

## CHAIRMAN'S STATEMENT



Dear Shareholders,

I have great pleasure in welcoming you all to this 70th Annual General Meeting of your Company. This Annual General Meeting marks the completion of seven decades of dedicated and devoted service to our customers. It gives me even greater pleasure to report that for your Company, while the current decade is a period of glorious growth, the year under review was also marked by eventful developments, remarkable achievements and trend-setting initiatives.

### The Economy

The collapse of the Asian economies affected India too and the economy recorded a lower rate of growth. Industrial growth declined to 5.2% from 6.6% in the previous year. The agricultural sector, however, witnessed an increase of 3% as against the negative growth of 3.7% in 1997-98. As a result, GDP rose marginally to 5.7% from 5.5% in the preceding year. Among the emerging markets, India still remains one of the few countries with a positive GDP growth. Imports continued to grow at 5.8%, the same level as in the preceding year, though exports lagged behind with a growth of merely 1.2%. With the support of good monsoons for the seventh year in succession, inflation remained under control and is, in fact, at its lowest ebb in recent years. Foreign exchange reserves stand at a comfortable level of around US\$ 30 billion.

The Union Budget for 1999-2000 continued with rationalization and simplification of the tax structure and

further pushed ahead the reforms process, in order to ensure stability in our economy. There are signs that as the world economy picks up, the Indian economy will manage to ease out of its recessionary phase. Much depends on the dedication with which the Governments, both at the Centre and the States, implement the reforms in general and the seriousness with which they accord priority to infrastructure projects including power in particular.

### The Power Sector

The Indian power sector is celebrating, during 1999, the Thermal Centenary to mark 100 years of thermal power generation in the country. Starting with 1 MW of thermal power generation in 1899 in Calcutta, the current thermal power generation capacity of about 65,000 MW constitutes almost 72% of the power generation capacity of India. The country has good reason to be proud of the most sophisticated thermal power generation technology and of the human capability to engineer and operate it efficiently.

The year 1998-99 witnessed several path-breaking events in the Indian power industry. There was re-orientation in the policies and approach of the Government not only to the regulatory framework but also to the generation, transmission and, most significantly, the re-structuring of the distribution side of the industry.

Firstly, the Government enacted the Electricity Regulatory Commission Act, 1998. In compliance with the provisions of this Act, the Union Government has set up the Central Electricity Regulatory Commission that will henceforth be responsible, inter alia, for regulating electricity generation tariff of the central undertakings. Secondly, the transmission sector was thrown open to the initiatives of private enterprise. Thirdly, the State Governments have recognized the need to privatize the much neglected distribution systems. The reforms in this field will result in commercialization of the sector and will lead to strengthening and modernizing the distribution systems by improving system efficiencies. In this direction, privatization of Orissa electricity distribution system was a historic landmark and indeed, a trend-setting event.



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Finally, the Government came out with a Mega Power Project Policy, clearly departing from the recent trend of promoting small-sized, short gestation, naphtha-based power projects. The Policy will encourage economically viable and commercially sustainable large sized projects, where all the initial preparatory work would be carried out by Government agencies so as to enable the private developers to achieve speedy implementation of the project.

The implementational issues of the Mega Power Project Policy and of privatization of the Transmission System, it is hoped, would be resolved soon so that these important initiatives begin to attract large private investments into the sector. Privatization of electricity distribution in cities/towns with a population of one million or more, which is a requirement for the States to avail of power from mega power projects, is indeed a well conceived and practical

proposition to begin with and has the potential not only to succeed but also to set in order the financial health of the power supply industry. It is hoped that a number of States will formulate time-bound programmes for implementing this model of reform.

### **Performance Highlights**

The steady commitment to the pursuit of growth and progress enabled the Company to deliver a sterling performance for yet another year.

Let me now briefly present the following highlights of the significant achievements, as also the forward looking measures taken by your Company during the year:

- Gross assets of the Company rose to Rs. 4,015 crore from Rs. 3,508 crore in the previous year.
- Turnover rose to Rs. 2,349 crore as against Rs. 2,067

*The new Corporate Office building: BSES House, Santa Cruz (East), Mumbai*



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crore in the previous year, despite the virtual stoppage of sale to the Western Regional Electricity Board (WREB), which had accounted for Rs. 181 crore in the previous year.

