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Report and Accounts 2000-2001



Board of Directors

Rama Prasad Goenka, *Chairman*
 Sanjiv Goenka, *Vice-Chairman*
 Dipankar Mukherjee (*Nominee of Govt. of West Bengal*)
 Pradip Kumar Khaitan
 Brij Mohan Khaitan
 Bhagwati Prasad Bajoria
 Padinjaremadom Venkitachalam Subramanian
 (*Nominee of LIC*)
 Nirmalendu Biswas (*Nominee of UTI*)
 Pradip Roy (*Nominee of IDBI*)
 Sudhamoy Khasnobis (*Nominee of ICICI*)
 Sumantra Banerjee, *Managing Director*

Secretary

Subhasis Mitra

Auditors

Lovelock & Lewes

Solicitors

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

Registered Office

CESC House
 Chowringhee Square
 Kolkata 700 001
 Telephone : (033) 225 6040
 Facsimile : (033) 225 5155
 E-Mail : cesc@rpgnet.com
 Website : www.cesc Ltd.com

Bankers

Standard Chartered Grindlays Bank Limited
 State Bank of India
 American Express Bank Ltd.
 Union Bank of India
 ABN Amro Bank 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 Bank Limited
 HDFC Bank Ltd.
 Standard Chartered Bank

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Notice to Members

Notice is hereby given that the Twenty-third Annual General Meeting of the Members of CESC Limited will be held at 'Science City' Main Auditorium, JBS Haldane Avenue (Junction of Eastern Metropolitan Bypass and Park Circus Connector), P.O. G.K. Road, Kolkata 700 046 on Saturday, 29th December, 2001 at 10 A.M. for the following purposes :

1. To receive and consider the Profit & Loss Account for the year ended 31st March, 2001, 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. S. Goenka who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. P. K. Khaitan 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 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. 11,00,000/- payable in two equal instalments plus service tax and reimbursement of out-of-pocket expenses."

SPECIAL BUSINESS

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

5. AS AN ORDINARY RESOLUTION

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

- (a) ICICI Limited ("ICICI") to secure Rupee Term Loan not exceeding Rupees Six Hundred Sixty crores (Rs. 660,00,00,000) lent and advanced/agreed to be lent and advanced by ICICI to the Company towards retirement of high cost borrowings of the Company and for its normal capital expenditure/working capital requirement.
- (b) ABN Amro Bank N.V., Allahabad Bank, American Express Bank Ltd., Bank of Baroda, Bank of India, Corporation Bank, HDFC Bank Ltd., ICICI Bank Limited, Indian Bank, Indian Overseas Bank, Standard Chartered Bank, Standard Chartered Grindlays Bank Limited, State Bank of India, The Hongkong and Shanghai Banking Corporation Limited, UCO Bank and Union Bank of India (hereinafter collectively referred to as 'the said Banks') to secure working capital facilities in the form of Overdraft/Cash Credit/other facilities aggregating Rupees Two Hundred Twenty-six crores (Rs.226,00,00,000) or such enhanced working capital facilities as may be sanctioned to the Company from time to time together with interests, charges, expenses and all other monies payable by the Company to ICICI and all or

any of the said Banks in terms of their Letters of Sanction/ Facility Agreements/ Hypothecation Agreements/Joint Consortium Agreement or any other Agreement entered into/to be entered into by the Company with ICICI and the said Banks or as may be amended from time to time in respect of the said loan or working capital facilities so that mortgage and/or charge may be created by the Company in favour of ICICI and the said Banks 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 ICICI and the said Banks.

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

6. AS AN ORDINARY RESOLUTION

"RESOLVED THAT in modification of the Ordinary Resolution passed by the Company in terms of Section 293(1)(d) of the Companies Act, 1956 ("the Act") at the General Meeting held on 30th April, 1996, consent of the Company pursuant to the said Section of the Act be and the same is hereby accorded to the Board of Directors of the Company ("the Board") for borrowing from time to time any sum or sums of moneys on such terms and conditions as the Board may deem requisite or proper for the purpose of the business of the Company notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount borrowed and so to be borrowed by the Board (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) and remaining outstanding at any one time shall not exceed the limit of Rs.3800 crores and that for the purpose of implementation of this Resolution the Board may act through any member thereof or any other person duly authorised by the Board in that behalf."

