

## Board of Directors

Sanjiv Goenka, Chairman  
 Pradip Kumar Khaitan  
 Brij Mohan Khaitan  
 Chandra Kumar Dhanuka  
 Rekha Sethi  
 Kalaikuruchi Jairaj  
 Pratip Chaudhuri  
 Aniruddha Basu, *Managing Director*

### Company Secretary

Subhasis Mitra

### Auditors

Lovelock & Lewes

### Solicitors

Khaitan & Co.  
 Sandersons & Morgans

### Registered Office

CESC House  
 Chowringhee Square  
 Kolkata 700 001, India  
 Tel : 033-2225 6040  
 Fax : 033-2225 5155  
 Corporate Identity Number : L31901WB1978PLC031411  
 E-mail : secretarial@rp-sg.in  
 Website : www.cesc.co.in

### Bankers

Allahabad Bank  
 Andhra Bank  
 Axis Bank Limited  
 Bank of Baroda  
 Bank of India  
 Central Bank of India  
 Citibank N.A.  
 DBS Bank Limited  
 HDFC Bank Limited  
 ICICI Bank Limited  
 IDBI Bank Limited  
 IDFC Bank Limited  
 Indian Bank  
 Indian Overseas Bank  
 Punjab & Sind Bank  
 Punjab National Bank  
 RBL Bank Limited  
 Standard Chartered Bank  
 State Bank of India  
 UCO Bank  
 Union Bank of India  
 United Bank of India  
 Yes Bank Limited

## Contents

	Page
Board of Directors	1
Chairman's Letter	2
Notice	4
Directors' Report	8
Management Discussion & Analysis	12
Report on Corporate Governance	25
Additional Shareholder Information	34
Report on CSR	41
Business Responsibility Report	44
Secretarial Audit Report	51
Other Particulars	55
Extract of Annual Return	57
Details pertaining to Remuneration	71
Major Statistics	72
CESC Financial Statements	
Independent Auditors' Report	73
Balance Sheet	78
Statement of Profit and Loss	79
Cash Flow Statement	80
Notes forming part of Financial Statements	82
Consolidated Financial Statements	
Independent Auditors' Report	125
Balance Sheet	130
Statement of Profit and Loss	131
Cash Flow Statement	132
Notes forming part of Financial Statements	134
Information regarding Subsidiary Companies etc.	192
List of establishments	194

## Chairman's Letter

*Dear Shareholder,*

Any successful listed company must work to consistently create long term value for its shareholders. Sometimes, that full value often does not come into play — remaining obscured because of the unlisted subsidiaries. In other words, the aggregate value of all the unlisted firms, howsoever growing or profitable, does not reflect in that of the listed entity. This happens often enough throughout the corporate world, especially for conglomerates that have just a few listed entities along with many other unlisted companies.

In such situations, fiduciaries often play an active role in unlocking the 'hidden' value. More often than not, it is done by demerger and subsequent listing of the major subsidiaries.

It was with this objective in mind that the Directors of your Company decided in the Board meeting held on 18 May 2017 to approve a restructuring plan to demerge all the large businesses into four separate entities :

- 1) Power generation, which will include all thermal, wind, solar and renewable.
- 2) Power distribution, which will include the Kolkata license, Noida Power and the distribution franchisee business.
- 3) Retail, which will largely comprise Spencer.
- 4) Other businesses, which will include the business process outsourcing entity under Firstsource Solutions, as well as Quest.

The rationale is to unlock hidden corporate value, create greater currency for the shareholders, provide more flexibility to each company in accessing capital and allow each of these to prepare and execute its focused strategy for sustained growth.

This is not a dilution. It is a demerger. As per the proposal, for every ten CESC shares held, a shareholder will get five shares of the power generation arm, five of the distribution company, three of the retail firm and two of the entity which will hold the other businesses. All four will be listed entities. The appointed date of demerger is 1 October 2017 subject to approval of the National Company Law Tribunal.

With this, I expect that each of the demerged and listed entities will be able to grow unfettered and that the sum of shareholder values of each of these will be greater than what it is for CESC today.

Now for a brief synopsis of how your Company fared in 2016-17, it was exactly as I had written in my letter to you last year. The business hummed along, without any upheavals, downturns nor negative surprises.

