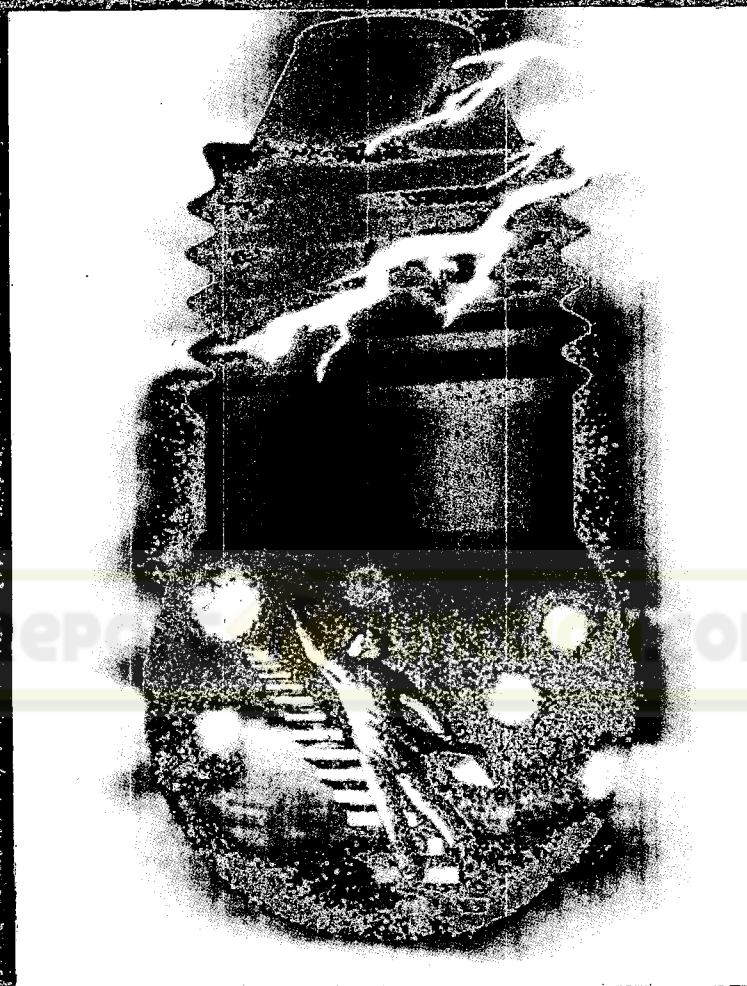


## Report and Accounts 1997-1998







## Board of Directors

Rama Prasad Goenka, *Chairman*

Sanjiv Goenka, *Vice-Chairman*

Priya Brata Ghosh

Dipankar Mukherjee (*Nominee of Govt. of West Bengal*)

Pradip Kumar Khaitan

Brij Mohan Khaitan

Bhagwati Prasad Bajoria

Ananda Mukerji (*Nominee of ICICI*)

Jayant Narayan Godbole (*Nominee of IDBI*)

Padinjaremadom Venkitachalam Subramanian  
(*Nominee of LIC*)

Nirmalendu Biswas (*Nominee of UTI*)

Sumantra Banerjee, *Managing Director*

Chittajit Das Gupta, *Deputy Managing Director*

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

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## Secretary

Subhasis Mitra

## Auditors

Lovelock & Lewes

## Solicitors

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

## Registered Office

CESC House  
Chowringhee Square  
Calcutta 700 001

## Bankers

ANZ Grindlays Bank Ltd.  
State Bank of India  
American Express Bank Ltd.  
Union Bank of India  
ABN Amro N.V.  
UCO Bank  
Allahabad Bank  
Bank of Baroda  
Indian Bank  
Corporation Bank  
Bank of India  
Indian Overseas Bank  
The Hongkong & Shanghai Banking  
Corporation Ltd.  
ICICI Banking Corporation Limited  
HDFC Bank Ltd.  
Standard Chartered Bank



