

71st Annual Report 1999-2000



Corporate Profile

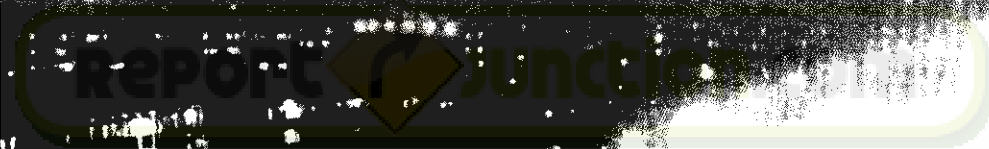
BSES, with its corporate lineage going back to 1929, is India's premier utility engaged in the generation, transmission and distribution of electricity in and around Mumbai. It provides a portfolio of value added services in electrical contracting, engineering, procurement and construction (EPC) contracts and computer services.

BSES and its subsidiaries provide electricity service to more than 2.70 million consumers in areas covering about 1,23,000 sq.kms. and with an estimated population of about 34 million.

BSES operates a state-of-the-art 500 MW Thermal Power Station at Dahanu near Mumbai and supplies the power to the Company's own distribution grid. The Generation Division undertakes engineering and construction of power plants. The Transmission Division designs and installs transmission lines and sub-stations. Contracts, EPC and International Divisions render comprehensive value added services in construction, erection and commissioning through a nationwide network of regional offices including a representative office in the Middle East. The Computer Division offers a wide range of utility related computer services.

BSES is currently promoting several power projects, on its own and through joint ventures, in various parts of India.

BSES is also foraying into telecommunication sectors with Internet services, optical fibre network, information technology services including e-commerce through its wholly owned subsidiary, BSES Telecom Limited.

An aerial photograph of a newly constructed flyover at night. The flyover is illuminated with bright lights, creating a strong contrast with the dark surroundings. The structure is a multi-lane bridge with a curved design. In the background, some city lights and trees are visible.

The newly constructed flyover (opposite BSES Corporate Office) illuminated by BSES

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NOTICE is hereby given that the Seventy-first Annual General Meeting of the Members of BSES Limited will be held on Thursday, the 24th August, 2000 at 4.00 p.m. at Shri Bhaidas Maganlal Sabhagriha, U-1, Juhu Development Scheme, Vile Parle (West), Mumbai 400 056, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2000 and the Balance Sheet as at that date and the Reports of the Board of Directors and the Auditors thereon.
2. To confirm the payment of interim dividend on Cumulative Redeemable Preference Shares and on Equity Shares as final dividend.
3. To appoint a Director in place of Shri Y P Gupta who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri M P Modi who retires by rotation and is eligible for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT Messrs Haribhakti & Company, Chartered Accountants, the retiring Auditors, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company and to fix their remuneration in addition to reimbursement of travelling and other out-of-pocket expenses to be agreed to between the Board of Directors of the Company and the Auditors."

SPECIAL BUSINESS:

6. Appointment of Shri S Rajgopal as Director

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Shri S Rajgopal, who was appointed as a Director of the Company in the casual vacancy caused by the resignation of Shri N Ganga Ram, pursuant to Article 106 of the Articles of Association of the Company and who holds office up to this Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. Re-appointment of Shri S S Dua as Whole-time Director

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, including Schedule XIII to the said Act as amended up-to-date, consent be and is hereby accorded and approval given to the re-appointment of and the remuneration and perquisites being paid or provided to Shri S S Dua as the Director (Technical) of the Company, for a period of three years from 21st July, 2000 to 20th July, 2003 on the terms and conditions set out in the draft Agreement to be entered into between the Company and Shri Dua, a copy whereof initialled by the Chairman of the Company for the purpose of identification, has been placed before this meeting and which draft Agreement is hereby specifically approved.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary or increase the said remuneration and perquisites including the monetary value thereof as specified in the said draft Agreement to the extent the Board of Directors may consider appropriate and as may be permitted or authorized in accordance with any provision under the Act for the time being in force provided, however, that the remuneration payable to Shri Dua shall be within the limits set out in the said Act including the said Schedule XIII to the Act or any amendments thereto or any

