



BF UTILITIES LIMITED

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KALYANI

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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

Standard Chartered Bank

Development Credit Bank Limited

IDBI Bank Limited

AUDITORS

Dalal & Shah, Chartered Accountants

REGISTERED OFFICE

BF Utilities Limited
Mundhwa, Pune Cantonment,
Pune 411 036, Maharashtra, India
Phone : (020) 26812595 / 26871666 / 26870451
Fax : (020) 26876961
E-mail : bfutilitiesltd@vsnl.net
Web Site : www.bfutilities.com

MANAGEMENT DISCUSSION AND ANALYSIS

Green Energy - International Scenario

Even though Kyoto Protocol was adopted by Member Countries in 1997 and seconded by India in 2001, there is still no consensus on acceptance of Protocol by all the developed countries. The Kyoto Protocol will give boost to the activities for promotion of Green Energy, (including wind power) in developing countries like India. The Non-Conventional power generation would get additional merit and benefit from international market in the context of emission reductions. USA is out of this protocol but Russia is expected to give its nod. This will stimulate the long pending process of implementing the protocol. There has been some momentum in Europe and other countries including USA for voluntary reduction of emission, which can open up additional market for Green Energy Projects in India.

Green Energy - Domestic Scenario

Government of India is still in the process of establishing regulatory framework and guidelines for Clean Development Mechanism (CDM). The developments are being continuously monitored for Company's existing projects.

Power Tariff and Government Policy

With the new Electricity Act, 2003 market for power trading has opened up. This is going to ease dependence on State Electricity Boards and may reduce the difficulties presently faced in the process of power generation, wheeling, transmission and revenue collection. In the times to come, The Maharashtra Electricity Regulatory Commission, (MERC), has to set the policies and procedures relating to power generation and distribution by private parties, followed by debundling of Electricity Boards. This would decide the additional benefits the Company can achieve from the change in power scenario in the country.

Even with the recent decision and order of MERC on some of the issues related to wind energy, order has not yet been implemented by Maharashtra State Electricity Board (MSEB). This has delayed adjustment or recovery of excess units held by MSEB and also does not give the clear picture of future revenues.

The Maharashtra Government is still to finalise the policy for new wind power projects after its earlier policy ceased in March 2002. The Company would review the future investments depending on the new policy and economics of investments. Power is going to be costlier day-by-day, even with all the deregulation and other policy changes.

The performance of Company's projects

During the year 2002-03 there has been considerable reduction in the winds intensity, causing significant changes in seasonal generation. This has also reflected in the scarcity of rainfall in Satara region, where Company's wind farm is located. However, with several technical improvements, there has been better machine availability and grid availability, leading to almost same quantity of generation as that of last year even under above referred adverse climatic conditions. In the last completed season, there was a trend of lower generation in many wind farms, but the Company's turbines have performed well and this has resulted in one of the best plant load factors for Maharashtra. Efforts continue to further improve the power generation and power income by monitoring the performance and also continuously evaluating the technical features.

There has been no difficulty in availing the performance related benefits during the year and the Company could earn optimum income by making arrangements for trading all the benefits wherever required.

Cautionary Statement -

Statement 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 Company is committed to the highest level of transparency, in all facets of its operations and interaction with its stakeholders. This report on Corporate Governance is to fulfil this commitment.

This Chapter of the report, plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitutes the report on Corporate Governance for 2002-2003.

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 year, Six Board meetings were held. These were on 25th October, 2002, 24th December, 2002, 18th January, 2003, 22nd March, 2003, 19th April, 2003 and 26th July, 2003. The maximum gap between any two Board Meetings was 98 days.

● 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.

None of the Directors is a member of more than ten Board-level committees of public companies in which they are Directors, nor is chairman of more than five such committees.

Table 1 – Details about Board of Directors of the Company

Name of Director	Category	Number of meetings held	Number of meetings attended	Whether attended last AGM	Number of directorships of public limited companies	Materially significant pecuniary or business relationship with the Company
B. N. KALYANI (Chairman)	Promoter, Non- executive	6	6	Yes	15	None
P. C. BHALERAO	Non- executive	6	4	Yes	11	None
G. K. AGARWAL	Non- executive	6	2	No	2	None
B. B. HATTARKI	Non- executive Independent *	6	6	Yes	10	None
S. S. VAIDYA	Non- executive Independent *	6	6	Yes	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.

● Information to the Board

Among others, information to the Board includes ;

- Annual operating plans and budgets, capital budgets, updates.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of committees.
- Compliance of regulatory, statutory nature or listing requirements and shareholder services.

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 during the year 2002- 03.

● Remuneration of Directors

The details of the remuneration paid to Directors is given in Table- 2.

