



Board of Directors

Rama Prasad Goenka, *Chairman*
Sanjiv Goenka, *Vice-Chairman*
Pradip Pinto Khaitan
Brij Mohan Khaitan
Bhagwati Prasad Bajoria
Pradip Roy (*Nominee of IDBI*)
Priya Brata Ghosh
Birenjit Kumar Paul (*Nominee of Govt. of West Bengal*)
Sudhin Roy Chowdhury (*Nominee of LIC*)
K. M. Jaya Rao (*Nominee of ICICI Bank*)
Sumantra Banerjee, *Managing Director*

Company Secretary

Subhasis Mitra

Auditors

Lovelock & Lewes

Solicitors

Khaitan & Co.
Orr, Dignam & Co.
Sandersons & Morgans

Registered Office

CESC House
Chowringhee Square
Kolkata 700 001
Telephone : (033) 2225 6040
Facsimile : (033) 2225 5155
E-mail : cesc@cesc.co.in
Website : www.cesc.co.in

Bankers

ABN Amro Bank N.V.
Allahabad Bank
Andhra Bank
Bank of Baroda
Bank of India
HDFC Bank Ltd.
ICICI Bank Limited
Indian Overseas Bank
Standard Chartered Bank
State Bank of India
UCO Bank
Union Bank of India
United Bank of India

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Notice to Members

Notice is hereby given that the Twenty-seventh Annual General Meeting of the Members of CESC Limited will be held at CITY CENTRE, Royal Bengal Room, DC Block, Sector-I, Salt Lake, Kolkata – 700 064, on Friday, 29 July, 2005 at 10.30 A.M. for the following purposes :

1. To receive and consider the Profit & Loss Account for the year ended 31 March, 2005, the Balance Sheet as at that date and the Reports of the Directors and the Auditors.
2. To declare Dividend.
3. To appoint a Director in place of Mr. S. Banerjee who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. K. M. Jaya Rao who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration and for the purpose to consider and, if thought fit, to pass with or without modification, the following Ordinary Resolution :

“RESOLVED THAT the retiring Auditors, Messrs. Lovelock & Lewes, be and they are hereby reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration of Rs. 14,00,000/- payable in two equal instalments plus service tax and reimbursement of out-of-pocket expenses.”

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Resolutions :

6. AS AN ORDINARY RESOLUTION

“RESOLVED THAT consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company (‘the Board’) of all the immovable and movable properties of the Company, wheresoever situate, present and future, in favour of :

- (a) Power Finance Corporation Limited (‘PFC’) for its term loan of Rs. 321.68 crore
- (b) Infrastructure Development Finance Company Limited (‘IDFC’) for its two term loans of Rs. 172.89 crore and Rs. 49.80 crore
- (c) UCO Bank (‘UCO’) for its term loan of Rs. 100 crore
- (d) Yes Bank Limited (‘YBL’) for its term loan of Rs. 22.26 crore
- (e) Andhra Bank for its share of Rs. 30 crore in the working capital facilities extended to the Company by the consortium of banks, ICICI Bank Limited (‘ICICI Bank’), Allahabad Bank (‘AB’), ABN Amro Bank N.V. (‘ABN’) and/or any other working capital banker(s) for increase in their respective share of the said working capital facilities, the aggregate amount of such increase not exceeding a sum of Rs.150 crore
- (f) any Public Financial Institution within the meaning of

Section 4A of the Companies Act, 1956 and/or any Scheduled Bank as defined in Section 2(e) of the Reserve Bank of India Act, 1934 and/or any other bank or lender providing rupee/ foreign currency funds and/or any institution/corporation controlled by the Central and/or State Governments or by any combination thereof for their respective financial assistance, subject to an aggregate amount or rupee equivalent thereof of Rs. 1000 crore, which may, in future, be sanctioned to the Company in one or more instalments for any purpose and in any form including by way of term loan and/or refinance loan and/or foreign currency assistance and/or fund/ non-fund based working capital facilities

to secure the said term loans/financial assistance together with interest, charges, expenses, front-end fees and all other monies payable by the Company to PFC, IDFC, UCO, YBL, Andhra Bank, ICICI Bank, AB, ABN, the aforesaid Public Financial Institutions, banks, other lenders, institution(s) or corporation(s) (collectively referred to as ‘the said Lenders’) in terms of their Letters of Sanction, Loan Agreements, Facility Agreements, Hypothecation Agreements, Joint Consortium Agreements or any other Agreement entered into/to be entered into by the Company with all or any of the said Lenders so that the mortgage and charge may be created by the Company in their favour either singly or collectively, in such form and subject to such prior charges or with such pari passu or subservient ranking of charges as may be decided by the Board in consultation with one or more of the said Lenders.

AND FURTHER THAT the Board be and is hereby authorised to finalise and execute with all or any of the said Lenders all such deeds and documents for creating the aforesaid mortgage and/ or charge and to do all such acts, deeds and things as may be deemed necessary for giving effect to the above Resolution.”

7. AS AN ORDINARY RESOLUTION

“RESOLVED THAT the Company hereby accords its approval to the continuance of the appointment of and increase in the remuneration payable to Mr. Sumantra Banerjee (‘Mr. Banerjee’) as the Managing Director of the Company for the period from 1 April, 2005 till the expiry of his present tenure of office i.e. upto 31 July, 2008 as per the terms and conditions set out in a Supplemental Agreement to be entered into between the Company and Mr. Banerjee in terms of the draft placed before the Meeting and initialled by the Chairman for the purpose of identification and the Board of Directors of the Company be and is hereby authorised to enter into a Supplemental Agreement on behalf of the Company with Mr. Banerjee in terms of the said draft.”

8. AS A SPECIAL RESOLUTION

“RESOLVED THAT the Articles of Association of the Company be altered by substituting the first sentence of Article 132 by the following new sentence :

‘The Board shall provide for the safe custody of the Seal and the Seal shall never be used except under the authority previously given by the Board or a Committee of the Board authorised by the Board in that behalf and, save as provided in Article 14(1) hereof,

any two Directors or one Director and the Secretary or one Director or the Secretary and such other person as the Board may appoint shall sign every instrument to which the Seal is affixed'."

The Register of Members of the Company at Kolkata will remain closed from 18 July, 2005 to 29 July, 2005, both days inclusive.

Registered Office : By Order of the Board
CESC House
Chowringhee Square
Kolkata 700 001
24 June, 2005
Subhasis Mitra
Company Secretary

NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote in his stead. A Proxy need not be a Member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the time for holding the Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under Items 6 to 8 is annexed hereto.
3. If the dividend as recommended by the Board of Directors is declared at the Meeting, it will be payable to those shareholders whose names appear on the Company's Register of Members, or, who are notified as beneficiaries by the Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited, at the close of business on 16 July, 2005.
4. Members holding shares in physical form may intimate the Company necessary particulars for ECS credit of the dividend directly to their bank accounts where ECS facility is available, or, for printing of their bank account details on the dividend warrants to prevent possibilities of fraud in encashing the warrants. For this purpose, members are requested to fill in the form appended to the Attendance Slip and send the filled-in form to the Company latest by 16 July, 2005. In respect of shareholdings in demat form, any change in the bank particulars should be intimated to the Depository Participants immediately so that the changed particulars may be used for dividend payment.

PARTICULARS OF DIRECTORS WHO ARE PROPOSED TO BE REAPPOINTED AT THE MEETING ARE GIVEN BELOW :

MR. S. BANERJEE holds B.Tech, MS and MBA degrees and has been CESC's Managing Director since 1 August 1993. He has 32 years of experience in India and abroad in manufacturing, engineering, finance, marketing and general management functions. Mr. Banerjee, President and Chief Executive of RPG Power Group, is on the Boards of Spencer International Hotels Limited, Saregama India Limited, Noida Power Company Limited, Ghaziabad Power Company Limited, Hilltop Holdings India Limited, Dakshin Bharat Petrochem Limited, Carnival Investments Limited and Jubilee Investments and Industries Limited.

Mr. Banerjee is a member of Investors' Grievance Committee and Finance & Forex Committee constituted by the Board of Directors of CESC Limited. He is also a member of Audit Committee and Investors' Grievance Committee of Saregama India Limited.

MR. K. M. JAYA RAO, a Mechanical Engineer, holds a senior position in ICICI Bank Limited as its General Manager and currently heads the Bank's Corporate Banking business in South India. He has been with the Bank for the past 23 years and has been involved with its project finance, corporate finance and financial restructuring businesses. Mr. Rao has been a nominee of ICICI Bank Limited on CESC's Board since 3 March, 2004 and is ICICI Bank's nominee also on the Boards of India Foils Limited, Nagarjuna Fertilizers and Chemicals Limited, Ispat Industries Limited, Ispat Metallics India Limited and Dabhol Power Limited. Mr. Rao is a member of the Audit Committee constituted by the Board of Directors of CESC Limited.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEMS OF SPECIAL BUSINESS SET OUT IN THE NOTICE CONVENING THE TWENTY-SEVENTH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 29 JULY, 2005

Item No. 6

Power Finance Corporation Limited, UCO Bank and Yes Bank Limited have sanctioned and disbursed to the Company refinance loans of Rs. 321.68 crore, Rs. 100 crore and Rs. 22.26 crore respectively while Infrastructure Development Finance Company Limited has sanctioned and disbursed two refinance loans of Rs. 172.89 crore and Rs. 49.80 crore. These refinance loans have been utilized by the Company to pay off costlier loans availed of earlier.

In addition, Andhra Bank has sanctioned working capital facilities of Rs. 30 crore while three members of the working capital consortium – ICICI Bank Limited, Allahabad Bank, ABN Amro Bank N.V. – and certain other working capital bankers have increased/are expected to increase their working capital exposures to the Company. Sanctions for such increase aggregating Rs.66 crore have already been received while some more are expected to follow and the aggregate amount of such increase in facilities is likely to be in the region of Rs. 150 crore.

As per respective terms of sanction, the said loans and working capital facilities are secured/to be secured, inter alia, by a mortgage and charge over all immovable and movable properties of the Company in the form and manner required by the respective lenders. Accordingly, shareholders' consent in respect of such security creation in terms of Section 293(1)(a) of the Companies Act, 1956 is being sought by means of an Ordinary Resolution contained in Item No. 6 of the Notice.

Further, the Company has plans to undertake various expansion projects in future by availing of rupee and foreign currency assistance. Such assistance is usually required to be secured, inter alia, by a mortgage/charge over the Company's immovable and movable properties either on a pari passu first charge or on a subservient charge basis. In order to facilitate creation of such mortgage/charge expeditiously when so required in future, in respect of rupee and/or foreign currency assistance of an aggregate amount or rupee equivalent

thereof not exceeding Rs. 1000 crore, paragraph (f) of the aforesaid Ordinary Resolution includes a reference to the lenders from all or some of whom the said assistance may be availed of by the Company for its future expansion projects and/or refinancing any existing financial assistance.

The Ordinary Resolution under Item No. 6 of the Notice is to be considered accordingly and the Board of Directors of the Company recommends that the same be passed.

Mr. K. M. Jaya Rao who is a Director of the Company as a Nominee of ICICI Bank Limited may be deemed to be interested or concerned in the Resolution. No other director has any concern or interest therein.

Item No. 7

The Board of Directors of the Company ('the Board') has approved, after a gap of eight years, an increase in the remuneration of Mr. Sumantra Banerjee ('Mr. Banerjee'), Managing Director of the Company, with effect from 1 April, 2005 for the remaining period of his present tenure of office i.e. up to 31 July, 2008 as per terms and conditions contained in the draft of a Supplemental Agreement proposed to be entered into between the Company and Mr. Banerjee.

The proposed increase in the remuneration of Mr. Banerjee has been approved by the Remuneration Committee of the Board and will be in accordance with the conditions specified in Schedule XIII to the Companies Act, 1956 ('the Act').

The principal terms and conditions set out in the aforesaid draft Supplemental Agreement are as follows :

- i) Salary – Rs. 2 lakh per month from 1 April, 2005 in the scale of Rs. 2 lakh – Rs. 4 lakh with such annual increment from 1 April every year as may be decided by the Remuneration Committee of the Board.
- ii) Performance Award – Rs. 12 lakh for the year 2005-06 and such performance award every year as may be decided by the Remuneration Committee of the Board subject to a limit of Rs. 25 lakh each year.
- iii) Mr. Banerjee will be entitled to the perquisites / benefits of residential accommodation or house rent allowance in lieu thereof; gas, electricity, water, and furnishings; medical expenses reimbursement for self and family; leave travel concession, club fees and personal accident insurance; provision of furniture and equipment at his residence in accordance with the rules of the Company, subject to a limit of Rs. 20 lakh per annum.

In the event of loss or inadequacy of profits of the Company in any financial year covered by the remaining period of his current tenure of office, Mr. Banerjee will be entitled to such remuneration and perquisites / benefits as may be approved by the Board within the ceiling limit prescribed for the time being.

Save and except the increased remuneration proposed to be paid to Mr. Banerjee as detailed above, the other terms and conditions as applicable to his reappointment as Managing Director of the Company for a term of five years with effect from 1 August, 2003 and contained in the Agreement already entered into by the Company with him will remain unchanged.

The aforesaid increase in the remuneration payable to Mr. Banerjee is subject to and require the approval of the Company in General Meeting in terms of paragraph (1) of Part III of Schedule XIII to the Act. The Ordinary Resolution set out in Item No. 7 of the Notice is to be considered accordingly.

The Board recommends that the aforesaid Resolution be passed in the interest of the Company.

The draft Supplemental Agreement and the Agreement referred to above may be inspected by any member at the Registered Office of the Company on any working day prior to the date of the Meeting between the hours of 10 A.M. and 12 Noon and will also be available for inspection from 10.30 A.M. at the place and date of the Annual General Meeting.

Mr. Banerjee may be deemed to be interested in the Resolution under Item No. 7 and no other Director of the Company has any concern or interest therein.

This may also be considered as the Abstract of terms and Memorandum of Interest in terms of Section 302 of the Act relating to the aforesaid contract to be entered into by the Company with Mr. Banerjee.

