

Board of Directors

Rama Prasad Goenka, *Chairman*

Sanjiv Goenka, *Vice-Chairman*

Pradip Kumar Khaitan

Brij Mohan Khaitan

Bhagwati Prasad Bajoria

Srinivasan Kothandaraman Vidyanathan Srinivasan

(*Nominee of IDBI*)

Ajay Saraf (*Nominee of ICICI Bank*)

Rathindra Kumar Misra (*Nominee of Govt. of West Bengal*)

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

Axis Bank Limited

Bank of Baroda

Bank of India

HDFC Bank Limited

ICICI Bank Limited

Industrial Development Bank of India Limited

Indian Overseas Bank

Punjab National Bank

Standard Chartered Bank

State Bank of India

UCO Bank

Union Bank of India

United Bank of India

YES Bank Limited

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Cover

Vidyasagar Setu at her bedazzling best.

Photo : Krishnendu Sar

Deputy Manager, Southern Generating Station

Notice to Members

Notice is hereby given that the Thirty-second 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, 23 July 2010 at 10.30 A.M. for the following purposes :

1. To receive and consider the Profit & Loss Account for the year ended 31 March 2010, 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. P. Bajoria who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. P. K. Khaitan 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 Resolution :

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) Bank of Baroda (BoB) for its term loan of Rs. 125 crore;
- (b) IDBI Bank Limited (IDBI) for its term loan of Rs. 100 crore;
- (c) Indian Bank (IB) for its term loan of Rs. 50 crore;
- (d) Infrastructure Development Finance Company Limited (IDFC) for its term loan of Rs. 150 crore;
- (e) Punjab and Sind Bank (PSB) for its term loan of Rs. 100 crore;
- (f) Standard Chartered Bank (SCB) for its foreign currency loan of US \$ 35 million; and

- (g) BoB, HDFC Bank Limited (HDFC), Indian Overseas Bank (IOB), SCB and YES Bank Limited (YBL) for their respective incremental shares of Rs. 32.60 crore, Rs. 33 crore, Rs. 7.43 crore, Rs. 17 crore and Rs. 10 crore in the working capital facilities extended to the Company by the consortium of Banks

to secure the said Term Loans and working capital facilities together with interests, charges, expenses, front-end fees and all other monies payable by the Company to BoB, IDBI, IB, IDFC, PSB, SCB (collectively referred to as "the said Lenders") and BoB, HDFC, IOB, SCB and YBL (collectively referred to as "the said working capital bankers") 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 and the said working capital bankers 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 the said working capital bankers.

AND FURTHER THAT the Board be and is hereby authorised to finalise and execute with all or any of the said Lenders and the said working capital bankers 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."

The Register of Members of the Company at Kolkata will remain closed from 10 July 2010 to 23 July 2010, both days inclusive.

Registered Office :
CESC House
Chowringhee Square
Kolkata - 700 001.
21 June, 2010

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. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the item of Special Business under item 6 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 9 July 2010.
4. Members holding shares in physical form may intimate the Company necessary particulars for ECS / NECS credit of the dividend directly to their bank accounts wherever ECS / NECS 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 Secretarial Department of the Company latest by 9 July 2010. 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. P. BAJORIA, 80 years of age, is a well known industrialist based at Kolkata. He is on the Board of Directors of CESC since 1995 and is Chairman of its Audit Committee and a member of the Remuneration Committee.

Mr. Bajoria is a non-executive director of various companies including IFGL Refractories Limited, Spencer's Retail Limited, Texmaco Limited (also member of its Audit Committee) and Kesoram Industries Limited (also Chairman of Share Transfer and Finance Committee and Remuneration Committee and member of Shareholders / Investors' Grievances Committee).

Mr. Bajoria does not hold any share in the Company.

MR. P. K. KHAITAN, 69 years of age, is a solicitor and advocate and has extensive experience in the fields of commercial and corporate law, tax law, arbitration, foreign collaborations, mergers and acquisitions, restructuring and de-mergers. He is a senior partner of Khaitan & Co., an eminent firm of corporate and other laws. He is a member of the Bar Council of India, the Bar Council of West Bengal, the Incorporated Law Society of India and the Indian Council of Arbitration and is connected with various educational institutions and social organisations. He is on the Board of Directors of CESC since 1992 and is Chairman of its Remuneration Committee and member of Finance & Forex Committee.

