of the Committee, Mr. Heinrich Bohmer and Mr.V.R. Mahadevan, Members. The Committee reviews and redresses all investors' grievances and complaints in general including non-receipt of dividend, annual report and refund.

During the FY 2008-09, the Company received 1722 complaints from Investors / Shareholders. All the complaints were attended to as per applicable guidelines and regulations. There are 3 complaints which are pending before District

Consumer Forum. As at March 31, 2009 there was no pending share transfer. The Committee met twice during the year on June 11, 2008 and January 28, 2009 and reviewed the status of pending investor complaints and steps taken by the Company to redress the same.

SHARE TRANSFER COMMITTEE

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

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

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

GENERAL MEETINGS

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

Year	Date	Time	Venue
2008	September 19, 2008	2.00 PM	Registered Office
2007	July 11, 2007	10.00 AM	Registered Office
2006	March 30, 2006	10.00 AM	Registered Office

No Extraordinary General Meeting of the Members was held during the year.

All the resolutions, including Special Resolutions, were passed by the shareholders as set out in the respective Notices. No resolution was put through postal ballot during the FY 2008-09.

CODE OF CONDUCT

The Board of Directors has adopted a code of conduct, applicable to directors and to employees of the Company. This has been posted on the Company's website for strict compliance. The Company has obtained declarations from all its directors and senior management personnel affirming their compliance with the code of conduct. The declaration by the 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, 2009 is attached to this Corporate Governance Report.

RISK MANAGEMENT

The Company has taken steps to implement and operationalise the "Enterprise Risk Management System". In pursuance thereof, detailed consultations have been held at various levels of Management. The Company would implement the Enterprise Risk Management System effective for 2nd quarter of the FY 2009-10. As the first step towards implementation, the risk assessment frame work has been finalized.

DISCLOSURES

The particulars of transactions between the Company and its related parties:

Related Party Transactions (Rs. in Lakhs)

Particulars	Subsidiary Companies	Other Companies	Key Management Personnel	Relatives	For the year ended 31.03.09	For the year ended 31.03.08
Sales	-	1124.72	-	-	1124.72	868.74
Purchases	256.48	2304.29	-	-	2560.77	1123.98
Advances Received	23.59	1.99	-	-	25.58	56.75
Remuneration	-	-	1045.04	6.53	1051.57	744.52
Rent	10.68	33.66	-	-	44.34	33.09
Others	-	457.36	11.24	-	468.60	-
Balance Outstanding	754.00	781.68	-	-	1535.68	1589.95

There has been no instance of non - compliance by the Company. During the last three years no penalties or strictures have been imposed on the Company on any matters related to the Capital markets by Stock Exchange or SEBI or any statutory authorities.

The Company has complied with the requirements of Clause 49 of the Listing Agreement. To enhance standards of Corporate Governance and strengthen controls, the Company would formulate and adopt necessary policies and procedure for complying with non-mandatory requirements of Clause 49 in the current year.

A qualified Practising Company Secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Secretarial Audit Report confirms that the total issued / paid-up 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.

COMMUNICATION

The Company's quarterly financial results, after their approval by the Board of Directors, are promptly furnished to BSE and NSE where the Company's equity shares are listed. These financial results, in the prescribed format, as per Clause 41 of the listing agreements are published in leading English National and Vernacular Newspaper (Telugu) and also posted on the Company's website www.bgrcorp.com. Press Releases made by the Company from time to time are also displayed on the Company's website. A Management Discussion and Analysis Report, forming part of the Directors Report, is being presented as a part of the Annual Report.

GENERAL SHAREHOLDER INFORMATION

AGM Date	: September 14, 2009
Time & Venue	: 4.00 PM. 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 (AGM) are given in the Annexure to the Notice of the AGM to be held on September 14, 2009.
Financial Year	: April 1, 2008 to March 31, 2009
Publication of financial results	: Unaudited Results for the quarter ending June 30, 2009 - Last week of July 2009 Unaudited Results for the half year ending September 30, 2009 - Last week of October 2009 Unaudited Results for the quarter and nine months ending December 31, 2009 - Last week of January 2010 Audited Results for the year ending March 31, 2010 - Before June 2010
Dividend Payment Date	: On or after September 18, 2009 and on or before October 13, 2009
Dates of Book closure	: September 9, 2009 to September 14, 2009
Listing on Stock Exchanges	: National Stock Exchange of India Limited Bombay Stock Exchange Limited. The listing fees for the financial year 2009 - 10 have been paid to the above Stock Exchanges.
Stock Code	: National Stock Exchange of India Limited - BGRENERGY Bombay Stock Exchange Limited – 532930
Demat ISIN	: INE661I01014

DETAILS OF SHARES HELD IN SUSPENSE ACCOUNT

S. No.	Particulars	(in No's)
1.	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	468 shareholders 6923 shares
2.	Number of shareholders who approached issuer for transfer of shares from suspense account during the year	324 shareholders 4907 shares
3.	Number of shareholders to whom shares were transferred from suspense account during the year	324 shareholders 4907 shares
4.	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	144 shareholders 2016 shares

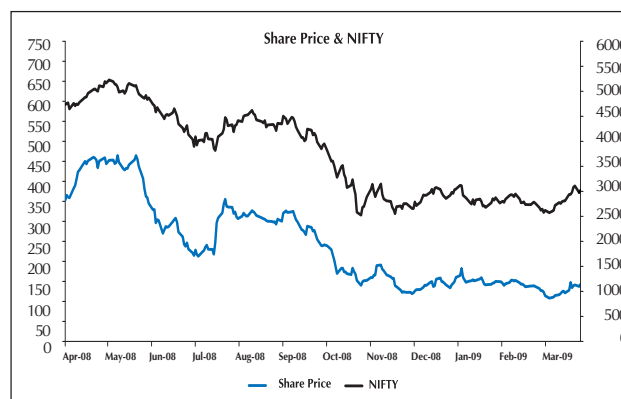
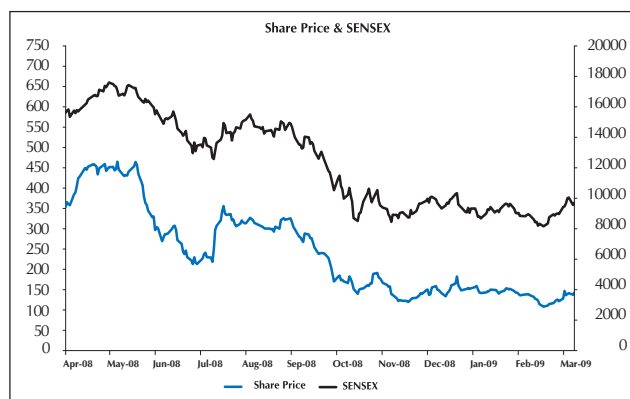
The Board hereby confirms that the voting rights in respect of the above shares held in suspense account shall remain frozen till the rightful owner of such shares claims the shares.

STOCK MARKET PRICE DATA & STOCK PERFORMANCE

MONTH	BSE		SENSEX	
	High (Rs.)	Low (Rs.)	High	Low
Apr-08	499.00	341.25	17480.74	15297.96
May-08	480.25	342.00	17735.70	16196.02
Jun-08	382.05	220.65	16632.72	13405.54
Jul-08	373.00	209.00	15130.09	12514.02
Aug-08	337.80	291.10	15579.78	14002.43
Sep-08	349.95	220.00	15107.01	12153.55
Oct-08	248.85	132.50	13203.86	7697.39
Nov-08	200.00	119.30	10945.41	8316.39
Dec-08	168.45	115.00	10188.54	8467.43
Jan-09	188.50	137.10	10469.72	8631.60
Feb-09	160.85	135.15	9724.87	8619.22
Mar-09	153.70	107.00	10127.09	8047.17

MONTH	NSE		NIFTY	
	High (Rs.)	Low (Rs.)	High	Low
Apr-08	480.00	341.00	5230.75	4628.75
May-08	480.00	340.55	5298.85	4801.90
Jun-08	362.00	220.00	4908.80	4021.70
Jul-08	373.00	205.00	4539.45	3790.20
Aug-08	336.85	291.00	4649.85	4201.85
Sep-08	349.00	217.00	4558.00	3715.05
Oct-08	250.00	133.50	4000.50	2252.75
Nov-08	199.00	120.00	3240.55	2502.90
Dec-08	168.30	117.00	3110.45	2570.70
Jan-09	188.00	137.15	3147.20	2661.65
Feb-09	159.90	135.50	2969.75	2677.55
Mar-09	153.50	107.00	3123.35	2539.45

The Charts showing Share Price Performance at BSE in comparison to SENSEX and at NSE in comparison to NIFTY are given below:



REGISTRAR AND SHARE TRANSFER AGENT:

Link Intime India Private Limited

(formerly Intime Spectrum Registry Limited)

C-13, Pannalal Silk Mills Compound

L.B.S. Marg, Bhandup West,

Mumbai - 400 078

Tel: 022 - 25963838, Fax: 022 - 25946969

Contact Person:

Mr. N. Mahadevan Iyer,

Vice President - Corporate Registry

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

SHARE TRANSFER SYSTEM

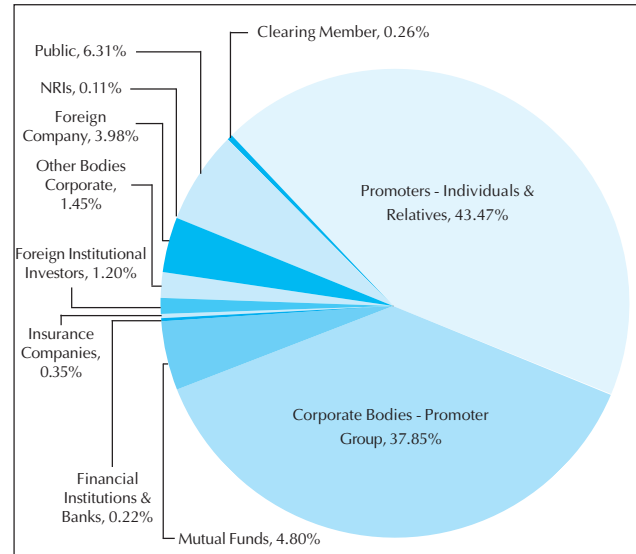
The company has a system in place where share transfers are processed and approved, subject to receipt of all requisite documents. The Company seeks to ensure that all transfers are approved for registration within the stipulated period. With a view to expediting the approval process, the Board of Directors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

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2009

Shareholding	No. of Shareholders	% of total	No. of Shares	% of total
Up to 500	151972	99.42	3712553	5.16
501 -1000	462	0.3	348972	0.48
1001 – 2000	187	0.12	270090	0.38
2001 – 3000	69	0.05	171412	0.24
3001 – 4000	27	0.02	95604	0.13
4001 -5000	30	0.02	136830	0.19
5001 – 10000	47	0.03	326892	0.45
10001 and above	62	0.04	66937647	92.97
TOTAL	152856	100.00	72000000	100.00

SHAREHOLDING PATTERN AS ON MARCH 31, 2009

Sl No	Category	No. of shares	No of Shareholders	% of total
1	Promoters - Individuals & Relatives	31295600	3	43.47
2	Corporate Bodies - Promoter Group	27248400	4	37.85
3	Mutual Funds	3453193	11	4.80
4	Financial Institutions & Banks	159187	13	0.22
5	Insurance Companies	256400	6	0.35
6	Foreign Institutional Investor	865397	8	1.20
7	Other Bodies Corporate	1041187	856	1.45
8	Foreign Company	2865557	2	3.98
9	NRIs	77455	603	0.11
10	Public	4549117	151063	6.31
12	Clearing Member	188507	287	0.26
	Total	72000000	152856	100.00



NOMINATION FACILITY

The shareholders holding shares in physical form may avail of the nomination facility under Section 109A of the Companies Act, 1956. The nomination form (Form 2B), alongwith instructions, will be provided to the members on request. In case the members wish to avail of this facility, they are requested to write to the Company’s Registrar M/s. Link Intime India Private Limited.

DEMATERIALIZATION

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, 2009, 18.69% of the total paid up equity share capital was held in dematerialised form of which NSDL constitutes 16.36% and CDSL constitutes 2.33%. The ISIN of the Company’s equity shares is INE661101014. The shares of the Company are actively traded in National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

PLANT LOCATION

1. 171, Panjetty Village, Ponneri Taluk, Ponneri, Tamil Nadu.
2. Survey 167/1 & 173, Thurai Nallur village, Pudukkottai District, Pudukkottai Taluk, Pudukkottai District.

MAJOR PROJECT LOCATIONS

1. 500 MW coal based Thermal Power Plant of APGENCO at Vijayawada, Andhra Pradesh.
2. 500 MW coal based Thermal Power Plant of APGENCO at Kakatiya, Andhra Pradesh.
3. 500 MW coal based Thermal Power Plant of MAHAGENCO at Khaperkeda, Maharashtra.
4. 500 MW coal based Thermal Power Plant of APGENCO at Kothagudam, Andhra Pradesh.
5. 1 x 600 MW coal based Thermal Power Plant of TNEB at Mettur, Tamil Nadu.
6. 2 x 600 MW coal based Thermal Power Plant of RRVUNL at Kalisindh, Jhalawar District, Rajasthan.

NAME OF THE COMPLIANCE OFFICER AND ADDRESS FOR CORRESPONDENCE

Mr. R. Ramesh Kumar

President - Corporate & Secretary
BGR Energy Systems Limited
443, Anna Salai, Teynampet, Chennai 600 018
Tel : 044 - 24326171, Fax : 044 - 24364656
E-mail: investors@bgrenergy.com

NON-MANDATORY REQUIREMENTS

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

For and on behalf of the Board of Directors

Place : Chennai

Date : June 22, 2009

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, Chief Financial Officer of BGR Energy Systems Limited to the best of our knowledge and belief certify that ;

- a) We have reviewed the financial statements and the Cash flow Statement of the Company for the year 2008 – 09 :
 - i) These financial statements do not contain any materially untrue statement or omit any material fact or contain statement 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 transaction 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 disclosed 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.

P. R. EASWAR KUMAR

Chief Financial Officer

B. G. RAGHUPATHY

Chairman & Managing Director

Place : Chennai

Date : June 22, 2009

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, 2009.

Place : Chennai
Date : June 22, 2009

B. G. RAGHUPATHY
Chairman & Managing Director

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of
BGR ENERGY SYSTEMS LIMITED

We have examined the compliance of conditions of Corporate Governance by BGR Energy Systems Limited, for the year ended on March 31, 2009, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors of the Company, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreements.

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

Place : Chennai
Date : June 22, 2009

G. R. HARI
Partner
Membership No. 206386

MANAGEMENT DISCUSSION & ANALYSIS

1. RECAP OF 2008-09

Two large EPC Contracts with aggregate value of Rs.8000 Crore for construction of 3 units of 600 MW were secured during 2008-09. The company thus emerged as a leading EPC company for large power plants. The single largest order valuing Rs.4900 Crore was received from RRVUNL for construction of 2 x 600 MW units. TNEB placed an order valuing Rs.3100 Crore for construction of a 600 MW unit. These orders, to be executed in 39 to 42 months received from existing reputed utilities demonstrated the confidence reposed by them on our company. The order book reached an all time high of Rs.10,970 Crore which put the company in strong pedestal not only for 2008-09 but also for subsequent two financial years.

2. ECONOMIC ENVIRONMENT

The global financial crisis and economic slowdown severely affected many geographies. However the Indian economy in general, which is predominantly driven by the domestic market, and the power sector in particular were in a sense exceptions to such economic conditions in as much as the impact was far less. The robust monetary policy coupled with conservative practices protected our geography. The IMF has forecasted that the Indian economy will be among the fastest growing economies in the world in the next few years. We could already witness the strong re-bounce of the economy on account of reduction of interest rates, fall in the inflation from double digit to decimal, multiple doses of fiscal stimulus packages announced by Government of India etc.

3. INDIAN POWER SECTOR

The Government of India policy of “**Power for all**”, the satisfactory growth of GDP, widening gap of demand and supply size of our population, increasing FDI etc., have necessitated a programme for massive and unprecedented power capacity addition to the tune of 78,700 MW in the XI plan period and 82,200 MW in the XII plan period. The public utilities have taken the lead to achieve this objective. This offers significant business opportunity to the company especially the power projects division to secure large EPC and BOP contracts. The company is poised for bigger growth in the current fiscal year as well as in the years to come. The power sector will drive the economy of the nation in this decade.

4. REVIEW OF OPERATIONS

The company’s “Products business” and “Turnkey Engineering and Contracting” businesses are organised into divisions as discussed below for the sake of operating convenience. However, the performance of these divisions are segmented as “Capital Goods” and “Construction and EPC” for the purpose of financial reporting and evaluation.

The VTPS 500 MW BOP contract for APGENCO was successfully executed by the **Power Projects Division** and the unit was synchronized in April, 2009. Three more units of 500 MW BOP contracts and 3 units of 600 MW EPC contracts are under construction. Considering the large value orders placed on Chinese suppliers, the division has opened an office in China. The in-house design and engineering capability has been further strengthened. With a view to reduce the dependence on outsourced equipments the division has acquired construction equipments valuing Rs.33 Crore. This will facilitate timely completion of the contracts.

The 92.5 MW EPC contract from TNEB and the 23 MW EPC contract from Sterlite group were completed by the **Captive Power Division** and the units were synchronized during the fiscal year 2008-09.

The **Air Fin Cooler Division** achieved a turnover of Rs.109 Crore (438 No. of coolers) during 2008-09 which included Inco-alloy coolers. The division has taken up substantial expansion scheme which will be ready before end of 2009-10.

The **Environmental Engineering Division** supplemented the Power Projects Division for execution of Water Treatment and Effluent Treatment packages. The division also secured prestigious contracts for total water system for the 2 x 525 MW Maithon Thermal Power Plant. The division signed up a license agreement with Termomeccanica, Italy, for manufacture of Condensate Polishing Units.

The **Electrical Projects Division** commissioned 3 Nos. of 66 Kv Substations for Karnataka Power Transmission Corporation Limited and 425 km OPGW (Optical Fibre Ground Wire) for TNEB. The Rural Electrification project to distribute power to 591 villages in Rajasthan was also completed.