modification(s) or statutory re-enactment(s) thereof and/or any rules or regulations framed thereunder and the terms of the aforesaid Agreement between the Company and Shri Dua be suitably modified to give effect to such variation or increase as the case may be.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of office of Shri Dua as Director (Technical), the remuneration and perquisites set out in the aforesaid draft Agreement be paid or granted to Shri S S Dua as minimum remuneration, provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the ceiling provided in Section II of Part II of Schedule XIII to the said Act or such other amount and perquisites as may be provided in the said Schedule XIII and as may be amended from time to time or any equivalent statutory re-enactment(s) thereof for the time being in force."

8. Alteration of Articles of Association

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force, Article 36 of the Articles of Association of the Company be and is hereby altered by deleting the words '..... and such lien shall extend to all dividends from time to time declared in respect of such Shares' from the Article."

9. Alteration of Memorandum of Association

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 17

of the Companies Act, 1956, Memorandum of Association of the Company be and is hereby altered by deleting the word 'British' appearing in the paragraph after sub-clause (35) of Clause III of the Memorandum of Association of the Company."

10. Employee Stock Option Plan

To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant and subject to Section 81 and other applicable provisions, if any, of the Companies Act, 1956, the relevant Articles of the Articles of Association of the Company and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including ESOP Compensation Committee which the Board may constitute to exercise delegated powers, including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such person(s) who are in permanent employment of the Company, including Directors of the Company, whether whole-time or otherwise, under a Scheme entitled "Employee Stock Option Plan" (hereinafter referred to as the "ESOP" or "Scheme" or "Plan") such number of equity shares and/or equity linked instruments (including Options), equity shares issued through Global Depository Receipts ("GDRs") and/or any other instruments or securities

(hereinafter collectively referred to as "Securities") of the Company which could give rise to the issue of equity shares not exceeding 5% of the issued Equity Share Capital of the Company as on 31st March, 2000, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other provisions of the law or guidelines issued by the relevant Authority or as may be prevailing at that time.

RESOLVED FURTHER THAT the said Securities may be allotted directly to such employees/directors or in accordance with a Scheme framed in that behalf through a trust which may be set up by the Board of Directors in any permissible manner and that the Scheme may also envisage for providing any financial assistance to the trust to enable the employees/ trust to acquire, purchase or subscribe to the Securities of the Company.

RESOLVED FURTHER THAT the new Equity Shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the Company; except that they shall be entitled to dividend on pro-rata basis from the date of allotment till the end of the relevant financial year in which the new Equity Shares are allotted.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of Securities, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the Scheme and make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties, or doubts that may arise in this regard without requiring the Board to secure any further

consent or approval of the Members of the Company."

By Order of the Board
For **BSES Limited**

Ramesh Shenoy
Company Secretary

Mumbai, 31st May, 2000

Registered Office:

Nagin Mahal (6th Floor)
82, Veer Nariman Road
Mumbai 400 020

Notes:

1. **A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member of the Company. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**
2. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, setting out the material facts in respect of the business under Item Nos. 5 to 10 is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will be closed from Thursday, the 17th August, 2000 to Tuesday, the 22nd August, 2000, both days inclusive.
4. The identities/signatures of Members holding shares in electronic form are liable for verification with the specimen signatures as may be furnished by NSDL and CDSL to the Company. Such Members are advised to bring the identity cards issued by their Depository Participants.
5. Pursuant to Section 205A of the Companies Act, 1956, all

unclaimed dividends for and up to financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Intimation pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, was mailed to the concerned Members who may, if they have not already claimed their dividends, submit their claims to the Registrar of Companies, Maharashtra, Hakoba Mill Compound, 2nd Floor, Dattaram Lad Marg, Kalachowky, Mumbai 400 033 in the prescribed form which will be furnished by the Company on request.

6. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, as amended with effect from 31st October, 1998, dividends for the financial year ended 31st March, 1995 and thereafter, which remain unclaimed for a period of 7 years from the date of transfer of the same under sub-section (1) of the said Section, will be transferred to the Investor Education and Protection Fund of the Central Government established under Section 205C of the said Act. According to the provisions of the said Act, as amended, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.

7. Members are informed that in the case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. In order to provide protection against fraudulent encashment of dividend warrants, Members are requested to provide, if not provided earlier, their bank account numbers, names and addresses of the bank branches, quoting their folio numbers, to the Investor Service Centre of the Company to enable the Company to incorporate the same on the dividend warrants.
9. Appointment/Re-appointment of Directors: At the ensuing Annual General Meeting, Shri Y P Gupta and Shri M P Modi retire by rotation and being eligible offer themselves for re-appointment. The details pertaining to these directors required to be provided under the Corporate Governance Code are furnished in the Annual Report 1999-2000 in the section on Corporate Governance. Besides, such details pertaining to Shri S Rajgopal (Item No. 6) and Shri S S Dua (Item No. 7) have also been furnished in the Explanatory Statement to the Notice.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956

Item No. 5

Special Resolution for appointment of Auditors under Section 224A of the Companies Act, 1956

Section 224A of the Companies Act, 1956, inter alia, provides that in the case of a Company in which not less than 25% of the subscribed share capital is held either singly or in any combination by Public Financial Institutions, Government Companies, etc., appointment or re-appointment at each Annual General Meeting of an Auditor or Auditors shall be made by a Special Resolution. The subscribed share capital of the Company held collectively by Public Financial Institutions and Nationalized Banks is more than 25% thereof. It is, therefore, necessary that the re-appointment of Auditors be made by a Special Resolution.

The Resolution is recommended for the approval of the Members.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 6

Appointment of Shri S Rajgopal as Director

Shri S Rajgopal was appointed by the Board of Directors as a Director of the Company on 28th December, 1998 in the casual vacancy caused by the resignation of Shri N Ganga Ram before the expiry of his term of office in the normal course. Shri N Ganga Ram being one of the Directors retiring by rotation would have, if he had not resigned, retired at this meeting. Shri S Rajgopal is BA (Hons) (Maths), MA (History) and a former Indian Administrative Service (IAS) Officer. He held distinguished positions of Development Commissioner (SEEPZ), Secretary (Industry, Energy & Labour) with the Government of Maharashtra and Secretary (Power) of the Government of India. He was thereafter elevated as Union Cabinet Secretary from which position he retired from the Administrative Service. He is a Member of National Executive of National Institute of Quality Management, Mumbai. Under Section 262 of the Companies Act, 1956, the term of Shri S Rajgopal as Director would expire at this Annual General Meeting. Since the last Annual General Meeting, Shri Rajgopal has attended all meetings of the Board, except on two occasions when he was out of India.

Notices for the Resolution set out in the above Item have been received by the Company from some Members stating inter alia that the services of Shri S Rajgopal as a Director should continue to be available to the Company. Deposits of Rs. 500 each as required by law were also received along with the said notices. The Board of Directors are also of the opinion that it would be in the interest of the Company to continue the association of Shri Rajgopal as a Director of the Company. Your Directors,

therefore, recommend the proposed Resolution for your acceptance, as being in the interest of the Company.

Except Shri S Rajgopal, no other Director is, in any way, concerned or interested in the Resolution.

Item No. 7

Re-appointment of Shri S S Dua as Whole-time Director

The Board of Directors at their meeting held on 13th April, 2000 re-appointed Shri S S Dua as Director (Technical) of the Company for a period of three years from 21st July, 2000 to 20th July, 2003. Shri Dua holds academic and professional qualifications of BSc Engg. (Elec.), FIPE and FIE. Since the last Annual General Meeting, he has attended all the meetings of the Board of the Company. Shri Dua has a vast experience of nearly 37 years in the varied fields of construction, erection, operation and maintenance of power stations. He has held positions of responsibility with Central Electricity Authority and National Thermal Power Corporation Limited.

