

DIRECTORS' REPORT

The Directors have pleasure in presenting the Seventieth Annual Report and the Audited Statement of Accounts for the year ended 31st March, 1999.

Financial Results: During the year under review, the Company achieved an aggregate income of Rs. 2,349 crore, representing an increase of 14% over the previous year. Highlights of the financial results are as under:

	1998-99	1997-98
	Rs. crore	Rs. crore
Total Income	2,349.43	2,067.32
Gross Profit before Depreciation	521.67	452.63
Depreciation	171.39	155.35
Profit before Tax	350.28	297.28
Provision for Taxation (Income-tax and Wealth tax)	80.02	35.02
Profit after Tax	270.26	262.26
Add:		
Balance of Profit brought forward from previous year	29.25	25.72
	299.51	287.98
Less:		
Income-tax and Interest on Income-tax in respect of earlier years (net)	0.95	(6.40)
Prior Period Adjustments	(0.25)	5.59
Development Reserve Account No. 3	—	27.32
Contingencies Reserve	12.28	11.42
Debenture Redemption Fund	—	0.03
Reserve for Power Project	—	30.00
Tariffs & Dividends Control Reserve	(11.63)	6.47
Consumers' Benefit Account	—	6.47
Debt Redemption Reserve	8.47	5.81
Amount Available for Appropriation	289.69	201.27
Appropriations:		
Dividend on		
Preference Shares	9.16	6.00
Equity Shares (Proposed)	46.83	44.07
Corporate tax on Dividends	6.07	5.00
Transfer to Preference Share Capital Redemption Reserve	15.30	8.95
Transfer to General Reserve	159.99	108.00
Balance carried to Balance Sheet	52.34	29.25
	289.69	201.27

Dividends: The Directors recommend the following dividends on (a) Preference Shares and (b) Equity Shares for the financial year ended 31st March, 1999 which if approved at the forthcoming Annual General Meeting will be paid out of profits of the Company for the year to:

- (i) all those Equity Shareholders whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 6th July, 1999, or
- (ii) those whose names appear as beneficial owners as at the end of business on 6th July, 1999 as per lists to be furnished by the Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited.

On Preference Shares (Pro rata) (Rs. in crore)

- (i) at the rate of Rs. 9.50 per share on 9.5% Cumulative Redeemable Preference Shares of Rs. 100 each aggregating Rs. 5,00,00,000 0.39
- (ii) at the rate of Rs. 11.00 per share on 11% Cumulative Redeemable Preference Shares of Rs. 100 each aggregating Rs. 2,00,00,000 0.22
- (iii) at the rate of Rs. 12.00 per share on 12% Cumulative Redeemable Preference Shares of Rs. 100 each aggregating Rs. 22,00,00,000 2.64
- (iv) at the rate of Rs. 12.50 per share on 12.50% Cumulative Redeemable Preference Shares of Rs. 100 each aggregating Rs. 10,00,00,000 1.25
- (v) at the rate of Rs. 13.00 per share on 13% Cumulative Redeemable Preference Shares of Rs. 100 each aggregating Rs. 11,00,00,000 0.05
- (vi) at the rate of Rs. 10.00 per share on 10% Cumulative Redeemable Preference Shares of Rs. 100 each aggregating Rs. 63,00,00,000 4.61

On Equity Shares (Proposed)

Dividend of Rs. 3.40 per share on 13,77,25,666 Equity Shares of Rs. 10 each (previous year Rs. 3.20 per share on 13,77,24,516 Equity Shares of Rs. 10 each) 46.83



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OPERATIONAL PERFORMANCE

Energy Sales: The growth in terms of units sold and break-up of sales of energy under different categories of consumers for the last two years are as follows:

Million units sold (in KWH) to various classes of consumers			
Class of Consumers	1998-99	1997-98	Percentage change %
Residential	2,707	2,467	9.73
Industrial	1,142	1,155	(1.13)
Commercial	1,040	963	8.00
Others	61	60	1.67
Total	4,950	4,645	6.57

With larger amount of electricity being supplied by the Dahanu Power Station to the Company's own area of supply, sale of power from Dahanu to the Western Region Electricity Boards declined from 1,053 MUs in 1997-98 to 10 MUs in 1998-99.

Supply Division

Consumers: The number of consumers at the end of the year was 18.94 lakhs which represents an increase of 4.47% over the previous year.