The **Oil & Gas Equipment Division** has supplied large oil storage tanks to SCOP (State Corporation of Oil & Petroleum), Iraq. The division secured repeat orders from SCOP for supply of large oil storage tanks. The order for Kormor Gas Processing Plant was converted for Akas & Al-Mansuria Project. This order is under execution. In view of the growing business potential, the oil and gas division is currently constructing an independent manufacturing facility near Chennai.

5. FINANCIAL REVIEW

- The turnover at Rs.1922 Crore registered a growth of 28%.
- Profit Before Tax at Rs.175 Crore registered a growth of 40%.
- Net Profit After Tax at Rs.115 Crore registered a growth of 37%.
- The networth stood at Rs.561 Crore compared to Rs.471 Crore in the previous year.

Description	Unit	FY 2008-09	FY 2007-08
Turnover	Rs. Cr.	1922	1505
PBT	Rs. Cr.	175	125
PAT	Rs. Cr.	115	84
Networth	Rs. Cr.	561	471
PBT Ratio	%	9.1	8.3
PAT Ratio	%	5.99	5.61
Return on Networth	%	20.51	17.92
Employee cost to Turnover	%	3.81	2.93
Overheads to Turnover	%	3.21	3.14
Interest to Turnover	%	3.02	1.77

6. STRENGTH AND OPPORTUNITIES

- The in-house design and engineering.
- In-house packages and equipments.
- Past track record to manage large contracts.
- Ownership of large pool of construction equipments.
- Fast delivery and completion.
- Cost competitiveness.

The company has demonstrated its capability to manage small, medium and large contracts from 23 MW to 500 MW. Further, BGR Energy is therefore fully qualified and geared up to take up large size power plant contracts. A large number of future orders are likely to be of higher size sets. The company is already pre-qualified for this.

7. RISK MANAGEMENT

Realising the potential risk in contracting business, the company has already achieved the following :

- SOSP (Standard Operating System & Procedure) in place since January, 2006 to ensure sound internal control systems and procedures.
- Many key modules such as FICO, MM, Project System etc., are on real time SAP software since May, 2007.
- Four tier audit system in place (Internal Audit, In-house audit, Pre-audit and Statutory audit).
- Detailed review by Audit Committee once in a quarter.

In addition to the above, M/s. Deloitte Touche Tohmatsu India Pvt. Limited, were appointed in January, 2009 to study and suggest a robust risk management framework. This exercise has already been completed and report has been received from Deloitte. This risk management framework will be put in place from current fiscal.

8. ROBUST AUDIT & CONTROL SYSTEM

The company has in-house System Auditor and Works Auditor. For each division an external firm of Auditors carry out the Internal Audit. For the Power Projects division for each order a separate external firm of Chartered Accountants carry out the internal audit. The audit plan is documented and the scope is well defined. 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 the Audit Committee and the Finance Department review the reports of the internal auditors, pre auditors and in-house auditors in detail and the summary is submitted to the Audit Committee once in a quarter. The present internal control and audit systems are considered to be adequate.

9. NEW INITIATIVES

- Exclusive license agreement signed up between Foster Wheeler N.A., and BGR Boilers Private Limited (a special purpose vehicle) to manufacture sub critical and super critical boilers upto 1000 MW.
- Licence agreement signed up with Termomeccanica Ecologia (TME), Italy, for condensate polishing unit.
- Power projects division already prequalified for large size projects
- The existing manufacturing facilities near Chennai are under expansion (250%) and these facilities will be ready by middle of the current fiscal year.

10. HRD

The manpower of the company stood at 1396 as at March 31, 2009 compared to 924 as at March 31, 2008. The company plans to augment additional manpower resources and increase the manpower from 1400 to 1900 before end of current fiscal.

Training and Safety are given adequate importance. Benchmarking and fixing KRAs will be initiated during the current fiscal.

11. FUTURE OUTLOOK

With Indian economy poised to outperform many other economies and Indian power sector put on fast-track, the future business potential for the company appears to be bright. Nevertheless there is a clear visibility for the current fiscal year and also next year.

In view of the robust order book of Rs.9500 Crore as of April 1, 2009 the company stands at an advantageous position to consider and select projects which would add greater value to its capability and profitability.

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

1. We have audited the attached Balance Sheet of **BGR ENERGY SYSTEMS LIMITED** as at 31st March 2009 and the related Profit and Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003 (the 'Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the report referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
 - e) On the basis of the written representations received from the directors, as on 31st March 2009, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - f) In our opinion, there were no dues on account of cess under Section 441A of the Act, since the aforesaid section has not yet been made effective by the Central Government of India as on 31st March 2009; and
 - g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
 - (ii) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **MANOHAR CHOWDHRY & ASSOCIATES**
Chartered Accountants

G R HARI

Partner

Place : Chennai
Date : June 22, 2009

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 31st March 2009. We report that:

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has conducted physical verification of fixed assets at reasonable intervals and no material discrepancies were noticed on such verification; and
- (c) In our opinion, the fixed assets disposed off during the year were not substantial and therefore, do not affect the going concern assumption.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year;
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business; and
- (c) The company is maintaining proper records of inventory. There are no major material discrepancies noticed on physical verification between book stock and physical stock.
- (iii) (a) The company has granted interest free unsecured loans to 2 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 Rs.1272.87 lakhs and Rs.1151.70 lakhs respectively;
- (b) In our opinion and as per the information and explanations given to us, the terms and conditions of the said loans are not prima facie prejudicial to the interest of the company;
- (c) In our opinion and on verification of the books of account, in respect of the above mentioned loans, there has been no regular repayment of the principal amount during the year;
- (d) In our opinion, in respect of the above mentioned loans, reasonable steps have been taken by the company for recovery of the principal amount due. The outstanding principal amount as on 31st March 2009 is Rs.1151.70 lakhs;
- (e) The company has availed unsecured loans from 2 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 such loans amounts to Rs.64.25 lakh and Rs.41.47 lakh respectively;
- (f) In our opinion, the terms and conditions of the loans availed are not prejudicial to the interest of the company; and
- (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 and 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 or 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 so 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 and 58AA of the Act and rules framed 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) There is no order or notification by the Central Government prescribing maintenance of cost records by the Company u/s 209(1)(d) of the Companies Act, 1956.
- (ix) (a) In our opinion and according to the information given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Profession Tax, Income-tax, Sales-tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other 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, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess dues were in arrears as at

31st March 2009 for a period of more than six months from the date they became payable; and

- (b) As per the information and explanations provided to us, the following are the details of Disputed Tax Liabilities and the forum in which they are pending:

Financial year	Amount Rs. in Lakh	Type of Tax Liability	Forum in which the Appeal is lying in
1997 – 98	39.23	Sales Tax	Honorable High Court, Andhra Pradesh
1998 – 99	0.12	Sales Tax	Commercial Tax Officer, Andhra Pradesh
1999 – 00	0.11	Sales Tax	Commercial Tax Officer, Tamilnadu
2003 – 04	5.00	Sales Tax	Appellate Deputy Commissioner (CT), Guntur (AP)
2006 – 07	2.59	Sales Tax	Appellate Deputy Commissioner (CT), Guntur (AP)
2007 – 08	7.43	Sales Tax	Appellate Deputy Commissioner (CT), Guntur (AP)
2005 – 06	39.98	Sales Tax	Deputy Commissioner Appeals, Ernakulam (Kerala)
2007 -08	61.76	Sales Tax	Honorable High Court, Kerala
TOTAL	156.22		

- (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 and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the company.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments.

- (xv) The company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof, in our opinion, are not prejudicial to the interest of the company.
- (xvi) During the year, the company has availed term loans for acquiring various fixed assets. As per the information and explanations provided to us, we are of the opinion that these loans were applied for the purpose for which the same were availed.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment by the company.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act.
- (xix) The company has not issued any debentures.
- (xx) The Company has raised a sum of Rs. 20,736 lakhs by way of initial public offering during the year ended 31st March 2008. As on 31st March 2009, the company has deposited the net proceeds of initial public offering amounting to Rs. 19,012 lakhs in Fixed Deposits with banks pending utilization towards the objects of the issue.
- (xxi) In our opinion and according to explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **MANOHAR CHOWDHRY & ASSOCIATES**
Chartered Accountants

G R HARI

Place : Chennai
Date : June 22, 2009

Partner
Membership No.206386

BALANCE SHEET AS AT 31st MARCH, 2009

Description	Sch. No.	As at 31.03.2009 (Rs in lakhs)	As at 31.03.2008 (Rs in lakhs)
SOURCES OF FUNDS			
(1) Shareholders' Funds	1		
(a) Share Capital		7200.00	7200.00
(b) Reserves and Surplus		48914.58	39932.58
(2) Loan Funds	2		
(a) Secured Loans		63598.42	49898.00
(b) Unsecured Loans		7181.67	235.04
(3) Deferred Tax Liabilities (Net)		7849.54	3933.28
Total		134744.21	101198.90
APPLICATION OF FUNDS			
(1) Fixed Assets	3		
(a) Gross Block		11317.48	6104.34
(b) Less: Depreciation and Impairment		2211.83	1605.48
Net Block		9105.65	4498.86
(c) Capital Work-In-Progress		541.59	109.73
(2) Investments	4	478.00	15565.35
(3) Current Assets, Loans & Advances	5		
(a) Inventories		1248.39	1290.11
(b) Sundry Debtors		127801.98	73461.65
(c) Cash and Bank balances		61082.86	30567.49
(d) Other Current Assets		1858.20	946.46
(e) Loans and Advances		64541.96	27222.95
		256533.39	133488.66
LESS:			
Current Liabilities & Provisions	6		
(a) Liabilities		125147.35	48480.46
(b) Provisions		6767.07	3983.24
		131914.42	52463.70
Net Current Assets		124618.97	81024.96
Total		134744.21	101198.90
NOTES ON ACCOUNTS	14		

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

B.G. RAGHUPATHY
Chairman & Managing Director

V.R. MAHADEVAN
Whole Time Director

S. RATHINAM
Director-Finance

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

R. RAMESHKUMAR
Company Secretary

G.R. HARI
Partner
Membership No.206386

S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

Profit and Loss Account

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Description	Sch. No.	For the year ended 31.03.2009 (Rs in lakhs)	For the year ended 31.03.2008 (Rs in lakhs)
INCOME			
Turnover (Gross)		193242.11	150950.17
Less : Excise Duty		1032.37	466.80
Turnover (Net)	7	192209.74	150483.37
Other Income	8	3152.26	584.35
Increase / (Decrease) in WIP		161.40	(156.52)
		195523.40	150911.20
EXPENDITURE			
Cost of Materials	9	135173.36	109993.83
Cost of Manufacturing	10	16915.40	13994.47
Other Direct Cost	11	5990.20	2894.50
Administration, Selling & General Expenses	12	13485.97	8342.72
Interest	13	5793.68	2658.66
Depreciation and Impairment	3	699.56	502.30
		178058.17	138386.48
		17465.23	12524.72
PROFIT BEFORE TAX			
Provision for Taxation			
Current Tax		1944.19	1374.89
Deferred Tax		3916.26	2638.45
Fringe Benefit Tax		95.69	67.04
		5956.14	4080.38
PROFIT AFTER TAX			
		11509.09	8444.34
APPROPRIATIONS			
Transfer to General Reserve		1150.90	844.04
Proposed Dividend		2160.00	1440.00
Corporate Dividend Tax		367.09	244.73
		3677.99	2528.77
PROFIT FOR THE YEAR			
		7831.10	5915.57
Earnings Per Equity Share			
(Face Value Rs.10)	Refer Note Point No		
Basic - 7.20 (6.68) crores number of shares	29	15.98	12.64
Diluted - 7.26 (6.75) crores number of shares	29	15.86	12.51
NOTES ON ACCOUNTS			
	14		

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

B.G. RAGHUPATHY
Chairman & Managing Director

V.R. MAHADEVAN
Whole Time Director

S. RATHINAM
Director-Finance

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

R. RAMESHKUMAR
Company Secretary

G.R. HARI
Partner
Membership No.206386

S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description			As at 31.03.2009 (Rs in lakhs)	As at 31.03.2008 (Rs in lakhs)
1.	SHAREHOLDERS' FUNDS				
	(a) Share Capital				
	Authorised				
	10,00,00,000 Equity Shares of Rs.10/- each			10000.00	10000.00
	Issued, Subscribed and Paid up				
	7,20,00,000 Equity Shares of Rs.10/- each				
	Of the above, 6,46,50,000 Equity Shares of Rs.10 each were allotted as fully paid up bonus shares by capitalisation of profits.			7200.00	7200.00
	(b) Reserves and Surplus				
	i. Securities Premium			31252.36	31252.36
	ii. General Reserve	<u>31.03.2009</u>	<u>31.03.2008</u>		
	Opening Balance	1858.21	1014.17		
	Add : Transferred during the year	1150.90	844.04		
		<u>3009.11</u>	<u>1858.21</u>	3009.11	1858.21
	iii. Balance in Profit & Loss A/c	<u>31.03.09</u>	<u>31.03.08</u>		
	Opening Balance	6822.01	6306.44		
	Less : Capitalisation of Profit by way of issue of Bonus Shares	-	5400.00		
		<u>6822.01</u>	<u>906.44</u>		
	Add : Profit for the year	7831.10	5915.57		
		<u>14653.11</u>	<u>6822.01</u>	14653.11	6822.01
				48914.58	39932.58
2.	LOAN FUNDS				
	(a) Secured Loans				
	i. Working Capital Loan from Banks			61116.82	48042.53
	ii. Fixed Assets Loans			2222.24	1489.73
	iii. Term Loan from Banks			259.36	365.74
				63598.42	49898.00
	(b) Unsecured Loans				
	i. IFST			181.67	212.80
	ii. From Banks			7000.00	22.24
				7181.67	235.04

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

3. FIXED ASSETS

(Rs.in Lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				IMPAIRMENT LOSS	NET BLOCK	
	As at 31.03.2008	Additions During the year	Deletions During the year	As at 31.03.2009	Up to 31.03.2008	Additions During the year	Deletions During the year	Up to 31.03.2009		WDV as at 31.03.2009	WDV as at 31.03.2008
Tangible Assets											
Land	29.69	1053.37	-	1083.06	-	-	-	-	-	1083.06	29.69
Buildings	227.71	21.95	-	249.66	69.82	7.85	-	77.67	-	171.99	157.89
Plant & Machinery	3806.65	3256.08	161.54	6901.19	957.83	359.06	52.27	1264.62	-	5636.57	2848.82
Furniture & Fixtures	69.61	34.09	0.76	102.94	7.09	18.56	0.12	25.53	-	77.41	62.52
Office Fixtures	150.85	57.96	0.27	208.54	47.52	33.31	0.16	80.67	-	127.87	103.33
Office Equipments	520.05	186.21	27.71	678.55	103.21	77.02	17.57	162.66	2.24	513.65	407.28
Electrical Installations	79.41	2.36	-	81.77	28.57	5.82	-	34.39	-	47.38	50.84
Vehicles	681.62	416.52	21.58	1076.56	187.77	85.03	13.53	259.27	-	817.29	493.85
Intangible Assets *											
Technical Know-How	144.82	151.33	-	296.15	144.82	8.64	-	153.46	-	142.69	-
Softwares	393.93	245.13	-	639.06	49.29	102.03	-	151.32	-	487.74	344.64
TOTAL	6104.34	5425.00	211.86	11317.48	1595.92	697.32	83.65	2209.59	2.24	9105.65	4498.86
As on 31.03.2008	4973.45	2502.39	1371.50	6104.34	1809.98	492.74	706.80	1595.92	9.56	4498.86	

* Both the assets are other than internally generated.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description	As at 31.03.2009 (Rs in lakhs)	As at 31.03.2008 (Rs in lakhs)
4.	INVESTMENTS		
	Trade Quoted (at cost) :		
	i) Indian Bank 13,970 Equity Shares of Rs. 91 per share Market Value Rs.82.20 per share as on 31.03.2009 (Market Value Rs.162.90 per share as on 31.03.2008)	12.71	12.71
	ii) SBI Mutual Fund-Magnum Multi Cap 50,000 units of Rs.10 each NAV Rs.7.34 per unit as on 31.03.2009 (NAV Rs.12.61 per unit as on 31.03.2008)	5.00	5.00
	iii) SBI Mutual Fund-Infrastructure Fund 2,50,000 units of Rs.10 each NAV Rs.5.65 per unit as on 31.03.2009 (NAV Rs.10.73 per unit as on 31.03.2008)	25.00	25.00
	iv) HDFC FMP 90 D-JAN 08-W-DP 7,44,21,187.51 units of Rs.10 each (NAV Rs.10.10 per unit as on 31.03.2008)	-	7442.12
	v) UTI FMP - QFMP (02/08-i) INSTITUTE - D 7,64,52,262.48 units of Rs.10 each (NAV Rs.10.01 per unit as on 31.03.2008)	-	7645.23
	Non Trade Unquoted (at cost) :		
	a) Investment in Subsidiary Companies:		
	Progen Systems and Technologies Limited 42,50,000 Equity Shares of Rs. 10 each,fully paid up	425.00	425.00
	b) Investment in Other Companies:		
	i) GEA Cooling Tower Technologies (India) Private Limited 10,000 Equity Shares of Rs. 10 each, fully paid up (10,000 Equity Shares of Rs. 10 each, fully paid up) (Inclusive of 8000 bonus shares)	0.20	0.20
	ii) Cuddalore Powergen Corporation Limited 100900 Shares of Rs. 10 each,fully paid up (100900 Shares of Rs. 10 each,fully paid up)	10.09	10.09
		478.00	15565.35

