CESC LIMITED

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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)*
Ajay Saraf *(Nominee of ICICI Bank)*
Sumantra Banerjee, *Managing Director*

Vice President & 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 Limited
ICICI Bank Limited
Industrial Development Bank of India Limited
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 Thirtieth 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 Wednesday, 30 July, 2008 at 10.30 A.M. for the following purposes :

1. To receive and consider the Profit & Loss Account for the year ended 31 March, 2008, 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. Ajay Saraf who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. S. Banerjee 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. 26,00,000/-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 the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and / or charging by the Board of Directors of the Company ("the Board") of all the immovable and movable properties of the Company, wheresoever situate, present and future, in favour of :

   (a) Infrastructure Development Finance Company Limited (IDFC) for its three term loans of Rs. 65 crore, Rs. 100 crore and Rs. 50 crore respectively;

   (b) Standard Chartered Bank (SCB) for its eight foreign currency loans aggregating JPY 3,313,253,068.70;

   (c) UCO Bank (UCO) for its term loan of Rs. 150 crore;

   (d) Punjab National Bank (PNB) for its term loan of Rs. 150 crore;

   (e) Punjab and Sind Bank (PSB) for its term loan of Rs. 50 crore;

   (f) Industrial Development Bank of India Limited (IDBI) for its term loan of Rs. 150 crore;

   (g) ICICI Bank Limited (ICICI Bank) for its foreign currency loan of US$ 16 million; and

   (h) 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. 1,000 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 debentures and / or fund and / or non-fund based working capital facilities

   to secure the said term loans / financial assistance together with interests, charges, expenses, front-end fees and all other monies payable by the Company to IDFC, SCB, UCO, PNB, PSB, IDBI, ICICI Bank, the aforesaid Public Financial Institutions, banks, other lenders, institution(s) and / or corporation(s) (collectively referred to as "the said Lenders") in terms of their respective Letters of Sanction, Loan Agreements, Facility Agreements, Hypothecation Agreements, Joint Consortium Agreements or any other Agreement or any amendment thereto entered / to be entered into by the Company with all or any of the said Lenders so that the mortgage and / or 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 aforesaid Resolution."

7. **AS A SPECIAL RESOLUTION**

   "RESOLVED THAT in accordance with the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act'), and subject to such approvals as may be necessary, the Directors of the Company other than the Managing Director or any Whole-time Director, be paid Commission not exceeding 1% per annum of the net profits of the Company computed in the manner laid down in Section 198(1) of the Act in respect of 5 years commencing from 2008-09 to be distributed amongst the said Directors in such manner as the Board of Directors of the Company ('the Board') and / or Remuneration Committee constituted by the Board may from time to time determine AND THAT the said Commission be paid in addition to the fee payable to the Directors for attending the meetings of the Board or any Committee thereof."

8. **AS A SPECIAL RESOLUTION**

"RESOLVED THAT the Company hereby accords approval to the (i) increase in the remuneration payable to Mr. S. Banerjee ('Mr. Banerjee') as Managing Director of the Company for the period from 1 April, 2008 till the expiry of his present tenure of office i.e. up to 31 July, 2008, other terms and conditions of his present appointment remaining unchanged, and (ii) reappointment of and remuneration payable to Mr. Banerjee as Managing Director of the Company for a period of five years with effect from 1 August, 2008 till 31 July, 2013 AND THAT the Board of Directors of the Company be and is hereby authorised to issue to Mr. Banerjee a letter in terms of the draft placed before the Meeting and initialed by the Chairman for the purpose of identification setting out therein the terms and conditions governing the increase in Mr. Banerjee's remuneration and his reappointment as aforesaid."

The Register of Members of the Company at Kolkata will remain closed from 21 July, 2008 to 30 July, 2008, both days inclusive.