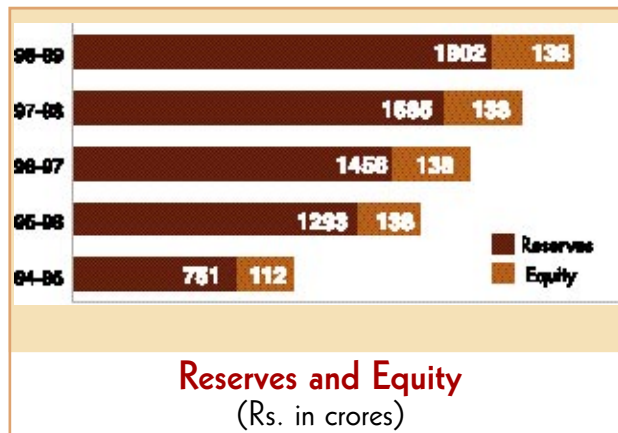
- Gross Profit (before tax) rose to Rs. 350 crore compared to Rs. 297 crore in 1997-98. Profit after tax rose to Rs. 270 crore with distributable profit recording a growth of 44% at Rs. 289 crore.
- Dahanu Power Station, despite the near stoppage of supply to WREB grid, achieved an average Plant Load Factor (PLF) of 76.6% (85% in the previous year). The Plant Availability rose to 92% from 90% in 1997-98.
- Dahanu Power Station further improved upon all the major operating norms like heat rate (2,337 kcal/kg), specific oil consumption (0.48 ml/kwt) and auxiliary power consumption (7.44%).
- Distribution loss in the Supply Division declined for the fifth successive year to 11.5% from 14.9% in 1993-94, 13.9% in 1994-95, 12.5% in 1995-96, 11.7% in 1996-97 and 11.6% in 1997-98.
- Vigilance efforts in the Supply Division were further stepped up by conducting a record number of 15,344 raids resulting in detection of pilferage of 29.98 million units.
- Pursuant to the Order of the Special Court, the Company received one more instalment of Rs. 19.18 crore from the subsidiary of a nationalized bank against the amount due to the Company.
- The Company prepaid the entire outstanding loan of US \$ 15 million to International Finance Corporation,

Washington and 50% of the outstanding loans (i.e. Rs. 44 crore) of high coupon rate due to Indian Financial Institutions.

- Contracts Division notched a turnover of Rs. 145 crore, surpassing the previous year's turnover of Rs. 89 crore by 63%.
- EPC Division put up a promising maiden performance with a turnover of Rs. 326 crore.
- There has been encouraging response to dematerialization of shares with currently almost 80% of shares being held by depositories (including about 18% held by depository for GDR holders).
- The Company acquired controlling equity stake of

51% each in three distribution companies of Orissa under the privatization process initiated by the Government of Orissa.

- ISO 9002 certification by Bureau Veritas Quality International (BVQI), London, was secured by generation, transmission, supply, contracts and computer divisions.



- Dahanu Power Station secured ISO 14001 certification by BVQI for its environmental management system.
- International Division secured one more contract valued at about Rs. 34 crore for an electrification assignment in Dubai.
- The Coal Washery project of BSES joint venture was commissioned and is under trial operation.
- Work on setting up a 7.5 MW Wind Farm Project in Karnataka commenced.

Our organizational strategies and operational efforts continued to yield good dividends with improved performance throughout the Company.



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### Financial Performance

With all its business segments faring well, your Company continues to achieve robust growth.

I would now dwell on some of the outstanding features of our financial achievements during the year.

In spite of the lower offtake of power by industrial consumers and stoppage of supply to the Regional Electricity Board and reduction in tariff due to Fuel Adjustment Charges, the turnover of the Company improved from Rs. 2,067 crore to Rs. 2,349 crore, mainly on account of the sharp growth achieved by our Contracts, EPC and International Divisions. Due to this growth, the Company achieved a Profit Before Tax of Rs. 350 crore (Rs. 297 crore last year) and recorded a modest improvement in profit after tax from Rs. 262 crore to Rs. 270 crore.

### Best Annual Accounts:

BSES is committed to continuously improving the level of disclosures in the Annual Accounts, with a lot of additional information to facilitate the timely and reliable dissemination of information to shareholders. I am glad to inform you that

in a poll conducted by *Asiamoney*, the prestigious financial publication of Hong Kong, fund managers around the world have ranked BSES Annual Accounts as the 4th best among Indian companies as the Best Managed Companies of Asia.