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description	As at 31.03.2009 (Rs in lakhs)	As at 31.03.2008 (Rs in lakhs)
5.	CURRENT ASSETS, LOANS AND ADVANCES		
	(a) Inventories		
	(i) Raw Material, Consumables, Bought outs and Components	993.93	1178.53
	(ii) Loose Tools & Spares	-	18.52
	(iii) Work-in-Progress	254.46	93.06
		1248.39	1290.11
	(b) Sundry Debtors		
	(Unsecured and Considered good)		
	Over Six Months	3560.28	2382.33
	Others	124241.70	71079.32
		127801.98	73461.65
	(c) Cash and Bank Balances		
	i. Cash Balance	18.99	37.83
	ii. Bank Balances with Scheduled Banks		
	- Current Account	1563.63	3786.66
	iii. Bank Balances with Non Scheduled Banks		
	- Current Account	2.38	2.38
	Maximum balance outstanding during the year		
		<u>2008-09</u>	<u>2007-08</u>
	Bank of Alexandria, Egypt	6.73	14.76
	- Deposit Account	59497.86	26740.62
		61082.86	30567.49
	(d) Other Current Assets		
	Interest accrued on deposits	1579.22	667.48
	Share Capital Advance	278.98	278.98
		1858.20	946.46
	(e) Loans and Advances		
	(i) Advances recoverable in cash or in kind or for value to be received		
	a) Secured, Considered Good	32692.07	-
	b) Unsecured, Considered Good	31026.54	26138.40
	(Includes Rs.620.04 Lakhs (Rs.787.89) due from Progen Systems and Technologies Ltd, a subsidiary of this company.)		
	(ii) Deposits	823.35	1084.55
		64541.96	27222.95

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description	As at 31.03.2009 (Rs in lakhs)	As at 31.03.2008 (Rs in lakhs)
6.	CURRENT LIABILITIES AND PROVISIONS		
	(a) Current Liabilities		
	Sundry Creditors	44157.90	30989.90
	Advances from customers	66851.98	13965.16
	Other Liabilities	14103.47	3512.53
	Interest accrued but not due	34.00	12.87
		125147.35	48480.46
	(b) Provisions		
	Income Tax	4239.98	2298.51
	Corporate Dividend Tax	367.09	244.73
	Proposed Dividend	2160.00	1440.00
		6767.07	3983.24

Sch. No.	Description	For the year ended 31.03.2009 (Rs in lakhs)	For the year ended 31.03.2008 (Rs in lakhs)
7.	SALES & SERVICES		
	Sale of Manufactured Goods	14549.75	16544.49
	Less: Excise Duty	1032.37	466.80
	Net Sale of Manufactured Goods	13517.38	16077.69
	Contracting Income	178352.45	133642.07
	Erection & Service Income	339.91	763.61
		192209.74	150483.37
8.	OTHER INCOME		
	Dividend from Investments - Trade	243.86	321.73
	Dividend from Investments - Non Trade	1.00	1.00
	Profit on Sale of Investment	-	2.31
	Profit on Sale of Business Unit	-	42.60
	Profit on Sale of Fixed Assets	15.06	53.16
	Foreign Exchange Variation	420.61	-
	Interest on Fixed Deposits	2396.14	135.90
	Others	75.59	27.65
		3152.26	584.35

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description	For the year ended 31.03.2009 (Rs in lakhs)	For the year ended 31.03.2008 (Rs in lakhs)
9.	COST OF MATERIALS		
	Opening inventory (Raw materials, Consumables, Bought Outs and Components)	1178.53	2079.40
	Add : Purchases	134988.76	109092.96
		136167.29	111172.36
	Less: Closing Inventory (Raw materials, Consumables, Bought Outs and Components)	993.93	1178.53
		135173.36	109993.83
10.	COST OF MANUFACTURING		
	Part Processing Charges	16749.21	13876.65
	Power & Fuel	166.19	117.82
		16915.40	13994.47
11.	OTHER DIRECT COST		
	Sales and Agency Commission	340.66	689.54
	Insurance	212.40	267.69
	Bank Charges	3328.86	1589.24
	Professional Fees	951.96	79.82
	Packing & Forwarding	1156.32	268.21
		5990.20	2894.50

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description			For the year ended 31.03.2009 (Rs in lakhs)	For the year ended 31.03.2008 (Rs in lakhs)
12.	ADMINISTRATION, SELLING & GENERAL EXPENSES				
	Rent			692.95	569.50
	Repairs to Building			33.76	6.09
	Repairs to Machinery			84.47	9.36
	Repairs & Maintenance			312.15	202.98
	Salaries and Allowances			6313.56	3716.74
	Bonus			24.80	12.90
	Contribution to P.F., E.S.I., & Gratuity			354.99	334.43
	Workmen & Staff Welfare Expenses			620.38	352.49
	Insurance			53.19	52.14
	Rates and Taxes			51.62	101.88
	Electricity charges			116.01	47.92
	Administration Expenses			513.55	836.19
	Auditor's Remuneration	<u>2008-09</u>	<u>2007-08</u>		
	For Audit	26.43	20.23		
	For Taxation Matters	4.41	4.49		
	For Certification	1.41	6.38		
				32.25	31.10
	Bank Charges			42.68	33.53
	Bad Debts Written Off			371.58	173.40
	Conveyance and Vehicle Running Expenses			398.37	214.54
	Selling Expenses			329.67	227.68
	Loose Tools Written Off			-	5.59
	Provision for Contractual Obligation			1650.25	-
	Professional charges			614.06	372.60
	Foreign Exchange Variation			-	310.70
	Sitting Fees			6.93	3.96
	Security charges			44.28	52.76
	Telephone, Telex, Fax, Courier & Postage			209.96	118.10
	Travelling Expenses - Inland			444.45	395.63
	Travelling Expenses - Overseas			170.06	160.51
				13485.97	8342.72
13.	INTEREST				
	Interest on Bank Credit			5476.01	2470.68
	Interest on Term Loan			239.41	156.64
	Interest others			78.26	31.34
				5793.68	2658.66

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

B.G. RAGHUPATHY
Chairman & Managing Director

V.R. MAHADEVAN
Whole Time Director

S. RATHINAM
Director-Finance

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

R. RAMESHKUMAR
Company Secretary

G.R. HARI
Partner
Membership No.206386

S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

14. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Conventions

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

b. Use of Estimates

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

c. Fixed Assets

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

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

d. Depreciation & Amortization

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

e. Investments

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

f. Earnings Per Share (EPS)

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

g. Revenue Recognition

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

h. Inventories

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

i. Foreign Currency Transactions

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

j. Cash Flows

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

k. Income Taxes

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured at the amount expected to be paid to the tax authorities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between taxable income and accounting income which are capable of reversal in subsequent periods and are measured using relevant enacted tax rates. Fringe benefits taxes are recognized in accordance with the relevant provisions of the Income-tax Act, 1961. Tax on distributable profits payable by the company in accordance with the provisions of Income-tax Act, 1961 is disclosed in accordance with the guidance note on Accounting for Corporate Dividend Tax issued by ICAI.

l. Impairment of Assets

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

m. Employee Benefits

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

n. Leases

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

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

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

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

o. 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.

p. Contingent Liabilities

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

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

B. NOTES TO ACCOUNTS

1. SECURED LOANS

- a) Term Loan of Rs.259.36 lakhs from Corporation Bank (Rs.365.74 Lakhs) is secured by a first charge on fixed assets of the Company. The term loan is further guaranteed by the Managing Director of the Company.
- b) The company has availed Working Capital loan on *pari-passu* basis from State Bank of India and State Bank of Hyderabad. These loans are secured by hypothecation of inventories, book debts and movable current assets of the product divisions of the company. These loans are further secured by personal guarantees of two Directors of the company, including the Managing Director of the company. The loan from State Bank of India and State Bank of Hyderabad is further secured by a second charge on the fixed assets of the company.
- c) The company has availed contract specific Working Capital loans from State Bank of India, State Bank of Hyderabad, State Bank of Travancore, State Bank of Patiala, State Bank of Bikaner & Jaipur, UCO Bank, State Bank of Indore, State Bank of Mysore, IDBI Bank, Punjab National Bank, Vijaya Bank, Indian Bank, Indian Overseas Bank and Corporation Bank. These loans are secured by hypothecation of inventories, book debts and movable current assets of the respective contracts. The participating banks share the security on

pari-passu basis. Certain specific project loans are further secured by personal guarantees of two Directors, including the Managing Director of the company.

- d) Secured Loans includes Rs.2222.24 lakhs (Rs.1489.73 lakhs) for which the respective fixed assets acquired under Loan are held as security.

2. CONTINGENT LIABILITIES, GUARANTEES & CAPITAL COMMITMENTS

(Rs.in Lakhs)

Description	As at 31.03.2009	As at 31.03.2008
CONTINGENT LIABILITIES		
i) Bills Discounted (Backed by LC)	24.84	7916.06
ii) Claims against the company not acknowledged as debt		
a) On account of Sales Tax	156.22	169.58
b) On account of Income Tax	-	0.39
c) On account of Contractual Obligations	2930.36	-
GUARANTEES		
iii) Guarantees and Counter Guarantees given on behalf of Subsidiary and Other Company	844.00	1222.85
CAPITAL COMMITMENTS		
iv) Estimated amount of contracts remaining to be executed on capital account	682.66	42.95

3. CAPACITY AND PRODUCTION

S. No.	Description	Units	Installed for the		Production for the		Sales for the	
			Year ended 31.03.2009	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2008	Year ended 31.03.2009	Year ended 31.03.2008
1	Tube Cleaning System *	Nos	-	100	-	10	-	10
2	Debris Filter *	Nos	-	100	-	-	-	-
3	Air Cooled Heat Exchanger	No. of Bundles	600	600	438	608	438	608
4	Deaerators	Nos	25	20	20	23	20	23

* Last Year particulars relates to three months period from 01.04.2007 to 30.06.2007

4. SUMMARY OF SALES

(Rs.in Lakhs)

Particulars of Sales	For the year ended 31.03.2009	For the year ended 31.03.2008
Manufactured Equipment for Power / Process sector	13517.38	16077.69
Contract Income	178352.45	133642.07
Erection and Services Income	339.91	763.61
Total	192209.74	150483.37

5. VALUE OF IMPORTS ON CIF BASIS

(Rs.in Lakhs)

Particulars	For the year ended 31.03.2009	For the year ended 31.03.2008
Raw Materials, Components, Consumables & Spare parts	24201.88	17631.06

6. DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED

S. No.	Description	Units	For the year ended 31.03.2009		For the year ended 31.03.2008	
			Qty. (lakhs)	Value (Rs. in Lakhs)	Qty. (lakhs)	Value (Rs.in Lakhs)
1	Steel Plates	Kgs	34.66	2080.43	31.19	1812.07
2	Structural	Mtrs	35.49	1379.70	31.42	1040.21
3	Pipes, Tubes and Fittings	Kgs	5.08	2389.97	4.83	2041.60
4	Bought Outs – Mechanicals	Lots	-	2013.12	-	1631.28
5	Bought Outs – Electrical	Lots	-	1069.81	-	726.34
6	Aluminum Fin Strips	Kgs	6.01	1303.86	7.95	1686.48
7	Elbows, Rounds & Others	Nos	11.60	566.45	11.45	473.85
8	Consumables	Lots	-	1455.94	-	2262.96
9	Trading Goods	Lots	-	-	-	5.26
10	Stores	Lots	-	1647.69	-	1854.78
11	Electrical Cables	Mtrs	0.25	29.59	1.08	128.38
12	Power Plant Machinery components and construction materials	Lots	-	121236.80	-	96330.62
	Total			135173.36		109993.83

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

Particulars	For the year ended 31.03.2009 (Rs. in Lakhs)	%	For the year ended 31.03.2008 (Rs. in Lakhs)	%
Imported	24140.68	(17.86)	15407.24	(14.01)
Indigenous	111032.68	(82.14)	94586.59	(85.99)
TOTAL	135173.36		109993.83	

8. EXPENDITURE IN FOREIGN CURRENCY

(Rs.in Lakhs)

Particulars	For the year ended 31.03.2009	For the year ended 31.03.2008
Travelling	96.67	160.51
Part Processing and Professional charges	219.53	191.12
Commission on sales	657.96	205.49
Royalty	92.96	-
Erection & Commissioning	-	36.05
Technical Fees	59.03	-
Bank Charges & Others	57.75	223.54
Total	1183.90	816.71

9. EARNINGS IN FOREIGN CURRENCY

(Rs.in Lakhs)

Particulars	For the year ended 31.03.2009	For the year ended 31.03.2008
Sales	8416.35	13057.38

10. MANAGERIAL REMUNERATION
a. Computation of Commission Payable to Managerial Personnel

(Rs.in Lakhs)

Particulars	For the year ended 31.03.2009	For the year ended 31.03.2008
Profit as per Profit and Loss A/c	17465.23	12524.72
Add:		
Directors remuneration including commission	1045.04	740.46
Directors sitting fees	6.93	3.96
Loss / (Profit) on sale of assets	(15.06)	(53.16)
Loss / (Profit) on sale of Business Unit	-	(42.60)
Total	18502.14	13173.38
Remuneration to Managing Director @ 5% on above profits of the Company	925.11	658.67
Less: Salaries, Allowances and perquisites to Managing Director	139.23	139.23
Commission to Managerial Personnel	785.88	519.44

b. Directors' Remuneration

(Rs.in Lakhs)

Particulars	For the year ended 31.03.2009	For the year ended 31.03.2008
Salaries and Allowances to Managing Director	134.40	134.40
Salaries and Allowances to Other Directors	119.93	81.78
Perquisites to Managing Director	4.83	4.83
Commission to Managing Director	785.88	519.44
Total	1045.04	740.45

11. Sundry Debtors - Others includes Rs. 56512.94 lakhs (Rs. 33399.86 lakhs) which, in accordance with the terms of the contracts were not due for payments as at 31st March 2009.

12. CASH AND BANK BALANCES

- i) Deposits amounting to Rs.20384.06 lakhs (Rs.11503.93 lakhs) are under lien to Banks.
- ii) The balance of Cash and Cash equivalents includes Rs.3.71 Lakhs as at 31st March 2009 set aside for payment of Dividends.
- iii) Bank balances of Rs.6.87 Lakhs are subject to confirmation.

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

14. LOANS AND ADVANCES

Cochin Project: The end client of Cochin Port Road Connectivity Project viz., Cochin Port Road Company Ltd., (SPV of NHAI) has terminated the contract on 28.05.2007. Consequently, the end client has encashed BGs for an value of Rs.1270 lakhs furnished by the company on behalf of MECON - GEA (JV). The main contractor viz., MECON - GEA (JV) is contesting the termination of the contract and has taken steps to constitute the Disputes Review Board in terms of the contract. In anticipation of determination of the dispute, the company has identified a sum of Rs. 1654.35 lakhs (Rs. 1522.00 lakhs) as on 31.03.2009 as recoverable advances from the end client through the JV and is shown under loans and advances.

Tuticorin Project: The end client namely Tuticorin Port Road Company Ltd (SPV of NHAI) viz, Tirunelveli - Tuticorin Port Connectivity Project has terminated the contract and encashed BGs furnished by the company on behalf of MECON - GEA (JV). The main contractor viz., MECON - GEA (JV) is contesting the termination of the contract. Based on the legal opinion, the Company has identified a sum of Rs.1460.72 Lakhs (Rs. 82.73 lakhs) as on 31.03.2009 as recoverable advances from the end client through the JV and is shown under loans and advances.

15. Plant and Machinery include Rs. 686.72 lakhs (Rs.916.08 lakhs), which are jointly owned along with a Joint Venture, of which the Company is a member.

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

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

(Rs.in Lakhs)

S. No.	Particulars	As at 31.03.2009	As at 31.03.2008
1	Amount due to Vendors	153.00	225.72
2	Interest due on (1) above and unpaid	7.17	-
3	Interest paid to the supplier	-	-
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	-	-

17. CONSTRUCTION CONTRACTS

In respect of all construction contracts in progress

(Rs.in Lakhs)

S. No.	Particulars	For the year ended 31.03.2009	For the year ended 31.03.2008
a.	The aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date	334838.24	133656.12
b.	The amount of advances received	61085.74	11732.93
c.	The amount of retentions	51364.51	29457.09
d.	The gross amount due from customers for contract work as an asset	36751.13	10545.67
e.	The gross amount due to customers for contract work as a liability	37279.89	11608.26

18. EMPLOYEE BENEFITS

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

Defined Contribution Plan

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

(Rs.in Lakhs)

Particulars	2008-09	2007-08
Employer's Contribution to Provident Fund	164.99	105.59
Employer's Contribution to Pension Scheme	73.50	40.71

Defined Benefit Plan

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

Gratuity Plan

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

I. Reconciliation of opening and closing balances of Defined Benefit Obligation (Rs.in Lakhs)

Particulars	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
Defined Benefit obligation at beginning of the year	248.02	93.88
Current service cost	37.87	21.18
Interest cost	19.84	7.51
Actuarial (gain)/loss	52.66	132.91
Settlement cost	Nil	Nil
Curtailement cost	Nil	Nil
Benefits paid	(15.89)	(7.47)
Defined Benefit obligation at year end	342.50	248.02

II. Reconciliation of opening and closing balances of fair value of plan assets (Rs.in Lakhs)

Particulars	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
Fair value of plan assets at beginning of the year	83.64	88.98
Expected return on plan assets	13.47	6.70
Actuarial (gain)/loss	6.21	(1.58)
Employer contribution	185.35	(2.99)
Benefits paid	(15.89)	(7.47)
Fair value of plan assets at the year end	272.78	83.64
Actual return on plan asset	19.68	5.12

III. Reconciliation of Fair value of assets and obligations (Rs.in Lakhs)

Particulars	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
Fair value of plan assets (a)	272.78	83.64
Present value of obligation (b)	342.50	248.02
Present Value of obligation unfunded at the end of the year recognized as liability as on 31.03.2009 (b-a)	69.72	164.38

IV. Expense recognized during the year

(Rs.in Lakhs)

Particulars	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
Current service cost	37.87	21.18
Interest cost	19.84	7.51
Expected return on plan assets	(13.47)	(6.70)
Actuarial (gain) / loss	46.45	134.49
Net Cost included under contribution to gratuity	90.69	156.49

V. Actuarial assumptions

(Rs.in Lakhs)

Particulars	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
Mortality Table (LIC)	(Ultimate) 94-96	(Ultimate) 94-96
Discount rate (per annum)	7.5%	8%
Expected rate of return on plan assets (per annum)	7.5%	8%
Rate of escalation in salary (per annum)	5%	5%

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

19. SEGMENTAL REPORTING

Information about Business Segments (information provided in respect of revenue items for the 12 months period ended 31.03.2009 and in respect of assets / liabilities as at 31.03.2009) are furnished below:

(Rs.in Lakhs)

