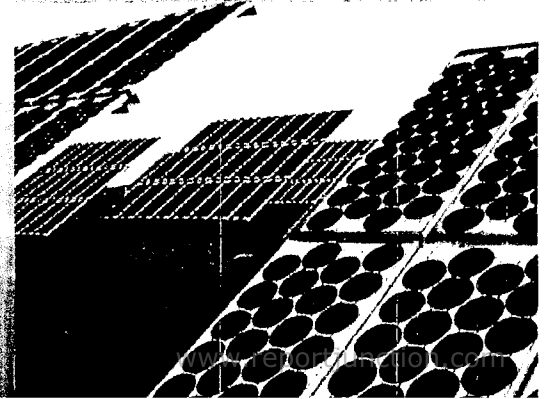
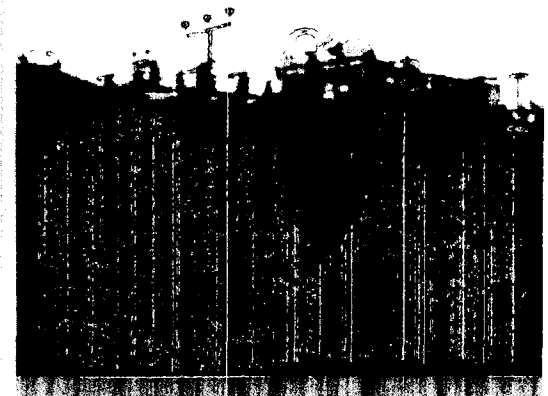
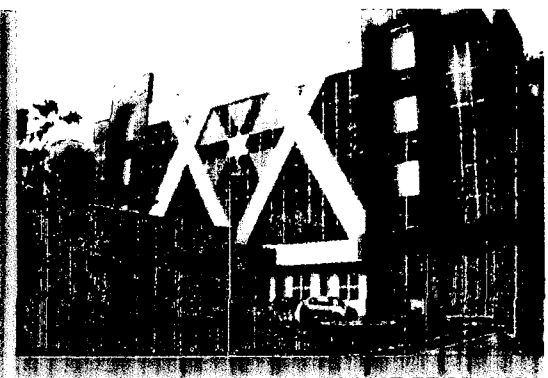


DPSC Limited

Report Junction

ANNUAL REPORT & ACCOUNTS
2007-2008



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 & 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. X -1, 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
M.K.Choudhuri
Asis Bandyopadhyay
Lalit Kumar Dash
Vipan Kumar Kukreja

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Vipan Kumar Kukreja – Chairman
Asis Bandyopadhyay
S. Radhakrishnan

REMUNERATION COMMITTEE

E. I. Thomas – Chairman
M. K. Choudhuri
Dr. R. K. D. Shah
Vipan Kumar Kukreja

COMMITTEE OF DIRECTORS

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

POWER PROJECT COMMITTEE

E. I. Thomas – Chairman
M. K. Choudhuri
Dr. R.K.D. Shah
Lalit Kumar Dash
S. Radhakrishnan

BANKERS

IDBI Bank
State Bank of Patiala
State Bank of India
Axis Bank Ltd.

ANNUAL GENERAL MEETING

Friday, 26th September, 2008 at
11.30 a.m. at the Registered Office,
Plot X-1,2 & 3, Block-EP, Sector-V,
Salt Lake City, Kolkata - 700 091.

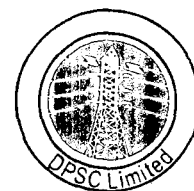
REGISTRAR & SHARE TRANSFER AGENT

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	3
Management Discussion and Analysis	8
Report on Corporate Governance	13
Auditor's Report	23
Balance Sheet	28
Profit & Loss Account	29
Schedules and Notes	30
Notes on Accounts	39
Cash Flow Statement	48
Balance Sheet Abstract	51



REPORT OF THE DIRECTORS

Your Directors have pleasure in presenting the 88th Annual Report and Audited Statement of Accounts of the Company for the year ended 31st March 2008.

FINANCIAL RESULTS :

Rupees in Lakh

	2007-08	
Profit before Tax		268.31
Less: Provision for Taxation:		
Current Tax	27.00	
Deferred Tax	105.36	
Fringe Benefit Tax	31.00	163.36
Profit after Tax		104.95
Add : Profit brought forward from last Accounts		431.26
Appropriations :		
Transfers from :		
Consumer Account Reserve	1529.28	
Consumer Rebate Reserve	5.42	1534.70
		2070.91
Transfers to :		
Reserve for Unforeseen Contingencies	23.37	
Proposed Dividend	42.34	
Corporate Dividend Tax	7.20	72.91
Balance carried forward to Balance Sheet		1998.00

REVIEW OF OPERATIONS:

The sale of energy during the year registered a moderate growth on a year to year basis in comparison to 6 % growth in the previous year, primarily due to lower energy consumption by our consumers in the steel sector, where production was adversely affected due to high input costs. The lower profits made during 2007-08 is primarily attributable to higher interest costs, which more than doubled from Rs 226.28 lakhs in 2006-07 to Rs 481.19 lakhs in the year under report. The higher interest outgo was on account of a hardening of interest rates during the year and the larger cash credit facility the Company had to avail of in view of a substantial blockage of funds in claims for Fuel and Power Purchase Adjustment (FPPCA), realisation of which from consumers was awaiting regulatory approval. The necessary approval having been received in February 2008, recovery of the amounts has since commenced. The comparatively higher profit made in the year 2006-07 was also on account of inclusion of profit made on disposal of the scrapped generating assets of the Seebpore power plant.