The Company has received two separate notices under Section 257 of the Companies Act, 1956 from Mr. I. C. Agarwala and Mr. J. P. Saha, members, of their intention to propose themselves for being appointed Directors of the Company. Another notice under Section 284 of the Companies Act, 1956 has been received from Mr. Rakesh Mahato, a member, for moving a resolution seeking removal of Mr. Sanjiv Goenka as a Director of the Company. The Management will not support the resolutions if moved at the meeting in pursuance of the aforesaid three notices.

The Register of Members of the Company at Calcutta will remain closed from 22nd December, 2001 to 28th December, 2001, both days inclusive.

Registered Office :
CESC House
Chowringhee Square
Kolkata 700 001
24 November, 2001.

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. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business as set out in the Notice 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 applicable provisions 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, Kolkata 700 020.
In terms of the amended provisions of Section 205A of the Companies Act, 1956, and the rules framed thereunder, any dividend remaining unpaid or unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund. Accordingly, all unpaid/unclaimed dividends in respect of dividend declared for the financial year ended 31st March, 1995 will be transferred to the said Fund after October, 2002. As no claim shall lie against the Fund or the Company in respect of any dividend transferred to the said Fund, members are requested to immediately write to the Company claiming the said dividend, if payment thereof has not been received by him.

Brief profile of Directors seeking reappointment at the Annual General Meeting

MR. S. GOENKA, a Bachelor of Commerce is a well-known Industrialist and has been a Director of the Company since 1989. Mr. Goenka is the Vice Chairman of the Company and a Director of a number of other reputed Indian companies. He has also been a member of well-known trade and industry committees and representative bodies. Mr. Goenka is currently the President of Confederation of Indian Industry.

MR. P. K. KHAITAN is a senior partner of Messrs. Khaitan & Co., a leading firm of Advocates and Notaries. He has been a Director of the Company since 1992. Mr. Khaitan is a Director of a number of reputed companies.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEMS OF SPECIAL BUSINESS SET OUT IN THE NOTICE CONVENING THE TWENTY-THIRD ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON SATURDAY, 29TH DECEMBER, 2001.**Item no. 5**

In order to meet a part of the Company's working capital requirement and for retirement of high cost borrowings of the Company, ICICI Limited ("ICICI") has sanctioned a term loan amounting to Rs. 660 crores by restructuring three loans of Rs. 120 crores, Rs. 80 crores and Rs. 225 crores sanctioned earlier for meeting the Company's fund requirements.

The fresh loan of Rs. 660 crore sanctioned by ICICI is required to be secured by hypothecation of movable properties and also by mortgage of immovable properties of the Company in a form acceptable to ICICI. Such security will rank *pari passu* with the security created/to be created by the Company in favour of its other first charge-holders who have sanctioned various facilities to the Company from time to time. Consequent to restructuring of the

aforesaid loans, the charge by way of hypothecation on the Company's movable properties securing the said loans will stand released. No mortgage on the immovable properties of the Company has been created on the said loans.

Working capital facilities of an aggregate amount of Rs. 226 crore sanctioned to the Company by the consortium of sixteen banks named in the Resolution under Item no. 5 of the Notice are to be secured by a first charge on current assets of the Company and a second charge on its fixed assets. A first charge on current assets to secure these facilities has already been/will be created by the Company in favour of the said Banks. It is now proposed to secure these working capital facilities by creating a second charge on fixed assets, on which the Company's term lenders have a first charge.

The Resolution set out under Item no. 5 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 loan of Rs. 660 crore and the working capital facilities of Rs. 226 cores or such higher amount as may be sanctioned from time to time. The Board of Directors of the Company recommends that the Resolution be passed in the interest of the Company.

Mr. S. Khasnobis who is a Director of the Company as Nominee of ICICI may be deemed to be interested or concerned in the Resolution. No other Director is concerned or interested in the Resolution.

Item no. 6

At the General Meeting of the members of the Company held on 30 April, 1996 the Board of Directors of the Company ("the Board") was authorised, in terms of the provisions of Section 293(1) (d) of the Companies Act, 1956 ("the Act"), to borrow moneys up to a limit of Rs. 3300 crores notwithstanding that the same might exceed the aggregate of the paid up capital and free reserves of the Company. Keeping in view the Company's future fund requirement for capital expenditure and expenditure to be incurred in the normal course of its operations and also for meeting other requirements, it is considered necessary to seek the members' approval under Section 293(1)(d) of the Act for an increased borrowing limit of Rs. 3800 crores. The Resolution set out under Item no. 6 is intended for this purpose and the Board recommends that the Resolution be passed.