System Peak: The Maximum Demand registered in the Company's System was 1,065 MVA against 1,050 MVA during the previous year, marking an increase of 1.42% and recording 66.47% system utilization of the installed capacity of 1,602 MVA.

System Network: At the close of the year, there were 2,472.61 Kms of High Tension (HT) and 2,644.33 Kms of Low Tension (LT) Mains on the Company's system, with the addition of 148.16 Kms of HT and 210.08 Kms of LT lines during the year. The capacity of Distribution Transformers increased from 1,911.97 MVA to 2,047.04 MVA. Likewise, the capacity of Receiving Stations went up from 1,502 MVA to 1,602 MVA. During the year, 177 new substations (Previous year 140) were added, making a total of 3,657 at the end of the year.

Reduction in System Loss: The Company continued its efforts to contain the system loss. Various measures such as detection of thefts, replacement of defective/stopped meters, replacement of electromechanical meters by static meters and strengthening of distribution network were carried out to improve the system performance. During the year, the Company carried out raids which resulted in the detection of 3,600 cases of theft with a recovery of 17.30 MUs. Due to these combined efforts, the system loss declined for the fifth year in succession to 11.5%, down from 14.9% in 1993-94, 13.9% in 1994-95, 12.5% in 1995-96, 11.7% in 1996-97, 11.6% in 1997-98.

Augmentation and Modernization of the system: With a view to improving the electrical distribution system, the Company has planned to install Supervisory Control and Data

Acquisition (SCADA) System in a phased manner. During the year, the Company commissioned 7 nos. 33/11 KV 20 MVA and 2 nos. 33/11 KV 15 MVA transformers to evacuate power from the Dahanu Power Station. With a view to improving the voltage profile and power factor of the distribution system, 110 MVA HT and LT capacitors installation programme has been expedited. With a view to restricting the possibility of fire hazard in multistoreyed buildings and reducing the maintenance cost of the distribution transformers, 5 nos. 11/0.433 KV 1,500 MVA Dry type Distribution Transformers were procured and installed.

Consumer Service: The Company continued its efforts to improve the level of service to consumers. It has installed an Interactive Voice Response (IVR) System to cope with all routine queries and standard complaints. Consumers can register their complaints through the IVR system by dialling a single coded number '1912'. The Company continued to organize consumer meets for better interaction on matters of consumer services.

Tariff: There was no revision in the basic tariff of the Company for the supply of energy during the year, except for marginal reduction in the tariff applicable to industrial and commercial consumers with effect from 1st October, 1998.

Reasonable Return: The Net Profit of the Company for 1998-99 was Rs. 270 crore. The Clear Profit in respect of the licensee business of the Company was Rs. 147 crore which was short of Reasonable Return by about Rs. 12 crore.

The Rate of Return that can be earned by the Company as a licensee 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. The Government of India, on representation from various Associations including that from the Company, has revised the formula of Rate of Return to 16% with effect from 1st April, 1999, eliminating the effect of any revisions in Bank Rates that the Reserve Bank of India may announce from time to time.

Generation Division

The Power Station of the Company at Dahanu generated 3,353 million units at an average Plant Load Factor (PLF) of 76.6% during the year against 3,723 million units in the previous year. Though the Station achieved a Plant Availability of 92.24% (previous year 90.49%), the Station was constrained to operate at lower PLF level due to stoppage of sale of power to the Western Region Electricity Boards. However, supply of larger amount of power to the Company's licensed area resulted in correspondingly lower purchase from the bulk supplier.

Constant and concrete efforts were made to improve the operating norms of the Power Station, with the result that the Station achieved a heat rate of 2,314 Kcal/Kwhs against 2,336 Kcal/Kwhs in the previous year (the norm of 2,500 Kcal/Kwhs) with specific oil consumption contained at 0.4784 ml/Kwh against 0.5149 ml/Kwh in the previous year (the norm of 3.5 ml/Kwh), auxiliary power consumption of 7.44% as against



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8.24% in the previous year (the norm of 8.50%) and demineralized water consumption of 1.25% against 1.38% in the previous year.

