# 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)*
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
IDBI Bank 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

## Contents



**Cover**

A night view of Kolkata with the
Victoria Memorial as the centre of attraction

# Notice to Members

Notice is hereby given that the Thirty-third 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, 29 July 2011 at 10.30 A.M. for the following purposes :

1. To receive and consider the Profit & Loss Account for the year ended 31 March 2011, 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. M. Khaitan who retires by rotation and, being eligible, offers himself for reappointment
4. To appoint a Director in place of Mr. S. Banerjee who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration and for the purpose to consider and, if thought fit, to pass with or without modification, the following Ordinary Resolution :

   "RESOLVED THAT the retiring Auditors, Messrs. Lovelock & Lewes (Firm Registration Number 301056E), 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. 35,00,000/- payable in two equal instalments plus service tax and reimbursement of out-of-pocket expenses"

**SPECIAL BUSINESS**

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

6. **AS AN ORDINARY RESOLUTION**

   "RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and / or charging by the Board of Directors of the Company ("the Board") of all the immovable and movable properties of the Company, wheresoever situate, present and future, in favour of Standard Chartered Bank (SCB) for its foreign currency loan of US$ 45 million to secure the said foreign currency loan together with interests, charges, expenses, front-end fees and all other monies payable by the Company to SCB, in terms of the Letter of Sanction, Facility Agreement, Hypothecation Agreement, or any other Agreement or any amendment thereto entered / to be entered into by the Company with SCB so that the mortgage and / or charge may be created by the Company in favour of SCB, in such form and subject to such prior charge or with such pari passu or subservient ranking of charge as may be decided by the Board in consultation with SCB.

   AND FURTHER THAT the Board be and is hereby authorised to finalise and execute with SCB 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 16 July 2011 to 29 July 2011, both days inclusive.

Registered Office :
CESC House
Chowringhee Square
Kolkata - 700 001.
24 June 2011

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 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 15 July 2011.
4. Members holding shares in physical form may intimate the Company updated 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 15 July 2011. In respect of the shareholdings in demat form, any change in the Bank particulars should be intimated to the Depository Participants (DP) immediately so that the changed particulars may be used for dividend payment. Any change in the particulars of shareholders holding shares in electronic form is to be notified to the DP only.

5. CESC is active in its efforts to preserve the environment and has been working on a number of ways to reduce usage of paper. In line with the recent circular of the Ministry of Corporate Affairs, Government of India, the Company now proposes to send to its members notices, annual reports 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. If the holding is in physical form and the member concerned wishes to receive notices etc. electronically, details of the e-mail address should be forwarded to the Company by sending an e-mail at **greeninitiative@cesc.co.in**. If so desired, the aforesaid communication can alternatively be obtained in physical form the Company free of cost, upon request.

**PARTICULARS OF DIRECTORS WHO ARE PROPOSED TO BE REAPPOINTED AT THE MEETING ARE GIVEN BELOW :**

MR. B. M. KHAITAN, 83 years, is a renowned industrialist having interest in tea, batteries and engineering industries. Mr. Khaitan has great contributions to the tea industry with which he has been associated for over five decades.

Mr. Khaitan is the Chairman of Williamson Magor & Company Limited, Eveready Industries India Limited and Mcleod Russel India Limited and is a Director of Babcock Borsig Limited and Jayshree Tea & Industries Limited (also Chairman of Remuneration Committee). He is on the Board of Directors of CESC since 1994 and is a member of its Audit Committee.

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

MR. S. BANERJEE, 61 years, holds B. Tech (Hons.) from Indian Institute of Technology, Kharagpur, MS and MBA degrees and is the Managing Director of the Company since 1 August, 1993. He has 38 years of experience in India and abroad in manufacturing, engineering, finance, marketing and general management functions.

Mr. Banerjee, President and Chief Executive of RPG Power and Retail Groups, is on the Boards of Dhariwal Infrastructure Limited, Noida Power Company Limited, Saregama (India) Limited (also Member of its Audit Committee and Investor Grievance Committee), Au Bon Pain Café India Limited, Myriad Ventures Private Limited, Spencer International Hotels Limited, and Mahuagarhi Coal Company Private Limited. He is a member of Investors' Grievance Committee and Finance & Forex Committee of CESC Limited.

Mr. Banerjee 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-THIRD ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 29 JULY 2011**

**Item No. 6**

The Company has entered into an agreement with Standard Chartered Bank (SCB) to avail financial assistance of US$ 45 million to meet a part of its routine capital expenditure.

The above financial assistance, in terms of its sanction, is required to be secured by mortgage / charge over the Company's immovable and movable properties in the form and manner required by SCB.

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 :<br>CESC House<br>Chowringhee Square<br>Kolkata - 700 001.<br>24 June 2011

By Order of the Board<br>Subhasis Mitra<br>Vice President & Company Secretary

# Chairman's Letter

Dear Shareholder

As I wrote in last year's annual report, India is back on the growth path. Of course, there are different views about this growth — whether we can soon transit to over 9%, or whether we will be hovering around the 8% mark until we conquer infrastructural bottlenecks, or the extent to which growth prospects can get affected by persistent inflation and consequential increases in the interest rate by the Reserve Bank of India. All of us are debating these issues. However, nobody that I know of denies the fact that India has smartly recovered from the consequences of the global financial and economic crisis; and that there is enough entrepreneurial energy throughout the country to generate at least 8% real GDP growth.

There is another thing that none can deny. It is the terrible shortage of power throughout India, and the urgent need to build — and get on stream — thermal, hydro, nuclear and renewable power plants with associated transmission and distribution infrastructure throughout the land.

Consider the facts. In 2010-11, India as a whole suffered from a peak demand deficit of 9.8%. Every region faced power deficits. Among the more industrialised parts of the nation, Western India was the worst off with a peak demand deficit of 14.7%; followed by Northern at 8.9%; then Southern at 6.4%; and Eastern at 5%. The worst was the North East where the peak deficit was 18.5%.

There are three reasons for this universally persistent shortfall. First, generation capacities have not grown fast enough. Indeed, the difference between planned and actual is huge. For instance, the actual cumulative capacity addition over the last five years is around 50% of what was planned. Second, the transmission infrastructure remains weak. Despite efforts to achieve better grid connectivity, there is a major gap between targets and achievement. Third, distribution still remains an area of concern in most parts of India. Distribution loss, in monetary terms, is huge.

If India is to achieve consistent 9% plus GDP growth over the next decade, it has to improve the power infrastructure at a rapid pace. Yet, as it stands today, there are some critical constraints. Let me share with you a few of these. Despite the seeming investment boom in the power sector, I am concerned about some issues.

In the first place, most of the private sector thermal power projects were based on assumptions of high merchant power tariffs and off-take. The rates have crashed, typically to levels well below those that were assumed in preparing the feasibility studies. Thus, the presumed basis for profitability of many private power projects — where high merchant tariffs and demand would more than compensate for low state electricity board (SEB) tariffs and payouts — seems to have got stuck. Merchant power is offering less per unit than anticipated; and most SEBs have neither the money nor the financial ability to adequately pay for power. Thus, power projects that planned for a blended tariff rate of over Rs.3.60 per unit are under risk; and those who planned at Rs.5 and above are completely unviable.

Then there is the issue of coal linkage. As many thermal power projects are discovering to their dismay, coal linkages often exist only on paper — but not in reality. Moreover, with steady increase in coal prices world-wide and with India's largest public sector supplier of coal having become more income sensitive now that it is a listed company, the price of coal is getting higher than planned. And the existing buyers of power are not necessarily interested in underwriting that higher price.

Finally, there is the problem of grid connectivity. Even if a power plant got assured coal, it would have to connect its perishable product to the national grid. That is proving to be a problem in many regions, especially remote power plants that, while being close to mine pitheads, are far removed from the main inter-state transmission lines.

Power, therefore, is an opportunity — but not an opportunity for all and sundry. One has to know the business; one has to have serious expertise; one must have adequate 'back-stops' at all levels; and, ideally, one has to own the distribution.

This is where your Company scores over many others. CESC generates as well as distributes. Its generating stations at Budge Budge, Southern, Titagarh and New Cossipore cumulatively generate 1,225 MW, which feeds into the Company's distribution grid for meeting the power needs of Kolkata and its neighbourhoods. CESC is a utility company that services over 2.5 million customers. Last year alone, it added around 1.2 lakh customers — an increase of over 25% over the previous year. In spite of a significant increase in peak demand to 1,686 MW, your Company was able to maintain its high standards in the availability and reliability of power.

It is this combination of generation and distribution that has allowed your Company to be relatively insulated from the increasing uncertainties of the power sector which I have outlined above.

Consequently, CESC has done well financially. During 2010-11, your Company's earnings from sale of electricity increased by 19.7% over last year to reach Rs.3,940 crore. Including other income, total income grew by 18.7% to Rs.4,092 crore. Profit before depreciation and taxation (PBDT) grew by 21.2% to Rs. 882 crore during the year. Profit after taxes (PAT) for 2010-11 increased by 12.7% to Rs.488 crore. These are sound results.

The 2 x 300 MW coal fired thermal power project at Haldia (West Bengal) is progressing well. All requisite clearances and investment approval are in place. Coal linkages have been secured. The project is scheduled to be completed by the end of 2013-14. The 2 X 300 MW coal fired thermal power project at Chandrapur (Maharashtra) is also progressing according to schedule. We have also entered the solar energy space at Bikaner (Rajasthan), to understand the business and create necessary expertise in an area that promises to be significant in the future.

May I, on behalf of you and the Board of Directors, congratulate your Company's management for achieving strong financial and operational results in 2010-11? I feel proud of being the Chairman of an enterprise that does so well in power generation and distribution. May it progress. Finally, my thanks to you for your support and good wishes.

**R P Goenka**

24 June 2011 Chairman

# Directors' Report

The Directors have pleasure in presenting the Annual Report and Audited Accounts of CESC Limited for the year ended 31 March 2011.

**Financial Results** *(Rs. Crores)*

| **Particulars** | **2010-11** | **2009-10** |
|---|---|---|
| Earnings from Sale of Electricity | 3939.85 | 3292.84 |
| Other Income | 152.44 | 156.20 |
| **Total Income** | **4,092.29** | **3,449.04** |
| Profit before Depreciation & Taxation | 881.62 | 727.69 |
| Depreciation | (267.37) | (205.64) |
| Taxation | (125.85) | (88.75) |
| **Profit before transfer to Reserves** | **488.40** | **433.30** |
| **Profit brought forward from previous year** | **133.56** | **125.91** |
| Reserve for unforeseen exigencies | (23.47) | (17.38) |
| General Reserve | (350.00) | (350.00) |
| Proposed Dividend @ Rs. 4 per Equity Share & tax thereon | (58.08) | (58.27) |
| Leaving a balance carried forward | **190.41** | **133.56** |

**Performance Overview**

During the year under review, the Company's earnings from sale of electricity increased by 19.65% over last year to reach Rs. 3939.85 crore. Including other income, total income grew by 18.65% from Rs. 3449.04 crore in 2009 - 10 to Rs. 4092.29 crore in 2010 - 11. Profit before depreciation and taxation (PBDT) grew by 21.15% to Rs. 881.62 crore during the year. After providing for depreciation of Rs. 267.37 crore and taxation of Rs. 125.85 crore, the profit after taxes (PAT) for 2010 - 11 stands at Rs. 488.40 crore, which reflects a 12.72% increase over Rs. 433.30 crore during 2009 - 10.

A detailed review of the operations for the year ended 31 March 2011 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 2011 at the rate of Rs. 4 per share on the paid-up equity share capital as on that date (Rs. 4 per share in 2009 - 10). 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 15 July 2011. 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 2011, CESC had ten subsidiaries: Spencer's Retail Limited, Au Bon Pain Cafe India Limited, Music World Retail Limited, CESC Infrastructure Limited, Haldia Energy Limited, Dhariwal Infrastructure Limited, Surya Vidyut Limited, CESC Properties Limited, Metromark Green Commodities Private Limited and Nalanda Power Company Limited. Since the close of the year, two more subsidiaries had been formed namely Bantal Singapore Pte Limited and CESC Projects Private Limited.

The details of operations of subsidiaries are given in the section 'New Projects' under 'Power Business' and the section 'New Businesses' in the Management Discussion & Analysis, which forms a part of this report.

In accordance with the general exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956, ('the Act') the accounts of the subsidiaries for the year 2010 - 11 and the related detailed information will be made available to the holding and subsidiary companies' shareholders 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 shareholder 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 2010 - 11 form part of the Annual Report and Accounts.

CESC is concerned about the environment and takes various steps for its protection. In line with the decision of the Ministry of Corporate Affairs, Government of India, the Report and Accounts and other communication from the Company are, from now on, sent to the shareholders by e-mail, wherever such addresses are registered with the Company.

**Projects**

Currently, four power generation projects are being executed by various CESC subsidiaries — thermal generation project at Haldia, Chandrapur and Bhagalpur as well as a solar power project in Rajasthan. CESC itself is carrying out a number of projects to enhance its distribution capabilities and to conserve the environment.

Further details on these projects have been provided in the relevant sections of the Management Discussion & Analysis, which forms a part of this report.

**Awards**

During the year, your Company won the following awards :

1. Budge Budge generating station received Gold Award for best environmental performance power plant of the year in Asian Power Awards 2010 organised by Asian Power Magazine, Singapore.
2. In recognition of its safety record and initiatives, Southern generating station was awarded with 'Greentech Gold Award for Safety – 2011' by Greentech Foundation.
3. In recognition of its safety record and initiatives, New Cossipore generating station was awarded with 'Greentech Silver Award for Safety – 2011' 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. M. Khaitan and Mr. S. Banerjee, 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 a part of the Directors' Report.

Mr. R. K. Misra, who was appointed by the Government of West Bengal as its nominee, ceased to be a Director of the Company with effect from 31 March, 2011. ICICI Bank Limited has withdrawn its nominee, Mr. Ajay Saraf, effective 21 June 2011. The Board places on record its appreciation of the valuable contribution made by Mr. Misra and Mr. Saraf, during their tenure as Directors.

**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 up to the financial year 2011 - 12.

**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 2011, 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 2011 and of the profit for the period from 1 April 2010 to 31 March 2011;

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 2011 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. 349 deposits aggregating Rs. 0.62 crore remained unclaimed as on 31 March 2011.

**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. The due date and the actual date of filing of cost audit report for the year under review had been 27 September 2010 and 13 September 2010 respectively.

### 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 a 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 Vice President & 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**

Kolkata, 24 June 2011 Chairman

CESC Limited ('CESC' or 'the Company) is a fully integrated power utility engaged in the generation and distribution of electricity across 567 square kilometres of licensed area in Kolkata and Howrah, West Bengal, since 1899. The Company supplies safe, cost-effective and reliable electricity to over 2.5 million customers — consumer households, commercial and industrial establishments. As a part of its strategy for diversification and long-term growth, the Company, through its subsidiaries, is also active in the organised retail sector and has recently ventured into real estate development.

This chapter presents an overview of the energy sector as well as details of operational and financial performance of the Company. It also discusses important initiatives taken by the Company during the year to achieve its growth and performance objectives.

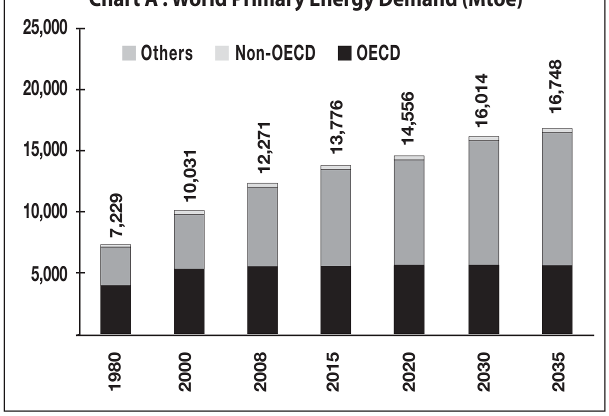
## ECONOMIC OVERVIEW

### Global Energy Outlook

Insofar as energy consumption goes, the global economic crisis has certainly come to an end. After a decline of 0.9% in 2009 which was for the first time since 1981, global energy consumption increased by 5.5% in 2010 to 12,852 million tons of oil equivalent (Mtoe).

According to the World Energy Outlook 2010, world primary energy demand under the 'New Policies Scenario' will grow by around 4,500 Mtoe between 2008 and 2035, a CAGR of 1.2% (Chart A). These estimates take into account broad policy commitments and plans that have been announced by countries around the world to cut down on emissions. As expected, the demand in non-OECD will grow much faster, and will account for over 90% of this increase in energy demand.

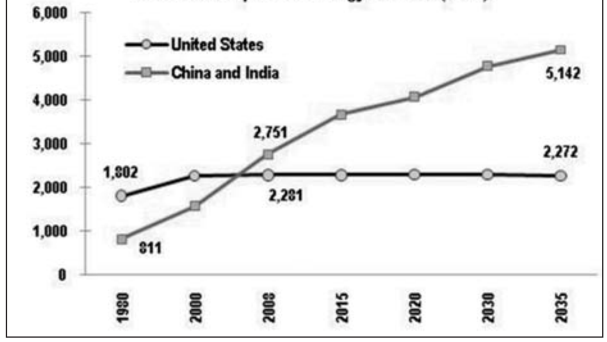
**Chart A : World Primary Energy Demand (Mtoe)**




*Source : New Policies Scenario, World Energy Outlook 2010, IEA*

Much of this increase in primary energy demand will come from China and India, which along with United States, are the top three consumers of energy in the world. Energy demand from China and India is expected to surge during this period to 5,142 Mtoe (Chart B) and they will account for over half the incremental energy demand between now and 2035. As a result, by 2035, these two countries will account for 30% of global energy demand, up from 15.6% in 2000.

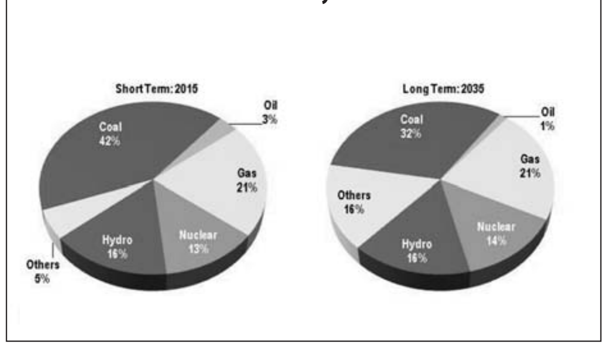
**Chart B: Comparative Energy Demand (Mtoe)**




*Source : New Policies Scenario, World Energy Outlook 2010, IEA*

Fossil fuels coal, oil and gas remain the dominant source of energy, meeting more than 80% of energy demand. Rising fossil-energy prices and increasing costs of carbon, together with policies to encourage energy savings and switching to low-carbon energy sources, will restrain demand growth for all three fossil fuels. Their share in the energy mix is expected to come down to 74% by 2035. However, most of this shift is only expected to take place around 2020. Until then, increase in demand for fossil fuels will continue to be high. And, although natural gas will be the fastest growing fossil fuel energy source, coal and oil will continue to be the dominant sources of energy contributing over 50% of the energy demand by 2035.

**Chart C : Global Electricity Generation Outlook**




*Source : New Policies Scenario, World Energy Outlook 2010, IEA*

The power sector accounts for 53% of the increase in global primary energy demand, with total capacity additions of 5,900 GW projected between 2008 and 2035. Coal remains the leading fuel for electricity generation, accounting for over 40% of total power generation, followed by gas, nuclear and hydro. As shown in Chart C, this dominance of coal is expected to continue, although its share will come down in the long term as policies favour use of other renewable sources such as solar, geothermal and wind.

### India's Power Scenario

India is the world's fifth largest generator of power after US, China, Japan and Russia, with a total capacity of 174 gigawatt (GW) in

2010-11. Fossil fuels are the primary source of generation of electricity, accounting for 65% of the capacity. Coal accounts for over 50% of the total capacity (93.9 GW) and is the dominant fuel source. This is followed by hydro-electricity, which contributes 21.6% (or 37.6 GW) to the total power mix. With 4.8 GW of generation, nuclear power is still way below coal, hydro and gas, although it has started to slowly gain ground as an alternative fuel source (see Table 1).

**Table 1 : Power Generation in India : 2010-11 : By Fuel Source**

| Fuel | MW | % share |
|---|---|---|
| Coal | 93,918 | 54.1% |
| Gas | 17,706 | 10.2% |
| Diesel | 1,200 | 0.7% |
| **Thermal** | **112,824** | **65.0%** |
| Nuclear | 4,780 | 2.8% |
| Hydro | 37,567 | 21.6% |
| Others | 18,455 | 10.6% |
| **Total** | **173,626** | **100.0%** |

*Source : Central Electricity Authority, March 2011*

During the period April 2010 to March 2011, the all-India peak demand for power was 122 GW of power, whereas the actual power met was 110 GW – a shortfall of 9.8%. This all-India average, however, hides glaring fluctuations within regions (Table 2). The north-eastern and western regions are the worst affected in terms of availability of power.

**Table 2 : Power Demand and Deficit : 2010-11**

| Region | Peak Demand (MW) | Peak Met (MW) | Deficit | Deficit % |
|---|---|---|---|---|
| Northern | 37,431 | 34,101 | -3,330 | -8.9% |
| Western | 40,798 | 34,819 | -5,979 | -14.7% |
| Southern | 33,256 | 31,121 | -2,135 | -6.4% |
| Eastern | 13,767 | 13,085 | -682 | -5.0% |
| North-Eastern | 1,913 | 1,560 | -353 | -18.5% |
| **All India** | **122,287** | **110,256** | **-12,031** | **-9.8%** |

*Sources : Ministry of Power; Central Electricity Authority*

Although this is an improvement over the last few years, the shortage in availability of power continues to be significant and can be attributed to three main reasons. First, the addition in generation capacities have been slow and below the planned targets. The cumulative achievement in capacity addition during the last five years has been around 50% of the targeted additions. Second, the transmission infrastructure continues to be a weak area despite efforts to achieve better grid connectivity. There is a significant gap between targets and achievement in upgrading the existing infrastructure. During 2009-10 and 2010-11, achievement of planned increase in transmission lines was 79.1% and 81.7% respectively. Finally, in spite of the unbundling of composite power providers and the creation of distribution companies, distribution remains an area of concern. Aggregate Technical & Commercial (ATC) losses vary widely across companies, but on an average, they are significantly above the 15% ceiling that has been recommended by the Accelerated Power Development and Reform Programme (APDRP)[1].

If India is to achieve double digit growth over the next few years, ramping up India's power infrastructure is of utmost importance. Besides, as economy grows, increase in the level of well-being will trigger significant increase in the consumer demand for electricity. India's per capita consumption of electricity, at around 734 kWh, is much lower than other developed and emerging economies. The US leads per capita consumption at 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 India[2].

Meeting this demand will require significant investments. 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 growth[3].

## POWER BUSINESS

CESC's operations in the sector comprise generation and distribution of electricity to its 2.5 million customers across 567 square kilometres of licensed area in Kolkata and Howrah, West Bengal. Demand for power across the licensed area is quite variable depending upon the time of the day, with peak period demand higher than 1,600 MW and a lean period demand as low as 550 MW. During peak demand period, 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.

### Generation

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. 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.

[1] *Source: Planning Commission, Approach Paper to 11th Five Year Plan.*

[2] *Source : KPMG : Power Sector in India : White paper on Implementation : Challenges and Opportunities, Jan 2010.*

[3] *Source : CRISIL Research : Power Annual Review – Opinion; Aug 2009 : quoted in KPMG White Paper.*

Table 3 gives the details of installed capacity, generation and plant load factor (PLF) for the year 2009-10 for the three pulverised fuel plants.

**Table 3 : Details of CESC's Generating Stations for 2010-11**

| Generating Stations | Installed Capacity (MW) | | Generation (MU) | | Plant Load Factor (PLF) % | |
|---|---|---|---|---|---|---|
| | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 |
| Budge Budge | 3*250 MW | 3*250 MW | 5,439 | 4,286 | 82.78% | 93.75% |
| Titagarh | 4*60 MW | 4*60 MW | 1,866 | 1,889 | 88.76% | 89.84% |
| Southern | 2*67.5 MW | 2*67.5 MW | 1,089 | 1,102 | 92.06% | 93.15% |

Output from a power plant is measured by Plant Load Factor (PLF) which is the ratio of actual power produced to the maximum power producing capacity. CESC's composite Plant Load Factor (PLF) of the three PF plants was 85.2% for 2010-11 – well above the national average of 75.1% for thermal plants. To achieve this high PLF, the Company has taken various steps and measures like full utilisation of designed limit, benchmarking with top in class power plants, integrated operation and maintenance planning and exploring the fullest export opportunity. Export of power, after meeting consumers' demand, however, is totally dependent on the commercial viability of selling power in low demand hours. Low export demand during this year caused a small drop of overall PLF compared to previous years.

**Budge Budge**

Budge Budge is CESC's newest power generation plant, which comprises three units of 250 MW each. The first two units are little over a decade old and the third unit started commercial from February 2010. 2010-11 was the first full financial year of operation of all three units. During the year, Budge Budge generated 5,439 MU (million units) of power, with a PLF of 82.78% and a Plant Availability Factor (PAF) of 91.89%. This represents an increase in generation by 1153 MU, which is almost a 27% rise compared to the previous year.

**Titagarh**

CESC's Titagarh station generated 1,866 MU of power during the year, with a PLF of 88.76% and a PAF of 96.77%. The station could generate these efficiencies in spite of its age (twenty eight years) which bears ample testimony to the continuous and rigorous maintenance programmes that CESC conducts.

**Southern**

Southern generated 1,089 MU of power during the year under review, with a PLF of 92.06% and a PAF of 96.53%. Various energy savings initiatives, energy audits, in-house refurbishment/renewal of major energy consuming equipment, adopting industry best practices and other similar measures are being undertaken at Southern.

**New Cossipore**

The Company's generating station at New Cossipore was established way back in 1950. Yet, the sixty one year old station generated 363 MU of power with a PAF of 83.2% during the year, thus extending reliable support to the system during peak hours.

**Improvement of Availability**

In spite of the commissioning hurdles of Budge Budge generating station's new unit, an overall availability of 93.5% could be achieved for our PF stations. The entire maintenance planning has been structured : (a) to reduce forced outages; and (b) to reduce the capital overhauling time.

To reduce forced outages, CESC has adopted a number of measures. This includes detailed failure analysis of each failure, taking appropriate corrective actions or process modification to eliminate such failure, mean time before failure (MTBF) analysis and benchmarking, time bound action plan, periodic inspection schedules for all units and adopting integrated condition monitoring of dynamic equipment with sophisticated hardware and software. To reduce the time in case of boiler tube leakage failure, the Company has undertaken steps like sliding pressure operation and introducing tackles like sky climbers.

To reduce the capital overhauling time, CESC has introduced a 'round the clock maintenance' regime, modular replacement of components. The time saving technique of forced air cooling system to cool down the turbine in a very short time has also yielded satisfactory results.

**Energy Conservation and Quality**

CESC's generating stations have also excelled in the field of energy conservation by achieving extremely low figures for auxiliary consumption and heat rate. To achieve this, CESC regularly undertakes technical enhancements, following best practices and implementing recommendations of external energy auditors. During the year, several energy conservation measures were taken across locations. These included installation and refurbishment of energy saving equipment, process and equipment optimisation to save power, replacement of fluorescent lamps by energy saving LED lamps, and installation of solar PV modules.

All PF stations of CESC are ISO 9001:2008 certified in respect of Quality Management Systems. Various quality projects are undertaken and successfully implemented on a regular basis. During the year, the Company implemented a Kaizen initiative to inculcate a culture of continuous improvement among employees. The programme has been a great success and has achieved participation of all levels of employees. The winners are awarded on a monthly basis for promoting the culture and encouraging the participants.

### Environment Conservation

At CESC, incorporating environment conservation measures is a part of the way the Company does business. Efforts are made all through the year to continue production in environment friendly ways. Today, all PF stations of CESC are ISO 14001:2004 certified in respect of Environmental Management Systems. The Company continuously explores ways and means by which pollutants like Suspended Particulate Matter (SPM) emission from the PF stations can be reduced and maintained well below the prescribed limits. The sixty one year old New Cossipore generating station is equipped with Wet Electrostatic Precipitators (ESPs) in order to reduce the SPM level — the first of its kind in any power plant in the world. All three PF stations have sustained 'zero effluent discharge' status with 100% recycling of effluents, thus ensuring that 'not a single drop of effluent flows out from the station' — a first of its kind in India. In Titagarh, a 'root zone treatment system' has been installed for treatment of sewage, which recycles the effluent water back into the system.

Ash is another area of environmental concern, all the more so given the high ash content of Indian coal. Since 2000, CESC has achieved 100% utilisation of ash in an environmental friendly manner. The ash is utilised for manufacturing Portland Puzzolana (PP) cement, fly ash bricks, blocks and similar products. Also, some of the fly ash is exported to Bangladesh by barge for their cement industries.

During the year, the following new initiatives were taken up for ash utilization :

- Bagging plant for fly ash commissioned at Titagarh generating station for export of ash to Bangladesh.
- Brick manufacturing plant commissioned at Patulia utilising fly ash generated by Titagarh generating station.
- An industrial group is erecting a fly ash based aerated autoclaved concrete plant at Budge Budge for utilization of ash generated by the new unit.

CESC's environment friendly status has been acknowledged over the years by the government and leading agencies working in the area of environment. During the year, Budge Budge generating station was awarded "Best environmentally managed station in Asia" by Asian power awards 2010, Singapore. As a Company, CESC has earned recognition from the UNFCCC for its CDM status. This is the first such achievement by any coal based TPS in the world.

### Safety and Health

CESC maintains the best industrial safe practices across the generating stations. All the PF stations are OHSAS 18001: 2007 certified which pertains to occupational health and safety management systems. Accident rates have reduced substantially over the last five years. In addition to following prescribed safe practices, strict safety vigilance, use of personal protective equipment and use of proper tools and tackles, have been made mandatory at the generating stations. Several programmes have also been taken to promote safety awareness among employees, including classroom training, mock drill and demonstration and publishing safety manuals, magazines and audio-visual aids. A magazine on safety named 'Safety Net' has been published for distribution among all employees of the generation division. In recognition of its safety management practices, Southern generation station won the Gold Award in 2011 from the Greentech Foundation. CESC's sixty one year old New Cossipore generating station has also won the Silver award in 2011 from Greentech Foundation.

Ensuring occupational health is also a high priority area for CESC's operations. As part of the occupational health initiatives, immunisation has been done for all employees and contracted workmen, routine blood tests are carried out for all employees, as are special tests, such as for vertigo, eyesight and audiometry. Training on occupational health, Cardio Pulmonary Resuscitation and first-aid are imparted from time to time as well.

### Distribution

CESC's customer profile reflects a growing system demand, a need for consistently high quality supply and the increase of customers in the High Tension and Medium Voltage Alternating Current (MVAC) segments. Coupled with a need to replace plant and equipment of older vintage, this has necessitated CESC in undertaking a number of new investments during the year to strengthen its distribution network. These investments have been made with the objectives of providing new connections, enhancing the quality and security of supply, reducing downtime and overloads and bringing down ATC losses.

To manage its distribution assets better, the Company has implemented a software solution called Distribution Related Engineering Asset Management Software (DREAMS). This home-grown software records all distribution assets of the Company along with their maintenance schedules. This would facilitate better monitoring and control of the performance of the assets through condition and time based maintenance in a more pragmatic way to enable increased plant availability, prolonged asset life and reduction in downtime.