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

Shareholders' Notices

The Company has received two notices under Section 257(1) of the Companies Act, 1956 from Mr. I.C. Agarwala and Mr. J.P. Saha, proposing themselves as candidates for the office of Directors of the Company. Another notice has been received from Mr. Rakesh Mahato, proposing to move a resolution seeking removal of Mr. Sanjiv Goenka as a Director of the Company. Mr. Agarwala, Mr. Saha and Mr. Mahato hold 250, 100 and 1 equity share(s) of the Company in the respective account quoted by them in their aforesaid Notices.

The Management does not support any of the proposals contained in the aforesaid notices received from the members and referred to in the penultimate paragraph of the Notice.

Registered Office :

CESC House
 Chowringhee Square
 Kolkata 700 001
 24 November, 2001.

By Order of the Board

Subhasis Mitra
 Company Secretary

Directors' Report

The Directors present the Annual Report and Audited Accounts of CESC Limited for the year ended 31 March, 2001.

Financial Results

	2000-2001 Rs. in Lakhs	1999-2000 Rs. in Lakhs
Profit before Depreciation	136,33.18	126,57.04
Depreciation	(308,29.17)	(198,02.80)
Loss before Exchange Loss/Special Appropriation Adjustment and Contingencies Reserve Appropriation	(171,95.99)	(71,45.76)
Exchange Loss/Special Appropriation Adjustment	(20,10.22)	(41,51.81)
Appropriation to Contingencies Reserve	(11,75.00)	(11,25.00)
Loss after Exchange Loss/Special Appropriation Adjustment and Contingencies Reserve Appropriation	(203,81.21)	(124,22.57)
Deficit brought forward from previous year	(254,54.81)	(130,32.24)
Transfers from/ (Appropriations to)		
General Reserve	1,67.00	6,32.67
Debenture Redemption Reserve	—	(5,07.67)
Capital Redemption Reserve	(1,67.00)	(1,25.00)
Deficit carried to Balance Sheet	(458,36.02)	(254,54.81)

Profit before Depreciation for the year improved from Rs.127 crore to Rs. 136 crore during the year. The Company was able to have a 12% saving in power purchase cost compared to the previous year mainly as a result of 14% higher generation from the Company's own stations. Depreciation for the year was, however, 55% higher due to the impact of additional depreciation following commissioning of Unit 2 of Budge Budge Power Station. In view of the deficit, the Directors regret their inability to recommend any dividend for the year.

Sales & Tariff

During the year, 5165 MU of power was sold recording a 4.6% growth in sales volume. The Board is happy to report that the increasing trend has continued in the current year also and in the first six months sales volume has gone up by about 2.5% compared to the corresponding period of the previous year.

Tariff fixation is now the responsibility of the tariff regulatory commissions constituted under Electricity Regulatory Commissions Act, 1998. The Company's applications for revision of its tariff for 2000-01 and 2001-02 have been cleared recently by West Bengal Electricity Regulatory Commission. Net tariff increase allowed to the Company is only about 3%. Your Board would have been happier with a higher increase as during the long wait of three years since the previous tariff revision in October 1998, the Company has faced a much higher all round increase in cost of its operation.

Generation

The Company has five generating stations with a total installed capacity of 1065MW of which three modern stations share 875 MW. Budge Budge and Titagarh Generating Stations are operating at around 80% PLF while Southern Generating Station is clocking over 60%. During the year, a 14% increase in generation was possible

mainly due to the excellent performance of these stations and power position continued to remain generally stable. CESC met a peak demand of 1233 MW - 1053 MW being contributed by own generation - on 3rd October, 2000.

The Company's other two stations at Mulajore and New Cossipore are now in vintage category but have continued to extend support to the system. Cost of generation at these two stations is higher compared to the Company's average generation cost. The Company is, therefore, exploring various options to decide about the future of these stations in consultation with the authorities concerned.

Consumer Service

Consumer service is one area where further improvement is always possible. Your Company has been striving constantly for eliminating any avoidable delay in allowing new connections, providing interruption-free power supply, prompt redressal of consumers' grievances and putting in place a consumer-friendly bill collection network.