Contracts and EPC Division

The Division improved its turnover to Rs. 145 crore during the year, recording an increase of 63% over the previous year. The Division has booked orders amounting to Rs. 280 crore, an increase of 109% over the previous year. The EPC Group established in 1997 has achieved a turnover of Rs. 326 crore during the year and has also bagged some prestigious EPC contracts valued at about Rs. 601 crore. The Elastimold Division commenced manufacture of termination system for the newly introduced 3 phased locomotives used by Indian Railways. The Division has also developed a system to meet the requirements of the Railways in technical association with Amerace Corporation of USA.

Overseas Projects

The Company's International Division at Dubai has made satisfactory progress in the execution of the contract awarded to the Company by the Dubai Electricity and Water Authority for design, engineering, supply, installation, testing and commissioning of two 132 KV sub-stations equipped with Gas Insulated Switchgear in Dubai for strengthening the distribution network and improvement of power supply. During the year, the Company bagged another contract of the value of Rs. 34 crore in addition to the one (valuing Rs. 172 crore) awarded earlier.

Growth Plans and Outlook

Corporate Plan: In accordance with the strategic and perspective Corporate Plans drawn, the Company continues to seize the growth opportunities in power and related areas.

Wind Farm: The Company with a view to promoting the non-conventional energy sources, took up a 7.59 MW Wind Farm project comprising 33 Wind Mills in the State of Karnataka at an estimated cost of Rs. 41 crore. The project is part funded by the Indian Renewable Energy Development Agency Limited (IREDA) on concessional rate of interest and terms. The execution of the project has already started and will be completed during the current year.

Palghar Project: The Company continues to pursue the proposal of setting up a 495 MW naphtha based power station at Palghar in Maharashtra. The clearance under Section 44 of the Electricity (Supply) Act, 1948 is under consideration of Maharashtra State Electricity Board. The Company has approached the concerned departments of the Government of Maharashtra for the necessary clearance to the project. The power evacuation studies as also various surveys and investigations are in progress.

BSES Kerala Power Limited (BKPL), a joint venture of the Company with Kerala State Industrial Development Corporation Limited (KSIDC), has made further progress in implementing the 165 MW naphtha based combined cycle power project

which is being set up near Kochi, the industrial heartland of Kerala. The Government of Kerala has allotted 20 acres of land for the project. The first unit of 43.5 MW Gas Turbine Power Station has commenced operation from 7th June, 1999. The other units would be commissioned with a gap of 4 weeks each. The combined cycle will be operational six month thereafter. The Company has entered into Fuel Supply Agreement with Indian Oil Corporation Limited for supply of naphtha for the Power Station.

BKPL has entered into a combined cycle Power Purchase Agreement with Kerala State Electricity Board (KSEB) for this naphtha fired power plant. BKPL is the first Independent Power Producer (IPP) to sign the combined cycle PPA with KSEB. To meet the fund requirement for the project, BKPL allotted to the Company further 2,70,00,000 Equity Shares of Rs. 10 each aggregating Rs. 27 crore during the year.

Tamil Nadu Industries Captive Power Company Limited (TICAPCO), a subsidiary of the Company, has made further progress in the implementation of 250 MW lignite based power project being set up at Srimushnam in Tamil Nadu. Most of the clearances required for the project have been obtained. The notification for acquisition of 280 hectares of land has also been issued. The draft Power Purchase Agreement (PPA) submitted to the Tamil Nadu Electricity Board has been revised in the light of the discussions held with them from time to time. The Company intends to develop a dedicated lignite mine having an estimated capacity of 4 million metric tonnes per annum. During the year, TICAPCO made three calls of aggregate amount of Rs. 2.00 per share on 3,60,00,000 Equity Shares allotted to the Company. With this, these shares are paid up to the extent of Rs. 3.50 per share.

BSES Telecom Limited (BTL), a fully owned subsidiary of the Company, recorded improved performance in its computer related activities. It provides services to the Company's Supply Division in the execution of Optical Fibre Cables as per the specifications. BTL has taken up the business of providing internet services by registering as an Internet Service Provider (ISP). The Software Development division, Bangalore has developed an expert system project for improving 'Heat Efficiency' of power plants which was successfully implemented at the Dahanu Power Station. To meet the project expenditure, BTL allotted to the Company 50,00,000 Equity Shares of Rs. 10 each aggregating Rs. 5,00,00,000, out of which Rs. 4 per share have been paid up so far.