Both the generating stations operated at satisfactory plant load factors during the year, though operations were adversely affected due to short supply of coal.

TARIFF:

The Company filed its first multi-year tariff proposal with the Hon'ble West Bengal Electricity Regulatory Commission (WBERC) in end May 2008 for the three year period from 2008-09 to 2010-11 and the tariff order is expected to be issued by WBERC within September 2008. This is the first time that multi-year tariffs are proposed to be introduced in West

Bengal, with the intention of providing all stakeholders a clear indication of the direction of tariff movements in the medium term. Under the prescribed regulations, annual performance reviews will be carried out by WBERC every year on the basis of actual performance of the previous year and mid-course changes in the tariffs of subsequent years approved, if so necessitated by factors beyond the reasonable control of the power utilities.

PROJECTS:

The Company is obligated to procure a certain quantum of its total system energy requirements from renewable and non-conventional energy to help restrict emissions contributing to the green house effect. Towards this end, your Company has signed a Power Purchase Agreement with West Bengal Green Energy Development Corporation Ltd., a West Bengal Government owned entity, for purchase of 2 MW pe of power from the solar power station to be set up by them at land made available to the Corporation at our Seebpore generating station site. The project will be the largest grid-connected solar power station in the country and power from the station is expected to be available from December 2008 for feeding into our distribution network in the Seebpore area.

Your Company has completed and commissioned the two new 33/11 kV substations at Feeder Road and Ikra, which will help in meeting the needs of our existing and new consumers in those areas. The Company is simultaneously taking steps to add new 33 kV substations and converting some existing 11 kV substations to 33 kV while upgrading some key feeders from 11 kV to 33 kV with a view to tap emerging load centres and ensure quality power supply to its consumers.

The Company has so long been dependant on Damodar Valley Corporation (DVC) for meeting the bulk of its energy requirements. However, due to infrastructural bottlenecks, DVC is incapable of meeting the increased energy requirements of the Company. With the strengthening of the transmission network of the West Bengal State Electricity Distribution Co. Ltd. (WBSEDCL) in the Asansol area, the Company proposes to increase the share of power imports from WBSEDCL by commissioning a new 33/11 kV distribution station at Gopalpur within 2008-09. This distribution station will not only enable the Company to cater to the increased demand in the Dishergarh distribution area but also provide a substitute source of power on the shutting down of the Dishergarh power station, whose operations are becoming increasingly uneconomic in an environment of steadily increasing coal prices.

In view of the substantial price advantage which imports from WBSEDCL offers vis-à-vis purchases from DVC, your Company plans to commission a 220/132/33 kV distribution station at J.K. Nagar for import of 100 MVA of power from WBSEDCL. Such substitution will enable your Company to maintain the competitiveness of its tariffs to its consumers. Land for the project is already available with the Company and WBSEDCL have agreed in principle to supply the required quantity of power. The Company has approached the WBERC for in principle approval for the project and appointed Consultants for preparation of a detailed project report for submission to WBERC. The inter-connectivity that will be established with the State transmission grid for the import of power may be utilised later on for export of surplus power on the completion of the Company's proposed 500/600 MW coal based thermal power station at Dishergarh.

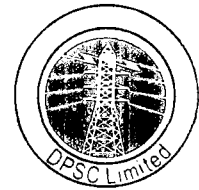
The Company had applied to the Hon'ble WBERC for its in principle approval for the proposed 2 X 250 / 300 MW Thermal Power Project at Dishergarh. Necessary applications have already been filed with the appropriate authorities for environmental clearance for the project, water and coal allocation, civil aviation and other statutory approvals/clearances as required. The land for the above project have been identified and simultaneously legal search on the title deed of such land are being carried out before proceeding in the matter.

NEW LISTING:

The Equity Shares of the Company have been listed and admitted for dealings on the National Stock Exchange of India Ltd. (NSE) with effect from 21st April 2008 as DPSC LTD-EQ, in addition to the existing listing in the Calcutta Stock Exchange. The shares are being actively traded in the NSE.

DISINVESTMENT OF COMPANY'S SHARES BY MAJORITY OF SHAREHOLDERS

Andrew Yule & Company Limited along with its group companies and United India Insurance Company Ltd. and Life Insurance Corporation, jointly holding 57.17% of the Equity Share Capital of the Company have expressed their wishes to sell their combined shareholding in the Company to a single Strategic Investor. To this effect, a Public Notice inviting 'Expression of Interest' along with preliminary information memorandum has lately been issued.

