Contents

Consolidated Financial Statements

SECRETARY	:	Mr. B. J. Shroff
REGISTERED OFFICE	:	Bombay House, 24, Homi Mody Street, Mumbai 400 001
SHARE REGISTRARS	:	**TATA SHARE REGISTRY LIMITED** Army & Navy Building, 148, M.G. Road, Mumbai 400 001
SOLICITORS	:	Mulla & Mulla and Craigie, Blunt & Caroe
AUDITORS	:	A.F. Ferguson and Company, Chartered Accountants S.B. Billimoria and Company, Chartered Accountants
BANKERS	:	State Bank of India Citibank N.A. Standard Chartered Grindlays Bank Ltd. ICICI Bank Ltd.

Annual General Meeting on Monday, 4th August, 2003 at Birla Matushri Sabhagar at 3.00 p.m.
As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.
Shareholders are requested to kindly bring their copies to the meeting.

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Directors' Report

TO THE MEMBERS,

The Directors are pleased to present their Eighty-fourth annual report on the business and operations of the Company and the statement of accounts for the year ended 31st March 2003.

1. FINANCIAL RESULTS

		FY 2003 (Rupees in crores)	*FY 2002 (Rupees in crores)*
(a)	Net Sales / Income from Operations	4300.50	*3802.79*
(b)	Total Expenditure	3116.34	*2857.31*
(c)	**Operating Profit**	**1184.16**	***945.48***
(d)	*Add:* Other Income	152.03	*264.92*
(e)	**Profit before Interest, Depreciation, Extraordinary items and tax**	**1336.19**	***1210.40***
(f)	*Less:* Interest and Finance Charges	341.21	*348.28*
(g)	**Profit before Depreciation, Extraordinary items and tax**	**994.98**	***862.12***
(h)	*Less:* Depreciation	318.04	*281.65*
(i)	**Profit before Extraordinary items and tax**	**676.94**	***580.47***
(j)	*Add:* Extraordinary items	—	*91.37*
(k)	**Profit before tax**	**676.94**	***671.84***
(l)	*Less:* Provision for taxes (including provision for deferred tax)	157.02	*163.61*
(m)	**Net Profit after tax**	**519.92**	***508.23***
(n)	*Less:* Statutory appropriations	69.91	*126.85*
(o)	**Distributable Profits**	**450.01**	***381.38***
(p)	*Less:* Transfer to Debenture Redemption Reserve	49.69	*57.50*
(q)	*Add:* Balance brought forward from the previous year	897.87	*823.05*
(r)	Balance	1298.19	*1146.93*
	which the Directors have appropriated as under to :		
	(i) Interim Dividend	Nil	*99.06*
	(ii) Proposed Dividend	128.78	*Nil*
	(iii) General Reserve	150.00	*150.00*
	TOTAL	278.78	*249.06*
	Leaving a balance of to be carried forward	1019.41	*897.87*

2. FINANCIAL HIGHLIGHTS

During the year the revenues from operations increased by 13% to Rs. 4300.50 crores from Rs. 3802.79 crores in the previous year. Operating Profit increased by 25% to Rs. 1184.16 crores from Rs. 945.47 crores in the previous year. Profit After Tax increased by 2.3% to Rs. 519.92 crores as compared to Rs. 508.23 crores in the previous year. Earnings per Share for the year increased by 2.3% to Rs. 26.27. The Company has a net worth of Rs. 3201 crores, which translates to a book value of Rs. 162 per share.

The highest-ever generation at Trombay Thermal Station, higher generation at Jojobera, increased sales from Power Systems and Strategic Electronics Divisions have contributed to the increases in revenue and profits.

Some significant items relating to the financial results are reported hereunder:

The dispute regarding the sharing of standby charges payable to MSEB is before the Hon'ble High Court of Bombay. Hearings on the Appeals filed by the Company and the other licensee have recently been concluded and the Order is awaited. The Company has based its position on accepted legal principles and fair business practices. The Company is hopeful that its stand that the standby charges should be shared equally by the other licensee will be upheld by the Hon'ble High Court of Bombay.

