



# BF UTILITIES LIMITED



**KALYANI**

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## **BOARD OF DIRECTORS**

B. N. KALYANI  
Chairman

P. C. BHALRAO

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) 26822552 / 26702777  
Fax : (020) 26823061  
E-mail : bfutilitiesltd@vsnl.net

## MANAGEMENT DISCUSSION AND ANALYSIS

### Wind Power Development - Domestic Scenario

During the last year the power generation from Wind Mills in India has considerably increased with additions of new projects in the country. This trend is continuing and the growth rate is likely to be the highest in the coming financial year. These additions have taken place in the States of Karnataka, Tamil Nadu, Rajasthan and Gujarat. Since March 2002 there has been no private investments in Maharashtra and only a few MWs of Wind Mill projects have been added by State Government's nodal agency, as demonstration projects. This situation is due to the present State Government policies and also State Electricity Board's non compliance of the directions given by the Regulatory Commission.

However the State Government, to encourage renewable energy, has come out with Renewable Energy Portfolio Obligation Standards for all the utility companies. This Standard requires utility companies to compulsorily generate or buy a specific quantity ( a percentage of total energy generated by these power producers) of renewable energy, which should change the trend in future. The Government has also levied additional cess of 4 paise per unit to be collected from the industrial electricity consumers towards a fund to be used for the infrastructure development for the Renewable energy projects. Your company is closely monitoring these developments for taking appropriate decisions.

### Power Tariff and Government Policy

Your Company had set up the Wind Power Project as per the prevailing Wind Power Policies of Government of Maharashtra. However the State Electricity Board (MSEB) made many changes while implementing the Policy. After prolonged procedure, the Maharashtra Energy Regulatory Commission (MERC) passed an Order in 2003, giving the required clarity on various issues including the Transmission and Distribution loss component to be deducted while giving credit to the wind power generation. The various administrative issues of the Order are being put in place. However, MSEB which is the main recipient of wind energy, is yet to fully implement the directions issued by MERC Order. Your company is confident that MSEB will finally adhere to the MERC Order. For this purpose your Company is closely working with the respective Associations. This will also bring clarity to the future development of new projects for your company.

### The performance of Company's projects

During the year 2003-04 the power generation has increased by 4.20 Million units (i.e. by 12%) compared to previous year. This was possible due to better upkeep of machines and connecting grid lines as well as better winds during the year.

The Wind Mill machines have a long term all-inclusive contract for the day to day operations and maintenance with the machine supplier. The service provider also geared up to make few improvements and achieve this incremental uptime.

The day-to-day operations and maintenance at site were closely monitored using inhouse expertise and the required changes were sought and implemented by the service provider. This has resulted in significant improvements in machine uptime and power generation. With these efforts your project is one of the highest power generating projects of the size of this kind. In recognition of this achievement, Maharashtra Energy Development Agency (MEDA) has given the Company, Renewable Energy Award 2003 for grid connected wind power projects. This year's improved performance also helped to avail power generation related benefits early during the year.

Your project has the independent line upto Satara Substation where Power is evacuated to the State grid. This substation has capacity limits for evacuation of power generated. There has been addition of Government demonstration project to the same sub station. During the peak season it is possible that the generated wind power may not get fully consumed at the Substation and thus there may be some difficulty in evacuating the power. Generally MSEB does rationing for evacuation of power for few hours during the peak wind time in a day. One can anticipate that this may happen for a few days resulting in few hours of down time. However, steps are being taken to minimize such occurrences and to bring about necessary changes in Substation. We hope this should get completed before the end of this windy season.

Your company is also ensuring to have the required Human Relations balance and cohesion amongst the operating manpower team of the service provider to prevent any loss of generation.

### Social issues and environment

Last year, some misleading reports tried to relate scarcity of rainfall during the earlier years in the region with the Wind Farm Projects in Satara.

The facts of the case were addressed by your company at the appropriate forums and through Association in order to remove this misconception. Government of Maharashtra also set up an expert committee, to look into the matter and submit the report to Government. The Committee's report also confirmed that such reduction in rainfall is of cyclical nature and is not due to the Wind Farm Projects. This was also proved during the last season, with heavy rainfall in the region. This matter has now been settled and your company's operations were not in any way affected during the year.

### Green Energy - Domestic and International Scenario

Your company had earlier envisaged to get additional revenue for the completed power projects, under carbon credit benefit of the Kyoto protocol. But it is now clear that your company will not be eligible for carbon credit benefit.

To fall in line with the Protocol, Government of India, under Ministry of Environment and Forests, has set up "Designated National Authority" to speed up clearances and coordinate with the regulating agency of the protocol. It will also speed up the development of non-conventional power generation projects for claiming such carbon credits. However, the Clean Development Mechanism (CDM) Board is now considering only the projects which came into existence, with the sole purpose of mitigation of carbon related gases, and executed from the time of planning itself and following all the procedures as now initiated by the Board for eligibility for carbon credit. Therefore, your company can consider availing carbon credit for new projects, if any, in future.