During the year, the Company undertook several projects in order to enhance and upgrade its distribution network. Significant among them were the following :

- The plant capacity at the Southern Receiving Station was augmented by replacing the existing 55 MVA 132/33 kV transformer with a 75 MVA transformer.
- One new distribution station was commissioned and the plant capacities at eight others were increased. This added 102 MVA transformer capacity in the 33 kV distribution network. A further 123 MVA transformer capacity has been added to the Low Tension (LT) distribution network by commissioning 331 new MVAC sources and capacity increases in existing sources.
- To meet the load growth in the system, the network of underground cables across the licensed area was increased:

by 18.7 ckm (circuit kilometres) at 132 kV, 20.6 ckm at 33 kV and 325 ckm at 11/6 kV. Simultaneously, the MVAC distribution network was extended by 380.6 ckm comprising underground and overhead lines.

- In the 11/6 kV network, substantial work was done. Some of the old 6/11 kV cables were replaced by new cross-linked polyethylene (XLPE) cables. 700 Gas Insulated Ring Main Units were installed, along with new switchgear. Existing switchboards were also extended along with replacement of old circuit breakers at different voltage levels.
- To relieve loading on the network and to enhance the voltage profile, 50 Mega Volt Ampere Reactive (MVAR) power capacitors at 132kV level, 30 MVAR power capacitors at 33 kV level and 24 MVAR power capacitors at 6/11 kV level have also been installed.
- To enhance efficiency at the point of delivery to the customer, a total of 216,182 meters were installed, either as new connections or as replacements; additionally, 19,157 house service connections were also installed to take care of new supplies and additional loads.

Apart from these, the Company is also in the process of carrying out some larger projects to upgrade its distribution network. Some of these are as follows :

- Substation at BT Road: The first phase has been commissioned whereas the second phase of installation of 33kV GIS along with 75 MVA 132/33kV transformer is in progress
- Receiving Station for connecting WBSETCL Rishra Substation: This will allow CESC to import additional power and further improve reliability and security of supply in western part of the licensed area
- Fourth transformer at Eastern Metropolitan Substation: This is under installation and will be commissioned in 2011-12. The network augmentation and re-organisation plan for connecting this Substation with other load centre Substations is progressing as per schedule. New connectivity to Princep Street Substation was commissioned during the year
- New Substations at Dum Dum : This project is being carried out for enhancing the network and improving the reliability of supply.

During the previous year, CESC had engaged Singapore Power, one of the world's best power utilities, to help in implementing best-in-class maintenance practices for its distribution assets. The engagement visualises a ten-year strategic plan (up to 2020-21) for network development that would cope with the growing system demand, improve upon quality benchmarks and blueprint the replacement of old and ageing equipment up to the 132/33 kV substation level. Based on the recommendations, the following long-term targets have been identified: N-1 outage without interruption for 220, 132 and 33 kV lines; N-1 outage with one interruption for transformers at substation and distribution level; and operational simplicity and load management at lower level with minimum switching. These proposals will be implemented in a phased manner.

**Energy Conservation**

Energy conservation and reduction of losses in the distribution network is a key area of focus for all power utilities. This is true for CESC as well. During 2010-11, a number of measures were adopted that contributed to the ongoing efforts to reduce ATC losses and increase energy conservation.

The impact of these ongoing measures is apparent. CESC's ATC losses compare favourably with the best in the industry and are significantly lower than the national average. With the Company's continued focus on these measures, it is expected that the distribution network will be able to deliver high quality, reliable supply of power, while simultaneously enhancing safety and operational simplicity, thus creating customer delight.

**Customer Service**

As a utility Company that services over 2.5 million customers, establishing and maintaining high levels of customer service is the overarching objective of CESC. Over the years, the Company has put in place systems and procedures to increase efficiency and enhance customer satisfaction.

During the year, CESC added around 1.2 lakh customers—an increase of over 25% over the previous year. More importantly, with continuous efforts and deployment of technology solutions, the average time taken to provide a new connection came down significantly. In spite of a significant increase in peak demand to 1686 MW, the Company was able to maintain its high standards of the availability and reliability of power: 50% drop in high tension cable faults and 56% reduction fault restoration time over last two years. Notably, average restoration time for low tension faults came down sharply.

CESC introduced a centralised 24x7 call centre as the customer touch point for complaints and queries. This system is integrated with the Company's distribution system and allows immediate routing on complaints to the nearest service team — enabling prompt and effective attention. The service grew in popularity with an average call response time of 5 seconds. The number of faults also came down by 12.5% as a result of all around improvement in service.

Apart from voice based contact, the Company also has a fully functional online portal for its customers. This system is linked to the Company's core IT system, and the customers, apart from viewing their billing and related information, can also make online payments from the comfort of their homes. The service has received very good response from the customers. With increase in the penetration of digital payment instruments, the Company expects further increase in the adoption and use of its online services.

**New Projects**

CESC is navigating the process of execution of many new power generation projects which are under various phases of conceptualisation, planning and implementation. Over the next 10 years, these projects are expected to add 5000 MW to the available power supply. These projects will be carried out by the Company's subsidiaries. The current projects under execution include :

**Haldia, West Bengal :** This is a 2 X 300 MW coal fired thermal power project at Haldia in West Bengal, which is being executed by Haldia Energy Limited (HEL). All requisite clearances, including environmental clearances and investment approval for the project are in place. Coal linkages have also been secured. During the year, the pre-EPC (Engineering, Procurement and Construction) infrastructure work was completed. The Company is currently in the process of finalising and awarding the main plant equipment, EPC for BOP (balance of plant) and other anciliary packages, and the project is scheduled to be completed by the end of 2013-14.

**Chandrapur, Maharashtra :** This is a 2 X 300 MW coal fired thermal power project at Chandrapur in Maharashtra, which is being executed by Dhariwal Infrastructure Limited (DIL). Coal linkages for the entire project have been established with South Eastern Coalfields Limited (SECL). After having obtained all the statutory clearances and possession of the land for the main plant, ash plant and the railway corridor, construction work of project is now going on in full swing. The contracts for key equipment, EPC for BOP (balance of plant) are already in place.

Civil work for the foundation of the boilers is completed and structural erection work is in progress. For power evacuation, the work on a 400 kV transmission line is also under progress, including connectivity with Maharashtra State Electricity Transmission Company Limited (MSETCL). The order for construction of the railway line and associated yard has also been placed and work is in progress. Water for the project will be sourced from the river Wardha, for which the intake well and 17 kilometres of pipeline work is also under execution.

**Bhagalpur, Bihar :** Nalanda Power Company Limited, another 100% subsidiary of CESC, has signed an MOU with the Bihar State Electricity Board (BSEB) for development of a 2,000 MW power project in Bhagalpur district of Bihar, in two phases of 1,000 MW each. The pre-feasibility report has been completed and Environmental Clearance has been received from Ministry of Environment and Forests. No objection certificate has been obtained from District administration for the identified parcels of land and approval for use of consumptive water from River Ganga has been obtained from State Water Resources Department as well as Central Water Commission. The project has qualified for long term coal linkage, having met the eligibility criteria fixed by Central Electricity Authority.

**Bikaner, Rajasthan :** Recognising the growing importance of alternative and renewable sources of energy, a solar power project is being pursued by Surya Vidyut Limited. The Company has acquired land near Bikaner for this purpose.

**Dhenkanal, Orissa (Phase I) :** Approximately 772 acres of land at Dhenkanal in Orissa has been acquired for setting up 2 X 660 MW thermal plant based on supercritical technology. Most of the statutory clearances have been obtained and the project is awaiting coal linkage to be granted by Ministry of Coal, Government of India.

**Coal Sourcing**

As thermal power plants continue to meet the Country's power requirements, CESC is conscious that secure supplies of coal is important for success of its projects.

The Company actively explores opportunities to secure its future requirements of coal through long term contracts and acquisition of coal blocks—both in India and abroad. In June 2011, Bantal Singapore Pte Limited, a wholly owned subsidiary of CESC, subscribed to 4.8% of the issued share capital of Resource Generation Limited, with an aim to further consolidate and secure the energy resources required to fuel its growth plans.

Besides, CESC holds 50% of the paid up share capital of Mahuagarhi Coal Company Private Limited, a joint venture company for exploration of coal from Mahuagarhi non-coking coal block in the state of Jharkhand for meeting requirement of coal.

## OTHER BUSINESSES

**Retail**

Spencer's Retail Limited (SRL), a CESC subsidiary, is a major player in the organised retail sector with 208 stores across India under the 'Spencer's' label – including 19 standalone apparel stores and 19 hypermarkets. The stores cater to all family needs – groceries, home and personal care products, apparel and accessories, consumer durables and lifestyle products. Music World Retail Limited is a wholly owned subsidiary of SRL, catering to the music and movies experience. Ninety two stores across India under the label 'Music World' and 'Books & Beyond' sell all genres of musical albums, movies and books. Au Bon Pain Café India Limited (ABPCIL) is another subsidiary of SRL, catering to the retail coffee and fast food segment as the master franchisee of ABP Corporation, USA, in India. ABPCIL started its operations during 2009-10 with its first two retail cafés in Bangalore. During the year, ABPCIL opened seven new cafés across three trade channels—high street/shopping malls, business and industry locations, and hospital premises.

**Real Estate**

CESC Properties Limited, a CESC subsidiary, is currently executing a shopping mall project in Kolkata. The total built up area of the mall is envisaged at approximately 7 lakh square feet, with shops, retail outlets, an entertainment zone, multiplexes, a food court and fine dining areas. Construction work on the project has commenced and is progressing as per schedule. The project is scheduled to be completed next year.

**TECHNOLOGY**

Condition monitoring of major plant and equipment of distribution network has been adopted as a non-negotiable imperative to predict potential failure in equipment before actual occurrence. This has helped CESC to mitigate damage, significantly reduce downtime and improve reliability of the system network. Condition monitoring is being carried out with latest technology based instruments for measurement of Partial Discharge (PD), Transient Earth Voltage (TEV), ultra-sonic signal detection, infra-red thermo-graphic scanners, application of Sweep Frequency Response analysis and use of shock detection analyser during transport of large transformers.

To monitor the health and potential of joint failure in Extra High Voltage (EHV) and High Voltage (HV) cables, the Company uses Oscillatory Wave Transmission System (OWTS) measuring techniques. On the HV distribution network, CESC is progressively switching over to Sulphur Hexafluoride (SF6) filled Ring Main Units, thus enabling safe on-load operations and quicker restoration of supply outages.

Technology is also used to enhance service capability to HT customers, who are covered under Automated Meter Reading (AMR) from remote sites, using GSM and GPRS communication networks.

On the generation side, CESC had adopted two new technologies: (a) the Variable Frequency Drive (VFD) and (b) Turbine Forced Air Cooling System. The first controls efficiencies of induction motors operating at low load by controlling the voltage and frequency. The second helps in cooling down a turbine faster - from a normal cooling time of around 96 to 100 hours to around 32 hours - thus saving significant downtime and consequently increasing plant availability.

**HUMAN RESOURCES**

CESC recognises that its people resources are key enablers for the realisation of its long-term corporate objectives of growth, continuous performance improvement and creating sustainable customer satisfaction. On one hand, the Company's HR strategies are aligned to business processes and corporate objectives, while, on the other, they also map and plan for individual career and growth aspirations.

In CESC, recruitment planning is structured to factor current people strengths, anticipated attrition and future needs and is based on the Company's long-term business plans. The Company actively participates in the campus recruitment of reputed engineering and management institutes, involving top leadership and senior management teams at appropriate levels in the process. A structured programme is also in place to recruit promising engineering talent at the supervisory level through West Bengal State Council of Technical Education.

New recruits and trainees undergo a rigorous induction process in the Company. At the same time, the knowledge and developmental needs of current employees are identified and addressed through structured analysis and training programmes. During the year, the Company carried out several training and capability development initiatives. This includes : customised management development and technical training programmes carried out for groups of executives in collaboration with IIT, Kharagpur and IIM, Kolkata; development centres called 'Insight' for identification and meeting development needs; and, knowledge and skill upgradation programmes for supervisors and workmen. After the success of the first 'Young Executives Board', a forum for talented executives to participate in strategic decision making at the highest levels, the second YEB has been instituted and is working under the guidance of senior management.

The compensation and reward structure at CESC is geared to reflect the performance of employees. For its non-covenanted employees, the Company has executed a Memorandum of Understanding with the employees' union, which covers all parameters of employee remuneration. Compensation and rewards for executives are determined through a structured Performance Management System (PMS). To align the PMS to corporate objectives and goals, a Balanced Scorecard model for middle and senior management has been adopted, which is then periodically audited, evaluated and corrected where needed. This transparent and robust methodology of rewarding achievers has motivated people at all levels to do better.

The leadership team at CESC is actively involved in building the people strength and people qualities of the Company. This involvement takes place at various levels, e.g. leading cross-functional teams, chairing various review meetings, etc. The senior management team also leads the campus recruitment exercise that CESC conducts annually, thus not only identifying the most appropriate talent for induction, but also building 'Brand CESC' at the campus level. This has reaped rich dividends – CESC is today an 'employer of choice' at a number of state institutions, including the Indian Institutes of Technology (IITs). Senior management team members are also actively involved in developing course content and direction for the in-house training and induction programmes of new recruits.

Not only the senior team, but even other employees are empowered to be team leaders, even where senior executives are team members. Cross-Functional Teams (CFTs) drive change management processes within the organisation. The teams deal with issues like customer centricity, talent management, communication strategy, de-layering, organisational excellence and performance management system, e-learning, knowledge portal, corporate social responsibility and benchmarking.

As on 31 March 2011, CESC had a workforce of 10,391 people on its rolls. CESC's industrial relations environment has remained cordial and congenial and, during the year, there have been no major incident of service interruption due to IR issues.

**INFORMATION TECHNOLOGY**

At CESC, Information Technology (IT) is not just an enabler of business processes, but forms an integral part of the organisation, strategic and performance objectives. In a sense, IT has been identified as a key element to achieve greater operational efficiency and ensure success in a competitive environment.

Over the years, the Company has developed a strong IT backbone for carrying out its business. This can be broadly grouped under three major sub-systems :

a. A centralised high availability and high performance computing environment from where all 'mission critical' applications of the Company would be running;

b. CESCNET, a city wide high-speed optical fibre communication infrastructure which serves as the 'digital nervous system' and communications backbone of IT operations within the organisation; and

c. Standardised hardware and software stack of all End-User systems that are connected to the CESCNET highway.

Having successfully re-engineered the IT architecture in line with best practices, the Company is now in the process to leverage this integrated system for all its stake holders. For the customers, the Company operates a state-of-the-art Customer Relation Management (CRM) system with an online information and payment system at the front-end. The Company also streamlined its voice based customer touch point system, integrating it with the operational back-end, to bring about significant improvements in response time taken to address customer complaints. For the vendors, there is a web-based e-procurement portal that is linked to the ERP, which has significantly increased the efficiency and transparency of the procurement process. For the employees, the Company has a knowledge portal called 'e-Prognya', which is accessible over its intranet. The portal acts as a repository of learning material and more importantly, experience and practical knowledge.

During the year, the Company has also initiated several technology enabled measures aimed at improving the efficiency and competitiveness of its operations. This includes implementation of automatic metre reading, which apart from increasing transparency and providing accurate information, also results in significant cost savings. All high tension customers have been covered so far and the facility will be extended to other users in a phased manner. Another important technology initiative during the year was implementation of GIS mapping of power distribution assets. This provides a pictorial representation of the entire distribution network and aids in carrying out restoration of supply, bringing down time and costs.

This process of consolidation of IT systems across the Company has not only led to streamlining of the day-to-day operations and lowering of operational costs but has also laid a solid foundation for implementing the Company's Disaster Management System. During the year, work commenced on the state-of-the-art Data Centre from where a number of 'mission critical' applications would be running.

**CORPORATE SOCIAL RESPOSIBILITY**

CESC is at the forefront of affirmative action and is committed to making contribution in the lives of the communities that it interacts with in carrying out its business. The Company has identified three key areas where it directs its efforts and resources — education, health and environment.

In the area of education, the Company supports schools and NGOs working in the area of education by donating equipment as well as sponsoring infrastructure development and maintenance activities. During the year, the Company supported seven schools through its various programmes. Apart from this, executives of the Company regularly carry out awareness programmes on safety and electricity conservation. A total of 47 schools have been covered by such programmes so far. During the year, the Company also conducted two personality development programmes called 'Saksham' for children from under privileged background, who in spite of receiving formal education, lack in confidence and have poor self-esteem due to lack of adequate opportunities and exposure.

In the area of health, the Company regularly carries out awareness and check-up camps around its plants. During the year, the Company identified Titagarh Municipal Hospital to carry out significant infrastructure development activities in a phased manner. The entire programme consists of improving the maternity ward of the hospital carry out health awareness programmes and camps. Facilities for safe drinking water, equipment for OT, labour room as well as air-conditioners etc. have already been provided. Besides this, health awareness programmes on anti natal and post natal care and awareness have been carried out simultaneously at the hospital.

In the area of environment, the Company, apart from its conservation initiatives as a part of its operations, has an ongoing activity under Going Green where various Green Initiatives like Carbon Accounting, Green Building, Green Communication etc. are undertaken. CESC is also engaged in carrying out tree plantations in and around the plant areas and promoting environment friendly practices. During the year, around 10,000 trees were planted in and around the Budge Budge generating station. Another tree plantation and beautification drive initiative is in progress around the Titagarh generating station. Apart from this, efforts are on to reduce paper consumption within the Company.

In order to provide high quality management education, CESC has been supporting the setting up of International Management Institute – Kolkata (IMI-K), a state of the art post graduate Management Institute with hostel facilities in the heart of Kolkata at Alipore is complete.

## FINANCIAL PERFORMANCE

Table 4 summarises the financial performance of CESC Limited for the year ended 31 March 2011.

**Table 4 : Stand-alone Financial Performance of CESC Limited for the year ended 31 March 2011**

*Rs. Crore*

| | 2010-11 | 2009-10 | % Change |
|---|---|---|---|
| Earnings from Sale of Electricity | 3939.85 | 3292.84 | 19.65 |
| Other Income | 152.44 | 156.20 | (2.41) |
| **Net Sales / Income from Operations** | **4092.29** | **3449.04** | **18.65** |
| Cost of Power Purchased | 665.42 | 636.99 | 4.46 |
| Fuel Costs | 1428.30 | 1077.07 | 32.61 |
| People Costs | 481.82 | 426.02 | 13.10 |
| Generation, Distribution, Administration & Other Costs | 363.03 | 403.05 | (9.93) |
| **Total Expenses** | **2938.57** | **2543.13** | **15.55** |
| **EBIDTA** | **1153.72** | **905.91** | **27.35** |
| Depreciation | 267.37 | 205.64 | 30.02 |
| **EBIT** | **886.35** | **700.27** | **26.57** |
| Interest & Finance Costs | 272.10 | 178.22 | 52.67 |
| **PBT** | **614.25** | **522.05** | **17.66** |
| Less: Provision for Taxes | | | |
| Current Tax | 125.85 | 88.75 | 41.80 |
| **PAT** | **488.40** | **433.30** | **12.72** |

During 2010-11, the gross revenue of the Company was Rs. 4092.29 crore, which reflected an improvement of 18.65% over the 2009-10 figure of Rs.3449.04 crore.

Although overall expenses grew by 15.55% over 2009-10 (Rs.2938.57 crore in 2010-11 vis-à-vis Rs.2543.13 crore in 2009-10), earnings before interest, depreciation and taxes (EBIDTA) went up by 27.35% over last year to Rs.1153.72 crore.

Interest costs increased by 52.67% over 2009-10 figures (Rs. 178.22 crore) to reach Rs.272.10 crore, mainly on account of increase of interest on fixed loans; the total loan funds of the Company having increased from Rs. 2811.71 crore to Rs. 3016.58 crore.

Profit before depreciation and taxation (PBDT) reflected a year-on-year increase of 21.15%— from Rs. 727.69 crore in 2009-10 to Rs. 881.62 crore in 2010-11.

Depreciation, at Rs. 267.37 crore, was marginally higher than the previous year's figure of Rs.205.64 crore; mainly due to increase of plant and machinery (net increase of Rs. 191.02 crore) and transmission and distribution system (increase of Rs. 347.06 crore).

The Company's profit after taxes (PAT) for 2010-11 stands at Rs. 488.40 crore, which reflects a 12.72% increase over the PAT figure of the previous year (Rs. 433.30 crore).

## INTERNAL CONTROLS

The Company maintains established internal control system in order to ensure operational efficiency, optimum utilisation of resources and compliance with applicable laws and regulations and Information Technology audit. The internal control functions are carried out exhaustively by the Internal Audit Department, based on an annual audit plan; the audit plan gives due weightages to the various risk parameters associated with the business. The findings of the Internal Audit Department and the actions taken thereon are reviewed and monitored by the Audit Committee and placed before the Board of Directors, wherever necessary.

## RISKS & CONCERNS

CESC's Risk Management Committee operates based on a comprehensive Risk Management framework that the Company has put in place over time. The Committee is headed by the Managing Director and all senior management team members are part of the Committee. Divisions, on an ongoing basis, identify operational and tactical risks and suggest measures for mitigation and control. The Committee then supervises and monitors the risk identification and mitigation activities of each division.

CESC identifies the following key areas risks and concerns.

### Macroeconomic and Market Risks

Indian power sector is witnessing significant capacity expansions to meet the increase in demand from a rapidly growing economy, most of which will be coal-based. Even as this is an opportunity, it has created shortages in coal supply and firming-up of prices. Increase in global demand further accentuates this trend. In this environment, securing coal linkages of appropriate quality and at competitive prices remains a challenge and a risk for the Company.

In another development, although the volume of electricity traded through trading licenses and power exchanges has grown rapidly in the last few years, the prices have become more volatile. This makes the management of demand-supply balance more challenging.

To mitigate the risk of availability and cost of coal, CESC has adopted a strategy of ensuring long-term coal linkages with prime suppliers for its existing and future projects. Apart from this, the Company is actively looking at securing resources abroad to effectively address its energy requirements. This is reflected in the investment and long-term coal purchase agreement with Resource Generation Limited (Australia). As far as the market for power is concerned, the Company is judicious in its planning for new projects and will benefit from increase in demand in its licensed area. Nonetheless, this remains a challenge in the short-term.

### Operational Risks

It is becoming more and more difficult to build generating stations inside a congested megapolis like Kolkata – not the least because of environmental concerns. As CESC's plants age, it is but natural that their operating efficiencies shall reduce; beyond a point in time, shutting down and replacement of these plants will become imperative. If the Company is not allowed to build replacement plants at the sites where current generating stations exist, the cost of evacuating and distributing power from far flung locations into the licensed area will increase substantially, in turn impacting quality of service delivery and profitability.

There is also another associated risk. High quality coal, i.e. coal with low ash content and high heat value, is becoming scarcer. Some of CESC's older plants had been designed for high quality coal as input energy source. With the supply of this type of coal drying up, it will become, over a period of time, more difficult to operate these generating stations – and replacing these with plants capable of using currently available qualities of coal will become necessary, with its attendant capital cost commitments.

To mitigate the operational risks associated with availability and quality of power, the Company invests significant resources in the maintenance of its generation and distribution assets. At the same time, new generation projects have been planned with an objective of ensuring continuity of availability of power in the medium to longer term.

### Regulatory Risks

Power is a highly regulated sector and this exposes the Company to risks with respect to changes in policies and regulations. Besides, given the polluting nature of the industry, there is a risk of more stringent policies and norms aimed at addressing environmental concerns. This can make it more difficult to execute new projects as well as manage increased cost of operations. Efficient managing and recycling of fly ash is one such area.

CESC is conscious of these risks. To address the risks associated with fly ash, the Company ensures that a large portion of CESC's dry ash is used by the cement and brick industries; some of it is also exported to Bangladesh on river barges. All the generating stations of the Company have achieved 100% ash utilisation. CESC is now exploring opportunities in 'value added' ash utilisation. The Company is also exploring opportunities in power generation using renewable sources.

## FUTURE OUTLOOK

India currently is a power deficit country with low per capita energy consumption, even compared to other emerging markets. The economy has grown at a creditable 8.5% during the last five years, despite the global crisis which affected every country irrespective of its size or the level of development. To be sure, there are valid concerns regarding inflation. Even so, it is widely acknowledged that the fundamentals of the economy are strong, and that India will continue to record impressive growth in the foreseeable future.

As the economy grows, demand for power will only increase. Not only will demand come from businesses across manufacturing and services sectors, consumer demand, which has been limited to a small segment of the population, will increase significantly as more and more people have the incomes to afford energy intensive products and services. It is a foregone conclusion that India will see massive increase in generation capacities as well as T&D infrastructure. What is perhaps more important is that private sector investment will be the key constituent of this growth.

CESC is conscious of this opportunity. Equally, with its experience and capabilities in the sector, it is well positioned to benefit from it. The Company and its subsidiaries, have been active in planning and implementing various power projects, both in West Bengal and in other states. Some of the projects are under execution, whereas others are in different stages of planning. Over the next few years, CESC endeavours to become a significant player in the power sector in India.

On behalf of the Board of Directors

**R. P. Goenka**

Kolkata, 24 June 2011

*Chairman*

## Cautionary Statement

*The financial statements appearing above are in conformity with accounting principles generally accepted in India. The statements which may be considered 'forward looking statements' within the meaning of applicable laws and regulations, have been based upon current expectations and projection about future events. The management cannot, however, guarantee that these forward looking statements will actually be realised or achieved.*

**Company's Philosophy on Corporate Governance**

CESC Limited ('CESC' or 'the Company') recognises that sound corporate governance is not only the foundation for its long-term success, but is non-negotiable for a Company of its size, history and performance. It is the Company's philosophy and strong belief that adhering to high levels of corporate governance practices go a long way in establishing the credibility and create significant value for all its stakeholders. Guided by the core values of quality consciousness, consumer satisfaction and fairness in dealings, corporate governance practices of the Company take the form of adopting transparent business processes and accounting policies, superior board practices and consistent consideration towards the wider stakeholder community, which is not only ethical but makes for sound business sense.

In India, corporate governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of the Stock Exchanges. The Company has adopted practices mandated in the revised Clause 49 and has established procedures and systems to remain fully compliant with it as on 31 March 2011.

This chapter, along with the chapters on Management Discussion and Analysis and Additional Shareholder Information, reports CESC's compliance with Clause 49.

**BOARD OF DIRECTORS**

COMPOSITION OF THE BOARD

On 31 March 2011, CESC's Board of Directors ('the Board') consisted of eight Directors, of which four are Independent Directors. Two of the non-executive Independent Directors are nominees of banks. The Managing Director is the only Executive Director of the Company. The composition of the Board satisfies the requirements of Clause 49 of the Listing Agreement.

NUMBER OF BOARD MEETINGS

In 2010-11, the Board of the Company met five times: on 29 April 2010, 21 June 2010, 23 July 2010, 3 November 2010 and 10 February 2011. The maximum gap between any two Board meetings was less than four months.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS

Table 1 details the composition and the attendance record of the Board of Directors. None of the Directors is a member of more than 10 Board-level Committees of public companies in which they are Directors, nor is Chairman of more than five such Committees.

**Table 1 : Composition of the Board of Directors as on 31 March 2011**

| Name of the Directors | Category | No. of other Directorships and Committee memberships / Chairmanships in other Indian public companies | | | Attendance Particulars | | |
|---|---|---|---|---|---|---|---|
| | | Director[1] | Member[2] | Chairman[2] | No. of Board Meetings Held | No. of Board Meetings Attended | Attendance at last AGM |
| Mr. R. P. Goenka, (Chairman) | Non- Executive | 2 | - | - | 5 | 4 | No |
| Mr. S. Goenka, (Vice Chairman) | Non-Executive | 11 | 1 | 1 | 5 | 5 | Yes |
| Mr. P. K. Khaitan | Non-Independent | 14 | 6 | - | 5 | 3 | No |
| Mr. B. M. Khaitan | Independent | 5 | - | - | 5 | 5 | Yes |
| Mr. B. P. Bajoria | Independent | 3 | 3 | - | 5 | 5 | No |
| Mr. A. Saraf[3] (Nominee of ICICI Bank Ltd.) | Independent | 2 | - | - | 5 | 2 | No |
| Mr. S. K. V. Srinivasan (Nominee of IDBI Bank Limited) | Independent | 1 | - | - | 5 | 3 | No |
| Mr. R. K. Misra[4] (Nominee of Govt. of West Bengal) | Independent | 1 | - | - | 5 | 1 | Yes |
| Mr. S. Banerjee (Managing Director) | Executive | 6 | 3 | - | 5 | 4 | Yes |

**Notes :**

1. The Directorships held by Directors as mentioned above do not include alternate directorships and directorships of foreign companies, Section 25 companies and private limited companies.

2. In accordance with Clause 49 of the Listing Agreement, Memberships / Chairmanships of only the Audit Committees and Shareholders'/Investors' Grievance Committees of all public limited companies have been considered.
3. Mr. R. K. Misra was a Director of the Company as a Nominee of Govt. of West Bengal till 31 March, 2011.
4. ICICI Bank Limited has withdrawn its nominee from the Board of Directors of the Company, effective 21 June 2011.

None of the Directors is a member of more than 10 Board level Committees of Public Companies in which they are Directors, nor is Chairman of more than five such Committees.

DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY

As mandated by Clause 49, the Independent Directors on CESC's Board :

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management, its subsidiaries and associates which may affect independence of the Director.
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board.
- Have not been an executive of the Company in the immediately preceding three financial years.
- Are not partners or executives or were not partners or executives during the preceding three years of the :
  - Statutory audit firm or the internal audit firm that is associated with the Company.
  - Legal firm(s) and consulting firm(s) that have a material association with the Company.
- Are not material suppliers, service providers or customers or lessors or lessees of the Company, which may affect independence of the Director.
- Are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

Details of transactions of a material nature with any of the related parties as specified in Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India are disclosed in Note 19 of Schedule 13 annexed to the financial statements for the year 2010-11. There has been no transaction of a material nature with any of the related parties which was in conflict with the interests of the Company. There has been no material pecuniary relationship or transaction between the Company and its non-executive Directors during the year.

INFORMATION SUPPLIED TO THE BOARD

The Board of Directors is presented with detailed notes along with the agenda papers well in advance of the meeting. The Board periodically reviews compliance reports prepared by the Company regarding all laws applicable to the Company, as well as steps taken to rectify instances of non-compliances, if any.

Important operational matters are brought to the notice of the Board at its meetings held from time to time. Operational heads from various divisions of the Company attend the Board Meetings to provide inputs and explain any queries pertaining to their respective areas of operations to enable the Board to take informed decisions.

CODE OF CONDUCT

The Code of Business Conduct and Ethics relating to matters concerning Board members and Senior Management Officers and their duties and responsibilities has been meticulously followed. All Directors and Senior Management Officers have affirmed compliance of the provisions of the Code during the year 2010-11 and a declaration from the Managing Director to that effect is given at the end of this report. The Code is posted on the Company's website www.cesc.co.in.

**COMMITTEES OF THE BOARD**

AUDIT COMMITTEE

As on 31 March 2011, CESC's Audit Committee consisted of Mr. S. Goenka, Mr. B. M. Khaitan, Mr. A. Saraf and Mr. B. P. Bajoria as the Chairman of the Committee. All members of the Audit Committee have accounting and financial management expertise.

The Chairman of the Audit Committee could not attend the Annual General Meeting (AGM) held on 23 July 2010 on health reasons.

The Committee met five times during the course of the year: on 29 April 2010, 21 June 2010, 23 July 2010, 3 November 2010 and 10 February 2011. Table 2 gives attendance record.

Table 2 : Attendance record of Audit Committee members for 2010-11

| Name of Members | Status | Category | No. of Meetings | |
|---|---|---|---|---|
| | | | Held | Attended |
| Mr. S. Goenka | Member | Non - Executive | 5 | 5 |
| Mr. B. M. Khaitan | Member | Independent | 5 | 5 |
| Mr. A. Saraf | Member | Independent | 5 | 2 |
| Mr. B. P. Bajoria | Chairman | Independent | 5 | 5 |

The chief of finance and representatives of the statutory auditors, cost auditors and internal auditors are regularly invited by the Audit Committee to its meetings. The Vice President & Company Secretary is the secretary to the Committee.