BSES Infrastructure Finance Limited (BIFL), a fully owned subsidiary of the Company, recorded significant improvement in its financial performance during the year and maintained the dividend on the enhanced equity capital. BIFL renders various corporate services ranging from arranging Bank guarantees, taxation of infrastructure projects, loan documentation, obtaining approvals from regulatory authorities and other advisory services to the Company, its subsidiaries and joint ventures. BIFL during the year allotted to the Company 1,00,00,000 Equity Shares of Rs. 10 each aggregating Rs. 10 crore to meet the fund



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requirement for assisting them in its aim of focusing broadly in providing financial support, leasing, financial planning, structuring of various financial securities and instruments or investment banking activities.

Since BIFL has been actively assisting the Company by rendering advisory services in deployment of the funds of the Company, it is proposed not to pursue the investments in BSES Securities Private Limited and BSES Holdings Private Limited.

Utility Powertech Limited (UPL), the joint venture of the Company with National Thermal Power Corporation Limited (NTPC), recorded satisfactory performance during the year. It has secured an order for civil construction at Anta of NTPC which is being executed in addition to the engineering consultancy assignment awarded for the 250 MW lignite based Srimushnam power project.

ST-BSES Coal Washeries Limited (SBCW), the joint venture of the Company with Spectrum Technologies and CLI Corporation of USA, has made further progress in implementing its 2.5 million MT capacity coal washery project at Korba in Madhya Pradesh. The installation work has been completed and the commissioning of the plant was successfully done and the plant is under trial operation. The necessary clearances, among others, from the Pollution Control Board, have been received. The washery would be processing coal for the Company's Dahanu Power Station to the extent of 2 million tonnes per year. Additionally, SBCW has entered into a contract with Associated Cement Companies Limited (ACC) for supply of washed coal to their Jamul Cement Plant. During the year, SBCW allotted to the Company further 7,18,600 Equity Shares of Rs. 10 each of the value of Rs. 71,86,000 as promoter's contribution to the project.

BSES Andhra Power Limited (BAPL), BAPL is setting up a 200 MW naphtha based power project at Samalkot in Andhra Pradesh. All the clearances for the proposed project have been obtained. For co-promoting this project, the Company entered into a Shareholders' Agreement with the promoters of BAPL in terms of which the Company subscribed to 2,16,00,000 Equity Shares representing 70% of the equity share capital of the Company. BAPL thus became a subsidiary of the Company with effect from 22nd August, 1998. BAPL has signed a Power Purchase Agreement (PPA) with the Andhra Pradesh State Electricity Board valid for 15 years which is backed by a guarantee of the Government of Andhra Pradesh. The suppliers for major equipments have been identified. About 200 acres of land have been acquired for the project. The building layout and drawings have been finalized. The Letter of Intent for the EPC works has been issued. Site levelling, construction of reservoir and development work have commenced.

Distribution Companies of Orissa, BSES actively participated in the pioneering initiative of the Government of Orissa for privatizing its distribution systems in the State. The distribution and retail supply of electricity was assumed by Grid Corporation of Orissa Limited (Gridco) as a successor to the Orissa State Electricity Board. Gridco carried on distribution

and retail supply of electricity in the State of Orissa through four separate companies, namely Western Electricity Supply Company of Orissa Limited (WESCO), North Eastern Electricity Supply Company of Orissa Limited (NESCO), Southern Electricity Supply Company of Orissa Limited (SOUTHCO) and Central Electricity Supply Company of Orissa Limited (CESCO). Gridco initiated a competitive bidding process for selecting private sector investors to acquire controlling equity stake in these distribution companies. The Company was selected to participate in the competitive bidding process to invest in 3 of these distribution companies of Gridco, namely, WESCO, NESCO and SOUTHCO. Under the arrangement, the Company will hold 51%, Gridco 39% and the Employees' Trust 10% of the equity share capital of each of these distribution companies. The equity capital of these 3 distribution companies was acquired by the Company against a consideration of Rs. 117 crore.

Other Distribution Systems: Following the initiatives taken by the Government of Orissa, several other States have proposed to privatize their distribution systems in phases. Among these, the Company has been shortlisted for participating in the bids for Kanpur in Uttar Pradesh. The Company has also rendered advisory services to a few State Governments on the privatization process and continues to pursue the emerging business opportunities arising out of the re-organization of distribution systems in the country.