Registered Office :
CESC House
Chowringhee Square
Kolkata – 700 001
1 July, 2008

By Order of the Board

Subhasis Mitra
Vice President & 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 19 July, 2008.
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 19 July, 2008. 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. AJAY SARAF is a Commerce Graduate from Calcutta University and is also a qualified Chartered and Cost Accountant. Mr. Saraf has been working with ICICI Bank Limited since the last six years and now holds the position of Senior General Manager. Earlier, he was with American Express Bank Limited for ten years. Mr. Saraf has a wide range of experience in Corporate Banking, Investment Banking and Treasury. He has been on the Board of CESC as ICICI Bank's nominee since 28 November, 2005. Mr. Saraf is also on the Boards of ABG Shipyard Limited (also the Chairman of the Audit Committee and a Member of its Share & Investor Grievance Committee), Mcleod Russel India Limited (Member of its Audit Committee also) and Videocon Industries Limited as a nominee of ICICI Bank. Mr. Saraf does not hold any share in the Company.

MR. S. BANERJEE holds B.Tech (Hons.) - IIT, MS and MBA degrees and has been CESC's Managing Director since 1 August, 1993. He has 35 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 and Retail Groups is on the Boards of Ghaziabad Power Company Limited, Noida Power Company Limited, Saregama (India) Limited (also Member of its Audit Committee and Investor Grievance Committee), Dakshin Bharat Petrochem (Private) Limited, Carniwal Investments Limited, Hilltop Holdings Limited, Jubilee Investments and Industries Limited, Spencer International Hotels Limited, Mahuagarhi Coal Company Private Limited and Spencer's Retail Limited (also a Member of its Audit Committee). Mr. Banerjee holds 2200 equity shares of Rs. 10 each of the Company .

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 THIRTIETH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 30 JULY, 2008

Item No. 6

In order to refinance some of the costlier loans earlier availed by the Company as well as for meeting the requirement of various projects, the Company has been sanctioned the following financial assistance :

Name of Lender	Details of Loan
Infrastructure Development Finance Company Limited (IDFC)	Three Term Loans aggregating Rs. 215 Crore
Standard Chartered Bank (SCB)	Eight Foreign Currency Loans aggregating JPY 3,313,253,068.70
UCO Bank (UCO)	Term Loan of Rs. 150 Crore
Punjab National Bank (PNB)	Term Loan of Rs. 150 Crore
Punjab and Sind Bank (PSB)	Term Loan of Rs. 50 Crore
Industrial Development Bank of India Limited (IDBI)	Term Loan of Rs. 150 Crore
ICICI Bank Limited (ICICI Bank)	Foreign Currency Loan of US$ 16 million

The above loans, in terms of their respective terms of sanction, are required to be secured by mortgage / charge over the Company's immovable and movable properties in the form and manner required by the respective lenders. Creation of security for the said loans was approved under the limit of Rs.1,000 crore set out in the Ordinary Resolution passed by the members in terms of Section 293(1)(a) of the Companies Act, 1956 at the Twenty-ninth Annual General Meeting of the Company held on 27 July, 2007.-

Further, for undertaking various projects as well as for refinancing any existing financial assistance, the Company may avail of various rupee and foreign currency assistance which may also be required to be secured by 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, paragraph (h) of the Ordinary Resolution set out in the Notice under Item No. 6 includes a reference to the lenders from whom fresh financial assistance not exceeding Rs.1,000 crore may be availed of by the Company in future.

The Ordinary Resolution set out under Item No. 6 of the Notice is for obtaining the approval of the Members 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. The Board of Directors of the Company recommends that the Resolution be passed.

Mr. Pradip Roy and Mr. Ajay Saraf, Nominees of IDBI and ICICI Bank respectively on the Board of Directors of the Company, may be deemed to be interested or concerned in the said Ordinary Resolution. No other Director is concerned or interested in the Resolution.

Item No.7

Section 309(4) of the Companies Act, 1956 ('the Act') provides, inter alia, for payment of remuneration by way of commission to the directors of a company (other than the managing director or any whole-time director) not exceeding 1% of the net profits of the company computed in the manner laid down in Section 198(1) of the Act. Article 91 of the Articles of Association of the Company also authorizes payment of such commission. However, the Non-Executive Directors of the Company do not currently receive any remuneration apart from sitting fees for attending meetings of the Board of Directors of the Company ('the Board') or Committees thereof although they devote considerable time in connection with the affairs of the Company.

The Special Resolution set out under Item No. 7 of the Notice is intended to seek the approval of the shareholders authorizing the Board to make payment of Commission to the Directors at the rate not exceeding 1% of the net profits of the Company every year in respect of five years from 2008-09 in the manner stated therein. The Resolution set out in the Notice may be considered accordingly.