Particulars	For the year ended 31.03.2009			For the year ended 31.03.2008		
	Capital Goods Segment	Construction and EPC Contracts Segment	Total	Capital Goods Segment	Construction and EPC Contracts Segment	Total
a) Revenue	20180.55	173061.56	193242.11	21068.07	129882.10	150950.17
b) Result	1619.18	18998.73	20617.91	3482.63	11242.12	14724.75
Add: Un allocable Income net of expenditure			2641.00			458.63
Profit before Interest and Tax			23258.91			15183.38
Interest			5793.68			2658.66
Profit Before Tax			17465.23			12524.72
Provision for Taxation						
- Provision for Current Tax		1944.19			1374.89	
- Provision for Deferred Tax		3916.26			2638.45	
- Provision for FBT		95.69			67.04	
- Total			5956.14			4080.38
Net Profit After Tax			11509.09			8444.34
c) Assets	25836.51	208849.76	234686.27	17403.09	104287.15	121690.24
Add: Unallocated Corporate Assets			31972.36			31972.36
Total Assets			266658.63			153662.60
d) Liabilities	14159.71	181767.74	195927.45	9584.44	89029.06	98613.50
Add : Unallocated Corporate Liabilities			14616.60			7916.52
Total Liabilities			210544.05			106530.02
e) Capital Assets acquired during the year	1152.35	4272.65	5425.00	658.85	1843.54	2502.39
f) Depreciation	207.41	492.15	699.56	183.41	318.89	502.30

20. PARTICULARS OF RELATED PARTIES
List of Related Parties
a. Subsidiary Companies

Progen Systems and Technologies Ltd.

b. Associate Company

Cuddalore Powergen Corporation Ltd.

c. Other Companies

- i. GEA Cooling Tower Technologies (India) Pvt. Ltd.
- ii. GEA BGR Energy System India Ltd.
- iii. Germanischer Lloyd Industrial Services (India) Pvt. Ltd.
- iv. Mega Funds India Ltd.
- v. Sasikala Estate Pvt Ltd.
- vi. Schmitz India Private Ltd.

d. Joint Ventures

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

e. Key Management Personnel :

- i. Mr. B.G.Raghupathy : Managing Director
- ii. Mr. S.Rathinam : Director - Finance
- iii. Mr. V.R. Mahadevan : Director - Technologies & HR

f. Relatives of Key Management Personnel

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

Related party transactions

(Rs.in Lakhs)

Particulars	Subsidiary Companies	Associate Company	Other Companies	Key Management Personnel	Relatives	For the year ended 31.03.2009	For the year ended 31.03.2008
Sales	-	-	1124.72	-	-	1124.72	868.74
Purchases	256.48	-	2304.29	-	-	2560.77	1123.98
Advances Received	23.59	-	1.99	-	-	25.58	56.75
Remuneration	-	-	-	1045.04	6.53	1051.57	744.52
Rent	10.68	-	33.66	22.41	-	66.75	33.09
Others	-	457.36	-	11.24	-	468.60	-
Balance Outstanding	708.00	680.96	100.72	-	-	1489.68	1589.95

21. LEASES:

Finance Lease

- i. Plant and Machinery amounting to Rs. 686.72 Lakhs (Rs.722.27 lakhs) on Finance Lease and the written down value of these assets as on 31.3.2009 is Rs.447.50 lakhs (Rs.454.83 lakhs)
- ii. The minimum lease rentals as at 31st March 2009 and the present value of minimum lease payments as at 31st March 2009 in respect of assets acquired under finance lease are as follows.

(Rs.in Lakhs)

Particulars	Minimum Lease Payments		Present value of minimum lease payments	
	As on 31.03.2009	As on 31.03.2008	As on 31.03.2009	As on 31.03.2008
Payables not later than one year	25.11	189.02	24.84	178.64
Payable later than 1 year and not later than 5 years	NIL	23.83	NIL	22.66
Payable later than 5 years	NIL	NIL	NIL	NIL
TOTAL	25.11	212.85	24.84	201.30
Less : Future Finance Charges	0.27	11.55	-	-
Present Value of Minimum lease payments	24.84	201.30	-	-

Operating Lease

The minimum lease rentals as at 31st March 2009 in respect of assets acquired under Operating lease are as follows.

- i. Paid till 31.03.2009 is Rs.137.20 Lakhs (Rs.107.36 Lakhs)
- ii. Payable not later than 1 Year is Rs.NIL Lakhs (Rs.29.83 Lakhs)
- iii. Payable later than 1 year and not later than 5 Years is Rs. Nil Lakhs (Rs. Nil)

22. DEFERRED TAXES

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

(Rs.in Lakhs)

Component	Deferred Tax Asset as on 31.03.2009	Deferred Tax Liability as on 31.03.2009	Deferred Tax Assets as on 31.03.2008	Deferred Tax Liability as on 31.03.2008
Depreciation	-	428.59	-	266.08
R & D	-	33.06	-	33.06
Impairment of Assets	39.69	-	38.93	-
Contractual Obligation	560.92	-	-	-
Gratuity	36.56	-	16.26	-
Royalty	-	-	33.51	-
PL Encashment	67.42	-	36.24	-
Others	10.28	-	146.87	-
Retention Money	-	8102.76	-	3905.95
TOTAL	714.87	8564.41	271.81	4205.09

23. EARNINGS PER SHARE

(Rs.in Lakhs)

Particulars		For the year ended 31.03.2009	For the year ended 31.03.2008
Basic EPS			
Profit after tax as per accounts	A	11509.09	8444.30
Weighted Average Number of shares (Face Value Rs.10 per share) subscribed (Nos. lakhs)	B	720.00	668.07
Basic EPS (Rs.)	A / B	15.98	12.64
Diluted EPS			
Profit for the year for Basic EPS	A	11509.09	8444.30
Less: Adjustment	C	Nil	Nil
Adjusted Profit for Diluted EPS	D = A - C	11509.09	8444.30
Weighted average number of Equity shares for Basic EPS (Nos. lakhs)	E	720.00	668.07
Add: Adjustment			
a. Employee Stock Option Payment *	F	5.71	7.05
b. Share Application Advance	G	-	-
Weighted average number of Equity shares (Face Value Rs.10 per share) for Diluted EPS (Nos. lakhs)	H = E + F + G	725.71	675.12
Diluted EPS (Rs.)	I = D / H	15.86	12.51

* The reduction of ESOP 133530 shares is due to resignation of employees from service

24. JOINT VENTURES

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

25. 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 Rs. 2.24 lakhs (Rs. 9.56 lakhs) in the books of accounts towards impairment of other fixed assets based on the technical valuation.

26. PROVISIONS

The company has made a provision of Rs.240.48 Lakhs (Rs.195.70 Lakhs) towards warranty obligations on the products supplied / contracts executed by the company during the year 2008-2009.

Movement in provisions (Rs.in Lakhs)

Particulars	Provision for Warranty 2008-09	Provision for Warranty 2007-08
Opening Balance at the beginning of the year	288.70	98.24
Add : Additional provision during the year	240.48	195.70
Less : a) Provision used during the year	-	2.48
b) Provision reversed during the year	-	2.76
Closing Balance at the close of the year	529.18	288.70

27. Previous year figures have been regrouped wherever necessary for comparative purposes and shown along side or in brackets. Amounts furnished in above notes are in INR and same are rounded off to nearest rupee.

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

B.G. RAGHUPATHY
Chairman & Managing Director

V.R. MAHADEVAN
Whole Time Director

S. RATHINAM
Director-Finance

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

R. RAMESHKUMAR
Company Secretary

G.R. HARI
Partner
Membership No.206386

S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

1. Registration Details

Registration No.	005318
State Code	01
Balance Sheet Date	31.03.2009

2. Capital raised during the year including securities premium (Amount Rs. in Lakhs)

Public Issue	-	Rights Issue	-
Bonus Issue	-	Private Placement	-

3. Position of mobilisation and deployment of funds (Amount Rs. in Lakhs)

Total Liabilities	266658.63	Total Assets	266658.63
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Sources of Funds

Paid-up Capital	7200.00	Reserves & Surplus	48914.58
Secured Loans	63598.42	Unsecured Loans	7181.67
Deferred Taxation	7849.54		

Application of Funds

Net Fixed Assets	9647.24	Investments	478.00
Net Current Assets	124618.97	Miscellaneous Expenditure	-
Accumulated Losses	-		

4. Performance of the Company (Amount Rs. in Lakhs)

Turnover	195523.40	Total Expenditure	178058.17
Profit/(Loss) before tax	(+) 17465.23	Profit/(Loss) after tax	(+) 11509.09
(Please tick appropriate box + for profit, - for loss)			
Earning per Share	15.98	Dividend Rate %	30

5. Generic Name of three Principal Products/services of the Company (as per monetary terms):

Item Code No. (ITC Code)	84.19	Product Description	Air Cooled Heat Exchangers
Item Code No. (ITC Code)	84.02	Product Description	Deaerator
Item Code No. (ITC Code)	35.49	Product Description	Oil and Gas Equipment

As per our report of even date
For **M/s MANOHAR CHOWDHRY & ASSOCIATES**
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Chief Financial Officer

Chennai
22.06.2009

Cash Flow Statement

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2009

Particulars	For the year ended 31.03.2009 (Rs. in Lakhs)	For the year ended 31.03.2008 (Rs. in Lakhs)
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	17465.23	12524.72
Adjustments for :		
Depreciation & Amortization	699.56	502.30
Dividend from Investments - Trade	(243.86)	(321.73)
Dividend from Investments - Non-Trade	(1.00)	(1.00)
(Profit) / Loss on Sale of Fixed Assets	(15.06)	(53.16)
(Profit) / Loss on Sale of Business Division	-	(42.60)
(Profit) / Loss on Sale of Investments	-	(2.31)
(Profit) / Loss on Foreign Currency Translation	(420.61)	310.70
Interest Expense	5793.68	2658.66
Operating Profit Before Working Capital Changes	<u>23277.94</u>	<u>15575.58</u>
Adjustments for :		
(Increase) / Decrease in Sundry Debtors	(54340.33)	(45079.63)
(Increase) / Decrease in Inventories	41.72	1332.30
(Increase) / Decrease in other Current Assets	(911.74)	(386.53)
(Increase) / Decrease in Loans and Advances	(37319.05)	(10095.79)
Increase / (Decrease) in Trade Payables	77055.17	22023.09
Cash Generated from Operations	<u>(15474.23)</u>	<u>(32206.56)</u>
Taxes Paid	7803.71	(16630.98)
Net Cash Flow from Operating Activities	<u>(331.93)</u>	<u>(266.77)</u>
	7471.78	(16897.75)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(5425.00)	(2502.39)
Sale of Fixed Assets	133.72	613.94
Purchase of Investments	-	(15112.35)
Sale of Investments	15087.35	57.69
(Profit) / Loss on Sale of Investments	-	2.31
Decrease / Increase in Capital Work-in-Progress	(431.86)	192.15
Dividend from Investments - Trade	243.86	321.73
Dividend from Investments - Non Trade	1.00	1.00
(Profit) / Loss on Sale of Business Division	-	42.60
Net Cash Flow from Investing Activities	9609.07	(16383.32)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital		31972.36
Secured Loans (Repaid) / Availed	626.14	278.17
Unsecured Loans (Repaid) / Availed	6946.63	(251.95)
Payment of Dividend	(1440.00)	(324.00)
Secured Working Capital Loans (Repaid) / Availed	13074.29	25735.53
Interest Expense	(5772.55)	(2701.63)
Net Cash Flow from Financing Activities	<u>13434.51</u>	<u>54708.48</u>
Net Increase in Cash and Cash Equivalents (A+B+C)	<u>30515.36</u>	<u>21427.41</u>
Cash and Cash Equivalents as at 01.04.2008 (Op. Bal)	<u>30567.49</u>	<u>9140.08</u>
Cash and Cash Equivalents as at 31.03.2009 (Cl. Bal)	<u>61082.85</u>	<u>30567.49</u>

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

B.G. RAGHUPATHY
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Partner
Membership No.206386

S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO THE HOLDING COMPANY'S INTEREST IN THE SUBSIDIARY COMPANY

PROGEN SYSTEMS AND TECHNOLOGIES LIMITED

1.	Financial year of the subsidiary company ended on	:	31 st March, 2009
2.	Shares of the Subsidiary Company held by BGR Energy Systems Limited on the above date		
	a) Number and Face Value	:	42,50,000 Equity Shares of Rs. 10/- each
	b) Extent of holding	:	69.67%
3.	Net aggregate amount of profit / (loss) of the subsidiary company so far as it concerns the members of BGR Energy Systems Limited		
	a) not dealt with in the accounts of BGR Energy Systems Limited for the year ended 31 st March, 2009.		
	i) for the subsidiary's financial year ended 31 st March, 2009	:	Rs.33.15 Lakhs
	ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary	:	Rs.184.05 Lakhs
	b) dealt with in the accounts of BGR Energy Systems Limited for the year ended 31 st March, 2009		
	i) for the subsidiary's financial year ended 31 st March, 2009	:	Nil
	ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary	:	Nil
4.	Changes in the interest of the Company between the end of the financial year of the subsidiary and 31 st March, 2009.	:	Not Applicable
5.	Material changes between the end of financial year of the subsidiary and 31 st March, 2009 in respect of the subsidiary's fixed assets, investments and money lent / borrowed by them.	:	Not applicable

Place : Chennai
Date : June 22, 2009

B.G. RAGHUPATHY
Chairman & Managing Director

S. RATHINAM
Director-Finance

R. RAMESHKUMAR
Company Secretary

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

1. We have audited the attached Consolidated Balance Sheet of BGR Energy Systems Limited ("the Company"), its subsidiaries, associate and Joint Venture entity (collectively referred to as 'the Group') as at 31st March 2009, the consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year ended on that date, annexed there to, which we have signed under reference to this report. These consolidated Financial Statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary company, the associate entity and the Joint venture entity whose financial statements reflect the following as on 31.03.2009:

(Rs.in Lakhs)

Name of the entity	Nature	Total Assets	Total Liability	Net Asset Value	Total Revenue
Progen Systems and Technologies Limited	Indian Subsidiary	1749.60	827.69	921.91	1001.46
Cuddalore Powergen Corporation Ltd.	Indian Associate	2018.24	475.65	1542.59	-
Mecon – GEA Energy System (India) Ltd.	Jointly controlled Entity	3396.94	3401.66	(4.71)	514.04

These financial statements have been audited by other auditors' whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of such subsidiaries, associate and joint venture entity, is based solely on the report of the other auditors.

4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements', Accounting Standard 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27, 'Financial Reporting on Interests in Joint Ventures' as notified by The Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the company, its subsidiaries, associate and Joint Venture entity included in the Consolidated Financial Statements.
5. On the basis of the information and explanations given to us and on considerations in the separate audit reports on individual audited financial statements of the company and its aforesaid subsidiary, associate and Joint Venture entity, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2009;
 - b. in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - c. in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For **MANOHAR CHOWDHRY & ASSOCIATES**
Chartered Accountants

G R HARI
Partner

Membership No.206386

Place : Chennai
Date : June 22, 2009

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2009

Description	Sch. No.	As at 31.03.2009 (Rs. in Lakhs)	As at 31.03.2008 (Rs. in Lakhs)
SOURCES OF FUNDS			
(1) Shareholders' Funds	1		
(a) Share Capital		7200.00	7200.00
(b) Reserves and Surplus		49190.12	40174.70
(2) Minority Interest		279.60	265.08
(3) Loan Funds	2		
(a) Secured Loans		63598.42	49920.24
(b) Unsecured Loans		7301.37	349.91
(4) Deferred Tax Liabilities (Net)		7470.96	3559.25
Total		135040.47	101469.18
APPLICATION OF FUNDS			
(1) Goodwill on Consolidation of Subsidiaries		58.70	58.70
(2) Fixed Assets	3		
(a) Gross Block		12451.67	7336.38
(b) Less: Depreciation and Impairment		2680.58	2064.18
Net Block		9771.09	5272.20
(c) Capital Work-In-Progress		541.59	109.73
(3) Investments	4	53.00	15140.35
(Goodwill on Consolidation of Associates)		0.82	0.08
(4) Current Assets, Loans & Advances	5		
(a) Inventories		1396.84	1496.94
(b) Sundry Debtors		127885.69	73602.78
(c) Cash and Bank balances		61515.00	30702.96
(d) Other Current Assets		1781.01	862.21
(e) Loans and Advances		64322.85	26627.40
		<u>256901.39</u>	<u>133292.29</u>
LESS:			
Current Liabilities & Provisions	6		
(a) Liabilities		125513.10	48381.04
(b) Provisions		6772.20	4023.05
		<u>132285.30</u>	<u>52404.09</u>
Net Current Assets		124616.09	80888.20
Total		135040.47	101469.18
NOTES ON ACCOUNTS	14		

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

B.G. RAGHUPATHY
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S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

Consolidated Profit and Loss Account

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Description	Sch. No.	For the year ended 31.03.2009 (Rs. in Lakhs)	For the year ended 31.03.2008 (Rs. in Lakhs)
INCOME			
Turnover (Gross)		194165.50	152587.50
Less : Excise Duty		1132.64	534.15
Turnover (Net)	7	193032.86	152053.35
Other Income	8	3170.73	655.07
Increase/ (Decrease) in WIP		105.51	(287.94)
		196309.10	152420.48
EXPENDITURE			
Cost of Materials	9	135329.57	110511.37
Cost of Manufacturing	10	17161.02	14218.37
Other Direct Cost	11	5993.22	2898.56
Administration, Selling & General Expenses	12	13765.01	8603.07
Interest	13	5794.94	2678.44
Depreciation and Impairment	3	750.32	553.86
		178794.08	139463.67
PROFIT BEFORE TAX		17515.02	12956.81
Provision for Taxation			
Current tax		1949.32	1414.67
Deferred Tax		3911.68	2627.78
Fringe Benefit Tax		97.27	68.02
		5958.27	4110.47
PROFIT AFTER TAX		11556.75	8846.34
APPROPRIATIONS			
Transfer to General Reserve		1150.90	844.04
Proposed Dividend		2160.00	1440.00
Corporate Dividend Tax		367.09	244.73
Minority interest		14.47	112.23
		3692.46	2641.00
PROFIT FOR THE YEAR		7864.29	6205.34
Earnings Per Equity Share	Refer Note Point No		
(Face Value Rs.10)			
Basic - 7.20 (6.68) crores number of shares	10	16.05	13.24
Diluted - 7.26 (6.75) crores number of shares	10	15.92	13.10
NOTES ON ACCOUNTS	14		