Finance

Raising of Funds through Securities: The Company plans to raise funds not exceeding US \$ 125 million (equivalent to approximately Rs. 550 crore) by issue of securities in the international and/or domestic capital market for the purpose of project development activities including generation, transmission and distribution projects. The Company will, in consultation with the Merchant Bankers and Financial Institutions, decide the size and timing of the Issue, nature of securities which may be in the form of securities linked to or convertible into Equity Shares/Preference Shares at the option of the Company and/or at the option of the holders of securities or any instrument or securities representing convertible securities such as Global Depository Receipts and/or American Depository Receipts and/or convertible bonds or warrants convertible into Equity Shares/Preference Shares to be subscribed by Foreign Investors/resident or non-resident Indians, whether Institutions and/or incorporated bodies and/or individuals or otherwise. The approval of the Members is being sought to the proposal for which an enabling resolution is set out in the Notice.

Issue of Preference Shares: The Company during the year issued 10% Redeemable Cumulative Preference Shares (RCPs) of Rs. 100 each aggregating Rs. 63 crore. During the year, the Company redeemed 13% RCPs aggregating Rs. 11 crore and 9.5% RCPs aggregating Rs. 5 crore. With these issue and redemptions, the Preference Shares outstanding at the end of the year aggregated Rs. 97 crore.



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Equity Share Capital: The Company during the year annulled the forfeiture of 850 Equity Shares which were earlier forfeited for non-payment of allotment monies and/or call monies on payment/receipt of confirmation of payment of call monies. Besides, the Committee allotted 300 shares, allotment of which was kept in abeyance in the Company's Rights Issue of 1994, after obtaining the approval of the Stock Exchange, Mumbai.

Depositories: With effect from 4th January, 1999, Equity Shares of the Company have been compulsorily traded in dematerialized form, as mandated by the Securities Exchange Board of India (SEBI). As on 31st May, 1999, Equity Shares representing about 62% of the equity share capital have been dematerialized. BSES is the first Company to admit its Equity Shares to the depository system of Central Depository Services (India) Limited, promoted by the Stock Exchange, Mumbai.

Non-Convertible Debentures: The Company repaid the third and final instalment of Rs. 35 per Debenture on 1st July, 1998 in respect of 'F' Class Redeemable Debentures. With this payment, all outstanding series of Non-Convertible Debentures so far issued by the Company stand redeemed.

Loans: The Company, with a view to minimizing the risk of foreign exchange fluctuations, prepaid an amount of US\$ 15 million to International Finance Corporation (Washington) [IFC(W)], during the year against the foreign currency loan availed from them by (i) raising a syndicated foreign currency loan of matching tenor at a lower rate of interest from a commercial Bank and (ii) utilizing the foreign currency funds available with the Company. With this payment, the entire loan amount of US\$ 50 million lent to the Company by IFC (W) stands repaid as of 31st March, 1999. The Company also partly prepaid the loans from Indian Financial Institutions amounting to Rs. 44 crore out of the outstanding loan amount of Rs. 88 crore so as to reduce the interest burden on the Company.

The Company was sanctioned a loan of Rs. 47.50 crore by Power Finance Corporation Limited for improvement of the transmission and distribution network of the Company covering 33/22 kV system and associated distribution works repayable in 12 equal instalments ending in December, 2004.

Investments: Out of the outstanding investments of Rs. 48.92 crore recoverable from the assets of a non-banking finance company, the Company received one more instalment of Rs. 19.18 crore after the end of the financial year under review. With this instalment, the Company has so far received Rs. 33.18 crore in terms of the order passed by the Hon'ble Special Court. For the balance amount of Rs. 15.74 crore and the accrued interest, the subsidiary of the nationalised bank intends to approach the Special Court seeking an order to dispose of the shares held by the non-banking finance company to the extent required to repay the balance amount due to it including the amount receivable by the Company.

Deposits: The deposits accepted by the Company from the public and shareholders aggregated Rs. 18.80 crore as on 31st March, 1999. Deposits amounting to Rs. 29.04 lakh due for repayment, were unclaimed by 356 depositors as on

31st March, 1999. Since then, 148 depositors have claimed their deposits aggregating Rs. 11.89 lakh.

Accounts: As regards Notes Nos. 3 and 9 referred to in Notes forming part of the Accounts regarding 'Treatment of Exchange fluctuations on Foreign Currency liabilities relating to 'Fixed Assets', and 'Loans and Advances' respectively, explanations given in the said notes are self-explanatory.

