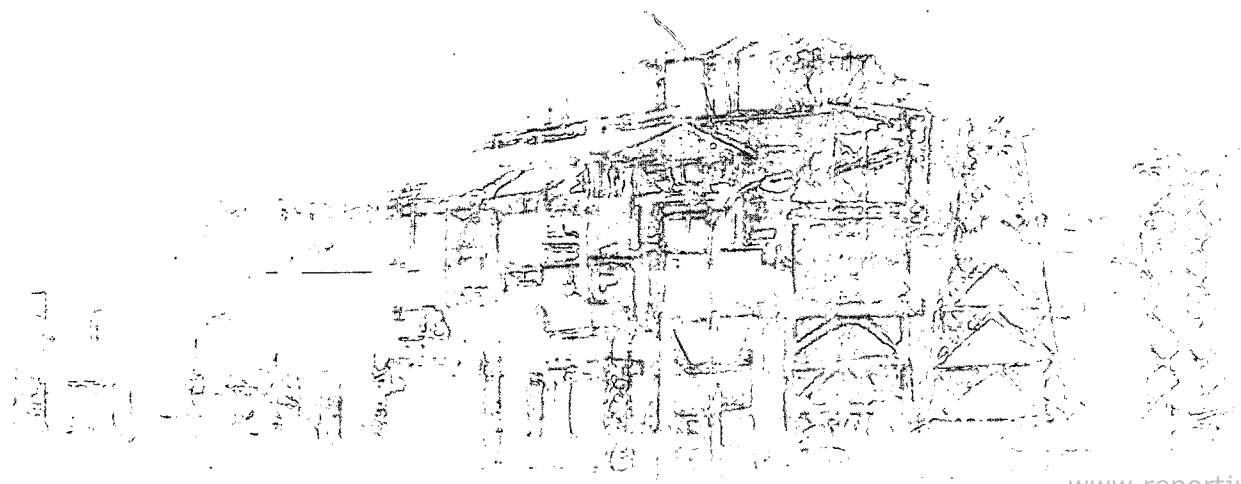


ANNUAL REPORT & ACCOUNTS 2006-2007



Report  Junction.com

DPSC Limited



VISION

A leading & reliable end-to-end energy solutions provider to the country.

MISSION

To light up and empower industries and millions of homes by being the lowest cost, most reliable and environmentally sound conventional & non-conventional energy provider.

To provide employees a strong sense of ownership, professional respect and pride, resulting in high moral and performance.

To enhance shareholders' value by growth and profitability.

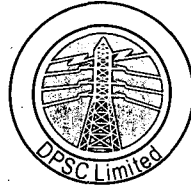
VALUES

- ◆ Performance / Result Oriented
- ◆ Imagination and Initiative
- ◆ Employee Empowerment
- ◆ Fair business practices with all stakeholders
- ◆ Organizational Pride
- ◆ Customer Delight

FOCUS AREAS

Together, we will achieve our vision by consistently growing through

- ❖ Competitiveness & cost efficiency
- ❖ Constant search for opportunities
- ❖ Complementary strategic alliances
- ❖ Competency enhancement
- ❖ Customer orientation



DPSC Limited

BOARD OF DIRECTORS

E. I. Thomas

Asis Bandyopadhyay

M. K. Choudhuri

Lalit Kumar Dash

V. K. Kukreja

Dr. R. K. D. Shah

S. Radhakrishnan – Managing Director

SECRETARY & DY. GENERAL MANAGER (LEGAL & ADMN)

Chiranjib Das

AUDITORS

Price Waterhouse & Co.
Plot No. Y-14, Block-EP, Sector-V,
Salt Lake City, Electronic Complex
Bidhan Nagar,
Kolkata-700 091

REGISTERED OFFICE

Plot No. X1 - 2 & 3 Block EP,
Sector-V, Salt Lake City,
Kolkata-700 091.

