

PERFORMANCE HIGHLIGHTS

63% Growth in EBIDTA

58% Growth in Total Income

75% Growth in PAT



Dear Shareholders,

I have great pleasure in addressing all of you in your company's "Silver Jubilee Year".

The FY 2009-10 continued under the throes of the global financial crisis and economic slowdown and the later part of the year revived and showed positive trends. The Indian economy however achieved significant growth with a growth rate of 8 % compared to many other economies. The Indian economy on account of policy emphasis on infrastructure is expected to grow at higher scales in future.

Performance and Leadership

Your company continued its robust growth during FY 2009-10;

- Total Income grew by 58 % to Rs.3092.07 crore.
- EBIDTA grew by 63 % to Rs.348.04 crore.
- Profit after tax grew by 75 % to Rs.201.02 crore.
- EPS grew by 75 % to Rs.27.92.

Your Directors are pleased to recommend a dividend of Rs.7 per share, which is more than double of last year's dividend.

Your Company has secured two prestigious BOP contracts for construction of 4 X 500 MW at an aggregate value of Rs.3268 crores. The proven delivery and execution of 500 – 600 MW projects by your company firmly established and reinforced your company's market leadership in Indian power sector, next only to BHEL.

Strategic and Historic Steps

Your Company has recently entered into strategic technology tie-up and Joint Venture collaboration with;

- Technology Transfer from Nooter / Eriksen, Inc., USA for Heat Recovery Steam Generator.
- Joint Venture with Hitachi Power Europe GmbH, Germany for Super-critical Steam Generators upto 1100 MW and Sub-critical Boilers.
- Joint Venture with Hitachi Limited, Japan for Super-critical Steam Turbines and Generators upto 1000 MW.

In both Joint Venture with Hitachi, your company will hold majority stake. In this year of crossing a landmark, I take pride, of course with all humility, in sharing with you all, Your company has truly become a full service Engineering Procurement Construction (EPC) company with capability to design and manufacture most of the power equipment, including Steam Generator, Steam Turbine & Generator and civil works for power projects upto 1000 MW capacity. This strategic position will enable your Company to offer the entire value chain in EPC contracting business in Indian power industry, significantly contributing to the power sector development.

Looking Forward to Exciting Times

The Indian economy with its strong fundamentals, has managed to tide over the global downturn with greater resilience as demonstrated by its continued growth in GDP. The initiatives undertaken by the Government to develop the infrastructure in the country in general and Power sector, in particular will play a critical role.

During XII and XIII Plan periods, the power sector is poised for rapid growth. As part of the plan to shift to energy saving super critical technology with lower emissions, the share of super critical thermal power projects will see dominant share of growth. This offers excellent business opportunities and your company has taken upon itself ambitious growth targets. I am, with the support and guidance of my colleagues on the Board and Management team, confident of realizing them in view of opportunities in the Indian power sector and your company will play a significant role in this core sector of the economy.

I would like to heartily thank the Board of Directors, team of employees led by top management, our foreign collaborators, customers, bankers, vendors and, lastly but chiefly, the shareholders in enabling your company to achieve profitable and sustained growth.

I look forward to yet another exciting year ahead.



B G RAGHUPATHY
Chairman & Managing Director



BOARD OF DIRECTORS

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

COMPANY SECRETARY

| | |
|----------------|-----------------------------------|
| R Ramesh Kumar | President - Corporate & Secretary |
|----------------|-----------------------------------|

CHIEF EXECUTIVE OFFICERS

| | |
|--------------------|---------------------------|
| Major H L Khajuria | Environmental Engineering |
| G Suresh | Captive Power |
| V Balakrishnan | Electrical Projects |
| S Ilanchezhiyan | Air Fin Cooler |
| N Murali | Oil and Gas Equipment |
| P R Easwar Kumar | Chief Financial Officer |

STATUTORY AUDITORS

Manohar Chowdhry & Associates
Chartered Accountants, Chennai

INTERNAL AUDITORS

M/s. J V Associates
Cost Accountants & Public Auditors

M/s. B B Naidu & Co.
Chartered Accountants

M/s. V Krishnan & Co.
Chartered Accountants

M/s. Ramachandran & Murali
Chartered Accountants

M/s. Brahmaya & Co.
Chartered Accountants

M/s. 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, Andhra Pradesh
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

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

Website

www.bgrcorp.com

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (W)
Mumbai 400078

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Directors' Report

To the Members of BGR ENERGY SYSTEMS LIMITED

Your directors have great pleasure in presenting their Twenty Fourth Annual Report together with the audited financial statements for the year ended March 31, 2010 to the extended family of the shareholders and other stakeholders of the Company. Your directors are delighted to inform you that the current financial year is the "Silver Jubilee" year of your Company. The Board wishes to place on record its gratitude to all stakeholders of your Company, viz., Government authorities, Customers, Banks, Employees, Vendors, Shareholders and the public who have enabled your Company to continuously grow over the past 25 years and make significant contributions to the society. Your Board resolved to take strategic initiatives to secure for your Company an enviable position in the growing Indian power sector.

FINANCIAL PERFORMANCE

During FY 2009 - 10, your Company achieved Total Income of Rs. 3092.07 crore as against the previous year's Total Income of Rs.1955.23 crore, accounting for a topline growth of 58%. The key parameters of EBIDTA and PAT witnessed a growth of 63% and 75% over the previous year. The highlights of the financial performance of the Company during the year ended March 31, 2010 as compared with the previous financial year ended March 31, 2009 are summarized below:

(Rs. Crore)

| Description | 2009-10 | 2008-09 |
|--|----------------|---------|
| Total Income | 3092.07 | 1955.23 |
| Expenditure | 2723.85 | 1715.64 |
| EBIDTA | 348.04 | 213.17 |
| Interest | 53.76 | 57.94 |
| Depreciation | 9.78 | 7.00 |
| Profit before tax | 304.67 | 174.65 |
| Provision for tax and FBT | 103.65 | 59.56 |
| Profit after tax | 201.02 | 115.09 |
| Surplus brought forward from previous year | - | - |
| Amount available for appropriation | 201.02 | 115.09 |
| Less : | | |
| a) Dividend | 50.40 | 21.60 |
| b) Tax on dividend | 8.57 | 3.67 |
| c) Transfer to general reserve | 20.10 | 11.51 |
| Balance carried to Balance Sheet | 121.95 | 78.31 |

DIVIDEND

Your directors, after taking into account the financial results of the Company during the year, recommend payment of a dividend of Rs. 7/- per equity share of Rs.10/- each for the FY 2009 - 10. Your directors wish to carry an amount of Rs. 121.95 crore to the Balance Sheet after appropriation towards dividend, corporate dividend tax and transfer to general reserves.

BUSINESS PERFORMANCE

During the year under review, the Company's operations continued to grow by registering all round growth in turnover, profit and other key performance indicators.

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

- i) During the FY 2009-10, your Company secured 2 major EPC contracts for BOP;
 - (a) 2 X 500 MW Chandrapur Super Thermal Power Station (STPS) Expansion Project from Maharashtra Power Generation Corporation (MAHAGENCO) valued at Rs. 1635 Crore. This is the second order received by the Company from MAHAGENCO.
 - (b) 2 X 500 MW Marwa Thermal Power Project of Chattisgarh State Power Generation Company valued at Rs. 1633 Crore.
- ii) Your Board is pleased to inform that the 500 MW BOP for Vijayawada Thermal Power Station achieved plant synchronization on April 6, 2009 and the unit has commenced commercial operation on January 27, 2010. The 500 MW BOP for Kakatiya Thermal Power Project achieved synchronization on March 31, 2010. The 500 MW Khaperkheda Project was also completed and handed over during the year.
- iii) The boiler drum lifting was successfully completed for the 600 MW EPC Contract for Mettur in a record time of 107 working days.
- iv) Air Fin Cooler division has achieved highest order booking of Rs. 189 Crore during 2009-10 as against the order booking of Rs. 39 Crore in the previous financial year. The turnover of the division during 2009-10 was Rs. 81 Crore as against Rs. 109 crore last year due to recession and oil crisis. During the year the division received breakthrough orders from GASCO, Abu Dhabi and Petronet LNG Limited, marking significant entry into LNG Field.
- v) Oil & Gas equipment division has set up a new manufacturing facility as a 100% Export Oriented Unit at Pudhuvoyal Village to service international markets.

- vi) Environmental Engineering division has secured vendor registration with BHEL, LANCO, L&T, MAHAGENCO etc., for Condensate Polishing Unit (CPU) based on the license agreement with Termomeccanica Ecologia, Italy. A maiden order for Rs. 18 Crore was secured from BHEL for CPU. The division also commissioned the Veerapandi Reverse Osmosis plant, during the year.
- vii) Electrical projects division has completed supplies for its first major order for Gas insulated switchgear from TNEB. During the year 2009-10, the division has secured an order for turnkey execution of gas insulated substations for Mettur Thermal Power station. Another significant breakthrough was in the Optic Ground Wire (OPGW) market with an order for Rs. 98 Crore from Powergrid Corporation for building Optic Fibre network for 4500 kms across major Northern States. The division has also secured a turnkey contract from Nuclear Power Corporation of India Limited, for implementation of 415 V Motor Control Centers (MCC) for Bharatiya Nabhiya Vidyut Nigam Limited (BHAVINI) and the 500 MW Prototype Fast Breeder Reactor (PFBR) project at Kalpakkam, Chennai.
- viii) A MoU was signed in April, 2010 by your Company with the Government of Orissa for setting up of 2 X 660 MW Power Plant in Nayagarh District, State of Orissa. The proposed independent power project will be implemented through a special purpose company.

STRATEGIC INITIATIVES

Your Company has entered into technology transfer tie-ups with reputed international players for state-of-art technology during the year.

Nooter/Eriksen, Inc., USA

Your Company entered into a License and Technology Transfer Agreement with Nooter / Eriksen, Inc., USA for Transfer and Licensing of technology for Heat Recovery Steam Generator (HRSG), more commonly known as Heat Recovery Boiler. The agreement grants to the Company license to manufacture and sell HRSGs in India, Sri Lanka and Bangladesh.

Hitachi Power Europe GmbH, Germany

A Technical Collaboration Agreement has been entered into between BGR Boilers Private Limited, your Company's subsidiary and Hitachi Power Europe GmbH, Germany for transfer of technology relating to 660 MW, 800 MW, 1000 MW and 1100 MW Supercritical Steam Generator and subcritical Boilers.

Hitachi Ltd., Japan

Technical Collaboration Agreement has also been entered into between your Company's subsidiary, BGR Turbines Company Private Limited and Hitachi Ltd., Japan for transfer and licensing of technical know-how relating to 660 MW,

800 MW and 1000 MW Supercritical Steam Turbine and Generators. The feasibility study on capital expenditure, funding pattern, project cost and other aspects are under evaluation.

With these strategic alliances, linkages and relationships and the setting up of manufacturing facilities for power equipment, your Company will be in a position to offer the entire value chain in EPC contracting in Indian market.

INDIAN MARKET SCENARIO

The power sector is expected to continue in its high growth trajectory during the XII and XIII Plan periods as the government accords high priority to infrastructure development in general and power sector in particular. With the policy shift to energy-saving technology and lower emissions, the share of thermal projects based on supercritical technology will witness higher capacity addition.

The Indian government's continuous effort to meet the ambitious goals of the XI plan has given an impetus to the current power scenario and has provided significant stimulus and hope that we might reach the 1000 units per capita consumption of electricity by the year 2012.

The entire value chain of the power sector has been dominated by the Central & State utilities having 49.8 GW and 76.6 GW capacity respectively out of the overall national capacity of 152 GW. The private sector stands at 25.8 GW but infact growing.

During the year, the CEA guidelines for BOP contractors were significantly revised to encourage more players in the market. The new guidelines have enabled major construction companies and BOP package vendors to come together to form a consortium and bid for a project. The EPC space on the other hand is still limited to a few players as the prequalification requirements are still a barrier to many companies.

The private sector has become really aggressive in putting up power plants due to the easy availability of funds from financial institutions and the government policy to welcome investments from the private sector. This has increased the number of tenders being floated. Most private companies are shying away from the package route and are now more open towards the twin package or the total EPC route which provides opportunities for the Company.

The Ministry of Power has set the goal of "Power for all by 2012". The recent policy statement of the Government of India anticipates that capacity addition during the XI plan is likely to be 62,374 MW as against the target of 78,700 MW. As a result of lower capacity addition, the power sector is expected to grow by 9.5%. The additional requirement of power during XII plan is expected to be about 1,07,000 MW of which thermal power plants of 50,506 MW are under execution. The revision in mega power plant policy is likely

to result in lower cost of generation. The share of private players in generation has also increased considerably.

FUTURE OUTLOOK AND STRATEGY

In the light of strong growth of the Power sector, your Company is uniquely placed as a complete EPC solution provider and has the capability to provide "in-house" close to 90% of the products pertaining to power plant. Your Company is in the process of significantly increasing its engineering capabilities in the form of new facilities, manpower addition, technology transfer and skills training so as to imbibe all the engineering aspects of various equipment/packages and not depend on third party engineering consultants. This would enable your Company to provide better monitoring of quality, better engineering and innovation thereby providing greater value to the customer at very competitive prices.

With the technology tie-up for supercritical technology, your Company will be the third company in India to provide a complete solution for EPC package for Supercritical technology.

The number of EPC players for power plants in India are few and with your Company's enviable track record in recent ICB's & NCB's, your Company is able to offer better value proposition to its clients and thereby gain a significant market share. This will enhance your Company's position and image in the market and enable it to secure major BTG packages being tendered by NTPC and other private companies for supercritical technology.

PERFORMANCE OF SUBSIDIARY

Your company's 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. 6.92 crore and net profit of Rs. 0.43 crore for the year ended March 31, 2010. Statement under Section 212 of the Companies Act, 1956 is attached to this report.

HUMAN RESOURCES

Your Company during the year has augmented its highly competent human resources which is considered critical to support the current growth momentum of your Company. This has been facilitated through talent recruitments and Employee Referral Scheme. Your Company witnessed a growth of 23% in human resources during the financial year 2009-10 through addition of 669 employees and the current employee strength is over 1700.

EMPLOYEE STOCK OPTION SCHEME

Disclosure in respect of Employee Stock Option Scheme ("ESOS") 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 are not applicable to your company. The particulars relating to technology absorption are enclosed as Annexure - II of this report. During the FY 2009 - 10, the foreign exchange earnings and outgo were Rs. 337.60 crore and Rs. 995.97 crore respectively.

The particulars required under Section 217 (2A) of the Companies Act, 1956 and the Rules made thereunder have not been enclosed as part of this Report. Copies of the same are available at the registered office of the Company for inspection by members. Any member who is interested in obtaining a copy of the same may contact the Company Secretary of the Company.

BOARD OF DIRECTORS

Mrs. Sasikala Raghupathy and Mr. Heinrich Bohmer, 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 24th Annual General Meeting of the Company.

On 5th February, 2010, Mr. A. Swaminathan has been co-opted as an additional director on the Board and he retires at the forthcoming Annual General Meeting and seeks appointment in terms of Section 257 of the Companies Act, 1956. He has been appointed as Wholtime Director for a period of 5 years with effect from 5th February, 2010. The profile of Mr. A. Swaminathan and the terms and conditions of his appointment including remuneration are given in the Notice convening the 24th Annual General Meeting of the Company.

Mr. V.R. Mahadevan has been appointed as the Whole Time Director of the Company for a further period of five years effective from June 1, 2010. The profile of Mr. V.R. Mahadevan and the terms and conditions of his appointment including remuneration are given in the Notice convening the 24th Annual General Meeting of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) In the preparation of the annual accounts for the year ended March 31, 2010 the applicable accounting standards have been followed and proper explanations were provided for material departures, if any;

- b) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2010 and of the profit of the company for the year ended March 31, 2010;
- 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 year ended March 31, 2010 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 (with the exception of Clause 49 I (A) relating to composition of the Board of Directors)

of the Listing Agreement continuously and your Directors are pleased to attach a report on Corporate Governance together with the following Certificates / declarations.

- a) CEO and CFO certificate.
- b) Declaration on code of conduct.
- c) 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 business 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 : May 28, 2010

B.G. RAGHUPATHY
Chairman & Managing Director

ANNEXURE – I

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

| Particulars | 2009-10 |
|---|----------------|
| Options Outstanding in the Beginning of the Year | 571,240 |
| a Options granted | 0 |
| b Exercise Price | Rs. 408/- |
| c Options Vested | 129,273 |
| d Options Exercised | 0 |
| e Total no. of shares arising as result of exercise of Options | 0 |
| f Options lapsed * | 38,470 |
| g Variation in terms of Options | None |
| h Money realised by exercise of Options | 0 |
| i Total number of options in force | 532,770 |
| *Lapsed options include options forfeited and options cancelled / lapsed | |
| j Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 'Earnings per Share' | 27.88 |
| k Pro Forma Adjusted Net Income and Earning Per Share | |
| Particulars | Rs. in Million |
| Net Income | |
| As Reported | 2010.22 |
| Add: Intrinsic Value Compensation Cost | 0 |
| Less: Fair Value Compensation Cost | 6.09 |
| Adjusted Pro Forma Net Income | 2004.12 |
| Earning Per Share: Basic | Rs. |
| As Reported | 27.92 |
| Adjusted Pro Forma | 27.84 |
| Earning Per Share: Diluted | |
| As Reported | 27.88 |
| Adjusted Pro Forma | 27.80 |

ANNEXURE – II

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

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

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 | : | 31st March, 2010 |
| 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 31st March, 2010. | | |
| i) for the subsidiary's financial year ended 31st March, 2010. | : | Rs. 30.38 Lakhs |
| ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary | : | Rs. 217.20 Lakhs |
| b) dealt with in the accounts of BGR Energy Systems Limited for the year ended 31st March, 2010. | | |
| i) for the subsidiary's financial year ended 31st March, 2010. | : | 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 31st March, 2010. | : | Not Applicable |
| 5. Material changes between the end of financial year of the subsidiary and 31st March, 2010 in respect of the subsidiary's fixed assets, investments and money lent / borrowed by them. | : | Not applicable |

B.G. RAGHUPATHY
Chairman & Managing Director

T. SANKARALINGAM
Managing Director

S. RATHINAM
Director - Finance

R. RAMESH KUMAR
Company Secretary

P.R. EASWAR KUMAR
Chief Financial Officer

Chennai
May 28, 2010

REPORT ON CORPORATE GOVERNANCE

In terms of Compliance to Clause 49 of the Listing Agreement on Corporate Governance, your Company formulated and implemented sound principles of Corporate Governance and institutionalised the same. The Company's policies, practices and philosophy adopted since listing are in line with 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 guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges except the composition of the Board.

BOARD OF DIRECTORS

The Board comprises of 10 directors drawn from diverse fields of expertise viz., Business Management, Finance, Public Administration, Power, Technology and International Business. The Chairman of the Board is Promoter / Managing Director. There are four independent directors and four professional Whole Time Directors. Presently, the composition of the Board is not in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges. Your company is taking steps to co-opt independent directors so as to strengthen the Board composition into equal number of independent directors.

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 and direction of management of strategic and day to-day affairs of the Company. The company formulated and implemented a 'Standard Operating Systems 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, 2010 have been made by the Directors.

MEETINGS OF THE BOARD

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

these practices so as to enable more effective and fruitful participation by the Board.

During the FY 2009 - 10, 5 (five) Board Meetings were held on June 22, 2009, July 24, 2009, October 29, 2009, January 30, 2010 and February 5, 2010, 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 2009-2010 | | No. of Directorship in other Companies@ |
|--|---|----------|---|
| | Board Meetings | Last AGM | |
| Mr. B.G. Raghupathy Chairman & Managing Director Promoter, Executive | 4 | Yes | 7 |
| Mr. T. Sankaralingam * Managing Director Executive | 3 | Yes | 1 |
| Mr. S. Rathinam Director – Finance Executive | 5 | Yes | 5 |
| Mr. V.R. Mahadevan Director – Technologies & HR Executive | 4 | Yes | 4 |
| Mr. A. Swaminathan * Director – Sales & Marketing Executive | 1 | – | 1 |
| Mrs. Sasikala Raghupathy, Director Non-Executive | 3 | Yes | 6 |
| Mr. Heinrich Bohmer Director Independent | 4 | No | – |
| Mr. M. Gopalakrishna Director Independent | 5 | Yes | 6 |
| Mr. S.A. Bohra Director Independent | 5 | No | – |
| Mr. S.R. Tagat Director Independent | 5 | Yes | – |

* Mr. T.Sankaralingam and Mr. A.Swaminathan were inducted into the Board with effect from September 7, 2009 and February 5, 2010 respectively.

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

None of the Directors is holding committee membership or chairmanship in other 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.

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

The Board constituted the following committees.

AUDIT COMMITTEE

The Audit Committee of the Company was reconstituted by induction of Mr. M.Gopalakrishna as a member, at the Board Meeting held on October 29, 2009. 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 in 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
- d) Mr. M. Gopalakrishna (Independent Director) - 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.

There were 4 (Four) meetings of the Audit Committee held during FY 2009 - 10 on June 20, 2009, July 24, 2009, October 29, 2009 and January 30, 2010.

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

| Name of the Member | No. of Meetings attended |
|----------------------|--------------------------|
| Mr. S.R. Tagat | 4 |
| Mr. S.A. Bohra | 4 |
| Mr. S.Rathinam | 4 |
| Mr. M. Gopalakrishna | 1 |

The Chairman of the Audit Committee Mr. S.R. Tagat attended the previous Annual General Meeting of the Company held on September 14, 2009.