Pursuant to the Government of Maharashtra's incentive policy for setting up windfarms, the Company has availed of the Sales Tax benefit for an amount of Rs.14.2 crores for its 17 MW Wind Power project at Supa.

The Company's debt paper continues to be highly rated by both domestic and international credit rating agencies. While the Company continues to maintain the highest rating LAAA awarded by ICRA for its borrowings, CRISIL has revised its rating to AA+. The Company has, however, been rated BB by Standard and Poor's and BA2 by Moody's. These ratings are constrained by India's sovereign rating.

The total deposits and loans from the public and shareholders outstanding as on 31st March 2003 amounted to Rs.182.90 crores. One thousand one hundred and thirty-one deposits amounting to Rs. 106.67 lakhs, which had matured have not been claimed by the depositors as on 31st March 2003. Out of these, fifty-two deposits amounting to Rs. 7.42 lakhs have since been repaid.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comment. The consolidated statements of the Company have been prepared in accordance with Accounting Standard 21 on Consolidated Financial Statement, Accounting Standard 23 on Accounting of Investments in Associates and Accounting Standard 27 on Financial Reporting of interests in Joint Ventures, issued by the Council of the Institute of Chartered Accountants of India.

3. DIVIDEND

The Directors recommend a dividend of Rs. 6.50 per share, if approved by the shareholders at the Annual General Meeting (including on 230,308 shares not allotted but held in abeyance) (2001-02 –total dividend of Rs. 5.00 per share).

4. FOREIGN EXCHANGE EARNINGS / OUTGO

The foreign exchange earnings of the Company during the year under review amounted to Rs. 67.81 crores (on account of Euro Notes currency swaps and Trading exports). The foreign exchange outflow during the year was Rs. 910.94 crores, mainly on account of fuel purchase (Rs. 503.26 crores), repayment of foreign currency loans with interest thereon and NRI dividends (Rs. 314.26 crores) and purchase of capital equipment, components & spares and other miscellaneous expenses (Rs. 93.42 crores).

5. POWER BUSINESS

5.1. Operational Highlights

The Company generated a total of 12,996 Million Units (MUs) of power from all its power plants during the year which is a 10.3% increase over 11,782 MUs generated in the previous year.

5.2. Mumbai Power Business

Propelled by increased demand in the license area and higher off-take by MSEB, the total power generated in the Mumbai license area during the year was the highest-ever at 10,469 MUs. This represents an increase of 7% over 9,783 MUs generated in the last year. The Company's islanding system operated successfully on three occasions during the year thereby ensuring uninterrupted power supply to Mumbai.

5.2.1. Trombay Thermal Power Station

Trombay achieved two milestones during the year : 1) highest-ever generation of 9,087 MUs as compared to the earlier high of 8,475 MUs in the previous year - an increase of 7.2%; and 2) recognition for the institution of a Quality Management System by award of ISO 9001:2000 certification. The thermal units operated with an overall on-line plant availability factor of 92.6% as compared to 91.7% in the previous year. Efforts to optimise the fuel-mix, improve fuel logistics and reduce auxiliary consumption have enabled the Company to contain the impact of global increase in fuel oil prices. But for these efforts, the fuel cost of generation would have been higher by 10.4 Paise / kWh. Improved fuel-mix and procurement practices such as changing over to purchase of coal on CIF basis from delivered basis and maximizing the share of local refineries in meeting fuel oil requirements, etc. resulted in a saving of Rs. 94.5 crores during the year.

5.2.2. Hydro Plants

The three hydro power plants at Bhira, Bhivpuri and Khopoli collectively generated 1,350 MUs during the year as compared to 1,304 MUs in the previous year. The Company continued on its program of replacing old generating units with new units of higher efficiency.

During the year, the third and final 24 MW replacement unit at Khopoli was successfully commissioned on schedule in March 2003. Operation of Kundli water augmentation scheme resulted in additional generation of 77 MUs during the year as against 46 MUs in the previous year.

