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Inside Cover

West Bengal Chief Minister Shri Buddhadeb Bhattacharjee unveiling the foundation stone of the 250 MW Budge Budge 3rd unit on 27 February 2006. On his left, CESC Vice Chairman Shri Sanjiv Goenka. (inset) Another photograph taken on the same day. From Left: The Chief Minister, Shri Sanjiv Goenka and the West Bengal Power Minister Shri Mrinal Banerjee (extreme right).

Board of Directors

Rama Prasad Goenka, *Chairman*
 Sanjiv Goenka, *Vice-Chairman*
 Pradip Kumar Khaitan
 Brij Mohan Khaitan
 Bhagwati Prasad Bajoria
 Pradip Roy (*Nominee of IDBI*)
 Birenjit Kumar Paul (*Nominee of Govt. of West Bengal*)
 Sudhin Roy Chowdhury (*Nominee of LIC*)
 Ajay Saraf (*Nominee of ICICI Bank*)
 Sumantra Banerjee, *Managing Director*

Company Secretary

Subhasis Mitra

Auditors

Lovelock & Lewes

Solicitors

Khaitan & 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
 Industrial Development Bank of India Ltd.
 Indian Overseas Bank
 Standard Chartered Bank
 State Bank of India
 UCO Bank
 Union Bank of India
 United Bank of India

Notice to Members

Notice is hereby given that the Twenty-eighth Annual General Meeting of the Members of CESC Limited will be held at CITY CENTRE, Royal Bengal Room, DC Block, Sector-1, Salt Lake, Kolkata – 700 064, on Friday, 21 July, 2006 at 10.30 A.M. for the following purposes :

1. To receive and consider the Profit & Loss Account for the year ended 31 March, 2006, 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. B. M. Khaitan who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. B. K. Paul 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. 20,00,000/- payable in two equal instalments plus service tax and reimbursement of out-of-pocket expenses.”

The Register of Members of the Company at Kolkata will remain closed from 10 July 2006 to 21 July 2006, both days inclusive.

Registered Office :
CESC House
Chowringhee Square
Kolkata – 700 001
21 June, 2006

By Order of the Board

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. 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 8 July, 2006.

3. Members holding shares in physical form may intimate the Company necessary particulars for ECS credit of the dividend directly to their bank accounts wherever 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 8 July, 2006. In respect of the 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. B. M. KHAITAN is a renowned industrialist having interest in tea, batteries and engineering industries and has been on CESC's Board of Directors since 1994. He has made significant contribution to the tea industry with which he has been associated for over five decades. He has also been associated with various leading Chambers of Commerce and trade associations. Mr. Khaitan is the Chairman of Williamson Magor & Company Limited, Eveready Industries India Limited and Mcleod Russel India Limited. He is a Director of Jayshree Tea & Industries Limited (also the Chairman of the Remuneration Committee of the Board), Phillips Carbon Black Limited, The Moran Tea Company (India) Limited, Babcock Borsig Limited, Williamson Tea Assam Limited, Doom Dooma Tea Company Limited and Williamson Maknam Limited, U.K. Mr. Khaitan does not hold any share in the Company.

MR. B. K. PAUL, the State Government's Nominee Director since 2002 is a graduate in Electrical Engineering and has been the Managing Director of West Bengal Power Development Corporation Limited (WBPDC). Presently, he is on the Board of Directors of WBPDC, EMTA Steel and Energy Limited and Durgapur Projects Limited. Mr. Paul is the Chairman of the Project Implementation Committee of the Government of West Bengal and also of Project Advisory Committee of Damodar Valley Corporation. Mr. Paul does not hold any share in the Company.

Directors' Report

The Directors have pleasure in presenting the Annual Report and Audited Accounts of CESC Limited for the year ended 31 March, 2006.

Financial Results

	(Rs. in Crores)	
	2005-2006	2004-2005
Profit before Depreciation & Taxation	458	455
Depreciation	(254)	(292)
Profit before appropriations / adjustments	204	163
Special Appropriation Adjustments	(7)	(3)
Provision for taxation	(20)	(13)
Profit before Other Special Appropriation	177	147
Other Special Appropriation	(42)	(21)
Profit after Other Special Appropriation	135	126
Transfer - Other Special Appropriation	42	21
Profit after appropriations / adjustments	177	147

Members will observe from the above results that during the year under review the Company achieved a 20% increase in profit after tax despite a reduction in the average tariff for the second year in succession and inflationary pressure on different heads of operating costs. The improved performance was possible as a result of further progress in various areas of the Company's operation. The Board is happy to report that average tariff has gone down further during the current year in 2006-07 i.e. for the third year in a row now. Details of various measures contributing to the Company's progress outlined above have been referred to later in this Report.

DIVIDEND

The Board is pleased to recommend payment of an equity dividend for the year ended 31 March, 2006 @ 25% or Rs. 2.50 per share on the paid-up equity share capital as on that date, which, if approved at the forthcoming Annual General Meeting, will be paid to those shareholders whose names 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 8 July, 2006. The dividend will be tax free in the hands of the shareholders, but shall be subject to tax thereon payable by the Company.

GENERATION

On the generation front, Plant Load Factor (PLF) of the three pulverized fuel stations at Budge Budge, Titagarh and Southern touched a new high. Six-year old Budge Budge earned the distinction of operating at a PLF ranking very high amongst all power stations in the country. Mainly as a result of excellent performance of its own generating stations, the Company could export more power during the lean period in the year under review, even after meeting the increased system demand. This was possible in a year in which the rate of increase in power import from other agencies could be restricted significantly.

Members may be aware that the normal life of a thermal power plant is around 30 years, while New Cossipore generating station, set up way back in 1949, is now 57-year-old. Due to meticulous maintenance, this vintage unit is still contributing around 100 MW of power during the peak demand period and lending support to the satisfactory power supply position in the Company's licensed area. The other reason behind the steady performance of the Company's generating stations was greater reliability in coal supply. The captive coal mine at Sarshatali near Asansol could supply more than half of the Company's coal requirement and helped the Company during the year to further reduce its dependence on coal supplies from external agencies.

SALES

Sales volume during the year recorded a growth of 387 MU compared to the previous year. In addition, there was an increase of 258 MU in export sale, thus aggregating a volume increase of 645 MU. Significantly, all sections of consumers contributed to the growth in sales volume. Double digit growth was recorded in high end domestic category – a confirmation of the earlier trend of more power usage by consumers in that segment. The Company will pursue its efforts to sustain the encouraging trend of growth in sales.

TARIFF

The Board is pleased to report that, despite all – round price increases, the Company is operating with a lower average tariff structure for the third successive year. Tariff for the current year i.e. 2006-07 has, on an average, gone down by 6 paise per unit, the main beneficiary being large industrial consumers whose tariff has been reduced significantly. The average tariff has gone down by around 10% per unit over the last three years. The Board hopes that Members will share its sense of satisfaction for such a significant tariff reduction. This position could be achieved due to further improvement in the Company's efficiency level in key areas. As a result, own generation increased, transmission and distribution loss dropped further, employee productivity picked up

and interest cost saving was significant. These developments helped the Company performing well during the year under review even with a reduced tariff structure.

CONSUMER SERVICE

CESC has always been aware that improving consumer service has to be an ongoing process and there is no room for any complacency. Across the organization, special consumer-friendly initiatives have been taken in recent years. Senior company officials regularly meet large consumers as part of their constant efforts to upgrade the standard of consumer service. A sustained awareness program has been undertaken seeking consumers' support in making available quality power at reasonable rates. Several schools have been covered with a view to making the children aware of the do-s and don't-s as users of electricity. The Company plans to pursue these efforts more vigorously in future.

The Company makes endeavour to provide smooth power supply to its consumers. However, despite all ongoing measures for improving the quality of supply, interruption cannot be eliminated altogether. Unfortunately, instances of damage to our underground cable by other agencies doing excavation work resulting in such interruptions have been on the increase. The Company takes all possible steps for quick restoration of such faults. With that objective, a round-the-clock computerized call centre has been set up to receive consumer reports/complaints centrally for faster action. Three of the ten districts in the Company's licensed area have already been covered under the call centre network. The remaining seven are also proposed to be included as early as possible. In view of the expansion plans, special focus on strengthening the transmission and distribution network continues, with substantial additions made during the year under review and further investments already lined up.

Many Members of the Company are also its consumers. They are aware of the more informative new bill format introduced for low tension consumers. The other consumer-friendly steps taken recently include more spacious and comfortable cash offices, receipts given to consumers across the counter for cheque payments, easy availability of duplicate copy bills from sixteen cash offices, in addition to the six regional offices, and same day supply reconnection if defaulted bills are settled by 3 PM. The Company will continue its efforts to be innovative in upgrading the quality of consumer service.

ENVIRONMENT

CESC has all along been conscious of the need to protect the environment. Substantial costs incurred every year for environment-friendly measures are considered as investments for promoting a better environment.

Emission level at CESC power stations is an example of the results achieved by sustained efforts made by the Company in this direction. By a process of continuous monitoring, emission level at CESC generating stations could be restricted to around half of the prescribed limits. Extra care has been taken to regulate the emission level at New Cossipore as it is the oldest station in the Company's stable. For the first time in the history of power stations in India, wet electrostatic precipitator technology has been adopted there. Use of such a sophisticated technology has successfully brought down the emission level at New Cossipore below the allowable limit. It is a matter of great satisfaction that, despite being so old a power house, New Cossipore poses no threat to the environment.

Another area which has all along been attracting special focus in CESC is ash utilization. All thermal power stations produce large quantum of ash. Its disposal in a densely populated area without spoiling the environment is no mean task. Here also, Members will be happy to note that CESC has done rather well. Entire ash generated at the Company's stations has been utilized. What is more important, utilization of such ash by conversion to value-added products has recorded a substantial increase during the year under review. The Company proposes to pursue its efforts to step up such conversion in future.