**Dividend:** Though your Company managed to post only a modest rise in net profit, the Board of Directors has recommended a higher equity dividend of 34% for 1998-99, in tune with your Company's progressive track record. The dividend payout including corporate tax would amount to Rs. 51.98 crore. Though the dividend payouts including corporate tax have risen 23 times from just Rs. 2.25 crore from 1991-92, this is the seventh consecutive

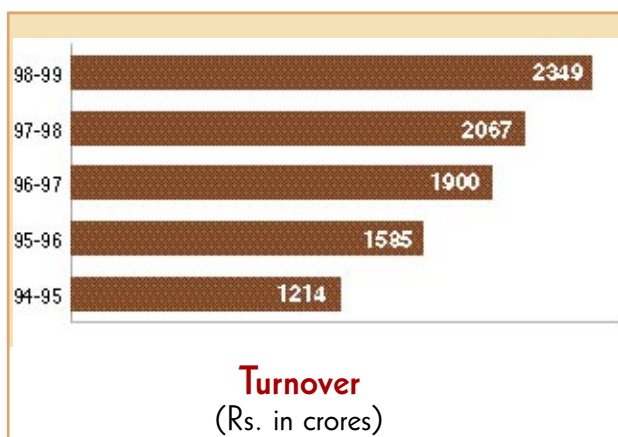
year that the dividend rate has been stepped up. The Company, which has the unique distinction of uninterrupted dividend payment ever since its inception, consciously adopts a cautious policy of rewarding shareholders and conserving internal resources for executing the ongoing and proposed projects so as to serve the best interest of the Company and its shareholders in the years to come.

### Operating Performance

It is heartening to report that all the Divisions of the Company achieved satisfactory improvements in their performance, with several significant accomplishments.

### Dahanu Power Station

Despite various constraints compelling the Power Station to operate at a lower Plant Load Factor of 76.60%, the station improved upon almost all parameters of operational efficiencies with an all-time high of 92% in Plant Availability. The station attaches the utmost priority to promote and protect the ecology.



### Supply Division

**Modernization of Distribution System:** Your Company has undertaken to automate all the 45 Receiving Stations. The project, the first of its kind for a distribution system in India, will be based on the Supervisory Control and Data Acquisition (SCADA) system. The automated network will make the transmission and distribution facilities of the Company comparable with global standards. This system will facilitate restart of power supply in a short time in the event of breakdown, reduce fluctuations and benefit consumers in the years ahead with better quality of power. It will also reduce distribution losses further and make available all data accurately to aid better load management.



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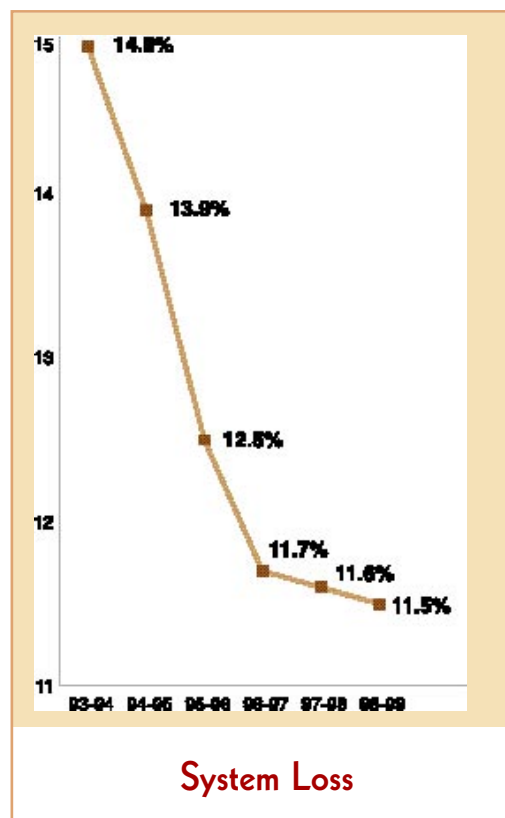
**System Loss Reduction:** The Company continued with its multi-pronged strategy of strengthening the distribution network and vigilance efforts. The efforts to replace defective/stopped meters by good quality meters and the carrying out of raids to detect thefts continued without any let-up. As a result of these combined efforts, the Company succeeded in containing system loss for the fifth year in succession. In the last 5 years, we have succeeded in bringing down the loss from 14.9% to 11.5%. The percentage reduction in system loss assumes greater importance because the resultant saving is computed on increasing base of revenue of the Company. This underlines the need not only to keep the system loss under control but also bring it down further.

