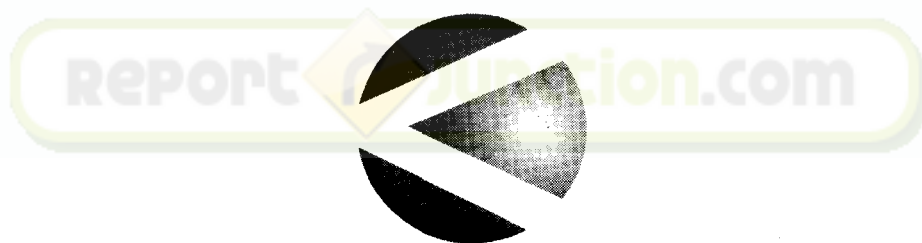


BF UTILITIES LIMITED



KALYANI
DRIVING INNOVATION

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BOARD OF DIRECTORS

B. N. KALYANI
Chairman

A. B. KALYANI

G. K. AGARWAL

B. B. HATTARKI

S. S. VAIDYA

BANKERS

IDBI Bank Limited

Development Credit Bank Limited

Standard Chartered Bank

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

MANAGEMENT DISCUSSION AND ANALYSIS

Wind Power Development – International Scenario

Last year witnessed significant growth in capacity of wind power projects throughout the world. In USA, extension of the attractive renewable energy policy for two more years led to considerable investment in windpower projects (2,430 MW during the year).

In Europe too, the trend appears to be the same. In some European countries, scarcity of good sites on land is resulting in a sizable number of offshore windmill projects. This trend is expected to continue for some more years.

Volatility in international oil prices, uncertain supplies and increased consumption are also factors that are contributing to greater emphasis on development on new sources of renewable energy. Some countries have come up with special tariffs and incentives for renewable energy projects so that they can in future reduce dependence on fossil fuels. Compliance requirements of some European countries in accordance with Kyoto Protocol has also boosted growth of windpower projects in developed countries.

Wind Power Development – Domestic Scenario

In India, the windpower sector has again witnessed a substantial growth last year. Total installed capacity has reached almost 4,000 MW and more projects are still in the pipeline. Today India ranks 4th in the world in terms of windpower capacities next to Germany, Spain and USA. Even in Maharashtra, after a short subdued period, projects are coming up in new regions. This has been possible due to the attractive tariff regime notified by the Regulatory Commission to sell power to utility companies. This special tariff has been restricted to additional capacities upto 750 MW and these are already booked and projects are expected to become operational in the next 18 months.

Power Tariff and Government Policy

The continued reforms in the power industry encompass the renewable energy sector as well. The Electricity Act 2003 suggests State Regulatory Commissions to promote renewable energy in the form of standalone units in rural areas and also by way of grid connected projects. These reforms would help speed up economic development in rural parts of the country. However, shortages in peak demand are expected to continue till the proposed mega power projects are implemented expeditiously. The need is for a long term strategy in the power sector that assures cost-efficient and reliable supply to all categories of consumers.

Performance of Company Projects

During 2004-05, the generation of windpower units from your Company's projects has increased by 1.6% over last year. This was possible mainly due to improvements made through team initiatives that have resulted in better uptimes of turbines and of the grid. The generation of your Company's projects is among the best in Maharashtra. Wind velocities and patterns have supported our efforts. We have awarded a long term O&M contract to our turbine manufacturer. We continue to take all possible steps to improve generation, operational efficiencies and performance.

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

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.

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.

This Chapter of the report, plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitutes the report on Corporate Governance for 2004-2005.