Members are aware of the high water pollution level in the Hooghly river for various reasons. Over the years, CESC has taken special steps to ensure that water used by its generating stations does not add to the pollution in the Hooghly river. The Board is happy to report that the entire water used by Budge Budge, by far the largest generating unit of the Company, is now recycled. The level of water recycling at Titagarh and Southern generating stations was 30% and 60% respectively during the year under review. Constant efforts are being made to recycle more water at these two stations.

PILFERAGE

Large scale power pilferage, an all-India phenomenon, is one of the reasons of financial instability of a part of the power sector. Members will recall that, not too long ago, the high level of pilferage was a cause for concern to the Company. Some years back, the Company decided to take this menace head-on and deployed large manpower and other resources. The Board is happy to report that as a result of relentless efforts, supplemented by protracted publicity campaign, transmission and distribution loss, of which pilferage is the main component, has recorded about 7% decline over a 5-year period. The Board would like to record its appreciation of the level of dedication the pilferage control personnel have shown over the last few years risking many odds and even ignoring serious physical threats at times.

FUTURE PLANS

The opening up of the power sector is presenting many new opportunities and the Board is happy to report that the Company is well poised to explore these avenues. Members are aware of the project undertaken by the Company to set up the third 250 MW unit at its Budge Budge generating station site, where two units of similar capacity are already in operation. The much - awaited environmental clearance for the project has recently been received. It is expected that orders for various items will be placed later in the year. There is also a proposal in an advanced stage for setting up in the near future a power plant in Haldia, West Bengal. The Company further proposes to leverage its expertise in other thermal power projects and is proactive in its efforts to participate in such projects in other Indian states also.

CESC has a number of large properties as part of its business requirements. An in principle decision has been taken to try and explore unlocking the value of the investments in some such properties without dislocating the business operation in any manner. Considerable progress has already been made in planning the commercial development of a property at Park Circus in the heart of the city of Kolkata. It is proposed to set up there a modern shopping mall in association with a reputable developer. There is another proposal for constructing residential units at the Company's Mulajore property following closure of the generating station there some years back, after the very old financially unviable units posed a threat to the environment.

The Board is happy to report that the Government of West Bengal has approved the Company's proposal to set up a management institute of international standard in the city of Kolkata. Members are aware of the dearth of good management institutes in this part of the country and the Company's initiative is aimed for bridging such a gap in providing quality management education.

HUMAN RESOURCES

CESC is a large organisation where most of the employees develop their working skill after joining the Company. Added to this, is the group of professionals at various levels to provide necessary guidance to the workforce. The nature of the Company's business presupposes sound work expertise, effective teamwork and unstinted dedication. To ensure this, the Company has an elaborate HR system to promote a safe, competitive and transparent work environment. Individual excellence is recognised and camaraderie is respected in CESC. As a result, employees enjoy a sense of pride in their association with the Company and industrial relation is congenial. CESC's HR initiatives will continue to treat the employees as the most valuable corporate asset.

ISSUE OF NEW SECURITIES

During the year, the Company made the second offering of Global Depositary Receipts (GDRs) and issued 79,30,685 GDRs representing 79,30,685 Equity Shares at a price of US \$5.0437 equivalent to Rs.222 per GDR. The Company also allotted during the year 20 lakh Equity Warrants to the management group with an option to subscribe for 20 lakh Equity Shares of Rs.10 each at a price of Rs.216.68 per share within 12 March 2007.

DEPOSITS

The balance of deposits as on 31 March, 2006 was Rs. 144.13 crores. 1339 deposits aggregating to Rs. 1.43 crores remained unclaimed as on 31st March, 2006. Out of these, 44 deposits totalling Rs. 0.05 crores have since been paid and, for the balance amount, necessary instructions are awaited from the depositors.

DIRECTORS

The Board regrets to record the demise of Mr. P. B. Ghosh, a Director of the Company since 1982, who passed away on 22 November, 2005. Mr. Ghosh had a long and illustrious association with the Company spanning over a period of almost 50 years and had been its Managing Director from 1989 to 1993. The Board has placed on record its appreciation for the very valuable services rendered by Mr. Ghosh to the Company.

Mr. Ajay Saraf was appointed by ICICI Bank Limited as its nominee in place of Mr. K. M. Jaya Rao, effective 28 November, 2005. The Board places on record its appreciation of the valuable contribution made by Mr. Jaya Rao during his tenure as a Director.

Mr. B. M. Khaitan and Mr. B. K. Paul 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.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgement 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.

COST AUDIT

Messrs. Shome & Banerjee, Cost Accountants, were appointed to conduct the audit of the cost accounting records of the Company for the year under review. They are proposed to be reappointed as Cost Auditors for the year 2006 - 07.

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 part of this Report.

PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished under Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are given in Annexure 'D' to this Report.

ACKNOWLEDGEMENT

The power sector in India is going through a period of significant changes. There are threats of competition, uncertainties surrounding unbundling and anxieties arising from regulatory changes. Fortunately, CESC could foresee the changes and has been able to move with time. Fresh approaches, new strategies and updated systems have been adopted in recent years. Improved efficiency, lower costs and increased returns have resulted from such initiatives. The Board considers that for a 109-year-old organization, these are commendable achievements. Your Directors conclude this report by placing on record their thanks and appreciation to all sections of employees and business associates for their invaluable support during an eventful year.

On behalf of the Board of Directors



R. P. Goenka

Chairman

Kolkata, 21 June, 2006

Annexure 'A' to Directors' Report

REPORT ON CORPORATE GOVERNANCE

Company's philosophy on code of governance

Over the years, CESC has been endeavouring to embrace the highest standard of Corporate Governance norms in order to serve and protect the long term interests of its consumers, shareholders and other stakeholders. Thriving for continuous improvement has ensured that the Company is fully compliant with the revised Corporate Governance standard. The adoption of such standard has significantly upgraded the level of transparency and efficiency across the organization in a public utility like CESC. The resultant benefits have been reflected in the recent financial results showing phenomenal improvement achieved by the Company.

CESC's Corporate Governance philosophy is based on the following principles :-

- enhancement of operational efficiency and optimum utilization of available resources for obtaining organizational growth and consumer satisfaction,
- recognizing and responding to the aspirations of the consumers, shareholders and other stakeholders by adopting a fair play approach, and
- adherence to the standards of organizational ethics and values developed over a century of its existence.

Board of Directors

- The Board comprises of ten members including three nominees of the Indian Financial Institutions and one nominee of the Government of West Bengal.
- In order to maintain independence of the Board, Independent Directors constitute more than one third of the Board's strength and composition of the Board is in conformity with applicable listing requirements.
- Managing Director is the only member of the Board holding executive position in the Company.

Meetings

- All the meetings of the Board are duly convened, held in Kolkata and the items of business to be considered at the meeting with detailed explanatory notes are circulated well in advance.
- During the year, CESC Board met five times on 29 April, 24 June, 29 July, 26 October in 2005 and on 31 January, 2006.
- Functional heads remain present at the meetings for providing relevant inputs in respect of the items discussed by the Board at its meetings. Reports on the compliance status of all applicable laws are periodically reviewed.

Details of the Directors, their Directorships/ Chairmanships/Memberships in Board Committees of other public companies as on 31 March, 2006 based on declaration provided by them from time to time and their attendance at the Board meetings and at the last Annual General Meeting of the Company are as under :

Directors	Other Directorship and Chairmanship/ Membership of Board Committees in other Companies			No. of Board Meetings attended	Attendance at Twenty - seventh AGM
	Director	Member	Chairman		
Mr. R. P. Goenka, Chairman	4	–	–	1	No
Mr. S. Goenka, Vice Chairman	12	2	1	5	Yes
Mr. P. K. Khaitan	12	8	1	4	Yes
Mr. B. M. Khaitan	11	–	1	5	Yes
Mr. B. P. Bajoria	6	2	–	4	Yes
Mr. S. Roy Chowdhury (Nominee of Life Insurance Corporation of India)	2	–	–	4	Yes
Mr. P. Roy (Nominee of Industrial Development Bank of India Limited)	4	2	–	5	Yes
Mr. K. M. Jaya Rao (Nominee of ICICI Bank Limited upto 28 November, 2005)	5	–	–	2	Yes
Mr. P. B. Ghosh (expired on 22 November, 2005)	–	–	–	3	Yes
Mr. B. K. Paul (Nominee of Govt. of West Bengal)	3	–	–	3	No
Mr. A. Saraf (Nominee of ICICI Bank Limited w.e.f. 28 November, 2005)	3	2	1	1	N.A.
Mr. S. Banerjee, Managing Director	8	2	–	5	Yes

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

The Company has a number of Committees that met during the year for transacting the business assigned to them. Details of the Committees relevant for the purpose of Corporate Governance disclosure are stated below :-

Audit Committee

- Mr. S. Goenka, Mr. S. Roy Chowdhury and Mr. A. Saraf are members of the Audit Committee and Mr. B. P. Bajoria, an Independent Director, is its Chairman.
- Mr. A. Saraf was appointed a member of this Committee in place of Mr. K. M. Jaya Rao, ICICI's erstwhile nominee on the Board, with effect from 31 January, 2006.
- The members of the Committee have adequate knowledge, requisite expertise and experience in financial and accounting matters and the constitution of the Committee is in accordance with the applicable requirements.
- During the year 2005-06, the Committee met on 29 April, 24 June, 29 July, 26 October, 2005 and 31 January, 2006 to review the draft financial statements for the year 2004-05 and quarterly/half-yearly results for 2005-06 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 attended all the meetings, Mr. Bajoria and Mr. Roy Chowdhury attended four meetings each, while Mr. Jaya Rao attended two meetings of the Audit Committee.
- Senior executives including heads of finance and internal audit and the Statutory Auditors were invited to the Audit Committee meetings.
- The broad terms of reference of the Audit Committee are :
 - (a) Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
 - (b) Reviewing with the management the internal control systems, internal audit functions, observations of the auditors, periodical financial statements before submission to the Board.
 - (c) Recommendation of matters relating to financial management and audit reports.
 - (d) The Committee is authorised to investigate into matters contained in the terms of reference or 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.