Item No. 8

Article 132 of the Articles of the Association of the Company dealing with affixation of the Company's Common Seal ('the Seal') provides for two signatures on any instrument to which the Seal is affixed. In terms of the said Article, the Board of Directors of the Company ('the Board') may authorise (i) any two Directors, or (ii) one Director and the Secretary, or (iii) one Director and another person to sign the said instrument. For the sake of operational convenience, the aforesaid Article is now proposed to be altered whereby, in addition to the aforesaid existing provisions, the Board may authorize the Secretary of the Company along with another person to sign any instrument to which the Seal has to be affixed.

The Special Resolution under Item No. 8 of the Notice is to be considered accordingly.

A copy of the Articles of Association along with the proposed alteration may be inspected by any member at the Registered Office of the Company on any working day prior to the date of the Meeting between the hours of 10 A.M. and 12 Noon and will also be available for inspection from 10.30 A.M. at the place and date of the Annual General Meeting.

No Director is interested or concerned in the said Resolution and the Board recommends that the same be passed.

Registered Office :
CESC House
Chowringhee Square
Kolkata 700 001
24 June, 2005

By Order of the Board

Subhasis Mitra
Company Secretary

Directors' Report

The Directors have pleasure in presenting the Annual Report and Audited Accounts of CESC Limited for the year ended 31 March, 2005.

FINANCIAL RESULTS

	<i>(Rs. in Crores)</i>	
	<u>2004-2005</u>	<u>2003-2004</u>
Profit before Depreciation & Taxation	455.04	389.13
Depreciation	(291.54)	(296.24)
Profit before appropriations / adjustments	163.50	92.89
Special Appropriation Adjustments	(3.45)	(3.45)
Provision for taxation	(12.85)	(7.15)
Profit before Contingencies Reserve Appropriation & other Special Appropriation	147.20	82.29
Appropriation to Contingencies Reserve	-	(11.75)
Other Special Appropriation	(20.81)	(20.81)
Profit after Contingencies Reserve Appropriation and other Special Appropriation	126.39	49.73
Transfer - Other Special Appropriation	20.81	20.81
Profit after appropriations / adjustments	147.20	70.54

Members will be happy to note that the Company performed well on all parameters during the year under review. The generating stations performed better, transmission and distribution loss was further contained, borrowings were reduced and all round cost savings were achieved. Net profit for the year recorded a significant growth compared to the previous year despite inflationary rise in the cost of operations and reduction in average tariff. An aggregate sum of Rs. 293.27 crore is proposed to be transferred to General Reserve with a resultant balance of Rs. 453.20 crore therein as on 31 March, 2005.

The Company's endeavour for further excellence continues during the current year as well. Operating costs, especially coal and oil prices, have gone up sharply in recent times, yet CESC's average tariff for 2005-06 has dropped for the second successive year. This has been possible due to many efficiency improvement measures undertaken successfully as referred to later in this Report.

DIVIDEND

In view of the improved working results, the Board is pleased to recommend payment of equity dividend for the year ended 31 March, 2005 @ 25% or Rs.2.50 per share, which, if approved at the forthcoming Annual General Meeting, will be paid to those shareholders whose names either appear on the Register of Members of the Company, or, appear as beneficial owners as per particulars to be furnished by the Depositories, viz. National Securities Depository Limited and Central Depository Services (India) Limited, at the close of business on 16 July, 2005. The dividend will be tax free in the hands of the

shareholders but shall be subject to tax thereon payable by the Company.

GENERATION & SALES

During the year under review, Budge Budge, Titagarh and Southern generating stations touched a combined Plant Load Factor of 85.6% against 80.2% recorded in 2003-04. The other generating station at New Cossipore, despite being 56 year old, is still contributing around 100 MW of power during the peak demand period because of meticulous maintenance.

The encouraging level of operating efficiency at the generating stations was the main reason for the Company's ability not only to meet the sales growth in its licensed area but also to export the surplus off-peak power, the two accounting for a 5.35% overall volume increase compared to the preceding year. Simultaneously, import of power from other agencies which is costlier to the Company vis-à-vis its own generation recorded a net reduction of about 13% during the year 2004-05.

Apart from the dedicated efforts of the employees, the other important reason contributing to the improved performance of the generating stations has been the reliability in the supply of coal, the key input required for running thermal power stations. A sizeable part of the Company's coal requirement was met during the year from the captive coal mine at Sarishatali near Asansol. Efforts are on for acquiring another mine block to further reduce CESC's dependence on traditional sources of coal in order to gradually eliminate the risks associated with uncertainty in such coal supplies.

ENVIRONMENT

The Company has always been conscious of the need to preserve the environment. CESC has successfully applied a new technology of Ammonia injection at its Budge Budge, Titagarh and Southern generating stations bringing down the particulate emission level in the flue gas well below the acceptable standard. The imported Wet Electrostatic Precipitator technology backed by local engineering is progressively being applied at the 56 year old New Cossipore generating station causing a steady decline of particulate emission there also.

As a part of the Company's continuing endeavour for environment friendly utilization of fly ash, its conversion to value added products like fly ash bricks and blending with cement has almost been doubled. High concentration slurry disposal system has been commissioned at Budge Budge generating station for easing the ash disposal problem and enhancing the green belt cover. Arising out of the Company's concern to help improve the quality of water in the Hooghly river, the entire effluent water of this station is now recycled for internal use instead of discharging it to the river.

The Board is happy to report that Budge Budge generating station has been awarded the Environment Excellence Award 2004 by West

Bengal Pollution Control Board and Indian Chamber of Commerce in recognition of its efforts to protect and preserve the environment through proactive management practices. Environment Management System ISO:14001 has been implemented in Southern generating station which will be further extended to other generating stations gradually.

TRANSMISSION & DISTRIBUTION LOSS

The thrust area of the Company in recent times is reduction of transmission and distribution loss, especially the pilferage part of it. The relentless drive for reduction of loss due to pilferage continues, often against heavy odds. Energy audits at primary and secondary distribution levels are carried out to identify pilferage-prone areas and, supported by multi media awareness campaign against theft of electricity, greater vigilance and surveillance, a strong machinery is in place to curb power pilferage.

During the year, 9345 supplies were disconnected for pilferage, 16667 hookings were removed and 5131 FIRs lodged with the police. 1343 persons were arrested. Legal proceedings are going on in criminal courts for several years, but not a single proceeding has been concluded. It is, however, expected that with the constitution of special courts in all the concerned districts for exclusively dealing with matters related to theft of electricity, the position may improve in future.

BORROWINGS

The much trimmer borrowing profile of your Company deserves a special mention. The attached accounts reflect a significant reduction of about 17% in the Company's total borrowings to Rs.2167 crore as on 31 March, 2005 from Rs.2609 crore a year ago. As reported last year, the Company successfully completed the process of restructuring its debt with a large group of 24 lenders, which included a reduction in the interest rate also. With the active cooperation of the Company's lenders, it has since been possible to finalize a second round of interest reduction to align the interest rate more with the market trend. Members will be pleased to know that, helped by these positive developments, interest cost during the year under review registered a sharp decline of 26% compared to the previous year.

CONSUMER SERVICE

Your Company attaches top priority to meeting effectively the consumers' expectations from a public utility operating in a metropolis like Kolkata. CESC has about 2 million consumers spread across its licensed area. Providing uninterrupted quality power, ensuring error free billing and an easy bill payment system for this huge base of consumers is by no means easy. The entire CESC network is geared up with this objective. Around 60% of the Company's total workforce is engaged in activities directly linked to providing consumer related services.

During the year under review, large investments were made to strengthen the transmission and distribution network. Additions to the network included 25MVA at 132/33 kV level, 18.5 MVA at the distribution stations, 39.1 MVA of LT transformers and 226 circuit kilometers of overhead and underground mains. High tension and low tension distribution network has been extensively interconnected to provide improved security of supply. The network interconnectivity enables the Company to restore supply faster from an adjacent network in case of breakdowns.

Despite doing everything possible for upgrading the consumer service on an ongoing basis, the Company recognizes the need to have in place a strong consumer grievance redressal mechanism in view of its large consumer base and spread of the licensed area. Accordingly, the 3-tier consumer grievance forum has been restructured to make it more effective and is now headed by a senior level officer of the Company. Consumers are kept informed of details of the grievance redressal forum through mailers sent to them.

INDUSTRIAL RELATIONS

Maintaining a congenial working environment across the organization has always been CESC's forte and the year under review has been no exception. The separation of 2296 employees in 2003-04 under the Voluntary Separation Scheme has not only helped the Company achieve savings in employee cost but has facilitated re-deployment, multi-tasking/training initiatives, revised job norms and enhanced productivity in various departments. Members will appreciate that these are important developments for an organization like CESC in existence for over a century.

SHARES

82.65 lakhs new Equity Shares of Rs. 10/- each at a premium of Rs. 50/- per share have been allotted during the year as Rights Shares as per basis of allotment approved by the Stock Exchange, Mumbai. The Earnings Per Share now stands at Rs.20.48 as against Rs. 10.49 a year ago.

DEPOSITS

The balance of deposits as on 31 March, 2005 was Rs. 146.43 crores. 1751 deposits aggregating to Rs. 1.89 crores remained unclaimed as on 31 March, 2005. Out of these, 141 deposits totalling Rs. 0.21 crores have since been paid and, for the balance amount, necessary instructions are awaited from the depositors.

DIRECTORS

Mr. T.K.Ray was withdrawn by IFCI Limited as its nominee on the Company's Board effective 1 November, 2004. The Board places on record its appreciation for the valuable contribution made by Mr. Ray during his tenure as a Director.

Mr. S. Banerjee and Mr. K. M. Jaya Rao retire by rotation and, being eligible, offer themselves for reappointment as Directors.

RESPONSIBILITY STATEMENT

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956 ('the Act'), your Directors confirm as under :

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures ;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit for that period;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

AUDITORS

Messrs. Lovelock & Lewes, Chartered Accountants, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment. As regards the Auditors' remarks in Paragraph 4 of their Report, reference may be made to Notes 2(c), 2(e), 2(h) and 2(m) of Schedule 13 attached to the Accounts which are self explanatory.

PARTICULARS OF EMPLOYEES

Mr. S. Banerjee, Managing Director, has been the only employee in respect of whom the particulars under Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are required to be furnished for the year under review. Mr. Banerjee, aged 55 with an experience of 32 years, is a B.Tech (Hons.), M.S. (USA) and MBA (USA). He was a Director of Spencer & Company Limited prior to joining the Company on 15 April, 1992. Mr. Banerjee has a contractual employment and was in receipt of remuneration aggregating Rs. 24,76,529 during the year under review. He does not hold any share in the Company and is not related to any other Director of the Company.

It is proposed to increase the remuneration of Mr. Banerjee from 1 April, 2005 for the remaining period of his current tenure of office up

to 31 July, 2008. An appropriate resolution for this purpose has been included in the Notice of the forthcoming Annual General Meeting for consideration of the Members.

CORPORATE GOVERNANCE

In accordance with the requirements of the Listing Agreements with the Stock Exchanges, a detailed report on the status of compliance of corporate governance norms along with the certificate of the Auditors form part of this Report (Annexure - 'A'). A report on Management Discussion and Analysis is also attached herewith (Annexure - 'B').

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO

As required under Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 the relevant information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure 'C' forming a part of this Report.

FUTURE

CESC proposes to embark on a number of initiatives to take advantage of the opportunities available in the emerging market. Augmentation of generating capacity in the licensed area and beyond, expanding captive coal mining, sale of power in the merchant market are some of the options the Company has been exploring for some time. The Board hopes to be able to report further developments in these matters in the near future.

ACKNOWLEDGEMENT

The financial results placed before you speak volumes of the committed involvement of all CESC personnel working at so many different places throughout the organization. The Board acknowledges their able contribution to the Company's growth during the year. While concluding this Report, the Board would like to thank all the stakeholders and other business associates for their support extended to the Company during an eventful year of operation.

On behalf of the Board of Directors



R. P. Goenka
Chairman

Kolkata, 24 June, 2005

Annexure 'A' to Directors' Report

REPORT ON CORPORATE GOVERNANCE

Company's philosophy on code of governance

CESC has always placed great importance on maintaining highest standard of governance in the Company. The Board of Directors of the Company ('the Board') appreciates the various steps taken by the authorities to strengthen the corporate governance norms in India. The Company initiated measures to become fully compliant with the norms even before their introduction. The Board is aware of the conflicting aspiration of the consumers and the stakeholders in a public utility like CESC. The latest Financial Results of the Company confirms the striking of balance of these conflicting aspirations in a competitive environment.

The Company thrives on the philosophy of

- ◆ efficiency in operations by exercising optimum utilization of available resources,
- ◆ responding to the aspirations of the consumers and stakeholders, and
- ◆ promotion of organizational ethics and values befitting the standards developed over a century of its existence.

Board of Directors

- ◆ Eleven members including three nominees of the Indian Financial Institutions and one nominee of the Government of West Bengal comprise the Board of Directors of CESC.
- ◆ Independent directors constitute more than one third of the Board's strength and composition of the Board is in conformity with applicable listing requirements.
- ◆ The only member of the Board holding executive position in the Company is the Managing Director.

Meetings

- ◆ All the meetings of the Board were duly convened, held at Kolkata and agenda papers were circulated well in advance.
- ◆ During the year, CESC Board met five times on 21 April, 28 June, 30 July, 26 October in 2004 and on 27 January, 2005.
- ◆ As per the Company's practice, the functional heads were present at the meetings to provide relevant details in respect of the items discussed by the Board at its meetings.

The details of the Directors, their Directorships and Chairmanships/Memberships in Board Committees of other public companies as on 31 March, 2005 and their attendance at the Board and last Annual General Meeting of the Company are as under :

Directors	Directorship and Chairmanship / Membership of Board Committees in other Companies			Number of Board Meetings attended	Attendance at Twenty-sixth AGM
	Director	Member	Chairman		
Mr. R. P. Goenka, Chairman	4	–	–	2	No
Mr. S. Goenka, Vice Chairman	12	–	1	5	Yes
Mr. Pradip Pinto Khaitan	13	7	2	4	Yes
Mr. B. M. Khaitan	9	–	1	3	Yes
Mr. B. P. Bajoria	4	2	–	3	Yes
Mr. P. Roy (Nominee of Industrial Development Bank of India Limited)	4	1	–	5	Yes
Mr. P. B. Ghosh	–	–	–	5	Yes
Mr. B. K. Paul (Nominee of Govt. of West Bengal)	2	–	–	3	No
Mr. Sudhin Roy Chowdhury (Nominee of Life Insurance Corporation of India)	–	–	–	4	Yes
Mr. K. M. Jaya Rao (Nominee of ICICI Bank Limited)	5	–	–	2	No
Mr. T. K. Ray (Nominee of IFCI Limited) +	4	2	–	3	Yes
Mr. S. Banerjee, Managing Director	8	2	–	5	Yes

+ since withdrawn by IFCI Limited with effect from 1 November, 2004.