## Notice to Members

Notice is hereby given that the Twentieth Annual General Meeting of the Members of CESC Limited will be held at 'Science City' Main Auditorium, JBS Haldane Avenue (Junction of Eastern Metropolitan By-pass and Park Circus Connector), P.O. G.K. Road, Calcutta 700 046 on Wednesday, 9th September, 1998 at 10 A.M. for the following purposes :

1. To receive and consider the Profit & Loss Account for the year ended 31st March, 1998, the Balance Sheet as at that date and the Reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr. Sanjiv Goenka who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. P. B. Ghosh who retires by rotation and, being eligible, offers himself for reappointment.
4. 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 Resolution as a Special 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. 7,50,000/- payable in two equal instalments plus reimbursement of out-of-pocket expenses."

### SPECIAL BUSINESS

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

#### 5. AS A SPECIAL RESOLUTION

"RESOLVED THAT the Articles of Association of the Company be and are hereby altered by inserting, after Article 3, the following new Article 3A with the marginal note thereto :

**'Purchase/Buy back of shares** 3A - Notwithstanding anything contained in these Articles, in the event applicable laws permit a company to purchase/buy back its own shares or other securities; the Board may, if and when thought fit, purchase or buy back such of the Company's own shares or securities as it may think necessary or proper, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by the law.' "

#### 6. AS A SPECIAL RESOLUTION

"RESOLVED THAT if and when permitted by the law and subject to compliance with all applicable provisions of the law and in accordance with such terms and conditions as may be stipulated under any statute or by the Central Government or any regulatory authority, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include a Committee thereof) to purchase/buy back, in one or more tranches, such

number of Equity Shares or other Securities of the Company as may be permissible by law and considered appropriate by the Board, from the holders of Equity Shares or other Securities and/or from the open market and/or from odd lots, that is to say, lots smaller than market lots of the securities, in such proportion/manner and out of such funds of the Company as may be permitted to be utilised for the purpose or out of the proceeds of any issue made by the Company or from such other sources as may be permitted by law provided that the aggregate of Equity Shares or other Securities so purchased/bought back shall not exceed such percentage thereof as may be stipulated by law and, in the absence of any stipulation, 10% of the Equity Shares or the aforesaid other Securities of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, and things and give such directions as may be considered desirable, necessary or expedient and to settle all questions or difficulties whatsoever that may arise relating to the aforesaid purchase/buy back and all matters connected therewith and/or incidental thereto including raising such funds as may be required to purchase/buy back Equity Shares or other Securities up to the aforesaid limit through issue or private placement of such form of securities as may be decided by the Board and permissible under the law."

#### 7. AS A SPECIAL RESOLUTION

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, permissions, sanctions and/or guidelines as may be necessary, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) be and is hereby authorised to offer, issue and allot either by public offering or on rights/private placement basis equity shares with or without warrants and/or debentures, bonds or other securities whether or not convertible into equity shares and/or securities linked to equity shares and/or securities with or without detachable warrants and/or only warrants with a right exercisable by the warrant holders to apply for and be allotted equity shares or such other security including Preference Shares as the Board may in its sole discretion decide (hereinafter collectively referred to as "the Securities") to the holders of Equity and/or Preference Shares and/or Debentures issued by the Company and/or such Indian or Overseas Institutions, Banks, Mutual Funds, domestic/foreign bodies corporate and/or other investors as the Board may in its absolute discretion decide (hereinafter collectively referred to as "the Investors") whether or not the Investors are members of the Company, such offer, issue and allotment to be made at such time or times, in such tranche or tranches, at such price or prices, at such discount or premium to market price or prices, in such manner and form and on such terms and conditions as the Board may decide in accordance with the applicable rules, regulations and guidelines provided that the aggregate sum to be raised by such issue of securities including the funds raised by conversion of securities into equity shares of the Company will not exceed Rs. 125 crore.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of, or exercise of option under, any securities or as may be necessary in accordance with the terms of the above offerings and/or issue as contained in the offering documents.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolutions, the Board be and is hereby authorised to agree to and make and accept all such conditions, modifications and alterations stipulated by the relevant authorities while according approvals or consents to the issues as may be considered necessary, proper or expedient, take all actions as may be necessary, desirable or expedient, resolve and settle all questions and difficulties that may arise in connection with the proposed issues and allotment or allotments of the Securities and to do all acts, deeds, matters and things as the Board may in its discretion deem necessary or desirable for such purpose including, if necessary, creation of such mortgages and/or charges in respect of the Securities on the whole or any part of the undertaking of the Company under Section 293(1)(a) of the Companies Act, 1956 and to execute such documents or writings as it may consider necessary or proper or incidental to this Resolution."