Construction work for Phase 3 of Kundli water augmentation scheme has been completed and capitalised. This will assist in transferring water from the Vadivale lake to Shirawta lake and avoid wastage of the same. The work of tunnel construction to replace the old and ageing penstocks at Khopoli and strengthening of Walwhan and Shirawta dams has been progressing as per schedule.

5.2.3. Wind Power

The 17 MW wind farm at Supa near Ahmednagar, Maharashtra generated 32 MUs during the year recording a PLF of 21.5% as against 3.75 MUs generated at a PLF of 13% following its commissioning in the last quarter of the previous year.

5.2.4. Mumbai Transmission & Distribution

As on 31st March 2002, the Company's T&D system included 6 distribution sub-stations, 197 consumer sub-stations, 1,009 circuit kms of HT/ LT cable network and 1,186 circuit kms of transmission lines. The Company commissioned two new distribution sub-stations, 73 new consumer sub-stations and laid 200 circuit kms of LT and HT cables during the year. The reliability index (total shutdown per customer per year) improved by 24.6% vis-à-vis the previous year. Overall equipment availability also improved to 99.5% as compared to 99.4% during the previous year.

5.2.5. Marketing to Consumers in Mumbai

Total sales in the Mumbai license area including sales to MSEB increased by about 7.7% to 9,845 MUs as against 9,142 MUs in the previous year. The Company continued to increase its customer base in the retail segment, resulting in additional connected load of 226 MVA as against 87 MVA in the previous year.

The Company sold 695 MUs to the Maharashtra State Electricity Board (MSEB) during the year as against 466 MUs in the previous year.

5.3. CPP & IPP Power Business

The operational highlights of units at Jojobera, Wadi and Belgaum are mentioned hereunder:

5.3.1. Jojobera

In the first full year of operation following the commissioning of the second 120 MW Unit, the 307.5 MW Jojobera Thermal Station generated 1,761 MUs, an increase of 43.6% over previous year's generation of 1,226 MUs. As in the previous year, the thermal units continued to operate with an overall plant availability factor of 92.8% during the year. The Company has commenced sale of surplus power to other consumers besides Tata Steel and 17 MUs were exported to Damodar Valley Corporation. Jojobera Thermal Station received ISO 14001:1996 certification for its Environment Management System. The existing Quality Management system was also upgraded and recertified to ISO 9001:2000.

5.3.2. Wadi

During the year, one new steam generator and one new 25 MW steam turbine were commissioned thereby augmenting the plant capacity to 75 MW. The plant is now equipped to meet the entire power requirement of The Associated Cement Companies Limited (ACC) at Wadi. During the year, the plant generated 403 MUs as compared to 233 MUs in the previous year, an increase of 73%.

5.3.3. Belgaum

The 81.3 MW Belgaum IPP continued to operate at a high overall availability of 89.5% (88.7% previous year). However, generation was lower at 363 MUs as compared to 541 MUs in the previous year due to the decision of the Karnataka Power Transmission Corporation Limited to restrict its purchases from all sources to 85 MUs per day. Despite lower generation, the auxiliary consumption of the plant was reduced from 1.82% to 1.66%. During the year, Company's islanding system at Belgaum operated 15 times allowing Belgaum City to enjoy uninterrupted "Tata" power. Another highlight is the commissioning of black start system which would enable a quick restoration of power supply in case of complete collapse of the Karnataka grid.

5.4. New Generation Capacity

The Company has obtained statutory approvals to install an additional 120 MW Unit at Jojobera. Configured as a merchant power station, the Unit is scheduled to be commissioned in 2005-06.

5.5. Distribution Business

In pursuance of its policy of availing opportunities in retail distribution outside its license area, and subsequent to the selection of the Company's bid by the Government of National Capital Territory of Delhi (GONCTD) as most suitable for the North and North West area, the Company entered into a Shareholder's Agreement with effect from 1st July 2002 and acquired management control of one of the three privatized distribution companies in the State of Delhi namely North Delhi Power Limited (NDPL) (formerly North North-West Delhi Distribution Company Limited).