Other directorships indicated above do not include Alternate Directorships, Directorships of private limited companies and of companies incorporated outside India. Chairmanship/Membership particulars of Board Committees include those only of Audit, Remuneration and Investors'/Shareholders' Grievance Committees.

Board Committees

Audit Committee, Finance and Forex Committee and Remuneration Committee of the Board have been reconstituted during the year.

● Audit Committee

- ◆ Mr. S. Goenka, Mr. S. Roy Chowdhury and Mr. K. M. Jaya Rao are members of the Audit Committee and Mr. B. P. Bajoria, an independent Director, is its Chairman.
- ◆ Mr. K. M. Jaya Rao was appointed a member of this Committee in place of Mr T. K. Ray, IFCI's erstwhile nominee on the Board, with effect from 12 November, 2004.
- ◆ The members of the Committee have adequate knowledge and experience in financial and accounting matters and the constitution of the Committee is in accordance with the applicable requirements.
- ◆ The Committee met on 28 June, 26 October, 2004 and 29 March, 2005 to review the draft financial statements for the year 2003-04 and half-yearly results for 2004-05 before submission to the Board. The Committee also reviewed the audit reports submitted by the Internal Audit Department of the Company and monitored the action taken on the major audit findings.
- ◆ Mr. Goenka and Mr. Bajoria attended two meetings each, while Mr. Roy Chowdhury attended all the meetings of the Audit Committee.
- ◆ Senior executives including heads of finance and internal audit and Statutory Auditors were invited to the Audit Committee meetings.
- ◆ The broad terms of reference of the Audit Committee are :
 - (a) Reviewing with the management the internal control systems, observations of the auditors, half-yearly and annual financial statements before submission to the Board.
 - (b) Recommendation of matters relating to financial management and audit reports.
 - (c) The Committee is authorised to investigate into matters referred / delegated to it by the Board and, for this purpose, has full access to information/ records of the Company including seeking external professional support, if necessary.

● Finance and Forex Committee

- ◆ Mr. S. Goenka, Mr. Pradip (Pinto) Khaitan and Mr. S. Banerjee are members of this Committee with Mr. Goenka being its Chairman. Mr. T. K. Ray ceased to be a member of the Committee with effect from 1 November, 2004.
- ◆ This Committee had one meeting during the year on 29 April, 2004 for dealing with matters relating to finance and foreign exchange exposure of the Company. All members attended the meeting of the Committee.

● Investors' Grievance Committee

- ◆ Mr. S. Goenka and Mr. S. Banerjee comprise this Committee with Mr. Goenka as the Chairman.
- ◆ During the year, the Committee met on 3 May, 24 September, 2004 and 1 February, 2005 and the meetings were attended by both the Directors.
- ◆ The Committee has the responsibility of overseeing redressal of shareholders' and investors' complaints and other important matters related to investor service.
- ◆ For expediting the process of registration of transfer of the Company's securities, the Board has delegated the power of share / debenture transfers and for dealing with matters connected therewith, to the Company Secretary who is also the Compliance Officer.
- ◆ During the year, 57 investor complaints were received, all of which have been resolved / redressed. One complaint was pending as on 31 March, 2005, which has been resolved subsequently. Investor service has always been given top priority. The standard of satisfactory service provided by the Company is reflected by the small number of investor complaints received during the year considering its large shareholder base.

● Remuneration Committee

- ◆ Non-executive Directors draw sitting fees for attending each meeting of the Board or Committee thereof and do not get any other remuneration from the Company.
- ◆ The sitting fees for attending each meeting of the Board/Committee was raised from Rs.15,000/- to Rs.20,000/- with effect from 27 January, 2005.
- ◆ The Remuneration Committee consisted of Mr. B. P. Bajoria, Mr. P. Roy and Mr. Pradip (Pinto) Khaitan as the Chairman of the Committee. Mr. T. K. Ray was a member of this Committee till 1 November, 2004 and was replaced by Mr. P. Roy with effect from 12 November, 2004.
- ◆ The Committee did not meet during the year as there was no revision in the terms of remuneration of Mr. S. Banerjee, Managing Director, the only executive on the Company's Board and the non-executive Directors do not draw any remuneration from the Company. The remuneration paid during the year to the Managing Director in accordance with the applicable laws and in terms of approval of the members of the Company, was as follows :

	(Rs. Lakhs)
Salary	12.41
Contribution to Pension and Provident Funds and Gratuity	3.95
Estimated value of other benefits	8.41
Total :	24.77

Service Contract : 5 years from 1 August, 2003
 Notice Period : 6 months
 Stock Option : Nil

- ◆ A proposal for increase of remuneration of Mr. Banerjee with effect from 1 April, 2005 for the remaining period of his current tenure of office as approved by the Remuneration Committee has been recommended by the Board of Directors for the approval of the Members of the Company at the ensuing Annual General Meeting.

General Body Meetings

The last three Annual General Meetings of the Company were held as under :

AGM	Year	Location	Date	Time	No. of Special Resolutions approved
Twenty-fourth	2002	Kala Mandir 48, Shakespeare Sarani Kolkata – 700 017	20 December, 2002	10 A.M.	One
Twenty-fifth	2003	– Do –	19 September, 2003	10.30 A.M.	Two
Twenty-sixth	2004	CITY CENTRE, Royal Bengal Room, DC Block, Sector - I, Salt Lake, Kolkata – 700 064	30 July, 2004	10.30 A.M.	None

- ◆ A meeting of the Equity Shareholders of the Company was held as per direction of the Hon'ble Calcutta High Court for approval of merger of the two erstwhile subsidiaries of the Company namely, CESC Limited and Balagarh Power Company Limited, on 21 April, 2004 at Kala Mandir, 48 Shakespeare Sarani, Kolkata – 700 017. The said meeting was followed by a General Meeting of the Company at the same venue, for passing a Special Resolution for the purpose of issue and offer of Rights Shares to the members of the Company, and an Ordinary Resolution for securing certain financial assistance obtained by the Company, by mortgage of immovable properties and hypothecation of its movable assets.
- ◆ Since the close of the year under Report, the Company has obtained the approval of its members by passing three Special Resolutions by Postal Ballot for alteration of the Objects Clause of the Memorandum of Association of the Company, commencement of a new line of business and new issue of securities. Mr. P. L. Agarwal, Senior Advocate and a Partner of Khaitan & Co. was appointed Scrutinizer by the Board. The results of the Postal Ballot were declared on 22 June, 2005. 99.98% of the total votes cast were in favour of each of the three resolutions.

Disclosures

- ◆ As reported in Note 20 of Schedule 13 attached to the Accounts, the only transaction with any related party has been with Mr. S. Banerjee in respect of the remuneration paid to him for the services rendered by him as the Managing Director. The said transaction was not in conflict with the interest of the Company.
- ◆ There was no instance of stock exchanges / SEBI / any statutory authority imposing penalties or strictures on the Company for non-compliance of any requirement related to capital markets in the last three years.
- ◆ The extent to which the non-mandatory requirements are followed / pursued by the Company has been stated in this Report.

Means of Communication

- ◆ Shareholders' meetings of CESC provide a platform for a two-way communication between the Company's management and its shareholders. While management proposals are announced and members' queries are clarified at such meetings, the shareholders also offer their suggestions and comments on improvement of the Company's working. The meetings are well attended and are of long durations.
- ◆ The Annual Report provides relevant data and other useful information to the shareholders.
- ◆ Periodical and annual results and other information including official news releases, presentations etc. are put up on the Company's website www.cesc.co.in. Such results are also published in English and vernacular newspapers. Information sent to the Stock Exchanges and other news of general/shareholders' interest are also displayed on the Company's website.

Management Discussion and Analysis

Management Discussion and Analysis forms a part of the Report marked Annexure 'B'.

General Shareholder Information

27th Annual General Meeting : Friday, 29 July, 2005 at 10.30 A.M. at CITY CENTRE, Royal Bengal Room, DC Block, Sector-I, Salt Lake, Kolkata – 700 064.

Financial Calendar : Board/Committee Meetings for approval of : Expected dates

January-March 2005 Quarterly Results	–	29 April, 2005 (held)
April-June 2005 Quarterly Results	–	29 July, 2005
July-September 2005 Quarterly Results	–	Within 31 October, 2005
October-December 2005 Quarterly Results	–	Within 31 January, 2006

Book Closure : 18 July to 29 July, 2005
(Both days inclusive)

Dividend Payment Date : As early as possible after 29 July, 2005.

Listing on Stock Exchanges

CESC Shares are listed on

- The Calcutta Stock Exchange Association Ltd. (Stock Code 34 – Physical and 10000034 – Demat)
- The Stock Exchange, Mumbai (Stock Code 84 – Physical and 500084 Demat)
- National Stock Exchange of India Ltd. (Stock Code CESC)
- London Stock Exchange (Stock Code 0162869-GB Register and 6161097 – Indian Register)

Requisite listing fees have been paid to these Exchanges up to the year 2005-06.

Market Price Data

(Rs.)

Month	Calcutta Stock Exchange (CSE)		The Stock Exchange, Mumbai (BSE)		National Stock Exchange (NSE)	
	H	L	H	L	H	L
April, 2004	124.70	109.50	123.45	104.00	127.90	102.60
May, 2004	100.20	88.10	115.10	80.65	117.50	75.50
June, 2004	94.00	80.40	98.65	80.55	103.00	78.15
July, 2004	116.00	89.30	112.75	88.35	117.50	80.50
August, 2004	107.00	102.50	109.95	100.50	114.50	99.00
September, 2004	114.70	102.10	117.35	107.30	118.30	106.30
October, 2004	115.00	115.00	129.85	119.20	131.50	110.80
November, 2004	141.55	141.55	144.50	122.50	148.25	121.05
December, 2004	172.95	133.85	173.05	133.25	177.00	130.00
January, 2005	165.50	150.10	170.90	151.10	175.50	137.70
February, 2005	184.00	150.10	190.40	160.45	195.85	159.60
March, 2005	235.80	190.10	226.45	185.10	237.80	184.50

Share price performance compared with broad based indices :

		CSE	BSE	NSE
Company's Share price -	on 1 April, 2004	102.00	104.00	104.20
	on 31 March, 2005	191.35	191.10	191.35
	Change	(+) 88%	(+) 84%	(+) 84%
Indices	on 1 April, 2004	3355.87	5740.85	1819.65
	on 31 March, 2005	3883.70	6492.82	2035.65
	Change	(+) 16%	(+) 13%	(+) 12%

Registrars

- Intime Spectrum Registry Limited, 59C, Chowringhee Road, 3rd Floor, Kolkata-700 020, Telephone : 2289-0540, Telefax : 2289-0539, Email : kolkata@intimespectrum.com, Website : www.intimespectrum.com are the Indian Registrars in respect of the Company's shares held physically as well as in electronic mode.
- For the convenience of UK based shareholders, the Company has the following UK Registrars: Computershare Investor Services plc., P.O. Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, Telephone : 0870 702 0003, Fax : 0870 703 6114, Website : www.computershare.com.

Share Transfer System

- In order to ensure faster processing of share transfers and for proper investor servicing, the Board of Directors have delegated the authority of approving share transfers and other related matters to the Company Secretary.

Dematerialisation & Liquidity

- CESC shares are compulsorily traded in dematerialised form. The shares are available for trading with either of the two Depositories in India – National Securities Depository Limited and Central Depository Services (India) Limited, under ISIN – INE486A01013.

Policy on Insider Trading

- In accordance with SEBI Regulations on Insider Trading, the Company has introduced a Code of Internal Procedures for trading in CESC securities.

- ◆ The Code is applicable to the Directors/Officers/Employees of the Company and other persons reasonably expected to have access to any unpublished price sensitive information.
- ◆ The Code provides for restrictions on dealing in CESC securities, disclosure of price sensitive information, adherence to laid down procedures, reporting requirements and penalty.

Shareholding Pattern as on 31 March, 2005

Category	Shareholding	
	No.	%
Management Group/ Families	3,15,81,723	42.46
FIs, Banks, Mutual Funds	1,15,41,070	15.51
FIIIs	1,29,64,285	17.43
NRI / OCB / Foreign Banks / Non-Resident Individuals	36,28,861	4.88
Private Body Corporate	60,53,450	8.14
Individuals/Others	86,17,437	11.58
TOTAL	7,43,86,826	100.00

Plant Location

- ◆ CESC has four generating stations viz. Budge Budge, New Cossipore, Southern and Titagarh, located in and around the city of Kolkata. The details of other offices of the Company are mentioned elsewhere in this Report.

Investor Communication

For any query related to share holdings,

- holders may write to the Company's Secretarial Department at CESC House, Chowringhee Square, Kolkata – 700 001 or to the Registrars
- if further assistance is needed, letters may be addressed to the Company Secretary
- letters/queries may be faxed to (033) 2236 3868 or e-mailed at secretarial@cesc.co.in

Auditors' Certificate on Corporate Governance

As required under Clause 49 of the Listing Agreement, the Auditors' Certificate on compliance of the Corporate Governance norms is attached.

On behalf of the Board of Directors



R. P. Goenka
Chairman

Kolkata, 24 June, 2005

Auditors' Certificate on Compliance with the Conditions of Corporate Governance under Clause 49 of the Listing Agreement(s)

To the Members of CESC Limited

We have examined the compliance of conditions of Corporate Governance by CESC Limited (the Company) for the year ended on 31st March, 2005, as stipulated in Clause 49 of the Listing Agreements of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreements.

