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BSES

BSES Limited

Committed to Customer

72nd Annual Report 2000-2001

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CORPORATE MISSION

- To make available **reliable, uninterrupted & quality** power to its customers.
- To provide **specialized skilled services** in construction, commissioning, operation and modernization in power and other infrastructure sectors.
- To provide **value-added service** for development of power and core infrastructure sectors, computerization, data communication and networking.

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 about 3 million consumers in areas covering about 1,23,000 sq.kms. and with an estimated population of 37 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 Group 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 has forayed into the telecommunication sector with Internet services, optical fibre network and information technology services through its wholly-owned subsidiary, BSES Telecom Limited. Its joint venture, ST-BSES Coal Washeries Limited, has set up a coal washery at the pithead which has achieved successful commercial operation.

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

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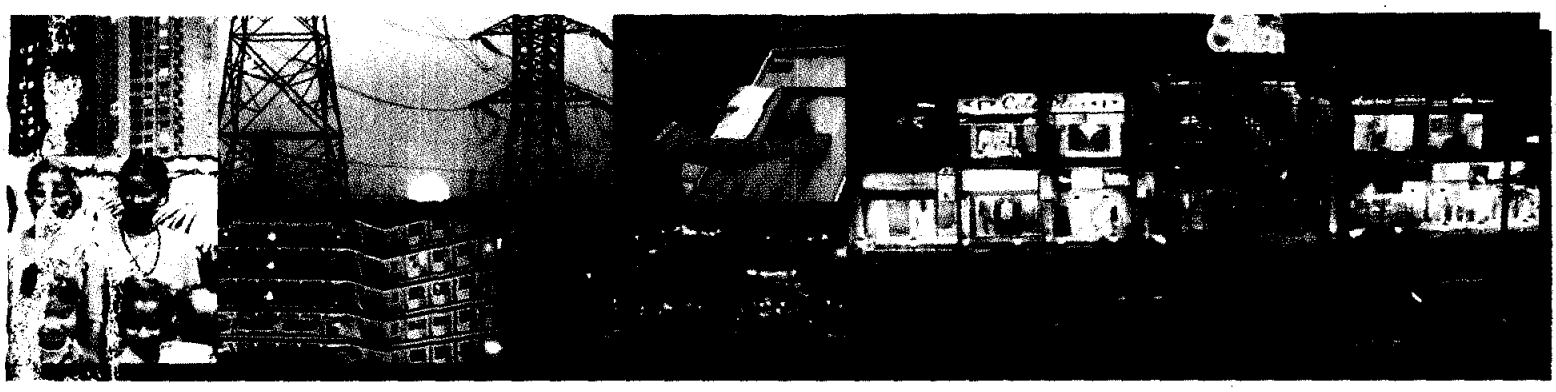
Committed to Customer

"A company's most valuable asset is the goodwill it enjoys with its customers."

At BSES, building up goodwill is a tradition.
All along in tune with a dynamic environment where customer-expectations become more and more demanding, BSES has infused a customer-oriented culture throughout the organization. By staying close to its customers. By anticipating their changing needs. By remaining flexible to adapt and respond to them. By harnessing all its resources to enhance customer care.

Today BSES has further expanded its horizon to embrace every customer segment—industrial, commercial and residential.
With the focus on the customer as sharp and unwavering as ever.
Driving us towards more than customer satisfaction, customer delight.



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BSES

BSES Limited

BOARD OF DIRECTORS

R V Shahi
Chairman & Managing Director

M P Modi
Former Secretary (Coal)
Government of India

S Rajgopal
Former Union Cabinet Secretary
Government of India

Y P Gupta
Former Managing Director
Life Insurance Corporation of India

Satish Seth
Director
Reliance
Power Ventures
Limited

Amitabh Jhunjhunwala
CEO, Reliance
Capital Limited

V M Lal
Principal Secretary
(Energy)
Government of
Maharashtra

K H Mankad
Director (Finance)

S S Dua
Director (Technical)

K D Kulkarni
Director (Human Resource Development)