Here are the key financial results of CESC as a standalone entity, prepared under the new accounting standards (Ind-AS) :

- During 2016-17, your Company's revenue from operations increased by over 6% versus the previous year to reach ₹ 7,220 crore. Total income (including other income) also grew by over 6% to ₹ 7,366 crore.
- After considering regulatory income, profit before taxes (PBT) increased by over 5% to ₹ 1,101 crore.
- Profit after taxes (PAT) was ₹ 863 crore, i.e., an increase of 2.1% over the previous year.
- Total comprehensive income increased marginally to ₹ 824 crore.

There have been operational successes that have driven this performance. Let me share a few.

- Thermal power generation : Budge Budge had excellent plant load factor (PLF) of 82.4% with a plant availability factor (PAF) of 85.2%. Even as the Company reduced generation from the older Titagarh and Southern stations, the overall combined availability of the three stations was 89.4%. The 2x300 MW plant at Haldia achieved a PLF of 76.7% and with a plant availability factor exceeding 95%. These are significantly above the national norms. In addition, your Company has two other operational thermal power projects with a combined capacity of 640 MW — the 2x300 MW thermal power facility at Chandrapur (Maharashtra) and a 40 MW power plant using shale and washery rejects at Asansol (West Bengal).
- Power distribution in the Kolkata and Howrah licensed area : Your Company met the needs of over 3.1 million customers, and added some 96,000 new customers in 2016-17. The average time taken to provide a new connection ranges between one and two days. Adoption of various e-services and digital solutions, which had begun two years ago, increased significantly in the course of the year.
- Wind and solar : There are four wind projects. These are at Dangri (Rajasthan), Surendranagar (Gujarat), Nipaniya (Madhya Pradesh) and Rojmal (Gujarat). The first two have been profitable since inception; the third is expected to be profitable in 2017-18; and the fourth is still being commissioned in phases. Your Company's solar power venture located in Ramnathapuram (Tamil Nadu) was profitable in its first full year of operation in 2016-17.
- Distribution franchisees : CESC won three such tenders. All three are in Rajasthan at Kota, Bharatpur and Bikaner. The first two franchisees became operational in 2016-17 and Bikaner in May 2017. These currently have a combined customer base of 4 lakh and an annual energy consumption of around 1,900 million units (MUs). This translates to a revenue of approximately ₹ 1,250 crore a year.
- Retail : Spencer's Retail Limited (SRL) is the flagship company of CESC in retail with 124 stores, including 39 hypermarkets across India under the Spencer's brand name. In 2016-17, it registered a same store sales growth of almost 9%, with an average revenue per square foot of ₹1,576 per month. SRL has started its online sales channel [www.spencers.in](http://www.spencers.in). Au Bon Pain Café India Limited is a subsidiary of SRL, and caters to the 'fast casual restaurants' segment. In 2016-17, it opened eight new cafés and expanded its operations in Delhi. The number of cafés in operation at the end of the year was 29, with presence in Bengaluru, Kolkata and Delhi. Omnipresent Retail India Private Limited is a 100% subsidiary of SRL, and has developed and owns the e-commerce platform which is deployed by SRL for its customers to order online and get their food and grocery products delivered at their doorstep.
- Business process management (BPM) services : Through a subsidiary, your Company bought a majority stake in Firstsource Solutions Limited (FSL) in 2012-13. FSL provides BPM services in customer management, transaction processing and collections

## Chairman's Letter

for Fortune 500 and FTSE 100 companies in the US and the UK as well as corporations in India. It operates in the spaces of healthcare, telecom and media, banking, financial services and insurance and the mortgage sectors. With an employee strength of 25,871 and 48 service facilities in the USA, the UK, Philippines, India and Sri Lanka, FSL has a marquee client base that any such company would be proud of having.

- Real estate : In November 2013, Quest Properties India Limited (QPIL), a wholly owned subsidiary of your Company, launched Kolkata's first upscale shopping mall, the Quest. The mall has completed its third full year of operation and has been a major success with annual footfall of about 12 million and gross sale of around ₹580 crore by all retailers. At present, QPIL is implementing a residential project in Haldia to cater to the housing requirement of some large corporate houses and individual residents.

So, as you can see, this is a rich menu of businesses across different verticals. Not surprisingly, therefore, your Directors unanimously opted for the demerger proposal on 18 May 2017 to unlock substantial value — not only for the companies but also, far more important for you, the shareholders.

Let us hope that the demergers occur as expected and according to the management's time line.