As required by the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India, we state that the Registrars of the Company have certified that no investor grievance is pending for a period exceeding one month against the Company as on 31st March, 2005.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Partha Mitra
Partner
Membership No. 50553
For and on behalf of
Lovell & Lewes
Chartered Accountants

Place : Kolkata
Dated : 24th June, 2005

Annexure 'B' to Directors' Report

MANAGEMENT DISCUSSION & ANALYSIS

□ Industry Structure and Developments

Electricity utilities across the country have so far generally been vertically integrated service providers with generation, transmission, distribution and trading functions covered within its activities. Any country, more so a developing country like ours, depends to a very large extent on a commensurate development of the electricity sector as an infrastructure for bringing in rapid improvements in the economy and the lives of its citizens. Considering its importance, electricity has been a concurrent subject under the Constitution of India.

In the early years of the development of the electricity industry in our country, it was regulated by the Indian Electricity Act, 1910. Following independence, this industry was largely nationalised in terms of the Electricity (Supply) Act 1948, which gave birth to the State Electricity Boards having monopoly of supply within a State. There were, however, a few licensees like CESC which were permitted to continue. For a little over two decades thereafter the planned development of the electricity sector was in the hands of the States, which funded such developments from allocations of funds under the five year Plans as also from its own resources.

The requirement of allocations of funds in the sector was rapidly rising with industrialization and it became clear in the early seventies that the States were unable to sustain the growth requirement of the electricity utilities. The Central Government came in with independent generating companies to supplement the efforts of the State Governments. Thus were born generating companies like NTPC, Neyveli Lignite Corporation, NHPC, NEEPCO and such others. Towards the end of eighties it, however, became evident that the combined efforts of the State Governments and the Central Government was falling short of the need for augmentation of the infrastructure in the electricity sector.

To deal with the situation, the Government introduced amendments in the early nineties in the Electricity (Supply) Act, 1948 to encourage private sector to invest in this field. Some private sector initiatives were taken but they soon realised that, as generating companies, they will be required to deliver power to the local grid of the State Electricity Boards, most of whom were not financially solvent. Such investors asked for State Government guarantees, backed up by Central Government guarantees. This could not continue for long.

A serious effort was then made to decide on an action plan to restore the health of this sensitive infrastructure and, inter alia, the following concerns were identified :

- i) The tariff making of the utilities should be free from interference and be based purely on techno-economic considerations and National Policies.
- ii) The transmission and distribution losses, which were largely a euphemism for theft of electricity, were unsustainable.

Thus was born the Electricity Regulatory Commissions Act, 1998, which established independent Regulatory Commissions at the Centre and in the States to regulate and set tariff for the then monopolies in the field.

From the debate that followed, as also from what was happening

internationally, it was clear that while regulations were necessary as long as the industry remained monopolistic, it was more important to induct competition in the field wherever possible to unleash efficiency. This led to the enactment of the Electricity Act, 2003 which, among other issues, aimed at:

- i) disaggregation of the electricity utility sector by its functions, e.g. generation, transmission, distribution and trading in electricity. The transmission and the distribution services were considered largely as natural monopolies which needed to be regulated, while generation and trading in electricity were functions which could be brought under the market forces and allowed to compete for a market share;
- ii) delicensing of generation, which meant whosoever wanted to invest in this field could do so as long as he found it profitable, subject to relevant compliances;
- iii) providing open access through the network of the transmission and distribution service providers for transparent market access;
- iv) providing freedom to captive generators to generate as long as they found it attractive to do so to bring quick additionality to generation, thus reducing the peak shortfall;
- v) gradual reduction of cross subsidy in Tariff.

The Government is actively nudging the States to make progress along the path of reform in terms of the Electricity Act, 2003 which repealed all the three earlier Acts. Under the Accelerated Power Development and Reform Programme (APDRP), the Central Government has set aside a fund as an incentive to the States where the benefit earned from the fund is pro-rata to such progress made.

The Central Government has published a National Electricity Policy setting the four corners of its vision for this vitally important infrastructure where the seminal theme is to reach electricity to every household by 2012. The National Tariff Policy is due to come which will harmonize the mindset of the Regulators across the country for tariff setting during the period of transition from a monopolistic industry to a market driven environment and for such sections of the industry which will remain monopolistic even thereafter.

□ Opportunities and Threats

In the short run, there may be some threat from the captive generating units. While on the surface it may appear unusual how small captive units are more economical as compared to large generating plant of the utilities, the main reason is the cross subsidy load carried by the bulk consumers making their grid tariff expensive. The Electricity Act, 2003 therefore, stipulated gradual phasing out of the cross subsidy so that these captive units provide short-term additionality to generation. In the longer run, as the cross subsidy component comes down, the grid power will be progressively more competitive and the owners of the captive sets will then be obliged to run their plant only when the grid power is not available.

Gradual reduction in cross subsidy will help create a level playing field for competition in due course. The electricity tariff for bulk consumer has already started to fall whereby such industries, which were seriously contemplating moving to captive power,

are having second thoughts. Those who had switched over to captive plant are also considering a return to grid power.

Open access through the transmission network was made possible from 10 June, 2003 with the new enactment. This is already helping utilities to explore the market whenever excess power is available. Electricity traders are playing a key role in opening up the market for those with surplus power.

Open access through distribution will be provided in stages. As and when this happens, this will be a threat to such distribution licensees which are less efficient and they are likely to lose customers to other suppliers of power.

Segmentwise or product-wise performance

CESC is engaged in the business of generation and distribution of electricity in the city of Kolkata and its adjoining areas with a licensed area of 567 Sq. Km. CESC does not operate under any other reportable segment.

Outlook

CESC has reasons to be optimistic about the future. By the yardstick of its operational parameters, it is amongst the best utilities in the country. Year on year there has been a steady improvement in the utilisation of its plant capacity. Transmission and distribution losses have been gradually coming down and it has been adjudged to be among the top licensees in the country on quality of power supply. Productivity of manpower has been steadily rising following acceptance of the Voluntary Separation Scheme offered by the Company and other initiatives like staff redeployment, multi-tasking / training etc. undertaken across the Company. The debt restructuring exercise has reduced the average interest. The sum total of all these has made us more competitive and the average tariff has fallen for the second year in succession. This is helping Kolkata to be a more attractive destination for industry and commerce.

With progressive improvement in operations reflecting in better financial performance, the Company plans to move in future for adding to its generating capacity.

On the regulatory front, final tariff orders for the period 2000-01 to 2003-04 together with the tariff for 2004-05 were received in course of the year and realization / refund of arrears in 60 instalments have begun since August 2004. This will permit the Company to face the future with greater confidence.

Risks and Concerns

Power industry in India is principally coal based. Coal industry, which is nationalised, has been moving through a crisis. While the Government has found it difficult to make matching investments in the coal sector in keeping with the demand, there has been a steady improvement in the Plant Load Factor of the generating stations in the country requiring more coal. Besides, additional plant is also coming on stream. All this has led to the Government advising the Power Sector, which happens to be the biggest consumer of coal, to go for import. CESC had been experiencing shortage of supply of coal from ECL, BCCL and linkage of coal allowed by the Government has come down over

the years. To make good this shortfall, CESC has been, perforce, resorting to import of coal.

Being a metropolitan Power Company, CESC has to work under stringent statutory regulations relating to environment. The ash burnt in coal cannot exceed 34% in metropolitan power stations. We have to, therefore, import low ash coal to blend with the high ash coal locally available and are actively exploring other proposals to ensure supply of coal of required specification for our generating stations.

The oldest running power station of CESC is at New Cossipore. This is a load centre power generating station, which came into operation in 1949-50. To make it environmentally benign, Wet Electro Static Precipitators are being installed.

Internal Control System

The Company has internal control system for evaluating the adequacy of internal controls and for ensuring adherence to internal processes and procedures as well as to regulatory and legal requirements.

The internal audit department conducts extensive programmes of audit checks and reviews on an ongoing basis, ensure effectiveness of controls, compliance with legal requirements and also carries out regular follow-up on observations made by the department.

An independent Audit Committee of the Board of Directors considers the internal audit reports and recommends for improvements in operational process and service quality and makes suitable recommendation to the Board, wherever necessary.

Financial Performance

During the year 2004-05, the Company's total income was Rs.2387 Cr. (Rs.2416 Cr.). The lower income despite increase in sale of units reflects the reduction in tariff. The net profit after tax for the year was Rs.147 Cr. (Rs.82 Cr.).

Operational Performance

The combined Plant Load Factor of the three Pulverised Fuel Power Stations at Budge Budge, Titagarh and Southern was 85.6% vis-à-vis 80.2% last year.

Industrial Relations

Industrial relations during the year continued to be congenial. Significant improvements in productivity norms were achieved through negotiations to cope with the reduction in manpower following large scale acceptance of the Voluntary Separation Scheme in 2003-04.

On behalf of the Board of Directors



R.P. Goenka

Chairman

Kolkata, 24 June, 2005

Annexure 'C' to Directors' Report

Particulars as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31 March, 2005.

A. Conservation of Energy

- Reduction of losses in Transmission & Distribution System is targetted by constant reorganization / reinforcement of the network, installation of capacitors and upgradation of primary distribution voltage from 6 kV to 11 kV.

Energy Audit at primary and secondary distribution levels continued on a selective basis. At the generating stations following energy conservation measures were implemented:

Budge Budge Generating Station

- Timer circuit has been incorporated in lighting panels of outdoor lighting circuits to switch off the lights automatically during the daytime.
- Single Draft set (one ID, FD & PA fan) operation whenever generation comes below 60% during lean period.

Titagarh Generating Station

- Modification of Fly Ash Evacuation System: Auxiliary saving by shifting to pneumatic conveying from vacuum assisted one.
- Usage of compressed air in place of high cost steam for atomizing oil at burners has effected substantial savings and has been implemented in all 4 units.
- Improvement of condenser vacuum by cleaning of condenser tubes (inside cleaning by Konco bullets).

Southern Generating Station

- Modification of FSSS logic to permit three-mill operation with single ID fan per day (for 6 hours a day).
- Single BFP operation for auxiliary savings at low load per day (for 4 hours a day).

New Cossipore Generating Station

- TW Tank water level remote monitoring system and commissioning of Auto Start & Auto Stop feature of TW Reclamation Pumps to prevent tank overflow & optimum operation of pump motor.
- Installation of 38 Nos. 250 w SON type sodium vapour lamp set at different location for proper illumination in place of 60 Nos. 300 w lamp.
- By constantly ensuring proper size of coal, through modifications in crusher and screen, the percentage of combustibles in ash has been appreciably reduced, i.e. optimum utilization of fuel was achieved.

- Additional investment / proposals

Electro-mechanical meters of bulk LT consumers replaced with intelligent electronic meters. Other LT meters continued to be replaced in a phased manner by superior quality meters.

Replacement of DC electro-mechanical meters with electronic meters on an experimental basis. Old static meters for bulk consumers are being replaced with new version static meters equipped with improved tamper detection features.

Old electro-mechanical meters replaced with superior quality static meters in 132 kV & 33 kV network for statistical metering in a phased manner.

Purchase of 1 No. BEML make D 155 BULLDOZER for Budge Budge Generating Station.

Procurement and installation of a new Generator complete with AVR and Static Exciter to replace existing Generator No.1, erection of two sheds for Coal Stack Yard and revamping of Railway Tracks at Titagarh Generating Station.

Installation of 1 No. additional simply supported low speed seal air fan at Southern Generating Station.

Retrofitting of Wet ESP for Boiler Nos. 3, 4 and 6 at New Cossipore Generating Station.

- Impact of the measures

Improvement in operating efficiency.

B. Technology Absorption

- Installation and commissioning of ABT compatible Class 0.2 metering system to facilitate Power Trading at import points.
- Upgradation of central SCADA system at CESC House and RTU at Princep Street 132 kV Substation.
- Extension of Optical Fibre based communication links to Distribution Stations/Substations/Office premises for Voice and Data application.
- Extension of Optical Fibre based communication links for CESC NET.
- Development of Static single Phase meters with enhanced anti-pilferage features.
- Development of intelligent Electronic polyphase meters.
- Development of Meter Testing Device for in - situ testing of Static Polyphase Meters.
- Development of new type of seals for enhanced detection of pilferage.
- Import of foreign technology for Wet ESP from Beltran Inc., USA and its successful implementation at New Cossipore Generating Station for Boiler No. 1 & 7 for reduction of emission to minimum possible levels. The same is being extended to cover the other Boilers.
- Replacement of 4 Nos. existing vibrating feeders at CHP by new TRF make unbalanced motor vibrating feeders at

Budge Budge Generating Station after its successful implementation at Titagarh Generating Station.

Boiler Tube leak detection system for one boiler at Budge Budge Generating Station.

11. Installation of Axial Swirl burner & modification of bottom tier coal mill outlet piping and associated air/ pf flow distribution and Electronic Control System for ESP fields with energy management features at Titagarh Generating Station.

Installation of online opacity meter (model No. CDEM 2000) at Titagarh Generating Station & Budge Budge Generating Station and CODEL Model GCEM 4000 combined CO, SO_x, NO_x & H₂O in-situ multi channel Gas Analyzer with remote access system for downloading data to station computers at Budge Budge Generating Station.

12. Benefits Derived

Improved utilization of material and manpower, improved pollution control, reduction in down time and better consumer service.

13. Research & Development

R&D activities are oriented towards improvements in various operational functions of the Company. An amount of Rs. 3.25 lakhs was spent for these activities during the year under review.

C. Foreign Exchange Earnings and outgo

There has been no foreign exchange earning during the year. The foreign exchange outgo during the year amounted to Rs. 329.76 crore which included repayment of principal and finance charges on foreign currency loans, import of equipment, fees to UK Registrars, London and Luxembourg Stock Exchange fees, technical service fees, travelling expenses etc.

On behalf of the Board of Directors



R.P. Goenka

Chairman

Kolkata, 24 June, 2005

Auditors' Report

TO THE SHAREHOLDERS OF CESC LIMITED

1. We report that we have audited the attached Balance Sheet of CESC Limited as at 31st March 2005 and the relative Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, all of which we have signed under reference to this report. The Electricity (Supply) Act, 1948 was repealed w.e.f. 10th June 2003 but the relevant provisions of the said Act remained applicable for part of the current year under audit in respect of the operations of the Company. As indicated in Note-1 of Schedule-13, based on legal advice, in preparation of the attached financial statements, the provisions of the said Act have prevailed wherever they are inconsistent with the provisions of the Companies Act, 1956 of India ('The Act'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Act' and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us during the course of audit, we give in the attached Annexure, a statement on matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph 3 above, we report that :

4. *For the reasons stated in Notes 2(c), 2(h), 2(e) and 2(m) of Schedule-13, the requirement of Accounting Standards on*

Accounting for the Effects of Changes in Foreign Exchange Rates (AS-11) (1994), Leases (AS-19) and Accounting for Taxes on Income (AS-22) issued by the Institute of Chartered Accountants of India could not be adopted in preparation of these financial statements as the provisions of the aforesaid Accounting Standards conflict with, The Electricity (Supply) Act, 1948 (Also refer to Paragraph 1 above).