As per our report of even date
For **M/s MANOHAR CHOWDHRY & ASSOCIATES**
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S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description	As at 31.03.2009 (Rs. in Lakhs)	As at 31.03.2008 (Rs. in Lakhs)
1.	SHAREHOLDERS' FUNDS		
	(a) Share Capital		
	Authorised		
	10,00,00,000 Equity Shares of Rs.10/- each	10000.00	10000.00
	Issued, Subscribed and Paid up		
	7,20,00,000 Equity Shares of Rs.10/- each		
	Of the above, 6,46,50,000 Equity Shares of Rs.10/- each were allotted as fully paid up bonus shares by capitalisation of profits.	7200.00	7200.00
	(b) Reserves and Surplus		
	i. Securities Premium	31252.36	31252.36
	ii. General Reserve		
	Opening Balance	<u>1858.21</u>	1014.17
	Add : Transferred during the year	<u>1150.90</u>	844.04
		3009.11	1858.21
	iii. Balance in Profit & Loss A/c	14928.65	7064.13
	(Includes venturer's share of loss - Rs. 0.47)		
		49190.12	40174.70
2.	LOAN FUNDS		
	(a) Secured Loans		
	i. Working Capital Loan from Banks	61116.82	48042.53
	ii. Fixed assets Loans	2222.24	1489.73
	iii. Term Loan from Bank	259.36	387.98
		63598.42	49920.24
	(b) Unsecured Loans		
	i. IFST	299.16	347.05
	ii. Others	7002.21	2.86
		7301.37	349.91

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

3. FIXED ASSETS

(Rs.in Lakhs)

Particulars	GROSS BLOCK						DEPRECIATION			IMPAIRMENT LOSS		NET BLOCK	
	As at 31.03.2008	Additions during the year	Deletions during the year	As at 31.03.2009	Upto 31.03.2008	Additions During the year	Deletions During the year	Upto 31.03.2009	For the year ended 31.03.2009	For the year ended 31.03.2008	WDV as at 31.03.2009	WDV as at 31.03.2008	
Tangible Assets													
Land	106.01	1053.37	-	1159.38	-	-	-	-	-	-	1159.38	106.01	
Buildings	666.25	21.95	116.11	572.09	200.38	20.55	40.72	180.21	-	-	391.88	465.87	
Plant & Machinery	4357.61	3271.54	161.54	7467.61	1199.65	385.49	52.26	1532.88	-	-	5934.73	3157.96	
Furniture & Fixtures	77.47	34.11	0.76	110.82	11.92	19.07	0.12	30.87	-	-	79.95	65.55	
Office Fixtures	150.85	57.96	0.27	208.54	47.52	33.31	0.16	80.67	-	-	127.87	103.33	
Office Equipments	554.06	186.52	27.71	712.87	124.75	80.34	17.57	187.52	2.24	9.56	523.11	419.75	
Electrical Installations	181.06	2.36	-	183.42	73.40	10.65	-	84.05	-	-	99.37	107.66	
Vehicles	701.04	416.52	21.58	1095.98	202.82	86.87	13.53	276.16	-	-	819.82	498.22	
Intangible Assets *													
Technical Know-How	144.82	151.33	-	296.15	144.82	8.64	-	153.46	-	-	142.69	-	
Intangible Assets	397.21	247.60	-	644.81	49.36	103.16	-	152.52	-	-	492.29	347.85	
TOTAL	7336.38	5443.26	327.97	12451.67	2054.62	748.08	124.36	2678.34	2.24	9.56	9771.09	5272.20	

* Both the assets are other than internally generated.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description	As at 31.03.2009 (Rs. in Lakhs)	As at 31.03.2008 (Rs. in Lakhs)
4.	INVESTMENTS		
	Trade Quoted (at cost) :		
	i) Indian Bank 13,970 Equity Shares of Rs. 91 per share Market Value Rs.82.20 per share as on 31.03.2009 (Market Value Rs.162.90 per share as on 31.03.2008)	12.71	12.71
	ii) SBI Mutual Fund-Magnum Multi Cap 50,000 units of Rs.10 each NAV Rs.7.34 per unit as on 31.03.2009 (NAV Rs.12.61 per unit as on 31.03.2008)	5.00	5.00
	iii) SBI Mutual Fund-Infrastructure Bond 2,50,000 units of Rs.10 each NAV Rs.5.65 per unit as on 31.03.2009 (NAV Rs.10.73 per unit as on 31.03.2008)	25.00	25.00
	iv) Other Mutual Funds		
	HDFC FMP 90 D-JAN 08-W-DP 7,44,21,187.51 units of Rs.10 each (NAV Rs.10.10 per unit as on 31.03.2008)	-	7442.12
	UTI FMP - QFMP (02/08-i) INSTITIT - D 7,64,52,262.48 units of Rs.10 each (NAV Rs.10.01 per unit as on 31.03.2008)	-	7645.23
	Non Trade Unquoted (at cost) :		
	(a) Investment in Other Companies:		
	i) GEA Cooling Tower Technologies (India) Private Limited 10,000 Equity Shares of Rs. 10 each, fully paid up (10,000 Equity Shares of Rs. 10 each, fully paid up) (inclusive of 8,000 Bonus Shares)	0.20	0.20
	ii) Cuddalore Powergen Corporation Limited 100900 Shares of Rs. 10 each,fully paid up (100900 Shares of Rs. 10 each,fully paid up)	10.09	10.09
		53.00	15140.35
5.	CURRENT ASSETS, LOANS AND ADVANCES		
	(a) Inventories		
	(i) Raw Material, Consumables, Bought outs and Components	1070.93	1258.02
	(ii) Loose Tools & Spares	-	18.52
	(iii) Work-in-Progress	325.91	220.40
		1396.84	1496.94
	(b) Sundry Debtors (Unsecured and Considered good)		
	Over six Months	3572.89	2396.92
	Others	124312.80	71205.86
		127885.69	73602.78

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description	As at 31.03.2009 (Rs. in Lakhs)	As at 31.03.2008 (Rs. in Lakhs)
	(c) Cash and Bank Balances		
	i. Cash Balance	19.45	37.98
	ii. Bank Balances with Scheduled Banks		
	- Current Account	1605.07	3847.73
	iii. Bank Balances with Non Scheduled Banks		
	- Current Account	2.38	2.38
		Maximum balance outstanding during the year	
		<u>2008-09</u>	<u>2007-08</u>
	Bank of Alexandria, Egypt	6.73	14.76
	- Deposit Account	59888.10	26814.87
		61515.00	30702.96
	(d) Other Current Assets		
	Interest accrued on deposits	1589.99	671.19
	Share capital Advance	191.02	191.02
		1781.01	862.21
	(e) Loans and Advances		
	(i) Advances recoverable in cash or in kind or for value to be received		
	a) Secured, Considered Good	32692.07	-
	b) Unsecured, Considered Good	30801.19	25537.22
	(ii) Deposits	829.59	1090.18
		64322.85	26627.40
6.	CURRENT LIABILITIES AND PROVISIONS		
	(a) Current Liabilities		
	Sundry Creditors	44134.25	30646.55
	Advances from customers	67200.25	14170.19
	Other Liabilities	14144.60	3551.43
	Interest accrued but not due	34.00	12.87
		125513.10	48381.04
	(b) Provisions		
	Income tax	4245.11	2338.32
	Corporate dividend tax	367.09	244.73
	Proposed dividend	2160.00	1440.00
		6772.20	4023.05

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description	For the year ended 31.03.2009 (Rs. in Lakhs)	For the year ended 31.03.2008 (Rs. in Lakhs)
7.	SALES & SERVICES		
	Sale of Manufactured Goods	15421.74	18181.82
	Less: Excise Duty	1132.64	534.15
	Net Sale of Manufactured Goods	14289.10	17647.67
	Contracting Income	178403.85	133642.07
	Erection & Service Income	339.91	763.61
		193032.86	152053.35
8.	OTHER INCOME		
	Dividend from Investments - Trade	243.86	321.73
	Dividend from Investments - Non Trade	1.00	1.00
	Profit on Sale of Investment	-	32.72
	Profit on Sale of Business Unit	-	42.60
	Profit on Sale of Fixed Assets	15.06	53.16
	Foreign Exchange Variation	421.32	-
	Interest on Fixed Deposits	2413.50	135.90
	Others	75.99	67.96
		3170.73	655.07
9.	COST OF MATERIALS		
	Opening inventory	1258.02	2168.50
	(Raw materials, consumables, Bought Outs and components)		
	Add : Purchases	135142.48	109600.89
		136400.50	111769.39
	Less: Closing Inventory	1070.93	1258.02
	(Raw materials, consumables, Bought Outs and components)		
		135329.57	110511.37
10.	COST OF MANUFACTURING		
	Part Processing Charges	16972.54	14074.23
	Power & Fuel	188.48	144.14
		17161.02	14218.37
11.	OTHER DIRECT COST		
	Sales and Agency Commission	340.66	689.54
	Insurance	212.40	267.69
	Bank Charges	3328.86	1589.24
	Professional Fees	951.96	79.82
	Packing & Forwarding	1159.34	272.27
		5993.22	2898.56

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Sch. No.	Description	For the year ended 31.03.2009 (Rs. in Lakhs)	For the year ended 31.03.2008 (Rs. in Lakhs)
12.	ADMINISTRATION, SELLING & GENERAL EXPENSES		
	Rent	685.02	587.36
	Repairs to Building	39.25	10.76
	Repairs to Machinery	95.41	16.34
	Repairs & Maintenance	323.81	211.44
	Salaries and Allowances	6420.45	3766.78
	Bonus	24.80	12.90
	Contribution to P.F., E.S.I., & Gratuity	359.82	366.71
	Workmen & Staff Welfare Expenses	633.07	358.20
	Insurance	55.70	55.48
	Rates and Taxes	52.99	103.33
	Electricity charges	116.01	47.92
	Administration Expenses	533.66	855.89
	Auditor's Remuneration	<u>2008-09</u>	<u>2007-08</u>
	For Audit	27.44	21.24
	For Taxation Matters	4.41	4.49
	For Certification	1.41	6.38
		33.26	32.11
	Bank Charges	51.62	45.61
	Bad Debts Written Off	371.58	215.07
	Conveyance and Vehicle Running Expenses	403.10	218.68
	Selling Expenses	329.67	259.38
	Loose Tools Written Off	-	6.79
	Loss on demolition of fixed assets	75.38	-
	Provision for Contractual Obligation	1650.25	-
	Professional charges	617.77	379.81
	Foreign Exchange Variation	-	305.05
	Sitting Fees	6.93	3.96
	Security charges	53.24	61.31
	Telephone, Telex, Fax, Courier & Postage	213.30	123.23
	Travelling Expenses - Inland	446.60	397.50
	Travelling Expenses - Overseas	172.32	161.46
		13765.01	8603.07
13.	INTEREST		
	Interest on Bank Credit	5477.02	2480.38
	Interest on Term Loan	239.66	166.72
	Interest others	78.26	31.34
		5794.94	2678.44

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

B.G. RAGHUPATHY
Chairman & Managing Director

V.R. MAHADEVAN
Whole Time Director

S. RATHINAM
Director-Finance

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

R. RAMESHKUMAR
Company Secretary

G.R. HARI
Partner
Membership No.206386

S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

14. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Conventions

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

b. Principles of Consolidation:

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

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

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

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

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

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

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

No.	Name of the company	Nature of relationship	Last reporting date of the enterprise as incorporated in Consolidated Financial Statements	Voting Power/share of interest % as at March 31, 2009
1.	Progen Systems and Technologies Limited	Indian Subsidiary Company	March 31, 2009	69.67%
2.	Mecon- Gea Energy System (India) Limited (JV)	Indian Joint Controlled Entity	March 31, 2009	10.00%
3.	Cuddalore Powergen Corporation Limited	Indian Associate	March 31, 2009	40.99%

c. Use of Estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting

year. Differences between the actual results and the estimates are recognized in the year in which the results are known / materialized.

d. Fixed Assets

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

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

e. Depreciation & 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.

f. Investments

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

g. Earnings per share (EPS)

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

h. Revenue Recognition

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

i. Inventories

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

j. Foreign Currency Transactions

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

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

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

k. Cash Flows

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

l. Income taxes

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured at the amount expected to be paid to the tax authorities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between taxable income and accounting income which are capable of reversal in subsequent periods and are measured using relevant enacted tax rates. Fringe benefits taxes are recognized in accordance with the relevant provisions of the Income-tax Act, 1961 and the guidance note on Fringe Benefits Tax issued. Tax on distributable profits payable by the company in accordance with the provisions of Income-tax Act, 1961 is disclosed in accordance with the guidance note on Accounting for Corporate Dividend Tax issued by ICAI.

m. Impairment of Assets

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

n. Employee Benefits

- i) Short term employee benefits are recognized as an expense at the undiscounted amount in the profit & loss account for the year in which related services are rendered.
- ii) Defined Contribution plan:
Company's contributions paid/payable during the year towards provident fund, ESI and pension fund are recognized in the profit & loss account
- iii) Defined Benefit Plan:

Company's liability towards gratuity in accordance with The Payment of Gratuity Act, 1972 is determined by actuarial valuation as on the balance sheet date. The company contributes all the ascertained liabilities to SBI life insurance which administers the contributions and makes the payment at retirement, death, incapacitation or termination of employment.

o. Leases

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

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

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

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

p. Provisions

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

q. Contingent Liabilities

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

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

B. NOTES TO ACCOUNTS

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

Subsidiary Companies

Sl. No.	Name of the company	Country of Incorporation	Extent of Holding (%) as on March 31, 2009	Goodwill or (Capital Reserve) on account of Consolidation
1.	Progen Systems and Technologies Limited	India	69.67%	58.70

Joint Ventures

Sl. No.	Name of the company	Country of Incorporation	Extent of Holding (%) as on March 31, 2009	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

Associates

Sl. No.	Name of the company	Country of Incorporation	Extent of Holding (%) as on March 31, 2009	Goodwill or (Capital Reserve) on account of Consolidation
1.	Cuddalore Powergen Corporation Limited	India	40.99%	0.82

2. SECURED LOANS

- a) Term Loan of Rs.259.36 lakhs from Corporation Bank (Rs.387.98Lakhs) is secured by a first charge on fixed assets of the Company. The term loan is further guaranteed by the Managing Director of the Company.
- b) The company has availed Working Capital loan on *pari-passu* basis from State Bank of India, State Bank of Hyderabad and Indian Overseas Bank. These loans are secured by hypothecation of inventories, book debts and movable current assets of the product divisions of the company. These loans are further secured by personal guarantees of two Directors of the company, including the Managing Director of the company. The loans from State Bank of India, State Bank of Hyderabad and Indian Overseas Bank are 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, UCO Bank, State Bank of Indore, State Bank of Mysore, IDBI Bank, Punjab National Bank, Vijaya Bank, Indian Bank, Indian Overseas Bank and Corporation Bank. These loans are secured by hypothecation of inventories, book debts and movable current assets of the respective contracts. The participating banks share the security on *pari-passu* basis. Certain specific project loans are further secured by personal guarantees of two Directors, including the Managing Director of the company.
- d) Secured Loans includes Rs.2222.24 lakhs (Rs.1489.73 lakhs) for which the respective fixed assets acquired under Loan are held as security.

3. CONTINGENT LIABILITIES, GUARANTEES & CAPITAL COMMITMENTS

(Rs. in Lakhs)

Description	As at 31.03.2009	As at 31.03.2008
CONTINGENT LIABILITIES		
i) Bills Discounted (Backed by LC)	24.84	7,916.06
ii) Claims against the company not acknowledged as debt		
a) On account of Sales Tax	156.22	169.58
b) On account of Income Tax	-	0.39
c) On account of Contractual Obligations	2930.36	-
GUARANTEES		
iii) Guarantees and Counter Guarantees given on behalf of Other Company	661.50	903.83
CAPITAL COMMITMENTS		
iv) Estimated amount of contracts remaining to be executed on capital account	682.66	42.95

4. LOANS AND ADVANCES

- a) Cochin Project: The end client of Cochin Port Road Connectivity Project viz., Cochin Port Road Company Ltd., (SPV of NHAI) has terminated the contract on 28.05.2007. Consequently, the end client has encashed BGs for a value of Rs.1270 lakhs furnished by the company on behalf of MECON – GEA (JV). The main contractor viz., MECON – GEA (JV) is contesting the termination of the contract and has taken steps to constitute the Disputes Review Board in terms of the contract. In anticipation of determination of the dispute, the company has identified a sum of Rs. 1654.35 lakhs (Rs. 1522.00 lakhs) as on 31.03.2009 as recoverable advances from the end client through the JV and is shown under loans and advances. The venturer's share in the above contingent liability is Rs. 381.00 lakhs.

- b. Tuticorin Project: The end client namely Tuticorin Port Road Company Ltd (SPV of NHAI) viz, Thirunelveli – Tuticorin Port Connectivity Project has terminated the contract and encashed BGs furnished by the company on behalf of MECON – GEA (JV). The main contractor viz., MECON – GEA (JV) is contesting the termination of the contract. Based on the legal opinion the Company has identified a sum of Rs.1460.72 lakhs (Rs. 82.73 lakhs) as on 31.03.2009 as recoverable advances from the end client through the JV and is shown under loans and advances. The venturer's share in the above contingent liability is Rs. 146.07 lakhs.

