



TATA ELECTRIC

THE TATA POWER COMPANY LIMITED



80th Annual Report
1998-99

**TATA ELECTRIC**

Eightieth annual report 1998-99

Contents

ANNUAL GENERAL MEETING

*On Tuesday, 10th August 1999,
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.**

Board of Directors	2
Notice	3-4
Explanatory Statements	4
Directors' Report	5-9
Annexure I to the Directors' Report	10
Annexure II to the Directors' Report	11
Financial Statistics	12
Distribution of Shares	12
Auditors' Report	13
Annexure to the Auditors' Report	14-15
Balance Sheet	16
Profit and Loss Account	17
Schedules "A" to "I" forming part of the Balance Sheet	18-26
Schedules "1" to "5" forming part of the Profit and Loss Account	27-30
Notes forming part of the Accounts	31-36
Balance Sheet Abstract and Company's General Business Profile	37
Cash Flow Statement	38
Shareholder Information	39
Statement pursuant to Section 212 of the Companies Act, 1956, related to Subsidiary Company	40
Jamshedpur Power Company Limited	41-44

Accounts of the Subsidiary Company

The Tata Power Company Limited

TATA ELECTRIC

Eightieth annual report 1998-99

The Tata Power Company Limited

BOARD OF DIRECTORS

(as on 24th May 1999)

R. N. Tata *(Chairman)*

Dr. S. Ganguly *(Vice-Chairman)*

H. N. Sethna

S. R. Vakil

D. G. Mehra *(Whole-time Director)*

A. J. Engineer *(Whole-time Director)*

R. Thothadri

C. P. Mistry

Syamal Gupta

R. Gopalakrishnan

SECRETARY

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
S. R. Vakil

AUDITORS

A. F. Ferguson and Company,
Chartered Accountants.

S. B. Billimoria and Company,
Chartered Accountants.

BANKERS

State Bank of India
Citibank N.A.
ANZ Grindlays Bank

NOTICE

The EIGHTIETH ANNUAL GENERAL MEETING of THE TATA POWER COMPANY LIMITED will be held on Tuesday, the 10th day of August 1999 at 3.00 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, to transact the following business:—

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 1999 and the Balance Sheet as at that date.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mr. R. N. Tata, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. S. R. Vakil, who retires by rotation and is eligible for re-appointment.
5. **Appointment of Mr. R. Gopalakrishnan as a Director**

To appoint a Director in place of Mr. R. Gopalakrishnan, who was appointed an Additional Director of the Company on 15th January 1999 by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, under Section 257 of the Act.

6. **Appointment of Auditors**

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

"RESOLVED that Messrs. A. F. Ferguson & Company and Messrs. S. B. Billimoria & Company be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to examine and audit the accounts of the Company at Mumbai and the Divisions for the financial year 1999-2000 on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors plus service tax, travelling and out-of-pocket expenses."

7. **Appointment of Branch Auditors**

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

"RESOLVED that the Board of Directors be and is hereby authorised to appoint the Company's Auditors and/or in consultation with the Company's Auditors any person or persons qualified for appointment as Auditor or Auditors of the Company under Section 226 of the Companies Act, 1956 so far as Branch Offices in India are concerned, or an accountant or accountants duly qualified to act as Auditor or Auditors of the Branch Offices of the Company situated in countries outside India, in accordance with the laws of the country in which the Branch Offices of the Company are situate, to audit the accounts for the financial year 1999-2000 of the Company's Branch Offices in India and abroad respectively and to fix their remuneration (which in the case of the Company's Auditors shall be in addition to their remuneration as the Company's Auditors) and the terms and conditions on which they shall carry out the audits."

- NOTES:**
- (a) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in regard to the business as set out in Item Nos. 5 to 7 above, are annexed hereto.
 - (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
 - (c) The Register of Members and the Transfer Books of the Company will remain closed from 6th July 1999 to 4th August 1999, both days inclusive.
 - (d) Dividend, if declared, will be paid to those members whose names appear on the Company's Register of Members on 4th August 1999. The dividend in respect of shares held in electronic form will be payable to the beneficial owners of the shares as on 6th July 1999 as per details furnished by the Depositories for this purpose. Dividend will be paid on or after Wednesday, 11th August 1999.
 - (e) Members are requested to notify immediately any change in their addresses and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents.