5. Subject to our remarks in paragraph 4 above, in our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of the accounting standards referred to in sub-section (3C) of Section 211 of 'The Act'.
6. On the basis of written representations received from the directors as at 31st March 2005, which have been taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as at 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of 'The Act'.
7. Subject to our remarks in Paragraphs '4' above :
 - a. we have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of the audit.
 - b. in our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books.
 - c. the said Balance Sheet, Profit and Loss Account and Cash Flow Statement are in agreement with the books of account.
 - d. in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement together with the notes thereon and attached thereto, give the information required by 'The Act' in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in case of the Balance Sheet, of the state of the affairs of the Company as at 31st March 2005;
 - ii. in case of the Profit & Loss Account, of the profit for the year ended on that date; and
 - iii. in case of the Cash Flow Statement, of the cash flows for the year ended as on that date.

Partha Mitra
Partner

Membership No. 50553
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Kolkata, 24th June 2005.

Annexure to the Auditors' Report

[Referred to in Paragraph 3 of our report of even date to the members of CESC Limited on the financial statements for the year ended 31st March 2005]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. covered in the register maintained under Section 301 of 'The Act'.
- (b) The fixed assets of the Company, except those in the transmission and distribution system for which, we have been informed that, physical verification is not practicable, have been physically verified by the management during the year and no material discrepancies between book records and physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventories (excluding inventories in transit) have been physically verified by the management during the year. In respect of inventories in transit, these were verified with reference to subsequent receipts. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records which, in our opinion, were not material have been properly dealt with in the books of account.
3. (a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of 'The Act'.
- (b) The Company has not taken any loan, secured or unsecured, from companies, firms or other parties
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of energy / services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. In our opinion and according to the information and explanations given to us, there are no current transactions that need to be entered into the register in pursuance of Section 301 of 'The Act'.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of 'The Act' and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order under the aforesaid Sections has been passed by the Company Law Board on the Company.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of product where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of 'The Act' and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty and other material statutory dues, as applicable, with the appropriate authorities. As indicated in Note 6(a)(ii) of Schedule-13, the Company has obtained an exemption from the operations of the Employees State Insurance Act, 1957 in respect of its permanent employees.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues as at 31st March 2005 which have not been deposited on account of a dispute, are as follows –

Name of the statute	Nature of dues	Amount (Rs. 'lacs)	Forum where dispute is pending
West Bengal Sales Tax Act, 1994	Sales tax on meter rentals	29.83	Hon'ble High Court at Calcutta

10. The Company has no accumulated losses as at 31st March 2005 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, during the year the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.

14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The company has created securities in respect of debentures issued and outstanding at the year-end.
20. The management has disclosed the end use of money raised by rights issues in the Directors Report which has been verified by us.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management except in cases of theft of electricity reported by the loss control cell of the Company the amount for which is not ascertainable.

Kolkata, 24th June, 2005.

Partha Mitra
Partner
 Membership No. 50553
 For and on behalf of
 LOVELOCK & LEWES
Chartered Accountants

Balance Sheet as at 31st March, 2005

	Schedule No.	As at 31st March, 2005	Rs. in Lakhs As at 31st March, 2004
I. SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	75,04.24	66,69.95
Reserves and Surplus	2	1464,12.83	1309,18.40
		1539,17.07	1375,88.35
Loan Funds			
Secured Loans	3	1659,74.57	2179,63.79
Unsecured Loans	4	507,43.30	429,67.29
		2167,17.87	2609,31.08
Consumers' Security Deposits		440,95.20	373,20.79
		4147,30.14	4358,40.22
II. APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		6205,41.93	6063,23.45
Less : Depreciation		2459,73.55	2127,07.51
Net Block		3745,68.38	3936,15.94
Capital Work-in-Progress		96,97.85	98,80.29
		3842,66.23	4034,96.23
Investments	6	31,44.17	30,09.54
Current Assets, Loans and Advances	7		
Inventories		142,30.83	122,75.89
Sundry Debtors		569,20.33	748,93.77
Cash and Bank Balances		165,13.99	52,66.61
Loans and Advances		134,09.44	194,66.30
Deferred Payments		692.21	10,37.21
		1017,66.80	1129,39.78
Less : Current Liabilities and Provisions	8		
Current Liabilities		675,21.50	805,31.62
Provisions		79,98.12	41,35.99
		755,19.62	846,67.61
Net Current Assets		262,47.18	282,72.17
Miscellaneous Expenditure to the extent not written off or adjusted	9	10,72.56	10,62.28
		4147,30.14	4358,40.22
NOTES ON ACCOUNTS	13		

Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

Partha Mitra
Partner

Membership No. : 50553
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants
Kolkata, the 24th June, 2005

S. Mitra
Company Secretary

For and on behalf of the Board of Directors
Vice-Chairman Sanjiv Goenka
Director P. B. Ghosh
Managing Director S. Banerjee

Profit and Loss Account for the year ended 31st March, 2005

	Schedule No.	2004-05	Rs. in Lakhs 2003-04
INCOME			
Earnings from sale of Electricity		2321,15.38	2348,42.74
Other Income	10	65,94.02	68,05.80
		2387,09.40	2416,48.54
EXPENDITURE			
Cost of Electrical Energy purchased Generation, Distribution, Administration and Other Expenses	11	225,68.77	291,29.31
Interest	12	1450,32.88	1387,99.44
Depreciation		256,04.19	348,06.53
		291,53.51	296,23.70
		2223,59.35	2323,58.98
Profit before Special Appropriation Adjustments, Taxation, Exceptional Item, Contingencies Reserve Appropriation and Other Appropriation		163,50.05	92,89.56
Less : Special Appropriation Adjustments for Deferred Payments Profit before Taxation, Exceptional Item, Contingencies Reserve Appropriation and Other Appropriation		3,45.00	3,45.00
Provision for Taxation		160,05.05	89,44.56
Exceptional Item on settlement of Principal Amount of Loan		(12,85.00)	(7,15.00)
Less : Transfer to Capital Reserve		-	104,80.15
		-	104,80.15
Profit after Taxation		147,20.05	82,29.56
Appropriation to Contingencies Reserve		-	(11,75.00)
Other Special Appropriation		(20,81.00)	(20,81.00)
		126,39.05	49,73.56
Transfer – Other Special Appropriation		20,81.00	20,81.00
Profit after Contingencies Reserve Appropriation		147,20.05	70,54.56
Profit/(Loss) brought forward from previous year		-	(409,19.34)
Transfer from			
Contingencies Reserve		47,75.00	52,71.66
Debenture Redemption Reserve		12,00.00	89,39.11
Investment Allowance Reserve		-	11,67.99
Development Reserve		-	2,13.96
Proposed dividend on Equity Shares		(18,59.67)	-
Tax on proposed dividend		(2,60.82)	-
Transfer to			
General Reserve		(185,74.56)	(155,92.71)
Carried forward to Balance Sheet		-	(338,64.77)
Basic and Diluted earnings per equity share (in Rupees) (Face value of Rs. 10 per share) (Refer Note 18, Schedule 13)		20.48	10.49

NOTES ON ACCOUNTS

13

Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

Partha Mitra
Partner

Membership No. : 50553
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants
Kolkata, the 24th June, 2005

S. Mitra
Company Secretary

For and on behalf of the Board of Directors
Vice-Chairman Sanjiv Goenka
Director P. B. Ghosh
Managing Director S. Banerjee

Schedules to the Accounts

	As at 31st March, 2005	Rs. in Lakhs As at 31st March, 2004
SCHEDULE 1 – SHARE CAPITAL		
AUTHORISED CAPITAL		
12,17,50,000 Equity Shares of Rs. 10 each	121,75.00	121,75.00
2,82,50,000 Cumulative Redeemable Preference Shares of Rs. 10 each	28,25.00	28,25.00
	150,00.00	150,00.00
ISSUED CAPITAL		
8,06,86,798 (31.3.2004 - 7,24,21,595) Equity Shares of Rs. 10 each	80,68.68	72,42.16
	80,68.68	72,42.16
SUBSCRIBED AND PAID UP CAPITAL		
7,43,86,826 (31.3.2004 - 6,61,58,302) Equity Shares of Rs. 10 each (Net of calls unpaid Rs. Nil; 31.3.2004 - Rs. 9.61 lakhs)	74,38.68	66,06.22
Add : Forfeited Shares (amount originally paid-up)	65.56	63.73
	75,04.24	66,69.95
Notes :		
1. 71,94,951 Equity Shares were allotted on 7 April 1979 as fully paid to the stockholders of The Calcutta Electric Supply Corporation Limited, the erstwhile sterling company, in terms of a Scheme of Arrangement and Amalgamation approved by the High Courts at Calcutta and London pursuant to which the undertaking and the assets, liabilities, reserves and surplus of the said sterling company were transferred to this Company.		
2. 1,48,248 Equity Shares were fully paid-up during the year upon receipt of balance amount from the holders thereof. 36,679 Equity Shares, paid-up to the extent of Rs. 5 per share towards share capital and Rs. 5 per share towards share premium, have been forfeited effective 24 July, 2004 due to non-payment of balance dues thereon.		
3. 82,65,203 Equity Shares offered on a rights basis to the equity shareholders for cash at a premium of Rs. 50 per share were allotted effective 22 November, 2004.		
SCHEDULE 2 – RESERVES AND SURPLUS		
Capital Contributions from consumers as at 1.4.2004	238,77.31	209,42.07
Add : Contributions during the year	31,43.86	29,35.24
	270,21.17	238,77.31
Capital Reserves as at 1.4.2004	107,51.91	2,71.76
Add : Transfer from Profit and Loss Account	-	104,80.15
	107,51.91	107,51.91
Less : Transfer to General Reserve	107,51.91	-
	20,12.70	107,51.91
Capital Redemption Reserve	-	20,12.70
Share Premium Account as at 1.4.2004	422,72.23	404,61.34
Add : Addition during the year	41,40.85	18,10.89
	464,13.08	422,72.23
Revaluation Reserve as at 1.4. 2004	299,86.21	1310,83.90
Less : Withdrawal on account of depreciation on amount added on revaluation	42,96.62	34,22.81
	256,89.59	1276,61.09
Less : Withdrawal of the residual amount added on revaluation consequent to sale/disposal of the revalued assets	93.22	2,75.76
	255,96.37	1273,85.33
Less : Adjustment pursuant to the scheme of amalgamation	-	973,99.12
	255,96.37	299,86.21
General Reserve as at 1.4.2004	159,93.04	4,00.33
Add : Transfer from Profit and Loss Account	185,74.56	155,92.71
	345,67.60	-
Add : Transfer from Capital Reserve	107,51.91	159,93.04
	453,19.51	101,89.11
Debenture Redemption Reserve as at 1.4.2004	12,50.00	89,39.11
Less : Transfer to Profit and Loss Account	12,00.00	-
	50.00	12,50.00
Contingencies Reserve as at 1.4.2004	47,75.00	88,71.66
Add : Transfer from Profit and Loss Account	-	11,75.00
	47,75.00	100,46.66
Less : Transfer to Profit and Loss Account	47,75.00	52,71.66
	-	47,75.00
Development Reserve as at 1.4.2004	-	2,13.96
Less : Transfer to Profit and Loss Account	-	2,13.96
	-	-
Investment Allowance Reserve as at 1.4.2004	-	11,67.99
Less : Transfer to Profit and Loss Account	-	11,67.99
	-	-
Profit and Loss Account	-	-
	1464,12.83	1309,18.40

Schedules to the Accounts (Contd.)

	<u>As at 31st March, 2005</u>	<u>Rs. in Lakhs</u> As at 31st March, 2004
SCHEDULE 3 – SECURED LOANS		
I. Debentures		
(i) 12.73%/13.5% Non-Convertible Debentures of Rs. 100 each allotted on 3 January 1994.	–	32,04.94
(ii) 12.73% Non-Convertible Debentures of Rs. 100 each allotted on 20 September, 1999.	–	12,00.00
(iii) 11.9% (2004 - 13.5%) Non-Convertible Debentures of Rs. 10,00,000 each allotted on 14 May, 2001.	27,67.57	44,28.11
(iv) 11.9%/13.5% (2004 - 12.73%/13.5%) Non-Convertible Debentures of Rs. 1,00,00,000 each allotted on 1 February, 2004	308,64.00	479,25.02
	336,31.57	567,58.07
II. Term Loans		
A. Rupee Loans :		
(i) Banks	150,20.52	53,33.84
(ii) Financial and other Institutions	747,61.30	772,95.73
(iii) Government of West Bengal	20,44.00	23,00.00
Interest accrued and due on above	–	13,76.84
	918,25.82	863,06.41
B. Foreign Currency Loans :		
(a) International Finance Corporation	203,87.27	249,17.77
(b) Asian Development Bank	82,67.18	99,47.62
(c) CDC Group plc.	21,42.20	26,18.83
(d) Dresdner Kleinwort Wasserstein Limited	44,90.06	89,80.11
Interest accrued and due on above	–	29,74.81
	352,86.71	494,39.14
III. Overdraft from Banks :		
Interest accrued and due on above	47,75.17	239,75.34
	–	24.66
	47,75.17	240,00.00
IV. Deferred Payment Liability :		
(net of future interest Rs. 34.83 lakhs; 31.3.2004 - Rs. 1,76.03 lakhs)	4,55.30	14,60.17
	4,55.30	14,60.17
	1659,74.57	2179,63.79

Notes :

- The debentures and term loans in I and II above are secured by hypothecation of all movable assets and equitable mortgage of the immovable properties of the Company. However, the foreign currency loan in II.B.(d) above is secured by a guarantee furnished by Industrial Development Bank of India Limited, ICICI Bank Limited and IFCI Limited which in turn has security identical to that of the said debentures and term loans. The hypothecation and mortgage security mentioned above rank pari passu inter se save and except for a rupee loan of Rs. 21,51.62 lakhs from a bank which is secured on a second and subservient charge basis.