### 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 SEBI code on Corporate Governance has been incorporated in the Listing Agreement of Stock Exchanges, including Pune and Mumbai, with whom BF Utilities's Equity Shares are listed. Certain provisions in the Companies Act, 1956 also deal with Corporate Governance.

BF Utilities 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 2003-2004.

### 1. BOARD LEVEL ISSUES :

#### • Composition of the Board

As on 30<sup>th</sup> September, 2004 the Board of Directors of BF Utilities is composed of five Directors. 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, Five Board meetings were held. These were on 19<sup>th</sup> November, 2003, 26<sup>th</sup> December, 2003, 31<sup>st</sup> January, 2004, 24<sup>th</sup> April, 2004 and 27<sup>th</sup> July, 2004. The maximum gap between any two Board Meetings was less than four months.

#### • 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	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	5	5	No	13	None
P. C. BHALERAO	Non- executive	5	4	No	10	None
G. K. AGARWAL	Non- executive	5	4	No	2	None
B. B. HATTARKI	Non- executive Independent *	5	4	Yes	9	None
S. S. VAIDYA	Non- executive Independent *	5	5	Yes	5	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.

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.

#### • Information Supplied to the Board

Among others, information supplied 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 2003- 04.



## • Remuneration of Directors

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

<b>Table 2 – Remuneration paid to Directors during 2003-04 and relationship with each other</b>					
<b>Name of Director</b>	<b>Relationship with other directors</b>	<b>Sitting Fees (in Rs.)</b>	<b>Salaries and perquisites (in Rs.)</b>	<b>Commissions (in Rs.)</b>	<b>Total (in Rs.)</b>
B. N. KALYANI (Chairman)	None	25,000	Nil	Nil	25,000
P. C. BHALERAO	None	20,000	Nil	Nil	20,000
G. K. AGARWAL	None	20,000	Nil	Nil	20,000
B. B. HATTARKI	None	20,000	Nil	Nil	20,000
S. S. VAIDYA	None	25,000	Nil	Nil	25,000

The Company does not have a Remuneration Committee. None of the employees are 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 four times during the course of the year on 26th December, 2003, 31st January, 2004, 24th April, 2004 and 27th July, 2004. 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.

<b>Table 3 – Attendance record of Audit Committee members for 2003-04</b>		
<b>Name of the Director</b>	<b>No. of meetings</b>	<b>Meetings attended</b>
Mr. S. S. Vaidya	4	4
Mr. P. C. Bhalerao	4	3
Mr. B. B. Hattarki	4	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. N. Kalyani and Mr. P. C. Bhalerao – are retiring by rotation and being eligible offer themselves for re-appointment. 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 The Ugar Sugar Works, Hikal, Nandi Infrastructure Corridor Enterprises, Kalyani Lemmerz, Kalyani Carpenter Metal Centres, Kalyani Steels, Kalyani Brakes, Automotive Axles, Merritor HVS (India) and Kalyani Sharp India.
- Mr. P. C. Bhalerao, B.E., M.B.A., D.T.M., born on 4th March, 1950, is Executive Director of Bharat Forge. Mr. Bhalerao also serves on the Boards of Automotive Axles, Meritor HVS (India), Kalyani Carpenter Special Steels, Bhalchandra Investment, Forge Investment, Mundhwa Investment, Jalkumbhi Investment and Finance and Jalkamal Investment and Finance.

- **Communication to shareholders**

The quarterly results of the Company's performance are published in leading newspapers such as Financial Express, All India 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), Mr. P. C. Bhalerao and Mr. S. S. Vaidya, all non-executive Directors. 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	9th March, 2002	10.30 A. M.	Registered Office of the Company.
2001-02	22nd March, 2003	10.30 A. M.	Registered Office of the Company.
2002-03	20th March, 2004	10.30 A. M.	Registered Office of the Company.

**SHAREHOLDER INFORMATION**➤ **Annual General Meeting**

Date : 28th March, 2005, At 10.30 A.M.

Venue : Training Centre at Kalyani Steels Ltd., Mundhwa, Pune 411 036, Maharashtra, India

➤ **Financial Calendar**

1st October to 30th September

➤ **Book Closure**

The books will be closed from 18.03.05 to 28.03.05 as annual closure for the purpose of 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 2003-04.

<b>Table 1: High and Low Prices &amp; Trading Volumes at BSE</b>			
<b>Month</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>	<b>Volume</b>
Oct-03	15.62	9.00	458915
Nov-03	13.80	8.90	326414
Dec-03	28.00	13.70	1075043
Jan-04	33.25	20.00	842763
Feb-04	19.55	13.65	129640
Mar-04	16.63	11.20	204941
Apr-04	18.35	14.60	135720
May-04	16.85	12.90	618428
Jun-04	13.50	10.30	93288
Jul-04	18.40	10.35	269791
Aug-04	24.40	14.15	2130735
Sep-04	29.00	21.65	4889980

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

M/s. MCS Limited, Akshay Complex, Near Ganesh Mandir, Dhole Patil Road, Pune 411 001 are the Registrar and Transfer Agents of the Company. They carry out the transfer, transmission, consolidation, sub-division, issue of duplicate certificates and requests of dematerialisation of Company's shares on behalf of the Company. The complaints received from shareholders, investors etc., are redressed promptly. During the year under report, one complaint regarding non confirmation of Demat Request was received from the shareholder. The same was redressed promptly after completion of necessary formalities laid down by NSDL.

