

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 22nd Annual Report and audited financial statements for the financial year ended March 31, 2017

Financial Results

	(₹ in Millions)	
	2016-17	2015-16
Revenue from operations (Gross)	7,537.24	7,351.02
Operating Profit (EBITDA)	1,917.40	1,785.47
Finance Cost	3.32	3.43
Depreciation & amortisation	147.96	152.67
Profit before exceptional items & tax	1,766.12	1,629.37
Exceptional Items	-	-
Profit before tax (PBT)	1,766.12	1,629.37
Tax expenses	604.26	539.68
Profit after Tax (PAT)	1,161.86	1,089.69
Other Comprehensive income(net of tax)	(13.04)	2.54
Total Comprehensive income	1,148.82	1,092.23
Earning per equity share of ₹ 1 each (in ₹)	3.52	3.30
Retained earnings brought forward	1,785.03	1,367.95
Appropriation:	-	-
-Equity dividend (including dividend distribution tax)*	178.72	675.15
-Transfer to General Reserves	-	-
Retained earnings carried forward	2,755.13	1,785.03

(*)Proposed final dividend of ₹ 0.75 per equity shares (75%) declared after the reporting period not included herein

With the accretion in reserves by ₹ 970.10 million during the year, the total reserves of the Company stand at ₹ 3,627.05 million and the net worth of the Company is at ₹ 3,957.02 million as on 31.03.2017.

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company to which these financial statement relate and the date of this report.

Indian Accounting Standards

The Ministry of Corporate Affairs (MCA) vide notification dated February 16, 2015, published in the Official Gazette notified Indian Accounting Standards (Ind AS) which are applicable to the Company w.e.f April 01, 2016 with the transition date April 01, 2015. Accordingly, the Financial Statements have been prepared in compliance with Ind AS and the comparative

information of the previous years has been provided as per the prescribed requirements.

Business Operations

Having regard to the challenging business conditions, the performance of the Company has been satisfactory – it has achieved 3% increase in turnover and 7% increase in profit after tax. The Company has been able to substantially internationalise its operations with exports forming 52% of the total turnover as against 36% in the previous year. In absolute terms also, export turnover has increased by 50% over the previous year. Further, high margin aftermarket business has increased by 8% over the previous year, with exports contributing 35% of the total aftermarket revenue.

The export order booking during the year remained rather sluggish in view of global macro-economic situation, including uncertainties on account of Brexit etc. Despite the impact of demonetisation in the second half of the year, the domestic market has shown a marginal growth in demand raising hopes of a gradual turnaround. Having set up the new state-of-the-art manufacturing facilities near Bengaluru, the Company is well equipped to manufacture and refurbish higher range of turbines and the expanded capacity will be helpful to capture all the opportunities as and when the normalcy in the demand reverts.

The Company intends to intensify its marketing thrust to expand its geographical footprint and introduce its unique value proposition to the potential customers. In doing so, the Company will be fully leveraging its foreign subsidiaries and their network of offices at strategic locations. Having already established offices at UK, Dubai, Indonesia and Vietnam, the Company is in the final stages of establishing offices in South Africa and Thailand; it has come a long way in realising the potential the global market has to offer. The underlying objective is to be close to our customers through extended reach of regional offices and ensure market visibility and customer's confidence for its products and aftermarket services.

The business of the Company centers around our robust R&D programme which enables us to achieve benchmark efficiency and help in making our products cost competitive. The hallmark of our R&D initiatives is our ability to accomplish the project within aggressive timelines and at reasonable cost. The R&D department is at the forefront of the Company's vision to sustain and enhance a leadership position in industrial steam turbine business.

Dividend

The Board has in its meeting held on August 04, 2016 declared an Interim dividend of 45% (₹ 0.45 per equity share). Further, the Board of Directors have recommended a final dividend of 75% (₹ 0.75 per equity share) for the financial year ended March 31, 2017. The total equity dividend for FY 17 (including the interim dividend of ₹ 0.45 per equity share (45%) amounts to ₹ 1.20 per equity share (120%) and the total outgo including the proposed final dividend for the FY 17, is ₹ 476.58 million (including dividend distribution tax) versus ₹ 436.86 million (corresponding to 110% dividend) in the previous year.

Dividend Distribution Policy

As per the provision of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 (Listing Regulations), the top 500 listed companies, based on Market Capitalisation shall formulate a Dividend Distribution Policy. Accordingly, policy was adopted to set out the parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to the shareholders of the Company and to retain profits earned by the Company. The Policy is available on the web site of the Company at <http://www.triveniturbines.com/key-policies>.