Schedules to the Accounts (Contd.)

	<u>As at 31st March, 2005</u>	<u>Rs. in Lakhs</u> As at 31st March, 2004
SCHEDULE 3 – SECURED LOANS (Contd.)		
2. Overdraft from banks in III above, together with any non-fund facility availed of from the banks, is secured by hypothecation / equitable mortgage of current assets comprising stock of stores, coal, book debts, monies receivable etc. and fixed assets of the Company. The said security on current assets ranks prior to and on fixed assets ranks subservient to the security in respect of the debentures, term loans and guarantee assistance stated in Note 1 above.		
3. Deferred Payment Liability referred to in IV above is secured by hypothecation of assets acquired under respective schemes in favour of certain banks against their acceptances. Such hypothecation of assets ranks prior to hypothecation security referred to in Notes 1 and 2 above.		
4. The schedule of redemption of debentures in I above is as follows :		
Item No.	Redemption at par	
I(iii)	Equal monthly instalments between 2004-05 and 2007-08	
I(iv)	Equal monthly / quarterly instalments between 2004-05 and 2008-09.	
SCHEDULE 4 – UNSECURED LOANS		
(a) Public Deposits	146,42.98	148,18.60
(b) Short Term Loans / Facilities from Banks	311,45.71	93,16.74
Interest accrued and due on above	36.87	–
(c) Other than Short Term		
Floating Rate Notes	49,17.74	49,17.74
(US\$ 13.75 million repayable in year 2012-13)		
Term Loan from Bank	–	75,00.00
Term Loan from Others	–	25,34.90
Book overdrafts from Banks	–	38,79.31
	507,43.30	429,67.29

Schedules to the Accounts (Contd.)

SCHEDULE 5 – FIXED ASSETS										Rs. in Lakhs	
PARTICULARS	GROSS BLOCK AT COST OR VALUATION					DEPRECIATION				NET BLOCK	
	As at 1st April, 2004	Additions/ Adjustments	Withdrawals/ Adjustments	As at 31st March, 2005	As at 1st April 2004	Additions/ Adjustments	Withdrawals/ Adjustments	As at 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004	
Land	100,36.47	20.86	–	100,57.33	–	–	–	–	100,57.33	100,36.47	
Freehold Leasehold	62,94.52	7.72	–	63,02.24	11,69.80	1,88.93	–	13,58.73	49,43.51	51,24.72	
Buildings and Structures	117,98.83	2,56.63	22.44	120,33.02	34,23.42	2,90.32	1.22	37,12.52	83,20.50	83,75.41	
Freehold Leasehold	406,82.53	36.99	–	407,19.52	145,65.42	26,73.10	–	172,38.52	234,81.00	261,17.11	
Plant and Machinery	3038,89.98	37,92.82	1,63.95	3075,18.85	1196,10.21	190,87.33	78.61	1386,18.93	1688,99.92	1842,79.77	
Transmission and Distribution System	2011,97.04	84,88.76	16.23	2096,69.57	611,08.28	87,69.25	0.86	698,76.67	1397,92.90	1400,88.76	
Meters and Other Apparatus on Consumers' Premises	223,92.06	16,20.09	1,26.83	238,85.32	97,09.21	19,20.62	75.19	115,54.64	123,30.68	126,82.85	
River Tunnel	78.34	–	–	78.34	76.85	–	–	76.85	1.49	1.49	
Furniture	31,82.70	2,35.87	12.25	34,06.32	17,61.28	2,92.50	8.56	20,45.22	13,61.10	14,21.42	
Vehicles	4,25.48	1,16.15	23.77	5,17.86	2,82.33	45.14	20.00	3,07.47	2,10.39	1,43.15	
Railway Sidings	8,01.28	8.06	–	8,09.34	2,66.62	18.25	–	2,84.87	5,24.47	5,34.66	
Freehold Leasehold	55,44.22	–	–	55,44.22	7,34.09	1,65.04	–	8,99.13	46,45.09	48,10.13	
Previous Year	6063,23.45	145,83.95	3,65.47	6205,41.93	2127,07.51	334,50.48	1,84.44	2459,73.55	3745,68.38	3936,15.94	
	6311,44.07	145,66.76	393,87.38	6069,23.45	1918,93.24	330,64.35	122,50.08	2127,07.51	3936,15.94		

Notes : 1. All assets of the Company other than Furniture and Vehicles as at 31st March, 1993 were revalued as at 31st March, 1994 for which net addition as revaluation was Rs. 1460,74.11 lakhs

(Note 4, Schedule 13).

2. The Company has applied to the State Government under Section 20 of the Urban Land (Ceiling & Regulation) Act, 1976 for exempting the excess vacant land held by the Company in the urban agglomeration areas from the ceiling restrictions of the Act.

3. Cost of Freehold Land includes Rs. 8,67.27 lakhs for which execution of conveyance deed is pending, out of which an amount of Rs. 6,15.19 lakhs relate to land taken over pursuant to a Scheme of Amalgamation.

4. Cost of Leasehold Land includes Rs. 6,01.94 lakhs for which transfer of leasehold rights is pending.

Schedules to the Accounts (Contd.)

	<u>As at 31st March, 2005</u>	<u>Rs. in Lakhs</u> As at 31st March, 2004
SCHEDULE 6 – INVESTMENTS		
LONG TERM		
Trade		
Unquoted :		
16,667 Equity Shares of Integrated Coal Mining Ltd. of Rs. 10/- each, fully paid	1.67	1.67
Other than Trade		
Quoted :		
75,000 Equity Shares of SBI Home Finance Limited of Rs. 10/- each, fully paid (Market Value 31.3.2005 – Rs. 15.79 lakhs; 31.3.2004 – Rs. 10.31 lakhs)	7.50	7.50
12,68,558.542 units of UTI - Floating Rate Fund of Rs. 10/- each, fully paid (Market Value 31.3.05 – Rs. 136.93 lakhs)	135.00	–
Unquoted :		
3,00,00,000 1% Cumulative Optionally Convertible Redeemable Preference Shares of Integrated Coal Mining Limited of Rs. 10/- each, fully paid	30,00.00	30,00.00
370 Units in Unit Trust of India Venture Capital Unit Scheme 1990 of Rs. 100 each, fully paid	–	0.37
	<u>31,44.17</u>	<u>30,09.54</u>
SCHEDULE 7 – CURRENT ASSETS, LOANS AND ADVANCES		
(a) Inventories		
Stores and Spares	101,17.78	88,18.47
Fuel	41,13.05	34,57.42
	<u>142,30.83</u>	<u>122,75.89</u>
(b) Sundry Debtors		
1. For electricity supplied		
Debts outstanding for a period exceeding six months		
Secured – considered good	8,78.29	9,10.61
Unsecured – considered good	51,25.70	49,58.19
	<u>60,03.99</u>	58,68.80
Unsecured – considered doubtful	14,72.05	12,57.57
	<u>74,76.04</u>	71,26.37
Other Debts		
Secured – considered good	169,35.58	150,39.52
Unsecured – considered good	336,65.95	535,74.90
	<u>506,01.53</u>	686,14.42
	<u>580,77.57</u>	757,40.79
Less : Provision for doubtful debts	14,72.05	12,57.57
	<u>566,05.52</u>	744,83.22
Note :		
Rs. 22,091 (31.3.04 – Rs. 22,486) due by Directors and Rs. 1,234 (31.3.04 – Rs. 860) due by an officer of the Company on account of electricity bills; maximum amount due by Directors and an officer of the Company during the year : Rs. 28,772 (previous year – Rs. 39,400) and Rs. 1,951 (previous year – Rs. 1,507) respectively.		
2. For claims and services rendered – unsecured (considered good)		
Debts outstanding for a period exceeding six months		
	1,84.26	2,23.97
Other Debts	1,30.55	1,86.58
	<u>3,14.81</u>	4,10.55
	<u>569,20.33</u>	748,93.77

Schedules to the Accounts (Contd.)

	As at 31st March, 2005	Rs. in Lakhs As at 31st March, 2004
SCHEDULE 7 – CURRENT ASSETS, LOANS AND ADVANCES (Contd.)		
(c) Cash and Bank Balances		
Cash and Cheques in hand	5,74.26	6,54.22
With Scheduled Banks on :		
Current accounts	9,11.62	21,25.14
Dividend accounts	–	9.14
Short term deposits	150,09.11	24,59.11
Margin money deposits	19.00	19.00
	<u>159,39.73</u>	<u>46,12.39</u>
	<u>165,13.99</u>	<u>52,66.61</u>
(d) Loans and Advances		
Unsecured – considered good		
Intercompany Deposit	24,99.55	28,19.55
Advances recoverable in cash or in kind or for value to be received	73,42.70	129,11.38
Deposits with Excise, Port Trust etc.	2,33.13	2,48.04
Other Deposits	33,34.06	34,87.33
	<u>134,09.44</u>	<u>194,66.30</u>
(e) Deferred Payments	<u>6,92.21</u>	<u>10,37.21</u>
SCHEDULE 8 – CURRENT LIABILITIES AND PROVISIONS		
(a) Current Liabilities		
Sundry Creditors	298,26.29	458,02.16
Other Liabilities	248,16.84	232,61.34
Unpaid/Unclaimed dividend	–	9.14
Unclaimed public deposits	189.45	1,91.63
Interest accrued but not due on loans and debentures	35,63.19	37,92.99
	<u>583,95.77</u>	<u>730,57.26</u>
Consumers' Benefit account	71.15	71.15
Liabilities on capital account	40,80.88	23,62.14
Advance payment received from consumers for capital jobs	49,73.70	50,41.07
	<u>675,21.50</u>	<u>805,31.62</u>
(b) Provisions		
Taxation	22,61.39	9,76.39
Leave encashment	36,16.24	31,59.60
Proposed dividend	18,59.67	–
Tax on proposed dividend	2,60.82	–
	<u>79,98.12</u>	<u>41,35.99</u>
Notes : (i) Sundry Creditors and Liabilities on Capital Account include outstanding dues of small scale industrial undertakings Rs.103.49 lakhs (31.3.2004 - Rs. 92.06 lakhs) out of which, dues outstanding for more than 30 days as on 31.3.2005 - Rs. Nil (31.3.2004- Rs. Nil). For the above purpose, a small scale industrial undertaking has the same meaning as assigned to it under clause (j) of Section 3 of the Industries (Development and Regulation) Act, 1951.		
(ii) Unclaimed dividend and unclaimed Public Deposits do not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund.		
SCHEDULE 9 – MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED		
(a) Preliminary expenses	1.67	1.78
Less : Written off during the year	0.11	0.11
	<u>1.56</u>	<u>1.67</u>
(b) Share/Debt/Debt issue expenses	11,42.40	11,26.90
Less : Written off during the year	71.40	66.29
	<u>10,71.00</u>	<u>10,60.61</u>
	<u>10,72.56</u>	<u>10,62.28</u>

Schedules to the Accounts (Contd.)

	2004-05	Rs. in Lakhs 2003-04
SCHEDULE 10 – OTHER INCOME		
Hire of meters and other apparatus	32,07.31	31,80.58
Public lighting maintenance and service connection fees	49.46	48.11
Income from consultancy services	13.37	–
Profit on sale of investments	0.01	–
Interest – Gross (Tax deducted at source Rs. 36.76 lakh; previous year – Rs. 0.28 lakhs)	1,75.05	2,50.41
Miscellaneous income (Note 11, Schedule 13)	31,48.82	33,26.70
	65,94.02	68,05.80
SCHEDULE 11 – GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES		
Cost of Fuel (including freight Rs. 128,67.78 lakhs; previous year – Rs. 120,15.88 lakhs)	760,53.96	663,76.90
Consumption of stores and spares	103,79.26	92,72.63
Repairs –		
Building	5,57.51	3,17.56
Plant and Machinery	25,60.98	30,79.76
Distribution System	30,11.95	30,23.11
Others	2,91.76	2,42.40
	64,22.20	
Salaries, wages and bonus	206,03.58	234,07.94
Contribution to provident fund and pension fund	14,89.24	17,84.27
Contribution to other funds including additional contribution for gratuity	17,89.10	58,94.70
	32,78.34	
Employees' welfare expenses	13,98.80	14,65.12
Compensation under voluntary separation scheme	29,53.13	29,53.13
Insurance	5,01.17	4,95.76
Rent (including lease rent Rs. 25,13.61 lakhs; previous year – Rs. 29,45.02 lakhs)	28,57.76	32,85.88
Rates and taxes	8,43.02	6,41.74
Audit fees	14.00	14.00
Interest on consumers' security deposits	26,70.34	18,18.38
Bad debts (net of recoveries Rs. 1,53.53 lakhs; previous year – Rs. 1,63.21 lakhs)	11,62.04	11,33.90
Provision for doubtful debts	2,14.48	9,02.92
Provision for Cost Adjustments	59,60.00	–
Consultancy division expenses	3.71	4.78
Loss on sale/disposal of assets	25.17	51.81
Miscellaneous expenditure written off	71.51	66.40
Foreign Exchange Rate Variation	51,92.46	77,28.84
Miscellaneous expenses	105,50.30	118,95.26
	1511,55.23	1458,57.19
Less : Allocated to capital accounts	61,22.35	70,57.75
	1450,32.88	1387,99.44
SCHEDULE 12 – INTEREST		
Debentures	58,93.68	33,28.00
Fixed loans	150,16.79	265,10.38
Fixed deposits from public and others	16,91.07	15,70.57
Others	30,02.65	33,97.58
	256,04.19	348,06.53

Schedules to the Accounts (Contd.)