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CORPORATE INFORMATION

Board of Directors

R V Shahi
Chairman & Managing Director

Y P Gupta

M P Modi

S Rajgopal

Satish Seth

V M Lal

Amitabh Jhunjhunwala

S S Dua
Director (Technical)

K H Mankad
Director (Finance)

K D Kulkarni
Director (Human Resource Development)

Company Secretary
Ramesh Shenoy

Auditors
Haribhakti & Co.
Chartered Accountants
43 Free Press House
215 Nariman Point
Mumbai 400 021

Solicitors
Mulla & Mulla & Craigie Blunt & Caroe
Mulla House, 52 Mahatma Gandhi Road
Mumbai 400 001

Audit Committee
S Rajgopal
Y P Gupta
Satish Seth

Environment Committee
M P Modi
Y P Gupta
S Rajgopal
S S Dua
Amitabh Jhunjhunwala

Investment Committee
R V Shahi
S S Dua
S Rajgopal
Y P Gupta
K H Mankad
Satish Seth

Remuneration Committee
R V Shahi
Y P Gupta
S Rajgopal
Satish Seth

Shareholders/Investors' Grievances Committee
S Rajgopal
R V Shahi
Y P Gupta
M P Modi
K H Mankad
Amitabh Jhunjhunwala

Principal Bankers
Canara Bank
UCO Bank
Union Bank of India
Standard Chartered Grindlays Bank Limited
HDFC Bank Limited
ICICI Bank Limited
ABN AMRO Bank N.V.
State Bank of India

Registered Office
Nagin Mahal (6th Floor)
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Mumbai 400 020

Corporate Office
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Telephone : (022) 615 4284
Facsimile : (022) 615 4291
email : bsesacs@powersurfer.net
web site : www.bses.com

Power Station
BSES Nagar
Dahanu Road 401 602
Thane District

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Andheri (East), Mumbai 400 093
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CHAIRMAN'S STATEMENT

Dear Shareholders,

It gives me great pleasure to welcome you all to this 72nd Annual General Meeting of your Company.

The year under review was marked by eventful developments in India's power industry and by several achievements and accomplishments by the Company. The year also saw the consumer base of the Company crossing the two million mark covering a population of nearly 9 million.

The electricity industry is at the threshold of radical restructuring and reform—from an almost totally government-controlled, monopolistic environment to a more competitive, customer-oriented culture; from a politically-driven commercial approach to transparent and objective regulation aimed at customer satisfaction through performance and growth.

In our constant drive for excellence and quest for improvement, we have attached utmost importance to all aspects of quality in our business operations. We not only subjected our service practices and standards to the ISO 9002 certification programme, but have also been constantly raising our benchmarks on our own. We treat every aspect of quality as important. But, "Quality of Service" ranks first and is supreme. Total commitment to quality is the hallmark of our approach. Through quality of systems, quality of technology and its operation, quality of governance, quality of people, quality of power, and quality of environment, we aim at improving the quality of service to our customers. And, unflinchingly committed we are to achieve the best of customer satisfaction and set high service standards in the Indian electricity industry.

The Economy

The year just completed was a year of challenges: the tragedy and disaster caused by the devastating earthquake in Gujarat and the slow-down caused by under-performance of several segments of the economy. The Gross Domestic Product (GDP) declined to 5.2 per cent in 2000-01 from 6.4 per cent achieved in the previous year. Poor agricultural performance and low growth in the manufacturing and services sectors resulted in one of the lowest growth rates in recent years. After a healthy recovery to 8.5 per cent in the previous year, growth of the manufacturing sector declined to 5.6 per cent. Low agricultural growth of a meagre 2.7 per cent reportedly depressed industrial growth. The utilities sector of electricity, gas and water supply too registered lower growth of 4.8 per cent, down from 5.2 per cent. On the positive side, foreign exchange reserves improved further to over US$ 43 billion.