REMUNERATION OF DIRECTORS

(Rs. in Lakhs)

| Name of Director | Remuneration | | Sitting Fees* |
|---|---------------------|--------------------------------|---------------|
| | Salary & Allowances | Commission / Bonus / Incentive | |
| Mr. B.G. Raghupathy, Chairman & Managing Director | 138.81 | 785.88 | – |
| Mr. T. Sankaralingam, Managing Director | 73.91 | – | – |
| Mr. S. Rathinam, Director – Finance | 73.70 | – | – |
| Mr. V.R. Mahadevan, Director – Technologies & HR | 66.18 | – | – |
| Mr. A.Swaminathan, Director – Sales & Marketing | 21.46 | – | – |
| Mrs. Sasikala Raghupathy, Director | – | – | 0.60 |
| Mr. Heinrich Bohmer, Director | – | – | 1.20 |
| Mr. M. Gopalakrishna, Director | – | – | 2.00 |
| Mr. S.A. Bohra, Director | – | – | 2.20 |
| Mr. S.R. Tagat, Director | – | – | 1.80 |

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

Details of Shares of the Company held by Directors as on March 31, 2010 and Options granted under ESOS 2007 to the Directors held by them as on March 31, 2010 are as below:

| Name | Number of Shares | Number of Options |
|--------------------------|------------------|-------------------|
| Mr. B.G. Raghupathy | 1,97,12,160 | - |
| Mr. T. Sankaralingam | - | - |
| Mr. S. Rathinam | 7,700 | 20,000 |
| Mr. V.R. Mahadevan | 7,716 | 20,000 |
| Mr. A. Swaminathan | 15,675 | 43,590 |
| Mrs. Sasikala Raghupathy | 1,15,79,120 | - |
| Mr. Heinrich Bohmer | - | - |
| Mr. M. Gopalakrishna | - | - |
| Mr. S.A. Bohra | - | - |
| 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 and was reconstituted on October 29, 2009 and February 5, 2010. The Committee of Directors consists of Mr. A. Swaminathan, Director (Sales & Marketing), Mr. V.R. Mahadevan, Director – Technologies & HR, Mr. S. Rathinam, Director – Finance, Mr. T. Sankaralingam, Managing Director 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 8 (eight) meetings of Committee of Directors held during FY 2009 - 10 on May 8, 2009, May 28, 2009, August 3, 2009, September 15, 2009, November 4, 2009, November 26, 2009, January 23, 2010 and March 25, 2010.

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.
- Such other powers relating to operations of the Company from time to time including the power to affix common seal of the Company to any instrument in terms of Article 68 of the Articles of Association to meet any needs of business of the Company.

COMPENSATION COMMITTEE

The Compensation Committee was constituted by the Board at its Meeting held on July 18, 2007 and comprises of Mr. B.G. Raghupathy, Chairman & 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 Scheme of the Company. The Compensation Committee met twice during the year on July 24, 2009 and January 30, 2010.

SHAREHOLDERS AND INVESTORS GRIEVANCE COMMITTEE

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

During the Financial Year, the Company received 75 complaints from Investors / Shareholders. All the complaints were attended to as per applicable guidelines and regulations. There are 3 complaints pending before District Consumer Forum and 1 complaint pending before a Civil Court. As at March 31, 2010 there was no pending share transfers. The Committee met twice during the year on July 24, 2009 and January 30, 2010 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.
- 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 BODY MEETINGS

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

| Year | Date | Time | Venue |
|--------------|--------------------|----------|-------------------|
| FY 2008 – 09 | September 14, 2009 | 4.00 PM | Registered Office |
| FY 2007 – 08 | September 19, 2008 | 2.00 PM | Registered Office |
| FY 2006 – 07 | July 11, 2007 | 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 financial year 2009-10.

CODE OF CONDUCT

The Board of Directors has adopted a code of conduct, applicable to directors and to employees of the Company. This has been posted on the Company's website for strict compliance. The Company has obtained declarations from all its directors and senior management personnel affirming compliance with the code of conduct. The declaration by the 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, 2010 is attached to this Corporate Governance report.

DISCLOSURES

Risk Management

The Company as part of Standard Operating Systems and Procedure institutionalized Risk Management covering risk identification, mitigation and management measures. In order to further improve the system the Company has prepared Risk Management Charter & Policy. This Charter, Policy and Report are approved for implementation by the Company. The Company is in the process of appointing exclusive Chief Risk Officer and Risk Management Team.

Related Party Transactions

(Rs. in Lakhs)

| Particulars | Subsidiary Companies | Other Companies | Key Management Personnel | Relatives | For the year ended 31.03.10 | For the year ended 31.03.09 |
|---------------------|----------------------|-----------------|--------------------------|-----------|-----------------------------|-----------------------------|
| Sales | – | 2154.69 | – | – | 2154.69 | 1124.72 |
| Purchases | 276.77 | 1279.07 | – | – | 1555.84 | 2560.77 |
| Advances Received | – | 30.36 | – | – | 30.36 | 25.58 |
| Remuneration | – | – | 2144.28 | 8.98 | 2153.26 | 1051.57 |
| Rent | 110.92 | 33.09 | 39.71 | – | 183.72 | 66.75 |
| Others | – | – | 11.03 | – | 11.03 | 468.60 |
| Balance Outstanding | 647.75 | 1038.35 | – | – | 1686.10 | 1489.68 |

There has been no instance of non - compliance by the Company except the composition of Board of Directors. 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. During the year, the Company received a letter from National Stock Exchange of India Limited and Bombay Stock Exchange Limited seeking explanation on non-compliance of Corporate Governance requirement in respect of Composition of Board.

The Company has complied with the requirements of clause 49 of the Listing Agreement except the composition of Board of Directors. To enhance standards on Corporate Governance and strengthen controls, the Company would formulate and adopt necessary policies and procedures for complying with non mandatory requirements of clause 49 in the current year.

A qualified Practicing Company Secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and the 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 in the Annual Report.

GENERAL SHAREHOLDER INFORMATION

| | |
|----------------------------------|---|
| AGM Date | : September 24, 2010 |
| Time & Venue | : 3.00 p.m., Registered Office : A-5, Pannamgadu Industrial Estate, Ramapuram Post, Sullurpet Taluk, Nellore District, Andhra Pradesh 524 401. As required under Clause 49 (IV)(G)(i) of the Listing Agreements with the Stock Exchanges, particulars of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting (AGM) are given in the Annexure to the Notice of the AGM to be held on 2010. |
| Financial Year | : April 1, 2009 to March 31, 2010 |
| Publication of financial results | : Unaudited Results for the quarter ending June 30, 2010 – Last week of July 2010. Unaudited Results for the half year ending September 30, 2010 – Last week of October 2010. Unaudited Results for the quarter and nine months ending December 31, 2010 – Last week of January 2011. Audited Results for the year ending March 31, 2011 – Before May 30, 2011. |
| Dividend Payment Date | : On or after September 28, 2010 and on or before October 23, 2010. |
| Dates of Book closure | : September 20, 2010 to September 24, 2010 |
| Listing on Stock Exchanges | : National Stock Exchange of India Limited Bombay Stock Exchange Limited The listing fees for the financial year 2010 - 11 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.

| Sl No. | Particulars | |
|--------|---|---------------------------------|
| 1 | Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year. | 144 shareholders 2016 shares |
| 2 | Number of shareholders who approached issuer for transfer of shares from suspense account during the year. | 13 shareholders 182 shares |
| 3 | Number of shareholders to whom shares were transferred from suspense account during the year. | 13 shareholders 182 shares |
| 4 | Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year. | 131 shareholders 1834 shares |

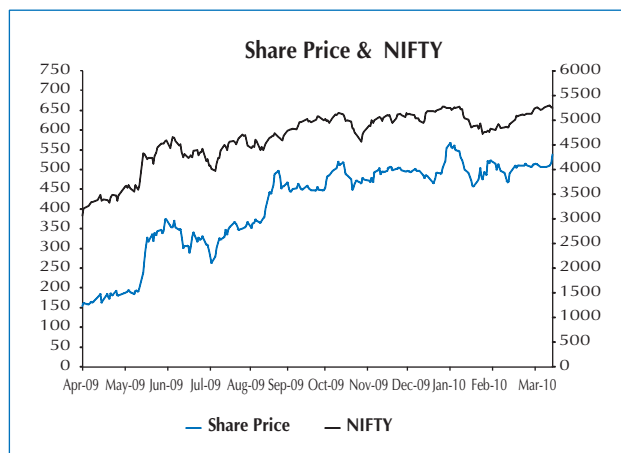
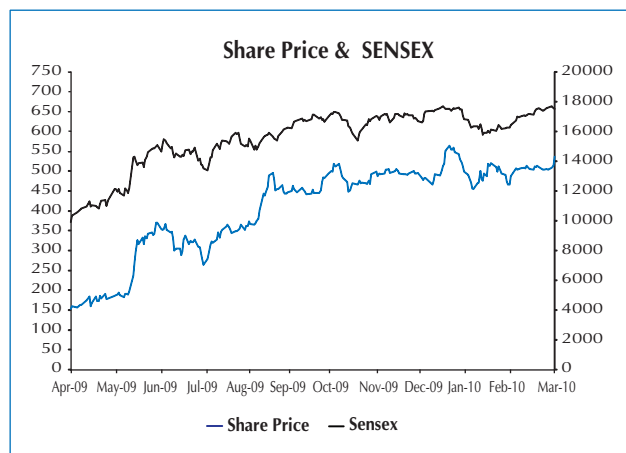
The Board hereby confirms that the voting rights in respect of the above shares held in suspense account shall remain frozen till the rightful owner of such shares claims the shares.

STOCK MARKET PRICE DATA & STOCK PERFORMANCE

| Month | BSE | | SENSEX | |
|--------|------------|-----------|----------|----------|
| | High (Rs.) | Low (Rs.) | High | Low |
| Apr-09 | 204.45 | 141.40 | 11492.10 | 9546.29 |
| May-09 | 349.00 | 180.60 | 14930.54 | 11621.30 |
| Jun-09 | 392.00 | 284.20 | 15600.30 | 14016.95 |
| Jul-09 | 369.45 | 257.05 | 15732.81 | 13219.99 |
| Aug-09 | 503.65 | 341.05 | 16002.46 | 14684.45 |
| Sep-09 | 524.80 | 432.50 | 17142.52 | 15356.72 |
| Oct-09 | 528.90 | 424.00 | 17493.17 | 15805.20 |
| Nov-09 | 523.40 | 458.20 | 17290.48 | 15330.56 |
| Dec-09 | 535.65 | 461.00 | 17530.94 | 16577.78 |
| Jan-10 | 593.35 | 438.35 | 17790.33 | 15982.08 |
| Feb-10 | 539.20 | 454.00 | 16669.25 | 15651.99 |
| Mar-10 | 541.80 | 485.10 | 17793.01 | 16438.45 |

| Month | NSE | | NIFTY | |
|--------|------------|-----------|---------|---------|
| | High (Rs.) | Low (Rs.) | High | Low |
| Apr-09 | 204.50 | 141.15 | 3517.25 | 2965.70 |
| May-09 | 348.90 | 180.50 | 4509.40 | 3478.70 |
| Jun-09 | 392.90 | 284.00 | 4693.20 | 4143.25 |
| Jul-09 | 369.90 | 256.00 | 4669.75 | 3918.75 |
| Aug-09 | 504.00 | 342.00 | 4743.75 | 4353.45 |
| Sep-09 | 524.95 | 432.00 | 5087.60 | 4576.60 |
| Oct-09 | 528.90 | 423.30 | 5181.95 | 4687.50 |
| Nov-09 | 549.90 | 456.25 | 5138.00 | 4538.50 |
| Dec-09 | 520.10 | 457.05 | 5221.85 | 4943.95 |
| Jan-10 | 590.00 | 439.00 | 5310.85 | 4766.00 |
| Feb-10 | 539.90 | 409.80 | 4992.00 | 4675.40 |
| Mar-10 | 541.00 | 490.00 | 5329.55 | 4935.35 |

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



REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup West,
Mumbai - 400 078
Tel: 022 - 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 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

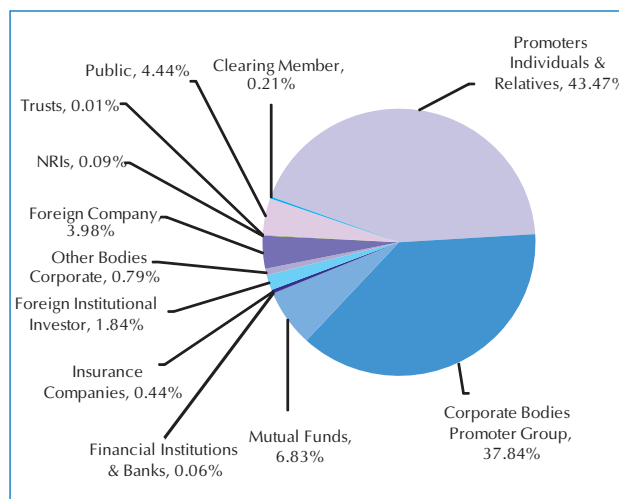
Share transfers are processed and approved, subject to receipt of all requisite documents. The Company seeks to ensure that all transfers are approved for registration within the stipulated period. With a view to expediting the approval process, the Board of Directors has constituted Share Transfer Committee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

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2010

| Shareholding | No. of Shareholders | % of total | No. of Shares | % of total |
|-----------------|---------------------|---------------|-----------------|---------------|
| Up to 500 | 111164 | 99.38 | 2572147 | 3.57 |
| 501 – 1000 | 335 | 0.30 | 256254 | 0.35 |
| 1001 – 2000 | 148 | 0.13 | 210741 | 0.29 |
| 2001 – 3000 | 49 | 0.04 | 119720 | 0.17 |
| 3001 – 4000 | 26 | 0.02 | 91347 | 0.13 |
| 4001 – 5000 | 26 | 0.02 | 120077 | 0.17 |
| 5001 – 10000 | 43 | 0.04 | 302154 | 0.42 |
| 10001 and above | 77 | 0.07 | 68327560 | 94.90 |
| TOTAL | 111868 | 100.00 | 72000000 | 100.00 |

SHAREHOLDING PATTERN AS ON MARCH 31, 2010

| Sl No | Category | Shares | Holders | Percent |
|-------|-------------------------------------|-----------------|---------------|---------------|
| 1 | Promoters - Individuals & Relatives | 31295600 | 3 | 43.47 |
| 2 | Corporate Bodies - Promoter Group | 27248400 | 4 | 37.84 |
| 3 | Mutual Funds | 4914937 | 34 | 6.83 |
| 4 | Financial Institutions & Banks | 44427 | 7 | 0.06 |
| 5 | Insurance Companies | 314845 | 13 | 0.44 |
| 6 | Foreign Institutional Investor | 1323649 | 21 | 1.84 |
| 7 | Other Bodies Corporate | 568359 | 727 | 0.79 |
| 8 | Foreign Company | 2865557 | 2 | 3.98 |
| 9 | NRIs | 67265 | 492 | 0.09 |
| 10 | Trusts | 4615 | 9 | 0.01 |
| 11 | Public | 3199854 | 110200 | 4.44 |
| 12 | Clearing Member | 152492 | 356 | 0.21 |
| | Total | 72000000 | 111868 | 100.00 |



DEMATERIALISATION

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, 2010, 18.69% of the total paid up equity share capital was held in dematerialisation form of which NSDL constitutes 17.02 % and CDSL constitutes 1.67 %. 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.

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 Kothagudem, 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 Kalasindh, Jhalawar District, Rajasthan.
7. 2 x 500 MW coal based Thermal Power Plant of MAHAGENCO at Chandrapur.
8. 2 x 500 MW coal based Thermal Power Plant of MAHAGENCO at Marwa.

NAME OF THE COMPLIANCE OFFICER AND ADDRESS FOR CORRESPONDENCE

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

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 : May 28, 2010

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 financial statements and the Cash flow Statement of the Company for the year 2009 -10 :
 - 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 indicated to the auditors and the Audit Committee :
 - i) Significant changes in internal control over financial reporting during the year.
 - ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

P.R. EASWAR KUMAR

Chief Financial Officer

B.G. RAGHUPATHY

Chairman & Managing Director

Place : Chennai
Date : May 28, 2010

Declaration from CEO / Auditors' Certificate

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, 2010.

Place : Chennai **B.G. RAGHUPATHY**
Date : May 28, 2010 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 (hereinafter referred to as "the Company"), for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges.

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

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

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

For **MANOHAR CHOWDHRY & ASSOCIATES**
Chartered Accountants

Place : Chennai
Date : May 28, 2010

G R HARI
Partner
M.No.206386

MANAGEMENT DISCUSSION & ANALYSIS

1. ORDER BOOKING FOR 2009-10

During the year under review the Company bagged two prestigious BOP contracts for construction of 4 X 500 MW units for aggregate value of Rs.3268 Crores (2 x 500 MW Chandrapur TPS from MAHAGENCO and 2 x 500 MW Marwa TPP from Chattisgarh State Powergenco). The order from MAHAGENCO which is their second similar order shows their confidence reposed in our capability and paves the way for our position as a leading EPC company for large power plants. The two large EPC contracts secured in 2008-09 from RRVUNL and TNEB and other contracts are being executed satisfactorily.

2. ECONOMIC SCENARIO

The year 2009-10 continued under the throes of the global financial crisis and economic slowdown, though the later part of the year showed significant revival. The Indian economy however achieved significant growth compared to many other economies. Economic experts have predicted that the Asian economy in general and the Indian economy in particular will grow much faster in the next few years. Given the economic environment and the policies of the Union government, the Indian economy is expected to achieve robust growth and provide conducive environment and fillup to various sectors of the Indian Economy.

3. INDIAN POWER SECTOR & BUSINESS OUTLOOK

With the ambitious target for the XII plan and the XIII plan the power sector is poised for rapid growth. Considering the growing demand for power and projects under construction and the completion of projects until the middle of the XI plan period the capacity addition in the power sector is bound to grow. As part of the plan to shift to energy saving technology and lower emissions, the share of super critical thermal power projects will rise. This offers excellent business opportunities to the company to secure large EPC and BOP contracts. Given the thrust of the Union Government to encourage Domestic Equipment Manufacturers and the many initiatives taken, the company is poised for rapid growth in future years.

4. REVIEW OF OPERATIONS

The construction and EPC segment has achieved 68 % growth in terms of sales. The order book of the capital goods segment is quite healthy, and offers good growth opportunities for 2010-11. The company has augmented various resources required for timely completion of contracts including equipment and manpower.

The Vijayawada Thermal Power Station 500 MW BOP contract from APGENCO executed by the Power Projects Division which was synchronized in April 2009 is currently operating at its peak capacity. In the

case of Kakatiya Thermal Power Plant 500 MW BOP, the plant was synchronized in March 2010. Various other contracts of large size power plants are under execution. The contract execution by the Chinese BTG vendor has been satisfactory and the company is confident of completing the two EPC contracts as per contractual conditions.

The Air Fin Cooler Division achieved a turnover of Rs.81 crores during 2009-10 and has booked new orders valuing Rs.189 crores which is the largest order booking by the division in any financial year so far. The division hopes to significantly increase its turnover during 2010-11.

The Environmental Engineering Division has commissioned large Effluent Treatment Plants in Tirupur. The division has received a maiden order for Condensate Polishing Unit (CPU) based on strategic Technical Collaboration and License Agreement with Termomeccanica. The division also commissioned the DM plant for a 2 x 525 MW power plant as per contract schedule.

