

## Directors' Report

The Directors have pleasure in presenting the Annual Report and Audited Accounts of CESC Limited for the year ended 31 March 2018.

### Financial Results

Particulars	(₹ crores)	
	2017-18	2016-17
Revenue from operations	7785.84	7220.07
Other Income	167.94	136.55
<b>Total Income</b>	<b>7953.78</b>	<b>7356.62</b>
<b>Profit from continuing operations before regulatory income and Tax</b>	<b>893.14</b>	<b>908.49</b>
Regulatory Income	209.24	190.23
<b>Profit before tax from continuing operations</b>	<b>1102.38</b>	<b>1098.72</b>
Taxation	(237.72)	(237.84)
<b>Profit for the year from continuing operations</b>	<b>864.66</b>	<b>860.88</b>
Profit/(loss) for the year from discontinued operations	(2.95)	1.98
<b>Profit for the year</b>	<b>861.71</b>	<b>862.86</b>
Other comprehensive income	(8.79)	(39.11)
<b>Total comprehensive income</b>	<b>852.92</b>	<b>823.75</b>

### Performance Overview

During the year under review, the Company's revenue from operations increased by 7.83 % over last year to reach ₹ 7785.84 crore. Total income (including other income) grew by 8.11 % from ₹ 7356.62 crore in 2016-17 to ₹ 7953.78 crore in 2017-18. Profit before tax from continuing operations increased by 0.33% to ₹ 1102.38 crore during the year. Profit after tax (PAT) for 2017-18 stands at ₹ 861.71 crore, which reflects a marginal decrease of 0.13% over ₹ 862.86 crore of 2016-17. Total comprehensive income increased by 3.54%. Retained earnings at the end of the year under report stood at ₹ 9062.75 crore (Previous year ₹ 11204.13 crore) after adjustments for dividend, unforeseen exigencies and miscellaneous items.

A detailed review of the operations for the year ended 31 March 2018 is given in the Management Discussion & Analysis, which forms a part of this Report.

### Dividend

The Board of Directors of the Company on 28 February 2018 declared an interim dividend of 120% or INR 12 per equity share involving an outgo of ₹ 191.45 crore (Previous year ₹ 159.55 crore) inclusive of tax thereon. The interim dividend was paid during the year. Notice convening the ensuing Fortieth Annual General Meeting of the Members of the Company includes an item for confirmation of the said interim dividend.

### Restructuring Scheme

The Board's report last year stated that electricity distribution

business was the core operation of the Company and, over the course of time, the Company had grown into a diversified conglomerate having interests in various other businesses like retail, business process outsourcing, information technology, real estate, entertainment etc. Accordingly, as the report further stated, it had become imperative to reorient and reorganize the Company for imparting greater focus on each of its businesses and further enhancing the operational efficiency. After complying with all applicable formalities, a Composite Scheme of Arrangement under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("the Scheme") involving the Company, nine of its subsidiaries and their respective shareholders was submitted to the Hon'ble National Company Law Tribunal, Kolkata Bench ('NCLT') for its requisite approval.

The Company received on 5 October, 2018 certified copy of the NCLT Order sanctioning the Scheme subject to a condition that demerger of its Generation Undertaking shall be effective upon approval from the Hon'ble West Bengal Electricity Regulatory Commission ("WBERC") to the Power Purchase Agreement between CESC and the Generation Undertaking proposed to be demerged in terms of the Scheme. The Company has made an application in April, 2018 seeking WBERC's approval which is awaited.

Pending receipt of the above approval from WBERC, the Board of Directors of the Company at its meeting held on 12 October, 2018 has decided that with effect from 1 October, 2017 - the Appointed Date specified in the Scheme - the non-power investments of the Company be demerged into two entities as was planned in the Scheme, viz. Ventures and Retail companies. Now there would be three listed companies – CESC, RP-SG Retail Limited and RP-SG Business Process Services Limited. The last two companies are proposed to be renamed Spencer's Retail Limited and CESC Ventures Limited respectively.