The re-appointment of Shri Dua as Director (Technical) does not require the approval of the Central Government under Section 269 of the Companies Act, 1956, since the re-appointment and the remuneration payable to him are in accordance with the conditions specified in Schedule XIII to the said Act.

The Board of Directors thought it appropriate to re-appoint Shri Dua as Director (Technical) of the Company for a further period of three years from 21st July, 2000 on the following terms and conditions, subject to the approval of the Members:

- A. (i) Salary : Rs. 60,000 per month
in the scale of Rs. 45,000 -
Rs. 5,000 - Rs. 70,000
- (ii) Dearness : As applicable to the officers of the
Allowance Company

B. Perquisites:

He will continue to be entitled to various perquisites as currently allowed to him, as set out hereinunder. Remuneration and perquisites in aggregate as given below would be within the overall ceiling prescribed under Schedule XIII to the Companies Act, 1956.

Category - A

(a) Housing:

- (i) The expenditure by the Company on hiring furnished accommodation for the Director (Technical) will be subject to a ceiling of sixty per cent of the salary, over and above ten per cent payable by the Director (Technical); or
- (ii) Furnished accommodation owned by the Company will

be provided to him. The expenditure on gas, electricity, water and furnishings shall be subject to a ceiling of ten per cent of the salary of the Director (Technical); or

- (iii) If no accommodation is provided by the Company, the Director (Technical) shall be entitled to house rent allowance, subject to the ceiling laid down in Clause (i) hereinabove.

Explanation: The expenditure by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962. This shall, however, be subject to a ceiling of ten per cent of the salary of the Director (Technical).

(b) **Medical Reimbursement:**

Expenses incurred for self and his family within reasonable limits as decided by the Management.

(c) **Leave Travel Concession:**

Leave travel concession for self and his family once in a year to and from any place in India or outside India but to the extent of the limit permissible for travel within India.

(d) **Club Fees:**

Fees in respect of two Clubs to be borne by the Company but not the admission or life membership fees payable to the Clubs.

(e) **Insurance:**

Insurance and/or Accident Insurance for an amount the all inclusive premium for which shall not exceed Rs. 4,000 per annum.

Explanation: For the purpose of Category-A, 'family' means the spouse, dependent children and dependent parents of the Director (Technical).

Category - B

(a) **Provident Fund:**

The Company's contribution to Provident Fund, as per the rules of the Company.

Contribution to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent it is not taxable under the Income-tax Act, 1961.

(b) **Gratuity:**

Gratuity not exceeding one-half month's salary for each completed year of service.

(c) **Superannuation Fund:**

Superannuation Fund or Annuity Fund benefit in accordance with the scheme of the Company.

Category - C

(a) **Motor Car:**

Free use of car with driver for the Company's business, all the expenditure in connection therewith being borne by the Company.

(b) **Telephone and Computer:**

Free telephone and computer facility at the residence.

Explanation: Provision of car for use on the Company's business and telephone and computer at residence would not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose would be billed to the Director (Technical) by the Company and reimbursed by him to the Company.

Other Terms

(a) **Earned Leave:**

One month's leave with full pay and allowances for every completed 11 months' service. However, leave accumulated and not availed of during his tenure as Director (Technical) may be allowed to be encashed.

(b) **Reimbursement of expenses:**

Reimbursement of travelling, entertainment and other expenses incurred by him during the course of the business of the Company.

(c) **Sitting Fees:**

He is not entitled to sitting fees for attending Meetings of the Board or of any Committee thereof.

(d) **Termination Clause:**

The appointment shall be terminable by the Company giving to the Director (Technical) a notice of three months of such termination or on payment of three months' salary in lieu thereof and by the Director (Technical) by notice of three months to the Company.