In order to further improve the standard of service to our esteemed consumers, considerable investments are being made on an ongoing basis for strengthening the Company's transmission and distribution network. During the year under review, Sub-stations' capacity was increased by 50 MVA, three new distribution stations started functioning and as many as 189 Distribution Transformers were installed. 82 circuit kilometers were added to HT distribution network, while LT network was strengthened by an addition of 139 circuit kilometers.

The Company has taken a number of other steps which are expected to offer direct benefit to the consumers. These include further extension of round-the-clock mobile emergency service and introduction of a computerised Call Centre system for faster fault

repairs, upgradation of hardware and software environment for improving the billing system, installation of intelligent electronic / superior quality meters and improvement of bill collection network to facilitate bill payment at cash offices. Engineering and Commercial functions of different Regions have been integrated so that they can function as Strategic Business Units for rendering better consumer service. The Company has recently launched an interactive website to provide various value added services to our consumers.

CESC's SCADA and Communication Department and Metering activities have recently been awarded ISO 9001:2000 certification, the first of its kind in Eastern India. In addition to Southern Generating Station, CESC's Central Regional Office, Titagarh Generating Station and Materials Division have been awarded ISO 9002 certification. All this is expected to improve consumer service further by way of operational efficiency and billing.

Information Technology

Your Company has always laid great emphasis on adopting modern information technology for conducting its business operations. Implementation of Enterprise Resource Planning (ERP) software package has commenced in multiple functional areas in a phased manner. The Company has also commenced work for establishing a communication infrastructure to inter-connect its major operation centres through high speed communication backbone for greater efficiency.

Transmission & Distribution Loss

T&D loss has been an area of concern not only for your Company, but also for most of the other power utilities in the country. Some energy loss is unavoidable in the process of transmission and distribution of power. As a result of various steps taken by the Company on a continuous basis, technical component of the T&D loss is within acceptable limits for CESC. Commercial loss caused largely by pilferage has, however, assumed serious proportion. The problem is alarming at macro level also, as power utilities in our country are deprived of an estimated revenue of over Rs. 20,000 crore annually due to theft of power.

Pilferage control is now on top of your Company's agenda. In order to tackle the problem effectively, Loss Control Cell has been strengthened significantly and reinforced teams are now engaged in anti-pilferage drives with stepped-up activities. 2359 First Information Reports were lodged with the Police (though only 55 arrests followed) during 2000-01. Court cases arising out of pilferage charges are dealt with faster with latest revision of the Company's Supply Conditions. The Audit Cell is entrusted with conducting systematic checks on connected load / bills, spot checks on meter readings, inspection of new premises to ensure correctness of initial readings and so on. The Company has also formed an independent Vigilance Cell. A number of public awareness programmes has been initiated in our effort to involve all sections of the society in the Company's endeavour to combat power theft effectively.

Unlike in the past, rampant power pilferage now-a-days involves almost all categories of our consumers cutting across the entire licensed area. Social stigma is no longer attached to this deep rooted

evil practice. The problem is indeed massive but, unfortunately, the means available to the Company for tackling it are limited and often not effective to deter the culprits. Your Board, therefore, wishes to emphasise the need of adequate and timely support from the state administration and also from the legal system. It is hoped that the proposed new Electricity Law for bringing in a comprehensive legislation on power sector will have suitable provisions for tackling the rapidly growing menace.

Pollution Control

As part of its constant endeavour for pollution control, good progress has been made by the Company towards achieving "zero effluent" status for Budge Budge Generating Station by initiating steps for effluent recycling. During the year under review, the Company has started supplying ash to a cement manufacturer in order to ensure proper utilisation of ash, a waste product of thermal power stations. Ash export has also started to neighbouring Bangladesh for making cement. A factory is being set up by an entrepreneur adjacent to the Company's Budge Budge Power Station for producing lightweight aggregates by utilising the power station ash.

Expansion Projects

The Board is happy to report that development of the coal mining project through Integrated Coal Mining Limited (ICML) is making good progress. Most of the major clearances have already been received. Acquisition of land required for mining activity for the first 10 years has almost been completed. In order to develop the project with minimum capital involvement, ICML has decided to associate with an experienced Indian mining company which will work under the supervision of Norwest Inc. USA, an international mining engineering company, retained by ICML to act as the Owners' Engineer. Development of necessary infrastructure at site is in progress and production is expected to commence by end of the first quarter of 2002.