NDPL, which commenced operation from 1st July 2002 supplies electricity to the North and North-West parts of Delhi, catering to the requirements of about 8 lakhs registered consumers covering an estimated population of about 45 lakhs. NDPL's consistent endeavour to improve levels of efficiency and quality has resulted in a reduction of aggregate technical and commercial loss to a level of about 48% during the period July 2002 to March 2003 compared to about 50% loss level for the same period of 9 months in the preceding financial year, under the Delhi Vidyut Board. NDPL's input of energy during the 9 month period was 3,928 MUs (worth Rs. 599 crores) and corresponding sales revenue of approx. Rs. 867 crores. NDPL is required under the privatisation agreements to bring down the loss levels to 31% by March 2007.

The Company would continue to pursue emerging business opportunities in the power distribution sector.

5.6. 400 kV Tala Transmission Project

Tala Transmission project is the first transmission line project with private sector participation. The Company will hold equity capital of 51% in the joint venture company and the balance 49% will be held by Power Grid Corporation of India Limited (PGCIL). The Project has been cleared by Public Investment Board (PIB) and is awaiting clearance from Cabinet Committee on Economic Affairs (CCEA). Pending CCEA clearance, advance actions have been initiated in respect of finalizing technical specifications and inviting tenders for various packages. Discussions have been initiated with financial institutions who have evinced interest in providing financial assistance to the project. The project will have Thyristor Controlled Series Compensators to regulate power flows along the lines. Financial closure is expected within five months from CCEA clearance. The Company and PGCIL are in the process of finalising all the agreements viz., Shareholders Agreement, Implementation Agreement and Transmission Service Agreement and these agreements will be executed within 45 days from receipt of CCEA clearance.

5.7. Power Trading

To have a presence in power trading business, the Company has taken 10% equity in Power Trading Corporation (PTC) and paid Rs. 10 crores towards the same.

6. OTHER BUSINESSES

6.1. Power Systems Division

The Division recorded a turnover of Rs. 25.93 crores during the year as compared to Rs. 30 crores in previous year (of which only Rs. 7 crores was work for the Company). The Division executed and completed two supply and installation projects, one in Nepal and the other in Myanmar. More importantly, the Division received contracts worth Rs. 200 crores from Power Grid Corporation for execution of two projects of which the Rs. 150 crores J&K project is the largest contract secured by the Division so far. The Division has been awarded ISO 9001:2000 certification in recognition of the institution of a Quality Management System for design, testing, supply, installation and commissioning of overhead transmission line projects. The Division has also emerged as the most competitive bidder in various tenders issued by Power Grid Corporation of India Limited, Damodar Valley Corporation and Power Grid Corporation of Bangladesh. With these, the Division is well poised to become a leading player in both the domestic and international transmission and adjacent power distribution EPC (engineering, procurement and construction) business.

6.2. Strategic Electronics Division

The Division earned a total revenue of Rs. 42.97 crores, a quantum jump over its previous year figure of Rs. 26.46 crores. This turnaround was brought about by executing major production runs for Fire Control Computers, Rugged PCs and Rugged Workposts during the year. Special attention was given by the Division to enhance the throughput of the assembly and testing functions, thereby enabling the Division to achieve significant improvement in its production turnaround times.

The Division also undertook the development of Portable Rugged Computers and the launch of this product is slated for the first quarter of FY 2004. Efforts are also underway to bring the design and development activity into the fold of the Division's existing ISO 9001:2000 certification. Having successfully completed the prototype development and field trials with DRDO / Indian Army, the Multi-Barrel Rocket Launcher "Pinaka" was on display at the Republic Day Parade on Raj Path, New Delhi on 26th January 2003. The Division is now geared to undertake the production of the Pinaka.

