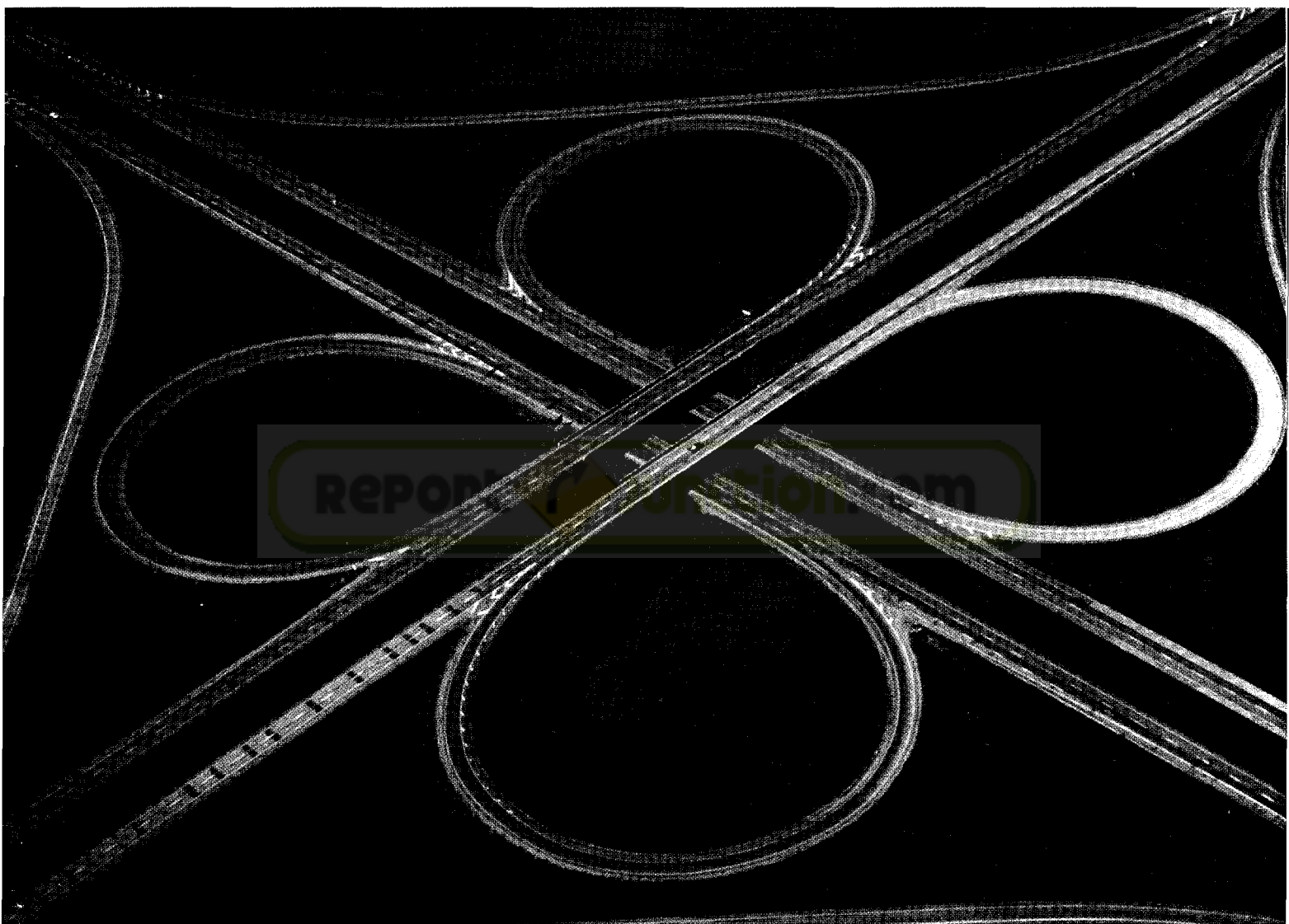




KALYANI

BF UTILITIES LIMITED



The future is not  
some place we are going to,  
but one we are creating...

6<sup>th</sup> ANNUAL REPORT

**2005-06**

[www.reportjunction.com](http://www.reportjunction.com)

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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](mailto:bfutilitiesltd@vsnl.net)

## 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 2005-2006.

### 1. BOARD LEVEL ISSUES :

- Composition of the Board

As on 30<sup>th</sup> September, 2006 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, Four Board meetings were held. These were on 28<sup>th</sup> December, 2005, 21<sup>st</sup> January, 2006, 25<sup>th</sup> April, 2006 and 27<sup>th</sup> July 2006. 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	4	3	Yes	17	None
A. B. KALYANI	Non- executive	4	2	Yes	16	None
G. K. AGARWAL	Non- executive	4	3	Yes	5	None
B. B. HATTARKI	Non- executive Independent ***	4	4	Yes	10	None
S. S. VAIDYA	Non- executive Independent ***	4	4	Yes	7	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 2005- 06.