SCHEDULE 13 – NOTES ON ACCOUNTS

1. The relevant provisions of the Electricity (Supply) Act, 1948, which were repealed w.e.f 10th June 2003, (the repealed Electricity Act) remained applicable for part of the current accounting year in respect of the operations of the Company. The appropriate tariff determination principles under the repealed Electricity Act were also made applicable to the Company by the West Bengal Electricity Regulatory Commission (the Commission) for the current financial year in terms of the provisions of the Electricity Act, 2003. Accordingly, in line with the consistently applied past practices and based on legal advice, in preparing these financial statements, the provisions of the repealed Electricity Act have prevailed wherever they are inconsistent with the provisions of the Companies Act, 1956, except incorporation of increase in the value of the fixed assets arising from revaluation in earlier years.
2. **Significant Accounting Policies**
 - (a) **Accounting Convention**
The financial statements are prepared in accordance with applicable Accounting Standards in India, except as mentioned in Paragraph '2c', '2e', '2h' and '2m' below. A summary of important accounting policies, which have been applied consistently, is set out below.
 - (b) **Basis of Accounting**
The financial statements have been prepared under the historical cost convention, modified by revaluation of certain fixed assets as stated in Note 4 below.
 - (c) **Fixed Assets**
Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties, taxes, incidental expenses related to acquisition and appropriate borrowing costs. In case of a project, cost also includes pre-operative expenses and, where applicable, expenses during trial run after netting off appropriate amount of revenue earned during trial run. The repealed Electricity Act, requires that for the purpose of determining return of a licensee, fixed assets should be stated at cost incurred by it and accordingly the effect of variation in exchange rate on repayment / restatement of year-end liability in respect of borrowings in foreign currencies attributable to acquisition of such fixed assets are not adjusted with the cost thereof as required under the Accounting Standard on Accounting for the Effects of Changes in Foreign Exchange Rates (AS-11) (1994) issued by the Institute of Chartered Accountants of India. An impairment loss is recognized where applicable, when the carrying value of fixed assets of cash generating unit exceed its market value or value in use, whichever is higher.
 - (d) **Depreciation**
Depreciation on fixed assets other than leasehold land is provided on straight line method at the rates provided by the Central Government in Circular No. S.O.265 (E) dated 27th March, 1994 under the provisions of the repealed Electricity Act. In accordance with the past practice, depreciation has been provided only on assets in existence at the beginning of the year. No depreciation has been provided on additions and for retirements during the year. Leasehold land is amortised over the period of the lease. Additional charge of depreciation for the year on increase in value arising from revaluation is recouped from Revaluation Reserve.
 - (e) **Leasing Transaction**
Assets taken under finance lease arrangements are not treated as Fixed Assets of the Company as per the stipulations laid down in the Accounting Standard on Lease (AS19) issued by the Institute of Chartered Accountants of India in view of the fact that the repealed Electricity Act, requires for the purpose of determining return of the licensee, its fixed assets to be stated at the cost incurred by it. Provisions of the said Act also permit finance lease rental, to be charged off to revenue for computation of profit, being an allowable expenditure under the provisions of the Income-tax Act, 1961.
 - (f) **Investments**
Long Term Investments are stated at cost. Provision is made where there is a permanent fall in valuation of Long Term Investments.
 - (g) **Inventories**
Inventories are valued at lower of cost and net realisable value. Cost is calculated on weighted average basis and comprises expenditure incurred in the normal course of business in bringing such inventories to its location. Obsolete, slow moving and defective stocks are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same. Loose tools are charged off to consumption on purchase.
 - (h) **Foreign Currency Transactions**
Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of transactions. Gains/losses arising out of fluctuations in the exchange rates for revenue transactions are recognized in the Profit and Loss Account in the period in which they arise. Foreign currency loans are recorded at the exchange rate prevailing on the date of receipt and year-end liabilities are not restated at the year-end exchange rate or forward contract exchange rate, if applicable, as required under the Accounting Standard on Accounting for the Effect of Changes in Foreign Exchange Rates (AS-11) (1994) issued by the Institute of Chartered Accountants of India in absence of any specific provision under the repealed Electricity Act, in that regard. Foreign Exchange Rate Variations (FERV) arising on repayment of such loans or conversion of said loans into rupee loans are charged off to revenue. Other foreign currency liabilities at the year-end are provided on the basis of year-end exchange rates.
 - (i) **Sales**
Earnings from sale of electricity are net of discount for prompt payment of bills and do not include electricity duty payable to the State Government. They also include, as per established practice consistently followed by the Company in the past, estimated sums recoverable from/adjustable on consumers' account, calculated on the basis of rates and/or methodology approved / specified by the appropriate authorities which are reflected in the subsequent bills.
 - (j) **Other Income**
Income from hire of meters and apparatus is accounted for as per rates notified by the Company. Income from investments and interest on deposits are accounted for on accrual basis inclusive of related tax deducted at source, where applicable. Delayed payment surcharge as a general practice is determined and recognised on receipt of overdue payment from consumers.
 - (k) **Retirement/Separation Benefits**
Retirement benefits are accounted for on accrual basis considering contributions payable to Provident Fund, Pension Fund and Gratuity Fund.

SCHEDULE 13 – NOTES ON ACCOUNTS (Contd.)

Provision is made for current year's accrual of leave encashment benefit payable on retirement, on the basis of actuarial valuation. Compensation payable in respect of the Company's Voluntary Separation Scheme is charged off in three equal annual instalments.

- (l) **Miscellaneous expenditure to the extent not written off or adjusted**
In accordance with the provisions of the repealed Electricity Act, preliminary expenses and share/ debenture/ debt issue expenses are charged off to revenue over the unexpired period of licence.
- (m) **Deferred Taxation**
Taxes on income and profits form part of chargeable expenditure for the purpose of computation of Profit under the provisions of the repealed Electricity Act. In absence of any specific provision in the repealed Electricity Act, deferred taxation may not be considered as an item of expenditure/income and accordingly the requirements of Accounting Standard on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India (AS 22) cannot be complied with.
3. Earnings from sale of electricity are net of discount for prompt payment of bills amounting to Rs.3376.84 lakhs (previous year Rs.2639.65 lakhs) and have been determined in accordance with the applicable orders of the Commission, where appropriate, including those for refund/recovery of cost of electrical energy purchased, fuel and related costs in respect of the earlier years, which necessitated an adjustment of Rs.5331.66 lakhs.
 4. Revaluation of Land, Buildings and Structures, Plant and Machinery, Transmission and Distribution System, Meters and Other Apparatus on Consumers' Premises, River Tunnel and Railway Sidings as on 31st March 1993 was carried out by an approved valuer as on 31st March 1994 on the basis of their current replacement cost which resulted in an increase in the value of above-mentioned assets over the net book values as on 31st March, 1994 by Rs.146074.11 lakhs. However, effect of such increase in the value of the aforesaid fixed assets due to revaluation is not considered for the purpose of determining return of the Company since the fixed assets are required to be stated at cost to the licensee under the provisions of the repealed Electricity Act.
 5. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.1048.67 lakhs (31st March 2004 – Rs.1002.56 lakhs).
 6. (a) Claims against the Company not acknowledged as debts :-
 - (i) The West Bengal Taxation Tribunal had held meter rentals received by the Company from consumers to be deemed sales under the provisions of the Bengal Finance (Sales Tax) Act, 1941 and that sales tax was payable on such rentals. Based on such findings the Commercial Taxes Directorate assessed Rs.69.22 lakhs as sales tax on meter rentals received during the year ended 31st March, 1993 and raised a demand of Rs.35.61 lakhs on account of interest. Against the above demand, the Company had deposited a sum of Rs.75.00 lakhs with the sales tax authorities and obtained a stay against the balance demand from the Deputy Commissioner of Commercial Taxes. The sales tax authorities also indicated their intention to levy such sales tax on meter rentals for the subsequent years as well, against which, the Company filed a writ petition in the Calcutta High Court and prayed for an interim order, inter alia, restraining the sales tax authorities from proceeding with the assessment for the subsequent years till disposal of the appeal. An interim order has been issued by the High Court permitting the sales tax authorities to carry out assessments but restraining them from serving any assessment order on the Company. The disposal of the case is still pending.
 - (ii) The Company has received exemption from the operations of the Employees' State Insurance (ESI) Act in respect of its permanent employees on the ground that medical benefits provided by the Company are more beneficial than that provided under the Act, which for the current year is awaited. However, with respect to an issue raised by the ESI authorities on the Company's obligations for past period, the Company has since obtained relief from the High Court at Calcutta, but the matter is currently pending before the Supreme Court of India. Amount, if any, payable to ESI cannot be readily quantified at this stage.
 - (iii) The power purchase agreement between Damodar Valley Corporation (DVC) and the Company expired in December 1994 and the Company had discontinued off-take of power from August 2002. DVC claimed Rs.2296.05 lakhs and Rs.156.75 lakhs towards minimum guaranteed annual revenue and minimum demand charge respectively which are disputed by the Company.
 - (iv) **Other matters :**
 - a) Municipal Tax : Rs.186.45 lakhs (31st March 2004: Rs.100.95 lakhs) in respect of certain properties, the rates of which are disputed by the Company.
 - b) Income Tax : Rs.54.95 lakhs (31st March 2004: Rs.54.95 lakhs) towards advance tax not admitted by authorities.
 - c) Income Tax: Rs.Nil (31st March 2004: Rs.55.52 lakhs) towards tax on book profits assessed not provided in accounts.
 7. Appropriations of Rs.4775.00 lakhs made to Contingencies Reserve during 2000-01 to 2003-04 stand withdrawn in absence of any specific requirement under the Electricity Act, 2003 and based on counsel's opinion in this regard.
 8. The Company has admitted and provided for in the accounts a claim of Rs.1500.00 lakhs made by the West Bengal State Electricity Board for lower drawal of power than minimum committed quantum during 1999-2000.
 9. Provision for Cost Adjustments of Rs.5960.00 lakhs has been made towards an estimated adjustable sum on account of cost of electrical energy purchased and fuel and related cost for the current year, which could be accurately quantified and disposed of on receipt of necessary directions from appropriate authorities.
 10. Sundry Debtors for electricity supplied - Other Debts include net arrear tariff amounting to Rs.22763.55 lakhs, after set off of the unbilled fuel surcharge for earlier years of Rs.6631.03 lakhs with corresponding adjustment against earnings from sale of electricity, recovery of which is being made in accordance with the orders of the Commission.
 11. Miscellaneous income contained in Schedule 10 includes profit of Rs.20.00 lakhs (previous year Rs. Nil) arising from short term placement of surplus funds from time to time and withdrawals thereof during the year with Standard Chartered Mutual Fund (aggregate amount Rs.20800.00 lakhs) and with UTI

SCHEDULE 13 – NOTES ON ACCOUNTS (Contd.)

- Mutual Fund (aggregating Rs.3600.00 lakhs) and Delayed Payment Surcharge of Rs.1190.99 lakhs (previous year Rs.995.83 lakhs) respectively. Miscellaneous Expenses in Schedule 11 include an amount of Rs.475.00 lakhs (previous year Rs. Nil) towards write off of certain receivables of the Company.
12. Interest expenses and discounting charges include Rs.13.11 lakhs (previous year: Rs.9.34 lakhs) and Rs.32.63 lakhs (previous year: Rs.167.86 lakhs) respectively on account of gain on exchange fluctuation.
13. In view of early repayment of certain debentures subsequent to the balance sheet date, no amount has been transferred to the Debenture Redemption Reserve based on the counsel's opinion.
14. Generation at the Company's plant at Mulajore was discontinued in the previous year in view of its unviable cost of generation, pollution related issues and the observations of the Supreme Court of India. Necessary permission from the State Government for permanent closure of the establishment had been obtained. In view of higher expected realizable value, no adjustment has been considered necessary in these accounts in respect of net book value of fixed assets at Mulajore amounting to Rs.2883.38 lakhs included in net block of fixed assets as at 31st March 2005.
15. Based on the Commission's order dated 24th May 2004, for the year 2004-05, an amount of Rs.2426.00 lakhs has been considered as Special Appropriation in the current year, which consists of Rs.345.00 lakhs towards recovery against Deferred Payment and Rs.2081.00 lakhs towards past entitlement of the Company.
16. The Company has allotted on 22nd November 2004, 82.65 lakh equity shares of Rs.10 each offered for cash at a premium of Rs.50 per share to the equity shareholders of the Company on a rights basis. The purpose of the issue was for meeting working capital requirement of the Company and the proceeds have been utilized accordingly.

	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
17. Directors' Remuneration :		
Salary	12.41	12.41
Contribution to Pension and Provident Funds and Gratuity	3.95	3.95
Estimated value of other benefits	8.41	8.41
Non-Wholtime Directors' Fees	8.60	4.35
	33.37	29.12

18. Earnings per Share :
Computation of earnings per share for the year 2004-05

Particulars	2004-05 (Rs. in lakhs)	2003-04 (Rs. in lakhs)
Profit/Loss after Contingencies Reserve Appropriation	147,20.05	70,54.56
Total (A)	147,20.05	70,54.56
Weighted Average no. of shares	71871368	67240979
Total (B)	71871368	67240979
Earnings per Share		
(Basic & Diluted) = [(A)/(B)] (Rs.)	20.48	10.49

Computation of Weighted Average Number of Shares	2004-05	2003-04
	No. of shares	Wgt. Avg.
2004-05		
No. of partly-paid shares forfeited on 24.7.2004	36679	6105
No. of fully-paid shares after forfeiture of shares	66121623	45371325
No. of shares allotted on Rights Issue effective 22nd November, 2004 (issue price Rs. 60 per share)	8265203	
No. of fully paid shares as on 31.3.2005	74386826	26493938
2003-04		
Weighted Average no. of shares as on 31.3.2004	63091531	
Restatement of the above weighted average no. of shares		67240979
	71871368	67240979

Working Notes :
Computation of Adjustment factor

- | | |
|--|---------|
| 1. Fair value of one equity share immediately prior to exercise of rights (Rs.) (i.e. closing price of CESC's equity share at NSE on 19th November, 2004, being the last date of trading before the date of allotment) | 134.95 |
| 2. Computation of theoretical ex-rights fair value per share (Rs.) $(66121623 \times 134.95 + 8265203 \times 60) / (66121623 + 8265203)$ | 126.62 |
| 3. Adjustment factor (1 above / 2 above) | 1.06577 |

19. The Company is engaged in generation and distribution of electricity and does not operate in any other reportable segment.

20. Related Party disclosures :
(a) Related Party and their relationship

Names of related Parties	Nature of Relationship
Mr S Banerjee	Key Management Personnel

(b) Disclosure of transactions between the Company and related parties and status of outstanding balance.