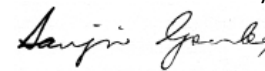
I am optimistic about India's growth. Yes, it has taken a percentage point hit for 2016-17 versus the previous year, perhaps on account of demonetisation. That negative effect has clearly worn off and unless some terrible unforeseen events hit us, I expect India to grow at anywhere between 7.5% and 7.7% in 2017-18. That will continue to make us the fastest growing nation among all developed countries and major emerging markets.

Faster GDP growth, good governance, continuation of policy reforms and benefits of the Goods and Services Tax (GST), coupled with the positive effects of your Company's demerger, ought to result in even better results in 2017-18. I certainly believe that to be the case.

Thank you for your support.

With best wishes,

Yours sincerely,



Sanjiv Goenka  
Chairman

18 May, 2017

# CESC Limited

Registered Office :

CESC House, Chowringhee Square, Kolkata - 700 001

Tel : 033-2225 6040, Fax : 033-2225 5155

E-mail : secretarial@rp-sg.in; Website : www.cesc.co.in

Corporate Identity Number : L31901WB1978PLC031411

## NOTICE TO THE MEMBERS

Notice is hereby given that the Thirty-ninth Annual General Meeting of the Members of CESC Limited will be held at **CITY CENTRE**, Royal Bengal Room, DC Block, Sector- I, Salt Lake, Kolkata - 700 064 on **Friday, 28 July 2017 at 10.30 AM** for the following purposes :

1. To receive, consider and adopt the audited financial statements for the year ended 31 March 2017 and the audited consolidated financial statements for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To confirm Interim Dividend @ 100% (i.e., ₹ 10/- per share) already paid for the year ended 31 March 2017.
3. To appoint a Director in place of Mr. Aniruddha Basu (DIN : 06593527) who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration and for the purpose to consider and, if thought fit, to pass, the following Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules made thereunder, Messrs. S. R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration Number 301003E/E300005), be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the Forty-fourth AGM of the Company at such remuneration as may be decided by the Audit Committee of the Board of Directors of the Company and the said appointment be placed every year for ratification by the members from the Fortieth to the Forty-third AGM of the Company."

### SPECIAL BUSINESS

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

#### 5. AS A SPECIAL RESOLUTION

"RESOLVED THAT, in terms of the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 ("the Act"), consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board") to mortgage, charge and / or otherwise encumber all or any of the properties of the Company, whether immovable or movable, and whether present or future and wheresoever the same may be situate, in favour of :

- (a) ICICI Bank Limited (ICICI) for two term loans aggregating ₹ 300 crore and a Performance and Financial Bank Guarantee of ₹ 170 crores;

- (b) HDFC Bank Limited (HDFC Bank) for two term loans aggregating of ₹ 250 crores;
- (c) Karnataka Bank (KB) for two term loans aggregating ₹ 200 crores;
- (d) Central Bank of India (CB) for a term loan of ₹ 125 crores;
- (e) State Bank of India (SBI) for a term loan of ₹ 400 crores;
- (f) Citibank NA (CITI) for two term loans aggregating ₹ 416.63 crores; and

- (g) DBS Bank Limited (DBS) for a term loan of ₹ 150 crores

to secure the said term loans and bank guarantee together with interest, charges, expenses, front-end fees and all other monies payable by the Company to ICICI, HDFC Bank, KB, CB, SBI, CITI and DBS (collectively referred to as "the Lenders") in terms of their respective letters of sanction, loan agreements, facility agreements, hypothecation agreements or any other agreement or any amendment thereto entered into / to be entered into by the Company with all or any of the Lenders so that the aforesaid charge and / or mortgage and/or other encumbrance may be created by the Company over and in respect of its properties in their favour, either singly or collectively, in such form and subject to such prior charge 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 Lenders.

RESOLVED FURTHER THAT the Board be and is hereby authorized to finalise and execute with all or any of the Lenders all such deeds and documents for creation of the charge and/or mortgage and/or encumbrance to do all such acts, deeds and things as may be deemed necessary by the Board for giving effect to the aforesaid Resolution."

#### 6. AS AN ORDINARY RESOLUTION

"RESOLVED THAT the remuneration of ₹ 6,00,000/- (plus applicable service tax and out of pocket expenses) for M/s. Shome & Banerjee, Cost Accountants, as Cost Auditors of the Company for the financial year ending 31 March 2018, as recommended by the Audit Committee of the Board of Directors ("the Board") and approved by the Board, be and is hereby ratified.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

By Order of the Board

Subhasis Mitra

Company Secretary

Kolkata, 18 May 2017

#### NOTES :

1. The Register of Members of the Company will remain closed from 21 July, 2017 to 28 July, 2017 both days inclusive.
2. In terms of the provisions of the Companies Act, 2013 the Company proposes to appoint Messrs. S. R. Batliboi & Co. LLP, Chartered Accountants, as new Auditors of the Company for a period of five years from the conclusion of the forthcoming Annual General Meeting, in place of Messrs. Lovelock & Lewes, Chartered Accountants, who have been the Auditors of the Company since its incorporation in 1978.
3. 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.