Apart from Mr. S. Banerjee, the Managing Director, other Directors of the Company may be deemed to be concerned or interested in the aforesaid Special Resolution.

Item No. 8

The Board of Directors of the Company ('the Board') has approved an increase in the remuneration of Mr. S. Banerjee ('Mr. Banerjee'), Managing Director of the Company, from 1 April, 2008 till the end of his current tenure i.e. 31 July, 2008. The Board has also reappointed Mr. Banerjee as Managing Director for a further term of five years from 1 August, 2008

The proposed increase in the remuneration of Mr. Banerjee and his reappointment as aforesaid have 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').

Mr. Banerjee is with the Company since 15 April 1992 and has been its Managing Director for the last 15 years. He is a Bachelor of Technology from Indian Institute of Technology, Kharagpur, an M.S. in Polymer Science and an MBA in Marketing and Finance from USA. He has 35 years of experience in India and abroad.

During his tenure as Managing Director of the Company, CESC has achieved significant turnaround in its financial position and has made all round improvement in its working.

The terms and conditions governing the increase in Mr. Banerjee's remuneration and his reappointment referred to above are contained in a letter proposed to be issued by the Company to Mr. Banerjee. The principal terms and conditions set out in the draft of the aforesaid letter are as follows :

A. **Increase in remuneration —**

Increased Salary of Rs. 3,00,000 per month from 1 April, 2008 till the expiry of his present term of office i.e. 31 July, 2008, other terms and conditions of his present appointment remaining unchanged.

B. **Reappointment –**

1. Period : Five years from 1 August, 2008.
2. Salary : Rs.3,00,000 per month with an annual increment of Rs.50,000 effective from 1 April every year.
3. Commission : $^1/_2$ % of the net profits of the Company every year from 2008-09 onwards.
4. Residential accommodation or house rent allowance in lieu thereof in accordance with the rules of the Company.
5. Perquisites : Mr. Banerjee will be entitled to the usual perquisites / benefits like gas, electricity, water and furnishings, medical expenses reimbursement, leave travel concession for self and family, club fees, personal accident insurance and provision of furniture and equipment at the residence in accordance with the rules of the Company subject to a limit of Rs. 20 Lakhs per annum on such perquisites / benefits.

   For the purpose of computation of the aforesaid limit, the following benefits / perquisites shall not be considered : (i) the Company's contribution to Provident Fund and Superannuation Fund, (ii) encashment of leave at the end of the tenure, and (iii) payment of gratuity at a rate not exceeding half a month's salary for each completed year of service.

The proposed remuneration of Mr. Banerjee will be subject to a limit of 5% of the annual net profits of the Company. In the event of loss or inadequacy of profits of the Company in any financial year, the aforesaid remuneration and perquisites / benefits will be paid to / enjoyed by Mr. Banerjee subject to the approval of the Central Government in terms of Schedule XIII to the Act.

6. Leave : Leave on full pay and allowance as per Rules of the Company, but not exceeding one month's leave for every eleven months of service.

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

The aforesaid increase in remuneration and the proposed reappointment of Mr. Banerjee require the approval of the Company in a general meeting. The Resolution set out in Item No.8 has to be considered accordingly and the Board recommends that the same be passed.

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

Mr. Banerjee may be deemed to be interested in the Resolution under Item No. 8 and no other Director of the Company has any interest in the aforesaid Resolution.

The above may be considered also as an Abstract of the terms and Memorandum of Interest in terms of Section 302 of the Act relating to the contract to be entered into by the Company with Mr. Banerjee governing the aforesaid increase in his remuneration and re-appointment as Managing Director of the Company for a period of five years from 1 August, 2008.

Registered Office :
CESC House
Chowringhee Square
Kolkata – 700 001
1 July, 2008

By Order of the Board

Subhasis Mitra
Vice President & 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, 2008.