Subsidiary

The Company has a domestic subsidiary (considered as a Joint Venture for the purposes of consolidated financial statements), namely, GE Triveni Ltd (GETL), Bengaluru, a wholly owned foreign subsidiary, namely, Triveni Turbines Europe Pvt. Ltd. (TTEPL), UK, and a step-down subsidiary, namely, Triveni Turbines DMCC (TTDMCC), Dubai (wholly owned subsidiary of TTEPL). As required under the provisions of Section 129 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2013, a statement containing salient features of the financial statements of subsidiaries is provided in the prescribed format AOC-1 as **Annexure A** to the Board's Report.

The performance of GETL for the current year was satisfactory. While there was a decline in turnover by 15% due to slippage of some high value despatches to the next year, the profit after tax grew by 46% over the previous year. The orders in hand at the end of the year were higher by 29% over the previous year. The enquiry pipeline in the international market is encouraging.

The foreign subsidiaries, TTEPL and TTDMCC are fully operational and expanding their business presence in other regional territories. These international structures are providing strong support for order booking and in execution of aftermarket services.

In accordance with Regulation 16 of Listing Regulations, none of the subsidiaries is a material non Listing Regulations subsidiary.

The Company has formulated a policy for determining material subsidiaries. The policy has been uploaded on the website of the Company at <http://www.triveniturbines.com/key-policies>.

In accordance with Section 136 of the Companies Act, 2013, the audited financial statements of the Company alongwith the consolidated financial statements and related detailed information, the audited financial statements of the subsidiary companies are available on the website of the Company. These documents will be made available for inspection at the Registered Office of the Company during business hours.

Consolidated Financial Statements

In accordance with Section 136 of the Companies Act, 2013 and Regulation 33 & 34 of the Listing Regulations read with other applicable provisions, your Directors have attached the Consolidated Financial Statements of the Company for financial year ended March 31, 2017, prepared in accordance with applicable Ind AS, which form a part of the Annual Report

The financial statements including consolidated financial statements and the audited accounts of each of the subsidiary are available on the Company's website www.triveniturbines.com

Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, your directors confirm that:

- a) In the preparation of the annual accounts for the financial year ended March 31, 2017, the applicable accounting standards have been followed and there are no material departures;
- 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 at the end of the financial year and of the profit of the Company for that period;
- 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, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The directors have prepared the annual accounts on a 'going concern' basis;
- e) The directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and

- f) The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Corporate Governance

In accordance with SEBI Regulations, a separate report on Corporate Governance is given in **Annexure B** along with the Auditors' Certificate on its compliance in **Annexure C** to the Board's Report. The Auditors' Certificate does not contain any qualification, reservation and adverse remark.

Related Party Transactions

The Company has formulated a Related Party Transactions Policy which has been uploaded on its website at <http://www.triveniturbines.com/key-policies>. It is the endeavour of the Company to enter into related party transaction on commercial and arms' length basis with a view to optimise the overall resources of the group.

All transactions entered into with related parties during the year were in the ordinary course of business of the Company and at arms-length basis. The Company had not entered into any contract/arrangement/transaction with related parties which could be considered material in accordance with the policy of the Company on the materiality of related party transactions Form AOC-2 is not attached with this Report as there was no such related party transaction for which disclosure in terms of Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is required.

Risk Management Policy and Internal Financial Controls

The Company follows a risk management policy, the objective of which is to lay down a structured framework and system to identify potential threats to the organisation and likelihood of their occurrences with a view to formulate effective mitigation with a clear accountability and ownership. It is the endeavour of the Company to devise processes and controls to improve the overall risk profile of the Company. The risk policy aims at controlling and minimising the risks through effective mitigation measures, internal controls and by defining risk limits and parameters.

Pursuant to the risk management policy, the Company has instituted a comprehensive risk management framework. Detailed identification of risks is carried out along with categorisation thereof based on severity of impact on the organisation, including on its reputation. Such categorisation gives highest weightage to the risks which have the potential to threaten the existence of the Company. The Risk Committee, comprising of functional heads and the Executive Director, oversees the risk management activities in the Company. The

risk management policy and framework are reviewed regularly to assess and maintain its effectiveness and relevance.

As required under Section 134 (5) (e) of Companies Act 2013 and integrated with the risk management framework, Internal Financial Controls System has been laid out which comprehensively deals with and elaborates financial controls, financial reporting and timely preparation of reliable financial statements. Additionally, clearly defined delegation of authority, policies and procedures for efficient conduct of the business, operating and financial controls have been put in place to safeguard the assets, to identify and minimise leakages and wastages, and to detect and prevent frauds and errors. There is an inbuilt mechanism through self-certification and audit to ensure that all controls are working effectively.