1. BOARD LEVEL ISSUES :

- Composition of the Board

As on 30th September, 2005 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, Six Board meetings were held. These were on 27th November, 2004, 23rd December, 2004, 20th January, 2005, 26th April, 2005, 22nd July, 2005 and 1st August, 2005. 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	6	5	Yes	11	None
P. C. BHALERAO*	Non- executive	5	2	Yes	10	None
A. B. KALYANI**	Non- executive	1	1	N. A.	12	None
G. K. AGARWAL	Non- executive	6	3	Yes	2	None
B. B. HATTARKI	Non- executive Independent ***	6	6	Yes	9	None
S. S. VAIDYA	Non- executive Independent ***	6	6	Yes	5	None

* Resigned as Director w.e.f. 31st July, 2005

** Appointed as Director in place of Mr. P. C. Bhalerao on 1st August, 2005.

*** 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 2004- 05.

- Remuneration of Directors

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

Table 2 - Remuneration paid to Directors during 2004-05 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)	*	25,000	Nil	Nil	25,000
P. C. BHALERAO	None	10,000	Nil	Nil	10,000
A. B. KALYANI	*	5,000	Nil	Nil	5,000
G. K. AGARWAL	None	15,000	Nil	Nil	15,000
B. B. HATTARKI	None	30,000	Nil	Nil	30,000
S. S. VAIDYA	None	30,000	Nil	Nil	30,000

The Company does not have a Remuneration Committee.

- * None of the employees is related to any of the Directors of the Company except Mr. A. B. Kalyani, son of Mr. B. N. Kalyani, Chairman of the Company. Mr. A. B. Kalyani was appointed as Director in place of Mr. P. C. Bhalerao on 1st August, 2005.

- 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. A. B. Kalyani*. The internal auditor is M/s. P. V. Deo & Co., Chartered Accountants, Pune. The committee met five times during the course of the year on 23rd December, 2004, 20th January, 2005, 26th April, 2005, 22nd July, 2005 and 1st August, 2005. 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 2004-05		
Name of the Director	No. of meetings	Meetings attended
Mr. S. S. Vaidya	5	5
Mr. P. C. Bhalerao	4	2
Mr. A. B. Kalyani*	1	1
Mr. B. B. Hattarki	5	5

- * Appointed as Member in place of Mr. P. C. Bhalerao on 1st August, 2005.

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. G. K. Agarwal and Mr. B. B. Hattarki – are retiring by rotation and being eligible offer themselves for re-appointment. Their details are given below :

- Mr. G. K. Agarwal, B.E.(Mech.), M.B.A., born on 17th February, 1951, is Executive Director of Bharat Forge.
- 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, Chakrapani Investment and Kalyani Mukand.
- Communication to shareholders

The quarterly results of the Company's performance are published in leading newspapers such as Business Standard, all India edition (English) and Kesari, 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. A. B. Kalyani* 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, VP-Finance & Company Secretary, is the compliance officer.

- * Appointed as Member of the Committee in place of Mr. P. C. Bhalerao on 1st August, 2005.

- Share Transfer

The Company has constituted the 'Directors Executive Committee'. The Committee comprises of Mr. B. B. Hattarki (Chairman), Mr. A. B. Kalyani* and Mr. G. K. Agarwal 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.

- * Appointed as Member of the Committee in place of Mr. P. C. Bhalerao on 1st August, 2005.

- 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
2001-02	22 nd March, 2003	10.30 A. M.	Registered Office of the Company.
2002-03	20 th March, 2004	10.30 A. M.	Registered Office of the Company.
2003-04	28 th March, 2005	10.30 A. M.	Training Centre, Kalyani Steels Limited.

SHAREHOLDER INFORMATION

➤ Annual General Meeting

Date :- 27th March, 2006, At 10.30 A.M.

Venue :- Training Centre at Kalyani Steels Limited, Mundhwa, Pune - 411 036, Maharashtra, India

➤ Financial Calendar

1st October to 30th September

➤ Book Closure

The books will be closed from 17th March, 2006 to 27th March, 2006 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 2004-05.

Table 1: High and Low Prices & Trading Volumes at BSE			
Month	High (Rs.)	Low (Rs.)	Volume
Oct-04	30.00	23.60	415886
Nov-04	36.80	24.65	907148
Dec-04	69.00	26.55	4459500
Jan-05	62.15	50.75	2773283
Feb-05	82.35	50.95	1467815
Mar-05	95.05	68.70	863725
Apr-05	80.45	65.00	193643
May-05	102.00	67.25	823652
Jun-05	92.00	72.05	712143
Jul-05	223.00	75.50	4060306
Aug-05	447.80	209.50	2071118
Sep-05	599.95	405.40	2135233

➤ 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, no complaints were received from the shareholders.