Mr. Khaitan is the Chairman of Dalmia Cement (Bharat) Limited, Electrosteel Castings Limited, OCL India Limited and South Asian Petrochem Limited (also member of Remuneration Committee).

He is a Director of Gillanders Arbuthnot & Co. Limited (also member of Remuneration Committee and Shareholders and Investors' Grievance Committee), Graphite India Limited (also Chairman of Remuneration Committee and member of Committee for Borrowings), Hindusthan Motors Limited (also member of Executive Committee, Investors' Grievances Committee and Remuneration Committee) India Glycols Limited, Suzlon Energy Limited (also member of Audit Committee, Remuneration Committee and Investor Relations Committee), TCPL Packaging Limited, Visa Steel Limited (also member of Remuneration Committee, Finance & Banking Committee and Selection Committee), Emaar MGF Land Limited (also member of Shareholders and Investors' Grievance Committee), Pilani Investment & Industries Corporation Limited (also member of Audit Committee), Woodlands Medical Centre Limited and Egyptian Indian Polyester Company SAE, a foreign company.

Mr. Khaitan does not hold any share in the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM OF SPECIAL BUSINESS SET OUT IN THE NOTICE CONVENING THE THIRTY-SECOND ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 23 JULY, 2010

Item No. 6

In order to finance a part of its capital expenditure requirements including those relating to the project for evacuation of power for the Company's 250 MW new unit at Budge Budge, the Company has availed of the following financial assistance:

<u>Name of Bank / Institution</u>	<u>Amount of Loan</u>
Bank of Baroda (BoB)	Rs.125 crore
IDBI Bank Limited (IDBI)	Rs. 100 crore
Indian Bank (IB)	Rs. 50 crore
Infrastructure Development Finance Company Limited (IDFC)	Rs. 150 crore
Punjab and Sind Bank (PSB)	Rs. 100 crore
Standard Chartered Bank (SCB)	US \$ 35 million
(BoB, IDBI, IB, IDFC, PSB, and SCB are hereinafter collectively referred to as 'the said lenders').	

In addition, the following Banks have increased their working capital exposures to the Company by the amounts mentioned against them:

<u>Name of the Bank</u>	<u>Incremental amount</u>
BoB	Rs. 32.60 crore
HDFC Bank Limited (HDFC)	Rs. 33 crore
Indian Overseas Bank (IOB)	Rs. 7.43 crore
SCB	Rs. 17 crore
YES Bank Limited (YBL)	Rs. 10 crore

(BoB, HDFC, IOB, SCB and YBL are hereinafter collectively referred to as 'the said working capital bankers').

The above loans and the working capital facilities, in terms of their respective terms of sanctions, are required to be secured by mortgage / charge over the Company's immovable and movable properties in the form and manner required by the said lenders and the said working capital bankers.

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.

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

Registered Office :
CESC House
Chowringhee Square
Kolkata - 700 001.
21 June, 2010

By Order of the Board

Subhasis Mitra
Vice President & Company Secretary

Chairman's Letter

Dear Shareholder,

In 2008-09, there was a fear that the world would be in for a long recession - one that was to painfully stretch for more than a year. Thankfully, it hasn't happened. Since July-September 2009, the USA has posted three successive quarters of positive GDP growth, and has come out of the trough. Much more spectacular has been China's progress. It not only grew by 8.7% in 2009, but has shown double-digit growth over the last two quarters. Experts believe that it will grow by anywhere between 9.5% and 10.5% in 2010. India, too, has done very well. After growing by 6.7% in 2008-09, it has upped its growth to 7.4% in 2009-10, and is expected to grow by 8.5% or thereabout in 2010-11. Indeed, led by China, India and Indonesia, Asia proved that it had the mettle to shrug off the worst global growth threat since the Great Depression of 1930s.

In a sentence: the country is back on to its higher growth path.

Your Company has also grown, not just in financial numbers and profitability, but also in scope and size. For the year ended 31 March 2010, CESC's net sales were Rs. 3,293 crore - which was 8.6% over the previous year. Earnings before depreciation and taxation (EBDT) grew by 13.7% to reach Rs. 728 crore. Profit after taxes increased by 5.8% to Rs. 433 crore.