Directors and Key Managerial Personnel (KMP)

As per the provisions of the Companies Act, 2013, Mr. Tarun Sawhney will retire by rotation at the ensuing Annual General Meeting (AGM) of the Company and being eligible, seeks re-appointment. The Board has recommended his re-appointment.

The term of appointment of Lt. Gen. K.K. Hazari (Retd.), Independent Director of the Company was due to expire on March 31, 2017. With the approval of shareholders by a Special Resolution dated March 31, 2017 passed by postal ballot Gen Hazari has been re-appointed as an Independent Director w.e.f. April 01, 2017 for a term upto 25th AGM of the Company.

Further, with the approval of the shareholders by a separate special resolution dated March 31, 2017 passed by postal ballot, Mr Arun Prabhakar Mote has been re-appointed as Whole-time Director (designated as Executive Director) of the Company for a further period of two years with effect from November 1, 2016 on the remuneration and terms and conditions set out in the said special resolution.

With deep regret, we report the sad demise of our Independent Director, Mr. Amal Ganguli, on May 8, 2017. Your Directors would like to place on record their highest gratitude and appreciation for the guidance given by Mr. Ganguli to the Board during his tenure as a director.

The Company has received declarations of Independence in terms of Section 149 of the Act and also under the Listing Regulations from all the Independent Directors.

As required under the provisions of Section 203 of the Act, the Key Managerial Personnel, namely, Chairman & Managing Director, Vice Chairman & Managing Director, Executive Director, Executive Vice President & CFO and Company Secretary continue to hold that office as on the date of this report.

Employees Stock Option

There are no outstanding stock options and no stock options were either issued or allotted during the year.

AUDITORS

Statutory Auditors

As per Section 139 of the Act and rules made thereunder, it is mandatory to rotate Statutory Auditors on completion of maximum term permitted under the said Section. M/s J.C. Bhalla & Co., Chartered Accountants (JCB), the existing statutory auditors of the Company, would be completing their term at the conclusion of the ensuing 22nd AGM of the Company.

The Audit Committee of the Company has proposed and the Board of Directors of the Company has recommended, appointment of M/s Walker Chandiook & Co LLP (ICAI Firm Registration No. 001076N) (WCC) as Statutory Auditors of the Company in place of JCB, for a period of five (5) consecutive years, to hold the office from the conclusion of the ensuing 22nd AGM until the conclusion of 27th AGM of the Company, for approval of the shareholders of the Company. WCC are eligible and consented to act as the Statutory Auditors of the Company. The First year of the Audit will be Financial Statements for the year ending March 31, 2018.

Cost Auditor

In terms of the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and the Companies (Cost Records and Audit) Rules 2014 duly amended, cost audit is applicable to the Company for FY 18. M/s J.H & Associates, Cost Accountants, Bengaluru have been appointed as the Cost Auditors to conduct the cost audit of your Company for FY 18. The Board recommends the ratification of the remuneration to the Cost Auditors.

Secretarial Auditor

In terms of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Board appointed M/s Sanjay Grover & Associates, a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company for FY 17. The report on secretarial audit is annexed as **Annexure D** to the Board's Report. The report does not contain any qualification, reservation or adverse remark.

Corporate Social Responsibility (CSR)

A CSR policy was formulated by the CSR committee which, on its recommendation, was approved by the Board. The CSR Policy is available on the Company's website at <http://www.triveniturbines.com/key-policies>.

The composition of CSR Committee and Annual Report on CSR Activities as approved by the CSR Committee is provided in **Annexure E** to the Board's Report.

Audit Committee

The composition of Audit Committee is provided in the Corporate Governance Report that forms part of this Annual Report.

Vigil Mechanism

The Company has established a vigil mechanism through a Whistle Blower Policy and through the Audit Committee, oversees the genuine concerns expressed by the employees and other Directors. The Company has also provided adequate safeguards against victimisation of employees and Directors who may express their concerns pursuant to this policy. The Company has also provided a direct access to the Chairman of the Audit Committee on reporting issues concerning the interests of the employees and the Company. The policy is uploaded on the website of the Company at <http://www.triveniturbines.com/key-policies>.

Disclosure under the sexual harassment of women at workplace (Prevention, Prohibition and Redressal) Act 2013

The Company has in place an Anti-Sexual Harassment policy in line with the requirements of sexual harassment of women at Work place (Prevention, Prohibition and Redressal) Act 2013. The Internal Complaint Committee (ICC) has been set up to redress complaints received regarding sexual harassment. During the period under review, no complaint was received by the ICC.