The functions of the Audit Committee of the Company include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
    b) Changes, if any, in accounting policies and practices and reasons for the same.
    c) Major accounting entries involving estimates based on the exercise of judgment by management.
    d) Significant adjustments made in the financial statements arising out of audit findings.
    e) Compliance with listing and other legal requirements relating to financial statements.
    f) Disclosure of any related party transactions.
    g) Qualifications in the draft audit report, if any.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. Reviewing the Company's risk management policies.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is empowered, pursuant to its terms of reference, to:

a) Investigate any activity within its terms of reference and to seek any information it requires from any employee.
b) Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews :

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters/letters of internal control weaknesses issued by the statutory auditors
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the chief internal auditor.
- Whenever applicable, the uses/applications of funds raised through public issues, rights issues, preferential issues by major category (capital expenditure, sales and marketing, working capital, etc), as part of the quarterly declaration of financial results.

In addition, the Audit Committee of the Board is also empowered to review the financial statements, in particular, the investments made by the unlisted subsidiary companies (if any), in view of the requirements under Clause 49.

INVESTORS' GRIEVANCE COMMITTEE

The Committee looks into all matters related with the transfer of securities; it also specifically looks into redressing complaints of shareholders and investors such as transfer of shares, issue of share certificates, non-receipt of Annual Report and non-receipt of declared dividends. The Committee comprising of Mr. S. Goenka, who is the Chairman of the Committee, and Mr. S. Banerjee, Managing Director, met four times during the year. For expediting the process of registration of transfers of the Company's securities, the Board has delegated the power of approving share/debenture transfers and for dealing with matters connected therewith, to the Vice President & Company Secretary who is also the Compliance Officer. Table 3 gives the details of attendance.

Table 3 : Attendance record of Investors' Grievance Committee for 2010-11

| **Name of Members** | **Status** | **Category** | **No. of Meetings** | |
|---|---|---|---|---|
| | | | **Held** | **Attended** |
| Mr. S. Goenka | Chairman | Non - Executive | 4 | 4 |
| Mr. S. Banerjee | Member | Executive | 4 | 4 |

REMUNERATION COMMITTEE

CESC's Remuneration Committee is responsible for recommending the fixation and periodic revision of remunerations to the Managing Director. As on 31 March 2011, the Committee consisted of Mr. P. K. Khaitan (Chairman), Mr. B. P. Bajoria and Mr. A. Saraf. The Committee did not need to meet during the year.

Payment of remuneration to the Managing Director is governed by the agreements executed between him and the Company and are governed by Board and shareholders' resolutions. The remuneration structure comprises of salary, commission linked to profits, perquisites and allowances and retiral benefits (superannuation and gratuity). The details of all remuneration paid or payable to the Directors have been given below.

Remuneration paid or payable to non-executive Directors for the year ended 31 March 2011 :

Mr. R. P. Goenka, Chairman, Sitting Fees (SF) - Rs. 80, 000 and Commission (C) - Rs. 250,000, Mr. S. Goenka, Vice Chairman, SF - Rs. 280,000 and C - Rs. 61,250,000, Mr. P. K. Khaitan, SF - Rs. 100,000 and C - Rs. 250,000, Mr. B. M. Khaitan, SF - Rs. 200,000 and C - Rs. 250,000, Mr. B. P. Bajoria, SF - Rs. 200,000 and C - Rs. 250,000, Mr. S. K. V Srinivasan, Nominee of IDBI Bank Limited, SF - Rs. 60,000 and C - Rs. 250,000, Mr. R.K.Misra, Nominee of Govt. of West Bengal SF - Rs. 20,000 and C - Rs. 250,000 and Mr. A. Saraf, Nominee of ICICI Bank Limited, SF - Rs. 80,000 and C - Rs. 250,000.

None of the Directors are related to each other, except Mr. R. P. Goenka and Mr. S. Goenka. Sitting fees include payment for Board-level committee meetings. Sitting fees of nominee Directors are paid to the banks they represent. In terms of the Special Resolution passed by the Members of the Company, commission of Rs. 63,000,000 is payable to the Directors for the year 2010-11.

REMUNERATION OF THE MANAGING DIRECTOR :

Mr. S. Banerjee was reappointed as the Managing Director of the Company for a period of 5 years with effect from 1 August 2008. The remuneration of Mr. Banerjee for the year in accordance with the Special Resolution passed by the shareholders at the Thirtieth Annual General Meeting held on 30 July 2008 was: Salary – Rs. 48.00 lakh, contribution to Pension and Provident Fund and Gratuity – Rs. 15.27 lakh, Estimated value of other benefits – Rs. 30.14 lakh, Commission payable for 2010-11 – Rs. 240.00 lakh. Total : - Rs. 333.41 lakh. Mr. Banerjee is the only executive on the Company's Board.

SHARES AND CONVERTIBLE INSTRUMENTS HELD BY NON-EXECUTIVE DIRECTORS :

As on 31 March 2011, Mr. R. P. Goenka, Chairman and non-executive Director held 30,073 equity shares of the Company, Mr. S. Goenka, Vice Chairman and non-executive Director held 2,12,477 equity shares of the Company. No other Director holds any equity shares in CESC. As on 31 March 2011, no convertible instruments of the Company are outstanding.

**SUBSIDIARY COMPANIES**

Clause 49 defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

As on 31 March 2011, CESC had one material non-listed Indian subsidiary, Spencer's Retail Limited. Mr. B. P. Bajoria, independent Director of CESC Limited has been nominated on the Board of Directors of Spencer's Retail Limited with effect from 5 August 2008.

MANAGEMENT

MANAGEMENT DISCUSSION AND ANALYSIS

This annual report has a detailed chapter on Management Discussion and Analysis.

DISCLOSURES BY MANAGEMENT TO THE BOARD

All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and the interested Directors do not participate in the discussion nor do they vote on such matters.

DISCLOSURE OF ACCOUNTING CONVENTION IN PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared to comply in all material aspects with the applicable accounting principles in India, including accounting standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the said Act and the regulations under the Electricity Act, 2003, to the extent applicable. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956 of India.

CODE FOR PREVENTION OF INSIDER TRADING PRACTICES

In compliance with the SEBI regulation on prevention of insider trading, the Company has in place a comprehensive code of conduct for its Directors and Senior Management Officers. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company. The code clearly specifies, among other matters, that Directors and specified employees of the Company can trade in the shares of the Company only during 'Trading Window Open Period'. The trading window is closed during the time of declaration of results, dividend and material events, as per the Code.

Mr. S. Mitra, Vice President & Company Secretary is the Compliance Officer.

**CEO/CFO CERTIFICATION**

The CEO and CFO certification of the financial statements for the year has been submitted to the Board of Directors, as required by the Listing Agreement.

**SHAREHOLDERS**

**APPOINTMENT/ RE-APPOINTMENT OF DIRECTORS**

Mr. B. M. Khaitan and Mr.S. Banerjee retire by rotation at the end of this year's Annual General Meeting, and being eligible, offer themselves for re-appointment. Their details are mentioned below.

**Mr. B.M. Khaitan**, 83 years, is a renowned industrialist with interest in tea, batteries and engineering industries. Mr. Khaitan has great contributions to the tea industry with which he has been associated for over five decades.

| | |
|---|---|
| **Other Directorships** | Mr. Khaitan is the Chairman of Williamson Magor & Company Limited, Eveready Industries India Limited and Mcleod Russel India Limited, and is a Director of Babcock Borsig Limited and Jayshree Tea & Industries Limited (also Chairman of Remuneration Committee). He is on the Board of Directors of CESC since 1994 and is a member of its Audit Committee. |
| **Number of shares held in the Company** | Nil |

**Mr. S. Banerjee**, 61 years, holds B. Tech (Hons.) – from Indian Institute of Technology, Kharagpur, MS and MBA degrees and is the Managing Director of the Company since 1 August 1993. He has 38 years of experience in India and abroad in manufacturing, engineering, finance, marketing and general management functions.

| | |
|---|---|
| **Other Directorships** | Mr. Banerjee, President and Chief Executive of RPG Power and Retail Groups, is on the Boards of Dhariwal Infrastructure Limited, Noida Power Company Limited, Saregama (India) Limited (also Member of its Audit Committee and Investor Grievance Committee), Au Bon Pain Café India Limited, Myriad Ventures Private Limited, Spencer International Hotels Limited, and Mahuagarhi Coal Company Private Limited. He is also a member of Investors' Grievance Committee and Finance & Forex Committee of CESC Limited. |
| **Number of shares held in the Company** | Nil |

COMMUNICATION TO SHAREHOLDERS

CESC puts forth key information about the Company and its performance, including quarterly results, official news releases, and presentations to analysts, on its website **www.cesc.co.in** regularly for the benefit of the public at large.

During the year, the Company's quarterly/yearly results have been published in leading English and Bengali newspapers and also posted on its website. Hence, they are not separately sent to the shareholders. However, the Company furnishes the quarterly results on receipt of a request from any shareholder.

INVESTOR GRIEVANCES & SHAREHOLDER REDRESSAL

The Company has appointed a Registrar and Share Transfer Agent, Link Intime India Private Ltd., which is fully equipped to carry out share transfer related activities and redress investor complaints. Mr. S. Mitra, Vice President & Company Secretary, is the Compliance Officer for redressal of all shareholders' grievances.

DETAILS OF NON-COMPLIANCE BY THE COMPANY

CESC has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

**GENERAL BODY MEETINGS**

The date, time and venue of the last three annual general meetings are given below.

Table 4 : Details of last three Annual General Meetings

| Financial year | Date | Time | Venue | Special Resolutions Passed |
|---|---|---|---|---|
| 2007-08 | 30 July 2008 | 10.30 A.M. | CITY CENTRE<br>Royal Bengal Room<br>DC Block, Sector I<br>Salt Lake, Kolkata 700064 | Two |
| 2008-09 | 24 July 2009 | 10.30 A.M. | CITY CENTRE<br>Royal Bengal Room<br>DC Block, Sector I<br>Salt Lake, Kolkata 700064 | None |
| 2009-10 | 23 July 2010 | 10.30 A.M. | CITY CENTRE<br>Royal Bengal Room<br>DC Block, Sector I<br>Salt Lake, Kolkata 700064 | None |

No special resolutions passed at the above Annual General Meetings were required to be put through postal ballot. No resolution is proposed to be passed at the forthcoming Annual General Meeting through postal ballot.

**COMPLIANCE**

MANDATORY REQUIREMENTS

The Company is fully compliant with the applicable mandatory requirements of Clause 49.

NON-MANDATORY REQUIREMENTS

The details of compliance of the non-mandatory requirements are listed below. The Company complies with many of the guidelines of Corporate Governance Voluntary Guidelines 2009.

REMUNERATION COMMITTEE

Details of the composition and function of the Remuneration Committee are given in the section 'Committees of the Board'.

SHAREHOLDER RIGHTS - FURNISHING OF QUARTERLY RESULTS

Details of the shareholders' rights in this regard are given in the section 'Communication to Shareholders'.

AUDIT QUALIFICATIONS

During the current financial year, there are no audit qualifications in the financial statements in the standalone financial statements of the Company. The Company continues to adopt appropriate best practices in order to ensure unqualified financial statements.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

The Company has obtained a Certificate from the Statutory Auditors regarding compliance of conditions of corporate governance, as

On behalf of the Board of Directors

**R.P. Goenka**
*Chairman*

Kolkata, 24 June 2011

**ANNUAL GENERAL MEETING**

| | | |
|---|---|---|
| Date | : | 29 JULY 2011 |
| Time | : | 10.30 A.M. |
| Venue | : | CITY CENTRE<br>Royal Bengal Room<br>DC Block, Sector I<br>Salt Lake, Kolkata 700064 |

**FINANCIAL CALENDAR** : 1 April to 31 March.

For the year ended 31 March 2011, results were announced on :

| | |
|---|---|
| First quarter | 23 July 2010 |
| Second quarter | 3 November 2010 |
| Third quarter | 10 February 2011 |
| Fourth quarter and annual | 29 April 2011 |

For the year ending 31 March 2012, results will be announced by :

| | |
|---|---|
| First quarter | Second week of August 2011 |
| Second quarter | Second week of November 2011 |
| Third quarter | Second week of February 2012 |
| Fourth quarter and annual | Second week of May 2012 |

**BOOK CLOSURE AND DIVIDEND DATE**

The Register of Members will be closed from Saturday, 16 July 2011 to Friday, 29 July 2011 (both days inclusive) as annual closure for the Annual General Meeting and payment of dividend, if declared.

The Board has recommended a dividend of Rs. 4 per equity share for the year ended 31 March 2011. If declared at the AGM, this dividend would be payable on and from 1 August 2011.

**LISTING**

Equity shares of CESC Limited are listed on the Calcutta Stock Exchange Association Limited, Kolkata; Bombay Stock Exchange Limited, Mumbai; National Stock Exchange of India Limited, Mumbai; and the London Stock Exchange. The Global Depository receipts of the Company are listed in the Luxembourg Stock Exchange.

**STOCK CODES**

| | | |
|---|---|---|
| CALCUTTA STOCK EXCHANGE | : | PHYSICAL: 34; DEMAT: 10000034 |
| BOMBAY STOCK EXCHANGE | : | PHYSICAL: 84; DEMAT: 500084 |
| NATIONAL STOCK EXCHANGE | : | CESC |
| LONDON STOCK EXCHANGE | : | GB REGISTER: 0162869: INDIAN REGISTER: 6161097 |
| ISIN No. | : | INE486A01013 |

All listing and custodial fees to the Stock Exchanges and depositories have been paid to the respective institutions.

**STOCK DATA**

Table 6 below gives the monthly high and low prices of CESC's equity shares at the Calcutta Stock Exchange (CSE), Bombay Stock Exchange Limited (BSE) and the National Stock Exchange (NSE) for the year 2009-10.

**Table 1 : High and Low Prices, and Trading Volumes at the CSE, BSE and NSE**

| Month | CSE | | BSE | | NSE | |
|---|---|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| APR, 2010 | | | 412.40 | 387.20 | 416.90 | 376.10 |
| MAY, 2010 | 399.80 | 386.50 | 401.40 | 358.05 | 410.05 | 350.30 |
| JUN, 2010 | 387.40 | 386.40 | 392.20 | 370.05 | 397.80 | 350.00 |
| JUL, 2010 | | | 419.65 | 374.65 | 423.50 | 371.00 |
| AUG, 2010 | | | 404.10 | 376.35 | 409.40 | 368.55 |
| SEP, 2010 | | | 419.65 | 381.65 | 433.00 | 335.00 |
| OCT, 2010 | | | 410.50 | 370.90 | 413.95 | 365.05 |
| NOV, 2010 | | | 392.45 | 350.40 | 400.90 | 333.00 |
| DEC, 2010 | | | 373.00 | 360.30 | 430.00 | 350.20 |
| JAN, 2011 | | | 378.45 | 308.45 | 385.60 | 305.90 |
| FEB, 2011 | | | 306.55 | 271.25 | 310.80 | 263.00 |
| MAR, 2011 | | | 325.40 | 296.90 | 329.00 | 295.10 |

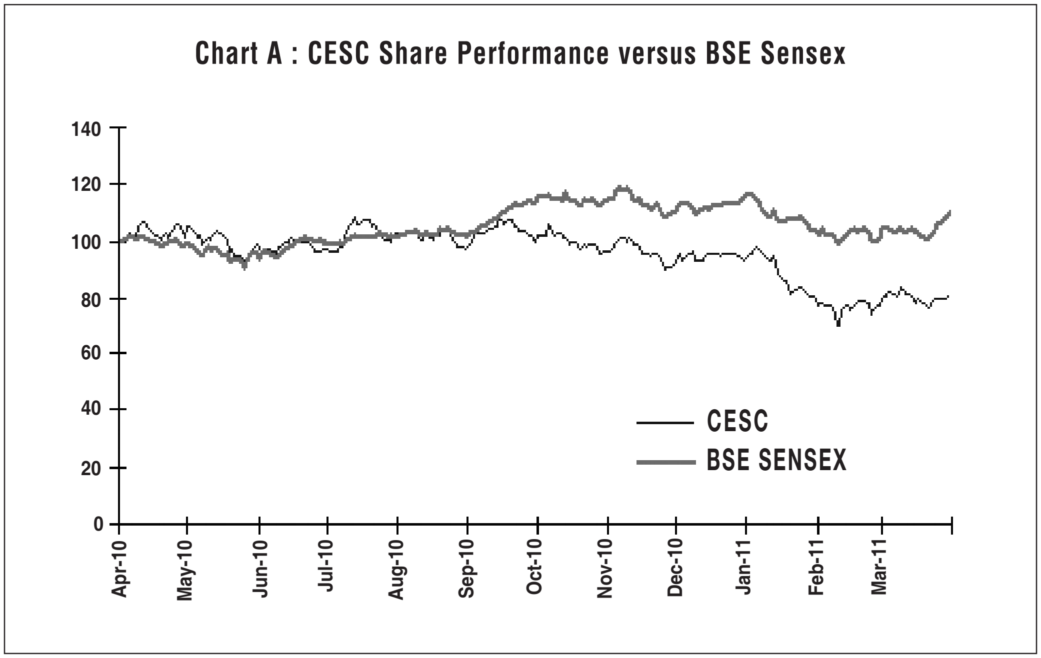
Note : There has been no trading of the Company's equity shares in the Calcutta Stock Exchange Limited, except during the months of May 2010 and June 2010.

Table 2 provides the closing price of CESC equity shares on NSE with leading market and sector indices at the last trading day for each month during 2010-11.

**Table 2 : Performance in comparison to NSE Nifty, BSE Sensex, BSE 500 and BSE Power Index**

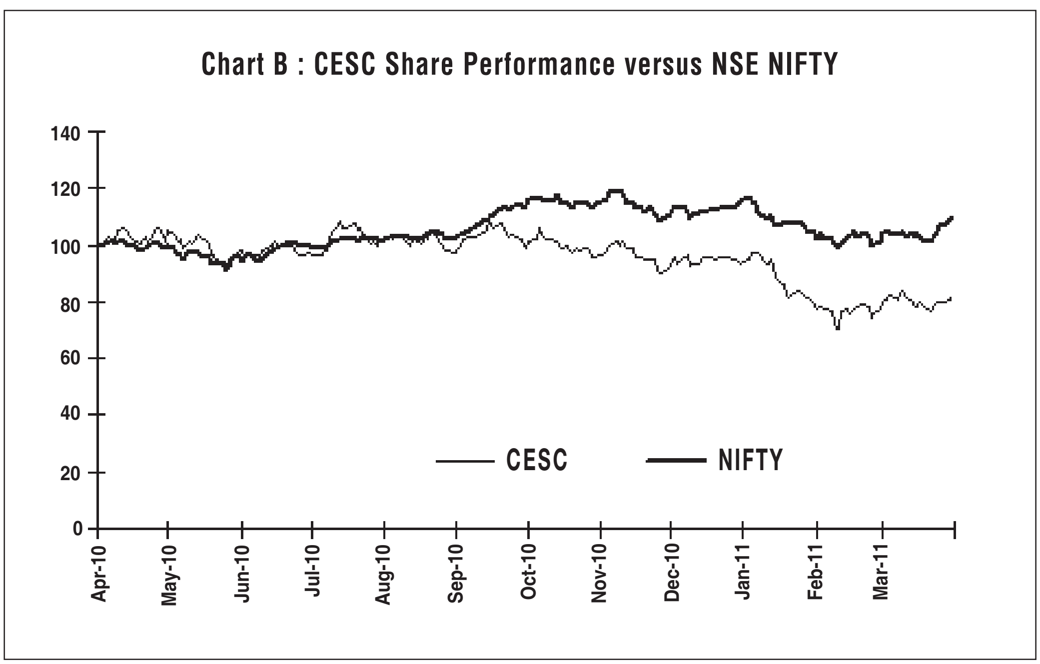
| As on close of last trading day for each month | CESC's Closing Price on NSE (Rs.) | NSE Nifty | BSE Sensex | BSE 500 Index | BSE Power Index |
|---|---|---|---|---|---|
| APR, 2010 | 406.40 | 5,278.00 | 17,558.71 | 7,042.68 | 3,170.61 |
| MAY, 2010 | 381.25 | 5,086.30 | 16,944.63 | 6,782.37 | 3,032.63 |
| JUN, 2010 | 375.90 | 5,312.50 | 17,700.90 | 7,092.20 | 3,150.10 |
| JUL, 2010 | 394.35 | 5,367.60 | 17,868.29 | 7,205.22 | 3,110.24 |
| AUG, 2010 | 377.55 | 5,402.40 | 17,971.12 | 7,289.74 | 3,033.05 |
| SEP, 2010 | 384.75 | 6,029.95 | 20,069.12 | 7,984.45 | 3,235.14 |
| OCT, 2010 | 371.30 | 6,017.70 | 20,032.34 | 8,036.88 | 3,118.16 |
| NOV, 2010 | 359.60 | 5,862.70 | 19,521.25 | 7,722.05 | 2,891.48 |
| DEC, 2010 | 365.05 | 6,134.50 | 20,509.09 | 7,961.06 | 2,988.56 |
| JAN, 2011 | 307.95 | 5,505.90 | 18,327.76 | 7,128.29 | 2,744.20 |
| FEB, 2011 | 299.10 | 5,333.25 | 17,823.40 | 6,850.40 | 2,523.29 |
| MAR, 2011 | 310.30 | 5,833.75 | 19,445.22 | 7,437.26 | 2,712.11 |

**Chart A plots the movement of CESC's shares adjusted closing prices compared to the BSE Sensex.**



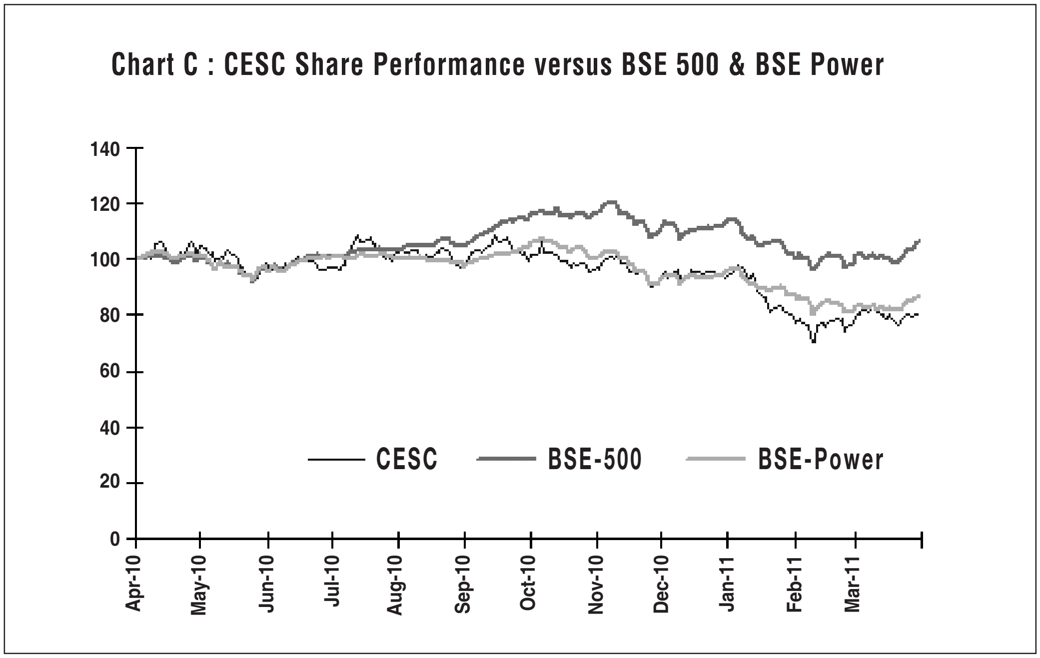

Note : Share price of CESC and BSE Sensex have been indexed to 100 on 1st April 2010

**Chart B plots the movement of CESC's shares adjusted closing prices compared to the NSE NIFTY.**




Note: Share price of CESC and NSE NIFTY have been indexed to 100 on 1st April 2010

**Chart C plots the movement of CESC's shares adjusted closing prices compared to the BSE 500 and BSE Power.**




Note: Share price of CESC and BSE 500 have been indexed to 100 on 1st April 2010

**SHARE TRANSFER AGENTS AND SHARE TRANSFER AND DEMAT SYSTEM**

CESC executes share transfers through its share transfer agent, whose details are given below.

LINK INTIME INDIA PRIVATE LIMITED
59C Chowringhee Road, 3rd Floor, Kolkata – 700 020

In compliance with the SEBI circular dated 27 December 2002, requiring share registry in terms of both physical and electronic mode to be maintained at a single point, CESC has established direct connections with National Securities Depositories Limited (NDSL) and Central Depository Services (India) Limited (CDSL), the two depositories, through its share transfer agent.

Shares received in physical form are processed and the share certificates are returned within 10 to 15 days from the date of receipt, subject to the documents being complete and valid in all respects.

The Company's equity shares are under compulsory dematerialised trading. Shares held in the dematerialised form are electronically traded in the Depository. The Registrar and the Share Transfer Agent of the Company periodically receives data regarding the beneficiary holdings, so as to enable them to update their records and send all corporate communications, dividend warrants, etc.

As on 31 March 2011, dematerialised shares accounted for 70.39% of total equity. There are no legal proceedings against CESC on any share transfer matter.

Table 3 gives details about the nature of complaints and their status as on 31 March 2011.

**Table 3 : Number and nature of complaints for the year 2010-11**

| Particulars | Nature of Complaints | | | | |
|---|---|---|---|---|---|
| | Non-Receipt of Certificates | Change of address | Non-receipt of dividend | Others (Non-Receipt of Annual Reports/ Non-Receipt of Demat credit, etc.) | Total |
| Received during the year | 14 | - | 17 | 23 | 54 |
| Attended during the year | 14 | - | 17 | 23 | 54 |
| Pending as on 31 March 2010 | NIL | NIL | NIL | NIL | NIL |

**SHAREHOLDING PATTERN**

Tables 4 and 5 give the pattern of shareholding by ownership and share class respectively.

**Table 4 : Pattern of shareholding by ownership as on 31 March 2011**

| Category | | As on 31 March 2011 | |
|---|---|---|---|
| | | Total No. of shares | Percentage |
| 1. | **Management Group / Families** | **65,574,642** | **52.49** |
| 2. | **Institutional Investors** | | |
| | a. Mutual Funds and UTI | 17,883,056 | 14.31 |
| | b. Banks, Financial Institutions, Insurance Companies | 3,809,720 | 3.05 |
| | c. FIIs | 23,319,091 | 18.66 |
| | **Total** | **45,011,867** | **36.02** |
| 3. | **Others** | | |
| | a. Private Corporate Bodies | 7,257,561 | 5.81 |
| | b. Indian Public | 5,578,069 | 4.47 |
| | c. NRIs / OCBs | 1,513,786 | 1.21 |
| | d. Directors & Relatives (not in control of the Company) | - | - |
| | **Total** | **14,349,416** | **11.49** |
| | **Grand Total** | **124,935,925** | **100.00** |

**Table 5 : Pattern of shareholding by share class as on 31 March 2011**

| Shareholding Class | No of shareholders | No of shares held | Shareholding % |
|---|---|---|---|
| Up to 2,500 | 39,099 | 5,105,196 | 4.09 |
| 2,501 to 5,000 | 191 | 674,762 | 0.54 |
| 5,001 to 10,000 | 98 | 712,205 | 0.57 |
| 10,001 to 20,000 | 58 | 848,613 | 0.68 |
| 20,001 to 30,000 | 26 | 623,474 | 0.50 |
| 30,001 to 40,000 | 7 | 238,047 | 0.19 |
| 40,001 to 50,000 | 14 | 618,398 | 0.49 |
| 50,001 to 100,000 | 33 | 2,533,621 | 2.03 |
| 100,001 and above | 94 | 113,581,609 | 90.91 |
| **Total** | **39,620** | **124,935,925** | **100.00** |

**PLANT LOCATIONS**

CESC's generating stations are located in Budge Budge, New Cossipore, Southern and Titagarh in and around the city of Kolkata. The details of other offices of the Company are mentioned elsewhere in the Annual Report.

**INVESTOR CORRESPONDENCE ADDRESS**

| At the Company's Registered Office Address | At the Registrar's Address |
|---|---|
| Secretarial Department<br>CESC Limited<br>CESC House<br>Chowringhee Square<br>Kolkata – 700 001<br>Tel No. : 22040754<br>Fax No. : 22363868<br>E-mail : secretarial@cesc.co.in | LINK INTIME INDIA PRIVATE LIMITED<br>59C Chowringhee Road, 3rd Floor<br>Kolkata – 700 020<br><br>Tel No. : 22890540<br>Fax No. : 22890539<br>E-mail : kolkata@linkintime.co.in<br>Website : www.linkintime.co.in |

For the convenience of UK based shareholders, the Company also has UK Registrars: Computershare Investor Services plc., P.O. Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, Telephone: 0870 703 6300, Fax : 0870 703 6114. Website : **computershare.com**

COMPLIANCE OFFICER FOR INVESTOR REDRESSAL

Mr Subhasis Mitra, Vice President & Company Secretary, is the Compliance Officer for investor related matters.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

The due dates on which unclaimed dividends lying in the unpaid dividend accounts of the Company would be credited to the IEPF are stated in the table below. Investors are requested to claim their unclaimed dividends before these due dates.

| Year | Date of payment | Due date for credit to IEPF | Amount lying unpaid/unclaimed as on 31 March 2011 (Rs.) |
|---|---|---|---|
| 2004-05 | 1 August 2005 | 30 August 2012 | 17,98,733 |
| 2005-06 | 24 July 2006 | 22 August 2013 | 16,29,548 |
| 2006-07 | 1 August 2007 | 30 August 2014 | 19,23,787 |
| 2007-08 | 1 August 2008 | 30 August 2015 | 25,96,474 |
| 2008-09 | 27 July 2009 | 26 August 2016 | 27,34,851 |
| 2009-10 | 1 August 2010 | 30 August 2017 | 23,38,288 |

In terms of the shares issued by the Company in physical form, the certificates of which are lying unclaimed, the Company has issued three reminders to their holders. These shares will be transferred into one folio in the name of "Unclaimed Suspense Account" in due course.

On behalf of the Board of Directors

**R.P. Goenka**
*Chairman*

Kolkata, 24 June 2011

## DECLARATION

As required under the relevant provisions of the Listing Agreement entered into by the Company with the Stock Exchanges, it is confirmed that all the Directors and Senior Management Officers have affirmed compliance of the Code of Business Conduct and Ethics during the year 2010-11.

