



BF UTILITIES LIMITED

KALYANI

1ST ANNUAL REPORT
2000-01

CONTENTS

Board of Directors etc. 1

Management Discussion and Analysis 2

Corporate Governance 4

Shareholder Information 6

Directors' Report 8

Auditors' Report 10

Financials 12

Subsidiaries Accounts 26

BOARD OF DIRECTORS

B. N. KALYANI
Chairman

P. C. BHALERAO

G. K. AGARWAL

B. B. HATTARKI

S. S. VAIDYA

BANKERS

ICICI Bank Limited

HDFC Bank Limited

AUDITORS

Dalal & Shah, Chartered Accountants

REGISTERED OFFICE

BF Utilities Limited
Mundhwa, Pune Cantonment,
Pune 411 036, Maharashtra, India
Phone : (020) 6812595 / 6871666 / 6870451
Fax : (020) 6876961
E-mail : fsd@bflpune.com

MANAGEMENT DISCUSSION AND ANALYSIS

The Board takes pleasure in presenting your Company's first Annual Report for the year 2000 - 2001 along with the compliance report on corporate governance. This Chapter on Management Discussion and Analysis forms a part of the compliance report on corporate governance.

Green Energy - International Scenario

Rising level of greenhouse gases in the global atmosphere cause rise in global temperatures. This climatic change effect will have significant impact on the global environment and human society. In 1997 more than 150 countries adopted the Kyoto Protocol and agreed to work towards achieving target emission levels of greenhouse gases. Emission trading provides the most cost effective and flexible approach to reduce greenhouse gases (GHGs) on global scale. The development of GHG trading is a cornerstone of both domestic and international climate policy. Emission trading is economically efficient because emitters have the choice of making the reduction themselves or paying someone else who might be in a position to reduce the same quantity of emissions at lower cost.

The operational mechanism of giving these credits are getting in place with the concerned ministry working on the regulating and awarding systems for such eligible projects.

The Domestic Scenario

Power is the main ingredient for progress of a nation. In a power starved nation like India, abundantly available, perennial and environmentally benign non-conventional energy sources have the potential to activate a sustainable and equitable socio-economic development process in the country. India is implementing one of the world's largest programmes on renewable energy. The Government has set a target of power generation through non conventional sources which is 10% of total power capacity by 2010. The most sought after Non-Conventional Energy is wind for reasons of speedier implementation, cost, reliability and ease of grid connectivity. India is now the fifth largest wind power producing country in the world after Germany, Spain, USA and Denmark. As of September 2001, installed capacity is 1300 MW. However, it is estimated that the Country's total wind power generating potential is 40,000 MW. Maharashtra has encouraged large investments in wind mill projects in last three years and your Company has been amongst the first to engage in this activity.

Company Strategy to help green power generation

Kalyani Group is *inter alia* in the business of manufacture of Special Steels, Forgings and Automobile Components, all of which are highly power intensive manufacturing processes. As a responsible and conscious corporate citizen and also as a step towards backward integration to establish a reliable and cost effective source of energy for Group Companies, your company was set up to harness wind energy potential in the State. Generation of Wind Power was considered a means to control the cost of a critical manufacturing input, while at the same time contribute in protecting the environment. Accordingly, the Company has set up a Wind Farm at Thoseghar in Satara District of Maharashtra with a total installed capacity of 18.33 MW. The Wind Mill Project is set up using the best technology available and is situated in the best wind density area of the State after micro-siting for optimal generation. The Company also has developed inhouse expertise for continuous monitoring and improvement in the performance of the Project. All these factors have helped the Company to achieve 23 to 24 % Plant Load Factor which is higher than most other Wind Energy projects in the State. The development of Wind Power Projects in the Sahyadri range is also contributing to enhance the overall development and provide a fillip to economic activity in the region which is one of the hilly / backward areas of the State.

Implementation of the Kyoto Protocol will entitle non conventional energy projects for Clean Energy Development Mechanism (CDM) benefits. As per the general norms practiced in European countries, your company's approx. 40 million units of generation per year is equivalent to prevention of emission of 48,000 tonnes of carbon dioxide which is the main constituent of greenhouse gases. Therefore, your company can reasonably expect additional returns through this non-conventional energy project.