These figures reflect the initiatives and efforts that your Company has put in over a period of time to improve its capacities and performance efficiencies. Let me give you an example.

In February 2006, recognising the need for increased power generation, your Company had started a project to install a new 250 MW unit at Budge Budge, near Kolkata. During its execution, the project faced considerable challenges - a densely populated area, extremely strict environmental norms, difficulties in putting through the evacuation and transmission system, to name a few. Despite these challenges, the unit went into commercial operation on 28 February 2010. And, in the first month of operations, it achieved a plant load factor of over 85% - which is usually unheard of under normal circumstances. This project has led to CESC increasing its generation capacity by over 25% from 975 MW to 1,225 MW.

Your Company's operating efficiencies are among the best in the business; so are the measures adopted to surpass stipulated environment norms and safety standards. During 2009-10, your Company has earned recognition from the UNFCCC for its Clean Development Mechanism (CDM) status. This is the first such achievement by any coal based thermal power station in the world. Titagarh won a national award for 'Excellence in Water Management' instituted by the CII Godrej Green Business Centre; and recognising Southern's safety management practices, the Greentech Foundation has awarded it the Silver Award in 2010.

The Kolkata licensed area witnesses sharp peaks and troughs in power demand, depending on seasons and the time of day. Peak power demand is as high as 1,660 MW; while during 'lean demand' times, it drops to as low as 380 MW. To address peak demand needs and augment its own generation capacities, your Company has had to purchase whatever power was available, often at high costs.

With India's GDP predicted to grow by 8.5% in 2010-11, and higher still thereafter, I see a greater need for power across India. Your Company, through its subsidiaries, has undertaken power generation initiatives that would address some of these needs - not just in Kolkata but in West Bengal and other states. When these fructify, they would not only reduce the gap between power demand and supply, but also generate considerable stakeholder value. I am confident that, in the near future, the growth, profitability and service delivery capabilities of your Company will continue to increase.

I would like to take this opportunity to thank all consumers, employees, associates, regulatory authorities, state government and suppliers for their unstinted efforts in making your Company one of the best in the power generation and distribution sphere. And to you for your loyalty and support as a shareholder.



21 June, 2010

Dr. R P Goenka

Directors' Report

The Directors have pleasure in presenting the Annual Report and Audited Accounts of CESC Limited for the year ended 31 March 2010.

Financial Results	<i>(Rs. Crores)</i>	
Particulars	2009-10	2008-09
Earnings from Sale of Electricity	3292.84	3,031.32
Other Income	156.20	170.02
Total Income	3,449.04	3,201.34
Profit before Depreciation & Taxation	727.69	639.77
Depreciation	(205.64)	(174.90)
Taxation	(88.75)	(55.18)
Profit before transfer to Reserves	433.30	409.69
Profit brought forward from previous year	125.91	135.14
Reserve for unforeseen exigencies	(17.38)	(15.58)
General Reserve	(350.00)	(350.00)
Proposed Dividend @ Rs. 4 per Equity Share & tax thereon	(58.27)	(58.47)
Leaving a balance carried forward	133.56	125.91

Performance Overview

During the year under review, the Company's earnings from sale of electricity increased by 8.6% over last year to reach Rs. 3,292.8 crore - the overall increase in total income was 7.7% (from Rs. 3,201.3 crore in 2008-09 to Rs. 3,449.04 crore in 2009-10). Profit before depreciation and taxation (PBDT) reflected a year-on-year increase of 13.7%. After providing for depreciation of Rs. 205.6 crore and taxation of Rs. 88.8 crore, the profit after taxes (PAT) for 2009-10 stands at Rs. 433.3 crore, which reflects a 5.8% increase over the PAT figure of the previous year amounting Rs. 409.7 crore.

A detailed review of the operations for the year ended 31 March 2010 is given in the Management Discussion & Analysis, which forms a part of this Report.

Dividend

The Board is pleased to recommend payment of equity dividend for the year ended 31 March 2010 at the rate of Rs. 4 per share on the paid-up equity share capital as on that date. 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 9 July 2010. No tax on the said dividend will be payable by the shareholders - as required, the Company will pay appropriate tax thereon.