5. SEGMENTAL REPORTING

Information about Business Segments (information provided in respect of revenue items for the 12 months period ended 31.03.2009 and in respect of assets / liabilities as at 31.03.2008) are furnished below:

(Rs. in Lakhs)

Particulars	For the year ended 31.03.2009			For the year ended 31.03.2008		
	Capital Goods Segment	Construction and EPC Contracts Segment	Total	Capital Goods Segment	Construction and EPC Contracts Segment	Total
a) Revenue	21103.94	173061.56	194165.50	22705.40	129882.10	152587.50
b) Result	1670.23	18998.73	20668.96	3934.50	11242.12	15176.62
Add: Un allocable Income net of expenditure			2641.00			458.63
Profit before Interest and Tax			23309.96			15635.25
Interest			5794.94			2678.44
Profit Before Tax			17515.02			12956.81
Provision for Taxation						
- Provision for Current Tax		1949.32			1414.67	
- Provision for Deferred Tax		3911.68			2627.78	
- Provision for FBT		97.27			68.02	
- Total			5958.27			4110.47
Net Profit After Tax			11556.75			8846.34
c) Assets	26125.19	208849.76	234974.95	17239.75	104287.15	121526.90
Add: Unallocated Corporate Assets			32350.82			32346.37
Total Assets			267325.77			153873.27
d) Liabilities	14265.00	181767.74	196032.74	9247.12	89029.06	98276.18
Add : Unallocated Corporate Liabilities			14623.31			7957.31
Total Liabilities			210656.05			106233.49
e) Capital Assets acquired during the year	1170.61	4272.65	5443.26	535.42	1843.54	2378.96
f) Depreciation	258.17	492.15	750.32	234.97	318.89	553.86

6. PARTICULARS OF RELATED PARTIES
List of Related Parties
(a) Companies Other than Subsidiary, Associates and Joint Venture

- i. GEA Cooling Tower Technologies (India) Pvt Ltd
- ii. GEA BGR Energy System India Ltd
- iii. Germanischer Lloyd Industrial Services (India) Pvt Ltd
- iv. Mega Funds India Ltd
- v. Sasikala Estate Pvt Ltd
- vi. Schmitz India Private Ltd

(b) Key Management Personnel :

- i. Mr. B.G.Raghupathy : Managing Director
- ii. Mr. S.Rathinam : Director - Finance
- iii. Mr. V.R. Mahadevan : Director - Technologies & HR
- iv. Mr. R. Ramesh Kumar : Director

(c) Relatives of Key Management Personnel

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

Related party transactions

(Rs. in Lakhs)

Particulars	Associate Company	Other Companies	Key Managerial Personnel	Relatives	For the year ended 31.03.2009	For the year ended 31.03.2008
Sales	-	1124.72	-	-	1124.72	868.74
Purchases	-	2304.29	-	-	2304.29	864.83
Advances Received	-	1.99	-	-	1.99	-
Remuneration	-	-	1045.04	6.53	1051.57	744.52
Rent	-	33.66	22.41	-	56.07	33.09
Others	457.36	-	11.24	-	468.60	-
Balance Outstanding	680.96	100.72	-	781.68	1005.30	-

7. EARNINGS PER SHARE

(Rs. in Lakhs)

Particulars		For the Year ended 31.03.2009	For the Year ended 31.03.2008
Basic EPS			
Profit after tax as per accounts	A	11556.75	8846.34
Weighted Average Number of shares subscribed (Nos. lakhs)	B	720.00	668.07
Basic EPS (Rs.)	A / B	16.05	13.24
Diluted EPS			
Profit for the year for Basic EPS	A	11556.75	8846.34
Less: Adjustment	C	Nil	Nil
Adjusted Profit for Diluted EPS	D = A – C	11556.75	8846.34
Weighted average number of Equity shares for Basic EPS (Nos. lakhs)	E	720.00	668.07
Add: Adjustment			
a. Employee Stock Option Payment *	F	5.71	7.05
b. Share Application Advance	G	-	-
Weighted average number of Equity shares for Diluted EPS (Nos. lakhs)	H = E+ F+G	725.71	675.12
Diluted EPS (Rs.)	I = D / H	15.92	13.10

* The reduction of ESOP 133530 shares is due to resignation of employees from service

8. 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 Rs. 2.24 lakhs (Rs. 9.56 lakhs) in the books of accounts towards impairment of other fixed assets based on the technical valuation.

9. PROVISIONS

The holding company has made a provision of Rs.240.48 Lakhs (Rs.288.70 Lakhs) towards warranty obligations on the products supplied \ contracts executed by the company.

Movement in provisions

(Rs. in Lakhs)

Particulars	Provision for Warranty 2008-09	Provision for Warranty 2007-08
Opening Balance at the beginning of the year	288.70	98.24
Add :Additional provision during the year	240.48	195.70
Less : a) Provision used during the year	-	2.48
b) Provision reversed during the year	-	2.76
Closing Balance at the close of the year	529.18	288.70

- 10.** Previous year figures have been regrouped wherever necessary for comparative purposes and shown along side or in brackets. Amounts furnished in above notes are in INR and same are rounded off to nearest rupee.

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

B.G. RAGHUPATHY
Chairman & Managing Director

V.R. MAHADEVAN
Whole Time Director

S. RATHINAM
Director-Finance

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

R. RAMESHKUMAR
Company Secretary

G.R. HARI
Partner
Membership No.206386

S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

Consolidated Cash Flow Statement

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2009

Particulars	For the year ended 31.03.2009 (Rs. in Lakhs)	For the year ended 31.03.2008 (Rs. in Lakhs)
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	17515.02	12956.81
Adjustments for :		
Depreciation & Amortization	750.32	553.86
Dividend from Investments - Trade	(243.86)	(321.73)
Dividend from Investments - Non Trade	(1.00)	(1.00)
(Profit) / Loss on Sale of Fixed Assets	(15.06)	(53.16)
(Profit) / Loss on Sale of Business Division	-	(42.60)
(Profit) / Loss on Sale of Investments	-	(2.31)
(Profit) / Loss on Foreign Currency Translation	(421.32)	305.05
Interest Expense	5794.94	2542.54
Operating Profit Before Working Capital Changes	23379.04	15937.46
Adjustments for :		
(Increase) / Decrease in Sundry Debtors	(54282.91)	(36722.78)
(Increase) / Decrease in Inventories	100.10	1456.16
(Increase) / Decrease in Other Current Assets	(918.80)	(458.61)
(Increase) / Decrease in Loans and Advances	(37710.00)	(18066.62)
Increase / (Decrease) in Trade Payables	77535.56	21533.90
	<u>(15276.05)</u>	<u>(32257.96)</u>
Cash Generated from Operations	8102.99	(16320.50)
Taxes Paid	(373.28)	(643.76)
Net Cash Flow from Operating Activities	<u>7729.71</u>	<u>(16964.26)</u>
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(5443.26)	(2378.96)
Sale of Fixed Assets	209.12	617.12
Purchase of Investments	15087.35	(15170.04)
Sale of Investments	-	57.69
(Profit) / Loss on Sale of Investments	-	2.31
Decrease / (Increase) in Capital Work-in-Progress	(431.86)	192.17
Dividend from Investments - Trade	243.86	321.73
Dividend from Investments - Non Trade	1.00	1.00
(Profit) / Loss on Sale of Business Division	-	42.60
Net Cash Flow from Investing Activities	<u>9666.21</u>	<u>(16314.38)</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	31972.36
Repayment of Share Application Advance	-	-
Secured Loans (Repaid) / Availed	604.17	233.71
Unsecured Loans (Repaid) / Availed	6951.46	(244.39)
Payment of Dividend	(1440.00)	(324.00)
Secured Working Capital Loans (Repaid) / Availed	13074.29	25639.23
Interest Expense	(5773.80)	(2585.51)
Net Cash Flow from Financing Activities	<u>13416.12</u>	<u>54691.40</u>
Net Increase in Cash and Cash Equivalents (A+B+C)	<u>30812.04</u>	<u>21412.76</u>
Cash and Cash Equivalents as at 01.04.2008 (Op. Bal)	<u>30702.96</u>	<u>9290.20</u>
Cash and Cash Equivalents as at 31.03.2009 (Cl. Bal)	<u>61515.00</u>	<u>30702.96</u>

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

B.G. RAGHUPATHY
Chairman & Managing Director

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Whole Time Director

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Director

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G.R. HARI
Partner
Membership No.206386

S.R. TAGAT
Director

HEINRICH BOHMER
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
22.06.2009

DIRECTORS' REPORT

To the Members of
PROGEN SYSTEMS AND TECHNOLOGIES LIMITED

Your Directors are happy to present their Fourteenth Annual Report together with the audited financial statements for the year ended March 31, 2009.

FINANCIAL PERFORMANCE

The summary of financial results of your company during the year under review are as given below :

(Rs. in Lakhs)

Particulars	Year ended 31.3.2009	Year ended 31.3.2008
Income	1001.46	1681.82
Expenditure	899.60	1210.53
Interest	1.26	19.78
Depreciation	50.77	51.15
Profit after tax	47.58	370.24

RESULTS OF OPERATIONS AND BUSINESS REVIEW

The operating income of your company was lower compared to previous year on account of reorganization of manufacturing facilities at your company's factory at Panjetty. Your company's welded fin tube manufacturing was suspended for a period of six months during the year under review. Consequently, the income and profitability were lower than previous year.

During the year under review, your Company successfully executed contracts for UOP India, CPCL, IGCAR, Kansar City Deaerators, Hyundai Industries, Oil India and other valuable customers. In addition to the above contracts, your company successfully completed an export order for Boiler Care, Malaysia for supply of welded finned tubes.

BUSINESS ENVIRONMENT AND PROSPECTS

Your directors are confident that the continued uptrend in capacity addition in power sector in India would offer opportunities to your company to achieve significant growth in the years to come. Your company's initiative in expanding the manufacturing capacity and facilities would enable your company to manufacture and supply large value contracts. Your directors are confident with the active support of your holding company, your company is expected to improve its turnover and profits in the future years.

STATUTORY INFORMATION

During the period under review, your company's foreign

exchange earnings and outgo was Rs.87.41 Lakhs and Rs.59.98 Lakhs respectively. There were no particulars to be disclosed under Section 217 (2A) of the Companies Act, 1956. The manufacturing activities of your company are not energy intensive and hence disclosure of information relating to conservation of energy is not applicable to your company.

BOARD OF DIRECTORS

Mrs. Sasikala Raghupathy retires by rotation at the ensuing annual general meeting in accordance with provisions of the Companies Act, 1956 and she, being eligible, offers herself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act, 1956 with respect to directors' responsibility statement, it is hereby confirmed that :-

- a) In the preparation of the annual accounts for the year ended March 31, 2009 the applicable accounting standards have been followed;
- b) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2009 and of the profit of the company for the year ended March 31, 2009;
- c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) The directors have prepared the annual accounts for the financial year ended March 31, 2009 on a going concern basis.

AUDIT COMMITTEE

Pursuant to Section 292A of the Companies Act, 1956 the Board constituted the Audit Committee, The details of the members of the audit committee and their brief professional background are given below:

Mr. V. K. Gupta, is a practising Chartered Accountant and renders expert advisory services to corporates and involved in corporate turnaround strategies.

Mr. S. Rathinam, is a Chartered Accountant and has three decades of rich and varied knowledge and expertise in accounts, finance, audit, taxation and business management.

Mr. B. G. Raghupathy, is a renowned industrialist and has more than three decades of rich and varied knowledge and expertise in business.

AUDITORS

M/s. C N G S N & Associates, Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing annual general meeting of the Company. They have offered themselves for re-appointment and have confirmed that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

The notes to accounts forming part of the financial statements are self explanatory and need no further explanation. There are no qualifications or adverse remarks in the auditors report which require any clarification / explanation.

ACKNOWLEDGEMENT

Your directors wish to record their appreciation of the valuable support and co-operation received from customers, vendors, Indian Overseas Bank and various statutory authorities. Your Directors place on record their sincere appreciation of the contribution made by the employees of the Company at all levels through their hard work, dedication and support.

For and on behalf of the Board

Place : Chennai
Date : June 22, 2009

B. G. RAGHUPATHY
Chairman

AUDITORS' REPORT

To the Members of
PROGEN SYSTEMS AND TECHNOLOGIES LIMITED
Chennai - 600 018

1. We have audited the attached Balance Sheet of PROGEN SYSTEMS AND TECHNOLOGIES LIMITED as at 31st March, 2009, the Profit & Loss Account and the Cash Flow Statement of the Company 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 also 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 Auditor's Report (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, 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 referred to in paragraph above, we report that: -
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of audit.
 - (ii) In our opinion, proper books of accounts as required by Law have been kept by the Company so far as it appears from our examination of such books.
 - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statements dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

- (v) On the basis of the written representations received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 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 31st March, 2009;
- ii. in the case of the Profit & Loss Account of the PROFIT on the Company for the year ended on that date; and
- iii. in the case of the Cash Flow Statement of the Cash Flows of the company for the year ended on that date.

For **CNGSN & ASSOCIATES**
Chartered Accountants

B. RAMAKRISHNAN

Partner

Membership No: 201023

Place : Chennai
Date : June 22, 2009

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date

- (i)
 - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification.
 - (c) Substantial part of fixed assets have not been disposed off during the year.
- (ii)
 - (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii)
 - (a) The company has not granted loans, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - (b) The payment of interest is not applicable.
 - (c) The overdue amount of loans is not applicable.
 - (d) The company has taken Rs.137.09 Lakhs from its holding company during the year and the year-end balance is Rs.708.00 Lakhs. The maximum amount involved during the year is Rs.781.02 Lakhs.
 - (e) As explained to us that the above loan is repayable on demand and there are no interest on such loan.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. There is no continuing failure to correct major weaknesses in internal control system.
- (v)
 - (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred

- to in Section 301 of the Act have been entered in the register required to be maintained under that section
- (b) In our opinion and according to the information and explanations given to us, 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) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits during the year as defined under section 58A of the Companies Act, 1956.
 - (vii) In our opinion, the company has an internal audit system to commensurate with the size and nature of its business.
 - (viii) As per the information and explanations given to us the maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.
 - (ix) (a) The company is depositing with appropriate authorities with out any delay, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable,
 - (c) According to the information and explanation given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess on account of any dispute.
 - (x) The Company has neither accumulated losses, as at 31 March 2009 nor it has incurred cash losses during the financial year ended on that date.
 - (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
 - (xii) In our opinion and according to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - (xiii) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the company.
 - (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the order are not applicable to the company.
 - (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
 - (xvi) In our opinion, there are no term loans obtained during the year.
 - (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets.
 - (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year.
 - (xix) According to the information and explanations given to us, the company has not issued any debentures during the year and creation of security for issue of debentures does not arise.
 - (xx) According to the information and explanations given to us, the company has not raised money by public issues during the financial year and the disclosure of end use of money raised by public issues does not arise.
 - (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **CNGSN & ASSOCIATES**
Chartered Accountants

B. RAMAKRISHNAN

Place : Chennai
Date : June 22, 2009

Partner
Membership No: 201023

BALANCE SHEET AS AT 31st MARCH, 2009

Description	Sch. No.	As at 31.03.2009 (Rs. '000)	As at 31.03.2008 (Rs. '000)
I SOURCES OF FUNDS			
(1) Shareholders' Funds	1		
(a) Share Capital		61000	61000
(b) Reserves & surplus		31179	26421
(2) Loan Funds			
(a) Secured Loans			
(b) Unsecured Loans	2	82769	70837
Total		174948	158258
II APPLICATION OF FUNDS			
(1) Fixed Assets	3		
(a) Gross Block		113419	123204
(b) Less : Depreciation		46875	45870
(c) Net Block		66544	77334
(2) Current Assets, Loans & Advances	4		
(a) Inventories		14845	20683
(b) Sundry Debtors		8371	14136
(c) Cash and Bank Balances		43174	13384
(d) Other Current Assets		1077	371
(e) Loans and Advances		11345	11165
		78812	59739
LESS:			
Current Liabilities & Provisions	5		
(a) Liabilities		6903	11482
(b) Provisions		1351	4,734
Net Current Assests		8254	16216
(3) Deferred Tax Asset		37846	37401
Total		174948	158258
NOTES ON ACCOUNTS	12		

As per our report of even date
for **M/s. CNGSN & ASSOCIATES**
Chartered Accountants

M. T. SIVA KUMAR
Company Secretary

SASIKALA RAGHUPATHY
Director

B.G. RAGHUPATHY
Chairman

B. RAMAKRISHNAN
Partner
Membership No. 201023

Chennai
22.06.2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Description	Sch. No.	For the year ended 31.03.2009 (Rs. '000)		For the year ended 31.03.2008 (Rs. '000)	
INCOME					
Sales		112847		183444	
Less: Excise Duty	6	10027	102820	6735	176709
Other income	7		2915		4615
Increase (Decrease) in WIP			(5589)		(13142)
			100146		168182
EXPENDITURE					
Cost of Materials	8		41270		73404
Cost of Manufacturing	9		19421		22103
Administration, Selling & General Expenses	10		29269		25546
Interest	11		126		1978
Depreciation			5077		5115
			95163		128146
PROFIT BEFORE TAX					
			4983		40036
Less: Provision for Taxation					
Corporate Tax			513		3,981
Deferred Tax			(446)		(1067)
Fringe Benefit Tax			158		98
PROFIT AFTER TAX CARRIED TO BALANCE SHEET					
			4758		37024
NOTES ON ACCOUNTS	12				

As per our report of even date
for **M/s. CNGSN & ASSOCIATES**
Chartered Accountants

M. T. SIVA KUMAR
Company Secretary

SASIKALA RAGHUPATHY
Director

B.G. RAGHUPATHY
Chairman

B. RAMAKRISHNAN
Partner
Membership No. 201023

Chennai
22.06.2009

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Description	As at 31.03.2009 (Rs. '000)		As at 31.03.2008 (Rs. '000)	
1 SHAREHOLDERS' FUNDS				
(a) SHARE CAPITAL				
Authorised :				
7,000,000 (7,000,000) Equity Shares of Rs.10/- each		70000		70000
Issued, Subscribed and Paid up:				
6,100,070 (6,100,070) Equity Shares of Rs.10/-each (Out of which 4,250,000 (4,250,000) Equity shares of Rs 10/- each held by the holding company viz BGR Energy Systems Limited.,)		61000		61000
(b) RESERVES AND SURPLUS				
Surplus Balance as per last Balance Sheet	26421		10603	
Add: Profit for the year	4758	31179	37024	26421
2. LOAN FUNDS				
Un Secured Loans				
(i) IFST	11749		13425	
(ii) Loan from others	71020	82769	57412	70837

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

(Rs. '000)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2008	Additions	Deletions	As at 31.03.2009	Up to 31.03.2008	For the Period	Deletions	Up to 31.03.2009	WDV as at 31.03.2009	WDV as at 31.03.2008
A. Tangible Asset										
Land	7632	-	-	7632	-	-	-	-	7632	7632
Building	43854	-	11611	32243	13056	1271	4072	10255	21988	30798
Plant & Machinery	55096	1546	-	56642	24182	2643	-	26825	29817	30914
Electrical Installation	10165	-	-	10165	4483	483	-	4966	5199	5682
Computer & Office Equipments	3401	31	-	3432	2154	332	-	2486	946	1247
Furniture & Fixtures	786	2	-	788	483	51	-	534	254	303
Vehicle	1942	-	-	1942	1505	184	-	1689	253	437
B. Intangible Assets										
Software (Other than Internally generated)	328	247	-	575	7	113	-	120	455	321
Total	123204	1826	11611	113419	45870	5077	4072	46875	66544	77334
Previous Year	122624	580	-	123204	40755	5115	-	45870	77334	81869