**Consumer Service:** BSES continues to focus on meeting customer requirement and has been continually upgrading its service standards, communication and technological facilities. BSES has set up 32 fully computerized complaint centres throughout its licensed area. For easy access and registration of power failure complaints, our consumers can register their complaints on a common 4 digit number 1912. The concept of benchmarking of services has now been extended to our various service parameters: complaints, bill collections, new connections and meters.

**Rate of Return:** The Rate of Return allowed to licensee electricity companies had been so far linked to the bank rate. Under the Sixth Schedule to the Electricity (Supply) Act, 1948, the return was computed at 5% over the bank rate. Due to frequent downward revisions in the Bank Rates announced by the Reserve Bank of India in the last

couple of years, the rate of return allowed to electricity licensee companies had come down. Your Company on its own and through various bodies of industry viz. CII, CPU, FEU, etc. had made representation to the Government to de-link the Rate of Return from the RBI Bank Rate to bring it on par with the rate allowed to Independent Power Producers (IPPs). The Government of India has revised the formula in such a manner that the Rate of Return remains at 16% notwithstanding any revision in Bank Rate by RBI. The revised formula has come into effect from 1st April, 1999.

However, the representation of the Company to correlate the return to specified performance norms with incentives aimed at encouraging efficiency in the industry is still to be considered by the Government. With no incentive to reward efficient performance, it is the consumer, in the long run, who will have to bear the burden of inefficient operations. I am sure, the authorities will consider the larger interest of consumers and take a pragmatic decision soon.



### Contracts Division

This Division scored the highest ever turnover of Rs. 471 crore, inclusive of the turnover of the EPC Group. The EPC Group, set up in April 1997, has made some

remarkable achievements. It has recorded a turnover of Rs. 326 crore. The order book position has further improved. The Elastimold Division made a mark by commencing manufacture of termination systems and other accessories which are being supplied to prestigious clients.

The International Division, which secured a Rs. 172 crore contract from Dubai Electricity and Water Authority (DEWA), has made satisfactory progress by completing civil construction activities at the project site and has now



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taken up erection activities in full swing. It has secured another contract of Rs. 34 crore from DEWA, the first time ever that DEWA has awarded two contracts simultaneously to any project construction company.

### New Projects

The Company has made further progress on the various projects that are under implementation.

- With the firing of the first 43.5 MW Gas Turbine Unit in May 1999, the 165 MW naphtha based power station at Kochi of our joint venture, BSES Kerala Power Limited (BKPL), has commenced operation on open cycle from 7th June, 1999. The second and third Units of 43.5 MW each would be commissioned with a gap of four weeks each. The combined cycle will be operational with the commissioning of the steam turbine six months thereafter.

While developing this project, we adopted a proactive approach to project management. Unlike most IPPs who

wait till the completion of financial closure to take up any significant site activities, the BKPL management in parallel (i) pursued the necessary clearances to the project, (ii) placed orders to procure the plant and equipment, (iii) took up project construction activities and (iv) tied up the funds from a consortium of nationalized banks. Due to these proactive initiatives, though the combined cycle Power Purchase Agreement was signed with Kerala State Electricity Board only in May 1999 (open cycle PPA had been signed earlier), the first Unit of the Power Station was commissioned in June 1999.

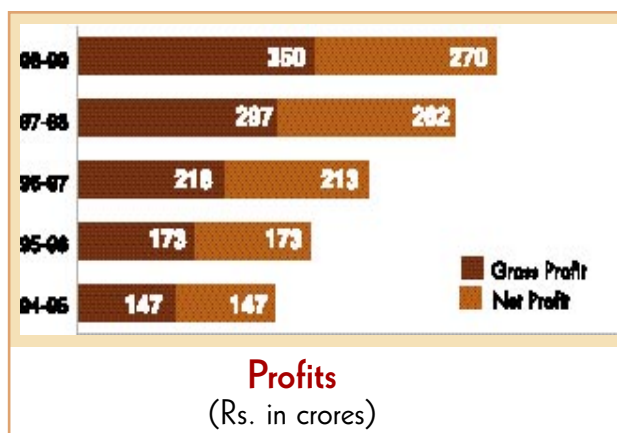
- The Company believes that to meet the growing requirement of power for its consumers in the next millennium and to achieve self-reliance and cost

effectiveness to the maximum extent possible, it is necessary to expand its power generation capacity. BSES is, therefore, vigorously pursuing State Government clearance to the 495 MW power project proposed to be set up at Palghar. The project though initially to operate on naphtha, would switch to liquefied natural gas (LNG) within a short span, ensuring the least impact on the environment. The Power Station promises, based on the projections, to deliver quality power on most competitive terms with eco-friendly operation. I am sure, considering the merits of the project and the compelling justification of its need and economics, the State Government would grant the remaining clearances.