- Remuneration of Directors

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

Table 2 – Remuneration paid to Directors during 2005-06 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)	*	15,000	Nil	Nil	15,000
A. B. KALYANI	*	10,000	Nil	Nil	10,000
G. K. AGARWAL	None	15,000	Nil	Nil	15,000
B. B. HATTARKI	None	20,000	Nil	Nil	20,000
S. S. VAIDYA	None	20,000	Nil	Nil	20,000

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.

- 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 four times during the course of the year on 28<sup>th</sup> December, 2005, 21<sup>st</sup> January, 2006, 25<sup>th</sup> April, 2006 and 27<sup>th</sup> July 2006. 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 2005-06		
Name of the Director	No. of meetings	Meetings attended
Mr. S. S. Vaidya	4	4
Mr. A. B. Kalyani	4	2
Mr. B. B. Hattarki	4	4

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

- Mr. Amit B. Kalyani, B.E.(Mech.) born on 26th July, 1975. Mr. Amit Kalyani joined Bharat Forge Limited on 24th October, 1999 as Chief Technology Officer and has since been instrumental in induction of Technology in the Company and providing system support services to the Company's process. He also designed and implemented e-Commerce strategies and is contributing significantly in manufacturing, marketing, exports and technology upgradation areas in Bharat Forge Ltd.
- Mr. S. S. Vaidya born on 9<sup>th</sup> 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 Bosch Chassis Systems (India), Sharp (India) and Nandi Infrastructure Corridor Enterprises.

- 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 Sakal, 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.

- 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.

- 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
2002-03	20 <sup>th</sup> March, 2004	10.30 A. M.	Registered Office of the Company.
2003-04	28 <sup>th</sup> March, 2005	10.30 A. M.	Training Centre, Kalyani Steels Limited.
2004-05	27 <sup>th</sup> March, 2006	10.30 A. M.	Training Centre, Kalyani Steels Limited.



## SHAREHOLDER INFORMATION

### ➤ Annual General Meeting

Date :- 30<sup>th</sup> March, 2007, At 10.30 A.M.

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

### ➤ Financial Calendar

1<sup>st</sup> October to 30<sup>th</sup> September

### ➤ Book Closure

The books will be closed from 23<sup>rd</sup> March, 2007 to 30<sup>th</sup> March, 2007 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 Bombay Stock Exchange Ltd.

### ➤ 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 2005-06.

Table 1: High and Low Prices & Trading Volumes at BSE			
Month	High (Rs.)	Low (Rs.)	Volume
Oct-05	491.00	368.95	1247418
Nov-05	483.80	375.60	781066
Dec-05	573.00	425.00	1072902
Jan-06	856.80	503.00	1043180
Feb-06	794.80	667.00	668783
Mar-06	1,101.50	728.00	1010188
Apr-06	2,407.95	1,040.00	368583
May-06	3,030.00	1,963.30	747693
Jun-06	2,159.50	1,067.15	644425
Jul-06	1,709.00	937.70	591541
Aug-06	1,900.00	1,045.00	677810
Sep-06	1,945.00	1,383.00	701565

### ➤ Share Transfer Agents and Share Transfer System

M/s. Intime Spectrum Registry Limited, 202, 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 30<sup>th</sup> September, 2006.

Table 2 : Pattern of shareholding by ownership as on 30 September, 2006		
Company	No. of shares held	Shareholding %
Promoters	19538229	51.87
Financial Institutions	0	0.00
Mutual Funds	1909	0.01
Nationalised Banks	29330	0.08
Insurance Companies	233024	0.62
Foreign Institutional Investors/ Foreign Banks	355123	0.94
Private Corporate Bodies	9579711	25.43
Indian Public	7868959	20.89
NRIs	61343	0.16
<b>TOTAL</b>	<b>37667628</b>	<b>100</b>

Table 3 : Pattern of shareholding by share class as on 30 September, 2006

Shareholding class	No. of shareholders	No. of shares held	Shareholding %
Up to 500	19908	1783484	4.73
501 to 1000	1214	879923	2.34
1001 to 2000	487	702605	1.87
2001 to 3000	147	366038	0.97
3001 to 4000	77	266145	0.71
4001 to 5000	61	276759	0.73
5001 to 10000	95	679232	1.80
10001 and above	113	32713442	86.85
<b>TOTAL</b>	<b>22102</b>	<b>37667628</b>	<b>100</b>

➤ **Dematerialisation**

As on 30<sup>th</sup> September, 2006, dematerialised shares accounted for 29.31% 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. Intime Spectrum Registry Limited

Registrar & Transfer Agents  
202, Akshay Complex, Off Dhole Patil Road,  
Near Ganesh Mandir, Pune 411 001.  
Phone No.: 020-65203395, Fax No.020-26053503  
Email : pune@intimespectrum.com

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 30<sup>th</sup> September 2006.