Table 2-Remuneration paid to Directors during 2002-03 and relationship with each other					
Name of Director	Relationship with other directors	Sitting Fees (in Rs.)	Salaries and perquisites (in Rs.)	Commissions (in Rs.)	Total (in Rs.)
B. N. KALYANI (Chairman)	None	15,000	Nil	Nil	15,000
P. C. BHALERAO	None	10,000	Nil	Nil	10,000
G. K. AGARWAL	None	10,000	Nil	Nil	10,000
B. B. HATTARKI	None	15,000	Nil	Nil	15,000
S. S. VAIDYA	None	15,000	Nil	Nil	15,000

The Company does not have a Remuneration Committee. None of the employees is related to any of the Directors of the Company.

● Audit Committee

The Audit Committee performs the following functions :

1. Reviewing of the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;
2. Reviewing with management the annual financial statement before submission to the Board;
3. Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
4. Discussing with internal auditors any significant finding and follow up on such issues;
5. Discussing with the external auditors before the audit commences on the nature and scope of audit, as well as having post audit discussion to ascertain any area of concern;
6. Reviewing any changes in accounting policies or practices as compared to last completed financial year and commenting on any deviation from accounting standards;
7. Reviewing details of related party transactions exceeding 1% of last year's turnover;
8. Reviewing the company's financial and risk management policies.

The Audit Committee 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 internal auditor is M/s. P. V. Deo & Co., Chartered Accountants, Pune. The committee met thrice during the course of the year on 24th December, 2002, 19th April, 2003 and 26th July, 2003. Table 3 gives attendance record. The Chairman of the Board is invited to attend the meetings of the Audit Committee as a permanent invitee. The committee has access to all records of the Company.

Table 3 - Attendance record of Audit Committee members for 2002-03		
Name of the Director	No. of meetings	Meetings attended
Mr. S. S. Vaidya	3	3
Mr. P. C. Bhalerao	3	2
Mr. B. B. Hattarki	3	3

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.**

Two Directors – Mr. B. B. Hattarki and Mr. S. S. Vaidya – are retiring by rotation and being eligible offer themselves for re-appointment. Their details are given below :

- 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 Brakes, Kalyani Sharp (India) and Nandi Infrastructure Corridor Enterprises.

- **Communication to shareholders**

BF Utilities has its own web-site, and all vital information relating to the Company and its performance, including quarterly results, is put on the web-site for the benefit of the public at large.

The Company's web-site address is **www.bfutilities.com**.

The quarterly results of the Company's performance are published in leading newspapers such as Financial Express, All edition (English) and Loksatta, Pune edition (Marathi).

- **Investor Grievances**

The Company has constituted the 'Shareholders'/Investors' Grievance Committee' 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 year no material complaints were received from the shareholders. The status on complaints, if any, 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 Company has constituted the 'Directors Executive Committee'. 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 year under report.

- **General Body Meetings**

Financial Year	Date	Time	Venue
2000-01	9 th March, 2002	10.30 A. M.	Registered Office of the Company.
2001-02	22 nd March, 2003	10.30 A. M.	Registered Office of the Company.

SHAREHOLDER INFORMATION➤ **Annual General Meeting**

Date :- 20th March, 2004, At 10.30 A.M.

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 12.03.2004 to 20.03.2004 as annual closure for the AGM

➤ **Dividend Date**

The Board has not recommended any dividend on Equity Shares.

➤ **Listing**

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

➤ **Stock Codes**

PSE : BFUTI - 160284

BSE : 532430

➤ **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 year 2002-03.

Table 1: High and Low Prices & Trading Volumes at BSE			
Month	High (Rs.)	Low (Rs.)	Volume
October, 2002	9.55	6.80	14741
November, 2002	8.25	6.10	37590
December, 2002	8.05	5.45	71085
January, 2003	8.85	5.50	198258
February, 2003	8.70	6.40	547464
March, 2003	8.80	6.85	129723
April, 2003	9.00	7.00	761336
May, 2003	9.65	7.20	404380
June, 2003	11.85	8.10	481132
July, 2003	22.55	8.90	1161263
August, 2003	23.90	15.50	500874
September, 2003	19.80	10.00	158078

➤ **Share Transfer Agents and Share Transfer System**

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 year under report, no complaints were received from the shareholders.

➤ **Shareholding pattern**

The following tables 2 & 3 give the Pattern of Shareholding as on 30th September, 2003.