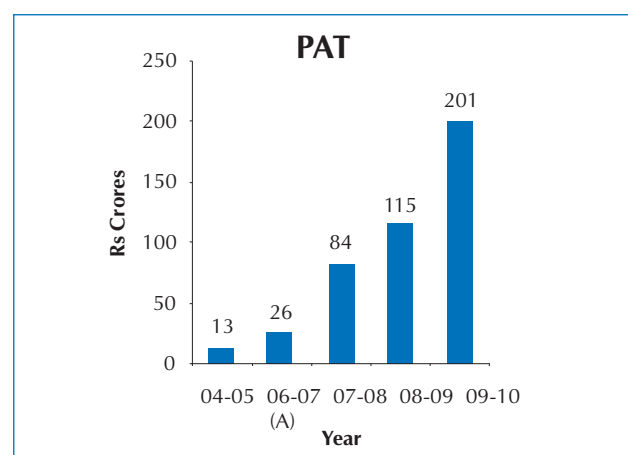
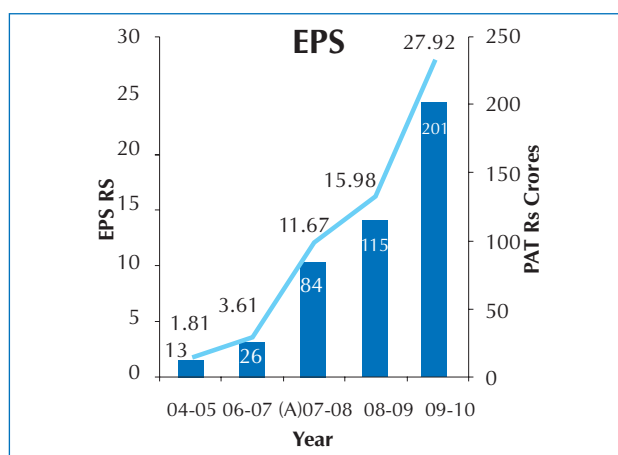
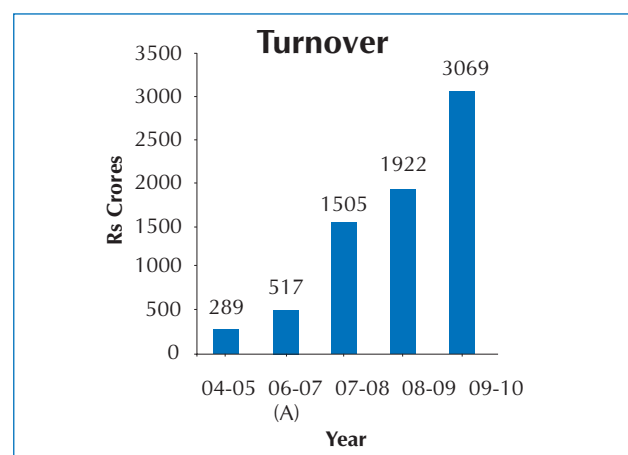
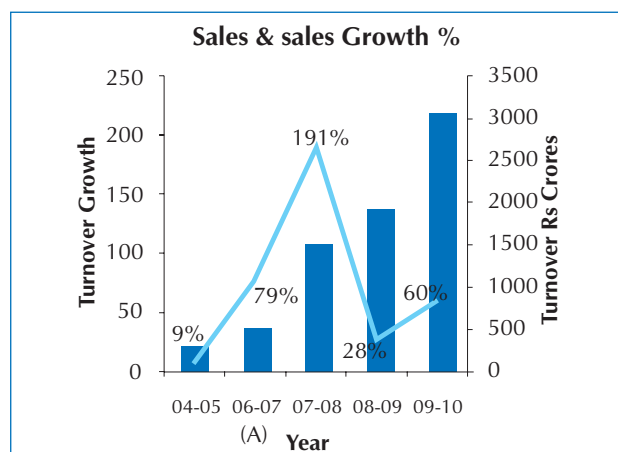
The Electrical Projects Division secured an order for Rs.98 crore from Powergrid Corporation of India Limited for building Optical Fibre ground wire interstate network for a total length of 4500 Kilometers in northern India. The division has also secured an order for 400 Kv and 200 Kv. Gas Insulate switchyard. The division is poised for securing large orders in niche areas.

The Oil and Gas Equipment Division has constructed a new 100% EOU factory to facilitate execution of overseas contracts which will result in tax savings. The contract from SCOP Iraq is now under execution after signing a revised contract and receiving the requisite Letter of Credit.

5. FINANCIAL REVIEW

- The turnover during the year at Rs.3069 Crores registered a growth of 60%.
- EBIDTA at Rs.348 Crores registered a growth of 63%.
- Profit Before Tax at Rs.305 Crores registered a growth of 74%.
- Profit After Tax at Rs.201 Crores registered a growth of 75%.
- The Networth stood at Rs.703 Crores compared to Rs.561 Crores in the previous year.
- The Return on Capital Employed improved to 29.03% as compared to 19.4% in the previous year.
- The EPS for the year improved to Rs 27.92 per share compared to Rs15.98 per share

| Description | Unit | FY 2009-10 | FY 2008-09 |
|-----------------------|-----------|--------------|------------|
| Turnover | (Rs. Cr.) | 3069 | 1922 |
| PBT | (Rs. Cr.) | 305 | 175 |
| PAT | (Rs. Cr.) | 201 | 115 |
| Networth | (Rs. Cr.) | 703 | 561 |
| PBT Ratio | (%) | 9.94 | \9.11 |
| PAT Ratio | (%) | 6.55 | 5.99 |
| Return on Networth | (%) | 28.60 | 20.51 |
| Employee cost to T/o. | (%) | 4.06 | 3.81 |
| Overheads to Turnover | (%) | 3.73 | 3.20 |
| Interest to Turnover | (%) | 1.75 | 3.01 |



6. FINANCIAL HEALTH

The gearing ratio and the liquidity of the company continue to be healthy. The relationship with banks and stakeholders were healthy. The company took several strategic initiatives to gain from interest arbitrage advantages thus reducing the cost of borrowings. The prudent financial management helped the company to bring about overall improvement in profitability and other financial ratios.

7. STRENGTHS, OPPORTUNITIES & THREATS

- Past track record of successful execution of large contracts.
- In-house Design and Engineering capability.
- In-house Packages of equipments manufacture.
- Capability to manage multiple Projects simultaneously.
- Professional management and expertise in project management.

The company is well positioned and gearing up its competence and competitiveness to take up large sized turnkey contracts and to meet future challenges and competition and meet the country's requirements.

8. RISK MANAGEMENT

The nature of business of the company is such that it is exposed to certain risks. M/s. Deloitte Haskins & Sells who have completed risk management assignment framework has identified categories of risks and graded them according to their intensity. Some of the critical risks faced by the Company are (a) risk of fixed price contracts, (b) risk of quality issues arising from customizing standard design of BTGs supplied by third party vendor, (c) over dependence on few vendors for critical supplies (d) risk of non-availability of raw materials and components at competitive prices, (e) non availability of skilled manpower / failure to retain skilled employees; and other inherent risk in contracting business. The company is evaluating these risks periodically and taking several mitigation management measures. A risk management committee will be constituted shortly.

In addition, detailed reviews are done by the Audit Committee and Board quarterly apart from a 4-tier audit system. This is supplemented by SAP inputs already implemented across many modules.

9. AUDIT & INTERNAL CONTROL SYSTEM

As part of the 4 tier audit system, the company has in-house Systems Auditor and Works Auditor. For each division, an external firm of Auditors carry out the Internal Audit. For the Power Projects Division separate external firm of Chartered Accountants carry out the internal audit for each contract. The well defined audit plan is approved by the Audit Committee. In addition, payments are subjected to pre-audit. The statutory auditor reviews the entire audit and control systems. The Chairman of Audit Committee and the Finance Department review the reports of the internal auditors, pre auditors and in-house auditors in detail and the

summary is submitted to the audit committee once in a quarter. The present internal control and audit systems are considered to be adequate.

10. NEW INITIATIVES

- License and Technology transfer agreement was entered into with M/s. Nooter/ Eriksen, USA for design, manufacture and sale of Heat Recovery Steam Generator. The collaboration agreement is initially for 15 years covering transfer of know-how, technical information and training.
- The Company through its majority owned subsidiary Company viz., BGR Turbines Company Private Limited entered into Technical Collaboration agreements with Hitachi Ltd., Japan for 660 MW, 700 MW, 800 MW and 1000 MW Supercritical Steam Turbine and Generator.
- The company through its majority owned subsidiary company viz., BGR Boilers Private Limited entered into Technical Collaboration Agreements with Hitachi Power Europe GmbH, Germany for 660 MW, 800 MW, 1000 MW and 1100 MW Supercritical Steam Generators.
- The existing manufacturing facilities near Chennai are being expanded.

These measures will enable the company to avail emerging opportunities and set a higher pace of growth and a place of prominence among EPC and BOP players in the Country.

11. HUMAN RESOURCES

The manpower of the company stood at over 1700 as at March 31, 2010, compared to 1396 as at March 31, 2009. The company plans to increase the manpower during the current year along with emphasis on training and talent management and productivity.

Quality & Safety are given high priority. Fixing KRAs and benchmarking has been initiated.

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 2010 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 2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2010 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 2010; 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 2010;
 - (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

Place : Chennai
Date : May 28, 2010

G R HARI
Partner
M.No. 206386
FR No. 0019975

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 2010. We report that:

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has conducted physical verification of fixed assets at reasonable intervals and no material discrepancies were noticed on such verification; and
- (c) In our opinion, the fixed assets disposed off during the year were not substantial and therefore, do not affect the going concern assumption.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year;
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business; and
- (c) The company is maintaining proper records of inventory. There are no major material discrepancies noticed on physical verification between book stock and physical stock.
- (iii) (a) The company has granted interest free unsecured loans to 6 parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and the year-end-balance of these loans amounts to Rs. 1973 lakhs and Rs.1719 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 2010 is Rs.1719 lakhs;
- (e) The company has availed interest free unsecured loan from 1 party 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 loan amounts to Rs. 318 lakhs and Rs.33 lakhs respectively;
- (f) In our opinion, the terms and conditions of the loans availed are not prejudicial to the interest of the company; and
- (g) In our opinion and on verification of the books of account, in respect of the above mentioned loan, there has been no regular repayment of the principal amount during the year;
- (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 nor have been informed of any continuing failure to correct major weaknesses in aforesaid internal control system.
- (v) (a) As per the information and explanation furnished by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained u/s. 301 have been entered; and
- (b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public within the meaning of sections 58A, 58AA or any of the relevant provisions of the Act and rules framed there under.
- (vii) In our opinion, the company has an internal audit system commensurate with the size of the company and nature of its business.
- (viii) 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 statutory dues have generally been regularly deposited during the year by the company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Profession Tax, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess were in arrears as at 31st March 2010 for a period of more than six months from the date they became payable; and

Auditors' Report

- (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 Lakhs) | Type of Tax Liability | Forum in which the Appeal is lying in |
|----------------|-----------------------|-----------------------|---|
| 1997 – 98 | 39.23 | Sales Tax | Honorable High Court, Andhra Pradesh |
| 1998 – 99 | 0.12 | Sales Tax | Commercial Tax Officer, Andhra Pradesh |
| 1999 – 00 | 0.11 | Sales Tax | Commercial Tax Officer, Tamilnadu |
| 2001 – 02 | 2.21 | Sales Tax | Appellate Assistant Commissioner, Kancheepuram, Tamil Nadu |
| 2004 – 05 | 5.57 | Sales Tax | Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh |
| 2005 – 06 | 16.96 | Central Sales Tax | Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh |
| 2005 – 06 | 39.98 | Sales Tax | Deputy Commissioner Appeals, Ernakulum, Kerala |
| 2006 – 07 | 2.59 | Sales Tax | Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh |
| 2006 – 07 | 2915.49 | Income tax | Commissioner of Income tax (Appeals), Guntur |
| 2007 – 08 | 7.43 | Sales Tax | Sales Tax Appellate Tribunal, Vishakapatnam, Andhra Pradesh |
| 2007 – 08 | 63.89 | Sales Tax | Honorable High Court, Kerala |
| 2007 – 08 | 32.41 | Service Tax | Commissioner Appeals, Central Excise, Chennai, Tamil Nadu |
| TOTAL | 3125.99 | | |

- (x) The company does not have any accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.

- (xi) In our opinion and according to the information given to us, the company has not defaulted in repayment of dues to any financial institution or banks.
- (xii) In our opinion and according to the explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the company.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) The company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof, in our opinion, are not prejudicial to the interest of the company.
- (xvi) During the year, the company has availed term loans for acquiring various fixed assets. As per the information and explanations provided to us, we are of the opinion that these loans were applied for the purpose for which the same were availed.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment by the company.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) The company has not issued any debentures.
- (xx) The Company has raised net proceeds of Rs. 19,012 lakhs by way of initial public offering (IPO) during the year ended 31st March 2008. Out of this, the Company has utilized Rs. 12,500 lakhs towards augmenting working capital requirements, being one of the objects of issue of IPO, during the year ended 31st March 2010. Balance of net proceeds of initial public offering amounting to Rs. 6,512 lakhs are held as fixed deposits with banks pending utilization towards other objects of the issue as on 31.03.2010. The Company has disclosed the end use of money by way of notes to accounts in point 18 of schedule 14 B.
- (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
Partner

Place : Chennai
Date : May 28, 2010

M.No. 206386
FR No. 001997S

BALANCE SHEET AS AT 31st MARCH, 2010

| Description | Sch. No. | As at 31.03.2010 (Rs. in lakhs) | As at 31.03.2009 (Rs. in lakhs) |
|--|----------|---------------------------------------|---------------------------------------|
| SOURCES OF FUNDS | | | |
| (1) Shareholders' Funds | 1 | | |
| (a) Share Capital | | 7200.00 | 7200.00 |
| (b) Reserves and Surplus | | 63120.20 | 48914.58 |
| (2) Loan Funds | 2 | | |
| (a) Secured Loans | | 53136.07 | 63598.42 |
| (b) Unsecured Loans | | 40124.21 | 7181.67 |
| (3) Deferred Tax Liabilities (Net) | | 15891.20 | 7849.54 |
| Total | | 179471.68 | 134744.21 |
| APPLICATION OF FUNDS | | | |
| (1) Fixed Assets | 3 | | |
| (a) Gross Block | | 17042.75 | 11317.48 |
| (b) Less: Depreciation and Impairment | | 3134.16 | 2211.83 |
| Net Block | | 13908.59 | 9105.65 |
| (c) Capital Work-In-Progress (Including Capital Advances) | | 1036.29 | 541.59 |
| (2) Investments | 4 | 478.00 | 478.00 |
| (3) Current Assets, Loans & Advances | 5 | | |
| (a) Inventories | | 1544.41 | 1248.39 |
| (b) Sundry Debtors | | 197873.06 | 127801.98 |
| (c) Cash and Bank balances | | 102343.43 | 61082.86 |
| (d) Other Current Assets | | 1886.93 | 1858.20 |
| (e) Loans and Advances | | 72704.68 | 64541.96 |
| | | 376352.51 | 256533.39 |
| LESS | | | |
| Current Liabilities & Provisions | 6 | | |
| (a) Liabilities | | 188980.21 | 122898.19 |
| (b) Provisions | | 23323.50 | 9016.23 |
| | | 212303.71 | 131914.42 |
| Net Current Assets | | 164048.80 | 124618.97 |
| Total | | 179471.68 | 134744.21 |
| NOTES ON ACCOUNTS | 14 | | |

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

G.R. HARI
Partner
Membership No.206386

Chennai
May 28, 2010

B.G. RAGHUPATHY
Chairman & Managing Director

S. RATHINAM
Director - Finance

M. GOPALAKRISHNA
Director

HEINRICH BOHMER
Director

T. SANKARALINGAM
Managing Director

A. SWAMINATHAN
Whole Time Director

S.A. BOHRA
Director

R. RAMESH KUMAR
Company Secretary

V. R. MAHADEVAN
Whole Time Director

SASIKALA RAGHUPATHY
Director

S.R. TAGAT
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Profit and Loss Account

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

| Description | Sch. No. | For the year ended 31.03.2010 (Rs. in lakhs) | For the year ended 31.03.2009 (Rs. in lakhs) |
|--|-----------|--|--|
| INCOME | | | |
| Turnover (Gross) | | 307621.76 | 193242.11 |
| Less : Excise Duty | | 696.87 | 1032.37 |
| Turnover (Net) | 7 | 306924.89 | 192209.74 |
| Other Income | 8 | 2470.30 | 3152.26 |
| Increase/ (Decrease) in WIP | | (187.75) | 161.40 |
| | | 309207.44 | 195523.40 |
| EXPENDITURE | | | |
| Cost of Materials | 9 | 218442.83 | 135173.36 |
| Cost of Manufacturing | 10 | 23437.35 | 16915.40 |
| Other Direct Cost | 11 | 6595.55 | 6007.43 |
| Administration, Selling & General Expenses | 12 | 23909.58 | 13468.74 |
| Interest | 13 | 5376.20 | 5793.68 |
| Depreciation and Impairment | 3 | 978.49 | 699.56 |
| | | 278740.00 | 178058.17 |
| | | 30467.44 | 17465.23 |
| PROFIT BEFORE TAX | | | |
| Provision for Taxation | | | |
| Current Tax | | 5181.74 | 1944.19 |
| Deferred Tax | | 8041.66 | 3916.26 |
| MAT Credit Entitlement | | (2858.13) | - |
| Fringe Benefit Tax | | - | 95.69 |
| | | 10365.27 | 5956.14 |
| | | 20102.17 | 11509.09 |
| PROFIT AFTER TAX | | | |
| APPROPRIATIONS | | | |
| Transfer to General Reserve | | 2010.22 | 1150.90 |
| Proposed Dividend | | 5040.00 | 2160.00 |
| Tax on Dividend | | 856.55 | 367.09 |
| | | 7906.77 | 3677.99 |
| | | 12195.40 | 7831.10 |
| PROFIT FOR THE YEAR | | | |
| Earnings Per Equity Share | | | |
| (Face Value Rs.10) | | | |
| Basic - 7.20 (7.20) crores number of shares | | 27.92 | 15.98 |
| Dilluted - 7.21 (7.26) crores number of shares | | 27.88 | 15.86 |
| NOTES ON ACCOUNTS | 14 | | |

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

G.R. HARI
Partner
Membership No.206386

Chennai
May 28, 2010

B.G. RAGHUPATHY
Chairman & Managing Director

S. RATHINAM
Director - Finance

M. GOPALAKRISHNA
Director

HEINRICH BOHMER
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Director

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Company Secretary

V. R. MAHADEVAN
Whole Time Director

SASIKALA RAGHUPATHY
Director

S.R. TAGAT
Director

P.R. EASWAR KUMAR
Chief Financial Officer

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | As at 31.03.2010 (Rs. in lakhs) | As at 31.03.2009 (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 | 7200.00 | 7200.00 |
| | 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. | | |
| | (b) Reserves and Surplus | | |
| | i. Securities Premium | 31252.36 | 31252.36 |
| | ii. General Reserve | | |
| | Opening Balance | 3009.11 | 1858.21 |
| | Add : Transferred during the year | 2010.22 | 1150.90 |
| | | 5019.33 | 3009.11 |
| | iii. Balance in Profit & Loss A/c | | |
| | Opening Balance | 14653.11 | 6822.01 |
| | Add : Profit for the year | 12195.40 | 7831.10 |
| | | 26848.51 | 14653.11 |
| | | 63120.20 | 48914.58 |
| 2. | LOAN FUNDS | | |
| | (a) Secured Loans | | |
| | i. Working Capital Loan from Banks | 48357.63 | 61116.82 |
| | ii. Fixed assets Loans | 1346.51 | 2222.24 |
| | iii. Term Loan from Bank | 3431.93 | 259.36 |
| | | 53136.07 | 63598.42 |
| | (b) Unsecured Loans | | |
| | i. Interest Free Sales Tax Loan | 119.42 | 181.67 |
| | ii. From Banks | 40004.79 | 7000.00 |
| | | 40124.21 | 7181.67 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010
3. FIXED ASSETS

(Rs.in Lakhs)

| PARTICULARS | GROSS BLOCK | | | DEPRECIATION | | | IMPAIRMENT LOSS | NET BLOCK | |
|----------------------------|------------------|---------------------------|---------------------------|------------------|------------------|---------------------------|---------------------------|------------------|-------------------------------|
| | As at 31.03.2009 | Additions During the year | Deletions During the year | As at 31.03.2010 | Up to 31.03.2009 | Additions During the year | Deletions During the year | Up to 31.03.2010 | For the year ended 31.03.2010 |
| TANGIBLE ASSETS | | | | | | | | | |
| Land | 1083.06 | - | - | 1083.06 | - | - | - | - | - |
| Buildings | 249.07 | 138.64 | - | 387.71 | 77.67 | 8.33 | - | 86.00 | - |
| Plant & Machinery | 6879.00 | 4432.67 | 85.63 | 11226.04 | 1253.64 | 481.58 | 5.87 | 1729.35 | - |
| Furniture & Fixtures | 102.94 | 59.08 | - | 162.02 | 25.53 | 10.27 | - | 35.80 | - |
| Office Fixtures | 208.54 | 3.76 | - | 212.30 | 80.67 | 38.27 | - | 118.94 | - |
| Office Equipments | 629.16 | 135.64 | 36.85 | 727.95 | 126.56 | 89.18 | 35.03 | 180.71 | 10.71 |
| Electrical Installations | 82.35 | 24.73 | 0.37 | 106.71 | 34.39 | 4.87 | 0.08 | 39.18 | - |
| Vehicles | 1098.76 | 140.99 | 32.59 | 1207.16 | 270.25 | 104.57 | 15.18 | 359.64 | - |
| INTANGIBLE ASSETS * | | | | | | | | | |
| Technical Know-How | 296.15 | 464.62 | - | 760.77 | 153.46 | 47.42 | - | 200.88 | - |
| Software | 688.45 | 480.58 | - | 1169.03 | 189.66 | 183.29 | - | 372.95 | - |
| TOTAL | 11317.48 | 5880.71 | 155.44 | 17042.75 | 2211.83 | 967.78 | 56.16 | 3123.45 | 10.71 |
| As at 31.03.2009 | 6104.34 | 5425.00 | 211.86 | 11317.48 | 1595.92 | 697.32 | 83.65 | 2209.59 | 2.24 |

* Both the assets are other than internally generated.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | As at 31.03.2010 (Rs. in lakhs) | As at 31.03.2009 (Rs. in lakhs) |
|-----------|--|---------------------------------|---------------------------------|
| 4. | INVESTMENTS | | |
| | Trade Quoted (at cost) : | | |
| | i) Indian Bank 13,970 Equity Shares of Rs. 91 per share Market Value Rs.175.40 per share as on 31.03.2010 (Market Value Rs.82.20 per share as on 31.03.2009) | 12.71 | 12.71 |
| | ii) SBI Mutual Fund-Magnum Multi Cap Fund Dividend 50,000 units of Rs.10 each NAV Rs.13.41 per unit as on 31.03.2010 (NAV Rs.7.34 per unit as on 31.03.2009) | 5.00 | 5.00 |
| | iii) SBI Mutual Fund-Infrastructure Fund - I - Growth 2,50,000 units of Rs.10 each NAV Rs.10.29 per unit as on 31.03.2010 (NAV Rs.5.65 per unit as on 31.03.2009) | 25.00 | 25.00 |
| | 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 | 478.00 |