➤ Shareholding pattern

The following tables 2 & 3 give the Pattern of Shareholding as on 30th September, 2005.

Table 2 : Pattern of shareholding by ownership as on 30 September, 2005		
Company	No. of shares held	Shareholding %
Promoters	19626398	52.10
Financial Institutions	0	0.00
Mutual Funds	1909	0.00
Nationalised Banks	3805	0.01
Insurance Companies	273555	0.73
Foreign Institutional Investors/ Foreign Banks	5387	0.02
Private Corporate Bodies	9238912	24.53
Indian Public	8483023	22.52
NRIs	34639	0.09
TOTAL	37667628	100

Table 3 : Pattern of shareholding by share class as on 30 September, 2005

Shareholding class	No. of shareholders	No. of shares held	Shareholding %
Up to 500	20301	2019218	5.36
501 to 1000	1371	992637	2.63
1001 to 2000	560	800714	2.13
2001 to 3000	172	428954	1.14
3001 to 4000	89	312630	0.83
4001 to 5000	63	288833	0.77
5001 to 10000	84	583174	1.55
10001 and above	109	32241468	85.59
TOTAL	22749	37667628	100

➤ **Dematerialisation**

As on 30th September, 2005, dematerialised shares accounted for 27.58% 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 - 26702618, 26822552, 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 : mcs pune@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 financial year ended on 30th September 2005.

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 Exchange of India.

Our examination was limited to procedures and implementations 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 our 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 investors grievance pending against the Company for the 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 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 : 28th December, 2005

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH SEPTEMBER, 2005

To,
The Members,

Your Directors have pleasure in presenting their Fifth Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 30th September, 2005.

1. FINANCIAL HIGHLIGHTS :

	(Rs. in Million)	
	Year ended 30th Sept., 2005	Year ended 30th Sept., 2004
Sales	164.60	308.14
Other Income	86.69	10.41
Profit before Interest and Depreciation	202.75	139.90
Less : Interest	109.59	132.32
Depreciation	60.98	60.89
Profit/(Loss) before tax	32.18	(53.31)
Provision for Taxation		
a) Current Tax	-	-
b) Deferred Tax (Credit)	12.62	(5.42)
c) Fringe Benefit Tax	0.22	-
Net Profit/(Loss)	19.34	(47.89)
Balance of Profit/(Loss) from previous year	(72.88)	(24.99)
Surplus retained in Profit & Loss Account	(53.55)	(72.88)

For the year ended 30th September, 2005, your Company achieved a total sales of Rs.164.60 Million (previous year Rs. 308.14 Million) and the Company has earned a Profit of Rs.32.18 Million (previous year Loss of Rs. 53.31 Million).

2. DIVIDEND :

Your Directors do not recommend any dividend on the equity shares for the year ended 30th September, 2005.

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 :

In terms of the approval granted by the Government of India, Ministry of Company Affairs under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Directors' Report and the Report of the Auditors of the Wholly Owned Subsidiary Companies viz. Bhalchandra Investment Limited, Mundhwa Investment Limited, Forge Investment Limited, Jalakamal Investment & Finance Limited and Jalakumbhi Investment & Finance Limited and Indirect Subsidiaries viz. Kalyani Utilities Development Limited and Nandi Infrastructure Corridor Enterprises Limited have not been attached with the Accounts of the Company. The Company will make available these documents/ details upon request made by any shareholder of the Company interested in obtaining the same and the same can also be inspected at the Registered Office of the Company. Pursuant to the Approval, a statement of the summarised financials of all the subsidiaries is attached along with the Consolidated Financial Statements. Pursuant to Accounting Standard (AS)-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its Wholly Owned Subsidiaries and its Indirect Subsidiaries.

5. PARTICULARS OF EMPLOYEES :

The information required under the provision of Section 217(2A) the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, and forming part of the report is annexed hereto.

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 continuously 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.