Visit us at www.dpscl.com

AUDIT COMMITTEE

Dr. R.K.D. Shah – Chairman
 Lalit Kumar Dash
 M. K. Choudhuri
 Asis Bandyopadhyay

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

V. K. Kukreja – Chairman
 Asis Bandyopadhyay
 S. Radhakrishnan

REMUNERATION COMMITTEE

E. I. Thomas – Chairman
 Lalit Kumar Dash
 Dr. R. K. D. Shah
 V. K. Kukreja

COMMITTEE OF DIRECTORS

M. K. Choudhuri – Chairman
 Asis Bandyopadhyay
 Lalit Kumar Dash
 S. Radhakrishnan

BANKERS

IDBI Bank
 State Bank of Patiala
 State Bank of India
 HSBC

ANNUAL GENERAL MEETING

Wednesday, 26th September, 2007 at
 11.30 a.m. at the Registered Office,
 Plot X1-2 & 3, Block-EP, Sector-V,
 Salt Lake City, Kolkata - 700 091.

REGISTRAR & SHARE TRANSFER AGENT

CB Management Services (P) Ltd.
 P-22, Bondel Road,
 Kolkata-700 019.

Telephone : (033) 2280 6692/93/94
 Facsimile : (033) 2287 0263
 Email : cbmsl1@cal2.vsnl.net.in



CONTENTS

	Page No.
Report of the Directors	4
Management Discussion and Analysis	10
Report on Corporate Governance	14
Auditor's Report	24
Balance Sheet	30
Profit & Loss Account	31
Schedules and Notes	32
Notes on Accounts	40
Cash Flow Statement	47
Balance Sheet Abstract	50

REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 87th Annual Report and Audited Accounts for the financial year ended 31st March 2007.

FINANCIAL RESULTS :

Rupees in Lakhs

	2006-07	
Profit before Tax		742.63
Less: Provision for Taxation:		
Deferred Tax	107.44	
Current Tax	81.00	
Fringe Benefit Tax	28.50	216.94
Profit after Tax		525.69
Add : Profit brought forward from last Accounts		1.93
Profit available for appropriation		527.62
Less: Appropriations:		
Reserve for unforeseen exigencies	21.30	
General Reserve	13.14	
Interim Dividend	31.75	
Final Dividend	21.17	
Corporate Dividend Tax (Interim & Final)	9.00	96.36
Balance carried forward to Balance Sheet		431.26

REVIEW OF OPERATIONS :

Your Directors are happy to report that total sales of the Company stood at 892.27 million units during 2006-07, registering a nearly 6 % increase over the previous year. This increase in sales was attributable to increased demand from existing consumers as well as to the addition of new consumers. The Company's relationship with its consumers continued to remain cordial and satisfactory by dint of the quality service rendered to them and reliability of power supplies.

The generating stations of the Company of Dishergarh and Chinakuri maintained their plant load factors at satisfactory levels during the year.

TARIFF :

Although the average tariff for the year 2007-08 recently approved by the Hon'ble West Bengal State Electricity Regulatory Commission (WBERC) shows a significant increase over that approved for the previous year, this is offset by a high increase in variable costs; mainly on account of power purchase costs. The WBERC has also introduced variable seasonal tariffs for most HT consumers with effect from April 2007, which is also likely to have an effect on sales revenue, the impact of which on profitability cannot be accurately assessed till the year end. A legal opinion on certain adjustments on revenue account made in the tariff order affecting the profitability of the Company is being obtained and the Company will take a view in the matter based on such advice. Time of day (TOD) tariffs, whereby consumers have the option of paying different energy charges, which are higher than average tariff during peak hours and lower than average tariff during off-peak hours, was introduced by WBERC for a section of the consumers in 2006-07. This option has been extended to other categories of consumers in the year 2007-08.



The WBERC also proposes to introduce multi-year tariffs with effect from 2008-09, initially for a period of 3 years at a time, whereby the necessity of seeking approval for tariff revisions each year will be obviated, unless mid term revision of the tariffs already set are necessitated by uncontrollable factors. This will result in greater transparency in the direction of tariff movements over a couple of years and enable both power utilities like the Company as well as the consumers to plan their future operations accordingly.

PROJECTS :

As mentioned in the last year's report, a consultant firm was appointed to work out the feasibility report of the proposed Power Project and based on their recommendations, a detailed project report for setting up 2 units of 250 MW has been finalized and adopted by the Board of Directors of the Company. A power station of this size will enable the Company to achieve much needed economies of scale and ensure the competitiveness of its tariffs vis-à-vis other power utilities in the State. The continued shortfall in generation capacity existing in India, especially in the Northern, Southern and Western parts of the country also assure a ready market for the surplus power generated, providing scope for increasing the profitability for the Company. The Company is in the process of appointing Consulting Engineers for the project for the purpose of drawing up the detailed plant specifications and inviting bids through the competitive bidding process. Steps are also being taken for the appointment of merchant bankers for identifying sources for financing the project.