➤ **Shareholding pattern**

The following tables 2 & 3 give the Pattern of Shareholding as on 30th September, 2004.

<b>Table 2 : Pattern of shareholding by ownership as on 30 September, 2004</b>		
<b>Company</b>	<b>No. of shares held</b>	<b>Shareholding %</b>
Promoters	19365474	51.41
Financial Institutions (UTI)	1480689	3.94
Mutual Funds	1909	0.00
Nationalised Banks	160460	0.43
Insurance Companies	2021637	5.36
Foreign Institutional Investors	764	0.00
Private Corporate Bodies	7764795	20.61
Indian Public	6827636	18.13
NRIs	39839	0.11
Any other	4425	0.01
<b>TOTAL</b>	<b>37667628</b>	<b>100</b>



**Table 3 : Pattern of shareholding by share class as on 30 September, 2004**

Shareholding class	No. of shareholders	No. of shares held	Shareholding %
Up to 500	23441	2425652	6.44
501 to 1000	1677	1228299	3.26
1001 to 2000	665	951591	2.53
2001 to 3000	223	560029	1.49
3001 to 4000	93	325372	0.86
4001 to 5000	72	329816	0.88
5001 to 10000	92	615844	1.63
10001 and above	94	31231025	82.91
<b>TOTAL</b>	<b>26357</b>	<b>37667628</b>	<b>100</b>

➤ **Dematerialisation**

As on 30th September, 2004, dematerialised shares accounted for 44.48 % 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**

1. Secretarial Department

BF Utilities Ltd.,

Mundhwa, Pune Cantonment, Pune - 411 036 Maharashtra, India.

Phone No. 020 - 26822552, 26702777, Fax No.26823061,

E-mail : bfutilitiesltd@vsnl.net

2. MCS Limited

Registrar & Transfer Agents

116, Akshay Complex, Off Dhole Patil Road,

Near Ganesh Mandir, Pune 411 001.

Telefax : 020-26129597

Email : mcspune@vsnl.net

To,  
The Members,  
BF Utilities Limited,  
Mundhwa,  
Pune 411 036

**REPORT OF THE AUDITORS 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 Exchanges of India, for the year ended on 30<sup>th</sup> September, 2004.

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 opinion on the Financial Statements of the Company.

We have conducted our examination on the basis of relevant records and documents maintained by the Company and furnished to us for examination and the information and explanations 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 the Corporate Governance as stipulated in clause 49 of the said Listing Agreement of the Stock Exchanges 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 on behalf of  
**Dalal & Shah**  
Chartered Accountants

**Anish Amin**  
Partner  
Membership No: 40451

Place: Mumbai  
Date: 29<sup>th</sup> December, 2004

**DIRECTORS' REPORT****FOR THE YEAR ENDED 30TH SEPTEMBER, 2004**

To,  
The Members,

Your Directors have pleasure in presenting their Fourth Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 30th September, 2004.

**1. FINANCIAL HIGHLIGHTS :**

(Rs. in Million)

	Year ended 30th Sept., 2004	Year ended 30th Sept., 2003
Sales	308.14	162.64
Other Income	10.41	20.49
Profit before Interest and Depreciation	139.90	152.67
Less : Interest	132.32	119.38
Depreciation	60.89	60.81
Profit/(Loss) before tax	(53.31)	(27.52)
Provision for Taxation		
a) Current Tax	-	-
b) Deferred Tax (Credit)	(5.42)	(7.03)
Net Profit/(Loss)	(47.89)	(20.49)
Balance of Profit from previous year after adjusting transitional provision for deferred tax.	(24.99)	3.20
Adjustment in respect of previous year for Deferred Taxes on re-assessment of liability and Depreciation written back	-	(18.71)
<b>Appropriations :</b>		
Transfer (to) From Debenture Redemption Reserve	-	11.00
Surplus retained in Profit & Loss Account	(72.88)	(24.99)

For the year ended 30th September, 2004, your Company achieved a total sales of Rs.308.14 Million (previous year Rs. 162.64 Million) and the Company has incurred a Loss of Rs.47.89 Million (previous year Loss of Rs. 20.49 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, 2004.

**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 Account. 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) :**

The company conducts R&D activities in-house using the existing manpower and other resources on continuous basis. The capital and recurring expenses on R&D activities is not separately identified.

**2. Technology Absorption, Adaptation and Innovation:**

The Company has not imported any technology.

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Total Foreign Exchange Used and Earned :

Used : Nil

Earned : Nil