- BSES Telecom Limited (BTL), a wholly owned subsidiary of the Company, posted a modest profit during the year. It has drawn up plans to provide internet services in Mumbai, comprising internet access, e-mail, chat news, electricity billing and a host of other services including virtual private network. BTL is currently implementing the

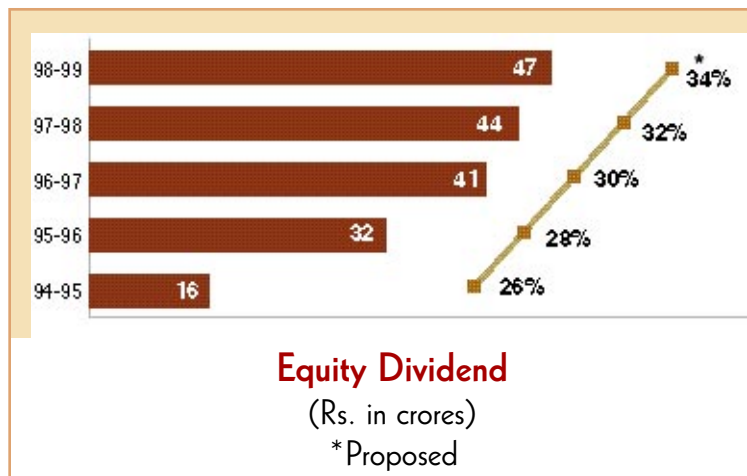
first phase of Optical Fibre network linking all the 45 Receiving Stations of the Company. Its software group has developed expert systems for improving heat efficiency in Power Stations and these have been successfully implemented at the Dahanu Power Station.

- BSES Andhra Power Limited (BAPL), a subsidiary of the Company, has made satisfactory progress on civil works. BAPL has issued Letters of Award for all major contracts, including EPC. A consortium of Indian banks is evaluating financing programme for the project. BAPL has entered into an agreement with Bharat Petroleum Corporation Limited for the supply of naphtha by laying a pipeline from their port terminal to the plant site.



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- Tamil Nadu Industries Captive Power Company Limited (TICAPCO) has made further progress in implementing the 250 MW lignite-based power project being set up at Srimushnam in Cuddalore district of Tamil Nadu. The State Government has initiated action for acquisition of the land. TICAPCO has appointed various consultants for the project including National Thermal Power Corporation Limited as the Main Plant Design Consultant.
- BSES Infrastructure Finance Limited (BIFL), the wholly owned subsidiary, registered remarkable increase in profit (PAT) from Rs. 0.42 crore to Rs. 1.43 crore in 1998-99. BIFL has proposed to pay dividend at 10% on the enlarged equity share capital arising out of further issue of shares to the Company during the year. It has provided full support to various Group companies in organizing funds and setting in place their financial management and audit functions.
- The 2.5 million tonne coal washery being set up by the Company's joint venture, ST-BSES Coal Washeries Limited, has been successfully commissioned and is under trial operation. The washery would soon supply washed coal to the Dahanu Power Station.



system, the concept of joint venture, with management control vested in the strategic partner, was better suited than a mere management contract and that too without the managing contractor having control over employees.

In vindication of our approach, Gridco invited offers through the competitive bidding route and after evaluation of the bids, BSES was selected to acquire a controlling stake in three of the four distribution companies viz. North Eastern Electricity Supply Company of Orissa Limited (NESCO), Western Electricity Supply Company of Orissa Limited (WESCO) and Southern Electricity Supply Company of Orissa Limited (SOUTHCO). After completing the formalities involved, BSES acquired 51% of the equity shares from Gridco and consequently these companies have become subsidiaries of your Company with effect from 1st April, 1999.

In a short span of time after acquisition of these companies, we have initiated several measures to improve collections and reduce the system losses. We have appointed our nominees as Managing

Directors of these companies. It is contemplated to further strengthen the management teams and re-organize the systems and procedures to derive best possible results. Reduction in Distribution losses that are in the range of 48-50% and strengthening of the distribution networks, with appropriate capital investments, are the areas of priority.