A person can act as Proxy on behalf of not exceeding fifty members and holding in aggregate not more than ten percent of the total paid-up share capital of the Company. A member holding more than ten percent of the paid-up share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

4. Corporate Members intending to depute their authorized representatives to attend the Annual General Meeting, pursuant to Section 113 of the Companies Act, 2013, are requested to send to the Company, a certified copy of the relevant Board Resolution together with respective specimen signature(s) of those representative(s) authorized under the said resolution to attend and vote on their behalf at the meeting.
5. The Statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of the special business under items 5 and 6 of the Notice is annexed hereto.
6. The Company proposes to send to the Members notices, annual report and accounts and other communication through electronic mode. Members are, therefore, requested to update their e-mail address with the Depository Participant if the holding is in electronic mode, or, intimate to the Company by sending an e-mail at [secretarial@rp-sg.in](mailto:secretarial@rp-sg.in). Copies of all such communication can also be obtained in physical form from the Company free of cost, upon request. All such documents shall also be available at the Company's website [www.cesc.co.in](http://www.cesc.co.in)
7. Dividend not claimed or paid within 7 years will be transferred to the Investor Education & Protection Fund (IEPF). All unpaid/unclaimed dividend for the year ended 31 March 2010 will be transferred to IEPF on or before 26 August 2017. All equity shares of the Company in respect of which dividend has not been paid or claimed for seven consecutive years or more are also required to be transferred by the Company to IEPF. **Claims for payment of such dividend should, therefore, be lodged with the Company immediately.**

#### 8. Voting through electronic means :

- I. (A) The Company will provide to its members the facility to vote on the resolutions proposed to be considered at the Thirty-ninth Annual General Meeting (AGM) by electronic means and the business may be transacted through such voting with services provided by National Securities Depository Limited (NSDL).
- (B) The facility for voting, either through TAB based voting system or ballot or polling paper shall also be made available at the AGM. The members attending the Meeting, who have not already cast their vote from a place other than the venue of the AGM by using the said electronic voting system (such voting hereinafter referred to as "remote e-voting"), shall be able to exercise their voting right at the Meeting.
- (C) The members who would have cast their vote by remote e-voting prior to the Meeting may also attend the Meeting but shall not be entitled to cast their vote again.
- II. The process and manner for remote e-voting are as under:
  - A. In case a member receives an e-mail from NSDL [for members whose e-mail IDs are registered with the Company / Depository Participant(s)] :
    - i) Open e-mail and open PDF file viz., "CESC e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your User ID and password / PIN for e-voting. Please note that the password is an initial password. **Shareholders, already registered with NSDL for e-voting will not receive the PDF file "CESC e-voting.pdf".**
    - ii) Launch Internet Browser by typing the following URL: <https://www.evoting.nsdl.com>
    - iii) Click on Shareholder - Login
    - iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
    - v) Password change menu appears. Change the password / PIN with new password of your choice with minimum 8 digits / characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
    - vi) Home page of e-voting opens. Click on e-voting: Active Voting Cycles.
    - vii) Select "EVEN" (E Voting Event Number) of CESC Limited.
    - viii) Now you are ready for remote e-voting as Cast Vote page opens.

- ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- x) Upon confirmation, the message "Vote cast successfully" will be displayed.
- xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
- xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [evotingam@gmail.com](mailto:evotingam@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).