#### 8 AS AN ORDINARY RESOLUTION

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company (hereinafter referred to as "the Board") of all the immovable and movable properties of the Company, wheresoever situate, present and future, with power to take over the management of the business and concern of the Company in certain events to or in favour of all or any of :

- (a) The Industrial Credit and Investment Corporation of India Limited (ICICI),
- (b) The Industrial Finance Corporation of India Limited (IFCI),
- (c) Bank of India (BOI),
- (d) Commerzbank AG (CB),
- (e) Indian Overseas Bank (IOB),
- (f) UCO Bank (UCO) and
- (g) Union Bank of India (UB)

(ICICI, IFCI, BOI, CB, IOB, UCO and UB are hereinafter collectively referred to as 'the Lenders')

to secure –

- A. Rupee Term Loans not exceeding Rupees One Thousand Million (Rs. 1000,000,000) lent and advanced/agreed to be lent and advanced by ICICI to the Company comprising Rupees Four Hundred Million (Rs. 400,000,000) for its Budge Budge Power Station Project and balance Rupees Six Hundred Million (Rs. 600,000,000) towards margin money for working capital requirements of the Company;
- B. Rupee Term Loan not exceeding Rupees Two Hundred

Forty Million (Rs. 240,000,000) lent and advanced/agreed to be lent and advanced to the Company for its Budge Budge Power Station Project by IFCI;

- C. Rupee Term Loan not exceeding Rupees One Hundred Million (Rs. 100,000,000) lent and advanced/agreed to be lent and advanced to the Company for its Budge Budge Power Station Project by BOI;
- D. Rupee Term Loan not exceeding Rupees Fiftyfive Million (Rs. 55,000,000) lent and advanced/agreed to be lent and advanced to the Company for its Budge Budge Power Station Project by CB;
- E. Rupee Term Loan not exceeding Rupees One Hundred Million (Rs. 100,000,000) lent and advanced/agreed to be lent and advanced to the Company for its Budge Budge Power Station Project by IOB;
- F. Rupee Term Loan not exceeding Rupees Fifty Million (Rs. 50,000,000) lent and advanced/agreed to be lent and advanced to the Company for its Budge Budge Power Station Project by UCO; and
- G. Rupee Term Loan not exceeding Rupees One Hundred Seventy Million (Rs. 170,000,000) lent and advanced/agreed to be lent and advanced to the Company for its Budge Budge Power Station Project by UB

together with interests, charges, expenses and all other monies payable by the Company to the Lenders in terms of their Letters of Sanction or Loan Agreements/Hypothecation Agreements/ Common Loan-cum-Hypothecation Agreement entered/to be entered by the Company with the Lenders or as may be amended from time to time in respect of the said term loans and also interest at the respective agreed rates, compound/further/ additional interest by way of liquidated damages, premium on prepayment, front-end fees, costs, charges and all other expenses so that mortgage and/or charge may be created by the Company in favour of the Lenders in such form and subject to such prior charges or with such *pari passu* ranking of charges as may be decided by the Board in consultation with all or any of the Lenders.