**DIVIDEND:**

The Board of Directors are pleased to recommend a dividend of 10 % (Rs. 1.00 per share) for the year ended 31st March, 2008, subject to the approval of the shareholders in the Annual General Meeting. The dividend, if approved, will result in a payout of Rs. 42.34 lakhs, exclusive of Corporate Dividend Tax.

ACCOUNTING POLICIES:

Major accounting policies adopted by the Company are detailed in the Notes to Accounts in Schedule 17.

TRAINING:

The Company continued in its endeavor to impart appropriate and relevant training to its employees to equip them to meet the challenges that are ahead and to enhance their performance in the best interest of the Company. The Company has also taken up an exercise on career growth & planning by identifying potential & training needs of employees by engaging professionals in the field.

PERSONNEL:

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

There are no employees in the Company who are in receipt of salary of Rs. 24,00,000/- p.a. or Rs.2, 00,000/- p.m., if employed for part of the year. Hence the Statement of particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended till date is not attached.

SOCIAL RESPONSIBILITY & WELFARE:

The Company besides its responsibilities to its consumers, stakeholders and employees has an obligation towards the society at large. The Company has undertaken several initiatives to ensure sustainable environment management and promotes environmental awareness among its employees. The Company regularly participates in socially relevant issues and works together with various charitable institutions and NGOs working for social emancipation. The Company also supports some educational institutions for augmentation of their infrastructure with a view to providing more congenial atmosphere for education.

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 Exchanges, 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 is available on the Company's website at www.dpscl.com.

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 31st, 2008 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 E. I. Thomas 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, 2009 as the Auditors of the Company.

COST AUDITOR:

M/s. A Bhattacharya & 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, 2008

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.

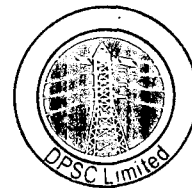
ACKNOWLEDGEMENT:

Your Directors place on record their appreciation for the overwhelming co-operation and assistance received from 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 etc.

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,
14th August, 2008



**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) Re-orientation of Load has been carried out for saving in transformer / feeder losses.
- iv) Energy Conservation drive for all consumers has been undertaken for efficient use of Power.

Power Stations

- i) Installation of Variable Frequency Drives (VFD) for critical auxiliaries.
- 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 electric 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.
- v) Comprehensive energy audit has been carried out in the Power Stations by External Auditors.

(b) Improvements

There have been general 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) Improvement in Heat Rate;
- iv) substantial energy savings due to improved and modified illumination system in power houses.

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.

(b) Technology absorption, adoption & innovation.

The Company considers Information Technology (IT) support as a key factor to its strategy for growth. During the year under review, the Company has continued its initiatives towards technology adoption in the following areas: -

- i) Local Area Network (LAN) with fiber optic cabling for office automation and ERP implementation to integrate Operation & Maintenance, Material management, Financial management and HR management functions of the organization;
- ii) IT support for Customer Information system (CIS);
- iii) IT support for energy accounting system to conduct energy audits;

C. Foreign Exchange Earnings and Outgo:

Foreign Exchange Earned:	Rs. Nil
Foreign Exchange used for import of spare parts	Rs. 58.45 Lakh
Expenditure in Foreign Currency during the year	Rs. 16.00 Lakh

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

Kolkata, 14th August, 2008

ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW :

The growth of the economy, call for a matching rate of growth in infrastructure facilities. The rate of demand for power in developing countries is generally higher than that of Gross Domestic Product (GDP). In India, the electricity ratio was 3.06 in the first plan and peaked at 5.11 during the third plan and has come down to 1.65 in the eighties. For the nineties, a ratio of around 1.5 is projected.

Therefore, in order to support a rate of growth of GDP of around 9 percent per annum, the rate of growth of power supply needs to be over 10 percent annually.

Power Sector, hitherto, had been funded mainly through budgetary support and external borrowings. But given the budgetary support limitation, due to growing demands from other sectors, particularly social sector and the severe borrowing constraints, a new financing strategy was required. This had been recognized by the Government as reflected in the new policy enunciated in 1991, allowing private enterprise a larger role in the power sector.

The Company has been in the service of people through power generation and distribution since the pre- independence days and has been guided by its unique culture comprising 3 D's – Discipline, Dedication and Devotion.

The consumer base of the Company is dispersed over the whole of its licensed area admeasuring 618 sq. Kms in the cities of Asansol to Ranigunj industrial belts in the state of West Bengal. It caters to around 450 consumers who are primarily industrial consumers includes - Coal Mines of Eastern Coalfields Ltd, (ECL) Paper Mills, the Railways, Hospitals, Television Stations, Water Pumping Stations, Technical Institutions, and large, medium, and small industries.

The Company primarily supplies to industries that have more than 50 kVA of contract demand. More than 90% of the total power supplied by Company is consumed by the Industries and West Bengal State Electricity Distribution Company Ltd. (WBSEDCL), a – distribution licensee, which is the reconstituted distribution wing of the WBSEB. The following graph shows the load mix of Company's consumers: -

Consumer Mix - Energy Consumption