In terms of the Scheme, three of the said nine subsidiaries have amalgamated with CESC with effect from the said Appointed Date. Some of its other former subsidiaries like Firstsource Solutions Limited, Quest Properties India Limited and their respective subsidiaries have become subsidiaries of the said Ventures Company while Omnipresent Retail India Private Limited is now a subsidiary of the Retail company. Retail business operations of Spencer's Retail Limited, one of the said three amalgamated companies, in the state of Gujarat in India have amalgamated with CESC.

In terms of the Scheme, on 14 November, 2018 each CESC shareholder registered in the Company's books as on 31 October, 2018 for every 10 of his shareholding has been allotted additional 6 equity shares of ₹ 5/- each in the new Retail company and additional 2 equity shares of ₹ 10/- each in the Ventures company. Paid up equity share capital of these two companies would be ₹ 40 Crore and ₹ 26 Crore respectively, over and above CESC's paid up equity share capital of ₹ 133 Crore. Applications are being made by the above two companies to National Stock Exchange of India Limited

(NSE), BSE Limited (BSE) and The Calcutta Stock Exchange Limited (CSE) for listing of the new equity shares with these exchanges.

The Board believes that the above Restructuring will result in benefits for all its stakeholders. It will allow unlocking value for the investors, give a focused management attention to the verticals to pursue respective growth plan and allow the two new entities to take advantage of the market value for FMCG, Retail and IT businesses.

### **Subsidiaries**

As on 31 March 2018, CESC had fifteen subsidiaries. Pursuant to implementation of the Scheme, RP-SG Retail Limited, RP-SG Business Process Services Limited, Omnipresent Retail India Private Limited, Quest Properties India Limited, Metromark Green Commodities Private Limited, Guiltfree Industries Limited, Bowlopedia Restaurants India Limited, Apricot Foods Private Limited and Firstsource Solutions Limited alongwith its subsidiaries ceased to be subsidiaries of the Company with effect from 1 October 2017, being the appointed date as per the Scheme.

Further, CESC Infrastructure Limited, Spencer's Retail Limited, Music World Retail Limited, Spen Liq Private Limited and New Rising Promoters Private Limited, erstwhile subsidiaries of the Company, amalgamated in terms of the Scheme with effect from the above appointed date.

Broad details of operations of the present subsidiaries, of the Company are given in the section titled 'Business Performance' in the Management Discussion & Analysis, which forms a part of this report.

In accordance with the Companies Act, 2013, consolidated financial statements of the Company and of all its subsidiaries for the year 2017-18 have been prepared in the form and manner as that of its own and duly audited by M/s. S. R. Batliboi & Co. LLP, the auditors, in compliance with the applicable accounting standards and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Regulations'). These consolidated statements form a part of the annual report and accounts and shall be laid before the Annual General Meeting of the Company while laying its financial statements as required under the Act. A separate statement containing the salient features of the financial statements of its subsidiaries is attached.

### **Directors and Key Managerial Personnel**

In terms of the provisions of Section 152 of the Act and Article 102 of the Articles of Association of the Company, Mr. Sanjiv Goenka, Chairman of the Board, retires as a Director of the Company at the forthcoming Annual General Meeting and, being eligible, offers himself for reappointment as a Director.

The current five year term of appointment of Mr. Chandra Kumar Dhanuka, Ms. Rekha Sethi and Mr. K. Jairaj, three of the Independent Directors of the Company, will expire on 31 March 2019, 29 May 2019 and 31 July 2019 respectively. It is proposed to reappoint them

as Independent Directors, not liable to retire by rotation, for a fresh term of five years in accordance with the applicable provisions of the Act.

It is further proposed to obtain shareholders' approval by means of a Special Resolution for continuation of the appointment of Mr. P.K. Khaitan as an independent director of the Company in accordance with the requirement of the new Sub-Regulation 17(1A) introduced by the Securities & Exchange Board of India (Listing Obligation and Disclosure Requirements) (Amendment) Regulations 2018.

Since close of the year, Mr. Aniruddha Basu ceased to be a Director of the Company with effect from 28 May 2018 on expiry of his term as the Company's Managing Director. On and from the said date the Board, subject to necessary approval of the shareholders in general meeting, has appointed Mr. Rabi Chowdhury and Mr. Debasish Banerjee as Additional Directors of the Company with the designations of Managing Director (Generation) and Managing Director (Distribution) respectively for a period of five years.