	Key Management Personnel	Key Management Personnel
	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
Remuneration Paid	24.77	24.77

21. Miscellaneous Expenses shown in Schedule 11 include Auditors' Remuneration and Expenses :

	2004-05 (Rs. in Lakhs)	2003-04 (Rs. in Lakhs)
(a) Tax Audit	2.50	2.50
(b) Other Services	23.39	27.70
(c) Reimbursement of expenses (including applicable service tax)	4.22	2.08

SCHEDULE 13 – NOTES ON ACCOUNTS (Contd.)

	2004-05		2003-04			2004-05		2003-04	
	(Rs. in Lakhs)		(Rs. in Lakhs)			Million kWh		Million kWh	
22. C.I.F. value of imports :					25. (a)	Total number of units generated during the year	7054	6687	
Capital goods	62.32		3,81.50		(b)	Total number of units consumed in Generating Stations	617	607	
Components and spare parts and Fuel	94,96.10		75,92.20		(c)	Total number of units sent out	6437	6080	
23. Expenditure in foreign currency :					(d)	Total number of units imported during the year (gross)	820	954	
Travelling	61.56		45.88		(e)	Total number of units delivered to the system	7257	7034	
Technical services fees (net of tax)	16.01		80.74		(f)	Total number of units sold as per meter readings	5864	5711	
Finance charges (net of tax)	66,97.06		60,18.80		(g)	Total number of units exported	160	7	
Others	2,73.01		12,44.40		(h)	Total number of units consumed in Company's premises	18	18	
Total	70,47.64		73,89.82		(i)	Total number of units supplied for WBSEB (gross)	71	93	
					(j)	Total number of units supplied to WBSEB (net)	68	89	
24. Values of raw materials and stores and spare parts consumed (excluding on capital account) :					26.	The derated installed capacity of the Generating Stations of the Company (as per certification of technical expert) as on 31st March, 2005 was 9,75,000 kW (31st March, 2004 – 9,75,000 kW).			
	2004-05		2003-04		27.	Consumption of Fuel :			
	Rs. in Lakhs	%	Rs. in Lakhs	%	(a)	Consumption of Coal (including handling gain of 6077 tonnes; Previous year – including gain of 18527 tonnes)			
Raw Material							2004-05	2003-04	
Imported	115,20.52	15.15	101,37.90	15.27	Quantity	Tonnes	4507715	4273076	
Indigenous	645,33.44	84.85	562,39.00	84.73%	Value	Rs. in Lakhs	746,14.77	650,80.87	
	760,53.96	100.00	663,76.90	100.00	(b)	Consumption of Oil			
Stores and Spares					Quantity	Kilolitres	6696.62	6378	
Imported	0.03	0.01	10.54	0.18	Value	Rs. in Lakhs	14,39.18	12,96.03	
Indigenous	70,21.28	99.99	59,28.30	99.82	28.	Previous year's figures have been regrouped / rearranged, wherever necessary.			
	70,21.31	100.00	59,38.84	100.00					

For and on behalf of the Board of Directors

Kolkata, 24 June, 2005.

S. Mitra
Company Secretary

Vice-Chairman Sanjiv Goenka
Director P. B. Ghosh
Managing Director S. Banerjee

Cash Flow Statement for the year ended 31st March, 2005

	2004-05	2003-04
	Rs. in Lakhs	Rs. in Lakhs
A. Cash flow from Operating Activities :		
Profit before Taxation and Special Appropriation Adjustment	163,50.05	92,89.56
Adjustments for :		
Depreciation	291,53.51	296,23.70
Loss on Sale / Disposal of Assets	25.17	51.81
Profit on Sale of Investment	(20.01)	-
Miscellaneous expenditure written off	71.51	66.40
Provision for doubtful debts and advances written off	5,34.48	9,02.92
Bad debts written off (Net)	11,62.04	11,33.90
Interest Expense	256,04.19	348,06.53
Discounting charge / Guarantee Commission Expense	9,98.43	17,83.90
Lease rent	25,13.61	29,45.02
Interest income	(175.05)	(2,50.41)
Foreign Exchange Rate Variation	51,92.46	77,28.84
Operating Profit before Working Capital changes	814,10.39	880,82.17
Adjustments for :		
Trade & other receivables	221,57.63	44,77.12
Inventories	(20,00.45)	(17,85.17)
Trade payables	(139,85.04)	(32,90.41)
Net cash flow from Operating Activities	875,82.53	874,83.71
B. Cash flow from Investing Activities :		
Additions to Fixed Assets / Capital Work-in-Progress	(126,52.65)	(204,84.32)
Sale of fixed assets	78.37	38.41
Purchase of investments	(135.00)	(30,00.00)
Proceeds from Long Term Investments	0.38	0.09
Proceeds from Short Term Investments (Net)	20.00	-
Interest received	186.38	545.67
Net cash flow from Investing Activities	(125,02.52)	(229,00.15)
C. Cash flow from Financing Activities :		
Redemption of Cumulative Preference Shares	-	(3,33.33)
Share issue expenses	(81.79)	(1.75)
Issue of Equity Capital	8,34.29	8,30.78
Share Premium	41,40.85	18,10.89
Proceeds from Long Term Loans	-	90,87.19
Repayment of Long Term Loans (Net of Refinance Loans)	(438,17.91)	(278,59.83)
Repayment of Short Term Loans	(12,50.51)	(3,56.36)
Capital contributions and advance received from consumers	30,76.49	38,46.11
Consumers Security deposits	67,74.41	56,92.59
Interest Paid	(301,92.89)	(531,64.18)
Unclaimed dividend-Transfer to Investors Education and Protection Fund	(9.14)	(18.38)
Lease Rent and other payments	(21,96.71)	(35,38.97)
Discounting Charges / Guarantee Commission paid	(11,09.72)	(20,19.61)
Net cash flow from Financing Activities	(638,32.63)	(660,24.85)
Net increase in cash and cash equivalents	112,47.38	(14,41.29)
Cash and cash equivalents – Opening Balance	52,66.61	66,59.54
Cash and equivalents taken over on Amalgamation	-	48.36
Cash and cash equivalents – Closing Balance	165,13.99	52,66.61

Note : a) Previous year's figures have been regrouped/rearranged wherever necessary.
b) The Cash Flow Statement has been prepared under the indirect method as given in the Accounting Standard on Cash Flow Statement (AS-3) issued by the Institute of Chartered Accountants of India.

This is the Cash Flow referred to in our Report of even date.

Partha Mitra
Partner

Membership No. : 50553
For and on behalf of
LOVELOCK & LEWES
Chartered Accountants
Kolkata, the 24th June, 2005

S. Mitra
Company Secretary

For and on behalf of the Board of Directors
Vice-Chairman Sanjiv Goenka
Director P. B. Ghosh
Managing Director S. Banerjee

Ten Years at a Glance : 1996 – 2005

	Rupees in Lakhs									
Year ended 31st March	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Gross Revenue from Sale of Electricity and Other Income	119965	140685	151582	170132	178081	208870	214303	224331	241649	238709
Profit before Taxation (after charging Depreciation and Interest)	8964	4136	(11475)	(12808)	(7146)	1256	(8796)	762	9290	16350
Taxation	-	-	-	-	-	-	-	60	715	1285
Profit after Taxation	8964	4136	(11475)	(12808)	(7146)	1256	(8796)	702	8575	15065
Net Special Appropriations including Appropriations to Contingencies Reserve	267	601	696	2381	5277	4693	2708	1225	1520	345
Profit / (Loss) after tax and Special Appropriations	8697	3535	(12171)	(15189)	(12423)	(3437)	(11504)	(523)	7055	14720
Proposed Dividend including Tax	1516	1344	-	-	-	-	-	-	-	2120
Sources of Funds –										
Share Capital	5917	7002	6027	6337	6339	6214	6172	6172	6670	7504
Reserves and Surplus (Net)	216794	223303	211507	197363	187368	184733	173763	174696	130918	146413
Loan Funds	200874	251947	287081	296603	288118	298687	307586	299304	260931	216718
Security Deposits	11425	13251	15259	17136	19051	21473	24976	31628	37321	44095
	<u>435010</u>	<u>495503</u>	<u>519874</u>	<u>517439</u>	<u>500876</u>	<u>511107</u>	<u>512497</u>	<u>511800</u>	<u>435840</u>	414730
Application of Funds –										
Fixed Assets (less Depreciation)	419544	472389	498479	512978	512738	494158	468822	445735	403496	384266
Investments	1115	1154	1198	1327	1329	1328	1093	1099	3010	3144
Net Current Assets (Includes Miscellaneous Expenditure not written off)	14351	21960	20197	3134	(13191)	15621	42582	64966	29334	27320
	<u>435010</u>	<u>495503</u>	<u>519874</u>	<u>517439</u>	<u>500876</u>	<u>511107</u>	<u>512497</u>	<u>511800</u>	<u>435840</u>	414730
Additions to Fixed Assets	8474	15695	153255	10272	156754	22663	16645	10761	14567	14584
Depreciation	6570	7009	7838	19329	19803	30829	31545	32273	29624	29154
Units sold (millions)	4670	4794	5019	5071	4937	5165	5333	5557	5711	5864
Units Export (millions)	-	-	-	-	-	-	-	-	7	160
System Maximum Demand (megawatts)	1043	1138	1160	1183	1195	1238	1280	1281	1281	1253
No. of Consumers (in Lakhs)	13.46	14.47	15.52	16.46	17.21	17.89	18.28	18.77	19.49	20.19

Major Statistics : 2004 – 2005

Generating Capacity	Budge Budge Generating Station	500	MW
	Southern Generating Station	135	MW
	Titagarh Generating Station	240	MW
	New Cossipore Generating Station	100	MW
132/33 KV Substations	Installed Capacity	1732	MVA
Distribution Stations	Number of Stations	82	
	Transformer Capacity	2327	MVA
LT Substations	No. of AC Substations	4688	
	Transformer Capacity	1512	MVA
	No. of DC Substations	27	
	DC Substations Capacity	25.4	MW
Transmission/Distribution Network (Circuit KM.)			
Transmission Lines			
	132 KV UG	186	Ckt. Km.
	132 KV OH	81	Ckt. Km.
	33 KV UG	1020	Ckt. Km.
	33 KV OH	92	Ckt. Km.
	20 KV UG	50	Ckt. Km.
HT Distribution	11 & 6 KV UG	3534	Ckt. Km.
	11 & 6 KV OH	77	Ckt. Km.
	3.3 KV UG	21	Ckt. Km.
LT Distribution	UG	5402	Ckt. Km.
	OH	4223	Ckt. Km.
Additions During the Year			
132/33 KV Substations	25.0 MVA	LT UG Mains	90 Ckt. Km.
Distribution Stations	18.5 MVA	LT OH Mains	44 Ckt. Km.
LT AC Substations	39.1 MVA	33 KV UG	25 Ckt. Km.
No. of LT Services	22114 NOS	6 KV UG	57 Ckt. Km.
No. of HT Services	25 NOS	11 KV UG	10 Ckt. Km.
No. of EHT Services	2 NOS		

Abbreviations : MW – Megawatt, MVA – Megavoltampere, KV – Kilovolt, UG – Underground, OH – Overhead, Ckt. Km. – Circuit Kilometre

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	21-31411
State Code	21
Balance Sheet Date	31 March, 2005

II. Capital raised during the year

(Amount in Rupees Lakhs)

Public Issue	Nil	Rights Issue	8,26.52
Bonus Issue	Nil	Private Placement	Nil

III. Position of mobilisation and deployment of funds

(Amount in Rupees Lakhs)

Total Liabilities	4147,30.14	Total Assets	4147,30.14
Sources of Funds		Application of Funds	
Paid up Capital	75,04.24	Net Fixed Assets	3842,66.23
Reserves and Surplus	1464,12.83	Investments	31,44.17
Secured Loans	1659,74.57	Net Current Assets	262,47.18
Unsecured Loans	507,43.30	Miscellaneous Expenditure	10,72.56
Other Funds	440,95.20		

IV. Performance of the Company

(Amount in Rupees Lakhs)

Turnover (including Other Income)	2387,09.40	Total Expenditure, Special Appropriation, and Provision for Taxation	2239,89.35
Profit after Special Appropriation and Provision for Taxation			147,20.05
Earnings Per Share (Rs.)	20.48	Dividend Rate (%)	25%

V. Generic Names of Principal Products / Services of the Company

(As per monetary terms)

Item Code No.	Not specified	Product Description	Electricity
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Head Office

CESC House
Chowringhee Square
Kolkata 700 001
Phone : (033) 2225-6040 (10 lines)
Fax : (033) 2225-5155
E-Mail : cesc@cesc.co.in
Website : www.cesc.co.in

Generating Stations

Budge Budge

Vill. & P.O. - Pujali
24 Parganas (S), PIN : 743 319
Phone : 2482 2957, 2482 1708

New Cossipore

28 Jheel Road, Kolkata 700 002
Phone : 2556 6695, 2556 6696

Southern

28 Garden Reach Road
Kolkata 700 024
Phone : 2469 6886, 2469 7557

Titagarh

B. T. Road, Titagarh
24 Parganas (N), PIN : 743 188
Phone : 2501 1042, 2553 3392

Regional Offices

Central

CESC House
Chowringhee Square
Kolkata 700 001
Phone : 2225 6040 (10 lines)

Howrah

433/1 G. T. Road (N)
Howrah 711 101
Phone : 2666 9161

North

226A & B APC Road
Kolkata 700 004
Phone : 2555 9815

North Suburban

32 B. T. Road (Opp. Sagar
Dutta Hospital)
Kolkata 700 058
Phone : 2553 7582

South

6 Mandeville Gardens
Kolkata 700 019
Phone : 2440 6470

South-West

P-18 Taratolla Road
Kolkata 700 088
Phone : 2401 4541

Round-the-clock Fault Reporting Centres

Central	1912
North	2351 0588 2351 0590
Howrah	2666 9143 2666 9161 2666 9162
Northern	2556 8606 2556 8628 2556 8673
South	2466 3161 2466 3162 2466 4643
Southern	2412 1679 2412 4584
South-West	2401 4888 2401 0889 2401 4302
West Suburban	2492 7755 2492 0156
North Suburban	2553 7581 2583 9391
Serampore	2652 4585 2662 3738 2662 3453

Customer Relations Dept.

CESC House
Chowringhee Square
Kolkata-700 001
Phone : 2237 3612, 2237 3853

Consumer Grievance Cell

CESC House
Chowringhee Square
Kolkata-700 001
Telefax : 2236 5669