6.3. Broadband & Communications Business

Pursuant to the Company's goal of investing in complementary and value creating segments, it has successfully launched and capitalized its Carrier's Carrier business - Tata Power Broadband (TPBB), as a division of the Company. Last year, TPBB created India's first and Asia's second Dense Wave Division Multiplexing (DWDM) technology based fiber network in Mumbai. Continuing its pioneering tradition of offering next generation network technologies to its customers, TPBB launched MPLS (Multi Protocol Label Switching) Gigabit Switched IP (Internet Protocol) based services. MPLS technology is the key in providing scalable Virtual Private Networks (VPNs) and Voice-over-IP (VoIP) with quality of service (QoS) guarantee on IP networks. In the Mumbai-Pune region, with about 800 kms of fiber network, TPBB serves all major telecom service providers and other carriers (Fixed, Mobile, National Long Distance (NLD) / International Long Distance (ILD), Internet Service Providers (ISP), Call Centres, Data Centres and Cable Operators/ MSOs) with very high speed connectivity (from 2 Mbps to 1 Gbps on IP and up to 2.5 Gbps on clear channel) for the voice, video, data and internet applications. TPBB has emerged, as the "Bridge Across Carriers" in Mumbai and following its capitalization is Profit Before Tax (PBT) neutral.

The Company believes that customer ownership is critical for success in the telecom sector and vertically integrated players offering a full range of telecom services will create long term value. Pursuant to this, the Company has made additional investments of Rs. 25 crores in Tata Teleservices Limited (TTSL), Rs. 115 crores in Tata Teleservices (Maharashtra) Limited (TTML) (formerly Hughes Tele.com (India) Limited) and Rs. 212 crores in Panatone Finvest Limited (PFL) for VSNL equity. With this the Company's equity investments in the telecom sector stand at Rs. 500 crores in TTSL, Rs. 115 crores in TTML and Rs. 500 crores through PFL in VSNL.

The Company is striving to bring the long-term benefits of participation in an Integrated Telecom Value Chain to its shareholders. All the retail services of the Tata Group in Telecom have now been brought under the Tata Indicom brand. Steps have also been taken to consolidate the Group's telecom presence in the Corporate Market with the formation of a focused enterprise business unit.

7. ENERGY BUSINESS

Tata Petrodyne Limited, a wholly owned subsidiary of the Company acquired in 2000, which is engaged in the business of Exploration and Production (E&P) of oil and gas, made a profit after tax of Rs. 20.66 crores during financial year 2002-03, as against Rs. 12.46 crores in the previous year. Tata Petrodyne has an interest of 15% in CB-OS/2 Block, and 10% in the Lakshmi gas field development, the block operated by Cairn Energy.

In the CB-OS/1 Exploration Block, the Company intends to retain its 10% interest for the appraisal of discoveries, which is expected to commence shortly in three areas.

More details of the performance and prospects of Tata Petrodyne Limited are given in the relevant section in this report.

8. ENERGY CONSERVATION & ENVIRONMENT PROTECTION

8.1. Energy Conservation Measures

The Company intensified its drive for conservation of resources like fuel and water. As a result, the auxiliary consumption at Trombay has been brought down from 4.58% to 4.36%. Similarly, Belgaum plant also achieved a reduction in auxiliary power consumption from 1.82% to 1.66%.

8.2. Environment

The Company remains committed to the cause of environment enrichment. The emissions from Trombay Thermal Power Station are amongst the lowest in the World. Having successfully explored the use of very low sulphur low ash imported coal, Trombay has stepped up its use. This, coupled with use of other low sulphur fuels, has helped Trombay in logging highest generation while still adhering to the prescribed environmental norms.

Fly ash generation of 1,000 tonnes / day at Jojobera and 250 tonnes / day at Wadi is utilised by Lafarge and ACC respectively for cement production. The Company commissioned a zero effluent discharge system using reverse osmosis plant for the expansion project at Wadi. The existing power plant has also been integrated with this zero effluent discharge system.

As a part of its afforestation programme, the Company planted 6.5 lakh saplings in the lake catchment areas of its hydro generation facilities (6 lakh saplings in the previous year). About 13,000 saplings were added to Wadi power plant green belt area (3,000 saplings in the previous year). Similarly, over 1,000 saplings were planted in the Belgaum plant premises (1,000 saplings in the previous year).

9. HUMAN RESOURCES DEVELOPMENT

During the current year, there was special emphasis on the effective implementation of human resource processes aligned to Tata Business Excellence Model (TBEM). Based on feedback from employees, key initiatives like