With a view to cater to the increased demand within the licensed area as well as to export power to other parts of India once the proposed 500 MW power station is commissioned, the Company is also implementing a phased programme of augmenting and strengthening its transmission network to voltages of 33 kV and above 220 kV, which will continue for the next 3 to 4 years. Your Company has recently completed construction of one new 33 / 11 kV distribution station, while work on another distribution station of similar capacity is nearing completion.

Total capital investments envisaged on the new generating station project and on the transmission and distribution network is estimated at around Rs.2100 Crores, of which Rs.630 Crores will be required to be raised through equity. The Company proposes to raise the equity amount through a mix of rights and public issues and through private placements.

DIVIDEND :

The Company, in terms of the approval given by the Board at its meeting held on 26th April, 2007, paid an Interim Dividend of 7.5 % (Re 0.75 per share) for the year 2006-07 to those shareholders whose names appeared in the Register of Members as on the record date of 27th May, 2007.

The Board of Directors are pleased to recommend payment of a final dividend of 5 % (Re 0.50 per share) for the year ended 31st March, 2007, subject to the approval of the members of the Company at the Annual General Meeting. The dividend, if approved, will result in a payout of Rs 21.17 lakhs, excluding Corporate Dividend Tax.

ACCOUNTING POLICIES :

The major accounting policies of the Company are detailed in the Notes to Accounts, appearing in Schedule 17.

TRAINING :

In house training programmes, both through internal and external faculties, on various technical, attitudinal and supervisory aspects were conducted for employees at all levels, commensurate with their requirements, to meet the changing technical and commercial needs of the day. This has been supplemented by nominations to external training programmes in some cases to help expose the candidates to best practices followed in other organisations. The focus of training has been on creating a motivated and performance oriented Company, committed to bringing about constant improvements in its service levels to the customers, both external and internal.

PERSONNEL :

Industrial Relations in the Company continued to be satisfactory throughout the year under review.

There was no employee of the Company who received remuneration in excess of the limit prescribed in Section 217 (2A) of the Companies Act, 1956.

PARTICULARS OF CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

The information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure) of particulars in the Report of Board of Directors Rules 1988, is given in the Annexure forming part of this report.

CORPORATE GOVERNANCE :

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Management Discussion and Analysis, Corporate Governance Report, Managing Director's and Auditors' Certificate regarding compliance of conditions of Corporate Governance form a part of this Report.

A Code of Conduct, as applicable to the Board Members and Senior Management personnel has been adopted and practiced has been put on the website of the Company.

DIRECTOR'S RESPONSIBILITY :

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors, based on the representations received from the Management, confirm that:

- (i) annual accounts have been prepared in consonance with the applicable accounting standards with proper explanations relating to material departures;
- (ii) appropriate accounting policies have been selected and applied consistently and on the basis of judgments and estimates that are reasonable and prudent so as to give a true and fair view of the annual accounts of the Company as at March 31, 2007 and of the Profit of the Company for the year ended on that date ;
- (iii) proper and sufficient care have been taken for maintenance of proper accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for detecting frauds and irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

DIRECTORS :

Shri Naresh Chaturvedi, Director of the Company had tendered his resignation from the Board with effect from 31st January, 2007. The members of the Board place on record their deep appreciation of the valuable services rendered and guidance provided by him during his association with the Company as Chairman of the Board.

Life Insurance Corporation of India (LIC) has since withdrawn the nomination of Shri Sushobhan Sarker, as Nominee Director and nominated Shri Vipin Kumar Kukreja, Chief Investment of LIC in his place on the Board of the Company from 3rd January, 2007. The members of the Board place on record their deep appreciation of the valuable services and guidance provided by Shri Sarker as a Director during his association with the Company.

Shri Mrinal Kanti Chowdhuri has been appointed as Director of the Company with effect from 31st January, 2007 pursuant to Section 262 of the Companies Act, 1956.