Financial Results

(Rs. in Crores)

	2007-2008	2006-2007
Profit before Depreciation, Taxation & Other Appropriation	**571**	499
Depreciation	**(168)**	(158)
Taxation	**(48)**	(40)
Profit before Transfer / Appropriation	**355**	301
Profit brought forward from Previous year	**52**	–
Transfer		
– Reserve for unforeseen exigencies	**(13)**	(12)
– Debenture Redemption Reserve	**(1)**	(2)
– General Reserve	**(200)**	(200)
Proposed Dividend on Equity Shares @ 40% & tax thereon	**(58)**	(35)
Leaving a balance carried forward	**135**	52

Members will be happy to note that, during the year, total income grew by about 14% and there was around 18% increase in profits. This was achieved mainly due to further improvement in operational efficiency across the Company. The generating stations sent out higher volume of power, distribution loss dropped further, sales volume to all consumer segments recorded a growth and interest payout was lower. The relevant details appear 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 2008 at a higher rate of 40% or Rs. 4 per share on the paid-up equity share capital as on that date, amounting to Rs. 49.97 crore. The dividend is proposed to be paid to those shareholders whose names appear in the Register of Members of the Company, or, appear as beneficial owners as per particulars furnished by the Depositories at the close of business on 19 July, 2008. No tax on the said dividend will be payable by the shareholders but, as required, the Company will pay appropriate tax thereon.

GENERATION

The generating stations of the Company continued to perform very well during the year under review. All three pulverized fuel (p.f.) fired stations – Budge Budge, Southern and Titagarh – have achieved further improvement in their Plant Load Factors indicating high level of capacity utilization. Their combined PLF of 97.32% in 2007-08 was the highest ever recorded at these stations. Members will be pleased to note that, as per the list published by the Central Electricity Authority, these three stations ranked among the generating stations of the country with highest capacity utilisation for the year 2007-08. They are also accredited with ISO 14000 and ISO 9000 certifications indicating very high level of environmental and quality standards respectively.

The nine year old Budge Budge has many distinctions to its credit. It had the second highest PLF in India in the year 2007-08 among all thermal power stations in India and achieved full generation capacity during the year under report. Budge Budge has also been acclaimed as an environment friendly station by a number of government agencies and other bodies. The other two p.f. stations – Southern being 17 years old and Titagarh in existence for about 25 years now – have also continued doing remarkably well during the year under review. New Cossipore, the 1949 built vintage station, lends very useful support to the CESC system, especially during the peak hours.

The steady performance of the above generating stations has contributed significantly to maintain the power availability position in CESC's licensed area. However, peak period power shortage, a national problem now, leads to occasional interruptions in CESC area as well due to restricted availability of power from sources outside the licensed area. The Company does everything feasible to mitigate such shortage. The Board is of the view that the overall power position in the area served by CESC is better than many other cities of the country. The Company will continue its efforts to improve the position.

SALES & TARIFF

During the year under report, the volume of sales recorded by the Company was 6948 million units - a growth of 8% compared to 2006-07. Significantly, all segments of both high tension and low tension consumers contributed to the above growth. Overall, sales volume to high tension consumers recorded an increase of 10% while the rate was 7% for low tension consumers.

The Board wishes to touch upon certain complexities faced by the Company in sale of power as a licensee under the Electricity Act, 2003. First, about 60% of our consumers billed for a meagre average sale of around 50 units per month and accounting for only 11% of units sold constitutes a large segment for whom all costs have to be incurred with no commensurate return. Secondly, the widely varying demand pattern is the other big problem. While the evening peak demand is in the order of 1450 MW, the night lean demand drops to a level of around 800 MW during summer and to less than 400 MW during winter months. Such variations in demand present problems relating to underutilization of generation facilities. The other problem beyond CESC's control is the steadily declining proportion of sales to high tension consumers – down to less than 39% for 2007-08 against 51% in the year 1993-94 - and the corresponding growth in the share of low tension sales. Such a shift of sales mix has exposed the Company in recent years to higher distribution loss for the reason that an increase in low voltage sales means more distribution loss due to technical reasons. A problem unique to CESC and not applicable to most other licensees, is its compulsion for historic reasons to operate the bulk of its primary distribution network at a voltage level of 6kV and not at 11kV. This constraint also results in higher technical loss for the Company.

The Board is happy to report about the growth in the volume billed to the consumers in spite of the above constraints. One special feature of CESC system is the centralized Oracle based billing of 2.3 million consumers every month based on meter reading and payment information collected in respect of individual consumers. The process involves reading all the meters installed in the consumers' premises every month and attending to the associated work in a time bound manner. The bills are sent to all the consumers well ahead of the due dates and they have multiple choices for payment of the bills.