Members are aware that keeping in view the future growth in demand of power, the Company co-promoted Balagarh Power Company Limited for setting up 2 x 250 MW thermal power units at Balagarh near Kolkata. The investment plan for the project is being reviewed in the context of the tariff revision received recently.

HRD/TQM

The Company strives to add value to its human resources through HRD endeavours for sustainable competitive advantage. The Board is happy to report that the Company's effort to maintain a stimulating organisational climate and develop professional competence have been recognised by the Confederation of Indian Industry (Eastern Region) through HRD Award, 2000-2001. Southern Generating Station has also won the Confederation of Indian Industry (Eastern Region) Safety Award, 2000-01.

Several contests were organised during the year for promoting safety, housekeeping, environmental awareness, energy conservation and involvement of the people. To imbibe consciousness on Electrical

Safety, the Company organised programmes in different schools for the students and teachers.

The interface between Human Resources Development and Total Quality Management continues to be strengthened through a series of training programmes and workshops.

Shares

As the members are aware, equity shares of the Company can now be traded only in dematerialised form. Members have the option to dematerialise their shareholdings through either of the two depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited. Transfer- cum-dematerialisation facilities are also available to the investors. As on date, over 35% of the Company's equity shares have been dematerialised.

Corporate Governance

The requirements under the listing agreements with the Stock Exchanges in relation to Corporate Governance are not yet applicable to the Company. However, recognising the need for and importance of sound code of governance, the Company has already initiated several steps towards this end, a report on which is appended hereto marked Annexure 'A'.

Directors

Mr. P. B. Ghosh has resigned from the Board with effect from 24 November, 2001. Mr. Ghosh was a Director of the Company since 1982 and has been its Managing Director for four years since 1989. The Board places on record its deep appreciation of the valuable contribution made by Mr. Ghosh during his long association with the Company.

Mr S. Goenka and Mr. P. K. Khaitan retire by rotation and, being eligible, offer themselves for reappointment as Directors.

Directors' Responsibility Statement

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

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

Auditors

Messrs. Lovelock & Lewes, Chartered Accountants, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

As regards the Auditors' remarks in paragraph 2 of their Report, reference may be made to Notes 1, 2(g), 6, 7, 8, 9(a) to 9(d), 11(a) and (b), 15 and 19 of Schedule 14 attached to the Accounts which are self explanatory.

Subsidiary Companies

The statement pursuant to Section 212 of the Companies Act, 1956 and copies of Annual Reports, Accounts and Auditors' Reports relating to the Financial Year 2000-01 of CESC Limited and Balagarh Power Company Limited, subsidiaries of the Company are attached.

Deposit Schemes

The balance of deposits as on March 31, 2001 was Rs. 137.80 crores. 2969 deposits aggregating to Rs. 2.68 crores remained unclaimed as on March 31, 2001. Out of these, 738 deposits totalling Rs. 0.78 crore have since been paid and, for the balance amount, necessary instructions are awaited from the depositors.

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 'B' forming a part of this Report.

Particulars of Employees

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are given in Annexure 'C' which forms a part of this Report.

Acknowledgements

Our consumers, lenders, other business associates, statutory authorities, Central and State Governments have extended their understanding and support during a difficult year of the Company's operation. The Board wishes to thank all of them and also places on record its appreciation for the commendable efforts put in by the employees at all levels of the organisational hierarchy.

On behalf of the Board of Directors



R. P. Goenka
 Chairman

Kolkata, 24 November, 2001.

Annexure 'A' to Directors' Report

Report on Corporate Governance

Board of Directors

The Board of Directors of the Company has eleven members. Mr. R. P. Goenka is the Chairman and Mr. Sanjiv Goenka is the Vice-Chairman. The Board has four nominees of Indian Financial Institutions and a nominee of the Government of West Bengal. Apart from the Managing Director, other ten members of the Board are all non-executive Directors.