Subsidiary Companies: As required under Section 212 of the Companies Act, 1956, the audited statements of accounts along with the Reports of the Boards of Directors of BSES Andhra Power Limited, BSES Infrastructure Finance Limited, BSES Kerala Power Limited, BSES Telecom Limited, ST-BSES Coal Washeries Limited, Tamil Nadu Industries Captive Power Company Limited, Utility Powertech Limited and the respective Auditors' Reports thereon for the year ended 31st March, 1999, are annexed.

Technology Absorption and Foreign Exchange Earnings and Outgo:

The information relating to technology absorption, foreign exchange earnings and outgo required to be disclosed under Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in Annexure 1 to this Report.

ISO 9002 Certification:

The Company was accredited with ISO 9002 certification by Bureau Veritas Quality International (BVQI), London, for its activities in generation, transmission, distribution and in contracts and computer services. The Company became the first utility in the country to receive this distinction in the field of power distribution and supply.

ISO 14001 Certification:

The Dahanu Thermal Power Station achieved the certification for environmental management system based on ISO 14001 standard. The Thermal Power Station is the only power station in the country to have received this certification.

Status of Y2K Preparedness:

The Company has appointed an internationally reputed consulting agency, namely Gartner Group along with BSES Telecom Limited to study, analyse, review the exposure of all the areas relating to year 2000 (Y2K) risk and submit assessment report. The target date for compliance is fixed at 15th October, 1999. The cost of achieving the compliance is estimated at Rs. 5 crore.

In compliance with the disclosure requirement under paragraph 6.G.1(b) of the Listing Rules of the London Stock Exchange relating to the potential impact of Y2K issues and risks, the Company confirms that -

- * It is carrying out assessment of the risks and uncertainties associated with the Y2K problem and having regard to the compatibility of the software programme of the



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Company to the Y2K needs, the Company would ensure that such risks or uncertainties would not affect the business of the Company materially.

- * The Company is addressing the Y2K issues relating to its business and operation to ensure that such issues would not likely to affect its relationships with customers, suppliers and other relevant parties.

Personnel:

The BSES Management Institute set up by the Company for training and developing professional skills of managerial cadre staff conducted 75 courses on management subjects. The building equipped with state-of-the-art facilities for housing the Institute is in the final stage of completion.

With a view to recognizing and appreciating the outstanding contribution of employees, the Company confers Meritorious Performance Awards to deserving members of the staff. During the year, 45 staff members were conferred with such awards for their contribution of exceptional nature. Similarly, Group Awards were conferred for productivity, safety and housekeeping by various Divisions of the Company.

The relations with the Staff Union continue to remain cordial and harmonious.

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is given in Annexure 2 and forms part of this Report.

Directors:

Shri K. H. Mankad holds office upto the date of the forthcoming Annual General Meeting. The Company has received notices in writing under Section 257 of the Companies Act, 1956 proposing the candidature of Shri K. H. Mankad. The Board of Directors has, subject to the approval of the shareholders, re-appointed Shri K. H. Mankad as a Whole-time Director designated as Director (Finance) for a period of 5 years from 22nd December, 1998 to 21st December, 2003. The appointment and terms of remuneration are being placed before the shareholders for approval.

Shri N. Ganga Ram resigned from the Board on 17th December, 1998. In the casual vacancy caused by the resignation of Shri N. Ganga Ram, Shri S. Rajgopal was appointed on the Board of the Company on 28th December, 1998.

In the casual vacancy caused by the resignation of Dr. Nitish Sengupta, Shri M. P. Modi was appointed on the Board on

27th November, 1997. Shri L. V. Nilesh resigned from the Board on 29th April, 1999. Dr. Pramod Deo was appointed as an Additional Director of the Company under Article 106 of the Articles of Association of the Company on 29th April, 1999. They hold office upto the date of the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received notices in writing under Section 257 of the Companies Act, 1956, proposing the candidatures of Shri M. P. Modi and Dr. Pramod Deo.

The Board has recorded with appreciation the valuable services rendered by Dr. Nitish Sengupta, Shri N. Ganga Ram and Shri L. V. Nilesh during their tenure of office.

Shri S. S. Dua retires by rotation under Article 118 of the Articles of Association of the Company and is eligible for re-appointment.