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Description	As at 31.03.2009 (Rs. '000)	As at 31.03.2008 (Rs. '000)
4. CURRENT ASSETS, LOANS AND ADVANCES		
(a) Inventories		
(i) Raw materials	4052	4036
(ii) Consumables	3648	3913
(iii) Work in progress	7145	12734
	14845	20683
(b) Sundry Debtors		
(Unsecured and considered good)		
Over six months	1261	1459
Others	7110	12677
	8371	14136
(c) Cash and Bank Balances		
(i) Cash in hand	46	15
(ii) Bank Balances:		
With Scheduled Banks:		
On Current Account	4104	5943
On Deposit Account	39024	7426
	43174	13384
(d) Loans and Advances		
(unsecured and considered good)		
(i) Deposits	624	567
(ii) Advances recoverable in cash or in kind or for value to be received	3168	3851
(iii) a. Tax deducted at Source	753	1,081
b. Advance tax paid	1000	463
c. Fringe Benefit Tax paid	158	89
(iv) Accounts Receivable	5642	5114
	11345	11165
(e) Other Current Assets		
Interest accrued on Fixed Deposits	1077	371

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Description	As at 31.03.2009 (Rs. '000)	As at 31.03.2008 (Rs. '000)
5. CURRENT LIABILITIES AND PROVISIONS:		
(a) Current Liabilities		
(i) Sundry Creditors		
Purchases	1732	2139
Expenses	1086	1670
(ii) Advance from Customers	822	3,207
(iii) Other Liabilities	3263	4466
	6903	11482
(b) Provisions		
(i) Corporate Tax	513	3,981
(ii) Fringe Benefit Tax	158	98
(iii) Provision for Gratuity	680	655
	1351	4734

Description	For the year ended 31.03.2009 (Rs. '000)	For the year ended 31.03.2008 (Rs. '000)
6. SALES		
(i) Finned Tubes	6432	19780
(ii) Process Equipments & HRSG	95459	156653
(iii) Others	929	276
	102820	176709
7. OTHER INCOME		
(i) Interest	1736	194
(ii) Exchange Variation	71	588
(iii) Others	1108	3833
	2915	4615

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Description	For the year ended 31.03.2009 (Rs. '000)	For the year ended 31.03.2008 (Rs. '000)
8. COST OF MATERIALS		
Opening Inventory		
Raw Material & Components	4036	2431
Consumables, Stores & Spares	3913	3351
	7949	5782
Add : Purchases		
Raw Material & Components	35,75	72053
Consumables, Stores & Spares	5446	3518
	41021	75571
	48970	81,53
Less: Closing Inventory		
Raw Material & Components	4052	4036
Consumables, Stores & Spares	3648	3913
	7700	7949
	41270	73404
9. COST OF MANUFACTURING		
Testing Charges	2690	1347
Part Processing	14502	18124
Power & Fuel	2229	2632
	19421	22103

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2009 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Description	For the year ended 31.03.2009 (Rs. '000)	For the year ended 31.03.2008 (Rs. '000)
10. ADMINISTRATION, SELLING & GENERAL EXPENSES		
Rent	275	634
Repairs and Maintenance :		
Building	549	467
Plant & Machinery	1094	693
Others	1166	647
Salaries and allowances	10689	6616
Contribution to PF, ESI & Gratuity	483	691
Workmen and Staff welfare expenses	1269	811
Insurance	251	334
Rates and Taxes	137	145
Administrative Expenses	969	1154
Auditor's Remuneration :		
For Audit	66	68
For Taxation Matters	33	34
Bank Charges	894	1208
Freight Outwards	921	2298
Local Conveyance	473	206
Packing & Forwarding expenses	302	406
Loss on Demolition of F/A	7538	-
Professional charges	371	720
Prior Period Expenses	-	-
Security Charges	896	855
Bad Debts Written off	-	6879
Telephone Expenses	334	233
Travel Expenses - Inland	214	187
Travel Expenses - Foreign	226	94
Tools and equipments written off	-	120
Subscription	119	46
Preliminary Expenses written off	-	-
	29269	25546
11. INTEREST		
Interest on Term Loan	25	1008
Interest on Bank Credit	101	970
	126	1978

SCHEDULE – 12
ACCOUNTING POLICIES & NOTES ON ACCOUNTS
A. SIGNIFICANT ACCOUNTING POLICIES:
(a) Accounting Conventions

The financial statements have been prepared under the historical cost convention and following the accrual method of accounting in accordance with the applicable mandatory accounting standards in India and provisions of Companies Act, 1956.

(b) Use of Estimates

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

(c) Fixed Assets

Fixed assets are assets held with the intention of being used for purpose of producing or providing goods and services and is not held for sale in the ordinary course of business. The Cost of Fixed assets comprise the purchase price including import duties and other non refundable taxes or levies and any directly attributable cost to bring the asset to the working conditions 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 production or supply of goods or services or for administrative purposes. The intangible assets are separately acquired and are capable of being measured reliably. The cost of intangible asset comprises the purchase price and any directly attributable cost on making the asset ready for intended use.

(d) Depreciation & Amortization

Fixed assets are depreciated as per Straight-line method on all assets at the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation for additions/deletions during the year are provided on pro-rata basis. Intangible assets are amortized over a period of 5 years.

(e) Revenue Recognition

- i) Sales are accounted on basis of dispatches.
- ii) Sales include equipment billed but dispatch of which is withheld at the request of the customer.

(f) Inventories

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

(g) Foreign currency Transactions

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

(h) Cash Flows

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

(i) Income Tax

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured at the amount expected to be paid to the tax authorities using the applicable tax rates. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between taxable income and accounting income which are capable of reversal in subsequent periods and are measured using relevant enacted tax rates. Fringe benefits taxes are recognized in accordance with the relevant provisions of the Income tax act, 1961 and the guidance note on Fringe Benefits Tax issued by ICAI.

(j) Employee Benefits

- i. Short term employee benefits are recognized as an expense at the undiscounted amount in the profit & loss account for the year in which related services are rendered.
- ii. Defined Contribution plan:
Companies contributions payable during the year towards provident fund, ESI and pension fund are recognized in the profit & loss account
- iii. Defined Benefit Plan:
Company's liability towards gratuity in accordance with payments of Gratuity Act 1972 is determined by actuarial valuation as on the balance sheet date.

(k) Provisions

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 Company.

(l) Contingent Liabilities

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

- a. 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 Company; or
- b. a present obligation that arises from past events but is not recognized because:
 - it is not probable that an outflow of resources will be required to settle the obligation; or
 - a reliable estimate of the amount of the obligation cannot be made.

B. NOTES ON ACCOUNTS

- 1. During the year, due to dismantling of Finning Machine, the Production facility for Finned Tubes was not available for 6 months.

2. SECURED LOANS

The non-fund based Working capital assistance availed from Indian Overseas Bank is secured by Hypothecation of stock, stores, book debts and other movable assets and guaranteed by the Chairman and the holding company viz., BGR Energy Systems Limited.

3. CONTINGENT LIABILITIES

Description	As at 31.03.2009 (Rs '000)	As at 31.03.2008 (Rs '000)
Security provided for loans Availed by Holding Company	-	2222

4. CAPACITY AND PRODUCTION

Description	Units	Installed for the		Production for the		Sales for the	
		Year ended 31.03.2009	Year ended* 31.03.2008	Year ended 31.03.2009	Year ended* 31.03.2008	Year ended 31.03.2009	Year ended* 31.03.2008
Finned Tubes	Mtrs.	27500	55000	10265	144589	10265	144589
Process Equipments & HRSG	Kgs. (‘000)	1000	1000	512	768	512	768

*During the year, due to dismantling of Finning Machine, the production facility for Finned Tubes was not available for 6 months

5. SUMMARY OF SALES

Description	For the year ended 31.03.2009 (Rs. ‘000)	For the year ended 31.03.2008 (Rs. ‘000)
Finned Tubes	6432	19780
Process Equipments & HRSG	95459	156653
Others	929	276
Total	102820	176709

6. VALUE OF IMPORTS ON CIF BASIS

Description	For the Year ended 31.03.2009 (Rs. ‘000)	For the year ended 31.03.2008 (Rs. ‘000)
Raw materials and Components	4727	2872

7. DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED

Sl. No.	Description	Units	For the year ended 31.03.2009		For the year ended 31.03.2008	
			Qty.*	Value	Qty.*	Value
			(Rs. ‘000)		(Rs. ‘000)	
1.	Steel Plates & Structural	Kgs (‘000)	286	35441	320	62690
2.	Pipes, Tubes & Fittings	Mtrs (‘000)	1	383	128	7196
3.	Consumables & Others	Lot	-	5446	-	3518
	Total			41270		73404

*The above data does not include the free issue material supplied by the customers.

8. VALUE OF RAW MATERIALS AND COMPONENTS CONSUMED DURING THE YEAR

Particulars	For the year ended 31.03.2009 (Rs.‘000)	%	For the year ended 31.03.2008 (Rs. ‘000)	%
i) Imported	4727	11.45	2872	3.91
ii) Indigenous	36543	88.55	70532	96.09
Total	41270		73404	

9. EXPENDITURE IN FOREIGN CURRENCY

Description	For the Year ended 31.03.2009 (Rs. '000)	For the year ended 31.03.2008 (Rs. '000)
i) Travelling	112	50
ii) Import of Raw Materials	4727	2872
iii) ASME Certificate Fee Renewal	-	642
iv) Advance Payment for import of Raw Materials	1159	-

10. EARNINGS IN FOREIGN EXCHANGE

Description	For the Year ended 31.03.2009 (Rs. '000)	For the year ended 31.03.2008 (Rs. '000)
i) Sales	8695	69910
ii) Others	46	-
Total	8741	69910

11. Deposits with banks amounting to Rs. 40,23,194/- (Rs. 74,25,015/-) under lien to Indian Overseas Bank, Chennai, against margin money.

12. MICRO, SMALL & MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

There are no dues to any Micro, Small & Medium Enterprises for more than 30 days as on 31st March 2009.

13. EMPLOYEE BENEFITS

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

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized as expenses for the year are as under:

Description	For the Year ended 31.03.2009 (Rs. '000)	For the year ended 31.03.2008 (Rs. '000)
Employer's Contribution to Provident Fund	210	196
Employer's Contribution to Pension Scheme	201	180

Defined Benefit Plan

Provision for gratuity amounting to Rs.24,764/- (Rs.2,72,690) has been made towards incremental liability for the year ended 31st March 2009 as per the actuarial valuation done under Accounting Standard (AS-15)

14. PARTICULARS OF RELATED PARTIES

(i) **List of Related Parties:**

(a) **Holding Company:**

i) BGR Energy Systems Limited

(b) **Other Companies**

i) GEA BGR Energy System India Limited

ii) Schmitz India Private Limited

(c) Key Management Personnel

- i) Mr.B.G.Raghupathy : Chairman
- ii) Mr.S.Rathinam : Director
- iii) Mr.R.Ramesh Kumar : Director

(ii) Related Party Transactions

Description	Holding Company (Rs. '000)	Other Companies (Rs. '000)	For the year ended 31.03.2009 (Rs. '000)	For the year ended 31.03.2008 (Rs. '000)
Sales	25648	23	25671	26578
Purchase	-	-	-	27
Loan Repayment	2359	-	2359	5327
Rental Income	1068	-	1068	3783
Others	-	2819	2819	2819

15. DEFERRED TAXES

Deferred Income Tax reflects the impact of current period timing differences between the taxable income and accounting income for the year. Deferred tax is measured based on the Tax Rates and the Tax Laws enacted or substantially enacted regulations on the Balance Sheet date.

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

Component	Deferred Tax Asset as on 31.03.2009 (Rs. '000)	Deferred Tax Liability as on 31.03.2009 (Rs. '000)	Deferred Tax Asset as on 31.03.2008 (Rs. '000)	Deferred Tax Liability as on 31.03.2008 (Rs. '000)
Depreciation	37854		37417	
Gratuity		8		16
Total	37854	8	37417	16

16. IMPAIRMENT OF ASSETS
(a) Cash Generating Units

There is no impairment loss and hence no provision was made in the financial statements

(b) Other Assets

There is no impairment loss on Fixed Assets and hence no provision is made in the financial statements.

- 17.** Previous year figures have been regrouped wherever necessary for comparative purposes and shown along side or in brackets. Amounts furnished in above notes are in INR and the same are rounded off to nearest rupee.

As per our report of even date
for **M/s. CNGSN & ASSOCIATES**
Chartered Accountants

M. T. SIVA KUMAR
Company Secretary

SASIKALA RAGHUPATHY
Director

B.G. RAGHUPATHY
Chairman

B. RAMAKRISHNAN
Partner
Membership No. 201023

Chennai
22.06.2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. Registration Details

Registration No.	26639
State Code	18
Balance Sheet Date	31.03.2009

2. Capital raised during the year (Amount Rs. in Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

3. Position of mobilisation and deployment of funds (Amount Rs. in Thousands)

Total Liabilities	1,83,202	Total Assets	1,83,202
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Sources of Funds

Share Capital	61,000	Reserves & Surplus	31,179
Secured Loans	Nil	Unsecured Loans	82,769

Application of Funds

Net Fixed Assets	66,544	Investments	Nil
Net Current Assets	70,558	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil	Deferred Tax	37,846

4. Performance of the Company (Amount Rs. in Thousands)

Total Income	1,00,146	Total Expenditure	95,163
Profit/(Loss) before tax	(+) 4,983	Profit/(Loss) after tax	(+) 4,758
Earning per Share	8	Dividend Rate %	Nil

5. Generic Name of four Principal Products/Services of the Company (as per monetary terms):

Item Code No. (ITC Code)	73-04	Product Description	High Frequency Resistance Welded Finned Tubes
Item Code No. (ITC Code)	84-19	Product Description	Heat Recovery Steam Generators
Item Code No. (ITC Code)	84-02	Product Description	Pressure Vessels, Columns and Reactors
Item Code No. (ITC Code)	84-19	Product Description	Spiral Fin Welded Tubes

As per our report of even date
for **M/s. CNGSN & ASSOCIATES**
Chartered Accountants

M. T. SIVA KUMAR
Company Secretary

SASIKALA RAGHUPATHY
Director

B.G. RAGHUPATHY
Chairman

B. RAMAKRISHNAN
Partner
Membership No. 201023

Chennai
22.06.2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

Description	For the year ended 31.03.2009 (Rs. '000)		For the year ended 31.03.2008 (Rs. '000)	
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax and Extraordinary Items	4983		40036	
Adjustments for :				
Depreciation	5077		5115	
Loose Tools Written Off	-		120	
Loss on Unabsorbed Depreciation	7538		-	
Miscellaneous Expenditure Written Off	-		-	
Prior Period Expenses	-		-	
Provisions for Taxes Not Paid	-		2961	
(Profit)/Loss on Sale of Fixed Assets	-		-	
Interest	126	12741	1978	10174
Operating Profit Before Working Capital Changes	17724		50210	
Adjustments for :				
(Increase)/Decrease in Loans & Advances	(608)		1216	
(Increase)/Decrease in Inventories	5838		10975	
(Increase)/Decrease in Trade and Other Receivables	5765		(5187)	
Increase/(Decrease) in Trade Payables	(4554)	6441	(13788)	(6784)
Cash Generated from Operations		24165		43426
Prior Period Expenses	-		-	
Interest Paid	-		-	
Unabsorbed Depreciation - FTS	-		-	
Taxes Paid	4355	4355	3013	3013
Net Cash Flow from Operating Activities		19810		40413
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		(1826)		(580)
Sale of Fixed Assets		-		-
C CASH FLOW FROM FINANCING ACTIVITIES				
(Repayment)/Inflow of Finance Liabilities	11932		(30546)	
Interest Paid	(126)	11806	(1978)	(32524)
Net Increase in Cash and Cash Equivalents (A+B+C)		29790		7309
Cash and Cash Equivalents as at 01.04.2008 (Op. Bal)		13384		6075
Net Increase in Cash and Cash Equivalents (A+B+C)		29790		7309
Cash and Cash Equivalents as at 31.03.2009 (Cl. Bal)		43174		13384

As per our report of even date
for **M/s. CNGSN & ASSOCIATES**
Chartered Accountants

M. T. SIVA KUMAR
Company Secretary

SASIKALA RAGHUPATHY
Director

B.G. RAGHUPATHY
Chairman

B. RAMAKRISHNAN
Partner
Membership No. 201023

Chennai
22.06.2009

DESIGN ENGINEERING CONSTRUCTION

| 500 MW VIJAYAWADA TPS STAGE - IV, APGENCO, ANDHRA PRADESH - COMMISSIONED |





BGR Energy Systems Limited

Regd. Office:

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

Corp. Office:

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

Email: investors@bgrenergy.com

website: www.bgrcorp.com



BGR Energy Systems Limited

Regd. Office: A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Taluk, Nellore District, Pin: 524401 Andhra Pradesh
Corp. Office: 443, Anna Salai, Teynampet, Chennai 600018 India **Ph:** +91 44 24326171 **Fax:** +91 44 24364656
Email: investors@bgrenergy.com **website:** www.bgrcorp.com

Notice to the Members of

BGR ENERGY SYSTEMS LIMITED

Notice is hereby given that the Twenty Third Annual General Meeting 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 4.00 p.m. on Monday, September 14, 2009 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend on Equity shares.
3. To appoint a director in the place of Mr. S. Rathinam, 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. M/s. Manohar Chowdhry & Associates, Chartered Accountants, the retiring auditors are eligible for re-appointment.