General Insurers' (Public Sector) Association of India (GIPSA) has since withdrawn the nomination of Shri A. R. Manna, as Nominee Director and nominated Shri Asis Bandyopadhyay, General Manager of National Insurance Co. Ltd, in his place on the Board of the Company from 30th July, 2007. The members of the Board place on record their deep appreciation of the valuable services and guidance provided by Shri Manna as a Director during his long association with the Company.

The Board of Directors at its meeting held on 30th July, 2007 has increased the remuneration of Shri S. Radhakrishnan as Managing Director of the Company with effect from 1st April, 2007 till his current tenure as well as approved his re-appointment as the Managing Director of the Company for a period of five years with effect from 25th January, 2008 or till he attains age of his superannuation whichever is earlier subject to the approval of members at the ensuing Annual General Meeting as per the terms and conditions approved by the Board at its meeting held on 30th July, 2007. The Board recommends his re-appointment for approval.

Dr. R. K. D. Shah retires from the Board by rotation and being eligible, offers himself for reappointment.

AUDITORS :

Messrs. Price Waterhouse & Co., Chartered Accountants, will retire as Statutory Auditors at the ensuing Annual General Meeting and are eligible for re-appointment, pursuant to Section 224 (1B) of the Companies Act, 1956, (as per the certificate furnished by them) regarding their eligibility for re-appointment for the financial year ending 31st March 2008 as the Auditors of the Company.

COST AUDITOR :

M/s. SPK Associates, Cost Accountants, pursuant to the direction of the Central Government, Govt. of India, was appointed as Cost Auditor of the Company for conducting cost Audit for generation, transmission and distribution of Electricity business of the Company for the financial year ended 31st March, 2007.

AUDITORS REPORT :

The observations made in the Auditors Report are dealt with in Note 2 of Schedule 17 Notes on Accounts which are self-explanatory and hence do not require any further clarification.

ACKNOWLEDGEMENT :

Your Directors are grateful and pleased to place on record their appreciation for continued guidance and support provided by the Hon'ble West Bengal Electricity Regulatory Commission, various Ministries of the Central and State Governments particularly the Power Departments, West Bengal State Electricity Board, Damodar Valley Corporation, Coal India Limited, Eastern Coalfields Limited and Banks for all its assistance and co-operation received from them.

The Board also keeps on record the valuable contribution of its esteemed consumers in the sustained growth of the Company and takes this opportunity to pledge the Company's commitment to serve them better and better. The Board also like to express its great appreciation of the understanding and support extended by the employees at all levels and its esteemed Shareholders.

On behalf of the Board,
E. I. Thomas
Chairman.

Kolkata, 17th August, 2007

ANNEXURE TO DIRECTORS' REPORT**INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956****A. Conservation of Energy**

The Company has always been conscious about the need for conservation of energy and has been taking measures to this effect in all possible areas to conserve national resources.

a) Measures taken**Distribution**

- i) Feeder level energy accounting has been introduced.
- ii) 11 KV feeder level metering has been implemented for accurate energy accounting for taking appropriate remedial measures in loss prone areas.
- iii) Supply side load management is perpetually followed for economic loading of feeders.

Power Stations

- i) Re-firing System of the unburnt fuel into the furnace has been set right in the Boilers to reduce carbon loss.
- ii) Operation Checklists have been introduced to achieve maximum efficiency from the boiler combustion system.
- iii) Re-arrangement/reduction of illumination and luminaries has been done including replacement of conventional chokes by new generation electronic chokes for energy saving purpose.
- iv) Performance Monitoring Cell has been formed for the power stations to study and identify the possible energy saving areas in respect of the power stations auxiliaries for taking remedial measures.

(b) Improvements

Improvements in operating efficiency of the power stations and distribution system.

(c) Impact of (a) and (b)

Major impacts of the energy conservation measures are: -

- i) substantial savings in distribution losses;
- ii) reduction in auxiliary consumption in power stations;
- iii) reduction in coal consumption;
- iv) substantial energy savings due to improved and modified illumination system in powerhouses.

B. Technology Absorption**(a) Research & Development**

The Company as such does not carry out any in-house basic work in Research & Development. However, for major activities of development, whenever contemplated in various areas of power generation and distribution, the expertise of Central Electricity Authority (CEA) and National Productivity Council (NPC) in the field of power is obtained.