Investors' Grievance Committee

- This Committee comprises Mr. S. Goenka and Mr. S. Banerjee with Mr. Goenka as its Chairman.
- During the year 2005-06, the Committee met on 22 April, 30 June, 16 September, 28 November, 2005 and 6 February, 2006 and the meetings were attended by both its members.
- 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 approving share/debenture transfers and for dealing with matters connected therewith, to the Company Secretary who is the Compliance Officer also.
- During the year 2005-06, 37 investor complaints were received, all of which have been resolved/redressed. Investor services have always been given top priority by the Company. The standard of satisfactory service provided by the Company is reflected by the small number of investor complaints received during the year despite having a large shareholder base.

Remuneration Committee

- Non-executive Directors draw sitting fees at the rate of Rs.20,000/- for attending each meeting of the Board or Committee thereof and do not draw any other remuneration from the Company.
- The Remuneration Committee set up to determine the remuneration package of the Managing Director consists of Mr. B. P. Bajoria, Mr. P. Roy and Mr. P. K. Khaitan, as the Chairman of the Committee.
- The Committee met on 24 June, 2005 to consider a revision in the terms of remuneration of Mr. S. Banerjee, Managing Director, the only executive on the Company's Board. The revised 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. Crores)
Salary	0.24
Contribution to Pension and Provident Funds and Gratuity	0.08
Estimated value of other benefits	0.15
Total :	0.47

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

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-fifth	2003	Kala Mandir 48 Shakespeare Sarani Kolkata – 700 017	19 September, 2003	10.30 A.M.	Two
Twenty-sixth	2004	City Centre, Royal Bengal Room, DC Block, Sector-1, Salt Lake, Kolkata-700 064	30 July, 2004	10.30 A.M	None
Twenty-seventh	2005	-Do-	29 July, 2005	10.30 A.M.	One

- During the year 2005-06, the Company has obtained the approval of its members by passing the following Resolutions by Postal Ballot in accordance with the procedure laid down under the applicable laws. Mr. P. L. Agarwal, Partner of Khaitan & Co., was appointed Scrutinizer by the Board.

Date of passing Resolution	Subject Matter	Votes Cast	
		In favour %	Against %
22.06.2005	Special Resolution for alteration of the Objects Clause of the Memorandum of Association of the Company.	99.98	0.02
	Special Resolution for commencement of new business by the Company.	99.98	0.02
	Special Resolution for new issue of securities.	99.98	0.02
01.09.2005	Special Resolution for preferential issue of Warrants convertible into Equity Shares.	99.90	0.10
26.09.2005	Special Resolution for allowing Foreign Institutional Investors to hold upto 49% of the paid-up Equity Share Capital of the Company.	99.97	0.03

Disclosures

- ◆ Details of transactions of a material nature with any of the related parties as specified in Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India have been reported in Note 22 of Schedule 13 attached to the Accounts. There is no transaction of a material nature with any of the related parties which was in conflict with the interests of the Company.
- ◆ There has been no pecuniary relationship or transaction of the Non-executive Directors vis-à-vis the Company during the year.
- ◆ There has been no instance of non-compliance of any legal requirements nor has there been any 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.
- ◆ CEO / CFO certificate as required in terms of the Listing Agreements has duly been submitted to the Board.
- ◆ The non-mandatory requirements, to the extent followed / pursued by the Company, have been stated in this Report.

Means of Communication

- Shareholders' meetings of CESC provide a platform for a two-way communication between the CESC 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 for improvement of the Company's working.
- 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

28th Annual General Meeting : Friday, 21 July, 2006 at 10.30 A.M. at
CITY CENTRE, Royal Bengal Room, DC Block,
Sector-1, Salt Lake, Kolkata – 700 064

Financial Year : 1 April to 31 March

Financial Calendar :

Board/Committee Meetings for approval of :	Expected dates
January-March 2006 Quarterly Results	28 April, 2006 (held)
April-June 2006 Quarterly Results	21 July, 2006
July-September 2006 Quarterly Results	Within 31 October, 2006
October-December 2006 Quarterly Results	Within 31 January, 2007

Book Closure : 10 July to 21 July, 2006 (Both days inclusive)

Dividend Payment Date : 24 / 25 July, 2006

Proceeds from New Issues

In order to raise additional resources to finance the Company's fund requirements for its future expansion projects, the Company, during the year, issued 20 lakh Equity Warrants to the Management Group on a preferential basis, with an option to subscribe within 12 March, 2007 for 20 lakh Equity Shares of Rs. 10/- each at a price of Rs. 216.68, of which 10% had been received while allotting the Warrants. The Company also issued 79,30,685 Global Depository Receipts (GDRs) representing equivalent number of Equity Shares in order to finance, in part, the new generating unit at Budge Budge, to strengthen its transmission and distribution network and for general corporate purposes. As on 31 March, 2006, 74,35,000 GDRs were outstanding.

Proceeds from the aforesaid issues have been invested in short term deposits with scheduled banks, pending utilization for the purposes for which the respective issues have been made.

Listing on Stock Exchanges

- CESC Shares are listed on
- The Calcutta Stock Exchange Association Ltd. (Stock Code 34 – Physical and 10000034 – Demat)
 - Bombay Stock Exchange Ltd. (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 2006-07.

- The GDRs are listed on the Euro MTF of the Luxembourg Stock Exchange.

Market Price Data

(Rs.)

Month	Calcutta Stock Exchange (CSE)		Bombay Stock Exchange Limited (BSE)		National Stock Exchange (NSE)	
	H	L	H	L	H	L
April, 2005	202.85	180.45	202.35	180.25	205.55	179.05
May, 2005	189.90	174.90	192.10	174.90	196.50	165.25
June, 2005	212.05	191.55	211.70	191.30	218.25	185.60
July, 2005	222.80	203.15	222.95	203.60	225.80	200.05
August, 2005	226.60	207.95	229.80	209.20	234.90	204.50
September, 2005	244.25	213.80	244.80	213.10	248.75	202.00
October, 2005	232.90	180.35	232.50	180.30	235.95	179.10
November, 2005	232.80	190.15	239.70	190.15	242.40	187.45
December, 2005	228.80	211.25	228.45	211.05	231.65	209.50
January, 2006	260.40	235.90	260.20	234.60	277.20	226.80
February, 2006	278.95	256.25	277.30	249.85	283.00	247.00
March, 2006	343.55	270.35	343.35	270.05	357.00	267.50

Share price performance compared with broad based indices :

		CSE	BSE	NSE
Company's Share price	- on 1 April, 2005	196.10	196.45	196.10
	- on 31 March, 2006	337.35	343.35	343.20
	- Change	(+) 72.02%	(+)74.78%	(+)75.01%
Indices	- on 1 April, 2005	3883.70	6605.04	2067.65
	- on 31 March, 2006	5739.47	11279.96	3402.55
	- Change	(+) 47.78%	(+)70.78%	(+)64.56%

Registrars

- Intime Spectrum Registry Limited, 59C, Chowringhee Road, 3rd Floor, Kolkata – 700020 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 improved 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. As on 31 March 2006, about 78% of the total number of Equity Shares of the Company were in dematerialized form.

Risk Management

In view of the nature of industry CESC is engaged in, the Company had all along been conscious of the risks associated with the nature of its business. During the year, the Company has formulated a Risk Management Framework for laying down procedures to inform Board members about the risk assessment and minimization procedures. A Committee of senior management personnel carried out risk identification, risk assessment and risk treatment procedures for all functions of the Company which are being reviewed on an ongoing basis.

Code of Conduct

During the year under review the Company had adopted a Code of Business Conduct and Ethics for members of the Board and Senior Management Officers relating to their duties and responsibilities, conflict of interest, corporate opportunities, statutory compliance, financial reporting and records, integrity of data furnished, confidentiality and behaviour. A declaration signed by the Managing Director to the effect that all Directors and Senior Management Officers have affirmed compliance during the year 2005-06 of the provisions of the Code is attached to this Report.

Policy on Insider Trading

- In accordance with SEBI Regulations on Insider Trading, a Code of Internal Procedures for trading in CESC securities introduced earlier is already in place.
- 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, non-disclosure of price sensitive information, adherence to laid down procedures, reporting requirements and penalty.
- Mr. R. P. Goenka, Mr. S. Goenka, and Mr. S. Banerjee hold 30073, 133318 and 4000 Equity Shares of Rs.10 each respectively of the Company. No other Director holds any share in the Company.

Shareholding Pattern as on 31 March 2006

Category	Shareholding	
	No.	%
Management Group/ Families	32521578	39.51
FIs, Banks, Mutual Funds	12406578	15.07
FIs	15798500	19.19
NRI/OCB/Foreign Banks/Non Resident Individuals	11110666	13.50
Private Body Corporate	4891151	5.94
Individuals/Others	5589038	6.79
TOTAL	82317511	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 plant locations and 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 Agreements, the Auditors' Certificate on compliance of the Corporate Governance norms is attached.

On behalf of the Board of Directors



R.P. Goenka
Chairman

Kolkata, 21 June, 2006

DECLARATION

As required under the relevant provisions of the Listing Agreements entered into by the Company with the Stock Exchanges, it is confirmed that all the Directors and Senior Management Officers have affirmed compliance of the Code of Business Conduct and Ethics during the year 2005-06.



S. Banerjee
Managing Director

Kolkata, 21 June, 2006

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of CESC Limited

We have examined the compliance of conditions of Corporate Governance by CESC Limited, for the year ended 31st March 2006, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreements), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We 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
Date : 21st June, 2006

Annexure 'B' to Directors' Report

MANAGEMENT DISCUSSION & ANALYSIS

□ Industry Structure and Developments

The development of a country like India is to a large extent dependent on the growth of its electricity industry to facilitate industrialization as also for better living of its citizens.

Prior to independence, the Indian Electricity Act, 1910 used to regulate the electricity industry in our country. Post independence, the Electricity (Supply) Act, 1948 was enacted and the state electricity boards were formed to regulate the supply of electricity in the states. A few licensees, like CESC, were allowed to continue their business. The growth of industrialization necessitated further upgradation of the electricity utilities and large power generating entities were set up by the Central Government to supplement the efforts of the State Governments. The joint efforts of the Central and the State Governments however, could not cope up for long and a need to restore this sensitive infrastructure was very critically felt. As a result, the Electricity Regulatory Commissions Act, 1998 was enacted to establish independent regulatory commission at the Centre and in the States to regulate tariff for the then monopolies in the field.