Subsidiaries

As on 31 March 2010, CESC had eight subsidiaries: Spencer's Retail Limited and its two subsidiaries (Au Bon Pain Cafe India Limited and Music World Retail Limited); CESC Properties Limited and its wholly owned subsidiary - Metromark Green Commodities Private Limited, Haldia Energy Limited and its wholly owned subsidiary, Dhariwal Infrastructure Limited, and Nalanda Power Company Limited. The details of operations of these subsidiaries are given in the section 'Subsidiaries' in the Management Discussion & Analysis.

In accordance with the exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956, ('the Act') the accounts of the above subsidiaries for the year 2009-10 and the related detailed information will be made available to the holding and subsidiary companies investors seeking such information at any point of time and are not attached. Copies of the annual accounts of the subsidiary companies will also be kept open for inspection by any investor in the Registered Office of the Company and of the subsidiary companies concerned. The Company shall furnish a hard copy of accounts of subsidiaries to any shareholder on demand. The Company publishes Consolidated Financial Statements of the Company and its subsidiaries duly audited by Messrs. Lovelock & Lewes, Auditors, prepared in compliance with the applicable Accounting Standards and the Listing Agreements with the Stock Exchanges. The Consolidated Financial Statements for the year 2009-10 form part of the Annual Report and Accounts.

Projects

The third unit of 250 MW at Budge Budge Generating Station was commissioned in February 2010, together with an associated power evacuation system comprising 89 Km of 220 kV double circuit transmission lines. Simultaneously, the 220 kV Eastern Metropolitan Substation with three 160 MVA, 220/132/33 kV transformers was also commissioned.

Haldia Energy Limited, a subsidiary of your Company, is in the process of setting up a 2 X 300 MW coal fired thermal power plant at Haldia. Substantial land acquisition has been completed for the first phase of the project; also, the required clearances for the project (including environmental clearances) have been obtained. The Ministry of Coal has awarded the coal linkages for the proposed power plant. Site preparation activities are now in progress.

Another subsidiary of your Company, Nalanda Power Company Limited, has signed a Memorandum of Understanding with the Bihar State Electricity Board to develop a 2,000 MW power

project at Pirpainti Anchal, District Bhagalpur, in two phases of 1,000 MW each. Preliminary approvals for this project have been received and the company has filed applications for the requisite approvals and clearances.

Dhariwal Infrastructure Limited, a wholly owned subsidiary of Haldia Energy Limited, a subsidiary of the Company, is in the process of setting up a 2 X 300 MW coal fired thermal power plant near Chandrapur (Maharashtra). Dhariwal Infrastructure has already acquired land for the plant, as well as all statutory clearances, including environmental clearance from the Ministry of Environment and Forests, as well as the Water Availability Certificate from Water Resources Department, Government of Maharashtra. The company also has the necessary coal linkages for the entire project from South Eastern Coalfields Limited (SECL). As on date, the company is involved in various pre-construction activities, viz. acquiring land for the railway corridor, site enabling activities and installation of construction power and water facilities. The company has also issued a Letter of Intent for the engineering, procurement and commissioning (EPC) of the complete 'balance of plant' systems on a key vendor.

A write-up on your Company's ongoing projects can be read in the 'Projects' section and the 'Subsidiaries' section of the accompanying Management Discussion & Analysis.

Awards

During the year, your Company won the following awards :

1. The Company has earned recognition from the United Nations Framework Convention on Climate Change (UNFCCC) for its Clean Development Mechanism (CDM) status.
2. Titagarh Generating Station's water conservation and recycling measures were recognised by external experts: the station was adjudged as 'Water Efficient Unit' in the National Award on Excellence in Water Management, 2009, conducted by CII Godrej GBC.
3. In recognition of its safety record and initiatives, Southern Generating Station was awarded with 'Greentech Silver Award for Safety - 2010' organised by Greentech Foundation.