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | As at 31.03.2010 (Rs. in lakhs) | As at 31.03.2009 (Rs. in lakhs) |
|-----------|--|---------------------------------|---------------------------------|
| 5. | CURRENT ASSETS, LOANS AND ADVANCES | | |
| a) | Inventories | | |
| | (i) Raw Material, Consumables, Bought outs and Components | 1477.70 | 993.93 |
| | (ii) Work-in-Progress | 66.71 | 254.46 |
| | | 1544.41 | 1248.39 |
| b) | Sundry Debtors | | |
| | (Unsecured and Considered good) | | |
| | Over six Months | 5194.69 | 3560.28 |
| | Others | 192678.37 | 124241.70 |
| | | 197873.06 | 127801.98 |
| c) | Cash and Bank Balances | | |
| | i. Cash Balance | 37.35 | 18.99 |
| | ii. Bank Balances with Scheduled Banks | | |
| | - Current Account | 13722.88 | 1563.63 |
| | - Deposit Account | 88580.89 | 59497.86 |
| | iii. Bank Balances with Non Scheduled Banks | | |
| | - Current Account | 2.31 | 2.38 |
| | | | |
| | Maximum balance outstanding during the year | | |
| | 2009-10 | 2008-09 | |
| | Bank of Alexandria, Egypt | 2.38 | 6.73 |
| | | 102343.43 | 61082.86 |
| d) | Other Current Assets | | |
| | Interest accrued on deposits | 1607.95 | 1579.22 |
| | Share Capital Advance | 278.98 | 278.98 |
| | | 1886.93 | 1858.20 |
| e) | Loans and Advances | | |
| | (i) Advances recoverable in cash or in kind or for value to be received | | |
| | a) Secured, Considered Good | 30580.26 | 32692.07 |
| | b) Unsecured, Considered Good | 33921.14 | 26636.85 |
| | (Includes Rs.559.78 Lakhs (Rs.620.04 Lakhs) due from Progen Systems and Technologies Ltd, a subsidiary of this company. The maximum balance outstanding during the year is Rs. 658.28 Lakhs (Rs. 743.41 Lakhs) | | |
| | (ii) MAT Credit Entitlement | 7247.82 | 4389.69 |
| | (iii) Deposits | 955.46 | 823.35 |
| | | 72704.68 | 64541.96 |

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | As at 31.03.2010 (Rs. in lakhs) | As at 31.03.2009 (Rs. in lakhs) |
|-----------|--|---------------------------------------|---------------------------------------|
| 6. | CURRENT LIABILITIES AND PROVISIONS | | |
| | (a) Current Liabilities | | |
| | Sundry Creditors due to Micro and Small Enterprise | 74.78 | 153.00 |
| | Sundry Creditors - Others | 110259.05 | 44004.90 |
| | Advances from Customers | 74731.47 | 66851.98 |
| | Other Liabilities | 3854.26 | 11854.31 |
| | Interest accrued but not due | 60.65 | 34.00 |
| | | 188980.21 | 122898.19 |
| | (b) Provisions | | |
| | Income Tax | 9448.03 | 4239.98 |
| | Proposed Dividend | 5040.00 | 2160.00 |
| | Tax on Dividend | 856.55 | 367.09 |
| | Gratuity | 38.29 | 69.72 |
| | Warranty & Contractual Obligations | 7940.63 | 2179.44 |
| | | 23323.50 | 9016.23 |

| Sch. No. | Description | For the year ended 31.03.2010 (Rs. in lakhs) | For the year ended 31.03.2009 (Rs. in lakhs) |
|-----------|---------------------------------------|---|---|
| 7. | SALES & SERVICES | | |
| | Sale of Manufactured Goods | 12057.43 | 14549.75 |
| | Less: Excise Duty | 696.87 | 1032.37 |
| | Net Sale of Manufactured Goods | 11360.56 | 13517.38 |
| | Contracting Income | 295507.99 | 178352.45 |
| | Erection & Service Income | 56.34 | 339.91 |
| | | 306924.89 | 192209.74 |
| 8. | OTHER INCOME | | |
| | Dividend from Investments - Trade | 0.77 | 243.86 |
| | Dividend from Investments - Non Trade | 2.00 | 1.00 |
| | Profit on Sale of Fixed Assets (Net) | - | 15.06 |
| | Foreign Exchange Variation (Net) | - | 420.61 |
| | Interest on Fixed Deposits | 2014.87 | 2396.14 |
| | Others | 452.66 | 75.59 |
| | | 2470.30 | 3152.26 |

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | For the year ended 31.03.2010 (Rs. in lakhs) | For the year ended 31.03.2009 (Rs. in lakhs) |
|------------|--|--|--|
| 9. | COST OF MATERIALS | | |
| | Opening Inventory | 993.93 | 1178.53 |
| | (Raw materials, Consumables, Bought Outs and components) | | |
| | Add : Purchases | 218926.60 | 134988.76 |
| | | 219920.53 | 136167.29 |
| | Less: Closing Inventory | 1477.70 | 993.93 |
| | (Raw materials, Consumables, Bought Outs and components) | | |
| | | 218442.83 | 135173.36 |
| 10. | COST OF MANUFACTURING | | |
| | Part Processing Charges | 23228.77 | 16749.21 |
| | Power & Fuel | 208.58 | 166.19 |
| | | 23437.35 | 16915.40 |
| 11. | OTHER DIRECT COST | | |
| | Agency Commission | 630.22 | 340.66 |
| | Insurance | 348.61 | 212.40 |
| | Bank Charges | 4831.79 | 3346.09 |
| | Professional Fees | 384.67 | 951.96 |
| | Packing & Forwarding | 400.26 | 1156.32 |
| | | 6595.55 | 6007.43 |

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | For the year ended 31.03.2010 (Rs. in lakhs) | For the year ended 31.03.2009 (Rs. in lakhs) |
|------------|---|--|--|
| 12. | ADMINISTRATION, SELLING & GENERAL EXPENSES | | |
| | Rent | 1001.66 | 692.95 |
| | Repairs to Building | 22.69 | 33.76 |
| | Repairs to Machinery | 43.00 | 84.47 |
| | Repairs & Maintenance | 299.78 | 312.15 |
| | Salaries and Allowances | 10366.95 | 6313.56 |
| | Bonus | 86.99 | 24.80 |
| | Contribution to P.F., E.S.I., & Gratuity | 422.39 | 354.99 |
| | Workmen & Staff Welfare Expenses | 1599.88 | 620.38 |
| | Insurance | 68.27 | 53.19 |
| | Rates and Taxes | 112.03 | 51.62 |
| | Electricity Charges | 199.60 | 116.01 |
| | Administration Expenses | 513.51 | 513.55 |
| | Auditor's Remuneration | | |
| | For Audit | 2009-10 34.00 2008-09 26.43 | |
| | For Taxation Matters | 4.00 4.41 | |
| | For Certification | 2.69 1.41 | |
| | Bank Charges | 30.38 | 25.45 |
| | Bad Debts Written Off | 651.54 | 371.58 |
| | Conveyance and Vehicle Running Expenses | 231.66 | 398.37 |
| | Selling Expenses | 487.67 | 329.67 |
| | Loss on Sale of Fixed Assets (Net) | 2.31 | - |
| | Provision for Contractual Obligation | 5399.42 | 1650.25 |
| | Professional Charges | 792.86 | 614.06 |
| | Foreign Exchange Variation (Net) | 379.86 | - |
| | Sitting Fees | 7.17 | 6.93 |
| | Security Charges | 61.35 | 44.28 |
| | Telephone, Telex, Fax, Courier & Postage | 199.72 | 209.96 |
| | Travelling Expenses - Inland | 609.02 | 444.45 |
| | Travelling Expenses - Overseas | 279.18 | 170.06 |
| | | 23909.58 | 13468.74 |
| 13. | INTEREST | | |
| | Interest on Bank Credit | 5087.55 | 5476.01 |
| | Interest on Term Loan | 281.85 | 239.41 |
| | Interest Others | 6.80 | 78.26 |
| | | 5376.20 | 5793.68 |

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

B.G. RAGHUPATHY
Chairman & Managing Director

T. SANKARALINGAM
Managing Director

V. R. MAHADEVAN
Whole Time Director

S. RATHINAM
Director - Finance

A. SWAMINATHAN
Whole Time Director

SASIKALA RAGHUPATHY
Director

G.R. HARI
Partner
Membership No.206386

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

S.R. TAGAT
Director

Chennai
May 28, 2010

HEINRICH BOHMER
Director

R. RAMESH KUMAR
Company Secretary

P.R. EASWAR KUMAR
Chief Financial Officer

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 through Straight Line Method.

e. Investments

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

f. Earnings Per Share (EPS)

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

g. Revenue Recognition

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

h. Inventories

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

i. Foreign Currency Transactions

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

j. Cash Flows

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

k. Income Taxes

Tax expense comprises of current tax, 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.

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

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

l. Impairment of Assets

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

m. Employee Benefits

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

n. Borrowing Costs

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

o. Leases

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

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

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

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

p. Provisions

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

q. Contingent Liabilities

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

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

B. NOTES TO ACCOUNTS

1. SECURED LOANS

- a) Term Loan of Rs. 1380.62 lakhs from State Bank of Travancore (Rs.Nil) is secured by a first charge on fixed assets 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 Chairman & Managing Director of the company. The loan from State Bank of India and State Bank of Hyderabad is further secured by a second charge on the fixed assets of the company.
- c) The company has availed contract specific Working Capital loans from State Bank of India, State Bank of Hyderabad, State Bank of Travancore, State Bank of Patiala, State Bank of Bikaner & Jaipur, UCO Bank, State Bank of Indore, State Bank of Mysore, IDBI Bank, Punjab National Bank, Vijaya Bank, Indian Bank, Indian

Overseas Bank , Corporation Bank, Allahabad Bank, Bank of India, Andhra Bank, Central Bank of India, Syndicate Bank, Axis Bank and The Karur Vysya Bank Limited. These loans are secured by hypothecation of inventories, book debts and movable current assets of the respective contracts. The participating banks share the security on pari-passu basis. Certain specific project loans are further secured by personal guarantees of two Directors, including the Chairman & Managing Director of the company.

- d) Term Loan from Corporation Bank Rs.27.89 Lakhs (Rs.259.36 Lakhs) is secured against the Fixed Assets acquired
- e) Secured Loans includes Rs. 3369.92 lakhs (Rs.2222.24 lakhs) for which the respective Fixed Assets acquired under Loan are held as security.

2. CONTINGENT LIABILITIES, GUARANTEES & CAPITAL COMMITMENTS (Rs. in Lakhs)

| Particulars | | As at 31.03.2010 | As at 31.03.2009 |
|-------------|---|---------------------|---------------------|
| A | CONTINGENT LIABILITIES | | |
| | Claims against the company not acknowledged as debt | | |
| | a) On account of Sales Tax | 178.09 | 156.22 |
| | b) On account of Income Tax | 2915.49 | - |
| | c) On account of Service Tax | 32.41 | - |
| | d) On account of Contractual Obligations | 2350.25 | 2930.36 |
| | GUARANTEES | | |
| | Guarantees and Counter Guarantees given on behalf of Subsidiary and Other Company | 775.83 | 844.00 |
| B | CAPITAL COMMITMENTS | | |
| | Estimated amount of contracts remaining to be executed on capital account | 1371.63 | 682.66 |

3. CAPACITY AND PRODUCTION

| Sl No | Particulars | UNITS | INSTALLED FOR THE | | PRODUCTION FOR THE | | SALES FOR THE | |
|-------|---------------------------|----------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| | | | Year ended 31.03.2010 | Year ended 31.03. 2009 | Year ended 31.03.2010 | Year ended 31.03. 2009 | Year ended 31.03.2010 | Year ended 31.03. 2009 |
| 1 | Air Cooled Heat Exchanger | No. of Bundles | 600 | 600 | 496 | 438 | 496 | 438 |
| 2 | Deaerators | Nos | 25 | 25 | 11 | 20 | 11 | 20 |
| 3 | Oil and Gas Equipment | Nos | 65 | 65 | 53 | 62 | 53 | 62 |

4. SUMMARY OF SALES (Rs. in Lakhs)

| Particulars of Sales | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|---|-------------------------------------|-------------------------------------|
| Manufactured Equipment for Power / Process sector | 11360.56 | 13517.38 |
| Contract Income | 295507.99 | 178352.45 |
| Erection and Services Income | 56.34 | 339.91 |
| Total | 306924.89 | 192209.74 |

5. VALUE OF IMPORTS ON CIF BASIS

(Rs. in Lakhs)

| Particulars | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|--|----------------------------------|----------------------------------|
| Raw Materials, Components, Consumables & Spare parts | 97358.80 | 24201.88 |
| Capital Items | 3042.97 | 59.03 |

6. DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED

| Sl No | Particulars | Units | For the year ended 31.03.2010 | | For the year ended 31.03.2009 | |
|-------|---------------------------|-------|----------------------------------|-------------------------|----------------------------------|-------------------------|
| | | | Qty (Lakhs) | Value (Rs. in Lakhs) | Qty (Lakhs) | Value (Rs. in Lakhs) |
| 1 | Steel Plates | Kgs | 44.62 | 1798.34 | 34.66 | 2080.43 |
| 2 | Structural | Mtrs | 18.91 | 868.15 | 35.49 | 1379.70 |
| 3 | Pipes, Tubes and Fittings | Kgs | 14.58 | 2785.38 | 5.08 | 2389.97 |
| 4 | Bought Outs – Mechanicals | Lots | | 89586.44 | | 53220.02 |
| 5 | Bought Outs – Electrical | Lots | | 53592.58 | | 32761.61 |
| 6 | Aluminum Fin Strips | Kgs | 9.28 | 1275.74 | 6.01 | 1303.86 |
| 7 | Elbows, Rounds & Others | Lots | | 18146.77 | | 11001.35 |
| 8 | Consumables | Lots | | 34508.06 | | 21184.24 |
| 9 | Stores | Lots | | 13870.57 | | 8622.59 |
| 10 | Electrical Cables | Lots | | 2010.80 | | 1229.59 |
| | Total | | | 218442.83 | | 135173.36 |

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

| Particulars | For the year ended 31.03.2010 (Rs. in lakhs) | % | For the year ended 31.03.2009 (Rs. in lakhs) | % |
|--------------|--|-------|--|-------|
| Imported | 116391.39 | 53.28 | 24140.68 | 17.86 |
| Indigenous | 102051.44 | 46.72 | 111032.68 | 82.14 |
| Total | 218442.83 | | 135173.36 | |

8. EXPENDITURE IN FOREIGN CURRENCY

(Rs. in Lakhs)

| Particulars | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|--|----------------------------------|----------------------------------|
| Travelling | 93.39 | 96.67 |
| Part Processing and Professional charges | 0.63 | 219.53 |
| Commission on sales | 417.27 | 657.96 |
| Royalty | - | 92.96 |
| Agency Commission, Bank Charges & Others | 999.31 | 57.75 |
| Capital Items | 3042.97 | 59.03 |
| Total | 4553.57 | 1183.90 |

9. EARNINGS IN FOREIGN CURRENCY

(Rs. in Lakhs)

| Particulars | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|--------------|-------------------------------|-------------------------------|
| Sales | 33506.03 | 8416.35 |
| Services | 254.31 | – |
| Total | 33760.34 | 8416.35 |

10. MANAGERIAL REMUNERATION

a. COMPUTATION OF COMMISSION PAYABLE TO MANAGERIAL PERSONNEL

(Rs.in Lakhs)

| Particulars | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|---|-------------------------------|-------------------------------|
| Profit as per Profit and Loss A/c | 30467.44 | 17465.23 |
| Add: | | |
| Directors remuneration including commission | 2144.29 | 1045.04 |
| Directors sitting fees | 7.17 | 6.93 |
| Loss / (Profit) on sale of assets | 2.31 | (15.06) |
| Total | 32621.22 | 18502.14 |
| Remuneration to Chairman & Managing Director @ 5% on above profits of the Company | 1631.06 | 925.11 |
| Less: Salaries, Allowances and perquisites to Chairman & Managing Director | 138.81 | 139.23 |
| Commission to Chairman & Managing Director | 1492.25 | 785.88 |

b. MANAGERIAL REMUNERATION TO DIRECTORS (INCLUDING MANAGING DIRECTORS)

(Rs.in Lakhs)

| Particulars | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|---|-------------------------------|-------------------------------|
| Salaries and Allowances | 647.62 | 254.33 |
| Perquisites to Chairman & Managing Director | 4.41 | 4.83 |
| Commission to Chairman & Managing Director | 1492.25 | 785.88 |
| Total | 2144.28 | 1045.04 |

11. **SUNDRY DEBTORS** – Others includes Rs.74953.81 lakhs (Rs.56512.94 lakhs) which, in accordance with the terms of the contracts were not due for payments as at 31st March 2010.

12. CASH AND BANK BALANCES

- Deposits amounting to Rs. 44639.51 lakhs (Rs.20384.06 lakhs) are under lien to Banks.
- The balance of Cash and Cash equivalents includes Rs. 8.01 Lakhs (Rs.3.71 Lakhs) as at 31st March 2010 set aside for payment of Dividends.
- Bank balances of Rs.3.68 Lakhs (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) terminated the contract on 28.05.2007. Consequently, the end client 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) contested the termination of the contract and had taken steps to constitute the Disputes Review Board (DRB) in terms of the contract. The DRB has given recommendations partly allowing the claim of the JV. The JV has preferred to approach the Tribunal by invoking the arbitration proceedings. The Tribunal has been constituted and proceedings will commence shortly. In anticipation of determination of the dispute and based on the legal opinion, the company has identified a sum of Rs. 1654.35 lakhs (Rs.1654.35 lakhs) as on 31.03.2010 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. The Company has identified a sum of Rs. 1460.72 Lakhs (Rs.1460.72 lakhs) as on 31.03.2010 as recoverable advances from the end client through the JV and is shown under loans and advances. The judgement regarding restitution of Bank Guarantees has been reserved on 08.03.2010. The same is still awaited.

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

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

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

(Rs.in Lakhs)

| Sl No. | Particulars | As at 31.03.2010 | As at 31.03.2009 |
|--------|---|---------------------|---------------------|
| 1 | Amount due to Vendors | 74.78 | 153.00 |
| 2 | Interest due on (1) above and unpaid | 8.51 | 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)

| Sl No. | Particulars | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|--------|---|-------------------------------------|-------------------------------------|
| a. | The aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date | 569899.00 | 334838.24 |
| b. | The amount of advances received | 69464.48 | 61085.74 |
| c. | The amount of retentions | 74953.81 | 51364.51 |
| d. | The gross amount due from customers for contract work as an asset | 52806.97 | 36751.13 |
| e. | The gross amount due to customers for contract work as a liability | 19091.21 | 37279.89 |

18. UTILISATION OF IPO FUNDS

The company has raised Rs.19012 Lakhs from IPO (Net of Issue Expenses) during the year 2007-2008. Rs.12500 Lakhs has been utilized towards working capital requirement, being one of the objects of the issue. The balance of Rs.6512 Lakhs, pending utilization are held as deposits in banks.

19. 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 | 2009-10 | 2008-09 |
|---|---------|---------|
| Employer's Contribution to Provident Fund | 213.82 | 164.99 |
| Employer's Contribution to Pension Scheme | 106.21 | 73.50 |

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) 2009-10 | Gratuity (Funded) 2008-09 |
|---|---------------------------|---------------------------|
| Defined Benefit obligation at beginning of the year | 342.50 | 248.02 |
| Current service cost | 101.38 | 37.87 |
| Interest cost | 27.22 | 19.84 |
| Actuarial (gain)/loss | (62.74) | 52.66 |
| Settlement cost | Nil | Nil |
| Curtailment cost | Nil | Nil |
| Benefits paid | (4.37) | (15.89) |
| Defined Benefit obligation at year end | 403.99 | 342.50 |

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

| Particulars | Gratuity (Funded) 2009-10 | Gratuity (Funded) 2008-09 |
|--|---------------------------|---------------------------|
| Fair value of plan assets at beginning of the year | 272.78 | 83.64 |
| Expected return on plan assets | 24.19 | 13.47 |
| Actuarial gain/(loss) | 9.59 | 6.21 |
| Employer contribution | 63.52 | 185.35 |
| Benefits paid | (4.37) | (15.89) |
| Fair value of plan assets at the year end | 365.71 | 272.78 |
| Actual return on plan asset | 33.78 | 19.68 |

III Reconciliation of Fair value of assets and obligations

(Rs. in Lakhs)

| Particulars | Gratuity (Funded) 2009-10 | Gratuity (Funded) 2008-09 |
|--|---------------------------------|---------------------------------|
| Fair value of plan assets (a) | 365.71 | 272.78 |
| Present value of obligation (b) | 403.99 | 342.50 |
| Present Value of obligation unfunded at the end of the year recognized as liability as on 31.03.2010 (b-a) | 38.28 | 69.72 |

IV. Expense recognized during the year

(Rs. in Lakhs)

| Particulars | Gratuity (Funded) 2009-10 | Gratuity (Funded) 2008-09 |
|---|---------------------------------|---------------------------------|
| Current service cost | 101.38 | 37.87 |
| Interest cost | 27.22 | 19.84 |
| Expected return on plan assets | (24.19) | (13.47) |
| Actuarial (gain) / loss | (72.34) | 46.45 |
| Net Cost included under contribution to gratuity. | 32.08 | 90.69 |

V. Actuarial assumptions

(Rs. in Lakhs)

| Particulars | Gratuity (Funded) 2009-10 | Gratuity (Funded) 2008-09 |
|--|---------------------------------|---------------------------------|
| Mortality Table (LIC) | (Ultimate) 94-96 | (Ultimate) 94-96 |
| Discount rate (per annum) | 8.00% | 7.5% |
| Expected rate of return on plan assets (per annum) | 8.00% | 7.5% |
| 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.