Subsequently, it was felt that although regulation is necessary for monopoly organizations, it was also important to induct competition for increasing efficiency and the Electricity Act, 2003 was enacted. This Act aimed at disaggregation of the sector by its functions e.g. generation, transmission, distribution and trading in electricity as also delicensing generation, providing open access through the network of the transmission and distribution service providers and gradual reduction of cross subsidy in Tariff. The Act of 2003 repealed all the three earlier Acts.

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. It has also framed the Tariff Policy in January 2006, inter alia, in an effort to make electricity availability to the consumers at reasonable and competitive rates, ensure financial viability of the sector, attract investments and promote competition, efficiency in operation and quality of power supply.

□ Opportunities and Threats

The cross subsidy burden in the tariff has so far been making grid power unpopular and has been encouraging establishment of

captive generating units. This has been a threat to the power utilities. The gradual phasing out of the cross subsidy as contemplated in the Electricity Act, 2003 would make grid power competitive. The signs of such popularity for grid power are already visible as tariff for bulk consumers has already started to fall and industries may be expected to continue with the grid power. Open access through the transmission network has made export of excess power possible and CESC has utilized that opportunity. By 2009, open access through distribution is expected to be provided for consumers drawing power more than 1 MW. This may result in greater efficiency in the area of power distribution.

□ Segmentwise or product-wise performance

The only reportable segment in which CESC operates is 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.

□ Outlook

The Indian Electricity Industry has been witnessing a major shift from the monopolistic to competitive environment. Phasing out cross subsidy and improved performance provide impetus for optimism. CESC has been improving its efficiency in all parameters like increased generation, consistent reduction in distribution losses, lower interest burden and effective utilization of available manpower. With such progressive improvement in operations reflecting in better financial performance, the Company has made significant progress in its plan to add to its generating capacity by a third 250 MW Unit at Budge Budge generating station.

□ Risks and Concerns

As a distribution licensee, CESC operates under a regulatory regime whereby its tariff is periodically fixed by an independent regulatory authority.

CESC is engaged in an industry where coal plays an important role. The Company's operations are dependent to a large extent on the uninterrupted supply of appropriate quality of coal. CESC sources significant part of its coal requirement from Sarshatali coal mine, a dedicated supplier to CESC. In order to meet environmental norms, a coal washery is under construction at Sarshatali for beneficiation of the coal raised.

Recognizing the needs associated with various facets of the business of the Company, CESC has formulated a Risk Management Framework and constituted a Committee comprising of the functional heads of all its divisions in order to identify and assess each major risk associated with the business of the Company for taking remedial measures and introduce appropriate minimization process.

Internal Control System

CESC has in place an established internal control system designed to ensure proper recording of financial and operational information and compliance of various internal controls and other regulatory and statutory compliances.

The Internal Audit department independently carries out periodic reviews and audit of transactions of the Company to make necessary assurance reporting to the higher level of management as well as to the independent Audit Committee of the Board of Directors. The scope of internal audit activity is broadly guided by the audit plan developed on the basis of feedback from the functional divisions to cover all areas of potential risk.

The Audit Committee of the Board considers the internal audit reports periodically, supervises financial reporting process and

recommends steps to be taken for improvement of operational efficiencies as well as minimization of risk factors.

Financial Performance

During 2005-06, the Company earned a total income of Rs. 2590 crore (Rs. 2387 crore). The net profit after tax for the year was Rs. 177crore (Rs. 147 crore).

Operational Performance

The Company continued to perform well in all areas of its operation especially in terms of generating capacity utilisation and reduction of distribution loss.

Industrial Relations

The Company continued to maintain a healthy and congenial relation during the year with its employees at all levels.

On behalf of the Board of Directors



R.P. Goenka

Chairman

Kolkata, 21 June, 2006

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, 2006.

A. Conservation of Energy

1. Energy conservation measures taken –
 - i) Installation of Capacitor Banks in transmission and distribution system.
 - ii) Progressive change over of DC supplies to AC for medium / low voltage consumers.
 - iii) Augmentation/reorganization of power distribution network so as to relieve the loaded section by installing new plant & equipment.
 - iv) Replacement of large age-old rectifier transformers by smaller capacity transformers with bridge rectifiers, commensurate with the declining DC load.
 - v) Installation of energy efficient lamps and luminaires.
 - vi) Upgrading primary distribution voltage from 6 kV to 11 kV.
2. Additional investment / proposals –
 - i) Capacity augmentation of 132 kV substation at Botanical Garden to improve security of supply in the area.
 - ii) Capacity augmentation of 132 kV substation at Majerhat in hand.
 - iii) Installation of ABT metering system, for high accuracy import / export metering, initiated for all the import points of which work on two points were completed during the year and rest are in progress.
 - iv) Electromechanical 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.
 - v) DC electromechanical meters continued to be replaced with electronic meters. Old static meters for bulk consumers were replaced with new version static meters equipped with improved tamper detection features.
 - vi) Old electro mechanical meters in 132 kV and 33 kV networks for statistical metering replaced in phases with superior quality static meters.
 - vii) Part of obsolete, hazardous 33 kV switchboard at Belur Receiving Station replaced by modern switches.

3. Impact of the measures –

Impact of the measures as outlined under items 1 & 2 above may be set out as follows :

- i) Minimising the component of transmission and distribution losses arising on account of change in load mix with a bias towards the low and medium voltage supplies.
- ii) Higher accuracy metering in bulk power import, tariff metering as well as statistical metering facilitate more effective energy audit and better control in overall reduction of transmission & distribution loss.
- iii) Reduction in safety hazards and improved operational flexibility.

B. Technology Absorption

- i) Residual Life Assessment of 132 kV Cable and 132/33 kV Transformer was carried out on an experimental basis.
- ii) Action initiated to introduce Gas Insulated Ring Main Units in HV Distribution System.
- iii) Automated Meter Reading of Distribution Transformers introduced for energy audit.
- iv) Benefits Derived
Improved utilization of material and manpower, reduction in safety hazards and down time and better consumer services.
- v) Research & Development
R & D activities were oriented towards improvements in various operational functions.

C. Foreign Exchange Earnings & Outgo

There has been no Foreign Exchange earning during the year. The Foreign Exchange outgo during the year amounted to Rs. 332.79 crore which included repayment of principal and finance charges on Foreign Currency loans, import of equipment, GDR issue expenses, dividend to non-resident shareholders, fees to U.K. 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, 21 June, 2006

Annexure 'D' to Directors' Report

Particulars of Employees under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the year ended 31 March, 2006.

Employed throughout the year :

Name	Age (years)	Nature of duties / Designation	Remuneration (Rs.)	Qualification	Experience (Years)	Date of commencement of employment	Last employment held
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. Banerjee	56	Managing Director	47,23,864	B.Tech (Hons.), MS (USA), MBA (USA)	33	15.04.1992	Spencer & Co. Ltd., Director
D. Guha	61	Executive Director (Programme Implementation)	24,63,668	B.E., AMIE	40	03.01.1966	—

- Notes :**
- (i) Remuneration as shown above includes salary, residential assistance, allowances, contribution to Provident, Gratuity and Pension Funds and taxable value of perquisites.
 - (ii) Both the appointments are contractual.
 - (iii) Neither of the above employees is related to any Director of the Company.
 - (iv) The date of commencement of employment of Mr. D. Guha relates to his employment with the Calcutta Electric Supply Corporation Limited, the Amalgamating Company, and he became the employee of the Company with effect from 2 April, 1979.

On behalf of the Board of Directors



R.P. Goenka
Chairman

Kolkata, 21 June, 2006

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 2006 and the related 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. 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 statement 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 Companies Act, 1956 of India ('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 our audit, we give in the attached Annexure, a statement on matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - i. 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.
 - ii. 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.
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv. 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'
 - v. On the basis of written representations received from the directors as at 31st March 2006, 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 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of 'The Act'.
 - vi. 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:
 - a. in case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2006;
 - b. in case of the Profit & Loss Account, of the profit for the year ended on that date; and
 - c. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Partha Mitra
Partner

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

Kolkata, 21st June 2006.

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 2006]**

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (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 covered in the register maintained under Section 301 of 'The Act'.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system 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 system.
 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 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 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 2006 which have not been deposited on account of a dispute, are as follows –

Name of the statute	Nature of dues	Amount (Rs. Crores)	Forum where dispute is pending
West Bengal Sales Tax Act, 1994	Sales tax on meter rentals	0.30	Hon'ble High Court at Calcutta
Water (Prevention and Control of Pollution) Cess Act, 1977	Water Cess	0.22	West Bengal Pollution Control Board – Appellate Committee

10. The Company has no accumulated losses as at 31st March 2006 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 public issues (refer Note-16 in Schedule-13) 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, 21st June, 2006.