The industrial sector has not responded to the various measures introduced in the investor- and industry-friendly budget presented by the Union Finance Minister. The revolutionary budget proposals announced by the Union Finance Minister included: bold and wide-ranging tax reforms, labour law reforms, further development

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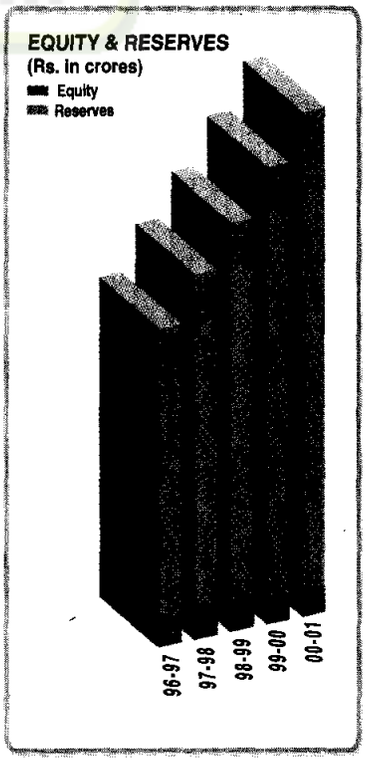
of the capital market and further increase in limits for foreign institutional investors—all path-breaking steps aimed at second generation reform of India's economy. The Reserve Bank of India continues to adopt progressive monetary policies by cutting down interest rates to stimulate growth. The industrial credit offtake, however, continues to remain at a low ebb, leading, in turn, to not a very optimistic growth outlook for the current year.

The Power Sector

With the present financial health of State Electricity Boards, any significant private investments in the power industry, in the short and medium terms, are unlikely. Therefore, for the economy to stage a recovery and sustain the tempo of its growth, there is a dire need to step up Government investment in a critical area like power sector.

Further, for the power sector to support the national goal of achieving 8 to 9 per cent growth for the economy, we need to have commensurate additional generating capacity, besides matching transmission and distribution facilities. According to the 16th Electric Power Survey conducted by the Union Power Ministry, about 1,07,000 MW of additional generation capacity would be needed during the period 2002-12 to meet the growing requirement of power. This appears rather difficult, perhaps impossible, to achieve keeping in view our performance record of the last 10 years when we added less than 40,000 MW. Unmet gaps between demand and supply, however, would have a cascading effect with under-utilization of national assets—large industrial projects, information technology endeavours including the Internet, the rural economy and other infrastructural facilities. Existing State sector power utilities with scarce resources are hardly in a position to contribute to growth. The sector is in deep crisis and on the verge of collapse. The present framework of the industry has failed to deliver.

It is in this context that the authorities have recognized the need to introduce structural reforms in the power sector. There seems to be a consensus that any exercise to restructure the industry should begin with toning up the power supply and distribution. If we ensure that the distribution is managed well and right payments for the power supply are collected on time, all those engaged in the process of generation, transmission and supply of electricity would be assured of adequate returns on their investments. When that happens, investments will begin to flow into the sector. This calls for addressing critical issues affecting the industry like transmission and distribution losses, proper pricing, collection of bills, productivity of employees and quality of power supply.



It is heartening to note that the authorities at the highest level have recognized these systemic and organizational weaknesses and have been deliberating on effective measures to be taken in order to ensure that such actions command the authority of law.

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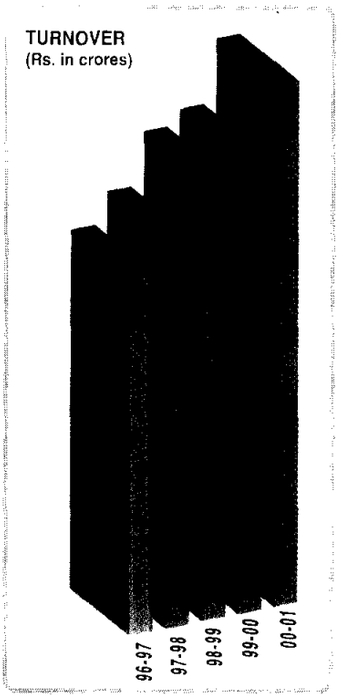
CHAIRMAN'S STATEMENT



The Ministry of Power of Government of India, it is understood, has decided to introduce the Electricity Bill, 2001 in the next session of Parliament. The Bill has been widely debated and the suggestions made duly incorporated. While the Bill, when enacted, will aim at achieving healthy growth of the power sector, its success will depend greatly on how seriously and speedily various States implement the industry reform structure.