The Board wishes to share with the Members a feeling of satisfaction regarding the competitive tariff structure CESC has for its consumers. All round inflationary pressures in recent times have hit CESC very hard and made it difficult for the Company to contain the cost of its operations. In particular, there have been sharp increases in prices of both coal, the primary fuel for the Company's generating stations, and oil, the secondary fuel, in recent times. Yet, with no external subsidy and backed only by efficiency enhancement and allied measures, CESC has managed to operate with an average tariff of 376 paise per unit for the year 2007-08 (without considering a ten paise increase from February 2008 to offset a part of the additional fuel costs) against 415 paise applicable four years ago in 2003-04. The Board is glad to report in this context that the Regulatory direction of introducing multi-year tariff for the consumers from the current financial year is a positive development for supporting revenue predictability and planning of the Company's operations.

DISTRIBUTION

The Members would be aware of the risks associated with the power distribution business. Substantial investments for network maintenance and upgradation have to be made on an ongoing basis. Unfortunately, a licensee like CESC can do little to control the environment in which it operates and on which the sustainability of its operation depends to a very large extent.

In view of the criticality of the distribution business, CESC continues to make massive investments for upgradation of its 14000 circuit kilometer long distribution network. During the year under report, five new substation / distribution stations were commissioned, the plant capacities of two more strengthened, 6 / 11 / 33 kV distribution network augmented by laying 325 Ckt. Km of new underground cable and other work carried out for lending greater reliability to the network. Some special projects have also been undertaken to strengthen the existing power import network and for meeting the increasing load growth in the Company's licensed area.

LOSS CONTROL

Distribution loss is a cause of major concern in power distribution business. In the Indian context, the problem is indeed serious. This is borne out by an average 40% level of such loss for a number of Indian states. Fortunately, CESC's loss is much lower at below 15% level now. At one stage, not many years ago, when the level of distribution loss had gone beyond 20%, CESC decided to address loss control with all resources at its command. The thrust continues in full vigour. The results are encouraging but the task is full of challenges. This is because controlling theft of electricity, the main component of distribution loss, in a hostile environment is a daunting task. The theft prone areas are often sensitive. Loss control staff face mob violence and manhandling, organized gangs operate in different localities to thwart anti-pilferage operations, administrative support is often not adequate and legal process does not always move fast enough to deter the culprits.

The Board is happy to report that in spite of all the constraints, CESC personnel have shown remarkable courage and commendable dedication in combating the menace of power theft. Excellent teamwork and relentless efforts have helped progressive improvement in the power pilferage position over the last few years. Intense efforts for further improvement continue in many forms. Energy audit at distribution transformer level, meter checking, surprise inspections, removal of hookings, constant vigilance, filing of FIRs, pursuing legal cases and innovative services / metering arrangements in the theft prone areas are some examples. The Board considers that more active administrative support is a prerequisite for achieving further significant loss reduction in the present scenario.

CONSUMER SERVICE

CESC firmly believes that consumer satisfaction holds the key to its success. The Company serves a large base of 2.3 million consumers day and night. The responsibility of supplying quality power to such a huge number of city-centric consumers at reasonable rates is by no means easy. With a complex underground distribution network, the Company's problems are compounded by large scale road excavation work by various agencies operating in CESC's licensed area. The other reasons leading to excessive overloading of the Company's plant and equipment and consequential supply interruptions are rampant pilferage of electricity and unauthorized connected load.

In spite of the above constraints, CESC does its best to serve the consumers with a network of six regional offices divided into ten districts, thirty-six emergency depots, more than 100 motorised mobile units and a host of other establishments spread across its licensed area. The Company has an elaborate system of maintenance / upgradation of its network. Supply interruptions are attended to promptly with the support of a well designed round-the clock mobile emergency service. The entire licensed area is now covered by an upgraded 24-hour Call Centre network for immediate logging of supply related complaints and prompt restoration of affected supplies. For the convenience of CESC consumers, there are now thirty-nine Cash Offices equipped with modern facilities across the licensed area of the Comapny.