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

Balance Sheet as at 31st March, 2006

	Schedule No.		As at 31st March, 2006	Rs. in Crores As at 31st March, 2005
I. SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	82.98		75.04
Equity Warrants issued and subscribed (Note 16, Schedule 13)		4.33		—
Reserves and Surplus	2	3,605.87		1,464.13
			3,693.18	1,539.17
Loan Funds				
Secured Loans	3	1,664.40		1,726.10
Unsecured Loans	4	245.55		441.08
			1,909.95	2,167.18
Consumers' Security Deposits			559.55	440.95
			6,162.68	4,147.30
II. APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	8,261.00		6,205.42
Less : Depreciation		2,826.65		2,459.74
Net Block		5,434.35		3,745.68
Capital Work-in-Progress		131.44		96.98
			5,565.79	3,842.66
Investments	6		31.37	31.44
Deferred Tax Asset (net) (Note 19, Schedule 13)		16.43		—
Less : Payable		16.43		—
			—	—
Current Assets, Loans and Advances				
Inventories	7	171.30		142.31
Sundry Debtors		522.41		569.20
Cash and Bank Balances		395.93		165.14
Loans and Advances		142.60		138.02
Deferred Payments		74.98		6.92
		1,307.22		1,021.59
Less : Current Liabilities and Provisions	8			
Current Liabilities		676.10		679.14
Provisions		75.61		79.98
		751.71		759.12
Net Current Assets			555.51	262.47
Miscellaneous Expenditure to the extent not written off or adjusted	9		10.01	10.73
			6,162.68	4,147.30
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 21st June, 2006

Subhasis Mitra
Company Secretary

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

Profit and Loss Account for the year ended 31st March, 2006

	Schedule No.	Rs. in Crores	
		2005-06	2004-05
INCOME			
Earnings from sale of Electricity		2,515.88	2,321.15
Other Income	10	73.63	65.94
		2,589.51	2,387.09
EXPENDITURE			
Cost of Electrical Energy purchased		251.81	225.69
Generation, Distribution, Administration and Other Expenses	11	1,667.12	1,441.74
Interest	12	212.36	264.63
Depreciation		253.85	291.53
		2,385.14	2,223.59
Profit before Special Appropriation Adjustments, Taxation and Other Appropriation		204.37	163.50
Less : Special Appropriation Adjustments for Deferred Payments		6.90	3.45
Profit before Taxation and Other Appropriation		197.47	160.05
Provision for Taxation – Current		(17.25)	(12.85)
– Fringe Benefit Tax		(2.75)	–
– Deferred Tax (net)		16.43	–
Less : Payable		16.43	–
Profit after Taxation		177.47	147.20
Other Special Appropriation		(41.62)	(20.81)
		135.85	126.39
Transfer – Other Special Appropriation		41.62	20.81
		177.47	147.20
Profit / (Loss) brought forward from previous year		–	–
Transfer from			
Contingencies Reserve		–	47.75
Debenture Redemption Reserve		–	12.00
Proposed dividend on Equity Shares		(20.58)	(18.59)
Tax on proposed dividend		(2.89)	(2.61)
Transfer to			
Debenture Redemption Reserve		(1.85)	–
General Reserve		(152.15)	(185.75)
Carried forward to Balance Sheet		–	–
Earnings per equity share (in Rupees) (Face value of Rs. 10 per share)			
Basic		22.65	20.48
Diluted		22.60	20.48

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 21st June, 2006

Subhasis Mitra
Company Secretary

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

Schedules to the Accounts

	As at 31st March, 2006	Rs.inCrores As at 31st March, 2005
SCHEDULE 1 – SHARE CAPITAL		
AUTHORISED CAPITAL		
12,17,50,000 Equity Shares of Rs. 10 each	121.75	121.75
2,82,50,000 Cumulative Redeemable Preference Shares of Rs. 10 each	28.25	28.25
	<u>150.00</u>	<u>150.00</u>
ISSUED CAPITAL		
8,86,17,483 (31.3.2005 - 8,06,86,798) Equity Shares of Rs. 10 each	88.62	80.69
	<u>88.62</u>	<u>80.69</u>
SUBSCRIBED AND PAID UP CAPITAL		
8,23,17,511 (31.3.2005 - 7,43,86,826) Equity Shares of Rs. 10 each	82.32	74.38
Add : Forfeited Shares (amount originally paid-up)	0.66	0.66
	<u>82.98</u>	<u>75.04</u>
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. During the year, the Company has issued 79,30,685 Global Depository Receipts representing 79,30,685 Equity Shares of Rs. 10 each issued at a premium of Rs. 212 per share.		
SCHEDULE 2 – RESERVES AND SURPLUS		
Capital Contributions from consumers as at 1.4.2005	270.21	238.77
Add : Contributions during the year	37.28	31.44
	<u>307.49</u>	<u>270.21</u>
Capital Reserves as at 1.4.2005	–	107.52
Less : Transfer to General Reserve	–	107.52
	<u>–</u>	<u>–</u>
Capital Redemption Reserve	20.13	20.13
Share Premium Account as at 1.4.2005	464.13	422.72
Add : Addition during the year	168.13	41.41
	<u>632.26</u>	<u>464.13</u>
Revaluation Reserve as at 1.4. 2005	255.96	299.86
Add : Net amount added on revaluation of assets as on 31.3.2005	1900.77	–
	<u>2156.73</u>	<u>299.86</u>
Less : Withdrawal on account of depreciation on amount added on revaluation	117.59	42.97
	<u>2039.14</u>	<u>256.89</u>
Less : Withdrawal of the residual amount added on revaluation consequent to sale/disposal of revalued assets	0.85	0.93
	<u>2038.29</u>	<u>255.96</u>
General Reserve as at 1.4.2005	453.20	159.93
Add : Transfer from Profit and Loss Account	152.15	185.75
	<u>605.35</u>	<u>345.68</u>
Add : Transfer from Capital Reserve	–	107.52
	<u>605.35</u>	<u>453.20</u>
Debenture Redemption Reserve as at 1.4.2005	0.50	12.50
Add : Transfer from Profit and Loss Account	1.85	–
	<u>2.35</u>	<u>12.50</u>
Less : Transfer to Profit and Loss Account	–	12.00
	<u>2.35</u>	<u>0.50</u>
Contingencies Reserve as at 1.4.2005	–	47.75
Less : Transfer to Profit and Loss Account	–	47.75
	<u>–</u>	<u>–</u>
	<u>3605.87</u>	<u>1464.13</u>

Schedules to the Accounts (Contd.)

	<u>As at 31st March, 2006</u>	<u>Rs.in Crores As at 31st March, 2005</u>
SCHEDULE 3 – SECURED LOANS		
I. Debentures		
(i) Non-Convertible Debentures of Rs. 10,00,000 each allotted on 14 May, 2001.	22.14	27.68
(ii) Non-Convertible Debentures of Rs. 1,00,00,000 each allotted on 1 February, 2004	199.00	308.64
	<u>221.14</u>	<u>336.32</u>
II. Term Loans		
A. Rupee Loans :		
(i) Banks	423.29	361.38
(ii) Financial and other Institutions	523.01	536.44
(iii) Government of West Bengal	17.88	20.44
	<u>964.18</u>	<u>918.26</u>
B. Foreign Currency Loans :		
(a) International Finance Corporation	172.68	203.87
(b) Asian Development Bank	76.09	82.67
(c) CDC Group plc.	21.36	21.42
(d) Dresdner Kleinwort Wasserstein Limited	–	44.90
(e) ICICI Bank Limited	90.26	–
	<u>360.39</u>	<u>352.86</u>
III. Facilities from Banks :		
(i) Overdraft	73.79	47.75
(ii) Others	44.90	66.36
	<u>118.69</u>	<u>114.11</u>
IV. Deferred Payment Liability :		
(net of future interest as on 31.3.2005 – Rs. 0.35 crores)	–	4.55
	–	4.55
	<u>1,664.40</u>	<u>1,726.10</u>

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, in respect of a foreign currency loan appearing in II B (e) above, creation of such hypothecation security is in process. Further, the foreign currency loan in II B (d) above, repaid in full during the year, was secured by a guarantee furnished by Industrial Development Bank of India Limited, ICICI Bank Limited and IFCI Limited which in turn had security identical to that of the debentures and term loans mentioned above. The hypothecation and mortgage security mentioned above rank pari passu inter se save and except for a rupee loan of Rs. 14.99 crores from a bank, included in II A (i) above, which is secured on a second and subservient charge basis.

Schedules to the Accounts (Contd.)

	<u>As at 31st March, 2006</u>	<u>Rs. in Crores</u> <u>As at 31st March, 2005</u>
SCHEDULE 3 – SECURED LOANS (Contd.)		
2. Facilities from banks in III above are secured by equitable mortgage/hypothecation of fixed assets of the Company and its current assets comprising stock of stores, coal, book debts, monies receivable etc. The said security on current assets ranks prior to and that 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 and fully repaid during the year, was secured by hypothecation of assets acquired under respective schemes in favour of certain banks against their acceptances. Such hypothecation of assets ranked 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 :		
<u>Item No.</u>	<u>Redemption at par</u>	
I(i)	Equal monthly instalments between 2004-05 and 2007-08.	
I(ii)	Equal monthly/quarterly instalments between 2004-05 and 2008-09.	
SCHEDULE 4 – UNSECURED LOANS		
(a) Public Deposits	144.13	146.43
(b) Short Term Loans / Facilities from Banks	39.74	245.10
Interest accrued and due on above	–	0.37
(c) Floating Rate Notes (US\$ 13.75 million repayable in year 2012-13)	61.68	49.18
	<u>245.55</u>	<u>441.08</u>

Schedules to the Accounts (Contd.)

SCHEDULE 5 – FIXED ASSETS											Rs. in Crores	
PARTICULARS	GROSS BLOCK AT COST OR VALUATION					DEPRECIATION				NET BLOCK		
	As at 1st April, 2005	Net Addition on Revaluation	Additions/ Adjustments	Withdrawals/ Adjustments	As at 31st March, 2006	As at 1st April, 2005	Additions/ Adjustments	Withdrawals/ Adjustments	As at 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005	
Land												
Freehold	100.57	706.70	1.00	-	808.27	-	-	-	-	808.27	100.57	
Leasehold	63.02	299.84	-	-	362.86	13.59	1.66	-	15.25	347.61	49.43	
Buildings and Structures												
Freehold	120.33	77.21	3.03	0.01	200.56	37.13	4.87	-	42.00	158.56	83.20	
Leasehold	407.20	(161.35)	0.62	-	246.47	172.38	4.13	-	176.51	69.96	234.82	
Plant and Machinery	3,075.19	588.82	57.77	1.36	3,720.42	1,386.19	167.25	1.07	1,552.37	2,168.05	1,689.00	
Transmission and Distribution System	2,096.70	329.93	62.72	0.27	2,489.08	698.77	152.28	0.20	850.85	1,638.23	1,397.93	
Meters and Other Apparatus on Consumers' Premises	238.85	96.40	24.99	4.23	356.01	115.55	35.41	2.74	148.22	207.79	123.30	
River Tunnel	0.79	4.09	-	-	4.88	0.77	0.26	-	1.03	3.85	0.02	
Furniture	34.06	-	8.77	0.36	42.47	20.45	3.82	0.29	23.98	18.49	13.61	
Vehicles	5.18	-	2.28	0.36	7.10	3.07	0.43	0.23	3.27	3.83	2.11	
Railway Sidings												
Freehold	8.09	(3.46)	0.22	-	4.85	2.85	0.54	-	3.39	1.46	5.24	
Leasehold	55.44	(37.41)	-	-	18.03	8.99	0.79	-	9.78	8.25	46.45	
	6,205.42	1,900.77	161.40	6.59	8,261.00	2,459.74	371.44	4.53	2,826.65	5,434.35	3,745.68	
Previous Year	6,063.23	-	145.84	3.65	6,205.42	2,127.08	334.50	1.84	2,459.74	3,745.68		

Notes : 1. All assets of the Company other than Furniture and Vehicles as at 31st March, 2005 were revalued as at 1st April, 2005 for which net addition as revaluation was Rs. 1900.77 crores. (Note 4, Schedule 13).