The Company strongly believes that the panacea for the maladies of the Indian power sector lies in efficient management of the distribution network in the first place. And, accordingly, the thrust should shift from generation to distribution.

It must, however, be recognized and appreciated that the results and benefits of privatization, particularly of the

### Distribution Companies of Orissa

At the 69th Annual General Meeting, I had mentioned our experience in managing one of the distribution zones of Orissa under a management contract which was terminated by Grid Corporation of Orissa Limited (Gridco) in May 1997. I had stated then that to manage such a



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distribution systems, would not flow instantly. The entire strategy involves both short and medium term plans to transform the system into a vibrant, reliable and efficient network with a commercial orientation and customer focus in approach and functioning. We are totally committed to make a success of this pioneering privatization exercise as it is the harbinger of several such initiatives expected to emanate from other State Electricity Boards in times to come.

### Human Resource Development

As utility service provider, we are fully conscious of our responsibility toward our customers. Entire human resource development efforts are directed toward the fulfilment of customer satisfaction through the reliability and quality of power supply.

As the privatization of distribution systems gains momentum, the need to develop a dedicated team of skilled manpower assumes urgency and importance. It is critical that the Company continues to focus on training and motivation of manpower so as to develop teams of qualified and skilled personnel to effectively discharge their responsibilities in a number of projects and activities planned by the Company. It is, in this context, that we have been working towards promoting the skills and professionalism of our employees to cope with and focus on the challenges of change and growth.

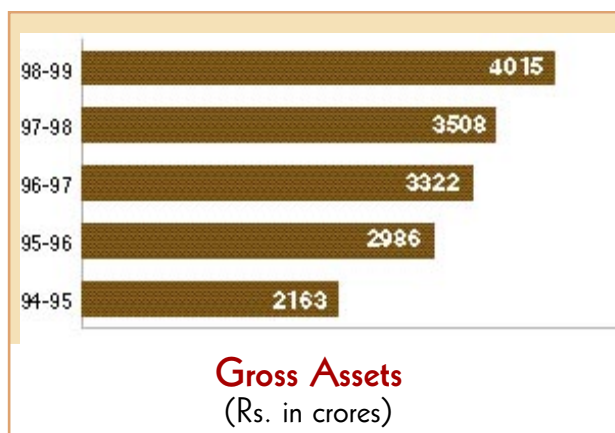
It is for harnessing and nurturing these skills on an on-going basis that we had set up the BSES Management Institute. The Institute, the first of its kind in the country to focus on electricity distribution management, conducted 75 well-designed programmes throughout the year in which 1,445 officers participated. A full-fledged building of the Institute, equipped with state-of-the-art facilities, is now complete. Similarly, the Technical Training Institutes at Dahanu Power Station and at Versova Receiving Station

have been imparting training on generation and distribution related technical subjects respectively. During the year, about 3,000 participants attended these courses.

### Investor Service

Your Company took several proactive measures to extend the best of facilities to the shareholders of the Company. The facilities are:

- Remittance of dividend through the Electronic Clearing Service (ECS) of the Reserve Bank of India at 8 major cities of India. It is proposed to extend this facility to our shareholders at all the 45 cities covered under the ECS Scheme, if the response from the shareholders is adequate.



- Mailing of dividend warrants the very next day after the approval of dividend by the shareholders at the Annual General Meeting.

- On-line coverage of the highlights of the proceedings of the Annual General Meeting on the Internet.

- The Queries and Issues raised at the AGM, together

with the Chairman's comments and clarifications thereon, were circulated to all the shareholders who attended the AGM.

- Interactive CD-ROM version of the Annual Report 1997-98 with corporate profile was made available to institutional shareholders.
- Listing of equity shares on the Inter-connected Stock Exchange of India Limited, promoted by 15 Regional Stock Exchanges, which will enable shareholders throughout the country to trade easily in the shares of the Company.
- Guide to Depository Services with contact details of Depository Participants throughout the country, was circulated.



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- Nomination forms with detailed information and clarifications on the Nomination facility introduced under the Companies (Amendment) Act, 1999, were circulated.
- BSES is the first Company to admit its equity shares to the depository system of the Central Depository Services (India) Limited.
- Achieved significant reduction in investors' grievances and with a series of measures taken in the recent past, such grievances have declined steeply in the current year.
- With effect from 4th January, 1999, the equity shares of BSES are to be traded only in dematerialized form as mandated by the Securities and Exchange Board of India (SEBI). However, for the convenience of small investors, the Mumbai Stock Exchange permits scrip based transactions of up to 500 shares.