Table 2 : Pattern of shareholding by ownership as on 30 September, 2003

Company	No. of shares held	Shareholding %
Promoters	17636770	46.82
Financial Institutions	4285233	11.39
Mutual Funds	1909	0.00
Insurance Companies	3877125	10.28
Nationalised Banks	160629	0.43
Foreign Institutional Investors	764	0.00
Bodies Corporate	5198389	13.80
Non Resident Indians	45633	0.12
Indian Public	6461176	17.16
TOTAL	37667628	100

Table 3 : Pattern of shareholding by share class as on 30 September, 2003

Shareholding class	No. of shareholders	No. of shares held	Shareholding %
Up to 500	25734	2514696	6.68
501 to 1000	1655	1191453	3.16
1001 to 2000	623	878930	2.33
2001 to 3000	215	534911	1.42
3001 to 4000	91	317047	0.84
4001 to 5000	55	246565	0.65
5001 to 10000	78	523683	1.39
10001 and above	88	31460343	83.53
TOTAL	28539	37667628	100

➤ **Dematerialisation**

As on 30th September, 2003, dematerialised shares accounted for 42.81 per cent of the total equity.

➤ **Site Location**

The Company's Wind Farm is located at Village Maloshi, Boposhi and Kadve Khurd, 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 - 26812595, 26871666, 26870451, Fax No.26876961,
E-mail : bfutilitiesltd@vsnl.net
Web-site : www.bfutilities.com

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To
The Members,
BF Utilities Limited,
Mundwa, Pune- 411 036

Re.: Report on Corporate Governance

We have examined the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchange of India for the year ended September 30, 2003.

The objective of our examination is to give our opinion on whether the Company has complied with the conditions of Corporate Governance as stipulated in the provisions of Clause 49 of the listing Agreement entered into by the Company with the Stock Exchanges of India.

The compliance of conditions of corporate governance is the responsibility of management. Our examination 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 an opinion on the Financial Statements of the Company.

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

On the basis of the records maintained by the 'Shareholders/ Investors Grievance Committee' of the Company, we state that there were no investor grievances pending against the Company for a period exceeding one month.

Based on such examination, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchange of India.

We further state that such compliance is neither an assurance as to the future viability of the company nor to the efficiency with which the management has conducted the affairs of the company.

For and behalf of
DALAL & SHAH
Chartered Accountants

ANISH AMIN
Partner
Membership No : 40451

MUMBAI : 26th December, 2003

Directors' Report

FOR THE YEAR ENDED 30TH SEPTEMBER, 2003

To,
The Members,

Your Directors have pleasure in presenting their Third Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 30th September, 2003.

1. FINANCIAL HIGHLIGHTS :

(Rs. in Million)

	Year ended 30 th Sept., 2003	Year ended 30 th Sept., 2002
Sales	162.64	188.51
Other Income	20.49	16.21
Profit before Interest and Depreciation	152.67	147.32
Less : Interest	119.38	75.67
Depreciation	60.81	58.47
Profit/(Loss) before tax	(27.52)	13.18
Provision for Taxation		
a) Current Tax	-	-
b) Deferred Tax (Asset)/ Liability	(7.03)	(6.02)
Net Profit/(Loss)	<u>(20.49)</u>	<u>19.20</u>
Balance of Profit from previous period after adjusting transitional provision for deferred tax.	3.20	4.06
Adjustment in respect of previous year for Deferred Taxes on re-assessment of liability and Depreciation written back	(18.71)	-

Appropriations :

Transfer (to) From Debenture Redemption Reserve	11.00	(11.00)
Surplus retained in Profit & Loss Account	(24.99)	12.26

For the year ended 30th September, 2003, your Company achieved a total sales of Rs.162.64 Million (previous year Rs.188.51 Million) and the Company has incurred a Loss of Rs.20.49 Million (previous year Profit of Rs.19.20 Million).

2. DIVIDEND :

In view of the loss for the year, your Directors do not recommend any dividend on the equity shares for the year ended 30th September, 2003.

3. CONSOLIDATED FINANCIAL STATEMENTS :

Pursuant to Clause 32 of the Listing Agreement with the Stock Exchanges, read with the applicable Accounting Standards, issued by the Institute of Chartered Accountants of India, financial statements relating to Subsidiaries, investments in Associates and investments in Joint Ventures, as defined under the said Standards, are merged with the Accounts of the Company and the Consolidated Financial Statements are attached to these Accounts. The details are given under Schedule. 'L' to the said Consolidated Financial Statements.

4. SUBSIDIARIES :

The Statement pursuant to Section 212 of the Companies Act, 1956 and accounts of the Subsidiaries of the Company are attached to these Accounts.

5. PARTICULARS OF EMPLOYEES :

During the year under report, no employee, throughout the year or part of the year was in receipt of remuneration of Rs.24,00,000/- per annum or Rs.2,00,000/- per month or in excess thereof respectively.

6. 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) :

In the current year, the company has installed SCADA (Supervisor Control and Data Acquisition System) to monitor online performance of all the turbines from site office at Satara. This system has given lot of inputs for improving the generation. The Company plans to link this system to Mundhwa, Pune for better monitoring of operation and maintenance. The turbines software is modified continuously by interaction with the principals in Germany to suit site-specific parameters. In result, the generation is expected to improve further in the coming years.

The company conducts R&D activities in-