TATA ELECTRIC**Eightieth annual report 1998-99****The Tata Power Company Limited**

- (f) As per the provisions of the amended Companies Act, 1956, facility for making nominations is now available to the shareholders, debentureholders and fixed depositors in respect of the shares, debentures and deposits held by them. Nomination forms can be obtained from the Share Registrars of the Company in the case of Shares and Debentures and from the Fixed Deposit section of the Company in the case of Fixed Deposits.

By Order of the Board of Directors,

D. G. MEHRA

Whole-time Director

Mumbai, 24th May 1999.

Registered Office:

Bombay House,
24, Horni Mody Street,
Mumbai 400 001.

EXPLANATORY STATEMENTS

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statements set out all material facts relating to the business mentioned under Item Nos. 5 to 7 of the accompanying Notice dated 24th May 1999.

Item No. 5: Mr. R. Gopalakrishnan was appointed an Additional Director on 15th January 1999 by the Board of Directors of the Company under Article 132 of the Company's Articles of Association. Under Section 260 of the Companies Act, 1956, Mr. Gopalakrishnan holds office only upto the date of the forthcoming Annual General Meeting. He is a graduate in Physics from the Calcutta University and in engineering from IIT Kharagpur. He is the Executive Director of Tata Sons Ltd. and the Vice-Chairman of Tata Chemicals Ltd. He is also on the Boards of several other companies. Before joining Tatas in 1998, he was the Vice-Chairman of Hindustan Lever Ltd. and the Chairman of Unilever Arabia. He has wide and varied experience in leading business enterprises in India and abroad.

The Board of Directors commend Mr. Gopalakrishnan's appointment as a Director of the Company. A notice under Section 257 of the Companies Act, 1956, has been received from a member signifying his intention to propose Mr. Gopalakrishnan's appointment as a Director.

Item No. 6: In terms of Section 224A of the Companies Act, 1956, if not less than 25% of the subscribed capital of a company is held either singly or in combination by public financial institutions, government companies etc., then the appointment or re-appointment of the auditors of that company has to be made by a special resolution.

In the case of the Company, the combined holding of the aforesaid categories of shareholders exceeds 25% of the subscribed capital. Hence, it is necessary to pass a special resolution to re-appoint Messrs. A. F. Ferguson & Company and Messrs. S. B. Billimoria & Company as the Auditors of the Company.

The Shareholders' approval is also being sought to authorise the Board of Directors to determine the remuneration payable to the Auditors in consultation with them.

As required under Section 224 of the Act, certificates have been received from the Auditors to the effect that their re-appointments, if made, will be in accordance with the limits specified in Section 224 of the Act.

Item No. 7: As Members are aware, the Company together with The Andhra Valley Power Supply Company Limited and The Tata Hydro-Electric Power Supply Company Limited is undertaking several projects/contracts in India as well as outside India mainly for the erection, operation and maintenance of power generation and distribution facilities. To enable the Directors to appoint Branch Auditors/Accountants for the purpose of auditing the accounts of the Company's Branch Offices in India and abroad, the necessary authorisation of the Members is being obtained in accordance with the provisions of Section 228 of the Companies Act, 1956, in terms of the Special Resolution under Item No. 7 of the accompanying Notice.

By Order of the Board of Directors,

D. G. MEHRA

Whole-time Director

Mumbai, 24th May 1999.

Registered Office:

Bombay House,
24, Horni Mody Street,
Mumbai 400 001.



DIRECTORS' REPORT

TO THE MEMBERS,

The Directors hereby present their Eightieth annual report on the business and operations of the Company and the statement of accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

2. The summarised financial results are :	Rupees	Previous Year Rupees
The profit before tax and after providing for depreciation amounted to	244,68,19,509	248,29,65,511
Less: Provision for taxation	83,07,04,330	87,96,31,722
Profit after tax and before statutory appropriations	161,61,15,179	160,33,33,789
Less: Statutory appropriations	15,99,95,571	17,08,05,259
Distributable Profit	145,61,19,608	143,25,28,530
which the Directors have appropriated to :		
(i) Proposed Dividend	43,00,79,224	43,01,70,614
(ii) General Reserve	50,00,00,000	25,00,00,000
leaving a balance carried forward of	52,60,40,384	75,23,57,916
3. The Directors recommend the following dividend for the year ended 31st March, 1999, if declared by the shareholders at the Annual General Meeting : —		
at Rs. 3.70 per share on Equity Shares (including 5,77,850 shares not allotted but held in abeyance) (1997-98 Rs. 3.70 per share)	43,00,79,224	43,01,70,614

