

MINUTES OF THE 18th MEETING OF THE BOARD OF DIRECTORS OF CESC LTD., HELD ON 7th MARCH, 2008 AT REGISTERED OFFICE, MYSORE

Present:

Shriyuths:

Present:

Shriyuths:

- | | | |
|-------------------------|----|-------------------|
| 1. Bharat Lal | .. | Chairman |
| 2. Vijayanarasimha | .. | Managing Director |
| 3. S Sumanth | | Director |
| 4. R Veeranna Setty | .. | Director |
| 5. BN Sathyaprema Kumar | | Director |

By Invitation:

A Devaprasad : Financial Adviser

In attendance:

R Balasubramanian .. Authorised Signatory

Item No. 18/01: Confirmation of the Minutes of the 17th Board meeting held on 26th December, 2007

18/01.01 The Board confirmed the minutes of the 17th Board meeting held on 26th December 2007 as circulated.

Item No. 18/2: Action taken report on the Minutes of the 17th Board meeting of CESC, Mysore held on 26th December, 2007

17/02.01 Noted

17/2.02 While on the subject, the Board noted that the sub-committee constituted to examine the issues relating to Kirigavalu Grameena Abhirudhi Mandali arrangement and computerization arrangement is yet to finalise its findings/report. In the mean time, the Board has been re-constituted. As such, the Board felt that the proposals be examined by the Managing Director and Shri BN Satyaprem Kumar, Director and brought to the Board at its next meeting. If necessary, these proposals may also be circulated to the Directors.

Item No. 18/2: Re constitution of Board

18/2.01 The Board noted the changes in the Board of Directors and took on record the following notifications:

- i) Notification No. EN 98 Co-ord. 2007 dt. 04.2.2008 has appointed Shri R Veerana Setty as Director (Technical)*
- ii) Notification No. EN 98 Co-ord. 2007 dt. 14.2.2008 has appointed Dr. R Vishal, IAS as Officer on Special duty, Finance Dept. GoK as Director*
- iii) Notification No. EN 97 Co-ord. 2007 dt. 28.02.2008 has reconstituted the Board with the following Directors:*

The Board welcomed Shri R Veeranna Setty, Director Technical and Shri S Sumant Director. The Board placed on record the services rendered by Shriyuths S Pratap Kumar, VG Hiremath & Dr. Vishal Smt. Aditi Raj and Parvathi Keshavachar.

18/2.02 While on the subject the Board also constituted the Purchase and the Audit Committees with the following members:

a) Purchase Committee:

- 1) Managing Director .. Chairman
- 2) Director (Technical)
- 3) Shri BN Satyaprema Kumar

b) Audit Committee

- 1) Shri S Sumanth .. Chairman
- 2) Director (Technical)
- 3) Shri BN Satyaprema Kumar

It was informed that earlier there was a letter from GoK that representatives of Employees' Associations may not be made a member of the Purchase Committee. However, in view of the re-constitution of the Board with reduced strength of directors, the Board felt that the Committees be constituted as above and the Government informed suitably.

Item No.18/ 3: Conversion of share deposit into share capital

18/3.01 The Board was informed that the authorized share capital had been increased from Rs. 5 crores to Rs. 150 crores in the previous Annual General Meeting and that there was no impediment for issuing shares to GoK by conversion of the existing share deposit.

18/3.02 The Board noted the need to increase the share capital for the purpose of enhancing the return on equity and the borrowing powers. Accordingly the Board after discussions

Resolved that the proposal to allot and issue and allot 29254834 equity shares of Rs.10/- each to the Government of Karnataka in the name of the Hon'ble Governor aggregating to Rs. 29,25,48,340/- by conversion of the existing share deposit be and is hereby approved;

Further, the Managing Director be and is hereby authorized to issue these share certificates duly signed by the Managing Director and Shri BN Satyaprema Kumar, Director

Item No.18/4: Conversion of capital grant into share capital

18/4.01 The Board was informed that GoK vide letter No. EN 142 EEB 2005, Bangalore dated 25-3-06 has released capital grant of Rs. 50 crores to CESC and that it was required to convert the same into equity shares and issue to Government as per Energy Department letter No. EN PPR 2005 dated 20.09.07.

18/4.02 The Board noted the need to increase the share capital for the purpose of enhancing the return on equity and the borrowing powers. Accordingly the Board after discussions

Resolved that the proposal to convert the capital grant of Rs. 50 crores into share capital and to allot and issue

and allot 5 crore equity shares of Rs. 10/- each to the Government of Karnataka in the name of the Hon'ble Governor and be and is hereby approved;

Further, the Managing Director be and is hereby authorized to issue these share certificates duly signed by the Managing Director and Shri BN Satyaprema Kumar, Director

Item No.18/ 5: Review of Financial performance

18/5.01 The Board was apprised of the status/performance of revenue demand, collection, collection efficiency, categorywise closing ratio to demand and recoverable arrears.

18/5.02 The Board noted that the performance for the period April to January 2008 had not shown significant improvement. The Board further observed the need to report on various other critical parameters. It was therefore desired that the performance reports on various parameters in a presentable manner to be placed before the next board meeting on wards.