2. Cost of Freehold Land includes Rs. 0.66 crores for which execution of conveyance deed is pending.

3. Cost of Leasehold Land includes Rs. 2.61 crores for which transfer of leasehold rights is pending.

Schedules to the Accounts (Contd.)

	As at 31st March, 2006	Rs. in Crores As at 31st March, 2005
SCHEDULE 6 – INVESTMENTS		
LONG TERM		
Trade		
Unquoted :		
16,667 Equity Shares of Integrated Coal Mining Ltd. of Rs. 10/- each, fully paid	0.02	0.02
30000000 1% Cumulative Optionally Convertible Redeemable Preference Shares of Integrated Coal Mining Limited of Rs. 10/- each, fully paid	30.00	30.00
Other than Trade		
Quoted :		
75,000 Equity Shares of SBI Home Finance Limited of Rs. 10/- each, fully paid (Market Value 31.3.05 Rs. 0.16 crores) (Miscellaneous expenses in Schedule 11 include investment written-off during the year)	–	0.07
12,68,558.542 units of UTI - Floating Rate Fund of Rs. 10/- each, fully paid (Market Value 31.3.06 Rs. 1.45 crores; 31.3.05 Rs. 1.37 crores)	1.35	1.35
	31.37	31.44
SCHEDULE 7 – CURRENT ASSETS, LOANS AND ADVANCES		
(a) Inventories		
Stores and Spares	112.72	101.18
Fuel	58.58	41.13
	171.30	142.31
(b) Sundry Debtors		
1. For electricity supplied		
Debts outstanding for a period exceeding six months		
Secured – considered good	14.21	8.78
Unsecured – considered good	58.43	51.26
	72.64	60.04
Unsecured – considered doubtful	15.00	14.72
	87.64	74.76
Other Debts		
Secured – considered good	199.78	169.35
Unsecured – considered good	245.98	336.66
	445.76	506.01
	533.40	580.77
Less : Provision for doubtful debts	15.00	14.72
	518.40	566.05
Note :		
Rs. 22,388 (31.3.05 – Rs. 22,091) due by Directors and Rs. 953 (31.3.05 – Rs. 1,234) 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. 36,262 (previous year – Rs. 28,772) and Rs. 2,633 (previous year – Rs. 1,951) respectively.		
2. For claims and services rendered – unsecured (considered good)		
Debts outstanding for a period exceeding six months		
	1.27	1.84
Other Debts	2.74	1.31
	4.01	3.15
	522.41	569.20

Schedules to the Accounts (Contd.)

	As at 31st March, 2006	Rs. in Crores As at 31st March, 2005
SCHEDULE 7 – CURRENT ASSETS, LOANS AND ADVANCES (Contd.)		
(c) Cash and Bank Balances		
Cash and Cheques in hand	5.79	5.74
With Scheduled Banks on :		
Current accounts	11.86	9.12
Dividend accounts	0.19	–
Short term deposits	378.09	150.09
Margin money deposits	–	0.19
	<u>390.14</u>	<u>159.40</u>
	<u>395.93</u>	<u>165.14</u>
(d) Loans and Advances		
Unsecured – considered good		
Intercorporate Deposit	23.49	24.99
Advances recoverable in cash or in kind or for value to be received (Includes Interest accrued on deposits with banks : 31.3.06 Rs. 5.96 crores; 31.3.05 Rs. 0.47 crores)	82.55	77.35
Deposits with Excise, Port Trust etc.	2.34	2.33
Other Deposits	34.22	33.35
	<u>142.60</u>	<u>138.02</u>
(e) Deferred Payments	<u>74.98</u>	<u>6.92</u>
SCHEDULE 8 – CURRENT LIABILITIES AND PROVISIONS		
(a) Current Liabilities		
Sundry Creditors	196.06	302.18
Other Liabilities	351.66	248.17
Unpaid/Unclaimed dividend	0.19	–
Unclaimed public deposits	1.43	1.90
Interest accrued but not due on loans and debentures	52.16	35.63
	<u>601.50</u>	<u>587.88</u>
Consumers' Benefit account	0.71	0.71
Liabilities on capital account	28.50	40.81
Advance payment received from consumers for capital jobs	45.39	49.74
	<u>676.10</u>	<u>679.14</u>
(b) Provisions		
Taxation	10.98	22.62
Leave encashment	41.16	36.16
Proposed dividend	20.58	18.59
Tax on proposed dividend	2.89	2.61
	<u>75.61</u>	<u>79.98</u>
Notes :		
(i) Sundry Creditors and Liabilities on Capital Account include outstanding dues of small scale industrial undertakings Rs. 1.11 crores (31.3.2005 - Rs. 1.03 crores) out of which, dues outstanding for more than 30 days as on 31.3.2006 - Rs. Nil (31.3.2005 - 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	0.02	0.02
Less : Written off during the year	<u>0.01</u>	<u>–</u>
	0.01	0.02
(b) Share/Debenture/Debt issue expenses	10.71	11.42
Less : Written off during the year	<u>0.71</u>	<u>0.71</u>
	<u>10.00</u>	<u>10.71</u>
	<u>10.01</u>	<u>10.73</u>

Schedules to the Accounts (Contd.)

	2005-06	Rs. in Crores 2004-05
SCHEDULE 10 – OTHER INCOME		
Hire of meters and other apparatus	32.98	32.07
Public lighting maintenance and service connection fees	0.49	0.50
Income from consultancy services	0.03	0.13
Profit on sale of investments	–	–
Income from investments - other than trade - gross	0.31	–
Interest – (net of allocation to capital account; Rs. 4.25 crores, previous year – Rs. Nil) (Tax deducted at source Rs. 2.75 crores; previous year – Rs. 0.37 crores)	9.36	1.75
Miscellaneous income (net of allocation to capital account; Rs. 0.74 crores; previous year – Rs. Nil) (Note 10, Schedule 13)	30.46	31.49
	73.63	65.94
SCHEDULE 11 – GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES		
Cost of Fuel (including freight Rs. 139.25 crores; previous year – Rs. 128.68 crores)	839.64	760.54
Consumption of stores and spares	113.62	103.79
Repairs –		
Building	5.80	5.58
Plant and Machinery	25.18	25.77
Distribution System	32.23	30.12
Others	3.54	2.92
	66.75	
Salaries, wages and bonus	219.12	206.04
Contribution to provident fund and pension fund	15.66	14.89
Contribution to other funds	15.69	17.89
	31.35	
Employees' welfare expenses	12.07	13.99
Compensation under voluntary separation scheme	29.87	29.53
Insurance	5.11	5.01
Rent (including lease rent Rs. 23.36 crores; previous year – Rs. 25.14 crores)	27.63	28.58
Rates and taxes	9.64	8.43
Audit fees	0.14	0.14
Interest on consumers' security deposits	31.62	26.70
Bad debts (net of recoveries Rs. 1.71 crores; previous year – Rs. 1.54 crores)	8.30	11.62
Provision for doubtful debts	0.28	2.14
Cost Adjustments	168.62	59.60
Consultancy division expenses	0.06	0.04
Loss on sale/disposal of assets	0.97	0.25
Miscellaneous expenditure written off	0.72	0.72
Foreign Exchange Rate Variation	57.27	51.92
Foreign Exchange Restatement	74.98	–
Miscellaneous expenses	95.20	96.75
	1,792.96	1,502.96
Less : Allocated to capital & deferred payment accounts	125.84	61.22
	1,667.12	1,441.74
SCHEDULE 12 – INTEREST		
Debentures	29.11	58.94
Fixed loans	142.41	150.17
Fixed deposits from public and others	17.04	16.91
Others	24.83	38.61
	213.39	264.63
Less : Allocated to capital accounts	1.03	–
	212.36	264.63

Schedules to the Accounts (Contd.)