Auditors:

M/s. Haribhakti & Co., Auditors, will retire at the conclusion of the meeting and are eligible for re-appointment. They have, pursuant to Section 224 (1B) of the Companies Act, 1956, furnished the certificate regarding their eligibility for re-appointment as the Auditors of the Company. Their re-appointment, if made, will have to be by a Special Resolution as required by Section 224A of the Companies Act, 1956.

Acknowledgement:

The Board of Directors wishes to thank the Government of India (including the Ministry of Power), Government of Maharashtra (Energy and Environment Departments), Maharashtra Pollution Control Board, Maharashtra State Electricity Board, USAID, Indian and overseas Financial Institutions, Bankers, Consumers, Shareholders, Tata Electric Companies and the Employees of the Company at all levels for the continued co-operation and unstinted support extended to the Company.

On behalf of the Board of Directors



R.V. Shahi

Chairman & Managing Director

Mumbai, 16th June, 1999



ANNEXURE 1 TO THE DIRECTORS' REPORT

Disclosure under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

- (A) Conservation of Energy : Not Applicable
 (B) Technology Absorption :

FORM 'B'

RESEARCH AND DEVELOPMENT (R & D)

1. Specific Areas in which R & D carried out by the Company :

- (a) Power meter of Yokogawa Blue Star make and harmonic analyser of Hioki make procured for harmonic analysis lab.
- (b) Ratio-meter, capacitance and tan delta bridge, micro-ohm meter procured for transformer test lab.
- (c) Equipment for high voltage AC, DC impulse and partial discharge test with computer control procured from Germany.
- (d) LPG based industrial heating tool kit for use on heat shrinkable cable joints procured.
- (e) AMP make hydraulic crimping tool type SIMABLOC 45 procured for LT joints upto 120mm²
- (f) AMP make hydraulic crimping tool type SOLHYFLEX with deep indentation technique procured for 400mm² 33kV cable jointing.
- (g) LT joint re-evaluated and modified by modifying the ferrule, compound quantity and packing.

2. Benefits:

- (a) Monitoring of power quality.
- (b) Improved reliability of transformers by monitoring oil condition.
- (c) Vigorous in-house HV testing facility had a deterrent effect on the suppliers forcing them to supply high quality equipment.
- (d) Reduced usage of kerosene, saving in time and logistics.
- (e) Joint failure reduced.
- (f) New technology absorbed successfully, improving the life of the joints.
- (g) Modification of joint will result in an annual saving of Rs. 15 lakhs.

3. Future plan of action:

- (a) Instrumentation and switchgear testing laboratory proposed
- (b) Calibration laboratory proposed.
- (c) Taking up more joint project with organisations, such as CPRI, IIT, ERDA, etc.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

A. Dahanu Power Station:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:
 - (i) Complete automatic control and monitoring of the Turbine, Boiler and Auxiliaries by Digital Distributed Control, Monitoring and Information System (DDCMIS).
 - (ii) Supervisory Control and Data Acquisition (SCADA) system for Transmission and Distribution and establishing load despatch centre for BSES grid.
 - (iii) LAN (Local Area Network) for office automation.
 - (iv) Advanced materials management system (Software).
 - (v) Maintenance planning system (Software developed in-house).
 - (vi) Thermovision camera.
 - (vii) FFT (Fast Frequency Track) analyser.
 - (viii) Certification of ISO-9002.
 - (ix) Certification for ISO-14001.
 - (x) CCTV (Closed Circuit Television).
2. Benefits derived as a result of the above efforts:
 - (i) Complete automatic control and monitoring of all parameters of the turbine and turbine auxiliaries, boiler and boiler auxiliaries and effective and quick diagnosis of the system.
 - (ii) Effective Network monitoring and control of load distribution of BSES grid and effective diagnosis of the system.
 - (iii) Software and data sharing. It reduces the paper wastage.
 - (iv) Computerised materials indenting, issuing and inventory control and monitoring.
 - (v) Computerised maintenance planning, monitoring and control of O & M activities.
 - (vi) Thermovision camera is being used for observation of Hot Spots for remedial action for EHV (Extra High Voltage) system.
 - (vii) FFT (Fast Frequency Track) analyser is used for vibration analysis of Rotating equipments.
 - (viii) Implementation of Quality Management System which will improve efficiency of plant.
 - (ix) For continuous improvement of environment by setting objects and targets to prevent or reduce pollution and waste to minimise use of resources.
 - (x) CCTV is used to reduce security expenditure.