20. SEGMENTAL REPORTING

Information about Business Segments (information provided in respect of revenue items for the 12 months period ended 31.03.2010 and in respect of assets / liabilities as at 31.03.2010) are furnished below:

(Rs. in Lakhs)

| Particulars | For the year ended 31.03.2010 | | | For the year ended 31.03.2009 | | |
|--|-------------------------------|--|-----------|-------------------------------|--|-----------|
| | Capital Goods Segment | Construction and EPC Contracts Segment | Total | Capital Goods Segment | Construction and EPC Contracts Segment | Total |
| a) Revenue - Gross | 17519.14 | 290102.62 | 307621.76 | 20180.55 | 173061.56 | 193242.11 |
| b) Result | 2062.32 | 31763.68 | 33826.00 | 1619.18 | 18998.73 | 20617.91 |
| Add: Un allocable Income net of expenditure | | | 2017.64 | | | 2641.00 |
| Profit Before Interest and Tax | | | 35843.64 | | | 23258.91 |
| Interest | | | 5376.20 | | | 5793.68 |
| Profit Before Tax | | | 30467.44 | | | 17465.23 |
| Provision for Taxation | | | | | | |
| - Provision for Current Tax | | | 5181.74 | | | 1944.19 |
| - Provision for Deferred Tax | | | 8041.66 | | | 3916.26 |
| - MAT Credit Entitlement | | | (2858.13) | | | - |
| - Provision for FBT | | | - | | | 95.69 |
| - Total | | | 10365.27 | | | 5956.14 |
| Net Profit After Tax | | | 20102.17 | | | 11509.09 |
| c) Assets | 19026.04 | 353276.99 | 372303.03 | 25836.51 | 208849.76 | 234686.27 |
| Add: Unallocated Corporate Assets | | | 19472.36 | | | 31972.36 |
| Total Assets | | | 391775.39 | | | 266658.63 |
| d) Liabilities | 15342.04 | 266898.45 | 282240.49 | 14159.71 | 179518.57 | 193678.28 |
| Add: Unallocated Corporate Liabilities | | | 39214.70 | | | 16865.77 |
| Total Liabilities | | | 321455.19 | | | 210544.05 |
| e) Capital Assets acquired during the year | 749.94 | 5130.77 | 5880.71 | 252.18 | 5172.82 | 5425.00 |
| f) Depreciation and Impairment | 130.73 | 847.76 | 978.49 | 107.03 | 592.53 | 699.56 |

21. PARTICULARS OF RELATED PARTIES

List of Related Parties

a. Subsidiary Companies

Progen Systems and Technologies Ltd

b. Associate Company – Nil

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 Pvt Ltd
- vii. Cuddalore Powergen Corporation Ltd

d. Joint Ventures

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

e. Key Management Personnel :

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

f. Relatives of Key Management Personnel

- i. Ms. 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 | Other Companies | Key Management Personnel | Relatives | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|---------------------|----------------------|-----------------|--------------------------|-----------|-------------------------------|-------------------------------|
| Sales | - | 2154.69 | - | - | 2154.69 | 1124.72 |
| Purchases | 276.77 | 1279.07 | - | - | 1555.84 | 2560.77 |
| Advances Received | - | 30.36 | - | - | 30.36 | 25.58 |
| Remuneration | - | - | 2144.28 | 8.98 | 2153.26 | 1051.57 |
| Rent | 110.92 | 33.09 | 39.71 | - | 183.72 | 66.75 |
| Others | - | - | 11.03 | - | 11.03 | 468.60 |
| Balance Outstanding | 647.75 | 1038.35 | - | - | 1686.10 | 1489.68 |

22. LEASES

Finance Lease

- i. Plant and Machinery amounting to Rs. 686.72 Lakhs (Rs.686.72 lakhs) on Finance Lease and the written down value of these assets as on 31.3.2010 is Rs. 357.96 lakhs (Rs.447.50 lakhs)
- ii. The minimum lease rentals as at 31st March 2010 and the present value of minimum lease payments as at 31st March 2010 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 31.03.2010 | As on 31.03.2009 | As on 31.03.2010 | As on 31.03.2009 |
| Payables not later than one year | - | 25.11 | - | 24.84 |
| Payable later than 1 year and not later than 5 years | - | - | - | - |
| Payable later than 5 years | - | - | - | - |
| TOTAL | - | 25.11 | - | 24.84 |
| Less : Future Finance Charges | - | 0.27 | - | - |
| Present Value of Minimum lease payments | - | 24.84 | - | - |

Operating Lease

The minimum lease rentals as at 31st March 2010 in respect of assets acquired under Operating lease are as follows.

- Paid till 31.03.2010 is Rs. 137.20 Lakhs (Rs.137.20 Lakhs)
- Payable not later than 1 Year is Rs.NIL (Rs. NIL)
- Payable later than 1 year and not later than 5 Years is Rs. Nil (Rs. Nil)

23. DEFERRED TAXES

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

(Rs. in Lakhs)

| Component | Deferred Tax Asset as on 31.03.2010 | Deferred Tax Liability as on 31.03.2010 | Deferred Tax Asset as on 31.03.2009 | Deferred Tax Liability as on 31.03.2009 |
|------------------------|--|--|--|--|
| Depreciation | - | 705.29 | - | 428.59 |
| R & D | - | 33.06 | - | 33.06 |
| Impairment of Assets | 43.33 | - | 39.69 | - |
| Contractual Obligation | 2396.18 | - | 560.92 | - |
| Gratuity | 34.79 | - | 36.56 | - |
| PL Encashment | 127.97 | - | 67.42 | - |
| Others | 13.27 | - | 10.28 | - |
| Retention Money | - | 17768.39 | - | 8102.76 |
| TOTAL | 2615.54 | 18506.74 | 714.87 | 8564.41 |
| Net | | 15891.20 | | 7849.54 |

24. EMPLOYEE STOCK OPTION SCHEME

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

Employee Stock Option Plan – 2007

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

ESOP 2007 provides for grant of options amounting to not more than 1.5% of the issued and paid up equity capital of the company outstanding at any point of time to officers, directors and Key employees to purchase Equity shares of face value of Rs.10 each, with such option conferring a right upon the employee to apply for one equity shares of the company, in accordance with the terms and conditions of such issue. The exercise price of the option is 85% of the issue price (Issue Price is Rs.480, 85% of Issue Price is Rs.408)

Vesting Schedule

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

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

For Employees less than 3 years (Category-2)

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

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

| Particulars | 2009-10 | 2008-09 |
|--|---------|---------|
| No of options outstanding in the beginning of the year | 571240 | 704770 |
| No of options granted during the year | - | - |
| No of options vested during the year | 129273 | 208780 |
| Options forfeited during the year | 38470 | 133530 |
| No of options exercised during the year | - | - |
| No of options outstanding at the end of the year | 532770 | 571240 |

25. EARNINGS PER SHARE

(Rs. in Lakhs)

| Particulars | For the Year ended 31.03.2010 | For the Year ended 31.03.2009 |
|---|-------------------------------|-------------------------------|
| Basic EPS | | |
| Profit after tax as per accounts A | 20102.17 | 11509.09 |
| Weighted Average Number of shares (Face Value Rs.10 per share) subscribed (Lakh Nos.) B | 720 | 720 |
| Basic EPS (Rs.) A / B | 27.92 | 15.98 |
| Diluted EPS | | |
| Profit for the year for Basic EPS A | 20102.17 | 11509.09 |
| Less: Adjustment C | - | - |
| Adjusted Profit for Diluted EPS D = A - C | 20102.17 | 11509.09 |
| Weighted average number of Equity shares for Basic EPS (Lakh Nos.) E | 720 | 720 |
| Add: Adjustment | - | - |
| a. Employee Stock Option Payment F | 0.95 | 5.71 |
| b. Share Application Advance G | - | - |
| Weighted average number of Equity shares (Face Value Rs.10 per share) for Diluted EPS (Lakh Nos.) H = E + F + G | 720.95 | 725.71 |
| Diluted EPS (Rs.) I = D / H | 27.88 | 15.86 |

26. 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.

27. 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.10.71 lakhs (Rs. 2.24 lakhs) in the books of accounts towards impairment of other fixed assets based on the technical valuation.

28. PROVISIONS

The company has made a provision of Rs. 5773.18 Lakhs (Rs.1890.73 Lakhs) towards Warranty and Contractual obligations on the products supplied / contracts executed by the company during the year 2009-2010.

Movement in provisions

(Rs. in Lakhs)

| Particulars | Provision for Warranty 2009-10 | Provision for Contractual obligations 2009-10 | Provision for Warranty 2008-09 | Provision for Contractual Obligations 2008-09 |
|---------------------------|--------------------------------------|--|--------------------------------------|--|
| Opening Balance | 529.18 | 1650.25 | 288.70 | - |
| Add :Additional provision | 373.76 | 5399.42 | 240.48 | 1650.25 |
| Less : a) Provision used | - | - | - | - |
| b) Provision reversed | 11.99 | - | - | - |
| Closing Balance | 890.95 | 7049.67 | 529.18 | 1650.25 |

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

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

G.R. HARI
Partner
Membership No.206386

Chennai
May 28, 2010

B.G. RAGHUPATHY
Chairman & Managing Director

S. RATHINAM
Director - Finance

M. GOPALAKRISHNA
Director

HEINRICH BOHMER
Director

T. SANKARALINGAM
Managing Director

A. SWAMINATHAN
Whole Time Director

S.A. BOHRA
Director

R. RAMESH KUMAR
Company Secretary

V. R. MAHADEVAN
Whole Time Director

SASIKALA RAGHUPATHY
Director

S.R. TAGAT
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Abstract and Profile

1. Registration Details

| | |
|--------------------|-----------------------|
| Registration No. | L40106AP1985PLC005318 |
| State Code | 01 |
| Balance Sheet Date | 31.03.2010 |

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 | 391775.39 | Total Assets | 391775.39 |
|-------------------|-----------|--------------|-----------|

Sources of Funds

| | | | |
|-------------------|----------|--------------------|----------|
| Paid-up Capital | 7200.00 | Reserves & Surplus | 63120.20 |
| Secured Loans | 53136.07 | Unsecured Loans | 40124.21 |
| Deferred Taxation | 15891.20 | | |

Application of Funds

| | | | |
|--------------------|-----------|---------------------------|--------|
| Net Fixed Assets | 14944.88 | Investments | 478.00 |
| Net Current Assets | 164048.80 | Miscellaneous Expenditure | - |
| Accumulated Losses | - | | |

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

| | | | |
|--|--------------|-------------------------|--------------|
| Turnover | 309207.44 | Total Expenditure | 278740.00 |
| Profit/(Loss) before tax | (+) 30467.44 | Profit/(Loss) after tax | (+) 20102.17 |
| (Please tick appropriate box + for profit, - for loss) | | | |
| Earning per Share (Rs.) | 27.92 | Dividend Rate % | 70 |

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
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Director

S.R. TAGAT
Director

P.R. EASWAR KUMAR
Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

| Particulars | For the year ended 31.03.2010 (Rs. in lakhs) | For the year ended 31.03.2009 (Rs. in lakhs) |
|--|--|--|
| A Cash Flow From Operating Activities | | |
| Net Profit Before Tax And Extraordinary Items | 30467.44 | 17465.23 |
| Adjustments For : | | |
| Depreciation & Amortization | 978.49 | 699.56 |
| Dividend From Investments - Trade | (0.77) | (243.86) |
| Dividend From Investments - Non Trade | (2.00) | (1.00) |
| (Profit) / Loss on Sale of Fixed Assets | 2.31 | (15.06) |
| (Profit) / Loss on Foreign Currency Translation | - | (420.61) |
| Interest Expense | 5376.20 | 5793.68 |
| Operating Profit Before Working Capital Changes | 36821.67 | 23277.94 |
| Adjustments For | | |
| (Increase) / Decrease In Sundry Debtors | (70071.08) | (54340.33) |
| (Increase) / Decrease In Inventories | (296.02) | 41.72 |
| (Increase) / Decrease In Other Current Assets | (28.73) | (911.74) |
| (Increase) / Decrease In Loans And Advances | (8162.70) | (37319.04) |
| Increase / (Decrease) In Trade Payables | 71807.60 | 77077.77 |
| | (6750.93) | (15451.62) |
| Cash Generated From Operations | 30070.74 | 7826.32 |
| Taxes Paid | 2494.86 | (354.53) |
| Net Cash Flow From Operating Activities | 32565.60 | 7471.79 |
| B Cash Flow From Investing Activities : | | |
| Purchase of Fixed Assets | (5880.71) | (5425.00) |
| Sale of Fixed Assets | 96.97 | 133.72 |
| Sale of Investments | - | 15087.35 |
| Decrease / (Increase) In Capital Work-In-Progress | (494.70) | (431.86) |
| Dividend From Investments - Trade | 0.77 | 243.86 |
| Dividend From Investments - Non Trade | 2.00 | 1.00 |
| Net Cash Flow From Investing Activities | (6275.67) | 9609.07 |
| C Cash Flow From Financing Activities | | |
| Secured Loans (Repaid) / Availed | 2296.84 | 626.14 |
| Unsecured Loans (Repaid) / Availed | 32942.54 | 6946.63 |
| Payment of Dividend | (2160.00) | (1440.00) |
| Secured Working Capital Loans (Repaid) / Availed | (12759.19) | 13074.29 |
| Interest Expense | (5349.55) | (5772.55) |
| Net Cash Flow From Financing Activities | 14970.64 | 13434.51 |
| Net Increase In Cash And Cash Equivalents (A+B+C) | 41260.57 | 30515.37 |
| Cash And Cash Equivalents As At 01.04.2009 (Op. Bal) | 61082.86 | 30567.49 |
| Cash And Cash Equivalents As At 31.03.2010 (Cl. Bal) | 102343.43 | 61082.86 |

As per our report of even date

For **M/s MANOHAR CHOWDHRY & ASSOCIATES**
Chartered Accountants

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Chennai
May 28, 2010

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Director

R. RAMESH KUMAR
Company Secretary

P.R. EASWAR KUMAR
Chief Financial Officer

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

1. We have audited the attached Consolidated Balance Sheet of BGR Energy Systems Limited ("the Company"), its subsidiaries and Joint Venture entity (collectively referred to as 'the Group') as at 31st March 2010, 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 and the Joint venture entity whose financial statements reflect the following as on 31.03.2010

(Rs.in Lakhs)

| Name of the entity | Nature | Total Assets | Total Liabilities | Net Asset Value | Total Revenue |
|---|---------------------------|--------------|-------------------|-----------------|---------------|
| Progen Systems and Technologies Limited | Indian Subsidiary | 1821.49 | 856.10 | 965.39 | 759.07 |
| Mecon – GEA Energy System (India) Ltd. (JV) | Jointly Controlled Entity | 5925.25 | 5930.31 | (5.06) | – |

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 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' and Accounting Standard 27, 'Financial Reporting on Interests in Joint Ventures' as notified by Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the company, its subsidiaries 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 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, 2010;
 - 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

Place : Chennai
Date : May 28, 2010

M.No.206386
FR No. 001997S

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2010

| Description | Sch. No. | As at 31.03.2010 (Rs. in lakhs) | As at 31.03.2009 (Rs. in lakhs) |
|---|----------|---------------------------------------|---------------------------------------|
| SOURCES OF FUNDS | | | |
| (1) Shareholders' Funds | 1 | | |
| (a) Share Capital | | 7200.00 | 7200.00 |
| (b) Reserves and Surplus | | 63426.00 | 49190.12 |
| (2) Minority Interest | | 292.79 | 279.60 |
| (3) Loan Funds | 2 | | |
| (a) Secured Loans | | 53136.07 | 63598.42 |
| (b) Unsecured Loans | | 40227.12 | 7301.37 |
| (4) Deferred Tax Liabilities (Net) | | 15506.40 | 7470.96 |
| Total | | 179788.38 | 135040.47 |
| APPLICATION OF FUNDS | | | |
| (1) Goodwill on Consolidation of Subsidiaries | | 58.70 | 58.70 |
| (2) Fixed Assets | 3 | | |
| (a) Gross Block | | 18189.76 | 12451.67 |
| (b) Less: Depreciation and Impairment | | 3652.89 | 2680.58 |
| Net Block | | 14536.87 | 9771.09 |
| (c) Capital Work-In-Progress | | 1036.29 | 541.59 |
| (3) Investments | 4 | 53.00 | 53.00 |
| (4) Current Assets, Loans & Advances | 5 | | |
| (a) Inventories | | 1617.59 | 1396.84 |
| (b) Sundry Debtors | | 198025.74 | 127885.69 |
| (c) Cash and Bank balances | | 102803.04 | 61515.00 |
| (d) Other Current Assets | | 1814.96 | 1781.01 |
| (e) Loans and Advances | | 72732.31 | 64322.85 |
| | | 376993.64 | 256901.39 |
| LESS | | | |
| Current Liabilities & Provisions | 6 | | |
| (a) Liabilities | | 189550.85 | 123257.14 |
| (b) Provisions | | 23339.27 | 9028.16 |
| | | 212890.12 | 132285.30 |
| Net Current Assets | | 164103.52 | 124616.09 |
| Total | | 179788.38 | 135040.47 |
| NOTES ON ACCOUNTS | 14 | | |

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

G.R. HARI
Partner
Membership No.206386

Chennai
May 28, 2010

B.G. RAGHUPATHY
Chairman & Managing Director

S. RATHINAM
Director - Finance

M. GOPALAKRISHNA
Director

HEINRICH BOHMER
Director

T. SANKARALINGAM
Managing Director

A. SWAMINATHAN
Whole Time Director

S.A. BOHRA
Director

R. RAMESH KUMAR
Company Secretary

V. R. MAHADEVAN
Whole Time Director

SASIKALA RAGHUPATHY
Director

S.R. TAGAT
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Consolidated Profit And Loss Account

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Description | Sch. No. | For the year ended 31.03.2010 (Rs. in lakhs) | For the year ended 31.03.2009 (Rs. in lakhs) |
|--|-----------|--|--|
| INCOME | | | |
| Turnover (Gross) | | 308077.46 | 194165.50 |
| Less : Excise Duty | | 737.76 | 1132.64 |
| Turnover (Net) | 7 | 307339.70 | 193032.86 |
| Other Income | 8 | 2499.83 | 3170.73 |
| Increase/ (Decrease) in WIP | | (250.98) | 105.51 |
| | | 309588.55 | 196309.10 |
| EXPENDITURE | | | |
| Cost of Materials | 9 | 218444.46 | 135329.57 |
| Cost of Manufacturing | 10 | 23594.11 | 17161.02 |
| Other Direct Cost | 11 | 6600.47 | 6010.45 |
| Administration, Selling & General Expenses | 12 | 24033.19 | 13747.78 |
| Interest | 13 | 5376.36 | 5794.94 |
| Depreciation and Impairment | 3 | 1028.47 | 750.32 |
| | | 279077.06 | 178794.08 |
| | | 30511.49 | 17515.02 |
| PROFIT BEFORE TAX | | | |
| Provision for Taxation | | | |
| Current Tax | | 5188.55 | 1949.32 |
| Deferred Tax | | 8035.32 | 3911.68 |
| MAT Credit Entitlement | | (2858.13) | - |
| Fringe Benefit Tax | | - | 97.27 |
| | | 10365.74 | 5958.27 |
| PROFIT AFTER TAX | | 20145.75 | 11556.75 |
| APPROPRIATIONS | | | |
| Transfer to General Reserve | | 2010.22 | 1150.90 |
| Proposed Dividend | | 5040.00 | 2160.00 |
| Tax on Dividend | | 856.55 | 367.09 |
| Minority Interest | | 13.22 | 14.47 |
| | | 7919.99 | 3692.46 |
| PROFIT FOR THE YEAR | | 12225.76 | 7864.29 |
| Earnings Per Equity Share | | | |
| (Face Value Rs.10) | | | |
| Basic - 7.20 (7.20) crores number of shares | | 27.98 | 16.05 |
| Dilluted - 7.21 (7.26) crores number of shares | | 27.94 | 15.92 |
| NOTES ON ACCOUNTS | 14 | | |

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

G.R. HARI
Partner
Membership No.206386

Chennai
May 28, 2010

B.G. RAGHUPATHY
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Director

S.R. TAGAT
Director

P.R. EASWAR KUMAR
Chief Financial Officer

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | As at 31.03.2010 (Rs. in lakhs) | As at 31.03.2009 (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 | 3009.11 | 1858.21 |
| | Add : Transferred during the year | 2010.22 | 1150.90 |
| | | 5019.33 | 3009.11 |
| | iii. Balance in Profit & Loss A/c | 27154.31 | 14928.65 |
| | (Includes venturer's share of loss- Rs. 0.51 lakhs) | | |
| | | 63426.00 | 49190.12 |
| 2. | LOAN FUNDS | | |
| | (a) Secured Loans | | |
| | i. Working Capital Loan from Banks | 48357.63 | 61116.82 |
| | ii. Fixed assets Loans | 1346.51 | 2222.24 |
| | iii. Term Loan from Bank | 3431.93 | 259.36 |
| | | 53136.07 | 63598.42 |
| | (b) Unsecured Loans | | |
| | i. Interest Free Sales Tax Loan | 221.15 | 299.16 |
| | ii. Others | 40005.97 | 7002.21 |
| | | 40227.12 | 7301.37 |

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

3. FIXED ASSETS

(Rs.in Lakhs)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | IMPAIRMENT LOSS | | NET BLOCK | |
|--------------------------|---------------------|---------------------------------|---------------------------------|---------------------|---------------------|---------------------------------|---------------------------------|---------------------|-------------------------------------|-------------------------------------|-------------------------|-------------------------|
| | As at 31.03.2009 | Additions during the year | Deletions during the year | As at 31.03.2010 | Up to 31.03.2009 | Additions during the year | Deletions during the year | Up to 31.03.2010 | For the year ended 31.03.2010 | For the year ended 31.03.2009 | WDV as at 31.03.2010 | WDV as at 31.03.2009 |
| TANGIBLE ASSETS | | | | | | | | | | | | |
| Land | 1159.38 | - | - | 1159.38 | - | - | - | - | - | - | 1159.38 | 1159.38 |
| Buildings | 571.50 | 139.32 | - | 710.82 | 180.22 | 21.04 | - | 201.26 | - | - | 509.56 | 391.28 |
| Plant & Machinery | 7445.42 | 4435.04 | 85.63 | 11794.83 | 1521.89 | 508.57 | 5.87 | 2024.59 | - | - | 9770.24 | 5923.53 |
| Furniture & Fixtures | 110.82 | 59.08 | - | 169.90 | 30.87 | 10.78 | - | 41.65 | - | - | 128.25 | 79.95 |
| Office Fixtures | 208.54 | 3.83 | - | 212.37 | 80.67 | 38.27 | - | 118.94 | - | - | 93.43 | 127.87 |
| Office Equipments | 663.48 | 135.64 | 36.85 | 762.27 | 149.18 | 92.48 | 32.79 | 208.87 | 10.71 | 2.24 | 542.69 | 512.06 |
| Electrical Installations | 184.00 | 25.18 | 0.37 | 208.81 | 84.05 | 9.70 | 0.08 | 93.67 | - | - | 115.14 | 99.95 |
| Vehicles | 1118.18 | 150.24 | 32.59 | 1235.83 | 287.14 | 105.08 | 15.18 | 377.04 | - | - | 858.79 | 831.04 |
| INTANGIBLE ASSETS * | | | | | | | | | | | | |
| Technical Know-How | 296.15 | 464.62 | - | 760.77 | 153.46 | 47.42 | - | 200.88 | - | - | 559.89 | 142.69 |
| Intangible Assets | 694.20 | 480.58 | - | 1174.78 | 190.86 | 184.42 | - | 375.28 | - | - | 799.50 | 503.34 |
| TOTAL | 12451.67 | 5893.53 | 155.44 | 18189.76 | 2678.34 | 1017.76 | 53.92 | 3642.18 | 10.71 | 2.24 | 14536.87 | 9771.09 |

* Both the assets are other than internally generated.