B. In case a Member receives physical copy of the Notice of AGM [for members whose e-mail IDs are not registered with the Company / Depository Participants(s) or those requesting for physical copy]:

- i) Initial password as below is provided at the bottom of the Attendance Slip for the AGM :

EVEN	USER ID	PASSWORD / PIN

- ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

III. In case of any queries, you may refer to the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the 'Downloads' section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com)

In case of any grievance related to voting by electronic means, you may please contact Mr. Amit Vishal, Senior Manager, NSDL / Mr. Rajiv Ranjan, Asst. Manager, NSDL at 022-2499 4360 / 022-2499 4738 and send an e-mail to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) and [amitv@nsdl.co.in](mailto:amitv@nsdl.co.in)/[rajivr@nsdl.co.in](mailto:rajivr@nsdl.co.in)

- IV. If you are already registered with NSDL for e-voting then you can use your existing user ID and password / PIN for casting your vote.
- V. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending the future communication(s).
- VI. The voting rights of shareholders shall be in proportion to their shares on the paid up equity share capital of the Company as on the **cut-off date**, i.e., **21 July 2017**.
- VII. Any person, who acquires shares of the Company and becomes a Member of the Company after dispatch of the Notice and is holding shares as on the cut-off date may obtain the log in ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) and [secretarial@rp-sg.in](mailto:secretarial@rp-sg.in). However if

you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forget your password, you can reset your password by using "Forgot User Details / Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

VIII. The remote e-voting period commences on 25 July 2017 (at 9.00 AM IST) and ends on 27 July 2017 (at 5.00 PM IST). During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 21 July 2017, may cast their vote electronically. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Shareholder, the shareholder shall not be allowed to change it subsequently or cast his vote again.

IX. Mr. Anil Murarka, Practising Company Secretary (Membership no. FCS 3150) has been appointed as the Scrutinizer to scrutinize the remote e-voting process and voting at the AGM in a fair and transparent manner.

X. The Scrutinizer shall, immediately after conclusion of voting at the AGM, first count the votes cast at the Meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in employment of the Company and make, not later than three days of conclusion of the Meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same.

XI. The Results shall be declared forthwith upon receipt of the Scrutinizer's Report. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.cesc.co.in](http://www.cesc.co.in) and on the website of NSDL immediately after their declaration by the Chairman and communicated to the Stock Exchanges where the shares of the Company are listed.

#### **PARTICULARS OF DIRECTOR WHO IS PROPOSED TO BE REAPPOINTED AT THE MEETING ARE GIVEN BELOW :**

Mr. Aniruddha Basu, 57 years of age is the Managing Director of CESC Limited for close to four years. An Electrical Engineer from Jadavpur University, Kolkata, he has been with CESC from the beginning of his professional career in 1984. He has held several critical positions in the Distribution wing of the Company and was Executive Director (Distribution) before being appointed Managing Director of the Company with effect from 1 August 2013. He is known for his people orientation and domain expertise. He has been spearheading the Company's efforts in achieving further excellence in all areas of its operation and such efforts have already won recognition in the form of awards and prizes from a number of national and international bodies of repute. He is a member of the Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Risk Management Committee of the Company.

Mr. Basu is also on the Boards of Directors of four subsidiaries of the Company - Kota Electricity Distribution Limited, Bharatpur Electricity Services Limited, Bikaner Electricity Supply Limited and CESC Green Power Limited.

He holds 110 equity shares in the Company and he is not related to any other Director or Key Managerial Personnel of the Company or their relatives.

**STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 IN RESPECT OF ITEMS OF SPECIAL BUSINESS SET OUT IN THE NOTICE CONVENING THE THIRTY-NINTH ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 28 JULY, 2017**

**Item No. 5**

In order to finance a part of its capital expenditure / working capital requirements as well as to refinance certain costlier loans, the Company has availed of term loan assistance aggregating to ₹ 1841.63 crore from seven banks namely ICICI Bank Limited (ICICI), HDFC Bank Limited (HDFC Bank), Karnataka Bank (KB), Central Bank of India (CB), State Bank of India (SBI), Citibank NA (CITI), and DBS Bank Limited (DBS) (ICICI, HDFC Bank, KB, CB, SBI, CITI, and DBS are hereinafter collectively referred to as 'the said Lenders').

The above financial assistance and a Guarantee facility of Rs. 170 crore availed of from ICICI are required to be secured, inter alia, by creation of charge and / or equitable mortgage on the Company's movable / immovable properties with such ranking of charge as are contained in the respective terms of sanction of the said Lenders.

The Special Resolution set out under Item No.5 of the Notice is for obtaining the approval of the Members in terms of the provisions of Section 180(1)(a) of the Companies Act, 2013 to enable the Company to create the aforesaid mortgage and / or charge.

None of the Directors, key managerial personnel or their relatives is concerned or interested in the Resolution.

The Board of Directors of the Company recommends that the Resolution be passed.