In future the expected rise in power tariffs will generate additional revenues for the company with no corresponding rise in costs. All these benefits are aimed to increase profitability which in turn will translate into more value for our esteemed shareholders.

Concerns

Stability in Government Policies is a key element that determines conduciveness of a business environment. With the performance of State Electricity Board being much below expectations, the Government which is already faced with a huge fiscal deficit, has been constrained to modify its industrial policies. Companies engaged in the generation of non conventional energy have been affected due to these mid-course changes/corrections. However, your company is making continuous efforts to reduce costs and improve operational efficiencies to minimize the impact of a frequently changing government policy regime.

Performance

During the seven months of operations from March to September, 2001, the generation of power has been good. This is primarily because of the traditional high winds season that prevails at this time of the year. The reason for low profitability, however, is the greenfield nature of the project, the high initial investment cost and the fact that the benefits from Sales Tax Deferral will start accruing only in future years. The amount of Sales Tax Deferral received during the period is Rs. 7.6 crores. This is by way of interest free loan for a period of ten years.

Future Outlook

Rise in power tariffs will generate additional revenues for the company with no corresponding rise in costs. This coupled with CDM benefits and our own efforts to improve operational efficiencies and reduce costs are expected to contribute towards a better performance.

CAUTIONARY STATEMENT

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the industry – global or domestic or both, significant changes in political and economic environment in India, tax laws, litigations, labour relations and interest costs.

CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has prescribed a set of standards on corporate governance for the listed companies. Confederation of Indian Industry (CII) has also set out a code of corporate governance practices. The Company has signed Listing Agreement with Pune Stock Exchange Ltd. (PSE) on 2nd July, 2001 and The Stock Exchange, Mumbai (BSE) on 24th July, 2001 and the trading in Company's Equity Shares has started from 11th July, 2001 on PSE and 20th August, 2001 on BSE. The SEBI code has been incorporated in the Listing Agreements with the Pune & Mumbai Stock Exchanges. Since the requirements mandated in these agreements are applicable to all the companies listed for the first time on the Stock Exchanges, the Company has included a compliance report on Corporate Governance in its Annual Report in the spirit of transparency in management and best board practices. This Chapter of the report, plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitute such a compliance report on corporate governance during 2000-2001.

1. BOARD LEVEL ISSUES :

● Composition of the Board :

The Board of Directors of Company comprises the Chairman, who is promoter non-executive director and other four non-executive directors, of whom two are independent. Details are given in Table 1.

● Number of Board Meetings :

During the period, eight Board meetings were held on 15th September, 2000, 8th December, 2000, 16th January, 2001, 4th March, 2001, 6th March, 2001, 21st March, 2001, 16th June 2001 and 29th September, 2001.

● Directors' Attendance Record and Directorships :

Table 1 gives the composition of the Board, the category of the Directors, their attendance record and the number of directorships.

Table 1 - Details about Board of Directors of the Company					
Name of Director	Category	Number of meetings held	Number of meetings attended	Number of directorships of public limited Companies	Materially significant pecuniary or business relationship with the Company
B. N. KALYANI (Chairman)	Promoter, Non-executive	8	8	15	None
P. C. BHALERAO	Non-executive	8	8	10	None
G. K. AGARWAL	Non-executive	8	8	3	None
B. B. HATTARKI	Non-executive Independent *	8	2 @	9	None
S. S. VAIDYA	Non-executive Independent *	8	2 @	3	None

* Independent Director means a director who apart from receiving director's remuneration does not have any other pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in the judgement of the board may affect independence of judgement of director.

@ Mr. B. B. Hattarki and Mr. S. S. Vaidya were appointed as an Additional Director on 16th June, 2001, and attended two meetings held after their appointment.

Note :

None of the Directors is a member of more than ten Board-level committees of public companies in which they are Directors, or a chairman of more than five such committees, as included for the purposes corporate governance laid down by SEBI and Listing Agreement.