The Company's constant efforts to reach out to investors have now earned global recognition. In a poll conducted by *Asiamoney*, fund managers around the world have ranked BSES as one of the Best Investor Relations Companies of Asia.

### Quality

We believe that the profile of success in any endeavour is, in fact, the profile of quality. Because BSES measures its success not just in figures but by the quality of service that it is able to provide to its customers.

It is this quest for quality that has resulted in BSES being awarded ISO 9002 and ISO 14001 certifications; it is this quest for quality that has driven BSES to inculcate quality values in people, processes, and services and then spread them to improving the quality of the environment.

The quality standards within BSES are monitored and reviewed at regular frequency by a Quality Steering Committee headed by a Deputy General Manager (DGM) with all functional heads as members. The DGM reports directly to the Director (Technical) and ensures participation of employees at all levels in our mission of achieving the quality objectives. There are regular training programmes, both internal at the BSES Management Institute and through

external professional bodies, so as to equip our employees to render the best of quality performance and follow the globally recognized quality standards. In addition, our quality systems and practices are subjected to periodical quality audit by external experts in the profession, to ensure their updation and effectiveness.

Quality Standards are never the last word at BSES, but the driving force in our ceaseless efforts to achieve improvement in quality in all areas of our operations: quality of service, quality of environment, quality of systems, quality of people, quality of governance, quality of earnings—all of which ultimately contribute to enriching the quality of life of all our stakeholders.

### Environment

We believe in sustainable development where, in the process of development we meet the needs of the present and also preserve our precious resources for the future generations.

BSES is therefore deeply committed to protect and promote the environment and endeavours not only to meet but also to exceed all regulatory requirements.

**Environmental Standards:** The Dahanu Power Station continued to improve upon enviro-performance, setting new benchmarks that surpassed environmental standards. Our performance has been well beyond the stringent operational norms prescribed by the Maharashtra Pollution Control Board (MPCB) which are based on globally recognized standards of environmental safety.

**ISO 14001:** To further improve our contribution and the effectiveness of our compliances, we have put in place a comprehensive environmental management system. This system has been recognized by Bureau Veritas Quality International with ISO 14001 certification. The system aims at not only compliances with applicable regulatory provisions but also continuous improvement in our procedures and practices related to environment.

**Green Electricity:** To further demonstrate our commitment to pollution-free energy solutions and to encourage non-conventional energy sources, we are setting up a 7.50 MW Wind Farm consisting of 33 windmills in Karnataka at an estimated capital outlay of Rs. 41 crore.



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The project is under execution and is expected to be commissioned as we enter the next millennium, heralding our contribution of green electricity to the nation.

**Environment Awards:** The endeavours and contributions of BSES in this area continue to receive wide acclaim. In particular, the Dahanu Thermal Power Station received the following Awards:

- MCCI - Dr. R. J. Rathi Award 1998 to BSES for pollution control in the category of 'Non- Chemical Industries' by the Maharashtra Chamber of Commerce & Industries (MCCI).
- The G-51 Millennium Award in the field of Mother Earth Protection conferred by the Indian Institute of Ecology and Environment on the occasion of the World Environment Congress.

**Enviro-coal:** In our constant urge to seek better and cost effective fuel, we recently carried out test runs using enviro-coal. This coal contains very low sulphur of 0.1% and ash content of 1% as against 0.3% and 40% to 43% respectively found in Indian coal. Enviro-coal was fired by blending with Indian coal, to achieve optimum operational benefits. Firing of enviro-coal has yielded good results in all environmental parameters, particularly reductions achieved in total particulate matter (T.P.M.), sulphur dioxide (SO<sub>2</sub>), nitrogen dioxide (NO<sub>2</sub>), emissions, ash generation, heat rate losses, flue gas temperature, fugitive emission and overall improvement of combustion. Cost-benefit ratio of enviro-coal in the long term is being examined and evaluated so as to consider regular sourcing of this coal.

The best compliment that our greening efforts have received are from the little wonders of nature: a large species of birds who have begun to migrate to this new-found haven developed by your Company. These colourful birds have an uncoloured and unbiased view of our contribution and we feel greatly encouraged and motivated to strive to promote the ecology around us.

### **Social Responsibilities**

Your Company has achieved further progress in the construction of the 100-bed BSES Municipal Hospital at Andheri in Mumbai. It is one of our major contributions in extending health care facilities to consumers in our licensed area.