Board Meetings

During the year, five board meetings were held, the details of which are given in the Corporate Governance Report that forms part of the Board's Report. The maximum interval between the two meetings did not exceed 120 days as prescribed in the Companies Act, 2013.

Particulars of loans, guarantees or investments made under Section 186 of the Companies Act, 2013

The investment made by the Company in bodies corporate comprise only of investments made by it in equity share capital of its subsidiaries as disclosed in the notes to the audited financial statements forming part of this Annual Report. The Company has not given any loans or given any guarantee or provided any security in connection with a loan to any body corporate or person.

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

The particulars required under Section 134(3) (m) of the Companies Act, 2013 read with the relevant rules are provided in **Annexure F** to the Board's Report.

Particulars of Employees

The information as required under Section 197 of the Companies Act 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in **Annexure G** to the Board's Report.

The particulars of employees drawing remuneration in excess of limits set out in the Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in **Annexure H** to the Board's Report. However, as per the provisions of Section 136 of the Companies Act 2013, the annual report is being sent to all the members of the Company excluding the aforesaid information. The said information is available for inspection by the members at the registered office of the Company up to the date of the ensuing Annual General Meeting. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

Management's discussion and analysis

In terms of provisions of Regulation 34 of the Listing Regulations, the Management's discussion and analysis is set out in this Annual Report.

Business Responsibility Report

The Listing Regulations mandate top 500 listed entities based on the market capitalisation as on March 31, 2017, the inclusion of the Business Responsibility Report as part of the Directors Report of the Company. The report in the prescribed form is annexed as **Annexure I** to the Board Report.

Deposits

The Company has not accepted any public deposits under Section 73 of the Companies Act, 2013.

Extracts of Annual Return

Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extracts of the annual return in the prescribed form is annexed as **Annexure J** to the Board's Report.

Significant and material orders

There are no significant and material orders passed by regulators or courts or tribunals impacting the going concern status and Company's operations in future.

Human Resources

The Company operates in technologically dynamic environment and competes with globally reputed players. The Company engages highly trained and motivated team to market its

products, carry out continual product improvements, evolve new technologies, provide value proposition for its customers and offer products which meet benchmark efficiency and quality standards.

The Company believes in continuous learning and the state-of-the-art in-house learning center provides theme based training to all employees round the year to keep them abreast with the technological and market developments. The learning center imparts focused training programmes dealing with product knowledge, skill building, design capabilities, and in-house developed computer based training on product and leadership. Specially designed development modules have been created for our customer care engineers.

The Company has a robust and effective performance management system to identify and nurture talents, provide personal growth and job enrichment for retention, reward for their performance and achievements through set KRAs and goals. For FY 17 3.3 man days of training for each employee including workmen was achieved.

Policy on Directors' appointment and remuneration

The policy of the Company on the appointment and remuneration of the directors as approved by the Board, including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of Section 178 of the Companies Act, 2013, is uploaded on the website of the Company at <http://www.triveniturbines.com/key-policies>. There has been no change in the policy since the last fiscal year and the remuneration paid to the directors is as per the terms laid out in the policy.

Board Evaluation Mechanism

Pursuant to the provisions of Companies Act 2013 and the Listing Regulations, the Board has carried out annual performance evaluation of its own performance, those of directors individually as well as evaluation of its committees. The evaluation criteria as defined in the Nomination and Remuneration Policy of the Company covered various aspects of Board such as, composition, performance of specific duties, obligations and governance.

The performance of individual directors was evaluated on parameters, such as, number of meetings attended, contribution in the growth and formulating the strategy of the Company, independence, application of judgement, safeguarding the interest of the Company and minority shareholders, time devoted apart from attending the meetings of the Company, active participation in long term strategic planning, ability to contribute by introducing best practices to address business challenges and risks etc. The directors expressed their satisfaction with the evaluation process.

Appreciation

Your directors wish to take the opportunity to express their sincere appreciation to our customers, suppliers, shareholders, employees, the Central and Karnataka Government, financial institutions, banks and all other stakeholders for their whole-hearted support and co-operation. Your Directors also wish to record their appreciation for the continued co-operation and support received from the Joint Venture partner.

We look forward to their continued support and encouragement.

For and on behalf of the Board of Directors

Place: Noida (U.P.)
Date: May 18, 2017

Dhruv M. Sawhney
Chairman and Managing Director