● Information placed before the Board :

1. Annual operating plans and budgets, capital budgets, updates.
2. Provisional results for the company and its operating divisions or business segments.
3. Information on recruitment and remuneration of senior officers just below the board level.
4. Minutes of meetings of committees.
5. Non-compliance of any regulatory, statutory nature or listing requirements and shareholder service such as delay in share transfer etc.

The Board is presented with detailed notes along with the agenda papers.

● Directors with materially pecuniary or business relationship with the Company :

There has been no materially relevant pecuniary transaction or relationship between the Company and its non-executive and/or independent Directors for the period under report.

● **Remuneration of Directors :**

None of the Directors of the Company is in receipt of any kind of remuneration. The Company does not have a Remuneration Committee. None of the Directors are related to each other and none of the employees are related to any of the Directors of the Company.

● **Audit Committee :**

The Audit Committee of the Company was constituted on 16th June, 2001, which consists of qualified and non-executive directors. It comprises of Mr. S. S. Vaidya (Chairman), Mr. B. B. Hattarki and Mr. P. C. Bhalerao. The committee in its meeting held on 26th December, 2001 reviewed the annual financial statement for the period ended 30th September, 2001 before submission to the Board. As per the terms of reference prescribed by the Board, the committee performs such duties and tasks as are assigned to it by the Board. The Chairman is invited to attend the meetings of the Audit Committee as a permanent invitee. The committee has access to all records of the Company. The committee reviews the report of the internal and statutory auditors, internal audit systems and procedures, internal control systems, etc. and also addresses the requirements of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges.

2. MANAGEMENT :

● **Management Discussion and Analysis :**

This annual report has a detailed chapter on management discussion and analysis.

● **Disclosures by Management to the Board :**

All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors do not participate in the discussion nor do they vote on such matters.

3. SHAREHOLDERS :

● **Disclosures regarding Appointment or Re-Appointment of Directors :**

Mr. B. N. Kalyani, is retiring by rotation and being eligible offers himself for re-appointment. Mr. B. B. Hattarki and Mr. S. S. Vaidya were appointed by the Board as Additional Directors, are now seeking to be appointed as Director pursuant to notices received from Members of the Company. Their details are given below :

Mr. B. N. Kalyani is Chairman and Managing Director of Bharat Forge Limited and Whole time Chairman of Kalyani Carpenter Special Steels Limited. Born on 7th January, 1949. Mr. Kalyani is a Mechanical Engineer from the Birla Institute of Technology, Pilani. He also has an M.S. from the Massachusetts Institute of Technology, USA. Mr. Kalyani also serves on the Boards of Ugar Sugar Works, Hikal Chemical Industries, Indian Seamless Metal Tubes, Nandi Infrastructure Corridor Enterprises, Kalyani Lemmerz, Kalyani Carpenter Metal Centres, Kalyani Steels, Kalyani Ferrous Industries, Kalyani Brakes, Automotive Axles, Meritor HVS (India) and Kalyani Sharp India.

Mr. B. B. Hattarki is a Whole time Director of Kalyani Ferrous Industries Limited. Mr. B. B. Hattarki is a Metallurgy and Mechanical Engineer. Born on 10th October, 1941. He also serves on the Boards of Kalyani International, Gladiola Investment, Hospet Steels, Precision Seals Manufacturing, Kalyani Steels, Surajmukhi Investment and Chakrapani Investment.

Mr. S. S. Vaidya born on 9th August, 1955 is a Chartered Accountant. He is a Partner of M/s. Kunte & Vaidya, Chartered Accountants, Pune. He has been in practice for over 20 years and has vast experience in Corporate & Legal field, Tax Laws, Company Law, Foreign Exchange Laws etc. Mr. Vaidya also serves on the Boards of Kalyani Financial Services and Kalyani Sharp India.

● **Communication to shareholders :**

The Company has published Public Notice detailing the pattern of shareholding and statement of affairs as on the date of demerger in Indian Express, Pune and Mumbai edition and Kesari, Pune edition.

Item No.6 of the Notice i.e. approval for issue of Corporate Guarantee/s is proposed to be passed by way of Postal Ballot. Necessary resolution for the same are being sent to the individual shareholders.