Other Conditions

- (a) If during the currency of tenure of the Director (Technical), the Company has no profits or its profits are inadequate in any financial year, the Director (Technical) shall be entitled to remuneration by way of salary and perquisites not exceeding the limits specified above.

- (b) For all other terms and conditions not specifically spelt out above, the Rules and Orders of the Company shall apply.

- (c) The Director (Technical) holds office as such, subject to the provisions of Section 283 (1) of the Companies Act, 1956.

A copy of the draft Agreement referred to in the Resolution at Item No. 7 of the accompanying Notice will be open for inspection to

the Members at the Registered Office of the Company between the hours of 11.00 a.m. and 1.00 p.m. on any working day except Saturday.

The Explanatory Statement together with the accompanying Notice should be treated as an abstract of the terms of the Agreement and memorandum of concern or interest under Section 302 of the Companies Act, 1956.

The Resolution is recommended for the approval of the Members.

Except Shri S S Dua, none of the other Directors is, in any way concerned or interested in the Resolution.

Item No. 8

Alteration of the Articles of Association

Clause 34(a) of the Listing Agreement requires that Memorandum and Articles of Association of the Company must provide that fully paid shares shall be free from lien and that in the case of partly paid shares, the Company's lien shall be restricted to the amount called up or payable at a fixed time in respect of such shares.

However, Article 36 of the Articles of Association of the Company provides, among other things, that the lien on shares shall extend to all dividends declared from time to time in respect of such partly paid shares.

Thus, in order to comply with the Listing Agreement, the provisions in the Articles of Association empowering the Company to have lien on dividends declared in respect of partly paid up shares need to be deleted.

The resolution is recommended for the approval of the Members.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 9

Alteration of Memorandum of Association

The geographical boundaries of the constituents of British India were divided and renamed after the nation became independent. However, sub-clause (3) of Clause III of the Memorandum of Association continues to include the word "British India". It is, therefore, proposed to amend the Memorandum of Association by deleting the word "British".

The resolution is recommended for the approval of the Members.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 10

Employees Stock Option Plan (ESOP)

The Company has drawn a Corporate Plan in 1995, which has chalked out the strategy of the Company up to the year

2010 for achieving faster growth in all core areas of its business. In consonance with the said Plan, the Company in the last 5 years has emerged as a fully integrated and leading power utility. The Company draws heavily on the dedicated and committed contribution of its sincere team of employees in pursuing growth with excellence in performance. To motivate the employees and to enable them to participate in the long term growth and financial success of the Company, with the common objective of maximizing shareholder value, it is proposed to introduce an Employee Stock Option Plan (ESOP). The ESOP would not only enable the Company to attract and motivate employees by rewarding performance and retain the best talents but also enable the employees to develop a sense of ownership with the Company by synchronizing their interests with that of the Company and its shareholders.

Recognizing the need to reward the employees through stock options, the Securities and Exchange Board of India (SEBI) has introduced the SEBI (Employees' Stock Option Scheme and Employees' Stock Purchase Scheme) Guidelines, 1999. With greater clarity as regards taxation of stock options and comprehensive Guidelines in place, it is proposed to introduce the following stock option scheme for the benefit of the permanent employees and directors of the Company.

ESOP Compensation Committee: The Board of Directors of the Company will constitute an ESOP Compensation Committee, which will be a Committee of Directors, and will consist of a majority of independent Directors, for administration and superintendence of the ESOP. The ESOP Compensation Committee shall, inter alia, formulate detailed terms and conditions of the ESOP including:

- the quantum of options to be granted to any employee, and in aggregate
- the conditions under which options vested in employees may lapse
- the exercise period within which the employee should exercise the option, with that option lapsing on failure to exercise the option within the exercise period
- the specified time period within which the employee shall exercise vested options in the event of termination or resignation
- the right of an employee to exercise all the vested options at one time or at various points of time within the exercise period
- the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price, in the case of rights issues, bonus issues, other corporate actions, or otherwise
- the grant, vest and exercise of option in case of employees who are on long leave