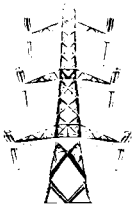


One of India's
leading
Power Transmission
Companies



Kalpataru Power
Transmission Ltd.
Annual Report 2002 - 2003



KALPA-TARU

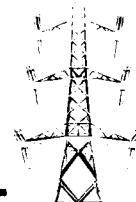
Kalpataru Power Transmission Limited

Twenty Second Annual Report and Audited Statement of Accounts

For the year ended 31st March, 2003

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KALPA-TARU

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BOARD OF DIRECTORS

Chairman	: Ismail M. Kanga
Executive Vice Chairman	: Mahendra G. Punatar
Managing Director	: K.V. Mani
Directors	: Mofatraj P. Munot
	: Suresh A. Gandhi
	: Parag M. Munot
	: Bhupendra D. Bhagtani (Executive Director - Marketing)
	: Sajjanraj Mehta
	: Jayanti C. Shah
	: Ajay A. Munot
	: K.N. Shenoy
	: Vimal Bhandari
Company Secretary	: Bajrang Ramdharani
Auditors	: Kishan M. Mehta & Co., Ahmedabad

Bankers : Indian Bank, Oriental Bank of Commerce,
Union Bank of India and State Bank of India.

Factory & Registered Office : Plot No.101, Part III, G.I.D.C. Estate, Sector 28,
Gandhinagar 382 028, Gujarat, India.

Tel. No. : 91-79-3211951-3211955

Fax No. : 91-79-3211966, 91-79-3211971 & 91-79-3211968

E-mail : kptl@kalpatarupower.com

Corporate Office : 111, Maker Chambers IV, Nariman Point,
Mumbai - 400 021.

Tel. No. : 91-22-22822888, Fax No.91-22-22041548

Website : www.kalpatarupower.com



KALPA-TARU

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DIRECTORS' REPORT

TO,

THE MEMBERS,

Your Directors have pleasure in submitting the **22nd ANNUAL REPORT** on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March 2003.

FINANCIAL RESULTS:

	2002-2003 (Rs.in Millions)	2001-2002 (Rs.in Millions)
Profit before Depreciation	154.43	121.38
Less: Depreciation	<u>30.50</u>	<u>30.08</u>
Profit before Taxation	123.93	91.30
Less: Provision for Taxation	33.10	16.71
Provision for Deferred Taxation	<u>1.33</u>	<u>1.17</u>
Net Profit after Taxation	89.50	73.42
Add: Surplus brought forward from previous year	259.17	241.54
Add: Prior year's adjustments	(1.94)	(0.03)
Profit available for appropriation:	<u>346.73</u>	<u>314.93</u>

APPROPRIATIONS :

Transfer to General Reserve	12.50	10.00
Transfer to Capital Redemption Reserve	77.50	-
Deferred Tax Liability	-	18.37
Proposed Dividend on Equity Shares	16.29	16.29
Corporate Tax on Proposed Dividend	2.09	-
Interim Dividend :		
Preference Shares	2.66	10.07
Corporate Tax thereon	-	1.03
Balance carried to Balance Sheet	235.69	259.17
	<u>346.73</u>	<u>314.93</u>

***DIVIDEND :***

Your Directors are pleased to recommend payment of dividend for the year ended 31st March 2003 @ 15 % (Rs. 1.50 per equity share of Rs.10 each).

OPERATIONS :***Transmission Line Division:***

During the year, your Company has achieved a record level of turnover of Rs.2,513 million as against Rs. 1,472 million in the previous year which shows a steep increase in growth by 71% for the year. Profit before tax increased by 36% from Rs. 91 million in 2001-2002 to Rs.124 million in 2002-2003 and Profit after tax increased by 22% from Rs.73 million in 2001-2002 to Rs.89 million in 2002-2003.

The total export turnover (including overseas projects and deemed exports) is Rs. 1,357 million in 2002-03 as against Rs. 1,154 million in 2001-2002, out of which physical exports are Rs. 823 million as against Rs.746 million in the previous year.

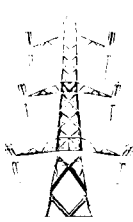
Your Company has achieved record-breaking production during the year which was at 46,977 MT as against 26,639 MT in the preceding year registering a growth of 76%. This cost efficiency and improved productivity has contributed to the company's cost leadership in the competitive market scenario.

The company has completed in time its first overseas turnkey project of 400 KV Hassi-Messaoud Transmission Line for Sonelgaz, Algeria (in consortium). The turnkey job for Rajasthan Rajya Vidyut Prasaran Nigam Ltd. for 400 KV Jaipur-Merta-Jodhpur Transmission Line is progressing well. These will strengthen your company's qualifying requirement for high value turnkey contracts. The Company has a track record of quality and performance with all its customers.

The order book has improved substantially in the later half of the year with award of contracts from Power Grid Corporation of India worth approximately Rs.3,087 million for its Tala-Siliguri and Rihand Projects (over 58,000 MT of supply), which surpasses the previous best for the company.

Your company is constantly exploring untapped overseas markets directly with a view to enter into newer territories.

In a consortium with Tenaga National Berhad (TNB), Malaysia, the consortium emerged as a sole bidder for India's first Independent Power Transmission Project comprising two 400 KV Lines from Bina-Nagda and Nagda-Degham. Power Grid Corporation of India has forwarded the bid to CERC for their evaluation and further directive.



It is expected that the Transmission line division would continue to perform well, given the healthy order book and operational efficiency of your company.

Real Estate Division

The Company has completed the first 23 storey residential building – Kalpataru Habitat at Parel, Central Mumbai and already received Occupancy Certificate. Work on Car Park, Clubhouse, etc. is being completed. Work on the 2nd residential building is progressing well.