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | As at 31.03.2010 (Rs. in lakhs) | As at 31.03.2009 (Rs. in lakhs) |
|-----------|---|------------------------------------|------------------------------------|
| 4. | INVESTMENTS | | |
| | Trade Quoted (at cost) : | | |
| | i) Indian Bank 13,970 Equity Shares of Rs. 91 per share Market Value Rs.175.40 per share as on 31.03.2010 (Market Value Rs.82.20 per share as on 31.03.2009) | 12.71 | 12.71 |
| | ii) SBI Mutual Fund-Magnum Multi Cap 50,000 units of Rs.10 each NAV Rs.13.41 per unit as on 31.03.2010 (NAV Rs.7.34 per unit as on 31.03.2009) | 5.00 | 5.00 |
| | iii) SBI Mutual Fund-Infrastructure Bond 2,50,000 units of Rs.10 each NAV Rs.10.29 per unit as on 31.03.2010 (NAV Rs.5.65 per unit as on 31.03.2009) | 25.00 | 25.00 |
| | 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) | 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 | 53.00 |
| 5. | CURRENT ASSETS, LOANS AND ADVANCES | | |
| | a) Inventories | | |
| | (i) Raw Material, Consumables, Bought outs and Components | 1542.66 | 1070.93 |
| | (ii) Work-in-Progress | 74.93 | 325.91 |
| | | 1617.59 | 1396.84 |
| | b) Sundry Debtors | | |
| | (Unsecured and Considered good) | | |
| | Over six Months | 5194.69 | 3572.89 |
| | Others | 192831.05 | 124312.80 |
| | | 198025.74 | 127885.69 |

| Sch. No. | Description | | As at 31.03.2010 (Rs. in lakhs) | As at 31.03.2009 (Rs. in lakhs) |
|-------------|---|--|--|---------------------------------------|
| c) | Cash and Bank Balances | | | |
| i. | Cash Balance | | 37.90 | 19.45 |
| ii. | Bank Balances with Scheduled Banks | | | |
| - | Current Account | | 13780.04 | 1605.07 |
| - | Deposit Account | | 88982.79 | 59888.10 |
| iii. | Bank Balances with Non Scheduled Banks | | | |
| - | Current Account | | 2.31 | 2.38 |
| | | Maximum balance outstanding during the year | | |
| | | 2009-10 | 2008-09 | |
| | Bank of Alexandria, Egypt | 2.38 | 6.73 | |
| | | | 102803.04 | 61515.00 |
| d) | Other Current Assets | | | |
| | Interest accrued on deposits | | 1623.94 | 1589.99 |
| | Share capital Advance | | 191.02 | 191.02 |
| | | | 1814.96 | 1781.01 |
| e) | Loans and Advances | | | |
| (i) | Advances recoverable in cash or in kind or for value to be received | | | |
| a) | Secured, Considered Good | | 30580.26 | 32,692.07 |
| b) | Unsecured, Considered Good | | 33442.05 | 26411.50 |
| (ii) | MAT Credit Entitlement | | 7747.82 | 4389.69 |
| (iii) | Deposits | | 962.18 | 829.59 |
| | | | 72732.31 | 64322.85 |
| 6. | CURRENT LIABILITIES AND PROVISIONS | | | |
| a) | Current Liabilities | | | |
| | Sundry Creditors due to Micro and Small Enterprise | | 75.65 | 153.83 |
| | Sundry Creditors - Others | | 110200.09 | 43980.42 |
| | Advances from Customers | | 75331.11 | 67200.25 |
| | Other Liabilities | | 3883.35 | 11888.64 |
| | Interest accrued but not due | | 60.65 | 34.00 |
| | | | 189550.85 | 123257.14 |
| b) | Provisions | | | |
| | Income Tax | | 9454.84 | 4245.11 |
| | Proposed Dividend | | 5040.00 | 2160.00 |
| | Tax on Dividend | | 856.55 | 367.09 |
| | Gratuity | | 47.25 | 76.52 |
| | Warranty & Contractual Obligations | | 7940.63 | 2179.44 |
| | | | 23339.27 | 9028.16 |

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | For the year ended 31.03.2010 (Rs. in lakhs) | For the year ended 31.03.2009 (Rs. in lakhs) |
|------------|--|--|--|
| 7. | SALES & SERVICES | | |
| | Sale of Manufactured Goods | 12513.13 | 15421.74 |
| | Less: Excise Duty | 737.76 | 1132.64 |
| | Net Sale of Manufactured Goods | 11775.37 | 14289.10 |
| | Contracting Income | 295507.99 | 178403.85 |
| | Erection & Service Income | 56.34 | 339.91 |
| | | 307339.70 | 193032.86 |
| 8. | OTHER INCOME | | |
| | Dividend from Investments - Trade | 0.77 | 243.86 |
| | Dividend from Investments - Non Trade | 2.00 | 1.00 |
| | Profit on Sale of Fixed Assets (Net) | - | 15.06 |
| | Foreign Exchange Variation (Net) | - | 421.32 |
| | Interest on Fixed Deposits | 2044.05 | 2413.50 |
| | Others | 453.01 | 75.99 |
| | | 2499.83 | 3170.73 |
| 9. | COST OF MATERIALS | | |
| | Opening Inventory | 1070.93 | 1258.02 |
| | (Raw materials, Consumables, Bought Outs and components) | | |
| | Add : Purchases | 218916.19 | 135142.48 |
| | | 219987.12 | 136400.50 |
| | Less: Closing Inventory | 1542.66 | 1070.93 |
| | (Raw materials, Consumables, Bought Outs and components) | | |
| | | 218444.46 | 135329.57 |
| 10. | COST OF MANUFACTURING | | |
| | Part Processing Charges | 23353.89 | 16972.54 |
| | Power & Fuel | 240.22 | 188.48 |
| | | 23594.11 | 17161.02 |
| 11. | OTHER DIRECT COST | | |
| | Agency Commission | 630.22 | 340.66 |
| | Insurance | 348.61 | 212.40 |
| | Bank Charges | 4831.79 | 3346.09 |
| | Professional Fees | 384.67 | 951.96 |
| | Packing & Forwarding | 405.18 | 1159.34 |
| | | 6600.47 | 6010.45 |

Consolidated Schedules

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

| Sch. No. | Description | | | For the year ended 31.03.2010 (Rs. in lakhs) | For the year ended 31.03.2009 (Rs. in lakhs) |
|------------|---|---------|---------|---|---|
| 12. | ADMINISTRATION, SELLING & GENERAL EXPENSES | | | | |
| | Rent | | | 912.85 | 685.02 |
| | Repairs to Building | | | 23.42 | 39.25 |
| | Repairs to Machinery | | | 52.70 | 95.41 |
| | Repairs & Maintenance | | | 310.11 | 323.81 |
| | Salaries and Allowances | | | 10490.41 | 6420.45 |
| | Bonus | | | 86.99 | 24.80 |
| | Contribution to P.F., E.S.I., & Gratuity | | | 429.77 | 359.82 |
| | Workmen & Staff Welfare Expenses | | | 1612.06 | 633.07 |
| | Insurance | | | 71.01 | 55.70 |
| | Rates and Taxes | | | 114.15 | 52.99 |
| | Electricity Charges | | | 199.60 | 116.01 |
| | Administration Expenses | | | 529.25 | 533.66 |
| | Auditor's Remuneration | 2009-10 | 2008-09 | | |
| | For Audit | 34.68 | 27.44 | | |
| | For Taxation Matters | 4.00 | 4.41 | | |
| | For Certification | 3.02 | 1.41 | 41.70 | 33.26 |
| | Bank Charges | | | 34.59 | 34.39 |
| | Bad Debts Written Off | | | 651.54 | 371.58 |
| | Conveyance and Vehicle Running Expenses | | | 238.15 | 403.10 |
| | Selling Expenses | | | 487.67 | 329.67 |
| | Loss on Sale of Fixed Assets (Net) | | | 2.31 | - |
| | Loss on demolition of fixed assets | | | - | 75.38 |
| | Provision for Contractual Obligation | | | 5399.42 | 1650.25 |
| | Professional Charges | | | 795.03 | 617.77 |
| | Foreign Exchange Variation (Net) | | | 379.33 | - |
| | Sitting Fees | | | 7.17 | 6.93 |
| | Security Charges | | | 71.29 | 53.24 |
| | Telephone, Telex, Fax, Courier & Postage | | | 201.50 | 213.30 |
| | Travelling Expenses - Inland | | | 610.42 | 446.60 |
| | Travelling Expenses - Overseas | | | 280.75 | 172.32 |
| | | | | 24033.19 | 13747.78 |
| 13. | INTEREST | | | | |
| | Interest on Bank Credit | | | 5087.71 | 5477.02 |
| | Interest on Term Loan | | | 281.85 | 239.66 |
| | Interest Others | | | 6.80 | 78.26 |
| | | | | 5376.36 | 5794.94 |

As per our report of even date

For **M/s MANOHAR CHOWDHRY & ASSOCIATES**
Chartered Accountants

B.G. RAGHUPATHY
Chairman & Managing Director

T. SANKARALINGAM
Managing Director

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M. GOPALAKRISHNA
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S.A. BOHRA
Director

S.R. TAGAT
Director

Chennai
May 28, 2010

HEINRICH BOHMER
Director

R. RAMESH KUMAR
Company Secretary

P.R. EASWAR KUMAR
Chief Financial Officer

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, is identified and disclosed as Goodwill or Capital Reserve, as the case may be in line with AS-23 – Accounting for investment in Associates in Consolidated financial statements. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the associate.

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

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

| Sl 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, 2010 |
|--------|---|--------------------------------|--|--|
| 1. | Progen Systems and Technologies Limited. | Indian Subsidiary Company | March 31, 2010 | 69.67% |
| 2. | Mecon- Gea Energy System (India) Limited (JV) | Indian Joint Controlled Entity | March 31, 2010 | 10.00% |

c. Use of Estimates

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

d. Fixed Assets

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

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

e. Depreciation & Amortization

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

f. Investments

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

g. Earnings Per Share (EPS)

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

h. Revenue Recognition

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

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

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

m. Impairment of Assets

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

n. Employee Benefits

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

o. Borrowing Costs

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

p. Leases

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

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

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

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

q. Provisions

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

r. Contingent Liabilities

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

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

B. NOTES TO ACCOUNTS

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

Subsidiary Companies

| Sl No. | Name of the company | Country of Incorporation | Extent of Holding (%) as on March 31, 2010 | 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 Interest (%) as on March 31, 2010 | Goodwill or (Capital Reserve) on account of Consolidation |
|--------|--|--------------------------|--|---|
| 1. | Mecon - Gea Energy System (India) Limited (JV) | India | 10% & 30% on two different construction projects | Nil |

2. SECURED LOANS

- a) Term Loan of Rs.1380.62 lakhs from State Bank of Travancore (Rs. Nil) is secured by a first charge on fixed assets 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 Chairman & Managing Director of the company. The loan from State Bank of India and State Bank of Hyderabad is further secured by a second charge on the fixed assets of the company.
- c) The company has availed contract specific Working Capital loans from State Bank of India, State Bank of Hyderabad, State Bank of Travancore, State Bank of Patiala, State Bank of Bikaner & Jaipur , UCO Bank, State Bank of Indore, State Bank of Mysore, IDBI Bank, Punjab National Bank, Vijaya Bank, Indian Bank, Indian Overseas Bank , Corporation Bank, Allahabad Bank, Bank of India, Andhra Bank, Central Bank of India, Syndicate Bank, Axis Bank and The Karur Vysya Bank Limited. These loans are secured by hypothecation of inventories, book debts and movable current assets of the respective contracts. The participating banks share the security on pari-passu basis. Certain specific project loans are further secured by personal guarantees of two Directors, including the Chairman & Managing Director of the company.
- d) Term Loan from Corporation Bank Rs.27.89 Lakhs (Rs.259.36 Lakhs) is secured against the Fixed Assets acquired
- e) Secured Loans includes Rs. 3369.92 lakhs (Rs.2222.24 lakhs) for which the respective Fixed Assets acquired under Loan are held as security.

3. CONTINGENT LIABILITIES, GUARANTEES & CAPITAL COMMITMENTS

(Rs. in Lakhs)

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|---|---------------------|---------------------|
| A CONTINGENT LIABILITIES | | |
| Bills Discounted (Backed by LC) | - | 24.84 |
| Claims against the company not acknowledged as debt | | |
| a) On account of Sales Tax | 178.09 | 156.22 |
| b) On account of Income Tax | 2915.49 | - |
| c) On account of Service Tax | 32.41 | - |
| d) On account of Contractual Obligations | 2350.25 | 2930.36 |
| GUARANTEES | | |
| Guarantees and Counter Guarantees given on behalf of Other Company | 775.83 | 661.50 |
| B CAPITAL COMMITMENTS | | |
| Estimated amount of contracts remaining to be executed on capital account | 1371.63 | 682.66 |

4. LOANS AND ADVANCES

Cochin Project: The end client of Cochin Port Road Connectivity Project viz., Cochin Port Road Company Ltd., (SPV of NHAI) terminated the contract on 28.05.2007. Consequently, the end client encashed BGs for an value of Rs.1270 lakhs furnished by the company on behalf of MECON – GEA (JV). The main contractor viz., MECON – GEA (JV) contested the termination of the contract and had taken steps to constitute the Disputes Review Board (DRB) in terms of the contract. The DRB has given recommendations partly allowing the claim of the JV. The JV has preferred to approach the Tribunal by invoking the arbitration proceedings. The Tribunal has been constituted and proceedings will commence shortly. In anticipation of determination of the dispute and based on the legal opinion, the company has identified a sum of Rs. 1654.35 lakhs (Rs.1654.35 lakhs) as on 31.03.2010 as recoverable advances from the end client through the JV and is shown under loans and advances.

Tuticorin Project: The end client namely Tuticorin Port Road Company Ltd (SPV of NHAI) viz, Thirunelveli – Tuticorin Port Connectivity Project has terminated the contract and encashed BGs furnished by the company on behalf of MECON – GEA (JV). The main contractor viz., MECON – GEA (JV) is contesting the termination of the contract. The Company has identified a sum of Rs. 1460.72 Lakhs (Rs.1460.72 lakhs) as on 31.03.2010 as recoverable advances from the end client through the JV and is shown under loans and advances. The judgement regarding restitution of Bank Guarantees has been reserved on 08.03.2010. The same is still awaited.

5. SEGMENTAL REPORTING

Information about Business Segments (information provided in respect of revenue items for the 12 months period ended 31.03.2010 and in respect of assets / liabilities as at 31.03.2010) are furnished below:

(Rs. in Lakhs)

| Particulars | For the year ended 31.03.2010 | | | For the year ended 31.03.2009 | | |
|--|-------------------------------|--|-----------|-------------------------------|--|-----------|
| | Capital Goods Segment | Construction and EPC Contracts Segment | Total | Capital Goods Segment | Construction and EPC Contracts Segment | Total |
| a) Revenue - Gross | 17974.84 | 290102.62 | 308077.46 | 21103.94 | 173061.56 | 194165.50 |
| b) Result | 2106.53 | 31763.68 | 33870.21 | 1670.23 | 18998.73 | 20668.96 |
| Add: Un allocable Income net of expenditure | | | 2017.64 | | | 2641.00 |
| Profit Before Interest and Tax | | | 35887.85 | | | 23309.96 |
| Interest | | | 5376.36 | | | 5794.94 |
| Profit Before Tax | | | 30511.49 | | | 17515.02 |
| Provision for Taxation | | | | | | |
| - Provision for Current Tax | | | 5188.55 | | | 1949.32 |
| - Provision for Deferred Tax | | | 8035.32 | | | 3911.68 |
| - MAT Credit Entitlement | | | (2858.13) | | | - |
| - Provision for FBT | | | - | | | 97.27 |
| - Total | | | 10365.74 | | | 5958.27 |
| Net Profit After Tax | | | 20145.75 | | | 11556.75 |
| c) Assets | 19929.15 | 353276.99 | 373206.14 | 26125.19 | 208849.76 | 234974.95 |
| Add: Unallocated Corporate Assets | | | 19472.36 | | | 32350.82 |
| Total Assets | | | 392678.50 | | | 267325.77 |
| d) Liabilities | 16015.59 | 266898.45 | 282914.04 | 14638.36 | 179518.57 | 194156.93 |
| Add: Unallocated Corporate Liabilities | | | 38845.67 | | | 16499.12 |
| Total Liabilities | | | 321759.71 | | | 210656.05 |
| e) Capital Assets acquired during the year | 762.73 | 5130.77 | 5893.50 | 1170.61 | 4272.65 | 5443.26 |
| f) Depreciation and Impairment | 180.71 | 847.76 | 1028.47 | 258.17 | 492.15 | 750.32 |

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 Pvt Ltd

b) Key Management Personnel

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

c) Relatives of Key Management Personnel

- i. Ms. 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 | Other Companies | Key Managerial Personnel | Relatives | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|---------------------|-----------------|--------------------------|-----------|-------------------------------|-------------------------------|
| Sales | 2154.69 | - | - | 2154.69 | 1124.72 |
| Purchases | 1279.07 | - | - | 1279.07 | 2304.29 |
| Advances Received | 30.36 | - | - | 30.36 | 1.99 |
| Remuneration | - | 2144.29 | 8.98 | 2153.27 | 1051.57 |
| Rent | 33.09 | 39.71 | - | 72.80 | 56.07 |
| Others | | 11.03 | - | 11.03 | 468.60 |
| Balance Outstanding | 1038.35 | - | - | 1038.35 | 781.68 |

7. UTILISATION OF IPO FUNDS

The company has raised Rs.19012 Lakhs from IPO (Net of Issue Expenses) during the year 2007-2008. Rs.12500 Lakhs has been utilized towards working capital requirement, being one of the objects of the issue. The balance of Rs.6512 Lakhs, pending utilization are held as deposits in banks.