18/5.03 The Board thereafter reviewed the performance on improvement programmes and its observations thereon are as below:

- i) Reconductoring of 11 kv trunk feeders – balance 250 nos. to be completed by the end of July 2008
- ii) RLMS - DPRS must be prepared and action taken to tender within 3 weeks
- iii) Distribution automation of Mysore city and other district headquarters as is being done on BESCO - Action plan to be drawn

Item No. 18/6: Payment of Statutory Audit fee for the financial year 2006-07

18/6.01 The Board was informed of the request of the Statutory Auditors for increase in remuneration for the previous financial year 06-07, the remuneration paid for FY 06 and the extent of workload increase during 06-07.

18/6.02 The Board felt that as the fees payable were comparable to other ESCOMS which were even bigger in size, it would not be possible to consider the request. If at all for the year 07-08, a 20% increase could be considered for the Statutory Auditors. The Board accordingly authorized the Managing Director to inform the Auditors suitably.

Item No.18/7: Providing of Escrow Cover to M/s. NTPC towards Current Power Purchase Payments

18/7.01 The Board was informed of the Tripartite Agreement entered into with NTPC, the features of payment security mechanism, the LOC facility provided by CESC, the present request of NTPC to provide ESCROW cover for current power supplies from existing power stations and hypothecation of the receivables and draft supplementary agreement proposed by them.

18/7.02 The Board felt that provision of ESCROW as per proposed agreement as a back up to LOC may not be feasible considering the various obligations of CESC to its power suppliers and lenders. Hence, it may be desirable for the Managing Director to discuss the need for the said arrangement with NPTC. Basically, the proposed supplementary PPA appears to cover a situation where the ESCOMS are privatized. This aspect is a policy decision of the GoK and the Tripartite Agreement would be in force till September 2016. Taking all the above factors into account, the Board

Resolved that the Managing Director be and is hereby authorized to take suitable decision in the matter of entering into supplementary agreement with NTPC for providing ESCROW cover after due discussions

Item No.18/8: Construction of training institute building at Kadakola by KEBEA, Zonal Centre, Mysore to impart training to all employees at KPTCL/ESCOMs on par with ASCI and PMI Noida

18/8.01 The Board was informed of the Training Insitute constructed by KEB Engineers' Association, Zonal Centre, Mysore, the proposed programmes, the request for suitable contribution from CESC and the advance action taken in releasing funds towards construction of lecture halls.

18/8.02 The Board noted the need for training facility and agreed with the action taken. The Board thereafter

Resolved that the proposal to release Rs. 25 lakhs towards construction of first phase complex being built by KEBEA, Mysore at Kadkol be and is hereby approved and the advance action taken ratified

Item No.18/9: Revision of remuneration paid to retired officers working on contract basis

18/9.01 The Board was informed of the revision of the monthly remuneration by KPTCL regarding the officials taken on contract basis and the request of the officials/officers serving in CESC for revision of remuneration in the light of KPTCL's order.

18/9.02 The Board noted that as regards the request of the retired employees/officers, it must be borne in mind that the amount payable together with pension and pension equivalent gratuity should not exceed the last pay drawn. This has to factored while considering any revision. However, the Board felt that a marginal revision could be considered 'in principle' and hence

Resolved that the remuneration payable to retired officers (taken on contract) with effect from 01.11.07 shall be as under:

Sl. No	Name of the post	Present Remuneration	Revision of Remuneration with effect from 01.11.07 not exceeding
1	Rtd. CEE/FA	15,000/-	20,000/-
2	Rtd. SEE/CA	12,500/-	15,000/-
3	Rtd. EE/DCA	10,000/-	12,000/-
4	Rtd. AE/AAO	3,500/-	7,000/-

Item 18/10: Cost Auditing in respect of CESC Ltd.

18/10.01 The Board was informed of the requirement of Cost Audit of CESC for the year ending 31/03/08, the proposal to entrust the cost audit works to the firm presently doing the cost audit of KPTCL and the fees proposed.

18/10.02 The Board after discussions noted that this was a statutory requirement and that the fees appear to be reasonable. The Board, therefore

Resolved that pursuant to section 233B of the Companies Act, 1956 and subject to the approval of the Ministry of Corporate Affairs, Cost Audit Branch, Government of India, M/s GNV Associates, Bangalore, be and are hereby appointed as the cost auditors of the company to conduct audit of Power distribution by the company for the year ending on March 31, 2008 at a remuneration of Rs.40,000/- plus service tax plus out of pocket expenses at actuals

Resolved further that the Managing Director be and is hereby authorised to submit the necessary application in Form 23C to the Ministry of Corporate Affairs, Cost Audit Branch, Government of India and to do all such other acts as may be necessary

Item No.18/11: Ratification of action in partial modification to the minutes of the 17th meeting of the Board held on 26.11.07 in respect of poles procurement

18/11.01 The Board was informed of the decision of the Board in respect of price for poles procurement, the decision to round off the FORD prices to the nearest rupee and the difficulty in rounding off to the rupee in view of the incidence of statutory levies.

18/11.02 The Board noted that action has been taken to fix prices to the nearest paise as below and took the same on record.

- a) 9 M long RCC poles : Rs. 3907.54 instead of Rs. 3907/-*
- b) 9 M long PSC poles : Rs. 2649.55 instead of Rs. 2649/-*
- c) 8 M long PSC poles : Rs. 2198.26 instead of Rs. 2198/-*

**Sd/-
(Bharat Lal)
Chairman**