

Board of Directors

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

Company Secretary

Subhasis Mitra

Auditors

Lovelock & Lewes

Solicitors

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

Registered Office

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

Bankers

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

Contents

	Page
Notice	2
Directors' Report	5
Annexure 'A'	8
Annexure 'B'	13
Annexure 'C'	15
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Schedules to the Accounts	22
Cash Flow Statement	33
Ten Years at a glance	34
Major Statistics	35
Balance Sheet Abstract	36

Notice to Members

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

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

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

SPECIAL BUSINESS

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

6. AS AN ORDINARY RESOLUTION

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

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

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

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

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

7. AS AN ORDINARY RESOLUTION

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

8. AS A SPECIAL RESOLUTION

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

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

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

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

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

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

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

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

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

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

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

Item No. 6

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

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

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

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

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

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

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

Item No. 7

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

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

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

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

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

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

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

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

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

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

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

Item No. 8

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

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

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

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

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

By Order of the Board

Subhasis Mitra
Company Secretary

Directors' Report

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

FINANCIAL RESULTS

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

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

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

DIVIDEND

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

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

GENERATION & SALES

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

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

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

ENVIRONMENT

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

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

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

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

TRANSMISSION & DISTRIBUTION LOSS

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

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

BORROWINGS

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

CONSUMER SERVICE

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

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

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

INDUSTRIAL RELATIONS

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

SHARES

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

DEPOSITS

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

DIRECTORS

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

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

RESPONSIBILITY STATEMENT

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

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

AUDITORS

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

PARTICULARS OF EMPLOYEES

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

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

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

CORPORATE GOVERNANCE

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

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO

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

FUTURE

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

ACKNOWLEDGEMENT

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

On behalf of the Board of Directors



R. P. Goenka
Chairman

Kolkata, 24 June, 2005

Annexure 'A' to Directors' Report

REPORT ON CORPORATE GOVERNANCE

Company's philosophy on code of governance

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

The Company thrives on the philosophy of

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

Board of Directors

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

Meetings

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

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

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

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

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

Board Committees

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

● Audit Committee

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

● Finance and Forex Committee

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

● Investors' Grievance Committee

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

● Remuneration Committee

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

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

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

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

General Body Meetings

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

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

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

Disclosures

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

Means of Communication

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

Management Discussion and Analysis

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

General Shareholder Information

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

Financial Calendar : Board/Committee Meetings for approval of : Expected dates
 January-March 2005 Quarterly Results – 29 April, 2005 (held)
 April-June 2005 Quarterly Results – 29 July, 2005
 July-September 2005 Quarterly Results – Within 31 October, 2005
 October-December 2005 Quarterly Results – Within 31 January, 2006