Directors

In terms of provisions of Section 256, read with Section 255 of the Act and Article 102 of the Articles of Association of the Company, Mr. B. P. Bajoria and Mr. P. K. Khaitan, Directors, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. The necessary resolutions

for obtaining approval of the Members have been incorporated in the notice of the forthcoming Annual General Meeting. The requisite disclosure regarding the re-appointment of the above Directors has been made in the Report of Corporate Governance which forms part of the Directors' Report.

Mr. R. K. Misra was appointed by the Government of West Bengal as its nominee in place of Mr. B. K. Paul, effective 12 January, 2010. The Board places on record its appreciation of the valuable contribution made by Mr. Paul during his tenure as a Director.

Listing

The equity shares of your Company continue to be listed at the Bombay Stock Exchange (BSE), the National Stock Exchange (NSE), the Calcutta Stock Exchange (CSE) and the London Stock Exchange.

The Company has paid the requisite listing fee to the Stock Exchanges upto the financial year 2010-11.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Act, your Directors hereby state and confirm that :

- i) in the preparation of annual accounts for the financial year ended 31 March 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) appropriate accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2010 and of the profit for the period from 1 April 2009 to 31 March 2010;
- iii) proper and sufficient care has been taken 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) the annual accounts for the financial year ended 31 March 2010 have been prepared on a going concern basis.

Promoter Group

Pursuant to intimation from the Promoters, the names of the Promoters and entities constituting 'group' are disclosed in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Corporate Governance

A report on Management Discussion and Analysis is also attached herewith (Annexure - 'A'). A separate Report on Corporate Governance (Annexure 'B'), along with Additional Shareholder Information (Annexure 'C'), as prescribed under the Listing Agreement with the Stock Exchanges, are annexed as a part of this Report along with the Auditor's Certificate.

Fixed Deposits

Your Company has not accepted any deposits within the meaning of Section 58A of the Act and, as such, no amount of principal or interest was outstanding as on the date of the Balance Sheet. 699 deposits aggregating Rs. 1.07 crore remained unclaimed as on 31 March 2010.

Auditors

Messrs. Lovelock & Lewes, Chartered Accountants, Statutory Auditors of the Company hold office till the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The Company has received a letter from the Statutory Auditors to the effect that their reappointment, if made at the forthcoming Annual General Meeting, would be within the limits prescribed under Section 224 (1B) of the Act.

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.

Conservation of Energy, Research & Development, Technology Absorption, Foreign Exchange Earnings and Outgo

The information relating to conservation of energy, research & development, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'D', forming part of this Report.

Particulars of Employees

The information as required in accordance with Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975, as amended, is set out in an annexure to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and the Accounts are being sent to all the Shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may write to the Company Secretary at the Registered Office of the Company. The said information is also available for inspection at the Registered Office during working hours up to the date of the Annual General Meeting.

Industrial Relations

A detailed section on your Company's Human Resource initiatives is attached in the Management Discussion & Analysis. During the year under review, industrial relations in your Company continued to be cordial.

Acknowledgement

The Board wishes to place on record its sincere appreciation for the continued assistance and support extended to your Company by its consumers, banks, vendors, Government authorities and employees.

Your Directors are also grateful for your continued support and encouragement.

On behalf of the Board of Directors



R. P. Goenka
Chairman

Kolkata, 21 June, 2010

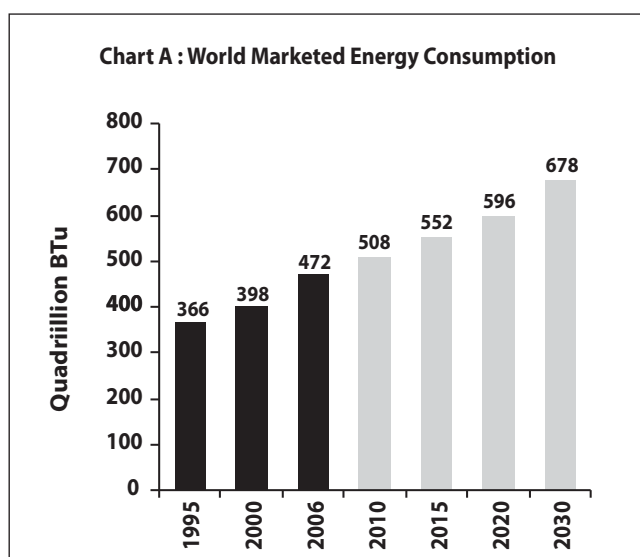
Management Discussion and Analysis

(Annexure 'A' to Directors' Report)