SCHEDULE 13 – NOTES ON ACCOUNTS

1. Pursuant to repeal of the Electricity (Supply) Act, 1948 (ESA), the operations of the Company are governed by the Electricity Act, 2003 and various Regulations and/or Policies framed thereunder by the appropriate authorities. Accordingly the financial statements for the current year have been prepared in terms thereof. However, based on legal advice, the previous year's financial statements were prepared, in terms of the provisions of the ESA which prevailed wherever they were inconsistent with the provisions of the Companies Act, 1956, except incorporation of increase in value of the fixed assets arising from revaluation in earlier years.
2. **Significant Accounting Policies**
 - (a) **Accounting Convention**

These financial statements are prepared in accordance with applicable Accounting Standards in India. A summary of important accounting policies which have been applied consistently, except for item 'd', 'h', 'l' and 'm' are set out below. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956 of India.
 - (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 item '2c' and Note 4 below.
 - (c) **Fixed Assets**

Fixed Assets other than furniture and vehicles as at 31st March 2005 are stated at valuation by an approved valuer at the then current replacement cost after adjustment for depreciation. Subsequent acquisition of these assets and furniture and vehicles are stated at cost of acquisition together with any 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 of revenue earned during trial run and income arising from temporary use of funds pending utilisation. 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. Capital Work in Progress include advances made in respect of capital expenditure.
 - (d) **Depreciation**

In terms of applicable Regulations under the Electricity Act 2003, depreciation on fixed assets other than land is provided on straight line method on a prorata basis at the rates specified, in the Schedule XIV to the Companies Act, 1956. Hitherto, depreciation were provided on straight line method, on assets in existence at the beginning of the year, at the rates specified in the relevant Central Government's Circular. Since tariff for the current year has been determined after taking into consideration such revised depreciation method and rates, the aforementioned change does not have any material impact on the results and net assets of the Company. Additional charge of depreciation for the year on increase in value arising from revaluation is recouped from Revaluation Reserve.
 - (e) **Leasing**

Lease rentals in respect of assets taken under operating lease are charged to revenue.
 - (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 of stores and spares and fuel are valued at cost or below. Cost is calculated on weighted average basis and comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and condition. Obsolete, slow moving and defective stocks are identified at the time of physical verification of inventories and where necessary, adjustment is made for such stocks. 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. Transactions remaining unsettled are translated at the exchange rate prevailing at the end of the financial year. Exchange gain or loss arising on settlement / translation is recognized in the Profit and Loss Account. Hitherto, foreign currency loans were not restated at the year-end exchange rate in absence of any specific provision in ESA. Pursuant to repeal of the ESA, as stated in the note 1 above, the outstanding balance of the foreign currency loans has been restated at the year-end exchange rate. Exchange gain or loss arising in respect of such restatement is accounted for as an income or expense with recognition of the said amount as recoverable or refundable which will be taken into consideration to the extent of amount settled in determining the Company's future tariff fixation. Accordingly, the aforementioned change in the accounting policy does not have any impact on the results and net assets of the Company.
 - (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 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 the rates notified by the Company. Income from investments and deposits etc. 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 an accrual basis considering contributions payable to Provident Fund, Pension Fund and Gratuity Fund. Provision is made for current year's accrual of leave encashment benefit payable on retirement, on the basis of actuarial valuation. Compensations payable in respect of the Company's Voluntary Separation Schemes are charged off in three equal annual instalments.
 - (l) **Miscellaneous expenditure to the extent not written off or adjusted**

The provisions of the ESA provided for amortisation of preliminary expenses

SCHEDULE 13 – NOTES ON ACCOUNTS (Contd.)

and share / debenture / debt issue expenses over the unexpired period of licence. The Company as per the consistently applied accounting policy continues with such amortisation of expenditure incurred upto the previous year. Pursuant to repeal of ESA as stated in note 1 above, with effect from the current year, expenditure incurred towards such items are charged off to revenue. Had the earlier policy been followed in respect of the current year's expenditure, the charge for Miscellaneous Expenditure would have been lower by Rs. 6.47 crores with its consequential impact on the results and net assets of the Company.

(m) Deferred Taxation

Provision for deferred taxation, pursuant to repeal of the ESA, as stated in the note 1 above, is made using liability method at the current rates of taxation on all timing differences to the extent it is probable that a liability or asset will crystallize. Deferred tax assets are recognized subject to the consideration of prudence and are periodically reviewed to reassess realization thereof. Till last year in the absence of any specific provision in the ESA, no provision for the deferred taxation was made. Deferred Tax liability or asset will give rise to actual tax payable or recoverable at the time of reversal thereof. Since tax on profits forms part of chargeable expenditure under the applicable regulations, deferred tax liability or asset is recoverable or payable through future tariff. Hence, recognition of deferred tax asset or liability, is made with corresponding provision of liability or asset as the case may be.

3. Earnings from sale of electricity are net of discount for prompt payment of bills amounting to Rs.41.06 crores (previous year: Rs.33.77 crores) and have been determined in accordance with the applicable orders of the West Bengal Electricity Regulatory Commission (Commission), where appropriate.
4. Fixed assets other than furniture and vehicles as on 31st March 2005 have been revalued which resulted in an increase in the value of land, buildings and structures, plant and machinery, transmission and distribution systems, meters and other apparatus on consumers' premises, river tunnel and railway sidings by an amount of Rs. 1900.77 crores with corresponding credit to Revaluation Reserve.
5. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.10.88 crores (31 March, 2005 : Rs.10.49 crores).
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.0.69 crores as sales tax on meter rentals received during the year ended 31st March, 1993 and raised a demand of Rs.0.36 crores on account of interest. Against the above demand, the Company had deposited a sum of Rs.0.75 crores 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. 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) Other matters :

- i. Municipal Tax : Rs.0.67 crores (31 March, 2005: Rs.1.86 crores) in respect of certain properties, the rates of which are disputed by the Company.
- ii. Income Tax : Rs.0.55 crores (31 March, 2005: Rs.0.55 crores) towards advance tax not admitted by authorities.

7. Sundry Creditors include a sum of Rs.24.53 crores accounted for by the Company during the year towards a disputed claim on account of purchase of power made by a supplying agency in respect of earlier years.
8. The Company has made in the current year Cost Adjustment of Rs.168.62 crores towards an estimated adjustable sum on account of cost of electrical energy purchased and fuel and related cost for the current year, which would be accurately quantified and disposed of on receipt of necessary directions from appropriate authorities.
9. Sundry Debtors for electricity supplied - Other Debts include net arrear tariff amounting to Rs.158.04 crores (31 March, 2005 : Rs.227.63 crores), recovery of which is being made in accordance with the orders of the Commission.
10. Miscellaneous income in Schedule-10 includes profit of Rs. 1.50 crores (previous year: Rs.0.20 crores) arising from short term placement of surplus funds from time to time and withdrawals thereof during the year with certain Mutual Funds and Delayed Payment Surcharge of Rs. 11.81 crores (previous year: Rs.11.90 crores). Miscellaneous Expenses in Schedule 11 include an amount of Rs. Nil (previous year Rs. 4.75 crores) towards write off of certain receivables of the Company.
11. Interest expenses and discounting charges include gains of Rs. 0.05 crores (previous year: Rs.0.13 crores) and loss of Rs. 1.07 crores (previous year: gain of Rs. 0.33 crores) respectively due to exchange fluctuations.
12. Future lease rentals payable in respect of assets comprising various equipment and vehicles acquired after April 1, 2001 under operating leases work out to Rs. 8.61 crores and Rs. 14.38 crores during next one year and thereafter till five years respectively.

SCHEDULE 13 – NOTES ON ACCOUNTS (Contd.)

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 in respect of such debentures, based on the counsel's opinion.
14. Generation at the Company's plant at Mulajore was discontinued in the year 2003-04 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. Pursuant to the revaluation of fixed assets (as detailed in note 4) as on 31st March 2005, net block of fixed assets include Rs. 46.58 crores on account of assets at Mulajore, based on an appropriate valuation.
15. Based on the tariff order of the Commission dated 31st March 2005, for the current year, an amount of Rs. 48.52 crores has been considered as Special Appropriation in the current year, which consists of Rs. 6.90 crores towards recovery against Deferred Payment and Rs. 41.62 crores towards past entitlement of the Company.
16. 20,00,000 Equity Warrants were allotted on 13 September 2005 to the management group on a preferential basis. Each warrant is convertible within 12 March 2007 into one Equity Share of Rs. 10 at a price of Rs. 216.68 of which Rs. 21.668 per warrant has been paid up. Pending utilization, the proceeds from the issue of the aforesaid Equity Warrants and Global Depository Receipts (referred to in Schedule 1) have been invested in short term deposits with scheduled banks, included under Cash and Bank balances.
17. The Company's receivables on account of electricity dues from Kolkata Municipal Corporation upto September 2005 have been set off against the Company's dues on account of Electricity Duty to the State Government, based on decision taken by the State Government in this regard, formal order in respect of which for the period April 2003 onwards, is awaited.

	2005-06 (Rs. in Crores)	2004-05 (Rs. in Crores)
18. Directors' Remuneration :		
Salary	0.24	0.12
Contribution to Pension and Provident Funds and Gratuity	0.08	0.04
Estimated value of other benefits	0.15	0.08
Non-Wholetime Directors' Fees	0.13	0.09
	0.60	0.33

19. The major components of Deferred Tax Assets / Liabilities based on the timing difference as at 31st March 2006 are as under :

	(Rs. in Crores)
Liabilities	
Depreciation difference	(309.25)
Assets	
Items covered under section 43 B	13.09
Unabsorbed business depreciation	289.45
Others including items covered under section 35DDA	23.14
	16.43

20. Earnings per Share :
Computation of earnings per share for the year 2005-06

Particulars	2005-06	2004-05
	Rs. in Crores	Rs. in Crores
Profit After Tax	(A) 177.47	147.20
Weighted Average no. of shares for Basic Earnings per Share	(B) 78,363,032	71,871,368
Add : Adjustment for conversion of warrants	146,858	—
Weighted Average no. of shares for Diluted Earnings per Share	(C) 78,509,890	71,871,368
Basic Earnings per Share = [(A) / (B)] (Rs.)	22.65	20.48
Diluted Earnings per share = [(A) / (C)] (Rs.)	22.60	20.48

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

22. 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
	2005-06 Rs. in Crores	2004-05 Rs. in Crores
Remuneration Paid	0.47	0.24

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

	2005-06 (Rs. in Crores)	2004-05 (Rs. in Crores)
(a) Tax Audit	0.03	0.03
(b) Other Services	0.56	0.23
(c) Reimbursement of expenses (including applicable service tax)	0.09	0.04
	0.68	0.30

24. C.I.F. value of imports :

	2005-06	2004-05
Capital goods	1.18	0.62
Fuel	95.27	94.96

25. Expenditure in foreign currency :

	2005-06 (Rs. in Crores)	2004-05 (Rs. in Crores)
Travelling	0.80	0.62
Technical services fees (net of tax)	0.06	0.16
Finance charges (net of tax)	26.53	66.97
Others	6.05	2.73
Total	33.44	70.48

SCHEDULE 13 – NOTES ON ACCOUNTS (Contd.)
26. Dividend remitted in foreign currency :