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

#### 9. AS AN ORDINARY RESOLUTION

"RESOLVED THAT the Company hereby accords its approval to the reappointment of and remuneration payable to Mr. S. Banerjee ("Mr. Banerjee") as Managing Director of the Company for a period of five years with effect from 1st August, 1998 till 31st July, 2003 on the terms and conditions set out in an Agreement to be entered into between the Company and Mr. Banerjee in terms of the draft placed before the meeting and initialled by

the Chairman for the purpose of identification and the Board of Directors of the Company be and is hereby authorised to enter into an Agreement on behalf of the Company with Mr. Banerjee in terms of the said draft."

#### 10. AS AN ORDINARY RESOLUTION

"RESOLVED THAT the Company hereby accords its approval to the reappointment of and remuneration payable to Mr. C. Das Gupta ("Mr. Das Gupta") as a Wholtime Director of the Company (designated as "Deputy Managing Director") for a period of one year with effect from 2nd April, 1998 on the terms and conditions set out in an Agreement to be entered into between the Company and Mr. Das Gupta in terms of the draft placed before the Meeting and initialled by the Chairman for the purpose of identification and the Board of Directors of the Company be and is hereby authorised to enter into an Agreement on behalf of the Company with Mr. Das Gupta in terms of the said draft."

#### 11. AS AN ORDINARY RESOLUTION

"RESOLVED THAT Mr. I. C. Agarwal from whom a notice

pursuant to the provisions of Section 257 of the Companies Act, 1956 has been received be and is hereby appointed a Director of the Company."

#### 12. AS AN ORDINARY RESOLUTION

"RESOLVED THAT Mr. Jagdish Prasad Saha from whom a notice pursuant to the provisions of Section 257 of the Companies Act, 1956 has been received be and is hereby appointed a Director of the Company."

The Register of Members of the Company will remain closed from 25th August, 1998 to 9th September, 1998, both days inclusive.

*Registered Office :*

CESC House  
Chowringhee Square  
Calcutta 700 001  
7th August, 1998.

By Order of the Board

Subhasis Mitra  
*Secretary*

#### NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote in his stead. A Proxy need not be a Member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the time for holding the Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under Item Nos. 5 to 12 is annexed hereto.
3. Members are informed that all Unpaid/Unclaimed Dividends in respect of dividends declared for and up to the Financial Year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government in accordance with the provisions of Section 205A of the Companies Act, 1956. Members concerned are requested to prefer their respective claims thereto to the Registrar of Companies, West Bengal, Nizam Palace, 234/4, Acharya Jagadish Chandra Bose Road, Calcutta 700 020.

Those Members who have not so far encashed their dividend for the Company's Financial Year ended 31st March, 1995 may immediately write to the Company for payment of the said dividend as the same will be transferred to the General Revenue Account of the Central Government immediately after 13th November, 1998.

4. In order to comply with the requirements of the London Stock Exchange in which the Company's shares are listed draft of the Agreements proposed to be entered into with Mr. S. Banerjee and Mr. C. Das Gupta in terms of the Ordinary Resolutions under Item Nos. 9 & 10 of the Notice will be made available for inspection at the Registered Office of the Company as well as at the office of Hoare Govett Corporate Finance Limited, 4 Broadgate, London EC 2M 7LE, UK on any working day prior to the date of the aforesaid Meeting between the hours of 10 A.M. and 12 Noon and will also be available for inspection from 9-30 A.M. at the place and date of the Meeting.

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEMS OF SPECIAL BUSINESS SET OUT IN THE NOTICE CONVENING THE TWENTIETH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON WEDNESDAY, 9TH SEPTEMBER, 1998.**

##### **Item no. 5**

Article 3 of the Articles of Association of the Company ('the Articles') prohibits employment of the Company's funds for purchase of the Company's own shares. The law may, however, permit companies in the near future to purchase or buy back its own shares or other securities. Accordingly, it is proposed to insert a new Article '3A' in the Articles to enable the Company to purchase or buy back its own shares or securities, in the event it is so permitted by law. The Special Resolution under Item no. 5 of the Notice is to alter the Articles for the aforesaid purpose.