**Item No. 6**

The Board of Directors of the Company, on the recommendation of its Audit Committee, has approved the appointment and remuneration of M/s Shome & Banerjee, Cost Accountants, as the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31 March 2018.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out under Item No. 6 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31 March 2018.

None of the Directors, key managerial personnel or their relatives is concerned or interested in the resolution.

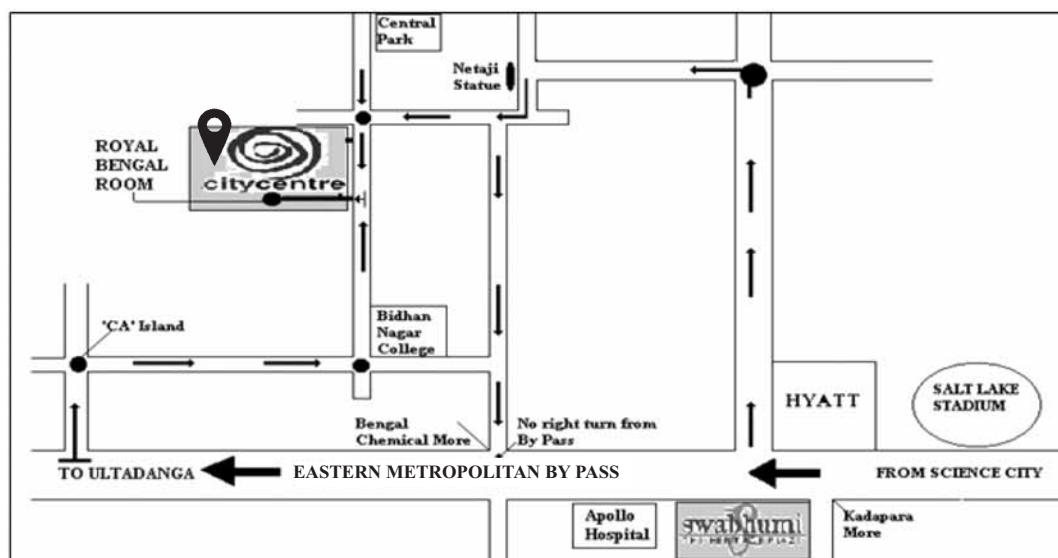
The Board of Directors of the Company recommends that the Resolution be passed.

Registered Office :  
 CESC House  
 Chowringhee Square  
 Kolkata - 700 001  
 18 May 2017

By Order of the Board

Subhasis Mitra  
 Company Secretary

**ROUTE MAP TO CESC AGM VENUE**



**CITY CENTRE**  
 Royal Bengal Room  
 DC Block, Sector- I  
 Salt Lake  
 Kolkata - 700 064

# Directors' Report

The Directors have pleasure in presenting the Annual Report and Audited Accounts of CESC Limited for the year ended 31 March 2017.

## Financial Results

	(₹ crores)	
Particulars	2016-17	2015-16
Revenue from operations	7220.07	6796.14
Other Income	146.56	127.65
Total Income	7366.63	6923.79
Profit before regulatory income / (expenses) and Tax	911.00	1234.21
Regulatory income / (expenses)	190.23	(188.16)
Profit before tax	1101.23	1046.05
Taxation	(238.37)	(200.92)
Profit after tax	862.86	845.13
Other comprehensive income	(39.11)	(32.87)
Total comprehensive income	823.75	812.26
Retained Earnings - Opening Balance	10897.59	10719.62
Add :		
Profit for the year	862.86	845.13
Less :		
Other comprehensive income	39.11	32.87
Fund for unforeseen exigencies	16.16	16.63
Dividend & Tax thereon	159.55	303.13
Adjustment on withdrawal additional depreciation & other adjustment	341.50	314.53
Retained Earnings - Closing Balance	11204.13	10897.59

The financial statements for the year ended 31 March, 2017 have been prepared in accordance with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014. The financial statements for the year ended 31 March, 2016 have been restated in accordance with Ind AS for comparative information.

## Performance Overview

During the year under review, the Company's revenue from operations increased by 6.24 % over last year to reach ₹ 7220.07 crore. Total income (including other income) grew by 6.4% from ₹ 6923.79 crore in 2015-16 to ₹ 7366.63 crore in 2016-17. Profit before taxation grew by 5.27% to ₹ 1101.23 crore during the year, while profit after taxes (PAT) for 2016-17 stands at ₹ 862.86 crore, which reflects an increase of 2.1% over ₹ 845.13 crore during 2015-16. Total comprehensive income increased by 1.41%.