Board Committees

- The Board has constituted three permanent committees so far.
- Audit Committee of the Board was constituted way back in 1987. Currently, the Committee has as its members three Non-Executive Directors (inclusive of an institutional nominee Director) and the Managing Director. Reports submitted by the Company's Internal Audit Department and action taken on the audit observations are analysed by the Committee. Audit Committee's responsibilities include ensuring effective internal control environment and review of the half-yearly and annual financial statements before submission of these statements to the Board.
- Finance and Forex Committee of the Board has an institutional nominee and three other members. It deals with matters relating to finance and foreign exchange exposure of the Company and considers the Company's unaudited quarterly results.
- Share Transfer Committee has two Directors as its members. This Committee is empowered to approve transfers of securities and other related matters.

Directors' Remuneration

- Non-executive Directors are entitled only to sitting fees for attending meetings of the Board and its Committees. They do not draw any remuneration from the Company. Only the Managing Director receives remuneration from the Company in accordance with the applicable laws and approval of the members of the Company.

Board Procedure

- The Board of Directors of the Company meets from time to time to transact business in respect of which the Board's attention is considered necessary. During 2000-01, five Board meetings were

held on 29 April, 21 August, 25 September and 30 November in the year 2000 and on 26 March, 2001.

- There is a well-laid procedure to send detailed Agenda papers to the Directors before such meetings. The Directors express their views freely and seek clarifications on various items of business taken up at such meetings. The discussions are held in a transparent manner. Various decisions emanating from such meetings are implemented to streamline the systems and procedure followed by the Company.
- All the Directors hold directorships/committee memberships in other companies within the limits prescribed in this regard.

Meetings

- The last three Annual General Meetings of the Company were held at Science City, 'Main Auditorium', Kolkata on 25 September, 2000, 16 September, 1999 and 9 September, 1998 which were attended by ten, seven and twelve Directors respectively with wide participation of the Company's members.

Disclosure

- ✓ Quarterly/half-yearly financial results are taken on record by the Board of Directors/Board Committee. The results are announced forthwith to the Stock Exchanges and published in newspapers.
- ✓ There has been no instance of non-compliance or violation of any type by the Company during the year.
- ✓ Redressal of shareholders'/investor grievances is given top priority.
- ✓ Relevant details relating to matters of general shareholder information appear in the section 'Shareholder Information' in this annual report.

On behalf of the Board of Directors



R. P. Goenka
Chairman

Kolkata, 24 November, 2001.

Annexure 'B' 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, 2001.

A. Conservation of Energy

1. Reduction of losses in Transmission & Distribution system is targeted by constant reorganisation/reinforcement of the network, installation of capacitors and gradual upgradation of primary distribution voltage from 6kV to 11kV.

Energy audit is conducted at all the Generating Stations and recommendations for energy conservation are implemented. Energy audit at primary and secondary distribution levels continued on a selective basis.

2. Additional Investments/Proposals

Replacement programme of the electro-mechanical meters by intelligent Electronic meters for large L.T. consumers and

replacement of all meters in a phased manner with superior quality meters continued.

Construction of a 132kV Transmission Link between Titagarh Receiving Station and Mulajore Generating Station is in progress and construction of about 11 Circuit km. underground 150 MVA cable circuits from Kasba Receiving Station has been envisaged to eliminate costlier generation at the 60 year old plant at Mulajore by 2002/03.

Upgradation of the Central SCADA system for System Control at CESC House and development of a PC based "Economic Load Despatch Scheduling" envisaged for optimising the cost of energy input to the system by 2001/02

3. Impact of the Measures

Improvement in fuel-output ratio at Generating Stations.

B Technology Absorption

1. A number of Electronic Trivector Meters with Remote Communication facilities installed for statistical metering.

2. Work on development of CESCNET, a computer network connecting all departments is nearing completion and is due to be operational shortly.
3. Commissioning of state of the art Disturbance Recorders at important 132kV stations.
4. Upgradation and extension of Optical Fibre Communication lines for catering to voice, protection signalling and data services.
5. Budge Budge Generating Station has taken up comprehensive scheme to achieve zero effluent status by reuse/recycling of the total effluent of the Station.
6. Commissioning of Hydrobin for Unit Nos. 1&2 of Titagarh Generating Station completed. State of the art fly ash handling system incorporated for 3rd row of ESP hoppers of Unit No. 1 and being extended to other units at Titagarh Generating Station for stricter observance of pollution control measures.
7. Benefits Derived

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

8. Research and Development

R & D activities are oriented towards improvement in various system operations linked with generation, transmission & distribution, commercial and other functions of the Company. An amount of Rs. 90.88 lakhs was spent for these activities during the year under review.