**S. Banerjee**
*Managing Director*

Kolkata, 24 June 2011

## Auditors' Certificate

### REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

**To the Members of CESC Limited**

We have examined the compliance of conditions of Corporate Governance by CESC Limited, for the year ended 31$^{st}$ March, 2011, as stipulated in Clause 49 of the Listing Agreements of the said Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreements), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Lovelock & Lewes
Firm Registration Number-301056E
Chartered Accountants
Prabal Kr. Sarkar
Partner
Membership No. 52340

Place : Kolkata
Date : 24th June, 2011

Persons constituting group coming within the definition of 'group' for the purpose of Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following :

ACE Applied Software Services Pvt. Ltd.
Accurate Commodeal Private Limited
Adapt Investments Limited
Adorn Investments Limited
Alipore Towers Private Limited
Allwin Apartments LLP
Altantic Holdings Limited
Amber Apartments Private Limited
Au Bon Pain Café India Limited
B N Elias & Company Private Limited
Best Apartments Private Limited
Billion Trust
Blue Niles Holdings Limited
Brabourne Investments Limited
Carniwal Investments Limited
Ceat Limited
CESC Infrastructure Limited
CESC Properties Limited
Chattarpati Investments Limited
Crescent Power Limited
Crystal India Tech Trust
Dakshin Bharat Petrochem Private Limited
Dhariwal Infrastructure Limited
Doon Dooars Plantations Limited
Dotex Merchandise Private Limited
Eastern Aviation & Industries Private Limited
Ektara Enterprises Private Limited
FGP Limited
Goodhope Sales Private Limited
Goodluck Dealcom Private Limited
Haldia Energy Limited
Harrisons Malayalam Limited
Highway Apartments Private Limited
Horizon Master Trust
Idea Tracom Private Limited
Indent Investments Limited
Instant Holdings Limited
Integral Estates Trust
Integrated Coal Mining Limited
KEC International Limited
Kestrel Investments Limited
Kutub Properties Private Limited
Malabar Coastal Holdings Limited
Monitor Portfolio Trust
Music World Retail Limited
Nalanda Power Company Limited
Noida Power Company Limited
Nucleus Life Trust
Off-Shore India Limited
Organic Trust
Organised Investments Limited
Pedriano Investments Limited
Peregrine Enterprises Limited
Petrochem International Limited
Phillips Carbon Black Limited
Prism Estates Trust
Puffin Investments Limited
Rainbow Investments Limited
Ritushree Vanijya Private Limited
RPG Cellular Investments & Holdings Pvt. Ltd
RPG Enterprises Limited
RPG Industries Private Limited
RPG Infrastructure Investments Private Limited
RPG Life Sciences Limited
Saregama India Limited
Secura India Trust
Sentinel Tea & Exports Limited
Shaft Investments Private Limited
Shri Krishna Chaitanya Trading Co. Pvt. Ltd.
Shri Parvathi Suthan Trading Co. LLP
Shreeya Warehousing & Logistics Pvt. Ltd.
Solty Commercial Private Limited
South Asia Electricity Holdings Limited
Space Estates Trust
Spencer & Co. Limited
Spencer International Hotels Limited
Spencer's Retail Limited
Spencer's Travel Services Limited
Spotboy Tracom Private Limited
S S Tarama Clean Energy Private Limited
Stellar Energy Trust
Stylefile Events Limited
Subhrashi Vinimay Private Limited
Summit Securities Limited
Surya Vidyut Limited
Swallow Associates Limited
Tirumala Dealtrade Private Limited
Trade Apartments Limited
Ujala Agency Private Limited
Universal Industrial Fund Limited
Vayu Udaan Aircraft Private Limited
Vision Estates Trust
Wonder Land Limited
Zensar Technologies Limited
Shri Rama Prasad Goenka
Smt. Sushila Goenka
Shri Harsh Vardhan Goenka
Smt. Mala Goenka
Shri Sanjiv Goenka
Smt. Preeti Goenka
Shri. Anant Vardhan Goenka
Smt. Radha Goenka
Shri. Shashwat Goenka
Rama Prasad Goenka & Sons (HUF)
Harsh Anant Goenka (HUF)
Sanjiv Goenka & Others (HUF)
Anant Vardhan Goenka (HUF)

# Particulars as required under Section 217(1)(e) of the Companies Act, 1956

## (Annexure 'D' to Directors' Report)

Particulars relating to Conservation of Energy, Technology Absorption etc. for the year ended 31 March 2011.

A. **Conservation of Energy**

1. Following measures taken over the year has contributed to Energy Conservation & Reduction of Losses in Distribution Network.
   - i. Reactive power compensation by way of installing shunts capacitor banks at various voltage levels of T&D Network. During the year 104 MVAR shunt capacitors were added.
   - ii. Standardization to higher rated UG cables, 1000 mm2 at 33 kV & 300 mm2 at 6/11 kV Distribution Network as an ongoing process.
   - iii. Continued augmentation of Substation plant capacity and laying new underground and overhead lines.
   - iv. Induction of energy efficient Distribution Transformers with low losses by including Loss Capitalization as a bid evaluation criterion as an ongoing process.
   - v. Progressive changeover of DC supplies to AC for medium / low voltage consumers.
   - vi. Progressive Voltage upgrade of Distribution Lines and Transformers from 6 kV to 11 kV to lower losses including introduction of Dual ratio transformers. During the year 90 nos. Dual ratio Distribution Transformers have been commissioned.
   - vii. Energy Audit at Testing Department and other premises were carried out by accredited energy auditors to assess and identify the potential energy saving locations accompanied with installation of energy efficient lamps and luminaries and BEE rated room air-conditioners at various locations.

2. **Additional investment / proposals -**

   Following investments / proposals have been planned in 2011-12 that will contribute to reliability, security and safety in T&D Network :
   - i. Replacement of obsolete & hazardous bulk oil switchboards with 33kV GIS at Prinsep Street, Titagarh Receiving Station & Belur Receiving Station and introduction of network distribution at 33kV from Eastern Metropolitan Substation by installation of 33kV GIS.
   - ii. Implementation of Asset consolidation plans by conversion of 132/33kV B.Garden, East Calcutta and Majerhat outdoor Substations to Indoor GIS Substations and Capacity addition of transformers.
   - iii. Bringing in power to northern belt of operating area by laying 220 kV underground cable circuit is planned from Eastern Metropolitan Substation to New Cossipore Generating Station prior to ceasing of generation at the station. Replacement of obsolete & hazardous bulk oil switchboards at New Cossipore Generating Station alongwith consolidation of space area for T&D assets has also been framed as an integral activity.
   - iv. New connectivity by laying 132 kV 160 MVA UG Cable circuit between Eastern Metropolitan Sub-station and East Calcutta Substation has been proposed.
   - v. Construction of a new 132/33kV Underground Substation at Park Circus.
   - vi. Installation of about 100 MVAR HV/ EHV capacitor banks in the ensuing year.
   - vii. New 132/33 kV Substation at Patuli and augmentation of transformation capacity at Chakmir S/S, Prinsep Street Receiving Station, East Calcutta Substation and Titagarh Receiving Station etc.
   - viii. Induction of 33 kV GIS at strategic Distribution stations to enhance network reliability at 33 kV and mitigate the network operational complexity.
   - ix. Continued replacement of old electromechanical meters of LTAC/ MVAC consumers by superior quality electronic meters.
   - x. Installation of remote metering AMR at selected MVAC sources for energy audit as an ongoing process.

3. **Impact of the measures**

   Impact of the measures as outlined under Items above may be set out as follows :
   - i. Strengthen the Transmission & Distribution Network to cope with the growing System Demand, demand for quality and reliable supply.
   - ii. Reduce component of T&D loss, enhance safety and network operational simplicity, reduce downtime, reduce frequency of breakdown and improve customer service and system efficiency.

B. **Technology Absorption**

- i. Condition monitoring of major Plant & equipment of T&D network has been adopted as a ritual to identify potential failure points in the equipment before actual occurrence of failure. These have helped to mitigate damage, downtime significantly and improve reliability of the system network. Condition monitoring is being carried out with latest technology based instruments for measurement of Partial Discharge (PD), Transient Earth Voltage (TEV), Ultra-sonic signal detection, Infra-red Thermo-graphic Scanners, application of Sweep Frequency Response analysis and use of Shock detection analyzer during transport of large transformers.
- ii. All HT consumers are covered under AMR from remote using GSM & GPRS communication network.
- iii. Progressive induction of SF6 filled Ring Main Units continued in HV Distribution Network to enable safe, on-load operations for quicker restoration of supply outages.

**Research & Development**

R&D activities were oriented towards improvements in various operational functions.

C. **Foreign Exchange Earnings and outgo**

There has been a foreign exchange earning during the year of Rs. 2.38 crore (Previous year – Rs. 2.91 crore) for carbon credit. The foreign exchange outgo during the year amounted to Rs. 170.37 crore which included repayment of principal and finance charges on foreign currency loans, fuel charges, dividend to non-resident shareholders, fees to UK Registrars, London and Luxembourg Stock Exchange fees, technical service fees, travelling expenses etc.

On behalf of the Board of Directors

**R. P. Goenka**
Chairman

Kolkata, 24 June 2011

# Auditors' Report

**TO THE SHAREHOLDERS OF CESC LIMITED**

1. We have audited the attached Balance Sheet of CESC Limited (the "Company") as at 31 March 2011 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India ('The Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the attached Annexure, a statement on matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in paragraph 3 above, we report that:
   - i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit;
   - ii. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
   - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the requirements of the accounting standards referred to in sub-section (3C) of Section 211 of 'The Act';
   - v. On the basis of written representations received from the directors as on 31 March 2011, which have been taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of 'The Act';
   - vi. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement together with the notes thereon and attached thereto give, in the prescribed manner, the information required by 'The Act', and give a true and fair view in conformity with the accounting principles generally accepted in India:
     - a. in case of the Balance Sheet, of the state of the affairs of the Company as at 31 March, 2011;
     - b. in case of the Profit and Loss Account, of the profit for the year ended on that date; and
     - c. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Lovelock & Lewes
Firm Registration Number - 301056E
*Chartered Accountants*

Prabal Kr. Sarkar
*Partner*
Membership Number 52340

Kolkata, 24 June, 2011

# Annexure to the Auditors' Report

**[Referred to in Paragraph 3 of the Auditors' Report of even date to the members of CESC Limited on the financial statements for the year ended 31 March 2011]**

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

   (b) The fixed assets of the Company, except those in the transmission and distribution system for which, we have been informed that, physical verification is not practicable, have been physically verified by the management according to a phased programme designed to cover all items over a period of three years, which in our opinion is reasonable having regard to the size of the company and nature of its assets. Pursuant to the programme, a portion of the fixed assets have been physically verified by the management during the year and no material discrepancies between book records and physical inventory have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

2. (a) The inventories (excluding inventories in transit) have been physically verified by the management during the year. In respect of inventories in transit, these were verified with reference to subsequent receipts. In our opinion, the frequency of verification is reasonable.

   (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of 'The Act'.

   (b) The Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of 'The Act'.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of energy. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of "The Act" that need to be entered into the register required to be maintained under that section.

6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of 'The Act' and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the books of account maintained by the Company in respect of product where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of 'The Act' and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, service tax, customs duty, wealth tax and cess which have not been deposited on account of any dispute. According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues as at 31 March 2011 which have not been deposited on account of a dispute, are as follows —

| Name of the statute | Nature of dues | Amount (Rs.'Crores) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| West Bengal Sales Tax Act, 1994 | Sales tax on meter rentals | 0.30 | 1992-93 | Hon'ble High Court at Calcutta |
| Water (Prevention and Control of Pollution) Cess Act, 1977 | Water Cess and interest thereon | 6.74 | 2009-10 and 2010-11 | West Bengal Pollution Control Board |

10. The Company has no accumulated losses as at 31 March 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the Company examined by us and the information and explanations given to us, during the year the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.

14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of 'The Act' during the year.

19. The Company has not issued any debentures during the year.

20. The Company has not raised any money by public issues during the year.

21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management except in cases of theft of electricity reported by the loss control cell of the Company the amount for which is not ascertainable.

For Lovelock & Lewes
Firm Registration Number - 301056E
*Chartered Accountants*

Prabal Kr. Sarkar
*Partner*
Membership Number 52340

Kolkata, 24 June, 2011

# Balance Sheet as at 31st March, 2011

| | Schedule No. | | As at 31st March, 2011 | Rs. in Crore<br>As at 31st March, 2010 |
|---|---|---|---|---|
| **I. SOURCES OF FUNDS** | | | | |
| Shareholders' Funds | | | | |
| Share Capital | 1 | **125.60** | | 125.60 |
| Reserves and Surplus | 2 | **5443.64** | | 5,071.20 |
| | | | **5,569.24** | 5,196.80 |
| Loan Funds | | | | |
| Secured Loans | 3 | **2,839.51** | | 2,749.04 |
| Unsecured Loans | 4 | **177.07** | | 62.67 |
| | | | **3,016.58** | 2,811.71 |
| Consumers' Security Deposits | | | **935.46** | 896.49 |
| Deferred Tax Liability (Note 16, Schedule 13) | | **657.43** | | 558.31 |
| Less : Recoverable | | **657.43** | | 558.31 |
| | | | **–** | – |
| Advance against Depreciation (Note 3, Schedule 13) | | | **514.26** | 446.71 |
| | | | **10,035.54** | 9,351.71 |
| **II. APPLICATION OF FUNDS** | | | | |
| Fixed Assets | 5 | | | |
| Gross Block | | **11,968.73** | | 11,363.84 |
| Less : Depreciation | | **4,490.18** | | 4,131.13 |
| Net Block | | | **7,478.55** | 7,232.71 |
| Capital Work-in-Progress | | | **272.24** | 278.26 |
| | | | **7,750.79** | 7,510.97 |
| Investments | 6 | | **1,084.32** | 678.58 |
| Current Assets, Loans and Advances | 7 | | | |
| Inventories | | **294.44** | | 238.28 |
| Sundry Debtors | | **570.92** | | 512.96 |
| Cash and Bank Balances | | **838.84** | | 1,119.79 |
| Loans and Advances | | **1,175.79** | | 1,009.84 |
| Deferred Payments | | **12.89** | | 15.49 |
| | | **2,892.88** | | 2,896.36 |
| Less : Current Liabilities and Provisions | 8 | | | |
| Current Liabilities | | **1,560.91** | | 1,618.67 |
| Provisions | | **137.96** | | 122.67 |
| | | **1,698.87** | | 1,741.34 |
| Net Current Assets | | | **1,194.01** | 1,155.02 |
| Miscellaneous Expenditure to the extent not written off or adjusted | 9 | | **6.42** | 7.14 |
| | | | **10,035.54** | 9,351.71 |
| **Notes on Accounts** | 13 | | | |

Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For Lovelock & Lewes
Firm Registration Number-301056E
*Chartered Accountants*

Prabal Kr. Sarkar
*Partner*
Membership No. : 52340
Kolkata, the 24 June, 2011

Subhasis Mitra
*Vice President & Company Secretary*

For and on behalf of the Board of Directors
*Chairman* R. P. Goenka
*Director* B. P. Bajoria
*Managing Director* S. Banerjee

# Profit and Loss Account for the year ended 31st March, 2011

| | Schedule No. | | 2010-11 | Rs. in Crore 2009-10 |
|---|---|---|---|---|
| **INCOME** | | | | |
| Earnings from sale of Electricity | | | **3,939.85** | 3,292.84 |
| Other Income | 10 | | **152.44** | 156.20 |
| | | | **4,092.29** | 3,449.04 |
| **EXPENDITURE** | | | | |
| Cost of Electrical Energy purchased | | | **665.42** | 636.99 |
| Generation, Distribution, Administration and Other Expenses | 11 | | **2,273.15** | 1,906.14 |
| Interest | 12 | | **272.10** | 178.22 |
| Depreciation | | **373.93** | | 317.75 |
| Less : Transfer from Revaluation Reserve | | **106.56** | | 112.11 |
| | | | **267.37** | 205.64 |
| | | | **3,478.04** | 2,926.99 |
| Profit before Taxation | | | **614.25** | 522.05 |
| Provision for Taxation – Current | | | **(125.85)** | (88.75) |
| – Deferred Tax (net) | | **(99.12)** | | (141.78) |
| Recoverable / (Payable) | | **99.12** | **–** | 141.78 |
| Profit after Taxation | | | **488.40** | 433.30 |
| Profit brought forward from previous year | | | **133.56** | 125.91 |
| Transfer (to) | | | | |
| Reserve for unforeseen exigencies | | | **(23.47)** | (17.38) |
| General Reserve | | | **(350.00)** | (350.00) |
| Proposed dividend | | | **(49.97)** | (49.97) |
| Tax on proposed dividend | | | **(8.11)** | (8.30) |
| Surplus carried forward to Balance Sheet | | | **190.41** | 133.56 |
| Earnings per Equity Share (in Rupees) (Face value of Rs. 10 per share) | | | | |
| Basic & Diluted (Note 17, Schedule 13) | | | **39.09** | 34.68 |
| Notes on Accounts | 13 | | | |

Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit & Loss Account referred to in our Report of even date.

For Lovelock & Lewes
Firm Registration Number-301056E
*Chartered Accountants*

Prabal Kr. Sarkar
*Partner*
Membership No. : 52340
Kolkata, the 24 June, 2011

Subhasis Mitra
*Vice President & Company Secretary*

For and on behalf of the Board of Directors
*Chairman* R. P. Goenka
*Director* B. P. Bajoria
*Managing Director* S. Banerjee

# Schedule to the Accounts

Rs. in Crore

| | As at 31st March, 2011 | As at 31st March, 2010 |
|---|---|---|
| **SCHEDULE 1 – SHARE CAPITAL** | | |
| AUTHORISED CAPITAL | | |
| 15,00,00,000 Equity Shares of Rs. 10 each | **150.00** | 150.00 |
| | **150.00** | 150.00 |
| ISSUED CAPITAL | | |
| 13,12,35,897 Equity Shares of Rs. 10 each | **131.24** | 131.24 |
| | **131.24** | 131.24 |
| SUBSCRIBED AND PAID UP CAPITAL | | |
| 12,49,35,925 Equity Shares of Rs. 10 each | **124.94** | 124.94 |
| Add : Forfeited Shares (amount originally paid-up) | **0.66** | 0.66 |
| | **125.60** | 125.60 |

**Notes :**

1. 71,94,951 Equity Shares of Rs. 10 each were allotted on 7 April, 1979 as fully paid without consideration being received in cash, to the stockholders of The Calcutta Electric Supply Corporation Limited, the erstwhile sterling company, in terms of a Scheme of Arrangement and Amalgamation approved by the Hon'ble High Courts at Calcutta and London pursuant to which the undertaking and the assets, liabilities, reserves and surplus of the said sterling company were transferred to this Company.
2. 3,10,58,414 Equity Shares of Rs. 10 each were allotted as fully paid-up on 12 October, 2007 pursuant to a Scheme of Amalgamation sanctioned by the Hon'ble High Court at Calcutta, without consideration being received in cash.

| | | As at 31st March, 2011 | As at 31st March, 2010 |
|---|---|---|---|
| **SCHEDULE 2 – RESERVES AND SURPLUS** | | | |
| Capital contribution from consumers as at beginning of the year | **525.50** | | 469.78 |
| Add : Contributions during the year | **50.87** | | 55.72 |
| | | **576.37** | 525.50 |
| Capital Redemption Reserve | | **20.13** | 20.13 |
| Share Premium Account | | **1,254.85** | 1,254.85 |
| Revaluation Reserve as at beginning of the year | **1373.71** | | 1,490.55 |
| Less : Withdrawal on account of depreciation on amount added on revaluation | **106.56** | | 112.11 |
| | **1267.15** | | 1,378.44 |
| Less : Withdrawal of the residual amount added on revaluation consequent to sale/disposal of revalued assets | **2.19** | | 4.73 |
| | | **1,264.96** | 1,373.71 |
| Reserve for unforeseen exigencies as at beginning of the year | **58.10** | | 40.72 |
| Add : Transfer from Profit and Loss Account | **23.47** | | 17.38 |
| | | **81.57** | 58.10 |
| General Reserve as at beginning of the year | **1,705.35** | | 1,355.35 |
| Add : Transfer from Profit and Loss Account | **350.00** | | 350.00 |
| | | **2,055.35** | 1,705.35 |
| Surplus as per Profit and Loss Account | | **190.41** | 133.56 |
| | | **5,443.64** | 5,071.20 |

# Schedule to the Accounts *(Contd.)*

Rs. in Crore

| | As at 31st March, 2011 | As at 31st March, 2010 |
|---|---|---|
| **SCHEDULE 3 – SECURED LOANS** | | |
| **I. Term Loans** | | |
| A. **Rupee Loans :** | | |
| (i) Banks | **1,485.18** | 1,432.09 |
| (ii) Financial Institutions | **510.51** | 467.73 |
| | **1,995.69** | 1,899.82 |
| B. **Foreign Currency Loans :** | | |
| (i) Standard Chartered Bank | **163.18** | 170.32 |
| (ii) ICICI Bank Limited | **305.91** | 369.80 |
| | **469.09** | 540.12 |
| **II. Facilities from Banks :** | | |
| Overdraft | **374.73** | 309.10 |
| | **374.73** | 309.10 |
| | **2,839.51** | 2,749.04 |

**Notes :**

1. The term loans and facilities from banks in I and II above are secured by equitable mortgage / hypothecation of the fixed assets of the Company including its land, buildings and the constructions thereon and plant and machinery etc. and hypothecation of the Company's current assets comprising stock of stores, coal and other consumables, book debts, monies receivable and bank balances. However, creation of mortgage security in respect of working capital facilities from Banks aggregating Rs. 97.60 crore is in process.
2. The security for the term loans in I above ranks pari passu inter se while the security in respect of facilities from banks in II above ranks pari passu amongst the said banks.
3. The ranking of the above security created by way of equitable mortgage / hypothecation is as follows :

| On | Prior Charge | Subservient Charge |
|---|---|---|
| Fixed Assets | Term Loans in I above | Facilities from Banks in II above |
| Current Assets | Facilities from Banks in II above | Term Loans in I above |

| | As at 31st March, 2011 | As at 31st March, 2010 |
|---|---|---|
| **SCHEDULE 4 – UNSECURED LOANS** | | |
| Short term loan from banks | **115.00** | – |
| Floating Rate Notes | **62.07** | 62.67 |
| (US$ 13.75 million repayable in year 2012-13) | | |
| | **177.07** | 62.67 |

# Schedule to the Accounts *(Contd.)*

## SCHEDULE 5 – FIXED ASSETS

Rs. in Crore

| PARTICULARS | GROSS BLOCK AT COST OR VALUATION | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1st April, 2010 | Additions/ Adjustments | Withdrawals/ Adjustments | **As at 31st March, 2011** | As at 1st April, 2010 | Additions/ Adjustments | Withdrawals/ Adjustments | **As at 31st March, 2011** | **As at 31st March, 2011** | As at 31st March, 2010 |
| Land | | | | | | | | | | |
| Freehold | 839.35 | 0.29 | – | **839.64** | – | – | – | **–** | **839.64** | 839.35 |
| Leasehold | 364.01 | 0.01 | – | **364.02** | 22.15 | 1.73 | – | **23.88** | **340.14** | 341.86 |
| Buildings and Structures | | | | | | | | | | |
| Freehold | 398.88 | 14.73 | 0.02 | **413.59** | 62.87 | 11.70 | 0.01 | **74.56** | **339.03** | 336.01 |
| Leasehold | 251.08 | – | – | **251.08** | 193.25 | 4.17 | – | **197.42** | **53.66** | 57.83 |
| Plant and Machinery | 5,208.24 | 203.70 | 12.68 | **5,399.26** | 2,190.07 | 196.49 | 9.47 | **2,377.09** | **3,022.17** | 3,018.17 |
| Transmission and Distribution System | 3,568.48 | 347.06 | – | **3,915.54** | 1,376.47 | 122.20 | – | **1,498.67** | **2,416.87** | 2,192.01 |
| Meters and Other Apparatus on Consumers' Premises | 433.23 | 39.48 | 5.82 | **466.89** | 204.92 | 19.23 | 4.61 | **219.54** | **247.35** | 228.31 |
| River Tunnel | 4.88 | – | – | **4.88** | 2.05 | 0.20 | – | **2.25** | **2.63** | 2.83 |
| Furniture, fittings and office equipments | 76.64 | 8.84 | 0.41 | **85.07** | 29.78 | 4.23 | 0.28 | **33.73** | **51.34** | 46.86 |
| Vehicles | 14.33 | 1.76 | 0.76 | **15.33** | 7.60 | 2.20 | 0.51 | **9.29** | **6.04** | 6.73 |
| Railway Sidings | | | | | | | | | | |
| Freehold | 4.56 | – | – | **4.56** | 4.45 | 0.01 | – | **4.46** | **0.10** | 0.11 |
| Leasehold | 26.97 | 7.73 | – | **34.70** | 13.23 | 0.96 | – | **14.19** | **20.51** | 13.74 |
| Trademarks | 150.00 | – | – | **150.00** | 7.50 | 7.50 | – | **15.00** | **135.00** | 142.50 |
| Software | 23.19 | 0.98 | – | **24.17** | 16.79 | 3.31 | – | **20.10** | **4.07** | 6.40 |
| | 11,363.84 | 624.58 | 19.69 | **11,968.73** | 4,131.13 | 373.93 | 14.88 | **4,490.18** | **7,478.55** | 7,232.71 |
| Previous Year | 9,428.87 | 1,954.42 | 19.45 | **11,363.84** | 3,826.09 | 317.75 | 12.71 | **4,131.13** | **7,232.71** | |

| | As at 31st March, 2011 | Rs. in Crore As at 31st March, 2010 |
|---|---|---|
| **SCHEDULE 6 – INVESTMENTS** | | |
| **Long Term – Unquoted** | | |
| **(fully paid)** | | |
| **Trade** | | |
| 13,000 equity shares of Integrated Coal Mining Limited of Rs.10 each. | **0.01** | 0.01 |
| 3,00,00,000 1% Cumulative Optionally Convertible Redeemable Preference Shares of Integrated Coal Mining Limited of Rs.10 each | **30.00** | 30.00 |
| **Other than Trade** | | |
| **Subsidiary Companies** | | |
| 2,46,38,103 Equity Shares of Spencer's Retail Limited of Rs. 10 each | **40.80** | 40.80 |
| 6,00,50,000 ( 31.03.2010 : 50,000) Equity Shares of CESC Properties Limited of Rs. 10 each | **60.05** | 0.05 |
| NIL (31.03.2010 : 35,02,10,003) Equity Shares of Haldia Energy Limited of Rs. 10 each | **-** | 350.31 |
| 50,000 Equity Shares of Nalanda Power Company Limited of Rs. 10 each | **0.05** | 0.05 |
| 71,60,50,000 (31.03.2010 : NIL) Equity Shares of CESC Infrastructure Limited of Rs. 10 each | **716.05** | - |
| **Others** | | |
| 5,000 Equity Shares of Mahuagarhi Coal Company Private Limited of Rs.10 each | **0.01** | 0.01 |
| 60,00,000 Equity Shares of Crescent Power Limited of Rs. 10 each | **6.00** | 6.00 |
| 12,685.585 Units of UTI-Floating Rate Fund of Rs.1000 each | **1.35** | 1.35 |
| **Current - Unquoted** | | |
| **(fully paid) -** | | |
| 2,13,908.731 units of Rs. 1402.4673 each of DSP BlackRock Liquidity Fund - Inst Plan - Growth | **30.00** | - |
| 1,91,28,871.205 units of Rs. 15.6831 each of Birla Sunlife Cash Plus - Inst Premium - Growth | **30.00** | - |
| 1,55,592.979 units of Rs. 1606.7563 each of UTI Liquid Cash Plan Institutional - Growth Option | **25.00** | - |
| 4,19,55,460.084 units of Rs. 11.9174 each of IDFC Cash Fund - Super Inst Plan C - Growth | **50.00** | - |
| 1,90,249.866 units of Rs. 1051.2491 each of IDBI Liquid Fund - Growth | **20.00** | - |
| 127,04,801.399 units of Rs. 19.6776 each of HDFC Liquid Fund - Premium Plus Plan - Growth | **25.00** | - |
| 34,50,541.321 units of Rs. 144.9048 each of ICICI Prudential Institutional Liquid Super Institutional Plan - Growth | **50.00** | - |
| 6,28,548.986 units of Rs. 1511.4176 each of UTI Liquid Cash Plan Institutional - Growth Option | **-** | 95.00 |
| 33,077.284 units of Rs. 1511.6114 each of UTI Liquid Cash Plan Institutional - Growth Option | **-** | 5.00 |
| 8,93,59,116.417 units of Rs. 11.1908 each of IDFC Cash Fund - Super Inst Plan C - Growth | **-** | 100.00 |
| 18,37,481.386 units of Rs. 136.0826 each of ICICI Prudential Institutional Liquid Super Institutional Plan - Growth | **-** | 25.00 |
| 2,50,00,000 units of Rs. 10.0000 each of IDFC FMP HY Series 9 - Plan A - Growth | **-** | 25.00 |
| | **1084.32** | 678.58 |