● **Investor Grievances :**

The 'Shareholders'/Investors' Grievance Committee' was constituted on 16th June, 2001 for redressing shareholders'/investors' complaints. The Committee comprises of Mr. B. B. Hattarki (Chairman), P. C. Bhalerao and Mr. S. S. Vaidya, all non-executive Directors. During the period only two complaints were received from the shareholders, which were redressed. The status on complaints is also reported to the Board of Directors, as an agenda item. Mr. B. S. Mitkari, AVP-Finance & Company Secretary, is the compliance officer.

● **Share Transfer :**

The 'Directors Executive Committee' was constituted on 16th June, 2001. The Committee comprises of Mr. P. C. Bhalerao (Chairman), Mr. G. K. Agarwal and Mr. B. B. Hattarki, all non-executive Directors. The committee meets at a regular interval to consider and approve the transfer, transmission, consolidation, sub-division, issue of duplicate certificates and requests of dematerialisation of Company's shares. There are no legal proceedings against the Company on any share transfer matter.

- **Details of Non-Compliance :**

There have been no instances of non-compliance on any matter relating to the capital market during the period under report.

- **General Body Meetings :**

The ensuing meeting is the First Annual General Meeting of the Company.

SHAREHOLDER INFORMATION

- **Annual General Meeting**

Date :- 9th March, 2002, 10.30 Hours.

Venue :- Registered office of the company, Mundhwa, Pune Cantonment, Pune – 411 036, Maharashtra, India

- **Financial Calendar :**

1st October to 30th September

- **Book Closure :**

The books will be closed from 1st March, 2002 to 9th March, 2002 as annual closure for the AGM

- **Listing :**

Pune Stock Exchange Ltd. and The Stock Exchange, Mumbai.

- **Stock Codes :**

PSE : BFUTI - 160284

BSE : 32430

- **Stock Data :**

Table 1 below gives the monthly high and low prices and volumes of the Company's Equity Shares at The Stock Exchange, Mumbai for the period from the date of listing i.e. 20th August, 2001 to 30th September, 2001.

Table 1: High and Low Prices & Trading Volumes at BSE

Month	High (Rs.)	Low (Rs.)	Volume
August, 2001	18.00	5.50	565512
September, 2001	6.75	3.00	481247

- **Share Transfer Agents and Share Transfer System :**

The Company has no share transfer agents. Securities of the company are transferred in-house by the Secretarial Department of the company. The complaints received from shareholders, investors etc., are redressed promptly. During the period under report, there were two complaints of routine nature, as detailed in Table - 2.

Table 2 - details about the nature of complaints regarding shares

Nature of complaints	No of complaint	No. of redressed
Non receipt of share Certificate	1	1
Non credit of shares electronically	1	1

- **Shareholding pattern**

The following tables 3 & 4 give the Pattern of Shareholding as on 30th September, 2001.

Table 3

Pattern of shareholding by ownership as on 30th September, 2001

Category	No. of shares held	Shareholding %
Promoters	13457856	35.73
Financial Institutions	4858877	12.9
Mutual Funds	979477	2.60
Insurance Companies	3882125	10.31
Nationalised Banks	199161	0.53
Foreign Institutional Investors	488414	1.30
Bodies Corporate	7260328	19.27
Non Resident Indians	44327	0.11
Indian Public	6497063	17.25
TOTAL	37667628	100

Table 4

Pattern of shareholding by share class as on 30th September, 2001

Shareholding class	No. of share holders	No. of shares held	Shareholding %
Up to 500	29961	2859174	7.59
501 to 1000	1725	1224509	3.25
1001 to 2000	663	929040	2.47
2001 to 3000	200	493319	1.31
3001 to 4000	92	318524	0.84
4001 to 5000	56	252036	0.67
5001 to 10000	73	532382	1.41
10001 and above	100	31058644	82.46
TOTAL	32870	37667628	100

➤ **Dematerialisation :**

As on 30th September, 2001, dematerialised shares accounted for 76.91 per cent of the total equity.