With the huge consumer base that CESC has, some consumers may at times have certain grievances. The Company's efforts are to keep such grievances to the minimum. An effective grievance redressal mechanism is in place in each Regional Office with a team of senior officers overseeing the function at the Head Office level.

CESC has been following a system of keeping in touch with its consumers. Their feedback and suggestions immensely help the Company in its business operation. Mailers are regularly sent to the consumers on supply related matters of interest. Teams of senior officers visit high tension consumers at periodic intervals. Regular live phone-in programmes on radio are conducted to instill awareness in respect of various aspects of power supply.

ENVIRONMENT

CESC is an organization in existence for over a century and it has always been alive to the need of protecting the environment. Special efforts are made by the four generating stations to monitor and control emissions and effluents. The emission levels are much lower than the prescribed limits. In fact, Budge Budge and the other two pulverized fuel stations have been acclaimed by various government agencies and other bodies at different points of time for their proactive efforts in environment protection.

All the three pulverized fuel stations of the Company have attained zero effluent status during the year under report. These stations also have in place recycling systems to take care of the effluents generated from the process. Special care is taken to control emission of Suspended Particulate Matters through ammonia dosing. The other generating station, New Cossipore, is old and Wet Electrostatic Precipitators have been retrofitted there for mitigation of particulate emission.

The Company's own Mobile Pollution Monitoring Van which goes around the Generating Stations to monitor stack emission is the first of its kind introduced by any power utility in the country. Indian coal has high ash content. The Company selects right coal mix and washing of coal is undertaken in order to keep the ash content within a reasonable limit. So far as fly ash is concerned, CESC is the pioneer in collection of ash in dry condition. A large part of such ash is commercially utilized for making cement in India and also in neighbouring Bangladesh.

In a significant development, the Company has earned Carbon Credits (Certified Emission Reduction) under Kyoto Protocol of the United Nations in recognition of its two Clean Development Mechanism (CDM) projects undertaken at Budge Budge and Titagarh Generation Stations. The CDM project at Budge Budge has the distinction of being the first such project earning Carbon Credits for any thermal power station in the entire world. Both coal and oil used by the Company as fuel to operate its generating stations result in emission of carbon dioxide(CO_2) which is believed to have the effect of warming up the atmosphere. The above two projects have been successful in reducing the CO_2 emission. Carbon Credits are saleable to the buyers from developed countries having greenhouse gas reduction commitments in their respective establishments.

EXPANSION PROJECTS

Your Board is of the view that CESC's licensed area is poised to witness phenomenal demand growth in future. As more than a century old licensee, the Company is keen to do its bit for capacity addition in both generation and distribution segments.

The newest generating station, Budge Budge, has two units of 250MW each functioning steadily. The Company's project for installing the third 250MW unit at the same site is progressing well and should be commissioned in 2009-10. Certain other projects in the State of West Bengal and in the adjoining states taken up for implementation by associate companies are in various stages of progress and have possibilities of augmenting the availability of power in future.

Capacity addition in the distribution segment is as important as addition to the generating capacity in a city centric supply system of CESC. Simultaneously with implementing the third 250MW unit at Budge Budge, CESC is pursuing an associated project for Budge Budge power evacuation to the city through a 220kV overhead line. Heavy congestion along the route and a myriad of other problems are making the project rather difficult but the experienced team of CESC engineers are doing their best for completing the project next year.

Members are aware that, due to historical reasons, CESC can generate only a part of its power requirement and the balance is imported from other agencies. A special project has been undertaken to strengthen the existing import infrastructure in the interests of CESC consumers. This includes establishing a new Receiving Station on the west bank of the Hooghly river and connecting it to the Rishra Substation of West Bengal State Electricity Transmission Company Limited. Besides, plans are underway to connect Subhasgram Substation of Power Grid Corporation of India Limited, with the new substation under construction at Nonadanga.

SUBSIDIARIES

The Board is of the view that there is substantial growth potential for retail and real estate businesses. CESC Properties Limited, a wholly owned subsidiary of the Company, has plans for development of properties and related business activities in the city of Kolkata and various other parts of the country.