TATA ELECTRIC**Eightieth annual report 1998-99****The Tata Power Company Limited****4.0 ACCOUNTS AND FINANCE**

4.1 The distributable profits for the year were higher at Rs. 150 crores as compared to Rs. 143 crores in the previous year. The Directors are pleased to report that your Companies have once again earned the returns allowed under the Electricity (Supply) Act, 1948 for the 50th year in succession. However, unfortunately, the returns are linked to the Reserve Bank Rate. As a consequence, the rate of reasonable return for the licensee business has been reduced from 17% of the capital base for 1997-98 to 15.5% for 1998-99. Due to the lower permissible returns, the profits from the licensee business were lower than the previous year. This drop was offset from the profits of the Companies' expanding activities at their Jojobera and Wadi Thermal Stations and higher other income.

Your Companies have, during the year, exercised necessary controls on the operating and administrative expenses and have also taken advantage of lower fuel prices, local as well as international, the benefits of which have been passed on to the consumers.

It is a matter of regret that due to a further drop in the bank rate as on 1st April 1999, the returns for 1999-2000 onwards will further drop to 13% of the capital base. The Companies, with their endeavours, have been successful in partially mitigating this with the Ministry of Power notifying that additions to the capital base made after 1st April 1999 will earn 16% return. The Companies will continue in their efforts to get a return of 16% on the accumulated capital base as on 31st March 1999. It will enable this vital infrastructure industry to attract more investment.

4.2 CRISIL and ICRA have both awarded the highest rating AAA and LAAA respectively for Debentures upto Rs. 500 crores. During the year the Companies issued Debentures aggregating to Rs. 150 crores on private placement basis.

4.3 The total deposits and loans from the public, shareholders and employees outstanding as on 31st March 1999 amounted to Rs. 24.89 crores. 473 deposits amounting to Rs. 33.97 lakhs matured, but had not been claimed or renewed by the depositors as on that date. Out of these, 58 deposits amounting to Rs. 4.22 lakhs have since been renewed or repaid.

4.4 The notes to the accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comment.

5.0 OPERATIONS**5.1 Thermal Power**

Trombay Thermal achieved a thermal generation of 7670 Million Units (MUs) in the year 1998-99 as compared to 7593 MUs in the previous year. The thermal units operated with an overall plant availability of 84%.

The 67.5 MW Unit at Jojobera operated at high performance levels having achieved a plant availability of 88% during the year.

The Companies have acquired a generating station consisting of a 37.5 MW Unit at Wadi, Karnataka, in January 1999 at a cost of Rs. 90 crores. The Unit has operated satisfactorily during the period.

5.2 Hydro Power

All the three Hydro-Electric Power Stations of the Companies performed satisfactorily during the year.

Additional generation of about 60 MUs was achieved from the same quantity of water as a result of operation of the new 150 MW Unit at Bhira, which has higher efficiency.

6.0 CORPORATE PERFORMANCE

6.1 Your Company has undertaken to give a sharper focus to growth and enhancement of shareholder value. The most significant initiative has been a performance and quality improvement thrust through the JRD QV programme, instituted in memory of Mr. J. R. D. Tata. This programme requires the Company to benchmark its performance against the best performers in the industry in India and internationally and prompts continuous improvement in all areas of operation through constant reviews of all key actions. This has the support and commitment of the very highest levels in the Companies.

6.2 In pursuance of their vision for growth, the Companies have targeted investments in projects amounting to Rs. 4,800 crores over the next three years. Projects valued at Rs. 2,600 crores have already commenced. These projects would further spread the Companies' activities into Bihar, Karnataka, Madhya Pradesh, Orissa and possibly other States as well. The Companies also propose to establish a new joint venture with TOTAL of France for the storage and distribution of Liquefied Natural Gas in the State.

6.3 Your Companies are also renewing their efforts in the direction of total improvement in the Mumbai grid by interacting with the Government, MSEB, major customers like BSES, BEST, Railways and other valued customers to ensure a fair tariff, reasonable standby



charges on the Companies and a fair sharing of the same by all the players.