Performance Highlights

The Company's commitment to the pursuit of improvement, progress and growth enabled it to deliver a sterling performance for yet another year.

Let me briefly present highlights of our significant achievements, as also the forward-looking measures taken by your Company during the year.

- Gross assets of the Company rose to Rs. 4,616 crore from Rs. 4,195 crore in the previous year.
- The turnover rose to Rs. 2,763 crore, up from Rs. 2,430 crore in the previous year.
- Profit after tax rose to Rs. 321 crore, a rise of 5% from last year's Rs. 307 crore.
- Dahanu Power Station achieved an Availability of 92.33% and Plant Load Factor (PLF) of 82.68%.
- The customer base of the Company crossed the two million mark covering a population of nearly 9 million.
- We successfully contained distribution loss at 11.60%, in keeping with the remarkable trend of steady and consistent decline from 14.95% to 11.50% over the last seven consecutive years.
- Vigilance efforts in the Supply Division were further stepped up by conducting a record number of raids resulting in the detection of 2,887 cases of theft of electricity with recovery of 19.10 million units.
- The Contracts Division and Engineering Procurement and Construction (EPC) Business Group achieved a turnover of Rs. 511 crore. The Contracts Division booked orders worth Rs. 696.41 crore.
- BSES Management Institute conducted 103 courses on management subjects and issues related to power generation and distribution for its executives and managerial personnel, as also for a number of other organizations.
- The 7.59 MW Wind Farm Project consisting of 33 wind mills achieved a PLF of 29.65% compared to around 20%-25% PLF recorded in cases of most of the wind farms in the country.
- Utility Powertech Limited recorded a turnover of Rs. 38.97 crore, earned a profit

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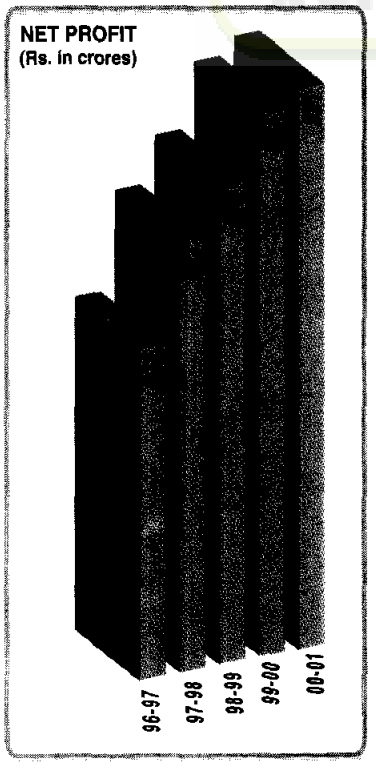
of Rs. 1.38 crore and announced a dividend of 20% for 2000-01.

- BSES Infrastructure Finance Limited earned a profit after tax of Rs. 2.61 crore during the year and stepped up the dividend to 12% for 2000-01.
- ST-BSES Coal Washeries Limited, the joint venture of the Company, achieved a turnover of Rs. 24.79 crore with net profit of Rs. 3.67 crore in the very first year of full-scale operation and announced a maiden dividend of 12% for 2000-01.

Financial Ratios: The Company continued to improve on almost all financial and operating ratios, leading to stronger financial fundamentals. The Debt-equity ratio of the Company further improved to 0.3:1 compared to 0.38:1 of the previous year. Return on Fixed assets was 15.24% as against 14.56% in the previous year.



Earnings per share was Rs. 22.76 as compared to Rs. 21.44 per equity share in the previous year. Likewise, Cash Earnings per equity share was Rs. 37.05 as compared to Rs. 34.76 per equity share in the previous year. The Book Value per equity share was Rs. 182.48 as compared to Rs. 165.60 in the previous year. As in the past, the Company has the distinction of ranking high in most of the parameters of operational performance when compared to peers in the industry.

Dividend: The Board of Directors has stepped up dividend to 40% for 2000-2001, in tune with the Company's progressive track record. The dividend payout including corporate tax would amount to Rs. 61 crore (previous year Rs. 57 crore). This is the ninth consecutive year that the dividend rate has been stepped up. The Company, as you are aware, has the unique distinction of making uninterrupted dividend payment ever since its incorporation.