**Note : During the year, the following current investments were purchased and sold :**

97,97,16,417.166 units of IDFC Cash - Fund Super Inst Plan C - Growth at a cost of Rs. 1120.92 crore
37,36,03,466.627 units of IDFC Money Manager Fund Treasury Plan - Super Inst Plan C - Growth at a cost of Rs. 411.15 crore
3,89,18,683.303 units of IDFC Ultra Short Term Fund - Growth at a cost of Rs. 50.00 crore
2,50,00,000.000 units of IDFC Fixed Maturity Quarterly Series-59 - Growth at a cost of Rs. 25.00 crore
5,00,00,000.000 units of IDFC FMP Quarterly Series-61 - Growth at a cost of Rs. 50.00 crore
37,237.671 units of IDFC Savings Advantage Fund - Plan A - Growth at a cost of Rs. 5.00 crore
79,69,108.328 units of UTI Liquid Cash Plan Inst - Growth at a cost of Rs. 1229.00 crore
62,59,402.801 units of UTI Treasury Advantage Inst Plan - Growth at a cost of Rs. 783.19 crore
9,57,970.554 units of UTI Floating Rate Fund - Short-Term Plan - Institutional Growth at a cost of Rs. 100.01 crore
4,97,49,263.711 units of UTI Fixed Income Interval Fund- Monthly Interval Plan - II -Institutional Growth at a cost of Rs. 50.00 crore
5,00,00,000.000 units of UTI Fixed Income Interval Fund- Series II Quarterly Interval Plan - V - Institutional Growth at a cost of Rs. 50.00 crore
39,85,29,478.691 units of HDFC Liquid Fund - Premium Plus Plan - Growth at a cost of Rs 749.00 crore
21,21,51,814.933 units of HDFC Cash Management Fund Treasury Advantage Plan - Wholesale - Growth at a cost of Rs. 433.06 crore
32,74,66,845.546 units of Reliance Liquidity Fund - Growth at a cost of Rs. 462.89 crore
17,85,962.841 units of Reliance Money Manager Fund - Inst Option - Growth at a cost of Rs. 226.03 crore
3,93,79,380.956 units of Reliance Quarterly Interval Fund Series III - Institutional Growth Plan at a cost of Rs. 50.00 crore
27,88,81,270.002 units of Birla Sunlife Cash Plus - Inst Premium - Growth at a cost of Rs. 418.05 crore
12,23,34,783.464 units of Birla Sunlife Savings Fund Inst - Growth at a cost of Rs. 216.03 crore
8,24,82,541.195 units of Birla Sunlife Floating Rate Fund - Long Term - Instl - Growth at a cost of Rs. 90.00 crore
22,32,167.305 units of Tata Liquid Super High Investment Fund - Appreciation at a cost of Rs. 386.00 crore
22,67,68,637.878 units of Tata Floater Fund - Growth at a cost of Rs. 316.05 crore
2,08,75,257.809 units of Kotak Quarterly Interval Plan Series 6 - Growth at a cost of Rs. 25.00 crore
1,95,47,030.155 units of Kotak Floater Short Term - Growth at a cost of Rs. 30.00 crore
6,56,55,236.278 units of Religare Liquid Fund - Super Inst - Growth at a cost of Rs.106.07 crore
1,60,72,397.734 units of Religare Ultra Short Term Fund - Inst Growth at a cost of Rs. 21.00 crore
10,87,43,458.889 units of Principal Cash Management Fund - Liquid Option - Inst. Premium Plan - Growth at a cost of Rs. 157.18 crore
10,68,95,648.965 units of Principal Floating Rate Fund - Inst. Option - Growth Plan at a cost of Rs. 157.20 crore
14,37,68,583.818 units of ICICI Prudential Ultra Short Term Plan - Super Premium - Growth at a cost of Rs. 150.02 crore
2,64,58,175.066 units of ICICI Prudential Liquid Super Inst. Plan - Growth at a cost of Rs. 369.00 crore
1,18,53,656.935 units of ICICI Prudential Flexible Income Plan - Premium Growth at a cost of Rs. 205.68 crore
1,96,75,163.058 units of ICICI Prudencial Quarterly Interval Plan - I Institutional Growth at a cost of Rs. 20.00 crore
3,11,06,077.683 units of DWS Insta Cash Plus Fund - Super Inst Plan - Growth at a cost of Rs. 38.00 crore
66,68,044.729 units of BNP Paribas Overnight Fund - Inst - Growth at a cost of Rs. 10.00 crore
1,00,00,000.00 units of Fortis Fixed Term Fund Ser 18C Growth at a cost of Rs. 10.00 crore
1,50,499.943 units of DSP BlackRock Money Manager Fund - Inst Plan - Growth at a cost of Rs. 20.00 crore
4,87,691.676 units of DSP BlackRock Floating Rate Fund - Inst Plan - Growth at a cost of Rs. 65.01 crore
16,57,830.937 units of DSP BlackRock Liquidity Fund - Inst Plan - Growth at a cost of Rs. 223.00 crore
50,00,000.000 units of DSP Blackrock FMP 3 M Series 17 - Growth at a cost of Rs. 5.00 crore
5,00,00,000.000 units of DSP Blackrock FMP 3 M Series 18 - Growth at a cost of Rs. 50.00 crore
2,00,00,000.000 units of DSP Blackrock FMP 3 M Series 22 - Growth at a cost of Rs. 20.00 crore
6,82,11,476.708 units of Sundaram BNP Paribas Money Fund - Super Inst - Growth at a cost of Rs. 137.14 crore
3,56,97,476.351 units of Sundaram BNP Paribas Ultra ST Fund - Super Inst - Growth at a cost of Rs. 45.01 crore
44,29,168.734 units of Sundaram Interval Fund - Qly Plan E -Inst Growth at a cost of Rs. 5.00 crore
3,41,13,775.296 units of JM High Liquidity Fund - Super Inst Plan - Growth at a cost of Rs. 50.00 crore
2,29,81,873.615 units of JM Money Manager Fund - Super Plus Plan - Growth at a cost of Rs. 30.00 crore
11,11,83,496.706 units of Baroda Pioneer Liquid Fund - Institutional Growth Plan at a cost of Rs. 140.00 crore
4,26,11,543.856 units of Baroda Pioneer Treasury Advantage Fund - Institutional Growth Plan at a cost of Rs. 45.01 crore
13,63,41,870.445 units of IDBI Liquid Fund - Institutional Growth Plan at a cost of Rs. 162.01 crore

| | | As at 31st March, 2011 | Rs. in Crore As at 31st March, 2010 |
|---|---|---|---|
| **SCHEDULE 7 – CURRENT ASSETS, LOANS AND ADVANCES** | | | |
| (a) Inventories | | | |
| Stores and Spare parts | | **140.54** | 133.60 |
| Fuel | | **153.90** | 104.68 |
| | | **294.44** | 238.28 |
| (b) Sundry Debtors | | | |
| 1. For electricity supplied | | | |
| Debts outstanding for a period exceeding six months | | | |
| Secured – considered good | **7.24** | | 7.32 |
| Unsecured – considered good | **23.10** | | 9.32 |
| | **30.34** | | 16.64 |
| Unsecured – considered doubtful | **4.10** | | 4.10 |
| | | **34.44** | 20.74 |
| Other Debts | | | |
| Secured – considered good | **321.57** | | 324.55 |
| Unsecured – considered good | **202.45** | | 153.23 |
| | | **524.02** | 477.78 |
| | | **558.46** | 498.51 |
| Less : Provision for doubtful debts | | **4.10** | 4.10 |
| | | **554.36** | 494.41 |
| **Note :** Rs. 22,425 (31.3.2010 : Rs. 33,474) due by a Directors of the Company on account of electricity bills; maximum amount due by a Directors of the Company during the year : Rs. 38,897 (previous year – Rs. 52,846) | | | |
| 2. For claims and services rendered – unsecured | | | |
| Debts outstanding for a period exceeding six months | | | |
| Considered Good | **7.50** | | 7.03 |
| Considered doubtful | **2.01** | | – |
| | | **9.51** | 7.03 |
| Other Debts - considered good | | **9.06** | 11.52 |
| | | **18.57** | 18.55 |
| Less : Provision for doubtful debts | | **2.01** | – |
| | | **16.56** | 18.55 |
| | | **570.92** | 512.96 |
| (c) Cash and Bank Balances | | | |
| Cash in hand | | **3.79** | 5.05 |
| Cheques in hand | | **6.94** | 6.38 |
| With Scheduled Banks on : | | | |
| Current accounts etc. | **48.42** | | 99.46 |
| Dividend accounts | **1.30** | | 1.06 |
| Deposit accounts | **778.39** | | 1,007.84 |
| | | **828.11** | 1,108.36 |
| | | **838.84** | 1,119.79 |
| (d) Loans and Advances | | | |
| Unsecured – considered good | | | |
| Advance to subsidiaries for share subscription | | **962.11** | 820.90 |
| Advances recoverable in cash or in kind or for value to be received (Includes Interest accrued on deposits with banks : 31.3.2011 - Rs. 24.50 crore; 31.3.2010 - Rs. 12.83 crore) | | **179.33** | 147.64 |
| Deposits with Excise, Port Trust etc. | | **0.39** | 0.39 |
| Other Deposits | | **33.96** | 40.91 |
| Unsecured - considered doubtful | | | |
| Advances recoverable in cash or in kind or for value to be received | | **9.98** | – |
| | | **1,185.77** | 1,009.84 |
| Less : Provision for doubtful advances | | **9.98** | – |
| | | **1,175.79** | 1,009.84 |
| (e) Deferred Payments | | **12.89** | 15.49 |

| | | As at 31st March, 2011 | As at 31st March, 2010 |
|---|---|---|---|
| | | | Rs. in Crore |
| **SCHEDULE 8 – CURRENT LIABILITIES AND PROVISIONS** | | | |
| (a) | Current Liabilities | | |
| | Sundry Creditors | **299.24** | 263.92 |
| | Other Liabilities | **1,077.85** | 1,099.53 |
| | Unclaimed dividend | **1.30** | 1.06 |
| | Unclaimed public deposits | **0.62** | 1.07 |
| | Interest accrued but not due on loans | **27.34** | 26.94 |
| | | **1,406.35** | 1,392.52 |
| | Consumers' Benefit account | **0.71** | 0.71 |
| | Liabilities on capital account | **88.83** | 192.68 |
| | Advance payment received from consumers for capital jobs | **65.02** | 32.76 |
| | | **1,560.91** | 1,618.67 |
| (b) | Provisions | | |
| | Taxation (net of advance payment of tax Rs.392.96 crore; 31.3.2010 Rs. 273.11 crore) | **6.98** | 0.98 |
| | Retirement / Separation Benefits | **72.90** | 63.42 |
| | Proposed dividend | **49.97** | 49.97 |
| | Tax on proposed dividend | **8.11** | 8.30 |
| | | **137.96** | 122.67 |

Notes :

(i) Sundry Creditors and Liabilities on Capital Account include outstanding dues of Micro and Small Enterprises Rs. Nil (31.3.2010 - Rs. Nil) (Note 12, Schedule 13).

(ii) Unclaimed dividend and unclaimed Public Deposits do not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund.

**SCHEDULE 9 – MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED**

| | As at 31st March, 2011 | As at 31st March, 2010 |
|---|---|---|
| Share / Debenture / Debt issue expenses | **7.14** | 7.86 |
| Less : Written off during the year | **0.72** | 0.72 |
| | **6.42** | 7.14 |

| | | As at 31st March, 2011 | As at 31st March, 2010 |
|---|---|---|---|
| | | | Rs. in Crore |
| **SCHEDULE 10 – OTHER INCOME** | | | |
| Hire of meters | | **38.85** | 38.98 |
| Income from long term trade investments | | **0.30** | 0.30 |
| Income from current investments - other than trade | | **26.71** | 35.73 |
| Interest on deposits (net of allocation to capital account : Rs. Nil; previous year : Rs. 3.09 crore) (Tax deducted at source Rs. 4.58 crore; previous year – Rs. 6.56 crore) | | **44.42** | 44.54 |
| Delayed Payment Surcharge | | **10.35** | 8.58 |
| Profit on sale of assets (Net) | | **–** | 1.45 |
| Miscellaneous income (includes provision written back – Rs. Nil; previous year - Rs. 10.65 crore) | | **31.81** | 26.62 |
| | | **152.44** | 156.20 |
| **SCHEDULE 11 – GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES** | | | |
| Cost of Fuel (including freight Rs. 190.87 crore; previous year – Rs. 145.16 crore) | | **1,428.30** | 1,077.07 |
| Consumption of stores & spare parts | | **251.74** | 227.26 |
| Repairs | | | |
| – Building | **9.05** | | 7.32 |
| – Plant and Machinery | **53.54** | | 42.27 |
| – Distribution System | **51.53** | | 57.94 |
| – Others | **3.20** | | 3.73 |
| | | **117.32** | |
| Salaries, wages and bonus | | **405.01** | 355.28 |
| Contributions to provident and other funds | | **58.57** | 55.07 |
| Employees' welfare expenses | | **18.24** | 15.67 |
| Insurance | | **6.31** | 6.17 |
| Rent (including lease rent Rs. 11.57 crore; previous year – Rs. 13.85 crore) | | **17.41** | 19.00 |
| Rates and taxes | | **8.27** | 10.02 |
| Audit fees | | **0.26** | 0.26 |
| Interest on consumers' security deposits | | **59.58** | 57.40 |
| Bad debts/advances (net of recoveries Rs. 3.62 crore; previous year – Rs. 4.06 crore) | | **19.34** | 16.53 |
| Provision for doubtful debts / advances | | **11.99** | – |
| Cost Adjustments | | **(154.36)** | (29.56) |
| Loss on sale / disposal of assets (Net) | | **0.78** | – |
| Miscellaneous expenditure written off | | **0.72** | 0.72 |
| Foreign Exchange Rate Variation | | **2.16** | 14.37 |
| Foreign Exchange Restatement | | **(0.61)** | (8.99) |
| Miscellaneous expenses | | **206.41** | 143.65 |
| | | **2,457.44** | 2,071.18 |
| Less : Allocated to capital & deferred payment accounts | | **184.29** | 165.04 |
| | | **2,273.15** | 1,906.14 |
| **SCHEDULE 12 – INTEREST** | | | |
| Fixed Loans | | **255.21** | 245.13 |
| Others | | **29.00** | 22.62 |
| | | **284.21** | 267.75 |
| Less : Allocated to capital accounts | | **12.11** | 89.53 |
| | | **272.10** | 178.22 |

**SCHEDULE 13 – NOTES ON ACCOUNTS**

1. The operations of the Company are governed by the Electricity Act, 2003 and various Regulations and/or Policies framed thereunder by the appropriate authorities. Accordingly, in preparing the financial statements the relevant provisions of the said Act, Regulations etc. have been duly considered.

2. **Significant Accounting Policies**

(a) **Accounting Convention**

These financial statements have been prepared to comply in all material aspects with the applicable accounting principles in India, including standards notified u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956 and the Regulations under the Electricity Act, 2003, to the extent applicable. A summary of important accounting policies which have been applied consistently are set out below. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956 of India.

(b) **Basis of Accounting**

The financial statements have been prepared under the historical cost convention, modified by revaluation of certain fixed assets as stated in item '2c' and Note 4 below.

(c) **Fixed Assets**

Fixed Assets other than furniture and vehicles acquired upto 31 March 2005, have been adjusted for the effect of valuation made by an approved external valuer at the then current replacement cost after necessary adjustment for depreciation. Subsequent acquisition of these assets, furniture and vehicles are stated at cost of acquisition together with any incidental expenses related to acquisition and appropriate borrowing costs. In case of a project, cost also includes pre-operative expenses and where applicable, expenses during trial run after netting off of revenue earned during trial run and income arising from temporary use of funds pending utilisation. An impairment loss is recognized where applicable, when the carrying value of fixed assets of cash generating unit exceed its market value or value in use, whichever is higher. Capital Works in Progress include advances made in respect of capital expenditure. Intangible assets comprising software and trademarks, expected to provide future enduring economic benefits are stated at cost of acquisition / implementation / development less accumulated amortisation.

(d) **Depreciation**

In terms of applicable Regulations under the Electricity Act, 2003, depreciation on fixed assets other than freehold land is provided on straight line method on a prorata basis at the rates specified therein, the basis of which is considered by the West Bengal Electricity Regulatory Commission (Commission) in determining the tariff for the year of the Company. Additional charge of depreciation for the year on increase in value arising from revaluation is recouped from Revaluation Reserve. Leasehold land is amortized over the unexpired period of the lease.

Cost of intangible assets, comprising software related expenditure, are amortised in three years and those relating to trademarks in twenty years, based on useful life assessed by an independent valuer.

(e) **Leasing**

Lease rentals in respect of assets taken under operating lease are charged to revenue.

(f) **Investments**

Current Investments are stated at lower of cost and fair value and Long Term Investments are stated at cost. Provision is made where there is a decline, other than temporary, in the value of long term investment.

(g) **Inventories**

Inventories of stores and spare parts and fuel are valued at lower of cost and net realizable value. Cost is calculated on weighted average basis and comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and condition. Obsolete, slow moving and defective inventories are identified at the time of physical verification of inventories and where necessary, adjustment is made for such items.

(h) **Foreign Currency Transactions**

Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of transactions. Transactions remaining unsettled are translated at the exchange rate prevailing at the end of the financial year. Exchange gain or loss arising on settlement / translation is recognized in the Profit and Loss Account. The outstanding loans repayable in foreign currency are restated at the year-end exchange rate. Exchange gain or loss arising in respect of such restatement is accounted for as an income or expense with recognition of the said amount as refundable or recoverable, which will be taken into consideration in determining the Company's future tariff in respect of the amount settled. Foreign currency loans, availed of on a fully hedged basis in Indian Rupee and where as per the terms of the underlying contracts no exchange fluctuation is on the Company's account, are accounted for in the currencies in which such loans have been fully hedged.

(i) **Sales**

Earnings from sale of electricity are net of discount for prompt payment of bills and do not include electricity duty payable to the State Government. They also include, as per established practice, consistently followed by the Company in the past, estimated sums recoverable from / adjustable on consumers' account, calculated on the basis of rates approved / specified by the appropriate authorities which are reflected in the subsequent bills. In terms of the applicable regulations and tariff determination process followed by the Commission, advance against depreciation forms part of tariff. Such advance against depreciation of a year is adjusted against earning from sale of electricity for inclusion of the same in subsequent years, based on due consideration by the authorities in the tariff determination process.

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

(j) **Other Income**

Income from hire of meters is accounted for as per the approved rates. Income from investments and deposits etc. is accounted for on accrual basis inclusive of related tax deducted at source, where applicable. Delayed payment surcharge, as a general practice, is determined and recognised on receipt of overdue payment from consumers.

(k) **Employee Benefits**

Contributions to Provident Fund and contributory Pension Fund are accounted for on accrual basis. Provident Fund contributions are made to a fund administered through duly constituted approved independent trust. The interest rate payable to the members of the trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and deficiency, if any, is made good by the Company. The Company, as per its schemes, extend employee benefits (current and/or post retirement), which are accounted for on accrual basis and includes actuarial valuation as at the balance sheet date in respect of gratuity, leave encashment and certain medical benefits, to the extent applicable, made by independent actuary. Actuarial gains and losses, where applicable, are recognised in the Profit and Loss Account. Compensation in respect of voluntary retirement scheme is charged off to revenue.

(l) **Miscellaneous expenditure to the extent not written off or adjusted**

The erstwhile governing statute for the Company, viz., the Electricity (Supply) Act, 1948 (ESA), provided for amortisation of preliminary expenses and certain capital issue expenses over the unexpired period of licence. The Company, as per the consistently applied accounting policy continues with such amortisation of expenditure incurred upto the year 2004-05. Thereafter, pursuant to repeal of ESA, such expenditures are charged off to revenue.

(m) **Borrowing Costs**

Borrowing Costs attributable to acquisition and / or construction of qualifying assets are capitalized as a part of cost of such assets upto the date where such assets are ready for their intended use. Other borrowing costs are charged to revenue.

(n) **Taxes on Income**

Current tax represents the amount payable based on computation of tax as per prevailing taxation laws under the Income Tax Act, 1961.

Provision for deferred taxation is made using liability method at the current rates of taxation on all timing differences to the extent it is probable that a liability or asset will crystallize. Deferred tax assets are recognized subject to the consideration of prudence and are periodically reviewed to reassess realization thereof. Deferred Tax liability or asset will give rise to actual tax payable or recoverable at the time of reversal thereof. Since tax on profits forms part of chargeable expenditure under the applicable regulations, deferred tax liability or asset is recoverable or payable through future tariff. Hence, recognition of deferred tax asset or liability is made with corresponding provision of liability or asset, as applicable.

3. Earnings from sale of electricity are determined in accordance with the relevant orders of the Commission, where appropriate, giving due effect of the required adjustments. Such earnings are net of discount for prompt payment of bills and advance against depreciation amounting to Rs.71.20 crore (previous year : Rs.62.05 crore) and Rs.67.55 crore (previous year : Rs.109.08 crore) respectively.

4. (a) Fixed assets other than furniture and vehicles as on 31 March 2005 have been revalued which resulted in an increase in the value of such assets by an amount of Rs.1,900.77 crore with corresponding credit to Revaluation Reserve.

   (b) Capital work in progress includes capital advance of Rs 15.31 crore (31 March, 2010 : Rs 16.05 crore).

5. Estimated amount of commitment on capital account etc. and not provided for is Rs. 114.76 crore (31 March, 2010 : Rs. 136.98 crore).

6. Claims against the Company not acknowledged as debts :

   (a) The West Bengal Taxation Tribunal had held meter rentals received by the Company from consumers to be deemed sales under the provisions of the Bengal Finance (Sales Tax) Act, 1941 and that sales tax was payable on such rentals. Based on such findings the Commercial Taxes Directorate assessed Rs.0.69 crore as sales tax on meter rentals received during the year ended 31 March, 1993 and raised a demand of Rs.0.36 crore on account of interest. Against the above demand, the Company had deposited a sum of Rs.0.75 crore with the sales tax authorities and obtained a stay against the balance demand from the Deputy Commissioner of Commercial Taxes. The sales tax authorities also indicated their intention to levy such sales tax on meter rentals for the subsequent years as well, against which, the Company filed a writ petition in the Calcutta High Court and prayed for an interim order, inter alia, restraining the sales tax authorities from proceeding with the assessment for the subsequent years till disposal of the appeal. An interim order has been issued by the High Court permitting the sales tax authorities to carry out assessments but restraining them from serving any assessment order on the Company. The disposal of the case is still pending.

   (b) Other matters :

      i. Municipal Tax : Rs. 0.95 crore (31 March, 2010: Rs. 0.89 crore) in respect of certain properties, the rates of which are disputed by the Company.

      ii. Water Cess : Rs. 6.74 crore (31 March 2010 : Rs. 2.74 crore) - disputed by the Company.

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

7. Amount lying in deposit accounts with scheduled banks as at 31 March 2011 includes Rs. 61.40 crore (31 March 2010 : Rs. 42 crore) appropriated upto the previous year towards Reserve for unforeseen exigencies and interest attributable thereto.

8. The Company has accounted for in the current year a net sum of Rs. (154.36) crore (previous year : Rs. (29.56) crore) shown as cost adjustments in schedule 11 to the Profit and Loss Account, based on the Company's understanding of the applicable regulatory provisions in respect thereof, towards an estimated adjustable sum on account of cost of electrical energy purchased and fuel and related cost and adjustment relating to revenue account after giving the effect arising from the applicable orders for earlier years (which include a sum of Rs 125.80 crore attributable to expenditure of 2009-10 for which formal adjustment is under consideration of the Commission) in this regard. The accurate quantification and disposal of the matter are being given effect to from time to time on receipt of necessary directions from the appropriate authorities.

9. Interest expenses in Schedule 12 and cost of fuel in Schedule 11 include gain of Rs.0.00 crore and Rs.1.25 crore respectively (previous year: gain of Rs. 0.03 crore and Rs. 3.04 crore respectively) due to exchange fluctuations. Miscellaneous Expenses in Schedule 11 include Borrowing Cost other than interest, amounting to Rs.5.81 crore (previous year : Rs. 5.81 crore), which has been allocated to capital account and research and development expense of Rs. 0.70 crore (previous year : Rs. 0.25 crore). Income from Long Term Trade Investment and Income from Current Investment – other than trade shown in Schedule 10 include dividend income of Rs.0.30 crore (previous year : Rs. 0.30 crore) and Rs.nil (previous year : Rs. 2.78 crore) respectively.

10. Based on a review of the projected business prospects of the Company's subsidiaries, inspite of present losses therein, the management does not foresee any permanent diminution in the value of the Company's long term investments (including advance against equity) therein.

11. Future rentals payable in respect of non-cancellable leases for assets comprising various equipment and vehicles acquired under operating leases for the period ranging between 36-60 months work out to Rs. 9.77 crore (previous year : Rs. 10.21 crore) and Rs. 10.47 crore (previous year : Rs. 19.14 crore) during next one year and thereafter till five years respectively. There are no restrictions in respect of such leases.

12. There are no amount due to Micro and Small Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006, based on information available with the Company.

13. Out of the outstanding foreign currency loans of Rs 531.16 crore (previous year : Rs. 602.79 crore) disclosed in Schedule 3 and Schedule 4, loan balance amounting to Rs. 469.09 crore (previous year : Rs. 532.97 crore) have been fully hedged in Indian Rupee and Rs 62.07 crore (previous year : Rs. 69.82 crore) represents sum restated at year end exchange rate in respect of underlying contractual obligations in United States Dollar. Current Liabilities include Rs.19.63 crore (previous year : Rs. 17.87 crore) representing amount payable in United States Dollar restated at year end exchange rate which have not been hedged.

14. **Employee Benefits**

**Defined Contribution Plan**

The Company makes contributions for provident fund and pension (including for superannuation) towards defined contribution retirement benefit plans for eligible employees. Under the said plans, the Company is required to contribute a specified percentage of the employees' salaries to fund the benefits. During the year, based on applicable rates, the Company has recognised Rs. 29.77 crore (previous year : Rs. 24.47 crore) on this count in the Profit and Loss Account.

**Defined Benefit Plans**

The Company makes annual contribution to independent trust, who in turn, invests in the Employees Group Gratuity Scheme of eligible agencies for qualifying employees. Liabilities at the year-end for gratuity, leave encashment and medical benefits have been determined on the basis of actuarial valuation carried out by an independent actuary, based on the method prescribed in Accounting Standard 15 – "Employee Benefits" of the Companies (Accounting Standard) Rules, 2006.

**Net Liability / (Asset) recognized in the Balance Sheet :** (Rs. in Crore)

| | **For the year ended 31 March, 2011** | | | For the year ended 31 March, 2010 | | | For the year ended 31 March, 2009 | | | For the year ended 31 March, 2008 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Gratuity** | **Leave Encash ment** | **Medical** | Gratuity | Leave Encash ment | Medical | Gratuity | Leave Encash-ment | Medical | Gratuity | Leave Encash-ment | Medical |
| Present value of funded obligation | **153.29** | **-** | **-** | 130.53 | - | - | 99.14 | - | - | 91.51 | - | - |
| Fair Value of Plan Assets | **151.86** | **-** | **-** | 111.01 | - | - | 106.42 | - | - | 100.19 | - | - |
| | **1.43** | **-** | **-** | 19.52 | - | - | (7.28) | - | - | (8.68) | - | - |
| Present value of un-funded obligation | **-** | **55.57** | **17.33** | - | 48.04 | 15.39 | - | 49.61 | 14.08 | - | 47.77 | 11.75 |
| Unrecognised past service cost | **-** | **-** | **-** | - | - | - | - | - | - | - | - | - |
| **Net Liability/(Asset)** | **1.43** | **55.57** | **17.33** | 19.52 | 48.04 | 15.39 | (7.28) | 49.61 | 14.08 | (8.68) | 47.77 | 11.75 |

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

**Experience Adjustment**

(Rs. in Crore)

| | 2010-11 | | |
|---|---|---|---|
| | Gratuity | Leave Encashment | Medical |
| Experience (Gain)/Loss adjustment on plan liabilities | 12.81 | 5.10 | (0.44) |
| Experience (Gain) / Loss adjustment on plan assets | (0.33) | - | - |
| Experience (Gain) / Loss adjustment on plan liabilities due to change in assumption | 7.29 | 2.33 | 1.91 |
| | **19.77** | **7.43** | **1.47** |

**Expenditure shown in the Schedule 11 to Profit and Loss Account as follows :**

(Rs. in Crore)

| | **For the year ended 31 March, 2011** | | | For the year ended 31 March, 2010 | | |
|---|---|---|---|---|---|---|
| | **Gratuity** | **Leave Encashment** | **Medical** | Gratuity | Leave Encashment | Medical |
| Current Service Cost | **6.40** | **0.12** | **-** | 5.64 | 0.12 | - |
| Interest Cost | **10.25** | **3.83** | **1.25** | 7.59 | 3.86 | 1.10 |
| Expected Return on Plan Assets | **(10.46)** | **-** | **-** | (8.21) | - | - |
| Actuarial Loss/(Gain) | **19.77** | **7.43** | **1.47** | (4.15) | (2.80) | 0.86 |
| Past Service Cost | **-** | **-** | **-** | 26.94 | - | - |
| **Total** | **25.96** | **11.38** | **2.72** | 27.81 | 1.18 | 1.96 |

**Reconciliation of Opening and Closing Balances of the present value of obligations :**

(Rs. in Crore)

| | **For the year ended 31 March, 2011** | | | For the year ended 31 March, 2010 | | |
|---|---|---|---|---|---|---|
| | **Gratuity** | **Leave Encashment** | **Medical** | Gratuity | Leave Encashment | Medical |
| Opening defined benefit obligation | **130.53** | **48.04** | **15.39** | 99.14 | 49.61 | 14.08 |
| Current Service Cost | **6.40** | **0.12** | **-** | 5.64 | 0.12 | - |
| Interest Cost | **10.25** | **3.83** | **1.25** | 7.59 | 3.86 | 1.10 |
| Plan Amendments | **-** | **-** | **-** | 26.94 | - | - |
| Actuarial Loss/(Gain) | **20.10** | **7.43** | **1.47** | (0.24) | (2.80) | 0.86 |
| Benefits Paid | **(13.99)** | **(3.85)** | **(0.78)** | (8.54) | (2.75) | (0.65) |
| **Closing Defined Benefit Obligation** | **153.29** | **55.57** | **17.33** | 130.53 | 48.04 | 15.39 |

**Reconciliation of Opening and Closing Balances of fair value of plan assets :**

(Rs. in Crore)

| | **For the year ended 31 March, 2011** | | | For the year ended 31 March, 2010 | | |
|---|---|---|---|---|---|---|
| | **Gratuity** | **Leave Encashment** | **Medical** | Gratuity | Leave Encashment | Medical |
| Opening fair value of Plan Assets | **111.01** | **-** | **-** | 106.42 | - | - |
| Expected Return on Plan Assets | **10.46** | **-** | **-** | 8.21 | - | - |
| Actual Company Contributions | **44.05** | **-** | **-** | 1.01 | - | - |
| Actuarial Gain/(Loss) | **0.33** | **-** | **-** | 3.91 | - | - |
| Benefits Paid | **(13.99)** | **-** | **-** | (8.54) | - | - |
| **Closing Fair Value on Plan Assets** | **151.86** | **-** | **-** | 111.01 | - | - |

Actual Return on Plan Assets **Rs. 10.79 crore** Rs. 12.13 crore

Plan Assets consist of funds maintained with LICI, ICICI Prudential, Birla Sun Life and HDFC Standard Life.

**Effect of increase/decrease of one percentage point in the assumed medical inflation rates :**

(Rs. in Crore)

| | **For the year ended 31 March, 2011** | | For the year ended 31 March, 2010 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | Increase | Decrease |
| Effect on aggregate of interest cost and current service cost | **-** | **-** | - | - |
| Effect on defined benefit obligation | **0.17** | **(0.12)*** | 0.15 | (0.11)* |

* in case of hospitalised treatment only

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

**Principal Actuarial Assumptions Used :**

| | **For the year ended 31 March, 2011** | For the year ended 31 March, 2010 |
|---|---|---|
| Discount Rates | **8.35%** | 8. 30% |
| Expected Return on Plan Assets | **8.30%** | 8. 00% |
| Rate of increase in medical cost trend | **2.5%** | 2.5% |
| Mortality Rates | **"LIC 1994-96 Ultimate"** | "LIC 1994-96 Ultimate" |

The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors. The expected return on plan assets is based on actuarial expectation of the average long term rate of return expected on investments of the funds during the estimated terms of the obligations. The contribution expected to be made by the Company for the year ending 31 March, 2012 is not readily ascertainable and therefore not disclosed.

(Rs. in Crore)

| | **2010-11** | 2009-10 |
|---|---|---|
| 15. **Directors' Remuneration :** | | |
| Salary | **0.48** | 0.42 |
| Commission (see note below) | **8.70** | 7.35 |
| Contributions to Pension, Provident and Gratuity Funds | **0.15** | 0.13 |
| Estimated value of other benefits | **0.30** | 0.26 |
| Non-Wholetime Directors' Fees | **0.10** | 0.13 |
| | **9.73** | 8.29 |

**Computation of Directors' Commission**

(Rs. in Crore)

| | **2010-11** | 2009-10 |
|---|---|---|
| Profit before taxation | **614.25** | 522.05 |
| **Add :** | | |
| Directors' Remuneration | **9.73** | 8.29 |
| Provision for doubtful debts / advances | **11.99** | - |
| Compensation under Voluntary Retirement Scheme | **0.87** | 3.79 |
| Wealth Tax | **0.08** | 0.94 |
| **Less :** | | |
| Profit on sale of fixed assets | **-** | 1.45 |
| Provision written back | **-** | 10.65 |
| **Profit for the purpose of Directors' Commission** | **636.92** | 522.97 |

Note: Maximum Commission in terms of the respective limits specified in the Special Resolutions passed in the Annual General meeting held on 30 July, 2008.

(Rs. in Crore)

| | **2010-11** | 2009-10 |
|---|---|---|
| Managing Director | **3.18** | 2.61 |
| Non-executive Directors | **6.37** | 5.23 |
| Provision for Commission | | |
| Managing Director | **2.40** | 2.15 |
| Non-executive Directors | **6.30** | 5.20 |

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

16. The major components of Deferred Tax Assets / (Liabilities) based on the timing difference as at 31 March, 2011 are as under :

(Rs. in Crore)

| | 2010-11 | 2009-10 |
|---|---|---|
| **Liabilities** | | |
| Excess of tax depreciation over book depreciation | **(677.57)** | (575.73) |
| **Assets** | | |
| Items covered under section 43B | **14.13** | 14.16 |
| Others including items covered under section 35DDA, 35DD | **6.01** | 3.26 |
| | **(657.43)** | (558.31) |

17. **Earnings per Share :**

**Computation of earnings per share for the year 2010-11**

| Particulars | | | 2010-11 | 2009-10 |
|---|---|---|---|---|
| Profit After Tax | (Rs. in Crore) | (A) | **488.40** | 433.30 |
| Weighted Average no. of shares for Earnings per Share | | (B) | **12,49,35,925** | 12,49,35,925 |
| Basic and Diluted Earnings per Share of Rs. 10/- = [(A) / (B)] (Rs.) | | | **39.09** | 34.68 |

18. The Company is engaged in generation and distribution of electricity and does not operate in any other reportable segment.