8. EMPLOYEE STOCK OPTION SCHEME

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

Employee Stock Option Plan – 2007

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

ESOP 2007 provides for grant of options amounting to not more than 1.5% of the issued and paid up equity capital of the company outstanding at any point of time to officers, directors and Key employees to purchase Equity shares of face value of Rs.10 each, with such option conferring a right upon the employee to apply for one equity shares of the company, in accordance with the terms and conditions of such issue. The exercise price of the option is 85% of the issue price (Issue Price is Rs.480, 85% of Issue Price is Rs.408)

Vesting Schedule

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

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

For Employees less 3 years (Category-2)

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

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

| Particulars | 2009-10 | 2008-09 |
|--|---------|---------|
| No of options outstanding in the beginning of the year | 571240 | 704770 |
| No of options granted during the year | - | - |
| No of options vested during the year | 129273 | 208780 |
| Options forfeited during the year | 38470 | 133530 |
| No of options exercised during the year | - | - |
| No of options outstanding at the end of the year | 532770 | 571240 |

9. EARNINGS PER SHARE

(Rs. in Lakhs)

| Particulars | For the Year ended 31.03.2010 | For the Year ended 31.03.2009 |
|--|-------------------------------|-------------------------------|
| Basic EPS | | |
| Profit after tax as per accounts A | 20145.75 | 11556.75 |
| Weighted Average Number of shares subscribed (Lakh Nos.) B | 720 | 720 |
| Basic EPS (Rs.) A / B | 27.98 | 16.05 |
| Diluted EPS | | |
| Profit for the year for Basic EPS A | 20145.75 | 11556.75 |

| Particulars | | For the Year ended 31.03.2010 | For the Year ended 31.03.2009 |
|---|------------------|-------------------------------------|-------------------------------------|
| Less: Adjustment | C | Nil | Nil |
| Adjusted Profit for Diluted EPS | D = A – C | 20145.75 | 11556.75 |
| Weighted average number of Equity shares for Basic EPS (Lakh Nos.) | E | 720 | 720 |
| Add: Adjustment | | | |
| a. Employee Stock Option Payment | F | 0.95 | 5.71 |
| b. Share Application Advance | G | - | - |
| Weighted average number of Equity shares for Diluted EPS (Lakh Nos.) | H = E + F + G | 720.95 | 725.71 |
| Diluted EPS (Rs.) | I = D / H | 27.94 | 15.92 |

10. IMPAIRMENT OF ASSETS

- Cash Generating Units :
There is no impairment loss of cash generating assets and hence no provision was made in the financial statements.
- Other Assets :
The company has made a provision of Rs.10.71 lakhs (Rs. 2.24 lakhs) in the books of accounts towards impairment of other fixed assets based on the technical valuation.

11. PROVISIONS

The holding company has made a provision of Rs. 5773.18 Lakhs (Rs.1890.73 Lakhs) towards Warranty and Contractual obligations on the products supplied / contracts executed by the company during the year 2009-2010.

Movement in provisions

(Rs. in Lakhs)

| Particulars | Provision for Warranty 2009-10 | Provision for Contractual obligations 2009-10 | Provision for Warranty 2008-09 | Provision for Contractual Obligations 2008-09 |
|---------------------------|--------------------------------------|--|--------------------------------------|--|
| Opening Balance | 529.18 | 1650.25 | 288.70 | - |
| Add :Additional provision | 373.76 | 5399.42 | 240.48 | 1650.25 |
| Less : a) Provision used | - | - | - | - |
| b) Provision reversed | 11.99 | - | - | - |
| Closing Balance | 890.95 | 7049.67 | 529.18 | 1650.25 |

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

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

G.R. HARI
Partner
Membership No.206386

Chennai
May 28, 2010

B.G. RAGHUPATHY
Chairman & Managing Director

S. RATHINAM
Director - Finance

M. GOPALAKRISHNA
Director

HEINRICH BOHMER
Director

T. SANKARALINGAM
Managing Director

A. SWAMINATHAN
Whole Time Director

S.A. BOHRA
Director

R. RAMESH KUMAR
Company Secretary

V. R. MAHADEVAN
Whole Time Director

SASIKALA RAGHUPATHY
Director

S.R. TAGAT
Director

P.R. EASWAR KUMAR
Chief Financial Officer

Consolidated Cash Flow Statement

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

| Particulars | For the year ended 31.03.2010 (Rs. in lakhs) | For the year ended 31.03.2009 (Rs. in lakhs) |
|--|--|--|
| A Cash Flow From Operating Activities | | |
| Net Profit Before Tax And Extraordinary Items | 30511.49 | 17515.02 |
| Adjustments For : | | |
| Depreciation & Amortization | 1028.47 | 750.32 |
| Dividend From Investments - Trade | (0.77) | (243.86) |
| Dividend From Investments - Non Trade | (2.00) | (1.00) |
| (Profit) / Loss On Sale Of Fixed Assets | 2.31 | (15.06) |
| (Profit) / Loss On Foreign Currency Translation | - | (421.32) |
| Interest Expense | 5376.36 | 5794.94 |
| Operating Profit Before Working Capital Changes | 36915.86 | 23379.04 |
| Adjustments For | | |
| (Increase) / Decrease In Sundry Debtors | (70140.05) | (54282.91) |
| (Increase) / Decrease In Inventories | (220.75) | 100.10 |
| (Increase) / Decrease In Other Current Assets | (33.95) | (918.80) |
| (Increase) / Decrease In Loans And Advances | (8410.80) | (37709.98) |
| Increase / (Decrease) In Trade Payables | 72075.55 | 77535.55 |
| | (6730.00) | (15276.05) |
| Cash Generated From Operations | 30185.86 | 8102.99 |
| Taxes Paid | 2489.86 | (373.28) |
| Net Cash Flow From Operating Activities | 32675.72 | 7729.71 |
| B Cash Flow From Investing Activities : | | |
| Purchase Of Fixed Assets | (5893.53) | (5443.26) |
| Sale Of Fixed Assets | 85.27 | 209.12 |
| Purchase Of Investments | - | 15087.35 |
| Decrease / (Increase) In Capital Work-In-Progress | (494.70) | (431.86) |
| Dividend From Investments - Trade | 0.77 | 243.86 |
| Dividend From Investments - Non Trade | 2.00 | 1.00 |
| Net Cash Flow From Investing Activities | (6300.19) | 9666.21 |
| C Cash Flow From Financing Activities | | |
| Secured Loans (Repaid) / Availed | 2296.56 | 604.17 |
| Unsecured Loans (Repaid) / Availed | 32925.75 | 6951.46 |
| Payment Of Dividend | (2160.00) | (1440.00) |
| Secured Working Capital Loans (Repaid) / Availed | (12759.19) | 13074.29 |
| Interest Expense | (5390.61) | (5773.80) |
| Net Cash Flow From Financing Activities | 14912.51 | 13416.12 |
| Net Increase In Cash And Cash Equivalents (A+B+C) | 41288.04 | 30812.04 |
| Cash And Cash Equivalents As At 01.04.2009 (Op. Bal) | 61515.00 | 30702.96 |
| Cash And Cash Equivalents As At 31.03.2010 (Cl. Bal) | 102803.04 | 61515.00 |

As per our report of even date

For **M/s MANOHAR CHOWDHRY & ASSOCIATES**
Chartered Accountants

B.G. RAGHUPATHY
Chairman & Managing Director

T. SANKARALINGAM
Managing Director

V. R. MAHADEVAN
Whole Time Director

S. RATHINAM
Director - Finance

A. SWAMINATHAN
Whole Time Director

SASIKALA RAGHUPATHY
Director

G.R. HARI
Partner
Membership No.206386

M. GOPALAKRISHNA
Director

S.A. BOHRA
Director

S.R. TAGAT
Director

Chennai
May 28, 2010

HEINRICH BOHMER
Director

R. RAMESH KUMAR
Company Secretary

P.R. EASWAR KUMAR
Chief Financial Officer

DIRECTORS' REPORT

To the Members of

PROGEN SYSTEMS AND TECHNOLOGIES LIMITED

Your Directors have pleasure in presenting their report together with the audited accounts for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

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

(Rs. in Lakhs)

| Particulars | Year ended 31.3.2010 | Year ended 31.3.2009 |
|------------------|-------------------------|-------------------------|
| Income | 759.07 | 1001.46 |
| Expenditure | 664.86 | 899.60 |
| Interest | 0.16 | 1.26 |
| Depreciation | 49.98 | 50.77 |
| Profit after tax | 43.60 | 47.58 |

RESULTS OF PERFORMANCE

During the financial year under review, your Company has earned an income of Rs.759.07 Lakhs as against Rs.1001.46 Lakhs during the previous year. The operating income of your company was lower compared to previous year, due to reorganization of manufacturing facility at your company's factory at Panjetty. Production of welded fin tubes was suspended for a period of nine months during the financial year. The reorganization of manufacturing facility were partially completed and operations resumed in the later part of the year. In view of these constraints, the income and profitability were lower compared to the previous year. During the year under review, your Company successfully executed contracts for Doosan Babcock, UOP India, BPCL, CPCL, IOCL and Boiler care, Malaysia.

FUTURE PROSPECTS

Your Company's holding company has entered into a License and Technology Transfer Agreement with Nooter / Eriksen, Inc., USA for Transfer and Licensing of technology for Heat Recovery Steam Generators ("HRSG"). Your company is gearing up itself for manufacture of HRSGs for its holding company. Your directors are confident that continued uptrend in capacity addition in power sector and setting up of more gas based power plants, would offer significant growth opportunities to your company in the years to come. Your company has now expanded its manufacturing capacity and facilities, which would enable your company to execute large value contracts. Your directors are confident with the active support of the holding company, your company would improve its turnover and profits in the future years.

STATUTORY INFORMATION

During the period under review, your company's foreign exchange earnings and outgo were Rs.48.39 Lakhs and Rs.16.00 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

Mr.R. Ramesh Kumar, retires by rotation at the ensuing annual general meeting in accordance with provisions of the Companies Act, 1956 and he, being eligible, offers himself 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 : -

- In the preparation of the annual accounts for the year ended March 31, 2010 the applicable accounting standards have been followed;
- 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, 2010 and of the profit of the company for the year ended March 31, 2010 ;
- 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 financial year ended March 31, 2010 on a going concern basis.

AUDIT COMMITTEE

Pursuant to Section 292 A 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 more than three decade 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 decade 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

The Directors thank the customers, suppliers, shareholders and Indian Overseas Bank for their continued support and also recognize the contribution made by the employees to the Company's progress during the year under review.

For and on behalf of the Board

Place : Chennai
Date : May 28, 2010

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, 2010, 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, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 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, 2010
- 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

Place : Chennai
Date : May 28, 2010

Membership No. 201023

ANNEXURE TO THE 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. 49.43 Lakhs from its holding company during the year and the year-end balance is Rs.647.75 Lakhs. The maximum amount involved during the year is Rs. 764.63 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.

- | | |
|--|--|
| <p>(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</p> <p>(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.</p> <p>(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.</p> <p>(vii) In our opinion, the company has an internal audit system to commensurate with the size and nature of its business.</p> <p>(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.</p> <p>(ix) (a) The company is depositing with appropriate authorities without any delay, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.</p> <p>(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, 2010 for a period of more than six months from the date they became payable,</p> <p>(c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, service tax, excise duty and cess on account of any dispute.</p> <p>(x) The Company has neither accumulated losses, as at 31 March 2010 nor it has incurred cash losses during the financial year ended on that date.</p> <p>(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.</p> | <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(xvi) In our opinion, there are no term loans obtained during the year.</p> <p>(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.</p> <p>(xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> |
|--|--|

For **CNGSN & ASSOCIATES**
Chartered Accountants

B. RAMAKRISHNAN

Partner

Place : Chennai

Date : May 28, 2010

Membership No. 201023

BALANCE SHEET AS AT 31st MARCH, 2010

| Description | Sch.No. | As At 31.03.2010 (Rs. '000) | As At 31.03.2009 (Rs. '000) |
|--------------------------------------|---------|-----------------------------------|-----------------------------------|
| I SOURCES OF FUNDS | | | |
| (1) Shareholders' Funds | 1 | | |
| (a) Share Capital | | 61000 | 61000 |
| (b) Reserves & surplus | | 35539 | 31179 |
| (2) Loan Funds | | | |
| (a) Secured Loans | | - | - |
| (b) Unsecured Loans | 2 | 75066 | 82769 |
| Total | | 171605 | 174948 |
| II APPLICATION OF FUNDS | | | |
| (1) Fixed Assets | 3 | | |
| (a) Gross Block | | 114701 | 113419 |
| (b) Less : Depreciation | | 51873 | 46875 |
| (c) Net Block | | 62828 | 66544 |
| (2) Current Assets, Loans & Advances | 4 | | |
| (a) Inventories | | 7318 | 14845 |
| (b) Sundry Debtors | | 15268 | 8371 |
| (c) Cash and Bank Balances | | 45917 | 43174 |
| (d) Loans and Advances | | 10739 | 11345 |
| (e) Other Current Assets | | 1599 | 1077 |
| | | 80841 | 78812 |
| LESS: | | | |
| Current Liabilities & Provisions | 5 | | |
| (a) Liabilities | | 8967 | 6903 |
| (b) Provisions | | 1577 | 1351 |
| Net Current Assests | | 10544 | 8254 |
| (3) Deferred Tax Asset | | 38480 | 37846 |
| Total | | 171605 | 174948 |
| NOTES ON ACCOUNTS | 12 | | |

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

B. RAMAKRISHNAN
Partner
Membership No. 201023
Chennai
May 28, 2010

M.T. SIVA KUMAR
Company Secretary

R. SASIKALA
Director

B.G. RAGHUPATHY
Chairman

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

| Description | Sch. No | For the year ended 31.03.2010 (Rs. '000) | | For the year ended 31.03.2009 (Rs. '000) | |
|--|---------|--|--------|--|--------|
| INCOME | | | | | |
| Sales | | 73256 | | 112847 | |
| Less: Excise Duty | 6 | 4089 | 69167 | 10027 | 102820 |
| Other income | 7 | | 13063 | | 2915 |
| Increase (Decrease) in WIP | | | (6323) | | (5589) |
| | | | 75907 | | 100146 |
| EXPENDITURE | | | | | |
| Cost of Materials | 8 | | 27849 | | 41270 |
| Cost of Manufacturing | 9 | | 15676 | | 19421 |
| Administration, Selling & General Expenses | 10 | | 22961 | | 29269 |
| Interest | 11 | | 16 | | 126 |
| Depreciation | 3 | | 4998 | | 5077 |
| | | | 71500 | | 95163 |
| PROFIT BEFORE TAX | | | 4407 | | 4983 |
| Less: Provision for Taxation | | | | | |
| Corporate Tax | | | 681 | | 513 |
| Deferred tax | | | (634) | | (446) |
| Fringe Benefit Tax | | | - | | 158 |
| PROFIT AFTER TAX CARRIED TO BALANCE SHEET | | | 4360 | | 4758 |
| NOTES ON ACCOUNTS | 12 | | | | |

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

B. RAMAKRISHNAN
Partner
Membership No. 201023
Chennai
May 28, 2010

M.T. SIVA KUMAR
Company Secretary

R. SASIKALA
Director

B.G. RAGHUPATHY
Chairman

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

| Description | As at 31.03.2010 (Rs. '000) | As at 31.03.2009 (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 | 31179 | 26421 |
| Add: Profit for the year | 4360 | 4758 |
| 2. LOAN FUNDS | | |
| Unsecured Loans | | |
| (I) IFST | 10173 | 11749 |
| (II) Loan from others | 64893 | 71020 |
| | 75066 | 82769 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

3. FIXED ASSETS

(Rs. '000)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--|---------------------|-----------|-----------|---------------------|---------------------|-------------------|-----------|--------------------|-------------------------|-------------------------|
| | AS AT 01.04.2009 | ADDITIONS | DELETIONS | AS AT 31.03.2010 | UP TO 31.03.2009 | FOR THE PERIOD | DELETIONS | UPTO 31.03.2010 | WDV AS AT 31.03.2010 | WDV AS AT 31.03.2009 |
| A. Tangible Asset | | | | | | | | | | |
| Land | 7632 | - | - | 7632 | - | - | - | - | 7632 | 7632 |
| Building | 32243 | 68 | - | 32311 | 10255 | 1272 | - | 11527 | 20784 | 21988 |
| Plant & Machinery | 56642 | 237 | - | 56879 | 26825 | 2699 | - | 29524 | 27355 | 29817 |
| Electrical Installations | 10165 | 45 | - | 10210 | 4966 | 483 | - | 5449 | 4761 | 5199 |
| Computer & Office Equipment | 3432 | - | - | 3432 | 2486 | 330 | - | 2816 | 616 | 946 |
| Furniture & Fixtures | 788 | 7 | - | 795 | 534 | 51 | - | 585 | 210 | 254 |
| Vehicle | 1942 | 925 | - | 2867 | 1689 | 50 | - | 1739 | 1129 | 253 |
| B. Intangible Assets | | | | | | | | | | |
| Software (Other than Internally generated) | 575 | - | - | 575 | 120 | 113 | - | 233 | 342 | 455 |
| Total | 113419 | 1282 | - | 114701 | 46875 | 4998 | - | 51873 | 62829 | 66544 |
| Previous Year | 123204 | 1826 | 11611 | 113419 | 45870 | 5077 | 4072 | 46875 | 66544 | 77334 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

| Description | As at 31.03.2010 (Rs. '000) | As at 31.03.2009 (Rs. '000) |
|--|-----------------------------------|-----------------------------------|
| 4. CURRENT ASSETS, LOANS AND ADVANCES: | | |
| (a) Inventories | | |
| (i) Raw materials | 5041 | 4052 |
| (ii) Consumables | 1455 | 3648 |
| (iii) Work in progress | 822 | 7145 |
| | <u>7318</u> | <u>14845</u> |
| (b) Sundry Debtors | | |
| (Unsecured and considered good) | | |
| Over six months | - | 1261 |
| Others | 15268 | 7110 |
| | <u>15268</u> | <u>8371</u> |
| (c) Cash and Bank Balances | | |
| (i) Cash in hand | 55 | 46 |
| (ii) Bank Balances: | | |
| With Scheduled Banks: | | |
| On Current Account | 5672 | 4104 |
| On Deposit Account | 40190 | 39024 |
| | <u>45917</u> | <u>43174</u> |
| (d) Loans and Advances | | |
| (unsecured and considered good) | | |
| (i) Deposits | 672 | 624 |
| (ii) Advances recoverable in cash or in kind or for value to be received | 2888 | 3168 |
| (iii) a. TDS Receivable | 1476 | 753 |
| b. Advance tax paid | 25 | 1000 |
| c. Fringe Benefit Tax paid | - | 158 |
| (iv) Accounts Receivable | 5678 | 5642 |
| | <u>10739</u> | <u>11345</u> |
| (e) Other Current Assets | | |
| Interest accrued on Fixed Deposits | 1599 | 1077 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

| Description | As at 31.03.2010 (Rs. '000) | As at 31.03.2009 (Rs. '000) |
|--|---|---|
| 5. CURRENT LIABILITIES AND PROVISIONS | | |
| (a) Current Liabilities | | |
| (i) Sundry Creditors | 5397 | 4269 |
| (ii) Advance from Customers | 674 | 822 |
| (iii) Other Liabilities | 2896 | 1812 |
| | 8967 | 6903 |
| (b) Provisions | | |
| (i) Corporate Tax | 681 | 513 |
| (ii) Fringe Benefit Tax | - | 158 |
| (iii) Provision for Gratuity | 896 | 680 |
| | 1577 | 1351 |
| | | |
| Description | For the year ended 31.03.2010 (Rs. '000) | For the year ended 31.03.2009 (Rs. '000) |
| 6. SALES | | |
| (i) Finned Tubes | 12762 | 6432 |
| (ii) Process Equipments & HRSG | 55677 | 95459 |
| (iii) Others | 728 | 929 |
| | 69167 | 102820 |
| 7. OTHER INCOME | | |
| (i) Interest | 2918 | 1736 |
| (ii) Exchange Variation | 53 | 71 |
| (iii) Others | 10092 | 1108 |
| | 13063 | 2915 |
| | | |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

| Description | For the year ended 31.03.2010 (Rs. '000) | For the year ended 31.03.2009 (Rs. '000) |
|---------------------------------|--|--|
| 8. COST OF MATERIALS | | |
| Opening Inventory | | |
| Raw Material & Components | 4052 | 4036 |
| Consumables, Stores & Spares | 3648 | 3913 |
| | 7700 | 7949 |
| Add : Purchases | | |
| Raw Material & Components | 24012 | 35575 |
| Consumables, Stores & Spares | 2633 | 5446 |
| | 26645 | 41021 |
| | 34345 | 48970 |
| Less: Closing Inventory | | |
| Raw Material & Components | 5041 | 4052 |
| Consumables, Stores & Spares | 1455 | 3648 |
| | 6496 | 7700 |
| | 27849 | 41270 |
| 9. COST OF MANUFACTURING | | |
| Testing Charges | 1580 | 2690 |
| Part Processing | 10932 | 14502 |
| Power & Fuel | 3164 | 2229 |
| | 15676 | 19421 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

| Description | For the year ended 31.03.2010 (Rs. '000) | For the year ended 31.03.2009 (Rs. '000) |
|---|--|--|
| 10. ADMINISTRATION, SELLING & GENERAL EXPENSES | | |
| Rent | 1176 | 275 |
| Repairs and Maintenance : | | |
| Building | 73 | 549 |
| Plant & Machinery | 970 | 1094 |
| Others | 1033 | 1166 |
| Salaries and allowances | 12346 | 10689 |
| Contribution to PF, ESI & Gratuity | 738 | 483 |
| Workmen and Staff welfare expenses | 1218 | 1269 |
| Insurance | 274 | 251 |
| Rates and Taxes | 212 | 137 |
| Administrative Expenses | 581 | 969 |
| Auditor's Remuneration : | | |
| For Audit | 66 | 66 |
| For Taxation Matters | 33 | 33 |
| Bank Charges | 421 | 894 |
| Freight Outwards | 979 | 921 |
| Local Conveyance | 649 | 473 |
| Packing & Forwarding expenses | 492 | 302 |
| Loss on Demolition of F/A | - | 7538 |
| Professional charges | 217 | 371 |
| Security Charges | 994 | 896 |
| Telephone Expenses | 178 | 334 |
| Travel Expenses - Inland | 140 | 214 |
| Travel Expenses - Foreign | 157 | 226 |
| Subscription | 13 | 119 |
| | 22961 | 29269 |
| 11. INTEREST | | |
| Interest on Term Loan | 16 | 25 |
| Interest on Bank Credit | - | 101 |
| | 16 | 126 |

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.