The Board of Directors of the Company recommends the resolution for approval of the Members.

None of the Directors is concerned or interested in the resolution.

A copy of the Articles together with the proposed alteration is available for inspection by the Members at the Registered Office of the Company and also at the office of Hoare Govett Corporate Finance Limited, 4, Broadgate, London EC2M 7LE, U.K. between 10 a.m. and 12 noon on any working day of the Company prior to the date of the Meeting and also from 9.30 a.m. at the place and date of the Annual General Meeting.

##### **Item no. 6**

Under the existing provisions of law, purchase/buy back by a company of its own shares or other securities convertible into Equity Shares is not allowed. It is, however, expected that companies will be allowed in due course to purchase/buy back its own shares or other securities.



The Board of Directors of your Company ('the Board') is of the opinion that after such purchase/buy back is allowed, the Company should have requisite power to avail of the facility when necessary. The Resolution set out under Item no. 6 of the Notice is an enabling Resolution so that the Board may, at the appropriate time, take decisions in accordance with the provisions of law for purchase/buy back of Equity Shares or other permissible securities, subject to such limit as may be stipulated by law and, in the absence of such stipulation, 10% of the Equity Shares or the aforesaid other Securities. The proposed purchase/buy back of Equity Shares or other Securities will be at such rate, out of such funds and subject to such terms and conditions as may be permissible in accordance with the applicable legal provisions.

The Board recommends that the above enabling Resolution be passed. None of the Directors is concerned or interested in the resolution except to the extent of their existing holdings in the equity share capital of the Company.

#### Item no. 7

The Company is in need of raising resources from time to time for its various routine and other financial requirements. The Board of Directors of the Company ('the Board') feels that part of the above fund requirements may be met by issue of securities which may or may not be linked to equity shares of the Company. It is proposed that the Board will have the power to decide, in accordance with the market conditions and applicable rules, regulations and guidelines, the issue pricing and all other terms and conditions including size and timing of the issue, whether to make the issue to the shareholders of the Company or to other investors as also composition of the security if the issue is of secured instruments. It is proposed that the funds to be raised by making the issue will not exceed Rs.125 crore.

By the Special Resolution set out in Item No. 7 of the Notice, consent of the members is being sought to the proposed issue of the aforesaid securities pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956. The aforesaid Special Resolution also seeks members' consent under Section 293(1)(a) of the Companies Act, 1956 for creation of security by mortgaging/charging the Company's assets, if the issue is of secured instruments.

The Board recommends that the aforesaid Special Resolution be passed.

None of the Directors of the Company is concerned or interested in the Resolution.

#### Item no. 8

In order to finance a part of the additional cost for implementing the Company's 500 MW Budge Budge Thermal Power Station Project, The Industrial Credit and Investment Corporation of India Limited (ICICI) has sanctioned Rs. 400 million and other Lenders have sanctioned the respective amounts as shown against their names set out in Resolution No. 8 of the Notice. In addition, ICICI has sanctioned Rs.600 million towards margin money for working capital requirements of the Company.

The aforesaid loans are required to be secured by hypothecation of the movable properties and also by mortgage of immovable properties of the Company in a form acceptable to the aforesaid Lenders. Such security will rank *pari passu* with the security created/ to be created by the Company in favour of its other first chargeholders who have sanctioned various facilities to the Company.

The Resolution set out under Item no. 8 of the Notice is for obtaining the approval of the Members in a General Meeting in terms of the provisions of Section 293(1)(a) of the Companies Act, 1956 to enable the Company to create the aforesaid mortgage and/or charge to secure the Term Loans as detailed in the Convening Notice. The Board of Directors of the Company recommends that the aforesaid resolution be passed in the interest of the Company.