A detailed review of the operations for the year ended 31 March 2017 is given in the Management Discussion & Analysis, which forms a part of this Report.

## Dividend

The Board of Directors of the Company at its meeting held on 15 February, 2017 declared an interim dividend of 100%, i.e., ₹ 10 per equity share. The said interim dividend has been paid during the financial year 2016-17.

## Subsidiaries

As on 31 March 2017, CESC had thirty-nine subsidiaries. Guiltfree Industries Limited, ISGN Solutions Inc., ISGN Fulfilment Services Inc. and ISGN Fulfilment Agency LLC, became subsidiaries of the Company during the year. Broad details of operations of the subsidiaries are given in the section 'Power Business' and the section 'Other Businesses' in the Management Discussion & Analysis, which forms a part of this report.

In accordance with the Companies Act, 2013 ('the Act'), consolidated financial statements of the Company and of all its subsidiaries have been prepared in the form and manner as that of its own and duly audited by M/s. Lovelock & Lewes, Chartered Accountants, the auditors, in compliance with the applicable accounting standards and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Regulations'). The consolidated financial statements for the year 2016-17 form part of the annual report and accounts and shall be laid before the Annual General Meeting of the Company while laying its financial statements as required under the Act. A separate statement containing the salient features of the financial statements of its subsidiaries is attached.

## Distribution Franchisee

Last year, CESC emerged as the winner in two separate bids floated by Jaipur Vidyut Vitran Nigam Limited and was appointed as Distribution Franchisee (DF) for the cities of Kota and Bharatpur, in the state of Rajasthan.

During the year, CESC has emerged as the winner of another bid floated by Jodhpur Vidyut Vitran Nigam Limited for appointment of DF for the city of Bikaner in Rajasthan.

All these DFs' operations have commenced satisfactorily.

## Projects

Details of the projects undertaken in the recent past have been provided in the relevant sections of the Management Discussion and Analysis, which is annexed as a part of this report.

## Restructuring Scheme

CESC, the flagship company of the RP-Sanjiv Goenka Group and incorporated in 1978, supplies electricity to the cities of Kolkata and Howrah. The core operation of the Company is its electricity distribution business. It also has electricity generation business, inter alia, supplying electricity for the licensed distribution business.

However, over the course of time, the Company has grown into a diversified conglomerate having interests in various businesses including retail, business process outsourcing, information technology, real estate, entertainment etc.

Given its diversified business, it has become imperative for the Company to reorient and reorganize itself in a manner that allows imparting greater focus on each of its businesses. With this repositioning, the Company is desirous of enhancing the operational efficiency. It will continue with its distribution business, with the generating stations continuing to supply power, as earlier, to the licensed distribution business.

Subject to necessary statutory approvals, the Board of Directors of the Company has approved a Composite Scheme of Arrangement under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("the Scheme") involving the Company and some of its subsidiaries.

In terms of the aforesaid Scheme, against their holding of every 10 CESC equity shares on the record date to be fixed in due course, shareholders of the Company will be allotted, on a pro-rata basis and without any consideration, 5 equity shares each in distribution and generation business, 6 equity shares (of ₹ 5 each) in retail business and 2 equity shares in the entity holding other businesses such as information technology/business process outsourcing etc. The retail company will also allot fully paid preference shares of ₹ 5 crore to CESC without any consideration. All the above four companies will be listed entities.

CESC will continue with its power distribution business. Its issued, subscribed and paid up share capital shall stand reduced from the present amount of ₹ 132,55,70,430 divided into 13,25,57,043 equity shares of ₹ 10/- each fully paid to ₹ 66,27,85,215 divided into 13,25,57,043 equity shares to ₹ 5/- each fully paid. Simultaneously, two such equity shares of ₹ 5/- each shall be consolidated into one fully paid up equity share of ₹ 10/- each.

The Scheme, when implemented, is expected to offer a simple business structure by segregation/unbundling of the businesses as well as further expansion thereof by enhancing the competitive strength, unlocking shareholders' value and providing better flexibility in accessing capital market.

#### **Directors**

In terms of the provisions of Section 152 of the Act and Article 102 of the Articles of Association of the Company, Mr. Aniruddha Basu, Managing Director, retires as a Director at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

The Independent Directors of the Company have confirmed that they meet the criteria of independence as prescribed under the Act

and the SEBI Regulations.