Our efforts to reinforce the education programmes of school children in Mumbai particularly of lower income groups, through *Pratham*, continue.

The Company continued to contribute actively to community welfare measures in and around Dahanu. These include assistance in the national programme for eradication of polio for children in the Dahanu Taluka, distribution of nutritious food among malnourished children, health care programmes like eye check-up and cataract operation camps, check-up camp for the physically handicapped and distribution of free medicines, prizes for sports and cultural events for children of Zilla Parishad Schools.

Some of the other activities undertaken during the year were the construction of tube wells in 17 villages, distribution of books to needy students, awarding of BSES Best Teacher Awards, construction of junior college building, assistance to and construction of 6 schools, installation of tree guards, afforestation work in Dahanu and assistance to the farming community.

During the last monsoon, several villages on the banks of Surya and Vaitarna rivers in Palghar taluka were flooded. BSES promptly responded to the calamity and assisted over 800 families with utensils and other essential items. Our fire tenders played a major role in dewatering and cleaning the affected villages.

Your Company, as a responsible corporate citizen, works closely with local authorities and social welfare agencies to promote community development, by undertaking various welfare programmes.

### **Corporate Governance**

The need to improve the level of good corporate governance practices continues to receive high priority from the industry and the authorities, both in India and abroad. Your Company believes that strong and sound corporate governance practices would enable BSES to face the challenges of growth effectively and efficiently and further promote shareholder value.

Recognizing the increasing importance of good governance of corporates, the Honourable Prime Minister in his address at the annual meeting of a leading Chamber



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of Commerce called upon companies to follow good corporate governance practices to promote excellence in corporate governance and so as to create greater confidence among the investors. Realizing that the development of the capital market was dependent on good corporate governance without which investors would not repose confidence on companies, SEBI has set up a panel consisting of eminent industrialists and professionals to draw a draft code of corporate governance. The initial lead on setting desirable standards of corporate governance was taken by the Confederation of Indian Industry (CII) of which BSES is an active member. CII, based on the recommendations of the task force set up by it, has made 17 specific recommendations on desirable corporate governance.

Taking into account the suggestions made by the Honourable Prime Minister, as also the recommendation of CII on desirable corporate governance, BSES has drawn a detailed statement on corporate governance practices being followed by your Company, which appears elsewhere in this Report.

BSES subscribes to and believes in these emerging ethos and values in governance standards and would employ and practise the best of governance principles and policies, as expected from a progressive corporate like yours.

### Rankings and Recognitions

The performance and prospects of your Company, particularly in the context of the reforms introduced in the power sector are regularly being monitored and analysed by research analysts and business publications. The initiatives taken, progress achieved and business strategy employed are widely acclaimed and your Company is now rated among some of the best companies of Asia for excellent performance.

In a poll conducted among fund managers around the world by *Asiamoney*, the Company has been rated as one among the Best Managed Companies of Asia in 1998. On some of the performance parameters, BSES has received good ratings, the notable ones being, the 4th position for our Financial Accounts, the 7th position for

Best Strategy and Management and the 9th position for Best Investor Relations. We have also scored the 3rd position in aggregate competitive edge ranking among Asia / Pacific electricity utilities as measured by the leading global merchant banker Morgan Stanley Dean Witter on various parameters such as strength of balance sheet, operating efficiency, track record, quality management, etc. The Company has also been conferred Awards by the Maharashtra Chamber of Commerce and by the Indian Institute of Ecology and Environment for its contribution to the protection of the environment.

### Appreciation

Before concluding, I wish to convey my sincere thanks to all my colleagues on the Board, who in spite of other pre-occupations, spared considerable time and participated actively in the lengthy deliberations of the Board on major issues and matters. Their in-depth knowledge and guidance on various issues greatly contributed in taking appropriate decisions.

I also wish to place on record our sense of appreciation of the sincere efforts put in by our employees at all levels and for the co-operation extended by the Unions and Officers' Association which enabled your Company to record improved performance during the year. I also thank, on behalf of the Company and on my own behalf, the Financial Institutions, Banks, the various authorities of the Government of India, as well as the Governments of Maharashtra, Kerala, Andhra Pradesh, Tamil Nadu, Uttar Pradesh, Orissa and Gujarat, Pollution Control Board, Maharashtra State Electricity Board, Tata Electric Companies, World Bank, International Finance Corporation (Washington) and USAID for their continued support and unstinted co-operation.



**R. V. Shahi**

Chairman & Managing Director

16th June, 1999