Mr. A. Mukerji who is a Director of the Company as a Nominee of ICICI may be deemed to be interested or concerned in the Resolution to the extent of the term loan sanctioned by ICICI. No other Director is concerned or interested in the Resolution.

#### Item Nos. 9 & 10

The Board of Directors of the Company ('the Board') has subject to necessary approvals, reappointed Mr. S. Banerjee ('Mr. Banerjee') as Managing Director for a further period of five years from 1st August, 1998 and Mr. C. Das Gupta ('Mr. Das Gupta') as a Wholetime Director with the designation Deputy Managing Director for a fresh term of one year with effect from 2nd April, 1998. The earlier term of office of Mr. Banerjee as the Managing Director and of Mr. Das Gupta as a Wholetime Director with the designation Deputy Managing Director expired on 31st July, 1998 and 1st April, 1998 respectively.

Mr. Banerjee is a Bachelor of Technology from Indian Institute of Technology, Kharagpur, an M. S. in Polymer Science and an MBA in Marketing and Finance from USA. He has 25 years of experience in India and abroad including a tenure of 5 years as Managing Director of the Company. Mr. Das Gupta is a Fellow of the Institution of Engineers (India) and has 45 years of experience including 12 years as a Wholetime Director of the Company.

The terms and conditions governing the reappointments of Mr. Banerjee and Mr. Das Gupta are contained in two separate Agreements proposed to be entered into by the Company with Mr. Banerjee and Mr. Das Gupta. The principal terms and conditions set out in the drafts of the aforesaid Agreements are as follows :

1. Period of reappointment : Five years from 1st August, 1998 for Mr. Banerjee and one year from 2nd April, 1998 for Mr. Das Gupta
2. Salary : Mr. Banerjee and Mr. Das Gupta will be entitled to the same salary as approved earlier by the members for the year 1997-98 i.e. Rs.1,03,400/- per month for Mr. Banerjee and Rs. 70,000/- per month for Mr. Das Gupta.
3. Perquisites/ Benefits : Mr. Banerjee and Mr. Das Gupta will each be entitled to the following perquisites/benefits as approved earlier by the members for the

year 1997-98 with no change in the respective ceiling on such perquisites/benefits, that is Rs.13 lacs per annum for Mr. Banerjee and Rs. 8 lacs per annum for Mr. Das Gupta.

The perquisites/benefits referred to above are residential accommodation or house rent allowance in lieu thereof; gas, electricity, water and furnishings; medical expenses reimbursement; leave travel concession for self and family; club fees; personal accident insurance and provision of furniture and equipment at the residence of Mr. Banerjee or Mr. Das Gupta in accordance with the rules of the Company.

For the purpose of computation of the aforesaid ceiling (a) the above perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such Rule, the perquisites shall be evaluated at actual costs, (b) the following perquisites/benefits will not be included – (i) provision of car for use on the Company's business and telephone at residence, (ii) Company's contribution to Provident Fund and Super-annuation Fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961 and (iii) encashment of leave at the end of the tenure and payment of gratuity in accordance with the Company's rules.

In the event of loss or inadequacy of profits of the Company in any financial year, the remuneration and perquisites/benefits will be paid to Mr. Banerjee and Mr. Das Gupta within the ceiling limit prescribed for the time being or in accordance with necessary statutory approval.

4. Leave : Mr. Banerjee and Mr. Das Gupta will both be entitled to leave on full pay and allowances as per Rules of the Company, but not exceeding one month's leave for every eleven months of service.

Mr. Banerjee and Mr. Das Gupta will be reimbursed by the Company of all entertainment and other expenses actually incurred for the business of the Company subject to such limits as may be fixed by the Board from time to time.