On account of dividends to non-resident shareholders relating to previous year

	2005-06			2004-05		
	No. of Share-holders	No. Shares held	Net amount remitted Rupees in Crores	No. of Share-holders	No. of Shares held	Net amount remitted Rupees in Crores
Equity Dividend 2004/05	428	16,56,864	0.41	Nil	Nil	Ni

27. Values of raw materials and stores and spare parts consumed (excluding on capital account) :

	2005-06		2004-05	
	Rs. in Crores	%	Rs. in Crores	%
Raw Material				
Imported	115.94	13.81	115.21	15.15
Indigenous	723.70	86.19	645.33	84.85
	<u>839.64</u>	<u>100.00</u>	<u>760.54</u>	<u>100.00</u>
Stores and Spares				
Imported	—	—	0.00	0.01
Indigenous	87.64	100.00	70.21	99.99
	<u>87.64</u>	<u>100.00</u>	<u>70.21</u>	<u>100.00</u>

	2005-06	2004-05
	Million kWh	Million kWh
28. (a) Total number of units generated during the year	7630	7054
(b) Total number of units consumed in Generating Stations	651	617
(c) Total number of units sent out	6979	6437
(d) Total number of units imported during the year (gross)	930	820
(e) Total number of units delivered to the system	7909	7257
(f) Total number of units sold as per meter readings	6251	5864
(g) Total number of units exported	418	160
(h) Total number of units consumed in Company's premises	19	18
(i) Total number of units supplied for WBSEB (gross)	73	71
(j) Total number of units supplied to WBSEB (net)	70	68

29. The derated installed capacity of the Generating Stations of the Company (as per certification of technical expert) as on 31st March, 2006 was 9,75,000 kW (31st March, 2005 : 9,75,000 kW).

30. Consumption of Fuel :

(a) Consumption of Coal (including excess receipt of 15855 tonnes; Previous year – 6077 tonnes)

		2005-06	2004-05
Quantity	Tonnes	4763440	4507715
Value	Rs. in Crores	828.71	746.15

(b) Consumption of Oil

		2005-06	2004-05
Quantity	Kilolitres	4076.29	6696.62
Value	Rs. in Crores	10.93	14.39

31. Previous year's figures have been regrouped / rearranged, wherever necessary.

For and on behalf of the Board of Directors

Vice-Chairman Sanjiv Goenka
 Director P. K. Khaitan
 Managing Director S. Banerjee

Subhasis Mitra
 Company Secretary

Kolkata, 21st June, 2006.

Cash Flow Statement for the year ended 31st March, 2006

	2005-06	2004-05
Rs. in Crores		
A. Cash flow from Operating Activities :		
Profit before Taxation and Special Appropriation Adjustment	204.37	163.50
Adjustments for :		
Depreciation	253.85	291.53
Loss on Sale / Disposal of Assets	0.97	0.25
Investment written off	0.07	-
Profit on Sale of Investments / Mutual Funds	(1.50)	(0.20)
Miscellaneous expenditure written off	0.72	0.72
GDR Issue Expenses	6.93	-
Provision for doubtful debts and advances written off	0.28	5.34
Bad debts written off (Net)	8.30	11.62
Interest Expense	212.36	264.63
Guarantee Commission Expenses	0.52	1.40
Lease Rent	23.36	25.14
Income from Investment	(0.31)	-
Interest Income	(9.36)	(1.75)
Foreign Exchange Rate Variation	57.27	51.92
Operating Profit before Working Capital changes	757.83	814.10
Adjustments for :		
Trade & other receivables	39.40	221.58
Inventories	(28.99)	(20.00)
Trade payables	(1.77)	(139.85)
Cash Generated from Operations	766.47	875.83
Income Tax paid (Net)	(34.40)	-
Net cash flow from Operating Activities	732.07	875.83
B. Cash flow from Investing Activities :		
Additions to Fixed Assets/Capital Work-in-Progress	(208.17)	(126.52)
Sale of Fixed Assets	0.25	0.78
Purchase of Investments	-	(1.35)
Proceeds from long term investments	-	0.00
Proceeds from short term investments / mutual funds (net)	1.50	0.20
Income from Investment received	0.31	-
Interest received	3.88	1.86
Net cash flow from Investing Activities	(202.23)	(125.03)
C. Cash flow from Financing Activities :		
Share issue expenses	(6.88)	(0.82)
Proceeds from GDR & Equity Warrants	12.27	8.34
Share Premium - GDR	168.13	41.41
Proceeds from Long Term Loans	140.26	-
Repayment of Long Term Loans (Net of refinance loans)	(329.05)	(438.18)
Repayment of Short Term Loans	(200.78)	(12.50)
Capital contributions and Advance received from Consumers	37.28	30.76
Consumers Security deposits	118.59	67.74
Interest Paid	(196.29)	(310.15)
Unclaimed dividend Transfer to Investors Education and Protection Fund	-	(0.09)
Lease rent paid	(21.18)	(21.97)
Guarantee Commission paid	(0.39)	(2.87)
Dividends paid	(18.40)	-
Dividend tax paid	(2.61)	-
Net Cash flow from Financing Activities	(299.05)	(638.33)
Net Increase in cash and cash equivalents	230.79	112.47
Cash and cash equivalents – Opening Balance	165.14	52.67
Cash and cash equivalents – Closing Balance	395.93	165.14

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 21st June, 2006.

Subhasis Mitra
Company Secretary

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

Ten Years at a Glance : 1997 – 2006

	Rupees in Crores									
Year ended 31st March	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross Revenue from Sale of Electricity and Other Income	1407	1516	1701	1781	2089	2143	2243	2416	2387	2590
Profit before Taxation (after charging Depreciation and Interest)	41	(115)	(128)	(71)	13	(88)	8	93	163	204
Taxation	-	-	-	-	-	-	1	7	13	20
Profit after Taxation	41	(115)	(128)	(71)	13	(88)	7	86	150	184
Net Special Appropriations including Appropriations to Contingencies Reserve	6	7	24	53	47	27	12	15	3	7
Profit / (Loss) after Tax and Special Appropriations	35	(122)	(152)	(124)	(34)	(115)	(5)	71	147	177
Proposed Dividend including Tax	13	-	-	-	-	-	-	-	21	23
Sources of Funds –										
Share Capital	70	60	63	63	62	62	62	67	75	83
Equity Warrants issued and subscribed	-	-	-	-	-	-	-	-	-	4
Reserves and Surplus (Net)	2233	2115	1974	1874	1847	1737	1747	1309	1464	3606
Loan Funds	2519	2871	2966	2881	2987	3076	2993	2609	2167	1910
Security Deposits	133	153	171	191	215	250	316	373	441	560
	4955	5199	5174	5009	5111	5125	5118	4358	4147	6163
Application of Funds –										
Fixed Assets (less Depreciation)	4724	4985	5130	5128	4942	4688	4457	4035	3843	5566
Investments	12	12	13	13	13	11	11	30	31	31
Net Current Assets (includes Miscellaneous Expenditure not written off)	219	202	31	(132)	156	426	650	293	273	566
	4955	5199	5174	5009	5111	5125	5118	4358	4147	6163
Additions to Fixed Assets	157	1533	103	1568	227	166	108	146	146	161
Depreciation	70	78	193	198	308	315	323	296	292	254
Units sold (millions)	4794	5019	5071	4937	5165	5333	5557	5711	5864	6251
Units Export (millions)	-	-	-	-	-	-	-	7	160	418
System Maximum Demand (megawatts)	1138	1160	1183	1195	1238	1280	1281	1281	1253	1343
No. of Consumers (in Lakhs)	14.47	15.52	16.46	17.21	17.89	18.28	18.77	19.49	20.19	20.96

Major Statistics : 2005 – 2006

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	1782	MVA		
Distribution Stations	Number of Stations	83			
	Transformer Capacity	2343	MVA		
LT Substations	No. of AC Substations	4839			
	Transformer Capacity	1560	MVA		
	No. of DC Substations	23			
	DC Substations Capacity	21.9	MW		
Transmission/Distribution Network (Circuit KM.)					
Transmission Lines	132 KV UG	186	Ckt. Km.		
	132 KV OH	81	Ckt. Km.		
	33 KV UG	1031	Ckt. Km.		
	33 KV OH	92	Ckt. Km.		
	20 KV UG	50	Ckt. Km.		
HT Distribution	11 & 6 KV UG	3631	Ckt. Km.		
	11 & 6 KV OH	77	Ckt. Km.		
	3.3 KV UG	21	Ckt. Km.		
LT Distribution	UG	5477	Ckt. Km.		
	OH	4254	Ckt. Km.		
Additions During the Year					
132/33 KV Substations	50.0	MVA	LT UG Mains	75	Ckt. Km.
Distribution Stations	16.0	MVA	LT OH Mains	31	Ckt. Km.
LT AC Substations	48.4	MVA	33 KV UG	11	Ckt. Km.
No. of LT Services	19678	NOS	6 KV UG	57	Ckt. Km.
No. of HT Services	29	NOS	11 KV UG	11	Ckt. Km.
No. of EHT Services	0	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 (CIN - U31901WB1978SGC031411)
State Code	21
Balance Sheet Date	31 March, 2006

II. Capital raised during the year

(Amount in Rupees Crores)

Public Issue (GDR offering)	7.93	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of mobilisation and deployment of funds

(Amount in Rupees Crores)

Total Liabilities	6162.68	Total Assets	6162.68
Sources of Funds		Application of Funds	
Paid up Capital	82.98	Net Fixed Assets	5565.79
Equity Warrants issued and subscribed	4.33	Investments	31.37
Reserves and Surplus	3605.87	Net Current Assets	555.51
Secured Loans	1664.40	Miscellaneous Expenditure	10.01
Unsecured Loans	245.55		
Other Funds	559.55		

IV. Performance of the Company

(Amount in Rupees Crores)

Turnover (including Other Income)	2589.51	Total Expenditure, Special Appropriation, and Provision for Taxation	2412.04
Profit after Special Appropriation and Provision for Taxation			177.47
Earnings Per Share (Rs.)		Dividend Rate (%)	25%
Basic	22.65		
Diluted	22.60		

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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