19. Related Parties disclosures

(a) Related Parties and their relationship

| Names of Related Parties | Nature of Relationship |
|---|---|
| Spencer's Retail Limited | Subsidiary Company |
| Au Bon Pain Café India Limited | Subsidiary of Spencer's Retail Limited |
| Music World Retail Limited | Subsidiary of Spencer's Retail Limited |
| CESC Properties Limited | Subsidiary Company |
| Metromark Green Commodities Pvt. Ltd. | Subsidiary of CESC Properties Limited |
| CESC Infrastructure Limited | Subsidiary Company (w.e.f 22 February, 2011) |
| Haldia Energy Limited | Subsidiary of CESC Limited (till 27 March, 2011) and Subsidiary of CESC Infrastructure Limited (w.e.f. 28 March, 2011) |
| Dhariwal Infrastructure Limited | Subsidiary of Haldia Energy Limited |
| Surya Vidyut Limited | Subsidiary of Haldia Energy Limited (w.e.f 28 June, 2010) |
| Nalanda Power Company Limited | Subsidiary Company |
| Mahuagarhi Coal Company Private Limited (*) | Joint Venture |
| Mr. Sumantra Banerjee | Key Management Personnel |

(*) Mahuagarhi Coal Company Private Limited (MCCPL) was incorporated in India for development of Mahuagarhi coal field and exploration of coal there from as a joint venture company with 50% participation of the Company in MCCPL's share capital, in terms of the requirements of allocation of the coal block by the Ministry of Coal, Government of India, which is yet to commence its commercial operation. The interests of the Company as at 31 March, 2011 in the assets, liabilities and expenses of the joint venture are Rs. 1.65 crore (31 March 2010 : Rs. 1.00 crore), Rs.0.01 crore (31 March 2010 : Rs. 0.00 crore) and Rs. 0.09 crore (previous year : Rs. 0.04 crore) respectively.

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

(b) Details of transaction between the Company and related parties and status of outstanding balance

(Rs. in Crore)

| Nature of Transactions | Subsidiaries | | Joint Venture | | Key Management Personnel | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 31 Mar 11 | 31Mar 10 | 31 Mar 11 | 31Mar 10 | 31 Mar 11 | 31Mar 10 | 31 Mar 11 | 31Mar 10 |
| **Acquisition of investment** | | | | | | | | |
| - Haldia Energy Limited | **-** | 350.00 | | | | | **-** | 350.00 |
| - Nalanda Power Company Limited | **-** | 0.05 | | | | | **-** | 0.05 |
| - CESC Infrastructure Limited | **716.05** | - | | | | | **716.05** | - |
| - CESC Properties Limited | **60.00** | - | | | | | **60.00** | - |
| Sale of Investment of Haldia Energy Ltd. to CESC Infrastructure Limited | **350.31** | - | | | | | **350.31** | - |
| **Advance for share subscription** | | | | | | | | |
| - Spencer's Retail Limited (*) | **192.85** | 148.80 | | | | | **192.85** | 148.80 |
| - CESC Properties Limited | **19.00** | 22.00 | | | | | **19.00** | 22.00 |
| - Haldia Energy Limited | **-** | 154.76 | | | | | **-** | 154.76 |
| - Nalanda Power Company Limited | **0.15** | 0.70 | | | | | **0.15** | 0.70 |
| - Mahuagarhi Coal Company Pvt. Ltd. | | | **0.75** | 0.50 | | | **0.75** | 0.50 |
| (*) net of refund of Rs. 350 crore (2009-10 : Rs. 350 crore). | | | | | | | | |
| Refund of advance for share subscription from Haldia Energy Limited (net of advance for share subscription - Rs. 351.96 crore) | **10.79** | - | | | | | **10.79** | - |
| **Expense recovery** | | | | | | | | |
| - Dhariwal Infrastructure Limited | **0.67** | 0.63 | | | | | **0.67** | 0.63 |
| - Haldia Energy Limited | **2.29** | - | | | | | **2.29** | - |
| **Income from sale / services** | | | | | | | | |
| - Spencer's Retail Limited | **0.93** | 0.88 | | | | | **0.93** | 0.88 |
| - CESC Properties Limited | **-** | 0.10 | | | | | **-** | 0.10 |
| - Music World Retail Limited | **0.16** | 0.21 | | | | | **0.16** | 0.21 |
| **Expenses incurred** | **-** | 0.02 | | | | | **-** | 0.02 |
| **Security Deposit** | **-** | - | | | | | **-** | - |
| **Remuneration** | | | | | **3.33** | 2.96 | **3.33** | 2.96 |
| Outstanding Balance | | | | | | | | |
| - Debit | **968.19** | 824.02 | **1.77** | 1.02 | | | **969.96** | 825.04 |
| - Credit | | | | - | **2.40** | 2.15 | **2.40** | 2.15 |

(Rs. in Crore)

| | | **2010-11** | 2009-10 |
|---|---|---|---|
| 20. | Miscellaneous Expenses shown in Schedule 11 include Auditors' Remuneration and Expenses : | | |
| (a) | Tax Audit | **0.04** | 0.04 |
| (b) | Other Services | **0.70** | 0.29 |
| (c) | Reimbursement of expenses (including applicable service tax) | **0.16** | 0.06 |

(Rs. in Crore)

| | | **2010-11** | 2009-10 |
|---|---|---|---|
| 21. | **C.I.F. value of imports :** | | |
| | Capital goods | **–** | 0.75 |
| | Fuel | **158.85** | 158.51 |

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

(Rs. in Crore)

| | | 2010-11 | 2009-10 |
|---|---|---|---|
| 22. | **Expenditure in foreign currency :** | | |
| | Travelling | **0.93** | 0.56 |
| | Technical services fees (net of tax) | **0.09** | 0.09 |
| | Interest (net of tax) | **1.28** | 2.82 |
| | Others | **1.61** | 0.37 |
| | Total | **3.91** | 3.84 |

23. **Dividend remitted in foreign currency :**

On account of dividends to non-resident shareholders relating to previous year

| | **2010-11** | | | 2009-10 | | |
|---|---|---|---|---|---|---|
| | **No. of Shareholders** | **No. of Shares held** | **Net amount remitted (Rs. in Crore)** | No. of Shareholders | No. of Shares held | Net amount remitted (Rs. in Crore) |
| Equity Dividend 2009/10 | **368** | **7,51,498** | **0.30** | 370 | 7,73,284 | 0.31 |

24. **Earnings in foreign currency :**

(Rs. in Crore)

| | 2010-11 | 2009-10 |
|---|---|---|
| Income from Carbon Credit | **2.38** | 2.91 |

25. **Values of raw materials and stores and spare parts consumed (excluding on capital account) :**

| | **2010-11** | | 2009-10 | |
|---|---|---|---|---|
| | **Rs.in Crore** | **%** | Rs. in Crore | % |
| **Raw Material** | | | | |
| Imported | **164.79** | **11.54** | 159.41 | 14.80 |
| Indigenous | **1,263.51** | **88.46** | 917.66 | 85.20 |
| | **1,428.30** | **100.00** | 1,077.07 | 100.00 |
| **Stores and Spare Parts** | | | | |
| Imported | **-** | **-** | - | - |
| Indigenous | **121.75** | **100.00** | 105.64 | 100.00 |
| | **121.75** | **100.00** | 105.64 | 100.00 |

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

(Million kWh)

| | | | 2010-11 | 2009-10 |
|---|---|---|---|---|
| 26. | (a) | Total number of units generated during the year | **8756** | 7835* |
| | (b) | Total number of units consumed in Generating Stations | **761** | 666* |
| | (c) | Total number of units sent out | **7995** | 7169* |
| | (d) | Total number of units purchased during the year | **1523** | 1827 |
| | (e) | Total number of units through Unscheduled Interchange (Net) | **(16)** | (5) |
| | (f) | Total number of units delivered | **9502** | 8991 |
| | (g) | Total number of units sold as per meter readings | **8135** | 7595 |
| | (h) | Total number of units sold to persons other than own consumers and WBSEDCL | **108** | 158 |
| | (i) | Total number of units consumed in Company's premises | **19** | 21 |
| | (j) | Total number of units sold to WBSEDCL | **38** | 54 |

* includes units generated, consumed and sent out in (a), (b) and (c) above by Unit 3 of Budge Budge Generating Station during trial run of 168 million KwH, 15 million KwH & 153 million KwH respectively.

27. The derated installed capacity of the Generating Stations of the Company (as per certification of technical expert) as on 31 March, 2011 was 1225000 kW (31 March, 2010 : 1225000 kW)

| 28. | **Consumption of fuel :** | | | **2010-11** | 2009-10 |
|---|---|---|---|---|---|
| | (a) | Consumption of coal | | | |
| | | Quantity | Tonnes | **5731095** | 4861925 |
| | | Value | Rs. in Crore | **1387.05** | 1054.94 |
| | (b) | Consumption of oil | | | |
| | | Quantity | Kilolitres | **8261.08** | 5515.77 |
| | | Value | Rs. in Crore | **41.25** | 22.13 |

29. Previous year's figures have been regrouped / rearranged, wherever necessary.

For Lovelock & Lewes
Firm Registration Number-301056E
*Chartered Accountants*

Prabal Kr. Sarkar
*Partner*
Membership No. : 52340
Kolkata, the 24 June, 2011

Subhasis Mitra
*Vice President & Company Secretary*

For and on behalf of the Board of Directors
*Chairman* R. P. Goenka
*Director* B. P. Bajoria
*Managing Director* S. Banerjee

Dear Shareholder,

**GREEN INITIATIVE**

We have already invited your kind attention to our plan for sending by electronic mode all our future communication to you. This is a part of our efforts for reducing usage of papers and saving trees in order to preserve environment. If you have not yet notified your e-mail address, you may do as follows :

- If you hold the shares in physical mode, you may register your e-mail address with the Company by sending an e-mail to greeninitiative@cesc.co.in.
- If you hold shares in electronic mode, you may register your e-mail address with the Depository Participant with whom you have an account.

We are sure of your support in our above endeavour.

It is, however, possible to continue to receive such communication in physical form, free of cost, upon request. The above documents will also be displayed on the Company's website : www.cesc.co.in.

Yours faithfully,
For **CESC Limited**

**(S. Mitra)**
*Vice President &*
*Company Secretary*

Kolkata, 24 June 2011

### Head Office

CESC House
Chowringhee Square
Kolkata 700 001
Phone : (033) 2225 6040 (10 lines)
2204 0300/6634 0300
Fax : (033) 2225 5155
E-Mail : cesc@cesc.co.in
Website : www.cesc.co.in

### Generating Stations

**Budge Budge**
Vill. & P.O. - Pujali, P.S. Budge Budge
24 Parganas (S), Pin : 700 138
Phone : 2482 1709, 2482 2957

**New Cossipore**
28 Jheel Road, Kolkata 700 002
Phone : 2556 6695, 2556 6696

**Southern**
28 Garden Reach Road
Kolkata 700 024
Phone : 2469 6886, 2469 7557

**Titagarh**
B. T. Road, P.O. Khardah, Titagarh
24 Parganas (N), Pin : 700 119
Phone : 2501 1042, 2553 3392

**Investor Service**
Secretarial Department
CESC House
Chowringhee Square
Kolkata 700 001
Telephones :
For resident shareholders
2204 0754
For non-resident shareholders
(91) (033) 2204 0663
Fax : 2236 3868
E-mail : secretarial@cesc.co.in

### Regional Offices

**Central**
CESC House
Chowringhee Square
Kolkata 700 001
Phone : 2225 6040 (10 lines)
2204 0300/6634 0300

**Howrah**
433/1 G. T. Road (N), Howrah 711 101
Phone : 2666 1667, 2666 6014
2666 9199

**North**
226 A & B APC Road, Kolkata 700 004
Phone : 2555 9815 (4 lines)

**North Suburban**
32 B. T. Road
(Opp. Sagar Dutta Hospital)
Kolkata 700 058
Phone : 2553 7583, 2583 9391

**South**
6 Mandeville Gardens
Kolkata 700 019
Phone : 2440 6470
2440 6116 (5 Lines)

**South-West**
P-18 Taratolla Road
Kolkata 700 088
Phone : 2401 4541 ( 5 lines)

**In case of supply breakdown, please contact**

## 1912

## 44031912

**Customer Relations**
CESC House
Chowringhee Square
Kolkata 700 001
Phone : 2237 3612, 2237 3853

**Consumer Grievance Cell**
CESC House
Chowringhee Square
Kolkata 700 001
Telefax : 2236 5669

# Cash Flow Statement for the year ended 31st March, 2011

Rs. in Crore

| | | 2010-11 | 2009-10 |
|---|---|---|---|
| **A.** | **Cash flow from Operating Activities** | | |
| | Profit before Taxation | 614.25 | 522.05 |
| | Adjustments for : | | |
| | Depreciation | 267.37 | 205.64 |
| | Loss/(Profit) on Sale/Disposal of Assets | 0.78 | (1.45) |
| | Income from current Investments -other than Trade | (26.71) | (35.73) |
| | Income from Long Term Trade Investment | (0.30) | (0.30) |
| | Miscellaneous expenditure written off | 0.72 | 0.72 |
| | Provision for doubtful debts / Advances written back | - | (10.65) |
| | Bad debts / Advances written off | 22.96 | 20.59 |
| | Provision for doubtful debts / Advances | 11.99 | - |
| | Interest Expense | 272.10 | 178.22 |
| | Interest Income | (44.42) | (44.54) |
| | Advance against depreciation | 67.55 | 109.08 |
| | Foreign Exchange Rate Variation | 2.16 | 14.37 |
| | **Operating Profit before Working Capital changes** | **1188.45** | **958.00** |
| | Adjustments for : | | |
| | Trade & other receivable | (34.74) | (5.01) |
| | Inventories | (56.16) | (26.32) |
| | Trade payables | 23.11 | 31.77 |
| | **Cash Generated from Operations** | **1120.66** | **958.44** |
| | Income Tax paid | (119.85) | (88.72) |
| | **Net cash flow from Operating Activities** | **1000.81** | **869.72** |
| **B.** | **Cash flow from Investing Activities** | | |
| | Purchase of Fixed Assets/Capital Work-in-Progress | (736.21) | (912.47) |
| | Sale of Fixed Assets | 1.84 | 3.45 |
| | Investment in Subsidiaries and Joint Ventures | (735.05) | (143.72) |
| | Sale of Current Investments (net) | 46.71 | 15.73 |
| | Sale of Long Term Investments in Subsidiaries | 350.31 | - |
| | Income from Long Term Trade Investment received | 0.30 | 0.30 |
| | Interest received | 32.75 | 52.66 |
| | Advance to subsidiaries, Joint Venture and other for share subscription (net) | (188.56) | (183.10) |
| | **Net cash used in Investing Activities** | **(1227.91)** | **(1167.15)** |
| **C.** | **Cash flow from Financing Activities** | | |
| | Proceeds from Long Term Loans (including refinance loan) | 375.00 | 648.73 |
| | Repayment of Long Term Loans | (350.32) | (294.03) |
| | Repayment of Public Deposits | (0.45) | (0.24) |
| | Net increase in Cash Credit facilities and other Short Term Loans | 180.62 | 47.56 |
| | Capital Contributions and Advance received from Consumers | 83.13 | 63.24 |
| | Interest Paid | (283.80) | (264.53) |
| | Dividends paid | (49.73) | (49.74) |
| | Dividend tax paid | (8.30) | (8.50) |
| | **Net Cash flow from Financing Activities** | **(53.85)** | **142.49** |
| | **Net Decrease in cash and cash equivalents** | **(280.95)** | **(154.94)** |
| | **Cash and Cash equivalents - Opening Balance** | **1119.79** | **1274.73** |
| | **Cash and Cash equivalents - Closing Balance** | **838.84** | **1119.79** |

**Notes :** a) The Cash Flow Statement has been prepared under the indirect method as given in the Accounting Standard on Cash Flow Statement (AS-3) as per Companies Accounting Standard Rules, 2006.

b) Previous year's figures have been regrouped/rearranged wherever necessary.

This is the Cash Flow Statement referred to in our Report of even date.
For Lovelock & Lewes
Firm Registration Number-301056E
*Chartered Accountants*

Prabal Kr. Sarkar
*Partner*
Membership No. : 52340
Kolkata, the 24 June, 2011

Subhasis Mitra
*Vice President & Company Secretary*

For and on behalf of the Board of Directors
*Chairman* R. P. Goenka
*Director* B. P. Bajoria
*Managing Director* S. Banerjee

# Ten Years at a Glance : 2002 – 2011

**Rupees in Crore**

| Year ended 31st March | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | **2011** |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Revenue from Sale of Electricity and Other Income | 2143 | 2243 | 2416 | 2387 | 2587 | 2573 | 2930 | 3200 | 3449 | 4092 |
| Profit before Taxation ( after charging Depreciation and Interest ) | (88) | 8 | 93 | 163 | 204 | 341 | 403 | 465 | 522 | 614 |
| Taxation | - | 1 | 7 | 13 | 20 | 40 | 48 | 55 | 89 | 126 |
| Profit after Taxation | (88) | 7 | 86 | 150 | 184 | 301 | 355 | 410 | 433 | 488 |
| Net Special Appropriations including Appropriations to Contingencies Reserve/ Reserve for Unforseen exigencies | 27 | 12 | 15 | 3 | 7 | 12 | 13 | 16 | 17 | 23 |
| Profit / (Loss) after Tax and Special Appropriations | (115) | (5) | 71 | 147 | 177 | 289 | 342 | 394 | 416 | 465 |
| Proposed Dividend including Tax | – | – | – | 21 | 23 | 35 | 58 | 58 | 58 | 58 |
| Sources of Funds – | | | | | | | | | | |
| Share Capital | 62 | 62 | 67 | 75 | 83 | 85 | 126 | 126 | 126 | 126 |
| Equity Warrants issued and subscribed | – | – | – | – | 4 | – | – | – | – | – |
| Reserves and Surplus (Net) | 1737 | 1747 | 1309 | 1464 | 3606 | 3730 | 4519 | 4757 | 5071 | 5444 |
| Loan Funds | 3076 | 2993 | 2609 | 2167 | 1910 | 1799 | 1629 | 2398 | 2812 | 3016 |
| Security Deposits | 250 | 316 | 373 | 441 | 560 | 652 | 742 | 821 | 896 | 935 |
| Advance against Depreciation | – | – | – | – | – | 100 | 198 | 338 | 447 | 514 |
| | 5125 | 5118 | 4358 | 4147 | 6163 | 6366 | 7214 | 8440 | 9352 | 10035 |
| Application of Funds – | | | | | | | | | | |
| Fixed Assets ( less Depreciation ) | 4688 | 4457 | 4035 | 3843 | 5566 | 5556 | 5829 | 6883 | 7511 | 7751 |
| Investments | 11 | 11 | 30 | 31 | 31 | 241 | 570 | 310` | 679 | 1084 |
| Net Current Assets ( includes Miscellaneous Expenditure not written off ) | 426 | 650 | 293 | 273 | 566 | 569 | 815 | 1247 | 1162 | 1200 |
| | 5125 | 5118 | 4358 | 4147 | 6163 | 6366 | 7214 | 8440 | 9352 | 10035 |
| Additions to Fixed Assets | 166 | 108 | 146 | 146 | 161 | 232 | 302 | 694 | 1954 | 625 |
| Depreciation | 315 | 323 | 296 | 292 | 254 | 158 | 168 | 175 | 206 | 267 |
| Units sold (millions) | 5333 | 5557 | 5711 | 5864 | 6251 | 6424 | 6948 | 7206 | 7595 | 8135 |
| Units exported (millions) | – | – | 7 | 160 | 418 | 458 | 441 | 302 | 158 | 146 |
| System Maximum Demand (megawatts) | 1280 | 1281 | 1281 | 1253 | 1343 | 1359 | 1436 | 1450 | 1584 | 1657 |
| No. of Consumers (in Lakhs) | 18.28 | 18.77 | 19.49 | 20.19 | 20.96 | 21.83 | 22.08 | 22.94 | 23.84 | 24.89 |

# Major Statistics : 2010 – 2011

| | | | |
|---|---|---|---|
| **Generating Capacity** | Budge Budge Generating Station | 750 | MW |
| | Southern Generating Station | 135 | MW |
| | Titagarh Generating Station | 240 | MW |
| | New Cossipore Generating Station | 100 | MW |
| **220/132/33 KV Substations** | Installed Capacity | 480 | MVA |
| **132/33 KV Substations** | Installed Capacity | 1932 | MVA |
| **Distribution Stations** | Number of Stations | 95 | |
| | Transformer Capacity | 2880.5 | MVA |
| **LT Substations** | No. of AC Substations | 6635 | |
| | Transformer Capacity | 2190 | MVA |
| | No. of DC Substations | 1 | |
| | DC Substations Capacity | 400 | KW |
| **Distribution Network (Circuit KM.)** | | | |
| | | 220 KV UG | 6.74 Ckt. Km. |
| | | 220 KV OH | 172 Ckt. Km. |
| | | 132 KV UG | 243 Ckt. Km. |
| | | 132 KV OH | 81 Ckt. Km. |
| | | 33 KV UG | 1166 Ckt. Km. |
| | | 33 KV OH | 92 Ckt. Km. |
| | | 20 KV UG | 50 Ckt. Km. |
| | | 11 & 6 KV UG | 4950 Ckt. Km. |
| | | 11 & 6 KV OH | 87 Ckt. Km. |
| | | 3.3 KV UG | 21 Ckt. Km. |
| | | L T UG | 6358 Ckt Km. |
| | | L T OH | 4605 Ckt. Km. |
| **Additions During the Year** | | | |
| 220/132/33 KV Substations | NIL | LT UG Mains | 184 Ckt. Km. |
| 132/33 KV Substations | NIL | LT OH Mains | 65.6 Ckt. Km. |
| Distribution Stations | 102.0 MVA | 220 KV UG | 0.138 Ckt. Km. |
| LTAC Substations | 122.65 MVA | 132 KV UG | 20.717 Ckt. Km. |
| No. of LT Services | 19157 Nos | 33 KV UG | 20.65 Ckt. Km. |
| No. of HT Services | 47 Nos | 6 KV UG | 252 Ckt. Km. |
| | | 11 KV UG | 74 Ckt. Km. |

**Abbreviations** : MW - Megawatt, MVA - Megavoltampere, KV - Kilovolt, UG -Underground, OH - Overhead, Ckt. Km. - Circuit Kilometre.

# Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

| | |
|---|---|
| Registration No. | 21-31411 (CIN - L31901WB1978PLC031411) |
| State Code | 21 |
| Balance Sheet Date | 31 March, 2011 |

II. Capital raised during the year

(Amount in Rupees Crore)

| | | | |
|---|---|---|---|
| Public Issue | Nil | Rights Issue | Nil |
| Bonus Issue | Nil | Private Placement | Nil |

III. Position of mobilisation and deployment of funds
(Amount in Rupees Crore)

| | | | |
|---|---|---|---|
| Total Liabilities | 10035.54 | Total Assets | 10035.54 |
| Sources of Funds | | Application of Funds | |
| Paid up Capital | 125.60 | Net Fixed Assets | 7750.79 |
| Reserves and Surplus | 5443.64 | Investments | 1084.32 |
| Secured Loans | 2839.51 | Net Current Assets | 1194.01 |
| Unsecured Loans | 177.07 | Miscellaneous Expenditure | 6.42 |
| Other Funds | 935.46 | | |
| Advance against Depreciation | 514.26 | | |

IV. Performance of the Company
(Amount in Rupees Crore)

| | | | |
|---|---|---|---|
| Turnover (including Other Income) | 4092.29 | Total Expenditure | 3478.04 |
| Profit before Tax | 614.25 | Profit after Tax | 488.40 |
| Earnings Per Share (Rs.) | | | |
| Basic & Diluted | 39.09 | Dividend Rate (%) | 40% |

V. Generic Names of Principal Products / Services of the Company
(As per monetary terms)

| | | | |
|---|---|---|---|
| Item Code No. | Not specified | Product Description | Electricity |

**AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CESC LIMITED**

**THE BOARD OF DIRECTORS OF CESC LIMITED**

1. We have audited the attached consolidated balance sheet of CESC Limited (the "Company") and its subsidiaries and its jointly controlled entity hereinafter referred to as the "Group" (refer Note 1(b) and 1(c) on Schedule 13 to the attached consolidated financial statements) as at 31 March, 2011, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of eight subsidiaries and a jointly controlled entity included in the consolidated financial statements, which constitute total assets of Rs.2,25,105.32 lakh and net assets of Rs.2,02,438.22 lakh as at 31 March, 2011, total revenue of Rs.1,06,478.43 lakh, net loss of Rs.21,373.39 lakh and net cash flows amounting to Rs.32,583.83 lakh for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

4. In respect of one of the subsidiaries, the auditors had made the following observation :

   Attention is drawn to note no. 16 on Schedule Q regarding recognition of net deferred tax asset (DTA) of Rs.32,154.69 lakh (including Rs.7,523.38 lakh for the year) in the accounts up to 31 March, 2011 based on the future profitability projections made by the management. However, we are unable to express any opinion on the above projections and their consequent impact, if any, on such Deferred Tax Asset. This had also caused us to qualify our audit opinion on the financial statements relating to the preceding year.

   Had the impact of above item been considered, there would be a loss of Rs.26,833.24 lakh as against the reported loss of Rs.19,309.86 lakh for the year and the Profit and Loss Account debit balance would have been Rs.1,09,906.74 lakh as against the reported debit balance of Rs.77,752.05 lakh.

5. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under subsection 3C of Section 211 of the Companies Act, 1956.

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, subject to our remarks in paragraph 4 above, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2011;

   (a) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and

   (b) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Lovelock & Lewes
Firm Registration Number - 301056E
Chartered Accountants

Prabal Kr. Sarkar
*Partner*
Membership Number: 52340

Kolkata, 24 June, 2011

# Consolidated Balance Sheet as at 31st March, 2011

CESC LIMITED

| | Schedule No. | | Rs. in Lakh As at 31st March, 2011 | Rs. in Lakh As at 31st March, 2010 |
|---|---|---|---|---|
| **I. SOURCES OF FUNDS** | | | | |
| Shareholders' Funds | | | | |
| Share Capital | 1 | **12,559.15** | | 12,559.15 |
| Share Application Money | | **–** | | 100.00 |
| Reserves and Surplus | 2 | **457,515.97** | | 441,273.49 |
| | | | **470,075.12** | 453,932.64 |
| Minority Interest | | | **210.88** | 88.96 |
| Loan Funds | | | | |
| Secured Loans | 3 | **330,075.86** | | 280,621.65 |
| Unsecured Loans | 4 | **82,706.75** | | 71,267.25 |
| | | | **412,782.61** | 351,888.90 |
| Consumers' Security Deposits | | | **93,483.84** | 89,589.09 |
| Deferred Tax Liability (Note 12, Schedule 13) | | **65,743.00** | | 55,831.00 |
| Less : Recoverable | | **(65,743.00)** | | (55,831.00) |
| | | | **–** | – |
| Advance against Depreciation | | | **51,426.00** | 44,671.00 |
| | | | **1,027,978.45** | 940,170.59 |
| **II. APPLICATION OF FUNDS** | | | | |
| Fixed Assets | 5 | | | |
| Gross Block | | **1,270,231.26** | | 1,208,573.22 |
| Less : Depreciation | | **464,052.00** | | 424,072.22 |
| Net Block | | | **806,179.26** | 784,501.00 |
| Capital Work-in-Progress | | | **88,013.71** | 44,216.30 |
| (Includes Share of Joint Venture - Rs. 146.22 lakh; 31.3.2010 - Rs. 75.03 lakh) | | | **894,192.97** | 828,717.30 |
| Investments | 6 | | **41,737.30** | 43,737.30 |
| Deferred Tax Asset (Note 12, Schedule 13) | | | **32,154.69** | 24,631.31 |
| Current Assets, Loans and Advances | 7 | | | |
| Inventories | | **40,789.66** | | 37,389.12 |
| Sundry Debtors | | **58,200.94** | | 51,762.53 |
| Cash and Bank Balances | | **122,911.88** | | 116,800.09 |
| Loans and Advances | | **29,179.24** | | 28,161.88 |
| Deferred Payments | | **1,289.01** | | 1,548.75 |
| | | **252,370.73** | | 235,662.37 |
| Less : Current Liabilities and Provisions | 8 | | | |
| Current Liabilities | | **179,356.44** | | 180,802.14 |
| Provisions | | **13,762.38** | | 12,488.62 |
| | | **193,118.82** | | 193,290.76 |
| Net Current Assets | | | **59,251.91** | 42,371.61 |
| Miscellaneous Expenditure to the extent not written off or adjusted | 9 | | **641.58** | 713.07 |
| | | | **1,027,978.45** | 940,170.59 |
| **Notes on Accounts** | 13 | | | |

Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For Lovelock & Lewes
Firm Registration Number-301056E
*Chartered Accountants*

Prabal Kr. Sarkar
*Partner*
Membership No. : 52340
Kolkata, the 24 June, 2011

Subhasis Mitra
*Vice President & Company Secretary*

For and on behalf of the Board of Directors
*Chairman* R. P. Goenka
*Director* B. P. Bajoria
*Managing Director* S. Banerjee

CESC LIMITED

# Consolidated Profit and Loss Account for the year ended 31st March, 2011

| | Schedule No. | | Rs. in Lakh 2010-11 | Rs. in Lakh 2009-10 |
|---|---|---|---|---|
| **INCOME** | | | | |
| Sales | | | **494,253.88** | 420,415.19 |
| Other Income | 10 | | **21,427.30** | 21,581.28 |
| | | | **515,681.18** | 441,996.47 |
| **EXPENDITURE** | | | | |
| Cost of Electrical Energy purchased for Power Business | | | **66,542.39** | 63,698.92 |
| Cost of Fuel for Power Business | | | **142,830.12** | 107,707.16 |
| Cost of Goods Sold for Retail Business | | | **86,580.33** | 79,586.22 |
| Other Expenditure | 11 | | **123,047.21** | 123,761.47 |
| Interest | 12 | | **29,876.77** | 20,399.99 |
| Depreciation | | **42,305.96** | | 36,346.98 |
| Less : Transfer from Revaluation Reserve | | **10,656.85** | | 11,211.55 |
| | | | **31,649.11** | 25,135.43 |
| | | | **480,525.93** | 420,289.19 |
| Profit before Taxation, Exceptional Items and Minority Interest | | | **35,155.25** | 21,707.28 |
| Exceptional Items (Note 16, Schedule 13) | | | **(2,119.18)** | (4,318.43) |
| Provision for Taxation – Current | | **(12,820.64)** | | (8,940.23) |
| – Deferred Tax (net) | | **7,523.38** | | 7,185.77 |
| | | | **(5,297.26)** | (1,754.46) |
| Profit after Taxation and Exceptional Items before Minority Interest | | | **27,738.81** | 15,634.39 |
| Minority Interest | | | **98.84** | 90.28 |
| Profit after Taxation and Minority Interest | | | **27,837.65** | 15,724.67 |
| Transfer (to) Reserve for unforeseen exigencies | | | **(2,347.00)** | (1,738.00) |
| Proposed dividend | | | **(4,997.44)** | (4,997.44) |
| Tax on proposed dividend | | | **(810.71)** | (830.01) |
| General Reserve / Surplus as per Balance Sheet | | | **(19,682.50)** | (8,159.22) |
| Earnings per Equity Share (in Rupees) (Face value of Rs. 10 per share) | | | | |
| Basic & Diluted before Exceptional Items | | | **23.98** | 16.04 |
| Basic & Diluted after Exceptional Items (Note 13, Schedule 13) | | | **22.28** | 12.59 |
| **Notes on Accounts** | 13 | | | |

Schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

For Lovelock & Lewes
Firm Registration Number-301056E
*Chartered Accountants*

Prabal Kr. Sarkar
*Partner*
Membership No. : 52340
Kolkata, the 24 June, 2011

Subhasis Mitra
*Vice President & Company Secretary*

For and on behalf of the Board of Directors
*Chairman* R. P. Goenka
*Director* B. P. Bajoria
*Managing Director* S. Banerjee

# Schedule to the Accounts

| | Rs. in Lakh As at 31st March, 2011 | Rs. in Lakh As at 31st March, 2010 |
|---|---|---|
| **SCHEDULE 1 – SHARE CAPITAL** | | |
| AUTHORISED CAPITAL | | |
| 15,00,00,000 Equity Shares of Rs. 10 each | **15,000.00** | 15,000.00 |
| | **15,000.00** | 15,000.00 |
| ISSUED CAPITAL | | |
| 13,12,35,897 Equity Shares of Rs. 10 each | **13,123.59** | 13,123.59 |
| | **13,123.59** | 13,123.59 |
| SUBSCRIBED AND PAID UP CAPITAL | | |
| 12,49,35,925 Equity Shares of Rs. 10 each | **12,493.59** | 12,493.59 |
| Add : Forfeited Shares (amount originally paid-up) | **65.56** | 65.56 |
| | **12,559.15** | 12,559.15 |

**Notes :**

1. 71,94,951 Equity Shares of Rs. 10 each were allotted on 7 April, 1979 as fully paid without consideration being received in cash, to the stockholders of The Calcutta Electric Supply Corporation Limited, the erstwhile sterling company, in terms of a Scheme of Arrangement and Amalgamation approved by the Hon'ble High Courts at Calcutta and London pursuant to which the undertaking and the assets, liabilities, reserves and surplus of the said sterling company were transferred to the Parent.
2. 3,10,58,414 Equity Shares of Rs. 10 each were allotted as fully paid-up on 12 October, 2007 pursuant to a Scheme of Amalgamation sanctioned by the Hon'ble High Court at Calcutta, without consideration being received in cash.