➤ **Site Location :**

The Company's Wind Farm is located at Village Maloshi and Boposhi, Taluka Patan, District Satara, in the state of Maharashtra, India.

➤ **Investors Correspondence Address :**

Secretarial Department
BF Utilities Ltd.,
Mundhwa, Pune Cantonment,
Pune - 411 036 Maharashtra, India.
Phone No. 020 - 6812595, 6871666, 6870451,
Fax No. 6876961,
E-mail : fsd@bflpune.com

AUDITORS' CERTIFICATE

The Board of Directors,
BF Utilities Limited, Mundhwa, PUNE-411 036

Dear Sirs,

Re:- BF UTILITIES LIMITED

We have reviewed the records concerning the Company's compliance with Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the period beginning July 2, 2001 to September 30, 2001.

The objective of our review is to give our opinion on whether the Company has complied with the provisions of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchange of India.

We have conducted our review on the basis of the relevant records and documents maintained by the company and furnished to us for review and the information and explanations given to us by the Company.

Based on such review, in our opinion, the Company has complied with Clause 49 of the Listing Agreement of the Stock Exchange of India.

For and on behalf of
DALAL & SHAH
Chartered Accountants

ANISH AMIN
Partner

MUMBAI: 26th December, 2001

Directors' Report

FOR THE PERIOD ENDED 30TH SEPTEMBER, 2001

To,
The Members,

Your Directors have pleasure in presenting their First Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the period ended 30th September, 2001.

1. FINANCIAL HIGHLIGHTS :

	(Rs. in Million)
	Period ended 30th September, 2001
Sales	61.81
Other Income	3.18
Profit before Interest and Depreciation	54.06
Less : Interest	30.38
Depreciation	23.53
Profit before tax	0.15
Provision for Taxation	0
Net Profit for the period	0.15

2. INCORPORATION :

The Company was incorporated on 15th September, 2000 and obtained Certificate of Commencement of business on 7th March, 2001.

3. SCHEME OF ARRANGEMENT :

The Scheme of Arrangement between Bharat Forge Limited (BFL) and the Company was approved by the Hon'ble High Court of judicature at Bombay on 17th January, 2001. Under the said Scheme, the Investments and Wind Mills Division of the BFL have been demerged and transferred to the Company, effective from 1st March, 2001.

As per the Scheme, the Company has allotted on 16th June, 2001, one fully paid Equity Share of the Company of Rs.5 (free of cost) to the shareholders of BFL for one fully paid Equity Share of Rs.10 of BFL held on the Record Date i.e. 16th April, 2001.

The subsidiaries of BFL, which were part of BFL's Investment Division, under the said Scheme of Arrangement, stand vested in the Company and are now subsidiaries of the

Company. Consequently, the Statement pursuant to Section 212 of the Companies Act, 1956 and accounts of the subsidiaries of the Company are attached to these accounts.

4. EXPANSION :

As per the Scheme of Arrangement, the Wind Mills division, containing 51 machines of 230 KW each have been transferred to the Company from BFL. Further the Company has since installed and commissioned additional 11 machines of 600 KW each for Wind Power Generation, taking the total installed power generation capacity to 18.33 MW per annum.

5. INVESTOR RELATIONS :

As stated above, the Company has allotted Equity Shares to the existing shareholders of BFL on 16th June, 2001. The Company has allotted the same in both, physical as well as demat form. For that purpose, the Company has already entered into agreements with both the depositories presently operating viz. National Securities Depository Limited and Central Depository Services (India) Limited for dematerialisation of shares.

6. PARTICULARS OF EMPLOYEES :

During the period under report, no employee, throughout the period or part of the period was in receipt of remuneration of Rs.12,00,000/- per annum or Rs.1,00,000/- per month or in excess thereof respectively.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The additional information required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, and forming part of the Report is reproduced hereunder :

I. CONSERVATION OF ENERGY :

Since the Company is in the business of Generation of Power through non-conventional sources, this part is not applicable.

II. TECHNOLOGY ABSORPTION :

1. Research and Development (R & D) :

With the main objective of harnessing maximum power from the windmills, the Company is conducting study by monitoring the wind data, like velocity