Spencer's Retail Limited (SRL), a well established company engaged in the business of operating and managing a large chain of retail stores across India with ambitious growth plans for the future, became CESC's subsidiary with effect from 1 April, 2007 with CESC's holding being 94.7% in SRL. SRL currently operates 383 stores under "Spencer's" brand name in 59 cities with retail space of approximately 1.2 million square feet. In addition, there are also around 90 stores in 28 cities under "Music World" and "Books & Beyond" brands for music, home video and related products.

The attached Consolidated Financial Statements of the Company and its above two subsidiaries duly audited by Messrs.Lovelock & Lewes, Auditors, have been prepared in compliance with the applicable Accounting Standard and the Listing Agreements with the Stock Exchanges. The Company has been exempted from the provisions of Section 212(1) of the Companies Act, 1956 from the requirement of attaching the accounts of its above two subsidiaries for the year 2007-08. We undertake that the annual accounts of the aforesaid subsidiary companies and the related detailed information will be made available to the investors seeking such information at any point of time. Copies of the annual accounts of the above two subsidiary companies will also be kept for inspection by any investor in the Head Office of the Company and of the subsidiary companies also.

HUMAN RESOURCES

Industrial relation in the Company continues to be cordial. CESC attaches great importance to HR functions across the organization. The focus areas include ensuring safe working practices, improvement of consumer services, upgrading employee competencies, development of leadership skills and fostering human values. The Company recognizes the changes in business environment and appropriate HR strategies are in place to meet the future challenges. The emphasis is to sustain the environment in which CESC employees continue to have a sense of bonding with the Company, enjoy working to the best of their ability and take pride in what they do for the organization.

DEPOSITS

The Company has not accepted any deposit during the year. The balance of deposits as on 31 March, 2008 was Rs.0.54 crore. 1199 deposits aggregating to Rs.1.77 crore remained unclaimed as on 31st March, 2008. Out of these, 71 deposits totalling Rs.0.11 crore have since been paid and, for the balance amount, necessary instructions are awaited from the depositors.

NEW SHARES

During the year under report, 310.58 lakh fully paid equity shares of Rs.10 each were allotted in terms of a Scheme of Amalgamation of the holding company of Spencer's Retail Limited with the Company, sanctioned by the Hon'ble High Court at Calcutta. 95.60 lakh equity shares were allotted to Qualified Institutional Buyers in accordance with Chapter XIIIA of SEBI (DIP) Guidelines, 2000 for cash at a premium of Rs.608 per share.

DIRECTORS

The non-executive directors of the Company devote considerable time in connection with the affairs of the Company but do not currently draw any remuneration apart from sitting fees for attending meetings of the Board or the Board Committee. A Special Resolution in accordance with the Companies Act, 1956 ('the Act') has been included in the Notice convening the forthcoming Annual General Meeting of the Company ('the said Meeting') for payment of remuneration by way of commission to the non-executive directors at a rate not exceeding 1% of the net profits of the Company every year computed in the prescribed manner in respect of five years commencing from 2008-09. Also included in the said Notice is a Special Resolution seeking the members consent for increasing the remuneration of Mr. S. Banerjee, Managing Director, from 1 April, 2008 till the end of his current tenure i.e. 31 July, 2008 and reappointing him the Managing Director for a fresh term of five years with effect from 1 August, 2008. The relevant details appear in the said Notice and in the Explanatory Statement in respect of the said Notice.

In accordance with the provisions of the Act, Mr. A. Saraf and Mr. S. Banerjee retire by rotation and, being eligible, offer themselves for reappointment as Directors at the said Meeting.

RESPONSIBILITY STATEMENT

In terms of the provisions of Section 217(2AA) of the Act, the 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 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 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 the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(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 reappointed to conduct the audit of the cost accounting records of the Company for the year under review.

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 a 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.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, the relevant particulars of employees are set out in an annexure to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT

The Company is now in a phase of consolidating its position as a very efficient power distribution licensee of the country. Its technical excellence and financial strength have allowed the Company to look for suitable business opportunities in a competitive environment. In all such endeavour, the passion for excellence of CESC employees is a source of great strength to the Company. The Board is thankful to the employees at all levels for their dedication to the organization. Without the support and cooperation of CESC's business associates, the operational results would not have improved the way they have during the year. The Board wishes to thank all of them for a successful year of operation of the Company.

On behalf of the Board of Directors

R.P. Goenka
Chairman

Kolkata, 1 July, 2008