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 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, dismantled Finning Machine was installed only in November 2009 and started production from December 2009. Hence, the Production facility for Finned Tubes was not available for 8 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 - Nil

4. CAPACITY AND PRODUCTION

| Particulars | Units | Installed for the | | Production for the | | Sales for the | |
|---------------------------|----------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| | | Year Ended * 31.03.2010 | Year Ended * 31.03.2009 | Year Ended * 31.03.2010 | Year Ended * 31.03.2009 | Year Ended * 31.03.2010 | Year Ended 31.03.2009 |
| Finned Tubes | Mtrs. | 18333 | 27500 | 15695 | 10265 | 15695 | 10265 |
| Process Equipments & HRSG | Kgs. (‘000) | 1000 | 1000 | 406 | 512 | 406 | 512 |

* During the year, dismantled Finning Machine was installed in Nov’ 2009 and started production from Dec’ 2009. Hence, the Production facility for Finned Tubes was not available for 8 months

5. SUMMARY OF SALES

| Particulars of Sales | For the Year ended 31.03.2010 (Rs. '000) | For the Year ended 31.03.2009 (Rs. '000) |
|---------------------------|--|--|
| Finned Tubes | 12762 | 6432 |
| Process Equipments & HRSG | 55677 | 95459 |
| Others | 728 | 929 |
| Total | 69167 | 102820 |

6. VALUE OF IMPORTS ON CIF BASIS

| Particulars | For the Year ended 31.03.2010 (Rs. '000) | For the Year ended 31.03.2009 (Rs. '000) |
|------------------------------|--|--|
| Raw materials and Components | 1160 | 4727 |

7. DETAILS OF RAW MATERIALS AND COMPONENTS CONSUMED

| Sl No. | Particulars | Units | For the year ended 31.03.2010 | | For the year ended 31.03.2009 | |
|--------|---------------------------|-------------|----------------------------------|---------------------|----------------------------------|---------------------|
| | | | Qty* | Value (Rs. '000) | Qty* | Value (Rs. '000) |
| 1 | Steel Plates & Structural | Kgs ('000) | 279 | 18419 | 286 | 35441 |
| 2 | Pipes, Tubes & Fittings | Mtrs ('000) | 4 | 6797 | 1 | 383 |
| 3 | Consumables & Others | Lot | | 2633 | - | 5446 |
| | Total | | | 27849 | | 41270 |

*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 31.03.2010 (Rs. '000) | % | For the year ended 31.03.2009 (Rs. '000) | % |
|--------------|--|-------|--|-------|
| Imported | 1160 | 04.17 | 4727 | 11.45 |
| Indigenous | 26689 | 95.83 | 36543 | 88.55 |
| Total | 27849 | | 41270 | |

9. EXPENDITURE IN FOREIGN CURRENCY

| Particulars | For the Year ended 31.03.2010 (Rs. '000) | For the Year ended 31.03.2009 (Rs. '000) |
|---|--|--|
| Travelling | 74 | 112 |
| Import of Raw Materials | 1160 | 4727 |
| Advance Payment for import of Raw Materials | 366 | 1159 |

10. EARNINGS IN FOREIGN EXCHANGE

| Particulars | For the Year ended 31.03.2010 (Rs. '000) | For the Year ended 31.03.2009 (Rs. '000) |
|------------------------|--|--|
| Sales | 4839 | 5861 |
| Advance from Customers | - | 2834 |
| Others | - | 46 |
| Total | 4839 | 8741 |

11. Deposits with banks amounting to Rs. 21,06,071/- (Rs. 40,23,194/-) under lien to Indian Overseas Bank, Chennai, against margin money.

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

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

| Sl No. | Particulars | As at 31.03.2010 (Rs. '000) | As at 31.03.2009 (Rs. '000) |
|--------|---|-----------------------------------|-----------------------------------|
| 1. | Amount due to Vendors | 87 | 83 |
| 2. | Interest due on (1) above and unpaid | - | - |
| 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 | - | - |

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:

| Particulars | For the Year ended 31.03.2010 (Rs. '000) | For the Year ended 31.03.2009 (Rs. '000) |
|---|--|--|
| Employer's Contribution to Provident Fund | 228 | 201 |
| Employer's Contribution to Pension Scheme | 239 | 210 |

Defined Benefit Plan

Provision for gratuity amounting to Rs.2,16,289/- (Rs. 24,764) has been made towards incremental liability for the year ended 31st March 2010 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 Systems India Limited.
ii) Schmitz India Private Limited.

c) Key Management Personnel

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

(ii) Related Party Transactions

| Particulars | Holding Company (Rs. '000) | Other Companies (Rs. '000) | For the Year ended 31.03.2010 (Rs. '000) | For the Year ended 31.03.2009 (Rs. '000) |
|----------------|-------------------------------|-------------------------------|--|--|
| Sales | 27677 | 2777 | 30454 | 25671 |
| Purchase | - | - | - | - |
| Loan Repayment | - | - | - | 2359 |
| Rental Income | 11092 | - | 11092 | 1068 |
| Others | - | 2856 | 2856 | 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 31.03.2010 (Rs. '000) | Deferred Tax Liability as on 31.03.2010 (Rs. '000) | Deferred Tax Asset as on 31.03.2009 (Rs. '000) | Deferred Tax Liability as on 31.03.2009 (Rs. '000) |
|--------------|--|--|--|--|
| Depreciation | 38407 | - | 37854 | - |
| Gratuity | - | 74 | - | 8 |
| Total | 38407 | 74 | 37854 | 8 |

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 thousands.

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

B. RAMAKRISHNAN
Partner
Membership No. 201023
Chennai
May 28, 2010

M.T. SIVA KUMAR
Company Secretary

R. SASIKALA
Director

B.G. RAGHUPATHY
Chairman

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
1. Registration Details

| | |
|--------------------|-----------------------|
| Registration No. | U29141TN1994PLC026639 |
| State Code | 18 |
| Balance Sheet Date | 31.03.2010 |

2. Capital raised during the year including securities premium (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 | 1,82,149 | Total Assets | 1,82,149 |
|-------------------|----------|--------------|----------|

Sources of Funds

| | | | |
|---------------|--------|--------------------|--------|
| Share Capital | 61,000 | Reserves & Surplus | 35,539 |
| Secured Loans | Nil | Unsecured Loans | 75,066 |

Application of Funds

| | | | |
|--------------------|--------|---------------------------|--------|
| Net Fixed Assets | 62,828 | Investments | Nil |
| Net Current Assets | 70,297 | Miscellaneous Expenditure | Nil |
| Accumulated Losses | Nil | Deferred Tax | 38,480 |

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

| | | | |
|--------------------------|-----------|-------------------------|-----------|
| Total Income | 75,907 | Total Expenditure | 71,500 |
| Profit/(Loss) before tax | (+) 4,407 | Profit/(Loss) after tax | (+) 4,360 |
| Earning per Share | 0.72 | Dividend Rate % | Nil |

5. Generic Name of three 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

B. RAMAKRISHNAN
Partner
Membership No. 201023
Chennai
May 28, 2010

M.T. SIVA KUMAR
Company Secretary

R. SASIKALA
Director

B.G. RAGHUPATHY
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

| Description | For the year ended 31.03.2010 (Rs. '000) | | For the year ended 31.03.2009 (Rs. '000) | |
|--|--|---------------|--|--------|
| A CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net Profit Before Tax and Extraordinary Items | | 4407 | | 4983 |
| Adjustments For : | | | | |
| Depreciation | 4998 | | 5077 | |
| Loose Tools Written Off | - | | - | |
| Loss On Unabsorbed Depreciation | - | | 7538 | |
| Miscellaneous Expenditure Written Off | - | | - | |
| Prior Period Expenses | - | | - | |
| Provisions for Taxes Not Paid | - | | - | |
| (Profit)/Loss on Sale of Fixed Assets | - | | - | |
| Interest | 16 | 5014 | 126 | 12741 |
| Operating Profit Before Working Capital Changes | | 9421 | | 17724 |
| Adjustments For : | | | | |
| (Increase)/Decrease in Loans & Advances | (326) | | (608) | |
| (Increase)/Decrease in Inventories | 7527 | | 5838 | |
| (Increase)/Decrease in Trade And Other Receivables | (6897) | | 5765 | |
| Increase/(Decrease) in Trade Payables | 2280 | 2584 | (4554) | 6441 |
| Cash Generated From Operations | | 12005 | | 24165 |
| Prior Period Expenses | - | | - | |
| Interest Paid | - | | - | |
| Unabsorbed Depreciation - FTS | - | | - | |
| Taxes Paid | 261 | 261 | 4355 | 4355 |
| Net Cash Flow From Operating Activities | | 11744 | | 19810 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | | (1282) | | (1826) |
| Sale of Fixed Assets | | - | | - |
| C CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| (Repayment) / Inflow of Finance Liabilities | (7703) | | 11932 | |
| Interest Paid | (16) | (7719) | (126) | 11806 |
| Net Increase In Cash and Cash Equivalents (A+B+C) | | 2743 | | 29790 |
| Cash and Cash Equivalents as at 01.04.2009 (Op. Bal) | | 43174 | | 13384 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | | 2743 | | 29790 |
| Cash and Cash Equivalents as at 31.03.2010 (Cl. Bal) | | 45917 | | 43174 |

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

B. RAMAKRISHNAN
Partner
Membership No. 201023
Chennai
May 28, 2010

M.T. SIVA KUMAR
Company Secretary

R. SASIKALA
Director

B.G. RAGHUPATHY
Chairman

SILVER JUBILEE LANDMARK

Joint Venture with

Hitachi Power Europe GmbH, Germany
for Super-critical Steam Generators and Sub-critical Boilers

Hitachi Limited, Japan
for Super-critical Steam Turbines and Generators





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 Fourth 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 3.00 p.m. on Friday, September 24, 2010 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2010 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.
3. To appoint a director in the place of Mrs. Sasikala Raghupathy, who retires by rotation and, being eligible for re-appointment, offers herself for re-appointment.
4. To appoint a director in the place of Mr. Heinrich Bohmer, who retires by rotation and, being eligible for re-appointment, offers himself for re-appointment.
5. To appoint Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED that Mr. A. Swaminathan, 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.”
7. 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 modifications thereof, for the time being in force) the Company hereby approves the appointment of Mr.A. Swaminathan as Whole Time Director of the Company for a period of five years with effect from 5th February, 2010 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** : Director
(Sales & Marketing)

b) Remuneration

- (i) Salary : Rs.2,70,000 per month.
- (ii) Allowances & Reimbursements : Rs.7,68,000 per month.
- (iii) Performance Linked Incentive : Rs.50,00,000 per annum.
- (iv) Annual ex-gratia / Bonus : As per the rules of the Company.
- (v) Other benefits

Appointee shall be entitled to earned / privilege leave, company's contribution to provident fund, gratuity, leave encashment, use of the company's car with chauffeur and other benefits as per rules of the Company.

The allowances and reimbursements will include the following, subject to the overall limit mentioned hereinabove.

- (i) House rent allowance.
- (ii) Children education allowance.
- (iii) Fuel reimbursement.
- (iv) Medical reimbursement for self and family.
- (v) Telephone at residence.

- (vi) Leave travel allowance.
- (vii) Attire reimbursement.
- (viii) Other permissible allowances and reimbursement as per rules of the Company.

Minimum Remuneration

During the term of the appointment, where in any financial year the company has no profits or the profits are inadequate, the Whole Time 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.”

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 September 14, 2009 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 for the period from February 7, 2009 to February 6, 2010 and with effect from February 7, 2010 for the remainder of the current term of appointment.”

| Sl No. | Remuneration | For the period from February 7, 2009 to February 6, 2010. Amount per month (Rs.) | Effective from February 7, 2010 until end of current term of appointment. Amount per month (Rs.) |
|--------|--|--|--|
| 1. | Salary | 1,30,000 | 1,88,000 |
| 2. | Allowances & Reimbursements | 3,65,000 | 5,55,000 |
| 3. | Company performance linked incentive (payable on annual basis) | 1,25,000 | 1,25,000 |
| | Total | 6,20,000 | 8,68,000 |

In addition, Mr. S. Rathinam shall always deemed to have been entitled to ex-gratia / bonus on annual basis during the term of appointment.

“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, July 11, 2007 and September 14, 2009 shall remain unaltered.”

9. 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 September 14, 2009 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, Whole Time Director for the period from June 1, 2009 to May 31, 2010.”

NOTICE

| Sl. No. | Remuneration | Amount per month (Rs.) |
|---------|--|------------------------|
| 1. | Salary | 1,30,000 |
| 2. | Allowances & Reimbursements | 3,65,000 |
| 3. | Company performance linked incentive (payable on annual basis) | 1,25,000 |
| | Total | 6,20,000 |

In addition, Mr. V.R. Mahadevan shall always deemed to have been entitled to ex-gratia / bonus on annual basis during the term of appointment.

“RESOLVED FURTHER that all other terms and conditions of the appointment / remuneration of Mr. V.R. Mahadevan, Whole Time Director as approved by the members at the Annual General Meeting held on March 30, 2006, July 11, 2007 and September 14, 2009 shall remain unaltered.”

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. V.R. Mahadevan as a Whole Time Director of the Company for a period of five years with effect from June 1, 2010 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** : Whole Time Director
- b) **Remuneration**
- (i) Salary : Rs.1,88,000 per month
 - (ii) Allowances & Reimbursements : Rs.5,33,000 per month
 - (iii) Performance Linked Incentive : Rs.15,00,000 per annum
 - (iv) Annual ex-gratia / Bonus : As per the rules of the Company
 - (v) Other benefits
Appointee shall be entitled to earned / privilege leave, company's contribution to provident fund, gratuity, leave encashment, use of the company's car with chauffeur and other benefits as per rules of the Company.

The allowances and reimbursements will include the following, subject to the overall limit mentioned hereinabove.

- (i) House rent allowance.
- (ii) Children education allowance.
- (iii) Fuel reimbursement.
- (iv) Medical reimbursement for self and family.
- (v) Telephone at residence.
- (vi) Leave travel allowance.
- (vii) Attire reimbursement.
- (viii) Other permissible allowances and reimbursement as per rules of the Company.

Minimum Remuneration :

During the term of the appointment, where in any financial year the company has no profits or the profits are inadequate, the Whole Time 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 : August 16, 2010

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 and Share transfer book of the Company shall remain closed from September 20, 2010 to September 24, 2010 (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, 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 and FY 2008-09 are requested to write to the Company giving necessary details.
- ix) Members are requested to forward their queries on Annual accounts and other sections of the Annual Report to the Company Secretary at least 10 days in advance for enabling the Company to furnish replies / clarification at the AGM.
- x) The Certificate from the Auditors of the Company certifying that the Employee Stock Option Scheme 2007 ("ESOS 2007") of the Company is being implemented in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 will be placed at the Annual General Meeting.

- xi) Members are requested to bring their copy of the Annual Report to the meeting.

Profile of Directors seeking re-appointment :

- (xii) Mrs. Sasikala Raghupathy has been associated with your Company as a Director since it was founded. Mrs. Sasikala Raghupathy holds 11,579,120 shares in the equity share capital of the Company. Mrs. Sasikala Raghupathy does not hold membership in any Committee and she holds directorship in the following companies ;

| Sl No. | Name of the Companies |
|--------|---|
| 1. | BGR Aquaatech India Limited |
| 2. | Sasikala Estate Private Limited |
| 3. | Progen Systems and Technologies Limited |
| 4. | Swarna Leasing Private Limited |
| 5. | Priya Securities Private Limited |
| 6. | Vani Securities Private Limited |
| 7. | Arjun Securities Private Limited |
| 8. | BGR Power Limited |
| 9. | ANI Constructions Private Limited |
| 10. | Mega Funds India Limited |
| 11. | GEA BGR Energy System India Limited |
| 12. | BGR Boilers Private Limited |
| 13. | BGR Turbines Company Private Limited |
| 14. | BGR Power Machines Limited |

- (xiii) Mr. Heinrich Bohmer is an independent director on the Board of your Company. Mr. Heinrich Bohmer is a Diploma in Mechanical Engineer from the Technical academy in Duisburg, Germany. He was inducted into the Board as independent director of the Company on July 18, 2007. He has been involved in research and development, design and sales departments in various power and chemical industries. Prior to joining the company's Board, he established EVU GmbH, an engineering company and retired as the Managing Director of Taprogge – MWD GmbH, Germany. Mr. Heinrich Bohmer does not hold any share in the Company. Mr. Heinrich Bohmer is a member of Shareholders and Investors Grievances Committee of the Company. Mr. Heinrich Bohmer does not hold directorship in any other company.

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

Item No.6 & 7

The Board at its meeting held on February 5, 2010 has co-opted Mr. A. Swaminathan as an additional director and subsequently to the office of Whole Time Director of the Company for a period of five years. Mr. Swaminathan holds a Bachelor's degree in Technology in Mechanical Engineering from the Indian Institute of Technology, Mumbai. Mr. Swaminathan has joined the Company in May, 1997 and served the company for more than a decade and contributed immensely in making the Company as market leader in Balance of Plant ("BOP") segment business in India and company's strategic foray in Engineering, Procurement and Construction ("EPC") segment business and was heading the Power projects division of the Company as President & CEO before elevated as Director (Sales & Marketing). Prior to joining the Company, Mr. Swaminathan served TATA Power Limited as General Manager - Projects and has three decades of overall experience in design, engineering, construction, erection, commissioning, operation and maintenance of Power projects.

The Board in order to strengthen the top management team appointed Mr. A. Swaminathan as Whole Time Director. Mr. A. Swaminathan is responsible for Sales and Marketing of the Company. He holds a Bachelor's degree in Technology from Indian Institute of Technology, Bombay and Diploma in Management Studies from Bombay University. Prior to joining the Company in 1997, he worked as a General Manager with TATA Power Company Limited. Mr. Swaminathan holds 15,675 no. of equity shares in the Company and holds directorship in Cuddalore Powergen Corporation Limited. Mr. A. Swaminathan does not hold membership in any committee.

Mr. A. Swaminathan 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. A. Swaminathan for the office of Whole Time Director of the Company. The appointment of Mr. A. Swaminathan is in the best interest of the Company and the Board commends these resolutions. In terms of Schedule XIII of the Companies Act, 1956 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.A.Swaminathan. The Board commends the resolution set out in the notice for your approval.

Item No.8

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 January 28, 2009 have revised the remuneration with effect from February 7, 2008. Further, the Board of Directors at their meeting held on February 5, 2010 varied the remuneration payable to Mr. S. Rathinam, Director – Finance for the period from February 7, 2009 to February 6, 2010 and with effect from February 7, 2010 for the remainder of the current term of appointment. Mr.S. Rathinam was appointed for a period of 5 (Five) years with effect from February 7, 2006. In terms of Schedule XIII of the Act, the remuneration payable to a managerial person shall be approved by shareholders in the general meeting. 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. 9

Mr. V.R. Mahadevan was appointed to the office of Whole Time Director of the Company and designated as Director – Technologies & HR for a period of 5 (Five) years effective from June 1, 2005. The Board of Directors at their meeting held on January 28, 2009 have revised the remuneration with effect from June 1, 2008. Further, the Board of Directors at their meeting held on February 5, 2010 varied the remuneration payable to Mr.V.R. Mahadevan, Director – Technologies & HR for the period from June 1, 2009 to May 31, 2010. Mr.V.R. Mahadevan was appointed for a period of 5 (Five) years with effect from June 1, 2005. In terms of Schedule XIII of the Act, the remuneration payable to a managerial person shall be approved by shareholders in the general meeting. 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 No.10

The current term of appointment of Mr.V.R. Mahadevan as Whole Time Director comes to an end on May 31, 2010. The Board of Directors at their meeting held on February 5, 2010 resolved to re-appoint

Mr. V.R. Mahadevan as the Whole Time Director of the Company for a further period of 5 (five) years effective from June 1, 2010, 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 February 5, 2010 as required under the Companies Act, 1956. The details of remuneration viz., salary, allowances & reimbursements, performance linked incentive, annual ex-gratia / bonus and other benefits are provided in the notice.

Mr. V.R. Mahadevan is responsible for Technologies and Human Resources of the Company. He holds a Bachelor's degree in Electrical Engineering from Annamalai University, TamilNadu. Prior to joining the Company in 1987, he worked as a Project Manager with Best & Crompton Limited. He has over 25 years of experience in the fields of Project Management.

Mr. Mahadevan holds 7,716 equity shares 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 |
|--------|--|
| 1. | Govin Engineering and Constructions Limited |
| 2. | GEA BGR Energy System India Limited |
| 3. | Pragati Computers Limited |
| 4. | Pragati Information & Technologies Limited |
| 5. | Goa Oceanarium Private Limited |
| 6. | Schmitz India Private Limited |
| 7. | Germanischer Lloyd Industrial Services India Private Limited |
| 8. | BGR Power Machines Limited |

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.V.R.Mahadevan. The resolution set out in the notice is commended for the approval of the shareholders.

By order of the Board

Place : Chennai

Date : August 16, 2010

R. RAMESH KUMAR

President - Corporate & Secretary