C. Foreign Exchange Earnings & Outgo

The Company earned interest amounting to Rs. 10.18 lakhs in Foreign Exchange on short-term deposits with State Bank of India, London.

The Foreign Exchange outgo during the year amounted to Rs. 19750.62 lakhs which included repayment of Foreign Currency loans, finance charges on such loans, import of equipment, fees to U.K. Registrars, London and Luxembourg Stock Exchange fees, technical service fees and travelling expenses.

On behalf of the Board of Directors



R. P. Goenka
Chairman

Kolkata, 24 November, 2001.

Annexure 'C' 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, 2001.

A. 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)
Banerjee S.	51	Managing Director	24,86,660	B.Tech. (Hons.), MS (USA), MBA (USA)	28	15.04.92	Director, Spencers & Co. Ltd.
Bhattacharya S.	54	Executive Director (Materials)	14,24,990	B.E. (Mechanical Engg.), Master in Mgmt. Science	32	05.04.99	President, RPG RR Power Engineering Ltd.
Chatterjee S.	57	Executive Director (Corporate Development)	16,81,047	B.E., F.I.E., MBIM, MIIST, CM-NIPM	36	03.01.66	Officer Trainee, Indian Iron & Steel Co. Ltd.
Franjee N.N.	59	Executive Director (Administration)	16,32,461	B.E. (Elec.)	37	01.06.64	—
Guha D.K.	56	Executive Director (Commercial)	16,05,919	B.E., AMIE	35	03.01.66	—
Raychaudhuri B.	58	Executive Director (Finance)	15,52,471	B.Com., A.C.A.	35	01.08.80	Finance Manager, Reckitt & Colman of India Ltd.

B. Employed for part of the year :

Bhattacharyya R.K.	62	Dy. General Manager (Transmission Project)	22,686	M.Sc., M.Tech.	40	01.08.66	Asst. Engineer (Electrical), Damodar Valley Corporation
Bose S.K.	62	Assistant Manager	29,675	B.E.	39	01.10.62	—
Bosu M.K.	61	Sr. Manager (Construction - Electrical)	13,466	B. Sc. A.M.I.E.	41	04.01.60	—
Datta B.K.	61	Sr. Engineer (Gen)	15,942	B. Sc. B.O.E.	36	01.05.65	—
Mandal K.C.	61	Dy. General Manager (BBGS)	16,636	B. Sc. B.E.E.	35	10.01.66	—
Mukherjee S.K.	61	Dy. General Manager (IR-1)	21,757	B.A Dip in Social Work, Dip in Labour Welfare, L.L.B.	39	02.05.71	Asst. Personnel Officer, Biecco Lawrie Limited
Mukhopadhyay S.B.	61	Dy. Chief Engineer (Planning & Construction)	22,625	B.E.	38	04.11.63	Officer Trainee, Indian Iron & Steel Company Ltd.
Pyne B.	62	General Manager (Elec. & Constn.)	33,731	B.Sc., B.E.E.	37	01.10.63	—
Siddiqi K.A.	63	Executive Director (Gen. & Dist.)	85,999	B.E.E., F.I.E.	40	15.02.61	—

- Notes :** (i) Remuneration as shown above includes salary, residential assistance, allowances, contribution to Provident, Gratuity and Pension Funds (where applicable), retirement compensation (where applicable) and taxable value of perquisites.
(ii) Initial contribution relating to past services paid to Pension Fund, where applicable, has not been included in the remuneration.
(iii) All appointments are/were contractual.
(iv) None of the above employees is related to any Director of the Company.
(v) The dates of commencement of employment of the employees which are prior to 2 April, 1979 relate to their employment with the Calcutta Electric Supply Corporation Limited, the Amalgamating Company, and such employees became the employees of the Company with effect from 2 April, 1979.

On behalf of the Board of Directors



R. P. Goenka
Chairman

Kolkata, 24 November, 2001.

Auditors' Report

TO THE SHAREHOLDERS OF CESC LIMITED

We report that we have audited the attached Balance Sheet of CESC Limited as at 31st March 2001 and the annexed Profit and Loss Account for the year ended on that date which are in agreement with the books of account. As the Company is governed by the Electricity (Supply) Act, 1948, the provisions of the Act have prevailed wherever they are inconsistent with the provisions of the Companies Act, 1956 of India ('The Act').