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 to 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.

Place : Mumbai  
Date : 29<sup>th</sup> December 2006

For and on behalf of  
Dalal & Shah  
Chartered Accountants  
Anish Amin  
Partner  
Membership No . 40451



## DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH SEPTEMBER, 2006

To,  
The Members,

Your Directors have pleasure in presenting their Sixth Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 30<sup>th</sup> September, 2006.

### 1. FINANCIAL HIGHLIGHTS :

	(Rs. in Million)	
	Year ended 30 <sup>th</sup> Sept., 2006	Year ended 30 <sup>th</sup> Sept., 2005
Sales	127.54	164.60
Other Income	64.33	86.69
Profit before Interest and Depreciation	94.23	202.75
Less : Interest	46.39	109.59
Depreciation	61.67	60.98
Profit/(Loss) before tax	(13.83)	32.18
Provision for Taxation		
a) Current Tax	1.40	-
b) Deferred Tax (Credit)	(0.48)	12.62
c) Fringe Benefit Tax	0.26	0.22
Net Profit/(Loss)	(15.01)	19.34
Balance of Profit/(Loss) from previous year	(53.55)	(72.88)
Surplus retained in Profit & Loss Account	(68.56)	(53.55)

For the year ended 30<sup>th</sup> September, 2006, your Company achieved a total sales of Rs.127.54 Million (previous year Rs. 164.60 Million) and the Company has incurred a Loss of Rs.13.83 Million (previous year Profit of Rs.32.18 Million).

### 2. DIVIDEND :

Your Directors do not recommend any dividend on the equity shares for the year ended 30<sup>th</sup> September, 2006.

### 3. JOINT VENTURE AGREEMENT WITH SINGAPORE TECHNOLOGIES KINETICS LIMITED

Your Company has signed a Joint Venture agreement with Singapore Technologies Kinetics Ltd., Singapore for various defence products. The Government of India is encouraging Corporate Sector to adopt a greater role in India's Defense sector. The Kalyani Group has taken giant steps in that direction by signing the JV with ST Kinetics. The JV will offer synergy both in terms of technology and design & development. We hope to significantly contribute in the indigenisation of the Indian

Defense sector. The JV will reiterate our strong commitment to providing world-class products & solutions to the defense sector in India and also demonstrate our technology leadership.

The Kalyani Group will hold majority stake in the JV. The JV is an effort to further Private Public Partnership (PPP) and largely compliment the research & development arm of the Government of India, such as the DRDO, and the manufacturing efforts of Ordnance Factory. The JV will be engaged in the design, engineering & manufacture of high technology and critical systems for the Indian Defense market.

The JV will offer Kalyani Group an access to ST Kinetics' growing portfolio of products and services for the defense market, while Kalyani Group will leverage its full service supply capability on the basis of its technology, product design and product development expertise.

### 4. 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 Note 'L' to the said Consolidated Financial Statements.

### 5. 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.

**6. 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.

**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) :**

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.

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

Total Foreign Exchange Used and Earned :

Used : Rs. 1 034 027/-.

Earned : Nil

**8. DIRECTORS :**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. S. S. VAIDYA, Director of the Company, retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment. Mr. A.B. KALYANI, who was appointed as director to fill the casual vacancy caused by the resignation of MR.P.C.BHALERAO, retires at the ensuing Annual General Meeting, being the date up to which MR.P.C.BHALERAO would have held office if he had not resigned.

The Company has received notice under section 257 of the Companies Act, 1956 from a member proposing MR.A.B. KALYANI'S candidature for the office of the Director.

Brief Information about MR.A.B. KALYANI :

Mr.Amit B. Kalyani, B.E.(Mech.) is born on 26th July, 1975. Mr.Amit Kalyani joined Bharat Forge Limited on 24th October, 1999 as Chief Technology Officer

and has since been instrumental in induction of Technology in the Company and providing system support services to the Company's process. He also designed and implemented e-Commerce strategies and is contributing significantly in manufacturing, marketing, exports and technology upgradation areas in Bharat Forge Ltd.

**9. DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) That in the preparation of the accounts for the financial year ended 30<sup>th</sup> September, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review ;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) That the Directors have prepared the annual accounts for the financial year ended 30<sup>th</sup> September, 2006 on a 'going concern' basis.

**10. AUDITORS :**

You are requested to re-appoint Auditors for the current year to hold the office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

Your directors wish to place on record their appreciation for the positive co-operation received from the Central Government, Government of Maharashtra, Financial Institutions and the Bankers. The directors also wish to place on record their appreciation of the unstinted efforts and contributions made by the Management Team and the employees of the Company at all levels.

The Directors express their special thanks to Mr. B. N. Kalyani, Chairman for his untiring efforts for the progress of the Company.

For and on behalf of the  
Board of Directors

PUNE  
Dated : 29<sup>th</sup> December, 2006

B. N. KALYANI  
Chairman