ECONOMIC OVERVIEW

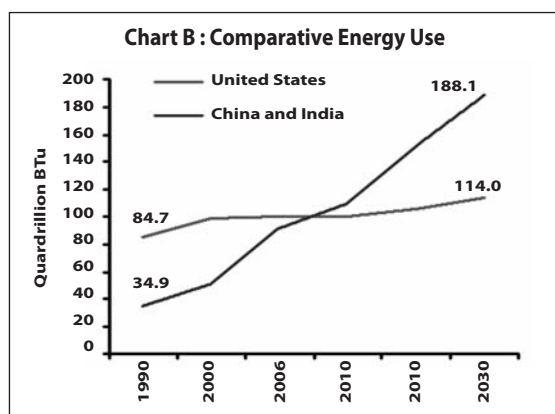
Global Energy Outlook

Year 2009 witnessed a fall in global energy use - for the first time since 1981. This was in no small measure due to the economic crisis that lasted from the second half of 2008 till the third quarter of 2009. But as the world started climbing from the recessionary trough, albeit at differing rates, energy consumption is again growing. Despite a sharp fall in 2009 (preliminary estimates indicate a de-growth of upto 2%), world primary energy demand is projected to grow by 1.5% per annum from 2007 to reach 678 Quadrillion BTu (Chart A).



Source : Energy Information Administration

The U.S. energy market, which is the biggest in the world, continued to reflect the impact of the economic slowdown - falling by 3% in 2009 on the back of a 1% fall in 2008. On the other hand, energy needs for emerging economies, especially China and India, is growing at an accelerated pace as future industrial and economic growth emanates from this region (Chart B). China and India are now the primary drivers of global energy needs, and are expected to account for over half the incremental energy demand between now and 2030.



Source : Energy Information Administration

Fossil fuels remain the dominant source of energy, contributing to more than three-quarters of energy generation. Though natural gas has become the fastest growing fossil fuel energy source, coal is still the fuel of choice, contributing to 41% of global energy needs. Coal is expected to see the biggest increase in demand as heavily coal dependent China and India power ahead in terms of industrial growth and electricity generation. Globally, 4,800 gigawatts (GW) of power generation capacity are expected to be added by 2030 - most of which will be coal fired. As a result, coal's share as a primary energy source is expected to rise to 44%.

This growth in energy demand has consequential effects in terms of carbon dioxide (CO₂) emissions. CO₂ emissions are expected to rise from a level of 20.9 gigatonnes (Gt) in 1990 to 40.2 Gt in 2030 - an average annual rate of growth of 1.5%. To combat this, using cleaner coal technology, improving end-use efficiency, creating better and more efficient generation and distribution infrastructure are primary areas of concern.¹

India's Power Scenario

India is the world's fifth largest generator of power with an installed capacity of 159 GW². Fossil fuels are the primary source of energy for 64.3% of this generation; among fossil fuels, coal has 82.2% share, i.e. approximately 84.2 GW of power generation in India uses coal as the energy source. Hydro-electricity is India's second largest source for power, contributing 23.1% (36.8 GW) of the total power mix. Though nuclear power has started gaining ground as an alternative fuel source, barely 4,560 MW of nuclear power is generated - contributing 2.9% to India's total power generation (see Table 1).

Table 1 : Power Generation in India: 2009-10: By Fuel Source

Fuel	MW	% share
Coal	84,198.38	52.8%
Gas	17,055.85	10.7%
Diesel	1,199.75	0.8%
Thermal	102,453.98	64.3%
Nuclear	4,560.00	2.9%
Hydro	36,863.40	23.1%
Others	15,521.11	9.7%
Total	159,398.49	100.00%

Source : Central Electricity Authority, March 2010

India's per capita annual power consumption, at 704 kWh, however, compares unfavourably with other developed and emerging economies. The US leads per capita consumption at

¹ Sources : Energy Information Administration, US Department of Energy, Energy Outlook 2009; International Energy Agency, World Energy Outlook, 2009

² Source : Ministry of Power website : for generation figures

around 15,000 kWh; China (with a population greater than India) has a consumption of around 1,800 kWh - approximately two and a half times that of India³.