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) of 'The Act' and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us during the course of audit, we give in the attached Annexure, a statement on matters specified in paragraphs 4 and 5 of the said Order.
2. Further to the above we report that:
 - a. As indicated in Note 6 of Schedule 14 in connection with the Budge Budge Power Station project cost, the Central Electricity Authority (CEA) has given its award under Section 44 of the Electricity (Supply) Act, 1948 and approved cost of the above project at Rs. 229557 lakhs, against which a special leave petition was filed in the Hon'ble Supreme Court of India by West Bengal State Electricity Board (WBSEB), hearings on which have been completed and judgement of the Hon'ble Court is awaited.
 - b. As indicated in Note-1 of Schedule-14, adjustment might be necessary to Earnings from Sale of Electricity on receipt of the judgement of the Hon'ble Court in connection with Budge Budge Project Cost.
 - c. As stated in Note 2(g) of Schedule 14, the foreign currency loans are not restated at the year-end exchange rates or forward contract exchange rates as per requirement of the Accounting Standard on Accounting for the Effects of Changes in Foreign Exchange Rates "(AS-11)" issued by the Institute of Chartered Accountants of India in absence of specific provision under the Electricity (Supply) Act, 1948. Further, exchange variations arising on repayments of such loans or conversion of such loans to rupee loans are not capitalized or charged to revenue as applicable, but treated as Deferred Payments.
 - d. Approvals of the State Government as required under the Electricity (Supply) Act, 1948, are pending for the shortfall in investments of Rs. 3988.76 lakhs out of the Contingencies Reserve (Note 7 of Schedule 14).
 - e. As indicated in Notes 8, 9(a), 9(b), 9(c) and 9(d) of Schedule-14, no provision has been considered for amount payable to Damodar Valley Corporation and West Bengal State Electricity Board, towards their claims for supply of power to the Company, amounting to Rs. 1323.41 lakhs and Rs. 25665.96 lakhs respectively (including Rs. Nil and Rs. 7443.74 lakhs respectively for the current year).
 - f. As indicated in Note-11(a) in Schedule-14, Earnings from Sale of Electricity of 1998-99 and 1999-2000 included unbilled fuel surcharge amounting Rs. 13737.04 lakhs,

being the difference between the rate at which such fuel surcharge was booked and the provisional rate of recovery intimated so far by the State Government. Adjustments, if any, will be made on determination of final recovery rates by appropriate authority, which is not ascertainable at this stage.

In respect of 1996-97 and 1997-98, Earnings from Sale of Electricity for the respective years, included unbilled fuel surcharge of Rs.8556.49 lakhs, being the difference between the rate at which such surcharge was accounted for and the rate approved by the State Government, on the ground as indicated in Note-11(b) in Schedule-14.

- g. As indicated in Note-15 in Schedule 14, no provision has been made for shortfall in corpus of the gratuity fund amounting to Rs.1346.16 lakhs. A part of this amount may be capitalised, which cannot be quantified at this stage.
- h. As indicated in Note-19 of Schedule-14, no provision has been considered towards cost of fuel amounting to Rs. 800.57 lakhs as in the opinion of management the amount is not payable.
- i. The impact of our observations stated in the preceding paragraphs, on the loss and net assets of the Company for the year, cannot be ascertained at this stage.
3. Subject to our remarks in paragraph 2(c) above, regarding the treatment of exchange fluctuations on foreign currency loans, in our opinion, the Profit and Loss Account and Balance Sheet comply with the requirements of the Accounting Standards referred to in Section 211(3C) of 'The Act'.
4. On the basis of written representations received from the directors, which have been taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of 'The Act'.
5. Subject to our remarks in Paragraph '2' above:
 - a. we have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of the audit.
 - b. in our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of those books.
 - c. in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with notes thereon give the information required by 'The Act' in the manner so required and give:
 - i. a true and fair view, in case of the Balance Sheet, of the state of the affairs of the company as at 31st March, 2001 and
 - ii. a true and fair view, in the case of the Profit & Loss Account, of the loss for the year ended on that date.

For LOVELOCK & LEWES
 Chartered Accountants
 Partha Mitra
 Partner

Kolkata, 24th November, 2001.