ANNEXURE 1 TO THE DIRECTORS' REPORT

B. Supply Division:


1. Efforts in brief, made towards technology absorption, adaptation and innovation:
 - (i) Installation of good quality long range Electromechanical meters with imported magnetic suspension bearing and register counters.
 - (ii) Installation of Single phase Static Meters for residential consumers.
 - (iii) Installation of solid state meters for small commercial consumers.
 - (iv) Commissioning of Dry Type Distribution Transformers.
 - (v) Interactive Voice Response System (IVR)
 - (vi) Installation of 8.33 kVAr Capacitor bank on service lines for improvement of the power factor at the consumer end.
2. Benefits derived as a result of the above efforts:
 - (a) (i) Sustained accuracy at all loads
(ii) Longer Life
 - (b) (i) High Accuracy
(ii) Recording of units in the event of Common tamper
 - (c) (i) Optical port facility
(ii) Load survey capability
(iii) Telemetry capability

- (d) (i) Possibility of fire hazard is remote
(ii) Maintenance free
(iii) Protection system pertaining to oil not required
- (e) (i) Lodging "No Supply" complaints is easy
(ii) Faster management of attending consumers complaints
(iii) Enhanced consumer satisfaction
- (f) (i) Reduction in Service Line losses
(ii) Reduction in LT Distribution losses
(iii) Reduction in Distribution Transformer losses
(iv) Improvement in Voltage profile

3. Imported Technologies: None

- ### C. Foreign Exchange Earnings and Outgo:
- The required information in respect of foreign exchange earnings and outgo is given in Note No. 8 of the Accounts.

On behalf of the Board of Directors,



R.V. Shahi

Chairman & Managing Director

Mumbai, 16th June, 1999.

ANNEXURE 2 TO THE DIRECTORS' REPORT

STATEMENT CONTAINING INFORMATION AS PER SECTION 217(2-A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999.

Sr. No.	Name	Designation/ Nature of duties	Gross Remuneration Rs.	Net Remuneration Rs.	Qualifications	No. of years experience	Date of Commencement of Employment	Age	Last employment held
A. Employees employed throughout the financial year 1998-99 and were in receipt of remuneration for that financial year in the aggregate of not less than Rs. 6,00,000 per annum.									
1.	Shri R.V. Shahi	Chairman & Managing Director	16,03,985	10,20,419	B.Sc. Engg. (Mech.), Post Graduation in Indl. Engg., Diploma in Business Management, Diploma in Advanced Industrial Management	31	14-10-1994	54	Director (Operations), National Thermal Power Corporation Ltd.
2.	Shri S.S. Dua	Director (Technical)	8,58,190	5,53,770	B.Sc., Engg. (Elect.) F.I.I.P.E., F.I.E.	36	17-01-1995	60	Executive Director (O.S.) National Thermal Power Corporation Ltd.
3.	Shri K.H. Mankad	Director (Finance)	11,97,045	7,45,253	B.Com., LL.B., A.C.A., A.I.C.W.A., A.C.S.	35	28-02-1995	56	General Manager (Finance & Taxation), Mukand Ltd.
B. Employees employed for part of the financial year 1998-99 and were in receipt of remuneration at the rate of not less than Rs. 50,000 per month.									
1.	Shri N.D. Chawla	Executive Director (Q&TA)	6,73,096	4,29,763	B.Tech. (Hons.) Elec. Engg. F.I.E.	38	08-02-1961	60	Nil

- Notes:
- (i) All the above employees, except Shri N. D. Chawla, were employed on contractual basis.
 - (ii) Gross remuneration as shown in the statement includes salary, commission to a director, special allowance, house rent allowance or the actual rent paid by the Company or municipal rateable value in case of free unfurnished quarters of the Company, transport allowance, employer's contribution to provident fund and superannuation fund, reimbursement of medical expenses, leave travel assistance, leave encashment, perquisites in respect of free use of company's motor car, personal accident insurance premium, as applicable.
 - (iii) In addition to the above remuneration, the employees are also entitled to gratuity.
 - (iv) The net remuneration is arrived at by deducting from the gross remuneration, Income-tax, Company's contribution to Provident Fund, Superannuation Fund and the monetary value of non-cash perquisites, wherever applicable.
 - (v) Experience includes number of years' service both within the Company and elsewhere, wherever applicable.
 - (vi) None of the above is related to any Director of the Company.