Notice for the forthcoming Annual General Meeting of the Company includes appropriate Resolutions seeking shareholders' approval in respect of all the above matters.

Due to his advanced age and failing health, Mr. B.M. Khaitan has tendered his resignation as a director of the Company with effect from 23 May 2018. Mr. Khaitan was on the Board for almost a quarter of a century and made significant contribution as a Director over this long period. The Board places on record its profound appreciation to Mr. Khaitan for his invaluable contribution. The Board also places on record its sincere appreciation for the valuable contribution made by Mr. Basu as Managing Director of the Company.

The requisite disclosures regarding the above reappointments/appointments have been made in the Corporate Governance section which forms a part of this Report.

The details on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of Director, and also remuneration for Key Managerial Personnel and other employees appear in Corporate Governance Report and is a part of this Report. During the year, performance evolution of independent directors and other board members as well as the committees of the board were done in terms of the Act and SEBI Regulations.

Five meetings of the Board of Directors were held during the year on 18 May 2017, 28 July 2017, 11 August 2017, 8 November 2017 and 8 February 2018.

### **Listing**

The equity shares of the Company continue to be listed at the BSE Limited, National Stock Exchange of India Limited and The Calcutta Stock Exchange Limited. The Company has paid the requisite listing fee to the Stock Exchanges up to the financial year 2018-19.

### Directors' Responsibility Statement

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

- i) in the preparation of the accounts for the financial year ended 31 March, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts on a going concern basis;
- v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### Corporate Governance

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

### Corporate Social Responsibility

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

### Business Responsibility Report

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

### Whistle Blower Policy

Pursuant to Section 177 of the Act, the rules made there under and under the applicable SEBI Regulations, the Company has a

Whistle Blower Policy (Vigil Mechanism) in place for reporting genuine concerns over happening of instances of any irregularity, unethical practice and/or misconduct for directors, employees and stakeholders. The details of the said policy have been disclosed in the Company's website [www.cesc.co.in](http://www.cesc.co.in).

### Related Party Transactions

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

### Particulars of Loans, Guarantees or Investments

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

### Fixed Deposits

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

### Auditors

At the Thirty-ninth Annual General Meeting of the Company, the members had appointed Messrs. S R Batliboi & Co. LLP, Chartered Accountants, (Firm Registration No.301003E/E300005) as statutory auditors for a term of five consecutive years holding office until the conclusion of the forty-fourth Annual General Meeting.

The Auditors' Report annexed to the financial statements for the year under review does not contain any qualification.

### Cost Audit

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

### Secretarial Audit

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

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

The information relating to conservation of energy, research &

development, technology absorption and foreign exchange earnings and outgo, as required under Section 134 of Act read with the Companies (Accounts) Rules, 2014 is given in Annexure, forming a part of this Report (Annexure 'G').

#### **Extract of Annual Return**

An extract of the Annual Return as required to be attached is annexed and forms a part of this report. (Annexure 'H').

#### **Particulars of Employees**

The information as required in terms of Section 197 (12) of the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is set out in an annexure to this Report. However, the Report and the Accounts are being sent to all the Shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may write to the Company Secretary at the Registered Office of the Company. The said information is also available for inspection at the Registered Office during working hours up to the date of the Annual General Meeting.

The Company has in place a Remuneration Policy for Directors, key managerial personnel and other employees duly recommended by the Nomination & Remuneration Committee and approved by the Board. Other details relating to remuneration paid during the

year to directors and key managerial personnel are furnished in the Report on Corporate Governance which forms a part of this report.

Details pertaining to remuneration as required under Section 197 (12) of the Act read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed forming a part of this Report (Annexure – 'I').

#### **Industrial Relations**

Industrial relations in the Company, during the year, continued to be cordial. A detailed section on the Company's Human Resource initiatives has been included in the Management Discussion & Analysis forming a part of this Report.

#### **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 encouragement and support.

On behalf of the Board of Directors

Kolkata, 14 November, 2018

Sanjiv Goenka  
Chairman