During the period April 2009 to March 2010, the all-India peak demand for power was 119,166 MW of power - whereas the actual power met was 104,009 MW - a shortfall of 12.7%. This all-India average, however, hides glaring fluctuations within regions (Table 2).

Table 2 : Power Demand and Deficit : 2009-10

Region	Peak Demand (MW)	Peak Met (MW)	Deficit	Deficit %
Northern	37,159	31,439	(5,720)	(15.4%)
Western	39,609	32,586	(7,023)	(17.7%)
Southern	32,178	29,049	(3,129)	(9.7%)
Eastern	13,220	12,384	(836)	(6.3%)
North-Eastern	1,760	1,445	(315)	(17.9%)
All India	119,166	104,009	(15,157)	(12.7%)

Sources : Ministry of Power; Central Electricity Authority

In India, transmission of power is done generally through transmission lines of 132 kV, 220 kV, 400 kV, 765kV AC and \pm 500 kV HVDC. With a view to augment transmission capacity, the Ministry of Power plans to set up a National Power Grid by 2012, with approximately 200,000 MW of generation capacity and consequent increases in transmission capacity.³ In 2009-10, the target was to augment the transmission network by a further 17,573 circuit kilometres (ckm); however, a total of 13,721 ckm was achieved (Table 3).

Table 3 : Transmission Lines in Circuit Kilometres : 2009-10

Transmission Lines	Target	Achieved
220 kV	7,113	5,139
400 kV	9,548	7,857
500 kV HVDC	280	280
765 kV	632	445
Total	17,573	13,721

Source : Ministry of Power

If India is to achieve double digit growth over the next few years, ramping up India's power infrastructure is of utmost importance. According to CRISIL Research estimates, about Rs. 750,000 crore is likely to be invested in the power sector by 2013-14, of which Rs. 480,000 crore is expected to be invested in power generation. This quantum of investment can only take place with large scale private sector participation in this business. It is expected that nearly half of these investments would have to emanate from private power players, thus giving rise to new opportunities for growth⁴.

Operations

CESC Limited ('CESC' or 'the Company') operates across 567 sq. km. of licensed area in Kolkata. To supply power to the licensed area, CESC operates four generating stations: Budge Budge, Southern, Titagarh and New Cossipore, which cumulatively generate 1,225 MW. Three of these stations (Budge Budge, Southern and Titagarh) use pulverised fuel (PF) as the primary energy source.

Demand for power across the licensed area is quite variable and depends upon the time of day or night and the season. Demand during peak periods can be as high as 1,660 MW; during the lean period, it drops to as low as 380 MW. During peak demand, CESC in addition to its own generation, also purchases power from the state and national power grid; conversely, during the lean period, CESC exports surplus production, when possible.

CESC puts best effort for maximisation of own generation to supply the customer uninterrupted, reliable and cost effective power. In spite of the different age, capacity and technologies of the four generating stations, CESC has excelled to achieve the best possible results, some of which are nationally and internationally benchmarked.

Generation

Table 4 gives the details of installed capacity, generation and plant load factor (PLF) for the year 2009-10 for the three pulverised fuel plants.

Table 4 : Details of CESC's generating stations for 2009-10

Generating Stations	Installed Capacity (MW)		Generation (MU)		Plant Load Factor (PLF): %	
	FY 2009-10	FY 2008-09	FY 2009-10	FY 2008-09	FY 2009-10	FY 2008-09
Budge Budge	3*250 MW	2*250 MW	4,286	4,403	93.75%	100.53%
Titagarh	4*60 MW	4*60 MW	1,889	1,934	89.84%	91.98%
Southern	2*67.5 MW	2*67.5 MW	1,102	1,119	93.15%	94.62%

Note : Budge Budge's 3rd unit was commissioned on 28 February 2010; hence, its effect is seen only for one month in FY 2009-10

³ Source : KPMG : Power Sector in India : White paper on Implementation : Challenges and Opportunities, Jan 2010

⁴ Source : CRISIL Research : Power Annual Review - Opinion; Aug 2009; quoted in KPMG White Paper