There are positive sentiments prevailing in the Mumbai Real Estate Market. The Company has sold 24 flats and booked revenue of approx. Rs.199 Million for 2002-03. Further sales of Rs.300-400 Million can be expected in the current year.

The investment and loans relating to the Project are expected to reduce in a phased manner over next 2-3 years.

Biomass Energy Division

Based on the Permission from Rajasthan Renewable Energy Corporation (RREC), the State nodal agency for promoting Renewable Energy, the Company is implementing a 7.8 MW biomass based power plant at Padampur, District Sri Ganganagar, using various agricultural fuels (primarily Mustard crop residues) at a cost of approx. Rs.300 Million.

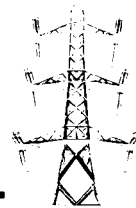
Financial Closure was achieved in June 2002. All other clearances have been received. During the year, the Company has placed major orders for Boiler, Turbine and Balance of Plant from reputed vendors. The Company has already built up its O&M and Fuel collections teams.

Revised Power Purchase Agreement has been executed with Rajasthan Rajya Vidyut Prasaran Nigam Ltd.(RVPN) and Wheeling and Banking Agreement has also been executed by RVPN and three Vidyut Vitran Nigams in March 2003. The Company also applied for Supply License from RERC for sale to large industrial consumers.

Work is progressing rapidly and Commercial Operation is expected by last week of July-03.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Mofatraj P. Munot, Mr. Ajay Munot and Mr. Sajjanraj Mehta are liable to retire by rotation and being eligible offer themselves for re-appointment.

**Statement of Directors' Responsibility**

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, Directors based on the representations received from the Operating Management, confirm:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the 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 had prepared the annual accounts for the financial year ended 31st March, 2003 on a "going concern" basis.

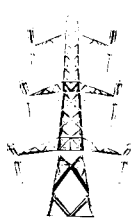
CORPORATE GOVERNANCE

As per Clause 49 of the listing agreement with the Stock Exchanges, a separate section on Corporate Governance and Management Discussion and Analysis, confirming compliance is set out in the Annexure forming part of this report.

Your company has been practicing the principles of good corporate governance over the years. The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the board lays strong emphasis on transparency, accountability and integrity.

AUDITORS:

M/s. Kishan M. Mehta & Co., Chartered Accountants, the Auditors of the Company will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. They have given their consent to be re-appointed for the current year. Members are requested to consider their re-appointment.

**PARTICULARS OF EMPLOYEES:**

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, particulars of Employees of the Company are furnished in an Annexure to this Report.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION:

The information required under Section 217(1)(e) of the Companies Act, 1956 is annexed hereto and forms part of this Report.

DEPOSITS:

The Company has not accepted deposits from the public within the provisions of Section 58-A of the Companies Act, 1956.

ACKNOWLEDGEMENT:

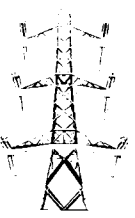
The Board places on record its gratitude to our valued Customers, Bankers, Financial Institutions and Members for their support and confidence in the company.

The Board also wishes to place on record its appreciation for the devoted services rendered by the employees of the company at all levels.

On behalf of the Board of Directors

Place: Mumbai
Date: 27th May, 2003

Sd/-
ISMAIL M. KANGA
CHAIRMAN



ANNEXURE TO DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:

The following measures taken by your Company from time to time has helped us maintaining the energy consumption at optimum level:

1. Use of Voltage Stabilizer to regulate the fluctuations in the voltage of the Ahmedabad Electricity Company supply, which helps to reduce energy consumption and eliminates wastage.
2. With the latest galvanising technology adopted by your company, fuel is being saved.
3. Your company has installed enough number of Capacitors at the Electrical Control Panel Boards to improve the overall power factor of the System.
4. Implementation of recommendations made by the National Productivity Council while conducting the energy audit.

Impact of above for reduction of energy consumption and consequent impact on cost of production of goods.

Our total energy cost is less than one percent of our total turnover, which reflects the success of your company's efforts in this direction.

Total energy consumption and energy consumption per unit of Production as per Form 'A' is not applicable in the case of your company.

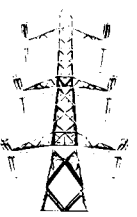
B. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption as per Form 'B' are given below:

FORM - B

Form for Disclosure of Particulars with regard to Absorption:

Your Company has commissioned Research and Development Centre at Punadra where development efforts are carried out in the field of design and engineering. Technical personnel at various levels are putting their efforts for continuous improvement for product development.



During the year, your company has tested 19 Towers. So far 70 Towers have been tested at our own Testing Station after its commencement.

Adhering to its quality policy, your company is committed to supply the products and services that comply to agreed specifications and contractual requirements, which have resulted in increased customer satisfaction and also improved the market share.

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. Efforts Made:

During the year under review, technology for economical designs and high quality production was developed with the help of highly skilled technical personnel.

2. Benefits derived as a result of above efforts:

Product improvement through high efficiency, economical design and energy saving has improved the overall working of your Company.

3. In the case of imported Technology (imported during the last five years reckoned from the beginning of the financial year), the following information is furnished.

a) Technology imported

1. CNC Fabrication Machines from Italy.

2. Furnace from U.K.

3. CNC Drilling Machine from Italy.

4. Drill Sharpening Machine from Italy.

5. Milling Machine from Italy

b) Year of Import

1995, 1996, 1997 & 2000

c) Has technology been fully absorbed

Yes

d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of actions

Not Applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign exchange earnings

Rs. 1,104,776,462

Foreign exchange outgo

Rs. 360,024,001