**SCHEDULE 2 – RESERVES AND SURPLUS**

| | | As at 31st March, 2011 | As at 31st March, 2010 |
|---|---|---|---|
| Capital contribution from consumers as at beginning of the year | **52,549.61** | | 46,977.79 |
| Add : Contributions during the year | **5,087.86** | | 5,571.82 |
| | | **57,637.47** | 52,549.61 |
| Capital Reserve on consolidation | | **3,772.31** | 3,772.31 |
| Capital Redemption Reserve | | **2,012.70** | 2,012.70 |
| Share Premium Account | | **125,484.54** | 125,484.54 |
| Revaluation Reserve as at beginning of the year | **137,369.81** | | 149,054.77 |
| Less : Withdrawal on account of depreciation on amount added on revaluation | **10,656.85** | | 11,211.55 |
| | **126,712.96** | | 137,843.22 |
| Less : Withdrawal of the residual amount added on revaluation consequent to sale/disposal of revalued assets | **218.03** | | 473.41 |
| | | **126,494.93** | 137,369.81 |
| Reserve for unforeseen exigencies as at beginning of the year | **5,810.00** | | 4,072.00 |
| Add : Transfer from Profit and Loss Account | **2,347.00** | | 1,738.00 |
| | | **8,157.00** | 5,810.00 |
| General Reserve / Surplus as at beginning of the year | **114,274.52** | | 106,115.30 |
| Add : Transfer from Profit and Loss Account | **19,682.50** | | 8,159.22 |
| | | **133,957.02** | 114,274.52 |
| | | **457,515.97** | 441,273.49 |

| | Rs. in Lakh As at 31st March, 2011 | Rs. in Lakh As at 31st March, 2010 |
|---|---|---|
| **SCHEDULE 3 – SECURED LOANS** | | |
| **I. Term Loans** | | |
| A. **Rupee Loans :** | | |
| (i) Banks | **194,643.15** | 148,833.72 |
| (ii) Financial Institutions | **51,051.22** | 46,865.77 |
| | **245,694.37** | 195,699.49 |
| B. **Foreign Currency Loans :** | | |
| (i) Standard Chartered Bank | **16,317.50** | 17,031.88 |
| (ii) ICICI Bank Limited | **30,591.25** | 36,980.02 |
| | **46,908.75** | 54,011.90 |
| **II. Facilities from Banks :** | | |
| Overdraft | **37,472.74** | 30,910.26 |
| | **37,472.74** | 30,910.26 |
| | **330,075.86** | 280,621.65 |

**Notes :**

1. The term loans and facilities from banks in respect of the Parent in I and II above are secured by equitable mortgage / hypothecation of all the fixed assets of the Parent including its land, buildings and all construction thereon and plant and machinery etc. and hypothecation of its current assets comprising stock of stores, coal and other consumables, book debts, monies receivable and bank balances. However, creation of mortgage security in respect of working capital facilities from banks of the Parent aggregating Rs. 9,760 lakh is in process.

2. The security for the term loans in respect of the Parent in I above ranks pari passu inter se while the security in respect of facilities from banks in respect of the Parent in II above ranks pari passu amongst the said banks.

3. The ranking of the above security in respect of the Parent created by way of equitable mortgage / hypothecation is as follows :

| On | Prior Charge | Subservient Charge |
|---|---|---|
| Fixed Assets | Term Loans in I above | Facilities from Banks in II above |
| Current Assets | Facilities from Banks in II above | Term Loans in I above |

4. Term loans amounting to Rs. 4,125 lakh in 1A(i) above in respect of one of the subsidiaries are secured by hypothecation by way of first charge on all the current assets and movable assets (tangible & intangible, both present and future) and all the receivables arising out of, pursuant to or under the merchant establishment agreement (including the credit card receivables account) save and except any asset situated in or any such receivables arising from the hyper stores situated at Vishakapatnam, Hyderabad and Malad (Mumbai). Beside, the said term loan is also secured by the unconditional and irrevocable letter of comfort from the parent.

5. Term loan amounting to Rs.5,000 lakh in I(A)(i) above in respect of one of the subsidiaries is secured by way of mortgage/hypothecation of all fixed assets ( both present and future) of that company in respect of the Mall project, together with an exclusive charge on the escrow account, all monies credited/deposited therein and all investments in respect of the Mall project.

6. Term loan amounting to Rs.37,000 lakh in I(A)(i) above in respect of one of the subsidiaries is secured by way of mortgage/hypothecation and charge on all Borrower's movable and immovable assets (including all revenues, receipts, receivables and intangible properties) both present and future.

**SCHEDULE 4 – UNSECURED LOANS**

| | | **Rs. in Lakh**<br>**As at 31st March, 2011** | Rs. in Lakh<br>As at 31st March, 2010 |
|---|---|---|---|
| (a) | Short term loans from banks | **46,500.00** | 35,000.00 |
| (b) | Floating Rate Notes<br>(US$ 13.75 million repayable in year 2012-13) | **6,206.75** | 6,267.25 |
| (c) | Other term loans from banks | **30,000.00** | 30,000.00 |
| | | **82,706.75** | 71,267.25 |

**SCHEDULE 5 – FIXED ASSETS**

Rs. in Lakh

| PARTICULARS | GROSS BLOCK AT COST OR VALUATION | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1st April, 2010 | Additions/ Adjustments | Withdrawals/ Adjustments | **As at 31st March, 2011** | As at 1st April, 2010 | Additions/ Adjustments | Withdrawals/ Adjustments | **As at 31st March, 2011** | **As at 31st March, 2011** | As at 31st March, 2010 |
| Goodwill on consolidation | 31,214.96 | 203.00 | – | **31,417.96** | – | – | – | **–** | **31,417.96** | 31,214.96 |
| Land | | | | | | | | | | |
| Freehold | 83,977.85 | 900.65 | – | **84,878.50** | 8.13 | 1.35 | – | **9.48** | **84,869.02** | 83,969.72 |
| Leasehold | 44,347.69 | 300.81 | – | **44,648.50** | 2,330.19 | 302.26 | – | **2,632.45** | **42,016.05** | 42,017.50 |
| Buildings and Structures | | | | | | | | | | |
| Freehold | 39,949.79 | 1,473.52 | 2.25 | **41,421.06** | 6,299.01 | 1,172.73 | 1.19 | **7,470.55** | **33,950.51** | 33,650.78 |
| Leasehold | 44,745.46 | 1,550.97 | 2,235.63 | **44,060.80** | 23,945.01 | 2,618.95 | 529.69 | **26,034.27** | **18,026.53** | 20,800.45 |
| Plant and Machinery | 532,416.62 | 20,936.78 | 1,912.64 | **551,440.76** | 220,682.91 | 20,369.90 | 1,090.71 | **239,962.10** | **311478.66** | 311,733.71 |
| Transmission and Distribution System | 356,847.84 | 34,706.18 | – | **391,554.02** | 137,647.06 | 12,220.34 | – | **149,867.40** | **241,686.62** | 219,200.78 |
| Meters and Other Apparatus on Consumers' Premises | 43,323.25 | 3,947.55 | 581.79 | **46,689.01** | 20,491.79 | 1,923.47 | 461.18 | **21,954.08** | **24,734.93** | 22,831.46 |
| River Tunnel | 487.42 | – | – | **487.42** | 205.15 | 20.12 | – | **225.27** | **262.15** | 282.27 |
| Furniture, Fittings and office equipments | 18,830.16 | 2,299.44 | 1,007.08 | **20,122.52** | 7,623.11 | 2,719.61 | 283.88 | **10,058.84** | **10,063.68** | 11,207.05 |
| Vehicles (including cranes and earth moving equipment) | 1,601.96 | 195.27 | 95.21 | **1,702.02** | 858.54 | 230.92 | 61.62 | **1,027.84** | **674.18** | 743.42 |
| Railway Sidings | | | | | | | | | | |
| Freehold | 456.04 | – | – | **456.04** | 445.32 | 0.40 | – | **445.72** | **10.32** | 10.72 |
| Leasehold | 2,696.68 | 773.20 | – | **3,469.88** | 1,323.09 | 95.82 | – | **1,418.91** | **2,050.97** | 1,373.59 |
| Trademarks | 3,200.00 | – | – | **3,200.00** | 160.00 | 160.00 | – | **320.00** | **2,880.00** | 3,040.00 |
| Software | 3,525.70 | 188.61 | – | **3,714.31** | 1,999.94 | 475.97 | – | **2,475.91** | **1,238.40** | 1,525.76 |
| Licence | 951.80 | 16.66 | – | **968.46** | 52.97 | 96.21 | – | **149.18** | **819.28** | 898.83 |
| | 1,208,573.22 | 67,492.64 | 5,834.60 | **1,270,231.26** | 424,072.22 | 42,408.05 | 2,428.27 | **464,052.00** | **806,179.26** | 784,501.00 |
| Previous Year | 984,218.89 | 234,040.63 | 9,686.30 | 1,208,573.22 | 390,533.45 | 36,424.90 | 2,886.13 | 424,072.22 | 784,501.00 | |

Note : 1. In respect of one of the subsidiaries, depreciation for the year includes Rs.1,434.85 lakh (previous year : Rs. 337.16 lakh) being accelarated depreciation on certain movable items not in use from closed/dropped stores.

2. Additions/Adjustments on Depreciation includes Rs. 102.09 lakh (previous year : Rs. 77.92 lakh) representing depreciation transferred to Capital Work-in-Progress in respect of certain subsidiaries.

CESC LIMITED

| | Rs. in Lakh As at 31st March, 2011 | Rs. in Lakh As at 31st March, 2010 |
|---|---|---|
| **SCHEDULE 6 – INVESTMENTS** | | |
| **Long Term - Unquoted (fully paid)** | | |
| **Trade** | | |
| 13,000 Equity Shares of Integrated Coal Mining Limited of Rs.10 each | **1.30** | 1.30 |
| 3,00,00,000 1% Cumulative Optionally Convertible Redeemable Preference Shares of Integrated Coal Mining Limited of Rs.10 each | **3,000.00** | 3,000.00 |
| **Other than Trade** | | |
| 60,00,000 Equity Shares of Crescent Power Limited of Rs. 10 each | **600.00** | 600.00 |
| 12,685.585 Units of UTI-Floating Rate Fund of Rs.1000 each | **135.00** | 135.00 |
| 10,000 Equity Shares of Rs. 10 each in Retail Association of India | **1.00** | 1.00 |
| **Current - Unquoted (fully paid)** | | |
| 2,13,908.731 units of Rs. 1402.4673 each of DSP BlackRock Liquidity Fund - Inst Plan - Growth | **3,000.00** | |
| 1,91,28,871.205 units of Rs. 15.6831 each of Birla Sunlife Cash Plus - Inst Premium - Growth | **3,000.00** | |
| 1,55,592.979 units of Rs. 1606.7563 each of UTI Liquid Cash Plan Institutional - Growth Option | **2,500.00** | |
| 4,19,55,460.084 units of Rs. 11.9174 each of IDFC Cash Fund - Super Inst Plan C - Growth | **5,000.00** | |
| 1,90,249.866 units of Rs. 1051.2491 each of IDBI Liquid Fund - Growth | **2,000.00** | |
| 127,04,801.399 units of Rs. 19.6776 each of HDFC Liquid Fund - Premium Plus Plan - Growth | **2,500.00** | |
| 34,50,541.321 units of Rs. 144.9048 each of ICICI Prudential Institutional Liquid Super Institutional Plan - Growth | **5,000.00** | |
| 4,46,79,558.209 units of Rs. 11.1908 each of IDFC Cash Fund | **-** | 5,000.00 |
| 12,57,097.972 units of Rs. 1511.4176 each of UTI Liquid Cash Plan | **-** | 19,000.00 |
| 66,154.568 Units of Rs.1511.6114 each of UTI Liquid Cash Plan | **-** | 1,000.00 |
| 8,93,59,116.417 units of Rs. 11.1908 each of IDFC Cash Fund - Super Inst Plan C - Growth | **-** | 10,000.00 |
| 18,37,481.386 units of Rs. 136.0826 each of ICICI Prudential Institutional Liquid Super Institutional Plan - Growth | **-** | 2,500.00 |
| 2,50,00,000 units of Rs. 10.0000 each of IDFC FMP HY Series 9 - Plan A - Growth | **-** | 2,500.00 |
| 3,454,751.735 Units of Rs.144.7282 each of ICICI Prudential Liquid Super Inst Plan - Growth | **5,000.00** | |
| 42,008,334.454 Units of Rs.11.9024 each of IDFC Cash Fund - Super Inst Plan C Growth | **5,000.00** | |
| 311,185.9589 Units of Rs.1606.7563 each of UTI Liquid Fund Cash Plan-Inst -Growth Option | **5,000.00** | |
| | **41,737.30** | 43,737.30 |

# Schedule to the Accounts *(Contd.)*

## SCHEDULE 7 – CURRENT ASSETS, LOANS AND ADVANCES

| | | Rs. in Lakh As at 31st March, 2011 | Rs. in Lakh As at 31st March, 2010 |
|---|---|---|---|
| (a) Inventories | | | |
| Stores and Spare parts | | **14,054.03** | 13,359.55 |
| Fuel | | **15,389.90** | 10,468.01 |
| Packing Materials | | **220.45** | 262.07 |
| Raw Material | | **12.00** | 6.54 |
| Work in Progess | | **1.50** | 0.82 |
| Finished Goods | | **3.99** | 2.14 |
| Traded goods | | **11,107.79** | 13,289.99 |
| | | **40,789.66** | 37,389.12 |
| (b) Sundry Debtors | | | |
| 1. For operations | | | |
| Debts outstanding for a period exceeding six months | | | |
| Secured – considered good | **724.36** | | 732.26 |
| Unsecured – considered good | **2,391.83** | | 1,134.79 |
| | **3,116.19** | | 1,867.05 |
| Unsecured – considered doubtful | **534.18** | | 635.19 |
| | | **3,650.37** | 2,502.24 |
| Other Debts | | | |
| Secured – considered good | **31,908.40** | | 32,455.44 |
| Unsecured – considered good | **21,879.73** | | 15,648.71 |
| | | **53,788.13** | 48,104.15 |
| | | **57,438.50** | 50,606.39 |
| Less : Provision for doubtful debts | | **534.18** | 635.19 |
| | | **56,904.32** | 49,971.20 |
| 2. For claims and services rendered – unsecured | | | |
| Debts outstanding for a period exceeding six months | **686.84** | | 702.95 |
| Other Debts | **200.68** | | 1,088.38 |
| | | **887.52** | 1,791.33 |
| Other Debts - considered good | | **609.78** | – |
| | | **1,497.30** | 1,791.33 |
| Less : Provision for doubtful debts | | **200.68** | – |
| | | **1,296.62** | 1,791.33 |
| | | **58,200.94** | 51,762.53 |
| (c) Cash and Bank Balances | | | |
| Cash in hand | | **616.02** | 741.80 |
| Cheques in hand | | **694.26** | 680.62 |
| With Scheduled Banks on : | | | |
| Current accounts (includes Rs. 10,293.31 lakh in escrow account with respect to certain subsidiaries) | **27,092.20** | | 11,523.53 |
| Dividend accounts | **130.22** | | 105.79 |
| Deposit accounts (includes Rs. 13.54 lakh representing fixed deposit with ICICI Bank pledged with Sales Tax authorities with respect to one of the subsidiaries) | **94,359.76** | | 103,723.69 |
| | | **121,582.18** | 115,353.01 |
| Add : Share of Joint Venture (Note 1(c), Schedule 13) | | **19.42** | 24.66 |
| | | **122,911.88** | 116,800.09 |
| (d) Loans and Advances | | | |
| Unsecured – considered good | | | |
| Advances recoverable in cash or kind or for value to be received (includes Interest accrued on deposits with banks : 31.3.2011 - Rs. 2,450 lakh; 31.3.2010 - Rs. 1,283 lakh) | | **19,559.37** | 17,685.28 |
| Deposits with Excise, Port Trust etc. | | **128.91** | 60.83 |
| Other Deposits | | **9,490.96** | 10,415.77 |
| Unsecured, considered doubtful | | | |
| Deposit | | **1,088.38** | 919.10 |
| Advances recoverable in cash or in kind or for value to be received | | **1,101.89** | 85.66 |
| | | **31,369.51** | 29,166.64 |
| Less : Provisions | | | |
| – Doubtful Deposits | | **1,088.38** | 919.10 |
| – Doubtful Advances | | **1,101.89** | 85.66 |
| | | **2,190.27** | 1,004.76 |
| | | **29,179.24** | 28,161.88 |
| (e) Deferred Payments | | **1,289.01** | 1,548.75 |

# Schedule to the Accounts *(Contd.)*

| | Rs. in Lakh As at 31st March, 2011 | Rs. in Lakh As at 31st March, 2010 |
|---|---|---|
| **SCHEDULE 8 – CURRENT LIABILITIES AND PROVISIONS** | | |
| (a) Current Liabilities | | |
| Sundry Creditors | **50,201.23** | 44,829.71 |
| Other Liabilities | **108,500.54** | 109,867.45 |
| Unclaimed dividend | **130.22** | 105.79 |
| Unclaimed public deposits | **62.01** | 107.09 |
| Interest accrued but not due on loans | **2,737.00** | 2,699.78 |
| | **161,631.00** | 157,609.82 |
| Consumers' Benefit account | **71.15** | 71.15 |
| Liabilities on capital account | **11,152.17** | 19,845.12 |
| Advance payment received from consumers for capital jobs | **6,501.80** | 3,275.70 |
| | **179,356.12** | 180,801.79 |
| Add : Share of Joint Venture (Note 1(c), Schedule 13) | **0.32** | 0.35 |
| | **179,356.44** | 180,802.14 |
| (b) Provisions | | |
| Taxation (net of advance payment of tax Rs. 39,847 lakh; 31.03.10 Rs. 27,444.60 lakh) | **483.03** | 117.40 |
| Retirement / Separation Benefits | **7,471.20** | 6,543.77 |
| Proposed dividend | **4,997.44** | 4,997.44 |
| Tax on proposed dividend | **810.71** | 830.01 |
| | **13,762.38** | 12,488.62 |

| | | |
|---|---|---|
| **SCHEDULE 9 – MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED** | | |
| (a) Preliminary expenses | – | 0.59 |
| Less : Written off during the year | **–** | 0.59 |
| | **–** | – |
| (b) Share / Debenture / Debt issue expenses | **713.07** | 786.55 |
| Less : Written off during the year | **71.49** | 73.48 |
| | **641.58** | 713.07 |
| (c) Other Pre-operative expenses | – | 636.41 |
| Less : Written off during the year | – | 636.41 |
| | **–** | – |
| | **641.58** | 713.07 |

| | | Rs. in Lakh 2010-11 | Rs. in Lakh 2009-10 |
|---|---|---|---|
| **SCHEDULE 10 – OTHER INCOME** | | | |
| Hire of meters | | **3,885.13** | 3,898.46 |
| Income from long term trade investments | | **30.00** | 30.00 |
| Income from current investments - other than trade | | **3,076.46** | 3,684.13 |
| Interest on deposits | | **5,086.96** | 5,317.29 |
| Delayed Payment Surcharge | | **1,035.14** | 857.53 |
| Income from Recoveries and Services | | **4,525.52** | 3,781.45 |
| Miscellaneous income | | **3,788.09** | 4,012.42 |
| | | **21,427.30** | 21,581.28 |

| | | Rs. in Lakh 2010-11 | Rs. in Lakh 2009-10 |
|---|---|---|---|
| **SCHEDULE 11 – OTHER EXPENDITURE** | | | |
| Power and Fuel | | **2,639.51** | 2,585.13 |
| Packing Materials Consumed | | **758.08** | 795.07 |
| Consumption of stores & spares parts | | **25,173.82** | 22,725.65 |
| Repairs – | | | |
| – Building | **1,517.33** | | 731.76 |
| – Plant and Machinery | **5,359.50** | | 4,240.67 |
| – Distribution System | **5,153.30** | | 5,794.16 |
| – Others | **1,489.92** | | 2,282.19 |
| | | **13,520.05** | |
| Salaries, wages and bonus | | **52,339.49** | 46,111.07 |
| Contributions to provident and other funds | | **6,613.33** | 6,294.27 |
| Employees' welfare expenses | | **2,389.79** | 2,096.16 |
| Insurance | | **1,064.52** | 674.44 |
| Rent | | **10,620.66** | 11,490.98 |
| Rates and taxes | | **1,344.71** | 1,262.74 |
| Audit fees | | **109.99** | 107.37 |
| Interest on consumers' security deposits | | **5,958.32** | 5,737.85 |
| Bad debts/advances/deposits | | **2,538.23** | 2,376.84 |
| Cost Adjustments | | **(15,436.00)** | (2,956.15) |
| Loss on sale / disposal of assets (Net) | | **777.08** | 2,061.86 |
| Provision for Obsolete Stocks | | **489.89** | 597.69 |
| Provision for Doubtful Debts, Store / Lease Deposits / Advances / Security Deposit | | **1,446.15** | 521.19 |
| Miscellaneous expenditure written off | | **85.47** | 710.48 |
| Foreign Exchange Rate Variation | | **215.54** | 1,437.06 |
| Foreign Exchange Restatement | | **(60.50)** | (899.13) |
| Miscellaneous expenses | | **32,959.71** | 27,785.08 |
| Add : Share of Joint Venture (Note 1(c), Schedule 13) | | **9.01** | 3.65 |
| | | **145,556.85** | 144,568.08 |
| Less : Allocated to capital & deferred payment accounts | | **22,509.64** | 20,806.61 |
| | | **123,047.21** | 123,761.47 |

| | Rs. in Lakh 2010-11 | Rs. in Lakh 2009-10 |
|---|---|---|
| **SCHEDULE 12 – INTEREST** | | |
| Fixed Loans | **30,222.40** | 27,090.12 |
| Others | **4,471.51** | 2,413.43 |
| | **34,693.91** | 29,503.55 |
| Less : Allocated to capital accounts | **4,817.14** | 9,103.56 |
| | **29,876.77** | 20,399.99 |

## SCHEDULE 13 – NOTES ON CONSOLIDATED ACCOUNTS

1. a) **Basis of Preparation**

The Consolidated Financial Statements comprises of the financial statements of CESC Limited (the Parent), its subsidiaries and proportionate interests in joint venture entity. The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard 21 on "Consolidated Financial Statements" and Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" notified under Companies (Accounting Standard) Rules, 2006.

The Consolidated Financial Statements are prepared on the following basis :

- The audited financial statements of the Parent and its subsidiary companies have been combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances, intra-group transactions and unrealized profits or losses thereon have been fully eliminated.
- The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Parent.
- Joint venture has been accounted for in the Consolidated Financial Statements using the proportionate consolidation method whereby a venturer's share of each of the assets, liabilities, income and expenses of the jointly controlled entity is accounted for on a pro-rata basis.

b) **The subsidiaries considered in the preparation of the Consolidated Financial Statements are :**

| **Sl. No.** | **Name of the Subsidiaries** | **Country of Incorporation** | **Percentage of ownership interest as at 31 March 2011** | Percentage of ownership interest as at 31 March 2010 |
|---|---|---|---|---|
| 1. | Spencer's Retail Limited (SRL) | India | 94.72 | 94.72 |
| 2. | Music World Retail Limited (100% subsidiary of SRL) | India | 94.72 | 94.72 |
| 3. | Au Bon Pain Café India Limited (80% subsidiary of SRL) | India | 75.78 | 75.78 |
| 4. | CESC Properties Limited (CPL) | India | 100 | 100 |
| 5. | Metromark Green Commodities Private Limited (100% subsidiary of CPL) | India | 100 | 100 |
| 6. | CESC Infrastructure Limited (CIL) | India | 100 | – |
| 7. | Haldia Energy Limited (HEL) (100% direct subsidiary till 27 March, 2011 and thereafter 100% direct subsidiary of CIL w.e.f. 28 March, 2011) | India | 100 | 100 |
| 8. | Dhariwal Infrastructure Limited (100% subsidiary of HEL) | India | 100 | 100 |
| 9. | Surya Vidyut Limited (100% subsidiary of HEL) | India | 100 | – |
| 10. | Nalanda Power Company Limited | India | 100 | 100 |

The subsidiary companies appearing in Sl. Nos. 4 to 10 are yet to commence their commercial operations.

c) **Interests in joint venture :**

The Group's interests in jointly controlled entity (incorporated joint venture) remains in Mahuagarhi Coal Company Private Limited, which was incorporated in India on 4 April, 2008 and percentage of ownership interest as at 31 March, 2011 stands at 50%. The company was incorporated for the development of Mahugarhi coal field and exploration of coal therefrom and is yet to commence commercial operations.

2. The operations of the Parent are governed by the Electricity Act, 2003 and various Regulations and/or policies framed there under by the appropriate authorities. Accordingly, in preparing the financial statements the relevant provisions of the said Act, Regulations etc. have been duly considered.

**SCHEDULE 13 – NOTES ON CONSOLIDATED ACCOUNTS** *(Contd.)*

3. **Significant Accounting Policies**

(a) **Accounting Convention**

These consolidated financial statements have been prepared to comply in all material aspects with the applicable accounting principles in India and the Accounting Standards notified under Companies (Accounting Standard) Rules, 2006. A summary of important accounting policies are set out below.

(b) **Basis of Accounting**

The consolidated financial statements have been prepared under the historical cost convention, modified by revaluation of certain fixed assets as stated in item 3 (c) and Note 5 below.

(c) **Fixed Assets**

Fixed Assets are stated at historical cost of acquisition except fixed assets other than furniture and vehicles acquired upto 31st March 2005 of the Parent. Those assets have been adjusted for the effect of valuation made by an approved external valuer at the then current replacement cost after necessary adjustment for depreciation. Subsequent acquisition of these assets and furniture and vehicles are stated at cost of acquisition together with any incidental expenses related to acquisition and appropriate borrowing costs. In case of a project, cost also includes pre-operative expenses and where applicable, expenses during trial run after netting off of revenue earned during trial run and income arising from temporary use of funds pending utilisation. An impairment loss is recognized, where applicable, when the carrying value of fixed assets of cash generating unit exceed its market value or value in use, whichever is higher. Capital Works in Progress include advances made in respect of capital expenditure. Intangible assets comprising software, licences, café opening fees, franchisee rights and trademarks expected to provide future enduring economic benefits, are stated at cost of acquisition / implementation / development less accumulated amortisation. With respect to certain subsidiaries, expenditure in respect of improvements, etc. carried out at the rented / leased premises are capitalized and expenditure incurred in setting up the stores are capitalized as a part of the leasehold improvements.

(d) **Depreciation**

With respect to the Parent, in terms of applicable Regulations under the Electricity Act, 2003, depreciation on fixed assets other than freehold land is provided on straight line method on a prorata basis at the rates specified therein, the basis of which is considered by the West Bengal Electricity Regulatory Commission (Commission) in determining the tariff for the year of the Parent. Additional charge of depreciation for the year on increase in value arising from revaluation is recouped from Revaluation Reserve.

Leasehold land is amortized over the unexpired period of the lease.

Cost of intangible assets, comprising software related expenditure, are amortised in three years, except in case of a subsidiary, where such assets amounting to Rs 883.06 lakh (Gross Block) as at 31st March, 2011 (previous year : Rs.1,610.71 lakh) are amortised over a period of six years. In respect of another subsidiary, such intangible assets amounting to Rs. 27.39 lakhs (Gross Block) as at 31st March, 2011 ( previous year: Rs. 17.56 lakh) are amortised over a period of 4 years. Trademark, licences and café opening fees are amortised over a period of twenty years, ten years and nine years respectively based on assessment of useful life.

For certain subsidiaries, depreciation is charged on straight line method at the rates prescribed in Schedule XIV under the Companies Act, 1956 and in one of the subsidiaries in certain cases a higher rate of depreciation is applied based on the useful life of the relevant assets (Gross Block - Rs. 40,890.32 lakh, previous year : Rs.47,395.92 lakh). In case of other subsidiaries, depreciation on fixed assets (Gross Block - Rs. 9,163.33 lakh, previous year : Rs.8,159.95 lakh) is provided on written down value method at the rates prescribed in Schedule XIV under the Companies Act, 1956.

(e) **Expenditure during construction**

Seven of the subsidiaries and the joint venture entity are yet to commence commercial operation.

Indirect expenses related to the project and incidental thereto are included under Capital Work in Progress and to be capitalized subsequently.

Indirect expenditure which are not directly related to the project are charged off to the Profit and Loss Account.

(f) **Leasing**

Lease rentals in respect of assets taken under operating lease are charged to revenue.

In case of one of the subsidiaries, finance leases, which effectively transfer substantially all the risk and benefits incidental to the ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payment at the inception of the lease and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the leased liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

In case there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

**SCHEDULE 13 – NOTES ON CONSOLIDATED ACCOUNTS** *(Contd.)*

(g) **Investments**

Current Investments are stated at lower of cost and fair value and Long Term Investments are stated at cost. Provision is made where there is a decline, other than temporary, in the value of long term investment.

(h) **Inventories**

Inventories are valued at lower of cost and net realizable value. Cost is calculated on weighted average basis and comprises of expenditure incurred in the normal course of business in bringing such inventories to their location and condition. Obsolete, slow moving and defective inventories are identified at the time of physical verification of inventories and where necessary, adjustment is made for such items.