6.4 The Companies have rededicated themselves to improving their operations through this programme and are committed to continue reaching world class standards.

7.0 YEAR 2000 (Y2K) COMPLIANCE

7.1 Your Companies have in place a comprehensive plan to achieve Y2K compliance. Digital Control System of power plants, computer-based network control centres and connected substations, intelligent measurement/protection devices are being checked for Y2K compliance. Non-compliant hardware/software are being replaced for which orders have been placed. All the Y2K compliances with systems checks will be completed by September 1999.

The Companies are developing a comprehensive plan for addressing possible Y2K related contingencies. The Companies will continuously monitor and update this plan so as to minimise the risk of disruption in its operation due to the Y2K problem.

The cost of remediation and other efforts is estimated to be Rs. 20 crores which includes capital expenditure for replacing hardware.

8.0 DEPOSITORY SYSTEM

8.1 Your Companies have already set up the requisite facilities for dematerialisation of shares, in accordance with the provisions of the Depositories Act, 1996, and several members particularly institutional investors, have availed of these facilities to hold and trade in the shares in electronic form.

8.2 The Securities and Exchange Board of India through a Press Release indicated that delivery of shares of the Company in dematerialised form will be compulsory on all stock exchanges with facilities for trading in electronic form for all categories of investors with effect from 5th April 1999. The concept of a market lot of 50 shares in respect of the Company's shares stands abolished with effect from the same date.

9.0 PROJECTS

As pointed out earlier in para 6, the Companies' new project proposals will enhance generation by over 600 MW, improve efficiencies in the existing units, provide for essential replacements and launch our entry into the LNG business.

9.1 2x120 MW Unit at Jojobera, Jamshedpur

Necessary orders for equipment and civil works have been issued. Foundations for the first unit of 2x120 MW plant are nearing completion and approximately 500 tons structural erection for the Boiler House has been completed. The project is on schedule and it is expected that the first unit will be commissioned by December 2000 and the second unit a year later.

9.2 81.3 MW Diesel-based Power Plant at Belgaum, Karnataka

The Power Purchase Agreement for 81.3 MW Diesel-based Power Plant at Belgaum, Karnataka was signed with Karnataka Electricity Board. The necessary statutory approvals are being obtained to commence the plant erection work.

9.3 The Companies are awaiting permissions for takeover of 50 MW recently commissioned power stations in Jamul and Kymore.

9.4 Renovation of Hydro Units

Bhivpuri Generating Station

The Companies' project for replacement of the old 6x12 MW hydro units by new 3x24 MW units of improved efficiency has progressed substantially. The commissioning of the two 24 MW units has been completed and the third 24 MW unit is scheduled to be commissioned by December 1999 along with installation of new penstocks to replace the old ones.

Khopoli Generating Station

The Companies have also commenced replacement of the old 6x12 MW hydro units by new 3x24 MW units of improved efficiency along with replacement of existing penstocks by new ones at Khopoli.

Civil work for the new power house is progressing well and the placement of orders for major equipment is being expedited for commissioning one 24 MW unit by end 2000.

Kundli Water Augmentation Scheme

The Companies have obtained Government approval for augmenting the water resources by transferring upto 75 MCM of water from the Companies' Kundli reservoir for increasing the generation at Khopoli by about 85 MUs. The first phase of this project is well under way.

TATA ELECTRIC

Eightieth annual report 1998-99

The Tata Power Company Limited**9.5 LNG Project**

Consequent to an MOU with TOTAL of France and subsequent feasibility studies including site investigations and marine studies, the Companies have entered into a Joint Venture Agreement with Total Gas and Power India (a wholly owned subsidiary of TOTAL) for establishment of an LNG Terminal at Trombay. The project, with an initial terminal capacity of 3 million tons per annum, is awaiting clearance by the Foreign Investment Promotion Board. Formalities for the formation of a joint venture company are in progress. Discussions have commenced with various suppliers of LNG in the Middle East.

10.0 TRANSMISSION AND DISTRIBUTION PROJECTS**10.1 South Mumbai Ring System Power Project**

The project comprising installation of a major 220 kV (18 km.) underground transmission system from Dharavi Receiving Station, Central Mumbai to Backbay, South Mumbai via Mahalaxmi and construction of a 220 kV Gas Insulated Receiving Station at Backbay has now crossed the half-way mark. The commissioning of the Receiving Station will considerably improve the reliability of power supply to consumers in South Mumbai area, in addition to meeting future load growth in Central and South Mumbai areas.