Operating Performance

The Company could achieve satisfactory financial results as a result of improved operating performance during the year.

Let me now dwell on some of the notable achievements of the various Divisions of the Company.

Dahanu Power Station

Dahanu Power Station achieved Plant Load Factor (PLF) of 82.68% (88.70% previous year), generating 3,621 million units (previous year 3,895 MUs). The lower generation and PLF was on account of shutdown of one of the two units for 47 days for annual maintenance. The Plant Availability achieved was 92.33% against 98.42% in 1999-2000. In the first 3 months of 2001-02, the Power Station has improved its PLF to 92.60% with Plant Availability of 97.63% (the figures for the corresponding period last year are 87.51% and 93.66% respectively). The Power Station has implemented Enterprise Resource Planning (ERP) software across all business

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functions. This module covers various areas such as maintenance management, purchase, stores and control resource management. All environmental parameters were meticulously monitored and kept well within the norms. Ash utilization improved from 5.13% to 8.51%.

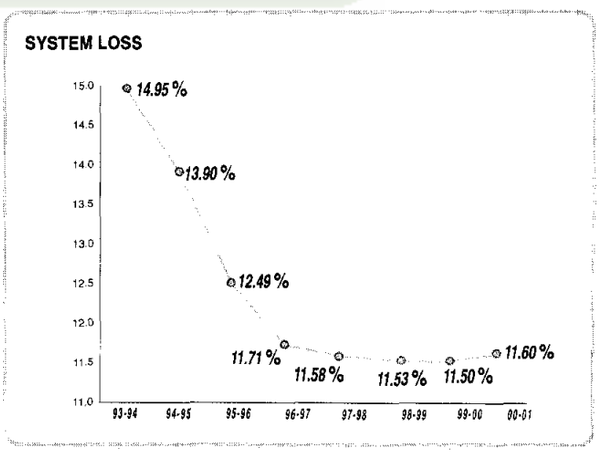
Supply Division

Modernization and Strengthening of Distribution System: The five-year (1996-2001) programmes of augmenting and modernizing the distribution system entailing a capital expenditure of about Rs. 870 crore were completed. During the year, the Company added 30 MVA Power Transformer capacity to the existing installed capacity of 1602 MVA. The Supervisory Control and Data Acquisition (SCADA) System, which has become operational, will facilitate reduction in operation and maintenance expenditure, quick restoration of power supply, improvement in quality of consumer services and saving in manpower leading to better productivity. Nine numbers of 150 KVAR microprocessor-based Automatic Power Factor correction panels were installed at various distribution substations. High value consumers have been provided with 11 KV automatic change-over panel boards for speedy restoration of supply whenever there is failure in incoming supply. Also, to prevent fire hazard in multistorey buildings and reduction of maintenance cost of the distribution transformers, ten numbers of 11/0.433 KV 1500 KVA and six numbers of 2000 KVA Dry Type Transformers were installed.

System Loss Reduction: In order to improve the accuracy of consumption of energy, solid state meters were installed in place of electromechanical meters for high value consumption in all the zones. The Division also installed during the year over 2,50,000 good quality electromechanical meters for residential and commercial consumers.

The Division continued to make concerted efforts, and took a series of actions during the year, on various fronts like detection of thefts, replacement of defective/stopped meters, replacement of electromechanical meters by static meters and strengthening of the distribution network to improve system performance. During the year, 4,521 raids were carried out, which resulted in the detection of 2,887 cases of theft with recovery of 19.10 million units. Due to these efforts, we were successful in holding down distribution loss to 11.60%, in keeping with the remarkable trend of steady and consistent decline from 14.95% to 11.50% over a period of seven consecutive years.

Consumer service: In order to provide faster service to consumers, the Company continues to make improvements in its service and facilities. The major measures include decentralizing its services by setting up four zonal centres, arranging regular consumer meets, setting up bill collection centres throughout the licensed area, plying mobile vans for collection of bill payments, payment of bills through the internet at Bill



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