The policy on Director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of Director and also remuneration for the Key Managerial Personnel and other employees forms part of Corporate Governance Report of this Annual Report. During the year, performance evaluation of independent directors and other board members as well as the committees of the board was done in terms of the Act and SEBI Regulations.

Six meetings of the Board of Directors were held during the year.

#### **Key Managerial Personnel**

During the year, there was no change in the Key Managerial Personnel of the Company.

#### **Listing**

The equity shares of the Company continue to be listed at BSE Limited (BSE), National Stock Exchange of India Ltd (NSE) and the Calcutta Stock Exchange Ltd (CSE). The Company has paid the requisite listing fee to the Stock Exchanges up to the financial year 2017-18.

#### **Directors' Responsibility Statement**

Pursuant to Section 134 of the Act, your Directors hereby state and confirm that :

- i) in the preparation of the accounts for the financial year ended 31 March, 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments 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) the Directors have 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) the Directors have prepared the annual accounts on a going concern basis;
- v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that

such systems are adequate and operating effectively.

### **Corporate Governance**

A report on Management Discussion and Analysis is attached herewith (Annexure 'A'). A separate Report on Corporate Governance (Annexure 'B') along with Additional Shareholder Information (Annexure 'C') as prescribed under the SEBI Regulations, are annexed as a part of this Report along with the Auditors' Certificate thereon.

### **Corporate Social Responsibility**

In accordance with Section 135 of the Act and the rules made thereunder, the Company has formulated a Corporate Social Responsibility Policy, a brief outline of which along with the required disclosures are annexed as a part of this Report. A detailed section in this behalf is attached (Annexure 'D') which forms part of this report.

### **Business Responsibility Report**

A separate Business Responsibility Report as required under SEBI Regulation is annexed and forms a part of this report (Annexure 'E').

### **Whistle Blower Policy**

Pursuant to Section 177 of the Act, the rules made thereunder and the SEBI Regulations, the Company has a Whistle Blower Policy ('Vigil Mechanism') in place for reporting genuine concerns over happening of instances of any irregularity, unethical practice and/or misconduct involving the directors, employees and stakeholders. The details of the said policy have been disclosed in the Company's website [www.cesc.co.in](http://www.cesc.co.in). There was no instance of such reporting received during the year.

### **Related Party Transactions**

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There was no materially significant related party transaction that had a potential conflict with the interests of the Company. Transactions with related parties entered into in the normal course of business are periodically placed before the Audit Committee of the Board for its approval.

### **Particulars of Loans, Guarantees or Investments**

In terms of the provisions of the Section 186 (11) of the Act, the provisions of Section 186 (4) requiring disclosure in the financial statements of the full particulars of the loan given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security is not applicable to the Company.

### **Fixed Deposits**

The Company, during the year, has not accepted any deposits and, as such, no amount of principal or interest was outstanding as on the date of the Balance Sheet.

### **Auditors**

As per the provisions of the Act, the Company is required to appoint a new auditor and Messrs. S R Batliboi & Co. LLP, Chartered Accountants, (Firm Registration No.301003E/E300005) are proposed to be appointed as auditors of the Company for a period of five years commencing from the conclusion of Thirty-ninth Annual General Meeting till the conclusion of Forty-fourth Annual General Meeting, subject to ratification of such appointment by the shareholders every year from the Fortieth to the Forty-third Annual General Meeting of the Company.

Messrs. S R Batliboi & Co. LLP, Chartered Accountants, have consented to the said appointment and confirmed that their appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be appointed as statutory auditors in terms of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act read with the Companies (Audit and Auditors) Rules, 2014.

The Board of Directors recommend the appointment of Messrs. S R Batliboi & Co. LLP, Chartered Accountants, as statutory auditors of the Company for the aforesaid period.

The proposed appointment of Messrs. S R Batliboi & Co. LLP as the new auditors is in place of Messrs. Lovelock & Lewes, who have been the auditors of the Company since incorporation of the Company in 1978. The Board places on record its appreciation to Messrs. Lovelock & Lewes for discharging their duties as the Company's auditors for a long period.

### **Cost Audit**

Messrs. Shome & Banerjee, Cost Accountants, were re-appointed to conduct the audit of the cost accounting records of the Company for the year under review.

### **Secretarial Audit**

Secretarial audit of secretarial and related records of the Company was conducted during the year by Messrs. S.M. Gupta & Co., Company Secretaries and a copy of the secretarial audit report is annexed, which forms a part of this report (Annexure 'F').

### **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 134 of Act read with the