The aforesaid reappointments would be in accordance with the conditions specified in Schedule XIII to the Companies Act, 1956 ('the Act'). The reappointments including the remuneration payable to Mr. Banerjee and Mr. Das Gupta require the approval of the Company in a general meeting. The Resolutions set out in Item Nos. 9 & 10 have to be considered accordingly and the Board recommends that the Resolutions be passed.

The drafts of the Agreements referred to above may be inspected by any member at the Registered Office of the Company on any working day prior to the date of the Meeting between the hours of 10 a.m. and 12 noon and will also be available for inspection from 9.30 a.m. at the place and date of the Annual General Meeting.

Mr. Banerjee and Mr. Das Gupta may be deemed to be interested in the Resolutions under Item Nos. 9 & 10 respectively and no other Director of the Company has any interest in the aforesaid Resolutions.

The above may be considered also as an Abstract of the terms and Memorandum of Interest in terms of Section 302 of the Act relating to the aforesaid contracts to be entered into by the Company with Mr. Banerjee and Mr. Das Gupta.

#### Item Nos. 11 & 12

The Company has received from Mr. I.C. Agarwal and Mr. Jagdish Prasad Saha, members, two separate notices under Section 257 of the Companies Act, 1956 proposing themselves as candidates for the office of Directors of the Company. The resolutions relating to the aforesaid notices have been included in Item Nos. 11 & 12 respectively of the convening Notice but the Management does not support either of the two resolutions.

#### Registered Office :

CESC House  
 Chowringhee Square  
 Calcutta 700 001  
 7th August, 1998.

By Order of the Board

Subhasis Mitra  
 Secretary



## Directors' Report

The Directors present the Annual Report and Audited Accounts of CESC Limited, for the year ended 31 March, 1998, which unfortunately shows a loss of Rs. 114.75 crore as against a profit of Rs. 41.36 crore achieved in the previous year.

The following are the highlights of the Company's operational performance :

### Financial Results

	1997-98 Rs.	1996-97 Rs.
Profit/(Loss) before Depreciation and Tax	(36,37,51,663)	111,44,73,526
Depreciation	78,37,77,228	70,08,74,614
Profit/(Loss) before Tax and Contingencies Reserve Appropriation	(114,75,28,891)	41,35,98,912
Income Tax Provision	—	—
Appropriation to Contingencies Reserve	6,96,00,000	6,00,67,192
Profit/(Loss) after Tax and Contingencies Reserve Appropriation	(121,71,28,891)	35,35,31,720
Balance of Profit brought forward from previous year	19,53,75,241*	23,89,43,421
Balance	(102,17,53,650)	59,24,75,141
Appropriations/(Transfers) :		
Debenture Redemption Reserve	—	2,27,03,700
Capital Redemption Reserve	—	12,00,00,000
Investment Allowance Reserve	(20,00,54,215)	—
Deferred Taxation Reserve	(7,61,86,586)	—
General Reserve	(74,55,12,849)	10,00,00,000
Dividend :		
— Dividend paid @ 13.5% per annum on 13.5% Cumulative Redeemable Preference Shares	—	1,62,00,000
— Proposed Dividend @ 16% per annum on 16% Cumulative Redeemable Preference Shares	—	79,89,041
— Proposed Dividend on Equity Shares @ 20%	—	9,94,62,050
— Tax on Dividend	—	1,07,45,109
Leaving a balance carried forward	Nil	21,53,75,241

(\* Net of Rs. 2,00,00,000 transferred to Capital Redemption Reserve)

### Dividend

In view of the adverse working results caused by factors explained in this Report, the Directors regret their inability to recommend payment of any dividend for the year.

### Operations

The Company's financial performance does not reflect the positive trends in most of the key areas of Company's operations.

### Generation & Sales

Sale of electrical energy for the first time crossed 5000 million units registering a growth of 5%.

Plant Load Factor is a key measure of efficiency for a power generating company and directly affects tariff. The combined Plant Load Factor of its four Generating Stations was more than 75% (previous year 73%) even though two

of its plants have been generating for more than 50 years. The corresponding Plant Availability Factor for the four stations reached a new high of about 88%.

