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### Inside Cover

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

## Board of Directors

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

## Company Secretary

Subhasis Mitra

## Auditors

Lovelock & Lewes

## Solicitors

Khaitan & Co.  
 Sandersons & Morgans

## Registered Office

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

## Bankers

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

## Notice to Members

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

1. To receive and consider the Profit & Loss Account for the year ended 31 March, 2006, the Balance Sheet as at that date and the Reports of the Directors and the Auditors.
2. To declare Dividend.
3. To appoint a Director in place of Mr. B. M. Khaitan who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. B. K. Paul who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration and for the purpose to consider and, if thought fit, to pass with or without modification, the following Ordinary Resolution :

“RESOLVED THAT the retiring Auditors, Messrs. Lovelock & Lewes, be and they are hereby reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration of Rs. 20,00,000/- payable in two equal instalments plus service tax and reimbursement of out-of-pocket expenses.”

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

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

By Order of the Board  
  
Subhasis Mitra  
*Company Secretary*

### NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote in his stead. A Proxy need not be a Member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the time for holding the Meeting.
2. If the dividend as recommended by the Board of Directors is declared at the Meeting, it will be payable to those

shareholders whose names appear on the Company's Register of Members, or, who are notified as beneficiaries by the Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited at the close of business on 8 July, 2006.

3. Members holding shares in physical form may intimate the Company necessary particulars for ECS credit of the dividend directly to their bank accounts wherever ECS facility is available, or, for printing of their bank account details on the dividend warrants to prevent possibilities of fraud in encashing the warrants. For this purpose, members are requested to fill in the form appended to the Attendance Slip and send the filled in form to the Company latest by 8 July, 2006. In respect of the shareholdings in demat form, any change in the bank particulars should be intimated to the Depository Participants immediately so that the changed particulars may be used for dividend payment.

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

**MR. B. M. KHAITAN** is a renowned industrialist having interest in tea, batteries and engineering industries and has been on CESC's Board of Directors since 1994. He has made significant contribution to the tea industry with which he has been associated for over five decades. He has also been associated with various leading Chambers of Commerce and trade associations. Mr. Khaitan is the Chairman of Williamson Magor & Company Limited, Eveready Industries India Limited and Mcleod Russel India Limited. He is a Director of Jayshree Tea & Industries Limited (also the Chairman of the Remuneration Committee of the Board), Phillips Carbon Black Limited, The Moran Tea Company (India) Limited, Babcock Borsig Limited, Williamson Tea Assam Limited, Doom Dooma Tea Company Limited and Williamson Maknam Limited, U.K. Mr. Khaitan does not hold any share in the Company.

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

## Directors' Report

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

### Financial Results

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

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

### DIVIDEND

The Board is pleased to recommend payment of an equity dividend for the year ended 31 March, 2006 @ 25% or Rs. 2.50 per share on the paid-up equity share capital as on that date, which, if approved at the forthcoming Annual General Meeting, will be paid to those shareholders whose names appear on the Register of Members of the Company, or, appear as beneficial owners as per particulars to be furnished by the Depositories, viz. National Securities Depository Limited and Central Depository Services (India) Limited, at the close of business on 8 July, 2006. The dividend will be tax free in the hands of the shareholders, but shall be subject to tax thereon payable by the Company.

### GENERATION

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

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

### SALES

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

### TARIFF

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

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

### CONSUMER SERVICE

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

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

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

### ENVIRONMENT

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

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

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

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

### PILFERAGE

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

## **FUTURE PLANS**

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

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

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

## **HUMAN RESOURCES**

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

## **ISSUE OF NEW SECURITIES**

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

## **DEPOSITS**

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

## **DIRECTORS**

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

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

Mr. B. M. Khaitan and Mr. B. K. Paul retire by rotation and, being eligible, offer themselves for reappointment as Directors.

## **RESPONSIBILITY STATEMENT**

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

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit for that period;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance



with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) that the Directors had prepared the annual accounts on a going concern basis.

#### **AUDITORS**

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

#### **COST AUDIT**

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

#### **CORPORATE GOVERNANCE**

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

#### **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO**

As required under Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 the relevant information pertaining to

conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure 'C' forming part of this Report.

#### **PARTICULARS OF EMPLOYEES**

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

#### **ACKNOWLEDGEMENT**

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

On behalf of the Board of Directors



**R. P. Goenka**  
Chairman

Kolkata, 21 June, 2006

## Annexure 'A' to Directors' Report

### REPORT ON CORPORATE GOVERNANCE

#### Company's philosophy on code of governance

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

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

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

#### Board of Directors

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

#### Meetings

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

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

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

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

#### Board Committees

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

#### Audit Committee

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

#### Investors' Grievance Committee

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

#### Remuneration Committee

- ☐ Non-executive Directors draw sitting fees at the rate of Rs.20,000/- for attending each meeting of the Board or Committee thereof and do not draw any other remuneration from the Company.
- ☐ The Remuneration Committee set up to determine the remuneration package of the Managing Director consists of Mr. B. P. Bajoria, Mr. P. Roy and Mr. P. K. Khaitan, as the Chairman of the Committee.
- ☐ The Committee met on 24 June, 2005 to consider a revision in the terms of remuneration of Mr. S. Banerjee, Managing Director, the only executive on the Company's Board. The revised remuneration paid during the year to the Managing Director in accordance with the applicable laws and in terms of approval of the members of the Company, was as follows :

	(Rs. Crores)
Salary	0.24
Contribution to Pension and Provident Funds and Gratuity	0.08
Estimated value of other benefits	0.15
<b>Total :</b>	<b>0.47</b>

  

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



### General Body Meetings

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

AGM	Year	Location	Date	Time	No.of Special Resolutions approved
Twenty-fifth	2003	Kala Mandir 48 Shakespeare Sarani Kolkata – 700 017	19 September, 2003	10.30 A.M.	Two
Twenty-sixth	2004	City Centre, Royal Bengal Room, DC Block, Sector-1, Salt Lake, Kolkata-700 064	30 July, 2004	10.30 A.M.	None
Twenty-seventh	2005	-Do-	29 July, 2005	10.30 A.M.	One

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

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

### Disclosures

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

### Means of Communication

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

## Management Discussion and Analysis

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

### General Shareholder Information

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

**Financial Year** : 1 April to 31 March

### Financial Calendar :

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

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

**Dividend Payment Date** : 24 / 25 July, 2006

### Proceeds from New Issues

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

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

### Listing on Stock Exchanges

- ☐ CESC Shares are listed on
- The Calcutta Stock Exchange Association Ltd. (Stock Code 34 – Physical and 10000034 – Demat)
  - Bombay Stock Exchange Ltd. (Stock Code 84 – Physical and 500084 – Demat)
  - National Stock Exchange of India Ltd. (Stock Code CESC)
  - London Stock Exchange (Stock Code 0162869-GB Register and 6161097 – Indian Register)

Requisite listing fees have been paid to these Exchanges up to the year 2006-07.

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

### Market Price Data

(Rs.)

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