SPECIAL BUSINESS

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

“RESOLVED that pursuant to Sections 198, 269, 309, 310, 316 and other applicable provisions of the Companies Act, 1956 and subject to Schedule XIII of the said Act (including any statutory modification thereof, for the time being in force), the Company hereby approves the appointment of Mr. B.G. Raghupathy as Managing Director of the Company with effect from October 11, 2008 for a period of five years on the terms and conditions

as set out below and that the Board of Directors be and is hereby authorized to alter and vary the terms and conditions of the said appointment and remuneration within the overall limit as prescribed in Schedule XIII of the Companies Act, 1956 and as may be amended from time to time.”

a. Salary :

Rs.10,00,000/- per month

b. Perquisites and Commission :

- i) Perquisites: Not exceeding a sum of annual salary.
- ii) Commission: 5% of net profits of the Company per financial year as reduced by the sums of money paid by way of salary and perquisites during each such financial year.

c. Perquisites :

Perquisites may include the following and cover self and family of the Managing Director :

- (i) Rent free accommodation, gas, water, furnishing, medical re-imbusement, leave travel concession, provident fund, gratuity, super annuation fund, re-imbusement of entertainment expenses, payment of club fees, accident and medical insurance cover and any other permissible perquisites.
- (ii) Chauffeur driven company car, telephone at residence, contribution to provident fund, gratuity, super annuation fund, reimbursement of entertainment expenses incurred for company's purpose shall not be included in the computation of value of perquisites.
- (iii) For the purpose of ceiling of the remuneration, perquisites will be evaluated as per Income tax rules wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

“RESOLVED FURTHER that notwithstanding anything contained herein above, where, in any financial year

during the currency of this appointment, the Company has no profits or its profits are inadequate, the remuneration payable to the Managing Director as salary, allowance, commission and perquisites shall be governed by, and be subject to the ceilings provided under Section II of Part II of Schedule XIII to the Companies Act, 1956 or such other limit as may be prescribed by the Government from time to time as minimum remuneration”.

“FURTHER RESOLVED that the Board be and is hereby authorized to do all such acts, deeds, things and execute all such documents in writing as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors”.

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

“RESOLVED that in partial modification of the resolution passed at the Annual General Meeting of the Company held on July 11, 2007 and in accordance with the provisions of Sections 198, 269, 309 and 310 and other applicable provisions of the Companies Act, 1956 and subject to Schedule XIII of the said Act (including any statutory modification thereof for the time being in force), the consent of the shareholders be and is hereby accorded to the variation of remuneration payable to Mr. S. Rathinam, Director – Finance with effect from February 7, 2008.”

Remuneration

- (i) Salary : Rs.1,46,010/- per month
- (ii) Special Pay / Allowances : Rs.3,78,990/- per month
- (iii) Incentive : Rs.1,25,000/- per month

The Special pay / Allowances includes the following:

1. House Rent Allowance
2. Children Education Allowance
3. Fuel Reimbursement for official work
4. Medical Reimbursement for self and family
5. Telephone at residence
6. Leave Travel Allowance
7. Attire Reimbursement

8. Other permissible allowances and reimbursements as per rules of the company subject to overall limit of the Special Pay / allowances.

Apart from the above, Mr.S. Rathinam, shall be entitled to a Chauffeur driven car maintained by the Company.

The allowances and perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 and rules thereunder. In the absence of such rules, they shall be evaluated at actual cost. However, company’s contribution to provident fund, gratuity fund and encashment of leave, singly or together which are not taxable, shall not be included in the computation of limits for the remuneration.

“RESOLVED FURTHER that all other terms and conditions of the appointment / remuneration of Mr. S. Rathinam, Director – Finance as approved by the members at the Annual General Meeting held on March 30, 2006 and July 11, 2007 shall remain unaltered.”

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

“RESOLVED that in partial modification of the resolution passed at the Annual General Meeting of the Company held on July 11, 2007 and in accordance with the provisions of Sections 198, 269, 309 and 310 and other applicable provisions of the Companies Act, 1956 and subject to Schedule XIII of the said Act (including any statutory modification thereof for the time being in force), the consent of the shareholders be and is hereby accorded to the variation of remuneration payable to Mr.V.R. Mahadevan, Director – Technologies & Human Resources with effect from June 1, 2008.”

Remuneration

- (i) Salary : Rs.1,46,010/- per month
- (ii) Special Pay / Allowances : Rs.3,78,990/- per month
- (iii) Incentive : Rs.1,25,000/- per month

The Special pay / Allowances includes the following:

1. House Rent Allowance
2. Children Education Allowance
3. Fuel Reimbursement for official work

4. Medical Reimbursement for self and family
5. Telephone at residence
6. Leave Travel Allowance
7. Attire Reimbursement
8. Other permissible allowances and reimbursements as per rules of the company subject to overall limit of the Special Pay / allowances.

Apart from the above, Mr. V. R. Mahadevan, shall be entitled to a Chauffeur driven car maintained by the Company.

The allowances and perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 and rules thereunder. In the absence of such rules, they shall be evaluated at actual cost. However, company's contribution to provident fund, gratuity fund and encashment of leave, singly or together which are not taxable, shall not be included in the computation of limits for the remuneration.

"RESOLVED FURTHER that all other terms and conditions of the appointment / remuneration of Mr. V.R. Mahadevan, Director – Technologies & Human Resources as approved by the members at the Annual General Meeting held on March 30, 2006 and July 11, 2007 shall remain unaltered."

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

"RESOLVED that Mr.T. Sankaralingam, in respect of whom the company has received a notice in writing from a member proposing him as a candidate for the office of a Director under Section 257 of the Companies Act, 1956 be and is hereby appointed as a director of the Company, whose period of office shall be liable to determination by retirement of director by rotation."

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956 and subject to Schedule XIII of the said Act (including any statutory modification thereof, for the time being in force) the Company hereby approves

the appointment of Mr.T. Sankaralingam as a Managing Director of the Company for a period of five years from the date on which he assumes office on the terms and conditions as set out below and that the Board of Directors be and is hereby authorized to alter and vary the terms and conditions of the said appointment and remuneration within the overall limits as prescribed in Schedule XIII of the Companies Act, 1956 and as may be amended from time to time."

a. Designation : Managing Director

b. Remuneration

- (I) Salary : Rs.5,00,000/- per month
- (II) Special pay : Rs.2,00,000/- per month
- (III) Perquisites : Appointee shall be entitled to the perquisites subject to a ceiling of Rs.36,00,000/- per annum. The value of perquisites shall be valued as per the Income Tax Act, 1961 and in the absence of such rules the actual cost incurred by the company in providing such perquisites.
 - i) In addition to the salary and perquisites, the appointee shall also be entitled to use of company car, in accordance with the Rules of the company.
 - ii) Contribution to Provident Fund and Gratuity would not be included in the computation of ceiling on remuneration to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
 - iii) Encashment of earned leave at the end of the tenure as per Rules of the company shall not be included in the computation of ceiling on remuneration.
 - iv) Provision of car for use on company's business, telephone and other communication facilities at residence would not be considered as perquisites.

c. Performance linked Incentive

The Appointee shall be entitled to a performance linked incentive of Rs.5,00,00,000/- (Rupees Five

crore only) per annum. The Board shall determine the standards for performance evaluation on annual basis. The standards so determined by the Board may include the following ;

- (a) Execution of all company's contracts in line with time, cost and realisation of billing as per company's budget and contractual terms.
- (b) Approved billing achieved for financial year and for each project.
- (c) Achievement of Budget contribution, EBIDTA and Profit before tax.
- (d) Collection of debts.
- (e) Completion of project milestones.
- (f) Human Resource Management.

The performance linked incentive will become due after approval of annual financial statements by the Board and payable on realisation of billings made by the company.

d. Annual Increment : Not applicable.

Minimum Remuneration

During the term of the appointment, where in any financial year the company has no profits or the profits are inadequate, the Managing Director shall be entitled to such remuneration not exceeding the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956 including any statutory modifications thereof for the time being in force or such remuneration as may be approved by the Central Government. The remuneration and perquisites as set out hereinabove shall be further subject to the overall maximum remuneration payable to all managerial personnel of the company in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956.

"FURTHER RESOLVED that the Board be and is hereby authorized to do all such acts, deeds and execute all such documents in writing, as may be required and to delegate all or any of its power herein conferred to any committee of directors."

By order of the Board

Place : Chennai

Date : June 22, 2009

R. RAMESH KUMAR

President - Corporate & Secretary

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 atleast 48 hours before the time fixed for holding the meeting.**
- ii) The relevant explanatory statement as required under Section 173(2) of the Companies Act, 1956 in respect of Special Business is appended herewith.
- iii) The Register of Members of the Company shall remain closed from September 9, 2009 to September 14, 2009 (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 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 (formerly Intime Spectrum Registry 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 are requested to write to the Company giving necessary details.
- ix) Members are requested to forward their queries on Annual accounts or other sections of the Annual Report to the Company Secretary at least 10 days in advance for enabling the Company to furnish replies / clarification at the AGM.
- x) Members are requested to bring their copy of the Annual Report to the meeting.

Profile of Directors seeking re-appointment:

xi) Mr. S. Rathinam is Director – Finance of the Company. Mr. Rathinam holds a Bachelor’s degree in Chemistry and Fellow member of Institute of Chartered Accountants of India. He joined the Company in the year 1992 and is serving the company in various capacities viz., General Manager – Finance, President & CEO of Air Fin Cooler business and Director – Finance. Mr. Rathinam was appointed to the office of Whole Time Director and designated as Director – Finance on February 7, 2001 and is responsible for the overall management and supervision of finance, accounts, audit and control functions. Prior to joining the Company, he was associated with Tamil Nadu Industrial Explosives Limited as Joint General Manager (Finance).

Mr. Rathinam holds 10790 shares in the equity share capital of the Company. Mr. Rathinam is a member of the Audit Committee of the Company. His other directorships are as under.

Sl. No.	Name of the Companies / Association
1.	Progen Systems and Technologies Limited
2.	Mega Funds India Limited
3.	Cuddalore Powergen Corporation Limited
4.	Pragati Computers Limited
5.	BGR Power Machines Limited
6.	Process Plant Machinery Association of India

Mr. Rathinam holds directorship in 1 (one) private limited company.

xii) Mr. V.R. Mahadevan is Director – Technologies & Human Resources of the Company. Mr. Mahadevan holds a Bachelor’s degree in Electrical Engineering. He joined the Company in the year 1987 and is serving the company in various capacities viz., General Manger – International Sales, President & CEO of Energy and Infrastructure Divisions. Mr. Mahadevan was appointed to the office of Whole Time Director and designated as Director – Technologies & Human Resources on June 1, 2005 and is responsible for Technologies, Human Resources and Business Development. Prior to joining the Company, he was associated with Best & Crompton Limited as Project Manager.

Mr. Mahadevan holds 7716 shares in the equity share capital of the Company. Mr. Mahadevan is a member of Shareholders and Investors Grievances Committee of the Company. His other Directorships are as under ;

Sl. No.	Name of the Companies / Association
1.	Govin Engineering and Constructions Limited
2.	GEA BGR Energy System India Limited
3.	Pragati Computers Limited
4.	BGR Power Machines Limited

Mr. Mahadevan holds directorship in 3 (Three) private limited companies.

xiii) Profile of Director seeking appointment.

Mr.T. Sankaralingam has served the Power sector industry for more than 38 years in various capacities and has rich and wide experience in all facets of setting up of large projects for electricity generation and transmission. Mr. Sankaralingam has served TNEB and BHEL and retired on superannuation as Chairman & Managing Director of National Thermal Power Corporation Limited. Mr. Sankaralingam is a highly reputed professional and has been conferred with the following award / recognitions;

- a) Vice Chairman, CIGRE, India.
- b) Chairman of the Jury for PMA award.
- c) Conferred “Eminent Engineer Award” by the Institution of Engineers.
- d) Conferred “Distinguished Alumni Award” by NIT – Trichy.
- e) Senior Member, IEEE, USA.
- f) Honorary fellow of Project Management Association.
- g) Member of the Committee appointed by Government of India to evaluate adoption of 800 MW Super units.
- h) Member of Expert Committee to formulate the Operational Norms for Tariff under ABT Regime.
- i) Member of Board of University of Petroleum and Energy Studies ; and Member of Steering Committee of Centre for Research on Energy Security, TERI.

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

Item No.6

The five year tenure of Mr.B.G. Raghupathy as Managing Director came to an end on 10th October, 2008. The Board of Directors at their meeting held on 19th September, 2008 resolved to re-appoint Mr. Raghupathy as the Managing Director of the Company for a further period of 5 (five) years effective from October 11, 2008, subject to the approval of the members in the Annual General Meeting. The details of appointment and terms of remuneration as approved by the Board of Directors were intimated to the shareholders by a notice dated September 19, 2008 as required under the Companies Act, 1956. The salary, commission and perquisites are subject to the overall ceiling of 5% (five percent) of net profits of the Company as provided under Section 309 of the Companies Act, 1956. The members are aware that the company has scaled greater heights and the business has grown manifold under the dynamic leadership of Mr. Raghupathy and the company has now embarked on several strategic initiatives. The Board considers that the leadership of Mr. Raghupathy will be of great value and accordingly reappointed him as Managing Director of the Company. Subject to the direction, control and superintendence of the Board of Directors, Mr. Raghupathy shall have the responsibility for the management of the entire affairs of the company and shall perform such duties and exercise such powers as are entrusted to or conferred upon him by the Board, in the best interest of the Company.

Mr. Raghupathy is a member of the Compensation Committee of the Company. His other directorships are as under;

Sl. No.	Name of the Companies / Association
1.	Progen Systems and Technologies Limited
2.	GEA BGR Energy System India Limited
3.	Mega Funds India Limited
4.	BGR Aquaatech India Limited
5.	BGR Power Limited
6.	Cuddalore Powergen Corporation Limited
7.	BGR Eneritech Sdn Bhd
8.	Schmitz Reinigungskugeln GmbH
9.	Unisphere Sdn bhd.
10.	BGR Power Machines Limited

Mr. Raghupathy holds directorship in 12 (Twelve) private limited companies and 4 (Four) foreign companies.

In terms of Schedule XIII of the Act, the appointment and remuneration of a managerial person shall be approved by the shareholders in the general meeting.

None of the Directors is interested or concerned in this resolution except Mr. B. G. Raghupathy and Mrs. Sasikala Raghupathy. The resolution set out in the notice is commended for the approval of the shareholders.

Item No.7

Mr. S. Rathinam was appointed to the office of Whole Time Director of the Company and designated as Director – Finance for a period of 5 (Five) years effective from February 7, 2006. The Board of Directors at their meeting held on May 25, 2007 have revised the remuneration with effect from February 7, 2007 on the terms and conditions set out in the notice and explanatory statement dated May 25, 2007. Further, the Board of Directors at their meeting held on January 28, 2009 varied the remuneration payable to Mr. S. Rathinam, Director - Finance with effect from February 7, 2008.

In terms of Schedule XIII of the Act, the remuneration payable to a managerial person shall be approved by shareholders in the general meeting. The resolution set out in the notice is commended for the approval of the shareholders.

None of the Directors is interested or concerned in this resolution except Mr. S. Rathinam. The Board commends the resolution set out in the notice for your approval.

Item No.8

Mr.V.R. Mahadevan was appointed to the office of Whole Time Director of the Company and designated as Director – Technologies & Human Resources for a period of 5 (Five) years effective from June 1, 2005. The Board of Directors at their meeting held on May 25, 2007 have revised the remuneration with effect from June 1, 2007 on such terms and conditions set out in the notice and explanatory statement dated May 25, 2007. Further, the Board of Directors at their meeting held on January 28, 2009 varied the remuneration payable to Mr. V.R. Mahadevan, Director - Technologies & Human Resources with effect from June 1, 2008.

In terms of Schedule XIII of the Act, the remuneration payable to a managerial person shall be approved by shareholders in the general meeting. The resolution set out in the notice is commended for the approval of the shareholders.

None of the Directors is interested or concerned in this resolution except Mr.V.R. Mahadevan. The Board commends the resolution set out in the notice for your approval.

Item Nos. 9 & 10

The Board at its meeting held on June 22, 2009 has co-opted Mr.T. Sankaralingam as an additional director and subsequently to the office of Managing Director of the Company for a period of five years. The appointment as an additional director and Managing director are effective from the date on which he assumes office of Managing Director. Mr. Sankaralingam has served the Power sector industry for more than 38 years in various capacities and has rich and wide experience in all facets of setting up of large projects for electricity generation and transmission. Mr. Sankaralingam has served TNEB and BHEL and retired on superannuation as Chairman & Managing Director of National Thermal Power Corporation Limited. Mr. Sankaralingam is a highly reputed professional and has been conferred with the following award / recognitions;

- a) Conferred "Eminent Engineer Award" by the Institution of Engineers.
- b) Conferred "Distinguished Fellowship Award" by Institution of Directors (IOD), India.
- c) Fellow of World Academy of Productivity Sciences (WAPS)
- d) Honorary Fellow in Project Management Associates (India)
- e) Senior Member of Institute of Electrical and Electronics Engineers (IEEE), USA
- f) Member-Secretary of Indian Member Committee of the World Energy Council (IMC-WEC), world's largest multi-energy NGO with nearly 100 member countries.
- g) Vice Chairman of the WEC Committee on Performance of the Generating Plant (PGP).

- h) Vice Chairman of the National Chapter of CIGRE (India), Committee for International Council on Large Electric Systems based in Paris.
- i) Chairman of National Study Committee on Distributed Generation (C-6) of CIGRE.
- j) Chairman of the Jury of International Project Management Association Award (IPMA) Committee for the year 2007.

Mr. Sankaralingam does not hold equity shares in the Company. His other directorships are as under;

Sl. No.	Name of the Companies / Association
1	Bhuvaneshwar Power Limited
2	Torrent Power Limited
3	Athena Chattisgarh Power Limited

Mr. Sankaralingam holds directorship in 1 (one) private limited company.

Mr. T. Sankaralingam retires at the ensuing annual general meeting in terms of Section 257 of the Companies Act, 1956. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 proposing the candidature of Mr.T. Sankaralingam for the office of Director of the Company. The appointment of Mr.T.Sankaralingam is in the best interest of the company and the Board commends these resolutions. In terms of Schedule XIII of the Act, the appointment and remuneration payable to a managerial person shall be approved by shareholders in general meeting.

None of the Directors is interested or concerned in this resolution except Mr.T. Sankaralingam. The Board commends the resolution set out in the notice for your approval.

By order of the Board

Place : Chennai
Date : June 22, 2009

R. RAMESH KUMAR
President - Corporate & Secretary