The 250 MW first unit at Budge Budge started commercial generation in October 1997 and achieved rated capacity generation.

### Consumer Service

Calcutta enjoyed a comfortable power situation during the year. Meanwhile, efforts to improve our quality of service continue. One lakh new connections were provided to consumers. The Fast Track System for processing new connections is being progressively introduced in all the Regions. A number of Cash Offices were also added for improved consumer convenience.

The total number of consumers at year-end stood at 15.52 lakhs.

To improve operating efficiency and to provide better service to consumers, the Company's operations are being de-centralised by setting up Regions. Already three new Regions are in operation with engineering and commercial functions under a single administrative head.

### **T&D Loss**

While the Plant Load Factor of the Company is well above the national average and the T&D Loss of the Company is 3 percentage points better than the national average, there is a need for further improvement. For a number of years the Company has made major efforts to arrest the growing T&D Loss. The Directors are happy to report that it has registered a decline this year after several years of increase. Efforts to reduce it further continue.

To reduce meter tampering and metering errors, all high value consumers have been provided with either tamper resistant microprocessor based static meters or high quality electro-mechanical meters imported from abroad. Transparent polycarbonate seals and holographic seals have been introduced for improved security and prevention of pilferage. During the year, as a part of a special drive more than 65,000 meters were checked. During special drives more than 60,000 unauthorised hookings were removed. The number of FIRs lodged exceeded one thousand.

### **Fuel Surcharge**

The Directors are happy to report that the Company's stand was vindicated by the One Man Committee, appointed by the State Government for resolving the long standing dispute and progressive recovery of arrear has commenced.

The Government has introduced efficiency norms for fuel consumption from 1997-98 and overall CESC's performance in relation to the norms is satisfactory.

### **Inadequate Tariff**

The disappointing financial results reflect the adverse effect of inadequate tariff revision given resulting in a Clear Loss for the Company instead of Reasonable Return the Company is entitled to.

The last tariff revision of approximately 9% was allowed to CESC in November 1996 after a gap of 22 months. This left a net 2% tariff available to the Company after offsetting the increase in cost of power purchase. There was no tariff revision during 1997-98.

Now that the various issues and disputes have been resolved, it is expected tariff revision in compliance with the Electricity (Supply) Act, 1948 will be given so that the Company can earn Reasonable Return.

### **Coal Mining Project**

The Company is in the process of developing a coal mine near Asansol in West Bengal. IFC, Washington has completed its appraisal. Discussion on technical collaborations with a leading international company is under way.

### **Budge Budge Expenditure**

While reviewing the Project Cost of Budge Budge at the instance of the State Government, WBSEB has recommended a figure of Rs. 1853 crores based on notional completion in December 1996. It was arrived at on an ad hoc basis without due consideration of the causes leading to cost escalation. The Company does not accept the recommended project cost cap and has referred the matter to Central Electricity Authority for arbitration to ensure that excess expenditure on the project is approved.

### **Deposit Schemes**

During the year, the Company accepted further deposits under its Deposit Schemes. The balance of deposits as on 31 March, 1998 was Rs. 169.08 crore. 1182 deposits aggregating Rs. 73.54 lakhs, remain unclaimed as on 31 March 1998. Out of these, 213 deposits totalling Rs. 13.97 lakhs have since been paid. For the balance, instructions are awaited from depositors. There was no overdue deposit as on that date.

### **Subsidiary Company**

The statement pursuant to Section 212 of the Companies Act, 1956 and the Annual Report and Accounts of CESC Limited, the wholly-owned subsidiary of the Company, together with Auditors' Report for the year ended 31 March, 1998 are attached.

### **Energy Conservation, Technology Absorption and Foreign Exchange Earnings/Outgo**

As required under Section 217(1)(e) of the Companies Act, 1956 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 'A' forming a part of this Report.