10.2 The 110 kV substation at Mankhurd to provide power supply to Central Railway has been successfully commissioned and 22 kV power supply has been given to Central Railway for their harbour line.

10.3 110 kV additional point of power supply was given to BEST's newly constructed 110 kV Gas Insulated Substation at Backbay, which will improve the reliability of power supply in the Backbay area.

10.4 Power System Improvement

The existing transmission and distribution network has been further strengthened during the year to maintain the reliability of power supply by addition of new high voltage cables, transmission lines, shunt capacitors, SCADA systems, replacement of circuit breakers, etc. at various generating and receiving stations.

11.0 TECHNOLOGY ABSORPTION

11.1 The Companies have satisfactorily installed and commissioned numerical relays and revenue meters using digital technology which offers advanced features and remote interrogation facilities.

12.0 ENERGY CONSERVATION, ENVIRONMENT PROTECTION AND COMMUNITY DEVELOPMENT

12.1 Renovation work of 150 MW Unit 4 Steam Generator was carried out during four months' outage between September 1998 and January 1999. Major modifications were done to New Burner Management System. These measures have restored the efficiency of this 33 year old unit near to the original level thus helping in conservation of energy.

12.2 Your Companies have always been in the forefront of environmental and social causes. Ecological development programmes together with Bharati Vidyapeeth Environment Education and Research Centre, tree planting, providing fish fingerlings to Panchayats free of cost, drinking water to villages, maintenance of schools and dispensaries are some of the continuing activities undertaken by the Companies for environmental protection and community development under the aegis of Tata Council for Community Initiatives.

13.0 TRAINING AND HUMAN RESOURCES DEVELOPMENT

13.1 The training programme comprehensively covered technical, attitudinal and management aspects. The training programme was restructured to make it more result-oriented and in line with the requirements of the current challenges and environment.

13.2 Industrial relations continued to be cordial.

14.0 FOREIGN EXCHANGE EARNINGS/OUTGO

14.1 Foreign exchange earnings of the Company amounted to Rs. 33 crores in the year under review, whereas the outgoings during the year were Rs. 325 crores, mainly on account of purchase of equipment, repayment of foreign currency loans and interest thereon and fuel purchases of Rs. 139 crores.

15.0 RESEARCH & ELECTRONIC DEVELOPMENT SERVICES

15.1 Several new orders have been received by the Research and Electronic Development Services in the area of special purpose computers and display systems besides contracts for product upgradation support and system automation requirements for a host of strategic applications. Rugged CPU boards based on Intel 486 and Motorola 040 Processors were delivered during the year in multiple quantities.



16.0 SAFETY

16.1 Training sessions, refresher courses, first aid and fire fighting sessions have been organised regularly at various divisions for the benefit of the employees. The compliances of safety requirements, both statutory or otherwise, are critically monitored.

17.0 DISCLOSURE OF PARTICULARS

17.1 Particulars required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the prescribed format as Annexure I to the Directors' Report.

17.2 Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure II to the Directors' Report.

18.0 DIRECTORS

18.1 The Board of Directors appointed Mr. R. Gopalakrishnan as an Additional Director of the Company with effect from 15th January 1999. A Notice from a member has been received to propose Mr. Gopalakrishnan's appointment as a Director.

18.2 In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. R. N. Tata and Mr. S. R. Vakil retire by rotation and are eligible for re-appointment.

19.0 SUBSIDIARY

19.1 During the year, the Company acquired 1,99,99,000 Equity Shares of Rs. 10 each of Jamshedpur Power Company Limited (JAPCOL). With this acquisition, JAPCOL has become a subsidiary of the Company.

20.0 AUDITORS

20.1 Members will be requested as usual to appoint Auditors and to authorise the Board of Directors to fix their remuneration. In this connection, the attention of the members is invited to Item No. 6 of the Notice and its relative Explanatory Statement.

20.2 Members will also be requested to pass a resolution (vide Item No. 7 of the Notice) authorising the Board of Directors to appoint Auditors/Branch Auditors/Accountants for the purpose of auditing the accounts maintained at the Branch Offices of the Company in India and abroad.

On behalf of the Board of Directors,

Mumbai, 24th May 1999.

RATAN N. TATA
Chairman