(i) **Foreign Currency Transactions**

Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of transactions. Transactions remaining unsettled are translated at the exchange rate prevailing at the end of the financial year. Exchange gain or loss arising on settlement / translation is recognized in the Profit and Loss Account. The outstanding loans repayable in foreign currency are restated at the year-end exchange rate. With respect to the Parent, exchange gain or loss arising in respect of such restatement of outstanding loan balances is accounted for as an income or expense with recognition of the said amount as refundable or recoverable, which will be taken into consideration in determining the Parent's future tariff in respect of the amount settled. However, foreign currency loans, availed of on a fully hedged basis in Indian Rupee and where as per the terms of the underlying contracts no exchange fluctuation is on the Parent's account, are accounted for in the currencies in which such loans have been fully hedged.

(j) **Sales**

Earnings from sale of electricity of the Parent are net of discount for prompt payment of bills and do not include electricity duty payable to the State Government. They also include, as per established practice, consistently followed in the past, estimated sums recoverable from / adjustable on consumers' account, calculated on the basis of rates approved / specified by the appropriate authorities which are reflected in the subsequent bills. In terms of the applicable regulations and tariff determination process followed by the Commission, advance against depreciation forms part of tariff. Such advance against depreciation of a year is adjusted against earning from sale of electricity for inclusion of the same in subsequent years, based on due consideration by the authorities in the tariff determination process.

With respect to the subsidiaries, revenue is recognized when significant risk and rewards of ownership of the goods get passed on to the buyers.

(k) **Other Income**

- With respect to the Parent, income from hire of meters is accounted for as per the approved rates. Delayed payment surcharge, as a general practice, is determined and recognized on receipt of overdue payment from consumers.
- With respect to the subsidiaries, income from recoveries and services mainly represents recoveries made on account of advertisement for use of space and other expenses charged from suppliers and are recognized and recorded based on the arrangements with concerned parties.
- Income from investments and deposits etc. is accounted for on accrual basis inclusive of related tax deducted at source, where applicable.

(l) **Employee Benefits**

Contributions to Provident Fund, contributory Pension Fund are accounted for on accrual basis. Provident Fund contributions are made to funds administered through duly constituted approved independent Trusts or Regional Provident Fund Commissioner. The interest rate payable to the members of the trust fund shall not be lower than the statutory rate of interest declared by the Central Government under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and deficiency, if any, is made good by the employer. The employer, as per its schemes, extend employee benefits current and/or post retirement, which are accounted for on accrual basis, and includes actuarial valuation as at the balance sheet date in respect of gratuity, leave encashment and certain medical benefits, to the extent applicable, made by independent actuaries. Actuarial gains and losses, where applicable, are recognized in the Profit and Loss Account. Compensation in respect of voluntary retirement scheme is charged off to revenue.

(m) **Borrowing Costs**

Borrowing Costs attributable to acquisition and / or construction of qualifying assets are capitalized as a part of cost of such assets upto the date where such assets are ready for their intended use. Other borrowing costs are charged to revenue. In respect of one of the subsidiaries ancillary costs amounting to Rs. 146.03 lakh (previous year : Rs.146.03 lakh) incurred in connection with the arrangement of borrowings are amortized over the period of borrowings for which these are incurred.

(n) **Taxes on Income**

Current tax represents the amount payable based on computation of tax as per prevailing taxation laws under the Income Tax Act, 1961.

**SCHEDULE 13 – NOTES ON CONSOLIDATED ACCOUNTS** *(Contd.)*

Provision for deferred taxation is made using liability method at the current rates of taxation on all timing differences to the extent it is probable that a liability or asset will crystallize. Deferred tax assets are recognized subject to the consideration of prudence and are periodically reviewed to reassess realization thereof. Deferred tax liability or asset will give rise to actual tax payable or recoverable at the time of reversal thereof. With respect to the Parent, since tax on profits forms part of chargeable expenditure under the applicable regulations, deferred tax liability or asset is recoverable or payable through future tariff. Hence, recognition of deferred tax asset or liability is made with corresponding provision of liability or asset, as applicable.

(o) **Miscellaneous expenditure to the extent not written off or adjusted**
With respect to the Parent, the erstwhile governing statute, viz., the Electricity (Supply) Act, 1948 (ESA), provided for amortisation of preliminary expenses and certain capital issue expenses over the unexpired period of licence. The Parent, as per the consistently applied accounting policy continues with such amortisation of expenditure incurred upto the year 2004-05. Thereafter, pursuant to repeal of ESA, such expenditures are charged off to revenue.

(p) **Employee Stock Compensation Cost**
With respect to one of the subsidiaries, measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the fair value method. Compensation expenses are amortized over the vesting period of the option on a straight line method.

4. Earnings from sale of electricity of the Parent are determined in accordance with the relevant orders of the Commission, where appropriate, giving due effect of the required adjustments. Such earnings are net of discount for prompt payment of bills and advance against depreciation amounting to Rs. 7,119.62 lakh (previous year : Rs. 6,205.18 lakh) and Rs. 6,755.00 lakh (previous year : Rs. 10,908.00 lakh) respectively.

5. Fixed assets of the Parent other than furniture and vehicles as on 31 March 2005 have been revalued which resulted in an increase in the value of such assets by an amount of Rs. 190,077.25 lakh with corresponding credit to Revaluation Reserve.

6. Estimated amount of commitment on capital account and not provided for is Rs.3,28,163.29 lakh (previous year : Rs.130,563.84 lakh).

7. (I) **Claims against the Parent not acknowledged as debts :**

(a) The West Bengal Taxation Tribunal had held meter rentals received by the Parent from consumers to be deemed sales under the provisions of the Bengal Finance (Sales Tax) Act, 1941 and that sales tax was payable on such rentals. Based on such findings the Commercial Taxes Directorate assessed Rs. 69.22 lakh as sales tax on meter rentals received during the year ended 31st March, 1993 and raised a demand of Rs. 35.61 lakh on account of interest. Against the above demand, the Parent had deposited a sum of Rs. 75.00 lakh with the sales tax authorities and obtained a stay against the balance demand from the Deputy Commissioner of Commercial Taxes. The sales tax authorities also indicated their intention to levy such sales tax on meter rentals for the subsequent years as well, against which, the Parent filed a writ petition in the Calcutta High Court and prayed for an interim order, inter alia, restraining the sales tax authorities from proceeding with the assessment for the subsequent years till disposal of the appeal. An interim order has been issued by the High Court permitting the sales tax authorities to carry out assessments but restraining them from serving any assessment order on the Parent. The disposal of the case is still pending.

(b) Other matters :

i. Municipal Tax : Rs. 94.95 lakh (previous year : Rs. 89.36 lakh) in respect of certain properties, the rates of which are disputed.

ii. Water Cess : Rs. 674.12 lakh (previous year: Rs. 274.00 lakh) disputed by the Parent.

(II) **Claim against a subsidiary not acknowledged as debts :**

(a) Sales Tax demand for Rs.29.69 lakh was made by Commercial Tax Department, Khairtabad Circle, Government of Andhra Pradesh vide ref. No.CTO/KB/1/2009 dated 16th September, 2009 in respect of 2004-05 assessment. The subsidiary had paid Rs.16.15 lakh to the tax authority and had filed a writ petition against the sales tax order before Hon'ble High Court of Andhra Pradesh. Hon'ble High Court had directed the sales tax authorities not to take any steps to recover the balance of the disputed tax amount till appellate authority, Deputy Commissioner, Panjagutta Division, State of A.P. Hyderabad disposes of the application filed seeking condonation of delay in instituting the appeal. The Subsidiary was also directed by Hon'ble High Court to retain in it's account with the banks the amount representing the balance of the tax due under the order of assessment passed by Commercial Tax Officer, Khairatabad, Hyderabad till the disposal of the application for condonation of delay or the application for stay as the case may be. The Subsidiary has made a fixed deposit with its bank ICICI Bank for the balance amount for Rs.13.54 lakh and the same is pledged to the sales tax authorities.

(b) Other claims against a subsidiary not acknowledge as debt Rs. 107.70 lakh (previous year : Rs. Nil lakh)

**SCHEDULE 13 – NOTES ON CONSOLIDATED ACCOUNTS** *(Contd.)*

7. (III) **Contingent liability not provided for with respect to a subsidiary :**

(Rs. In Lakh)

| Particulars | 2010-11 | 2009-10 |
|---|---|---|
| - Sales tax demands under appeal | **46.57** | 93.45 |
| - Rent towards unexpired lock-in-period on account of closed stores | **–** | 122.98 |
| - Guarantees on behalf of a subsidiary company (USD 350 thousands) | **–** | 157.61 |

7. (IV) **Bank Guarantee**

Bank Guarantee issued by certain Subsidiaries and Joint Venture entity Rs.17,232.44 lakh (previous year : Rs.6,089.60 lakh).

8. The Parent has accounted for in the current year a net sum of Rs. (15,436.00) lakh [previous year : Rs. (2,956.00) lakh] shown as cost adjustments in schedule 11 to the Profit and Loss account, based on the Parent's understanding of the applicable regulatory provisions in respect thereof, towards an estimated adjustable sum on account of cost of electrical energy purchased and fuel and related cost and adjustment relating to revenue account after giving the effect arising from the applicable orders for earlier years (which include a sum of Rs. 12,580.00 lakh attributable to expenditure of 2009-10 for which formal adjustment is under consideration of the Commission) in this regard. The accurate quantification and disposal of the matter are being given effect to from time to time on receipt of necessary directions from the appropriate authorities.

9. **Leases :**

(a) ***With respect to Parent :***

Future rentals payable in respect of non-cancellable leases for assets comprising various equipment and vehicles acquired under operating leases for the period ranging between 36-60 months work out to Rs. 977.00 lakh (previous year : Rs. 1,021 lakh) and Rs. 1,047.00 lakh (previous year : Rs. 1,914.00 lakh) during next one year and thereafter till five years respectively. There are no restrictions in respect of such leases.

(b) ***With respect to certain subsidiaries :***

Subsidiaries in retail business has taken retail stores on operating lease generally and the lease rent is payable as per the agreements entered with the lessors. Agreements are both in the nature of cancellable and non cancellable leases. The lease term is for varied years and renewable for further years as per the agreements at the option of the company. There are no restrictions imposed by these lease arrangements. There are no subleases. One of the subsidiaries has taken leased premises under non cancellable operating lease for a period of 21 years. The details of lease rental are given below :

**Operating Leases**

(Rs. In Lakh)

| | 2010-11 | 2009-10 |
|---|---|---|
| Lease payments for the year | **7,918.66** | 8,953.54 |
| Future minimum lease payments – | | |
| Not later than one year | **5,627.76** | 6,369.32 |
| Later than one year but not later than five year | **27,811.33** | 26,778.85 |
| Later than five year | **32,731.65** | 52,255.64 |

Rent includes Rs.803.31 lakh (Rs. 689.05 lakh) with respect to one of the subsidiaries being lease rent, payable by them in future years, but accounted for during the year as lease equalization in terms of Accounting Standard-19 on 'Leases' as per Companies (Accounting Standard) Rules, 2006 which requires lease rental to be charged on a straight line basis over the lease term.

10. Certain subsidiaries have incurred losses during the year, primarily due to nascent stage of organized retail industry in the country and has accumulated losses against shareholders' funds as on the balance sheet date. However, the subsidiaries having created a robust infrastructure for organized retail business are confident of generating positive cash flows and operational surplus in the near future with certain interim support from the holding company and the promoters.

**SCHEDULE 13 – NOTES ON CONSOLIDATED ACCOUNTS** *(Contd.)*

11. During the year the parent company floated a 100% subsidiary, namely CESC Infrastructure Limited w.e.f 22 February, 2011 which subsequently acquired all the shares of Haldia Energy Limited. Hence, Haldia Energy Limited ceases to be a direct subsidiary of parent w.e.f. 28 March, 2011 and became a 100% subsidiary of CESC Infrastructure Limited.

12. The major components of Deferred Tax Assets / (Liabilities) based on the timing difference as at 31 March 2011 are as under :

(Rs. in Lakh)

| | **2010-11** | 2009-10 |
|---|---|---|
| **Liabilities** | | |
| Excess of tax depreciation over book depreciation | **(65,743.27)** | (56,526.37) |
| **Assets** | | |
| Unabsorbed business depreciation | **8,054.68** | 6,720.18 |
| Unabsorbed business losses | **19,941.62** | 15,278.76 |
| Other Timing Differences | **4,158.66** | 3,327.74 |
| Net Deferred Tax Liability | **(33,588.31)** | (31,199.69) |
| Less : Recoverable deferred tax element of the Parent | **65,743.00** | 55,831.00 |
| Net Deferred Tax Asset | **32,154.69** | 24,631.31 |

**Note :**
During the year, one of the subsidiaries has recognized net deferred tax assets of Rs. 32,154.69 lakh ( previous year: 24,631.31 lakh ) in the accounts as at 31st March 2011. There are unabsorbed depreciation and carried forward losses as at the Balance Sheet date. However, based on future profitability projections, the management is virtually certain that there would be sufficient taxable income in future, to claim the above tax credit.

13. **Earnings per Share :**

**Computation of earnings per share**

| **Particulars** | | **2010-11** | 2009-10 |
|---|---|---|---|
| Profit after Tax and before exceptional items (Rs.in Lakh) | (A) | **29,956.83** | 20,043.10 |
| Weighted Average no. of shares for Earnings per Share | (B) | **124,935,925** | 124,935,925 |
| Basic and Diluted Earnings per Share of Rs. 10/- each before Exceptional Items = [(A) / (B)] (Rs.) | | **23.98** | 16.04 |
| Profit after Tax and after exceptional items (Rs.in Lakh) | (C) | **27,837.65** | 15,724.67 |
| Weighted Average no. of shares for Earnings per Share | (D) | **124,935,925** | 124,935,925 |
| Basic and Diluted Earnings per Share of Rs. 10/- each after Exceptional Items= [(C) / (D)] (Rs.) | | **22.28** | 12.59 |

## SCHEDULE 13 – NOTES ON CONSOLIDATED ACCOUNTS *(Contd.)*

14. Consolidated Segment Reporting
By Business Segment :

(Rs. In Lakh)

| | Power | | Retail | | Property | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2010-11** | 2009-10 | **2010-11** | 2009-10 | **2010-11** | 2009-10 | **2010-11** | 2009-10 |
| Sales Revenue from external customers | **393,875.77** | 329,175.26 | **100,378.11** | 91,239.93 | **-** | - | **494,253.88** | 420,415.19 |
| Other Segment Revenue | **16,093.32** | 16,261.72 | **5,251.76** | 5,315.86 | **82.22** | 3.70 | **21,427.30** | 21,581.28 |
| **Total Segment Revenue** | **409,969.09** | 345,436.98 | **1,05,629.87** | 96,555.79 | **82.22** | 3.70 | **515,681.18** | 441,996.47 |
| Segment Result Before Tax | **61,679.38** | 52,582.96 | **(26,506.54)** | (35,060.60) | **(17.59)** | (133.51) | **35,155.25** | 21,707.28 |
| Exceptional Items | **-** | - | **(2,119.18)** | (4,318.43) | **-** | - | **(2,119.18)** | (4,318.43) |
| Provision for Taxation | **(12,819.26)** | (8,940.23) | **7,522.67** | 7,185.77 | **(0.67)** | - | **(5,297.26)** | (1,754.46) |
| **Profit after Taxation before Minority Interests** | **48,860.12** | 43,642.73 | **(23,103.05)** | (27,874.83) | **(18.26)** | (133.51) | **27,738.81** | 15,634.39 |
| Segment Assets | **1,092,440.58** | 1,009,515.71 | **52,477.43** | 62,765.38 | **11,965.03** | 4,620.92 | **1,156,883.04** | 1,076,902.01 |
| Unallocated Assets | | | | | | | **63,572.65** | 55,846.27 |
| **Total Assets** | | | | | | | **1,220,455.69** | 1,132,748.28 |
| Segment Liability | **171,213.95** | 173,247.03 | **20,685.39** | 19,692.82 | **736.45** | 233.51 | **192,635.79** | 193,173.36 |
| Unallocated Liabilities | | | | | | | **483.03** | 117.40 |
| **Total Liabilities** | | | | | | | **193,118.82** | 193,290.76 |
| Capital Expenditure | **102,391.05** | 108,721.80 | **2,873.77** | 454.24 | **5,822.23** | 2005.07 | **111,087.05** | 111,181.11 |
| Depreciation (including amortisation of Intangible assets) | **26,186.33** | 19,975.60 | **5,459.00** | 5,154.00 | **3.78** | 5.83 | **31,649.11** | 25,135.43 |
| Non Cash Expenditure other than depreciation | **3,579.75** | 2,677.43 | **2,374.06** | 2,788.27 | **-** | 91.67 | **5,953.81** | 5,557.37 |

**Notes :**

a. Business Segments : The internal business segmentations and the activities encompassed therein are as follows :

- Power : Generation / Distribution of electricity
- Retail : Organised Retailing
- Property : Property Development

b. The Group operates in India only and has no reportable geographical segments.

c. The segment wise revenue, results, assets and liabilities figures relate to the respective amounts directly identifiable to each of the segments.

**SCHEDULE 13 – NOTES ON CONSOLIDATED ACCOUNTS** *(Contd.)*

15. **Related Party disclosure**

Related Party and their relationship

| Names of Related Parties | Nature of Relationship |
|---|---|
| Mr. S. Banerjee | Key Management Personnel, CESC Limited |
| Mahuagarhi Coal Company Private Limited | Joint Venture |

Particulars of transactions : (Rs. In Lakh)

| Nature | Key Management Personnel | |
|---|---|---|
| | **2010-11** | 2009-10 |
| Director Remuneration | **333** | 296 |
| **Closing Balance :** | | |
| Debit | **-** | - |
| Credit | **240** | 215 |

16. Exceptional items of Rs 2,119.18 lakh (previous year: Rs.4,318.43 lakh) pertaining to one of the subsidiaries, represents loss on account of non-usable assets written off with respect to the non-viable and loss making stores closed during the year.

17. With respect to a subsidiary, following expenses pertaining to previous year, are included in the Profit and Loss Account as indicated below :

(Rs.in Lakh)

| **Nature of expense** | **2010-11** | 2009-10 |
|---|---|---|
| Repairs and Maintenance – Others | **-** | 47.96 |
| Communication Expenses | **-** | 10.00 |
| **Total** | **-** | 57.96 |

18. With respect to the Parent, out of the outstanding foreign currency loans of Rs 53,116.00 lakh (previous year : Rs. 60,279.00 lakh) disclosed in Schedule 3 and Schedule 4, loan balance amounting to Rs. 46,909.00 lakh (previous year : Rs. 53,297.00 lakh) have been fully hedged in Indian Rupee and Rs 6,207.00 lakh (previous year : Rs. 6,982.00 lakh) represents sum restated at year end exchange rate in respect of underlying contractual obligations in United States Dollar. Current Liabilities include Rs. 1,963.42 lakh (previous year : Rs. 1,787.00 lakh) representing amount payable in United States Dollar restated at year end exchange rate which have not been hedged.

19. **Employee benefits**

**Defined Contribution Plan**

The Group operates defined contribution benefit plans like provident fund and pension (including for superannuation) schemes. For these schemes, contributions are made by the Group, based on current salaries, to funds maintained by the Group and for certain categories, to State Plans. For certain schemes, contributions are also made by the employees. An amount of Rs.3,388.86 lakh (31 March, 2010: Rs.2,741.24 lakh), has been charged to the Profit and Loss Account.

## SCHEDULE 13 – NOTES ON CONSOLIDATED ACCOUNTS *(Contd.)*

### Defined Benefit Plans

The Group also operates defined benefit schemes like retirement gratuity, leave encashment and post retirement medical benefits. The defined benefit schemes offer specified benefits to the eligible employees on retirement separately. Annual actuarial valuations are carried out by independent actuaries. Wherever independent trust funds have been set up, annual contributions are made by the Group and in certain cases, such trust funds in turn, invests in the Employees Group Benefit Scheme of eligible agencies. Employees are not required to make any contribution.

**Net Liability / (Asset) recognized in the Balance Sheet :** (Rs. in Lakh)

| | **For the year ended 31 March, 2011** | | | For the year ended 31 March, 2010 | | | For the year ended 31 March, 2009 | | | For the year ended 31 March, 2008 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Gratuity** | **Leave Encash-ment** | **Medical** | Gratuity | Leave Encash-ment | Medical | Gratuity | Leave Encash-ment | Medical | Gratuity | Leave Encash-ment | Medical |
| Present value of funded obligation/ yet to be funded obligation | **15,534.20** | **-** | **-** | 13,275.50 | - | - | 10,112.07 | - | - | 9,293.04 | - | - |
| Fair Value of Plan Assets | | **15,263.31** | **-** | - | 11,712.70 | - | 10,712.70 | - | - | - | 10,100.23 | - |
| | **270.89** | **-** | **-** | 2,104.65 | - | - | (600.63) | - | - | (807.19) | - | - |
| Present value of un-funded obligation | **-** | **5,766.83** | **1,733.05** | - | 5,034.37 | 1,539.00 | - | 5,153.23 | 1,408.00 | - | 5,017.98 | 1,175.00 |
| Unrecognised past service cost | **-** | **-** | **-** | - | - | - | - | - | - | - | - | - |
| **Net Liability/(Asset)** | **270.89** | **5,766.83** | **1,733.05** | 2,104.65 | 5,034.37 | 1,539.00 | (600.63) | 5,153.23 | 1,408.00 | (807.19) | 5,017.98 | 1,175.00 |

### Experience Adjustment

(Rs. in Lakh)

| | **For the year ended 31 March, 2011** | | |
|---|---|---|---|
| | **Gratuity** | **Leave Encashment** | **Medical** |
| Experience (Gain)/Loss adjustment on plan liabilities | **1,267.22** | **581.07** | **(44.00)** |
| Experience Gain / (Loss) adjustment on plan assets | **36.12** | **-** | **-** |
| Experience (Gain) / Loss adjustment on plan liabilities due to change in assumption | **(1,461.00)** | **231.97** | **191** |

**Expenses shown in Schedule 11 to the Profit and Loss Account are as follows :**

(Rs. in Lakh)

| | **For the year ended 31 March, 2011** | | | For the year ended 31 March, 2010 | | |
|---|---|---|---|---|---|---|
| | **Gratuity** | **Leave Encashment** | **Medical** | Gratuity | Leave Encashment | Medical |
| Current Service Cost | **693.71** | **95.23** | **-** | 634.84 | 38.70 | - |
| Interest Cost | **1,041.87** | **394.27** | **124.50** | 775.23 | 394.83 | 110.00 |
| Expected Return on | | | | | | |
| Plan Assets | **(1,052.11)** | **-** | **-** | (826.65) | - | - |
| Actuarial loss / (gain) | **1,944.48** | **815.64** | **147.40** | (458.22) | (108.87) | 86.00 |
| Past Service Cost | **-** | **-** | **-** | 2,694.00 | - | - |
| **Total** | **2,627.95** | **1,305.14** | **271.90** | 2,819.20 | 324.66 | 196.00 |

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

**Reconciliation of Opening and Closing Balances of the present value of obligations :**

(Rs. in Lakh)

| | **For the year ended 31 March, 2011** | | | For the year ended 31 March, 2010 | | |
|---|---|---|---|---|---|---|
| | **Gratuity** | **Leave Encashment** | **Medical** | Gratuity | Leave Encashment | Medical |
| Opening defined benefit obligation | **13,275.50** | **5,034.37** | **1,539.00** | 10,112.07 | 5,153.23 | 1,408.00 |
| Current Service Cost | **693.71** | **95.23** | **-** | 634.84 | 38.70 | - |
| Interest Cost | **1,041.87** | **394.27** | **124.50** | 775.23 | 394.83 | 110.00 |
| Plan Amendments | **-** | **-** | **-** | 2,722.68 | 4.89 | - |
| Actuarial loss/(gain) | **1,976.96** | **814.96** | **147.40** | (67.52) | (108.87) | 86.00 |
| Benefits Paid | **(1,453.84)** | **(572.00)** | **(77.85)** | (901.80) | (448.41) | (65.00) |
| Closing defined benefit obligation | **15,534.20** | **5,766.83** | **1,733.05** | 13,275.50 | 5,034.37 | 1,539.00 |

**Reconciliation of Opening and Closing Balances of fair value of plan assets :**

(Rs. in Lakh)

| | **For the year ended 31 March, 2011** | | | For the year ended 31 March, 2010 | | |
|---|---|---|---|---|---|---|
| | **Gratuity** | **Leave Encashment** | **Medical** | Gratuity | Leave Encashment | Medical |
| Opening fair value of Plan Assets | 11,170.85 | - | - | 10,712.70 | - | - |
| Expected Return on Plan Assets | 1,052.11 | - | - | 826.65 | - | - |
| Actual Company Contributions | 4,461.71 | - | - | 142.60 | - | - |
| Actuarial gain/(loss) | 32.48 | - | - | 390.70 | - | - |
| Benefits Paid | (1,453.84) | - | - | (901.80) | - | - |
| Closing Fair Value on Plan Assets | 15,263.31 | - | - | 11,170.85 | - | - |
| Actual Return on Plan Assets | 1,085.59 | - | - | 1,213.00 | - | - |

The major categories of plan assets consist of funds maintained with insurer like LICI, ICICI Prudential, Birla Sun Life and HDFC Standard Life.

**Effect of increase/decrease of one percentage point in the assumed medical inflation rates :**

(Rs. in Lakh)

| | **For the year ended 31 March, 2011** | | For the year ended 31 March, 2010 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | Increase | Decrease |
| Effect on defined benefit obligation | **17.00** | **(12.00)*** | 15.00 | (11.00)* |

* in case of hospitalised treatment only

**Principal Actuarial Assumption Used :**

| | **For the year ended 31 March, 2011** | For the year ended 31 March, 2010 |
|---|---|---|
| Discount Rates | 8.00% to 8.50% | 8.00% - 8.30% |
| Expected Return on Plan Assets | 8.30% to 8.50% | 8.00% |
| Rate of increase in medical cost trend | 2.50% | 2.50% |
| Mortality Rates | **"LIC 1994-96 Ultimate"** | "LIC 1994-96 Ultimate" |

**SCHEDULE 13 – NOTES ON ACCOUNTS** *(Contd.)*

The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors. The expected return on plan assets is based on actuarial expectation of the average long term rate of return expected on investments of the funds during the estimated terms of the obligations. The contribution expected to be made by the Group for the year ending 31 March 2012 is not readily ascertainable and therefore not disclosed.

20. **Information Regarding Subsidiary Companies :**

(Rs. in Lakh)

| | Spencers' Retail Limited | MusicWorld Retail Limited | Au Bau Pain Cafe India Ltd. | CESC Properties Limited | Metromark Green Commodities Pvt. Ltd. | CESC Infrastructure Limited | Haldia Energy Limited | Surya Vidyut Limited | Dhariwal Infrastructure Limited | Nalanda Power Company Limited |
|---|---|---|---|---|---|---|---|---|---|---|
| Issued and Subscribed Share Capital | 2,601.21 | 500.00 | 2,000.00 | 6,005.00 | 2.00 | 71,605.00 | 71,296.00 | 405.00 | 38,001.55 | 5.00 |
| Reserves | (66,167.57) | 3,803.57 | (944.48) | (128.37) | (36.94) | (203.03) | (78.76) | (13.03) | (537.79) | (28.04) |
| Total Assets | 71,687.62 | 5,699.70 | 1,055.52 | 10,972.63 | 215.06 | 71,401.97 | 101,217.24 | 410.55 | 74,939.10 | 61.96 |
| Total Liabilities | 71,687.62 | 5,699.70 | 1,055.52 | 10,972.63 | 215.06 | 71,401.97 | 101,217.24 | 410.55 | 74,939.10 | 61.96 |
| Investments (except in case of investments in the subsidiaries) | 1.00 | - | - | - | - | - | - | - | 15,000.00 | - |
| Turnover | 100,189.79 | 5,145.91 | 408.58 | 82.22 | - | - | 540.17 | 3.03 | 305.36 | - |
| Profit/(loss) before taxation | (26,832.52) | (1,719.75) | (494.20) | 3.61 | (21.20) | (203.03) | 30.59 | (12.10) | (227.64) | (15.92) |
| Provision for taxation | (0.71) | - | - | (0.67) | - | - | (70.50) | (0.94) | (162.82) | - |
| Profit/(loss) after taxation | (19,309.85) | (1,719.75) | (494.20) | 2.94 | (21.20) | (203.03) | (39.91) | (13.03) | (390.46) | (15.92) |
| Proposed Dividend | - | - | - | - | - | - | - | - | - | - |

21. Previous year's figures have been regrouped / rearranged, wherever necessary.

For Lovelock & Lewes
Firm Registration Number-301056E
*Chartered Accountants*

Prabal Kr. Sarkar
*Partner*
Membership No. : 52340
Kolkata, the 24 June, 2011

Subhasis Mitra
*Vice President & Company Secretary*

For and on behalf of the Board of Directors
*Chairman* R. P. Goenka
*Director* B. P. Bajoria
*Managing Director* S. Banerjee

Dear Shareholder,

## GREEN INITIATIVE

We have already invited your kind attention to our plan for sending by electronic mode all our future communication to you. This is a part of our efforts for reducing usage of papers and saving trees in order to preserve environment. If you have not yet notified your e-mail address, you may do as follows :

- If you hold the shares in physical mode, you may register your e-mail address with the Company by sending an e-mail to greeninitiative@cesc.co.in.
- If you hold shares in electronic mode, you may register your e-mail address with the Depository Participant with whom you have an account.

We are sure of your support in our above endeavour.

It is, however, possible to continue to receive such communication in physical form, free of cost, upon request. The above documents will also be displayed on the Company's website : www.cesc.co.in.

Yours faithfully,
For **CESC Limited**

**(S. Mitra)**
*Vice President &*
*Company Secretary*

Kolkata, 24 June 2011

### Head Office

CESC House
Chowringhee Square
Kolkata 700 001
Phone : (033) 2225 6040 (10 lines)
2204 0300/6634 0300
Fax : (033) 2225 5155
E-Mail : cesc@cesc.co.in
Website : www.cesc.co.in

### Generating Stations

**Budge Budge**
Vill. & P.O. - Pujali, P.S. Budge Budge
24 Parganas (S), Pin : 700 138
Phone : 2482 1709, 2482 2957

**New Cossipore**
28 Jheel Road, Kolkata 700 002
Phone : 2556 6695, 2556 6696

**Southern**
28 Garden Reach Road
Kolkata 700 024
Phone : 2469 6886, 2469 7557

**Titagarh**
B. T. Road, P.O. Khardah, Titagarh
24 Parganas (N), Pin : 700 119
Phone : 2501 1042, 2553 3392

**Investor Service**
Secretarial Department
CESC House
Chowringhee Square
Kolkata 700 001
Telephones :
For resident shareholders
2204 0754
For non-resident shareholders
(91) (033) 2204 0663
Fax : 2236 3868
E-mail : secretarial@cesc.co.in

### Regional Offices

**Central**
CESC House
Chowringhee Square
Kolkata 700 001
Phone : 2225 6040 (10 lines)
2204 0300/6634 0300

**Howrah**
433/1 G. T. Road (N), Howrah 711 101
Phone : 2666 1667, 2666 6014
2666 9199

**North**
226 A & B APC Road, Kolkata 700 004
Phone : 2555 9815 (4 lines)

**North Suburban**
32 B. T. Road
(Opp. Sagar Dutta Hospital)
Kolkata 700 058
Phone : 2553 7583, 2583 9391

**South**
6 Mandeville Gardens
Kolkata 700 019
Phone : 2440 6470
2440 6116 (5 Lines)

**South-West**
P-18 Taratolla Road
Kolkata 700 088
Phone : 2401 4541 ( 5 lines)

**In case of supply breakdown, please contact**

## 1912
## 44031912

**Customer Relations**
CESC House
Chowringhee Square
Kolkata 700 001
Phone : 2237 3612, 2237 3853

**Consumer Grievance Cell**
CESC House
Chowringhee Square
Kolkata 700 001
Telefax : 2236 5669