



**MINUTES OF THE 21<sup>st</sup> MEETING OF THE BOARD OF DIRECTORS OF CESC HELD ON FRIDAY, THE 19<sup>TH</sup> DECEMBER 2008 AT 11.30 AM AT THE BOARD ROOM IN THE REGISTERED OFFICE CESC, MYSORE -570 009**

**Present:**

**Shriyuths:**

- |                             |    |                      |
|-----------------------------|----|----------------------|
| 1. K Jairaj                 | .. | Chairman             |
| 2. AN Ramesha               | .. | Managing Director    |
| 3. R Veeranna Setty         | .. | Director - Technical |
| 4. S Sumanth                | .. | Director             |
| 5. Alok Mohan               | .. | Director             |
| 6. Smt Parvathy Keshavachar | .. | Director             |
| 7. Shivayogi C Kalasad      | .. | Director             |
| 8. L Ravi                   | .. | Director             |

**By Invitation:**

A Devaprasad : Financial Adviser

**In attendance:**

R Balasubramanian .. Authorised Signatory

**Item No. 21/1: Appointment of Directors**

21/1.01 The Board noted the appointment of new directors vide notification nos. EN 137/2008 dated 5.11.08, EN 38/2008(5) dated 24.9.08 and took the same on record. It welcomed the new directors.

**Item NO.21/02: Confirmation of the Minutes of the 19<sup>th</sup> and 20<sup>th</sup> Board meeting held on 28<sup>th</sup> August 08**

21/02.01 The Board confirmed the minutes of the 19<sup>th</sup> and 20<sup>th</sup> meetings held on 28.8.08 as circulated.

**Item No. 21/3: Follow up on the minutes of 19<sup>th</sup> meeting of the Board held on 28.08.08**

21/03.01 The Board noted the action taken on the minutes of the 19<sup>th</sup> and 20<sup>th</sup> meetings held on 28.8.08. While on the subject, the Board made the following observations/decisions:-



- i) **Item No.19/26 - Payment of special allowance to employees in the corporate office.** The order shall be effective from the day the same was extended in KPTCL.
- ii) **Item No.19/17 – Redeployment of manpower.** Chairman indicated that a new work load norms / staffing pattern study is being initiated under M/s ASCI, Hyderabad and that there would be extensive dialogue with chief executives of all the ESCOMs. While idle manpower may be deployed, MD may defer any other proposals for redeployment till the ASCI study is over.
- iii) **Item No.19/18 – Accounts for 2007-08.** Chairman observed that comments of the auditors must be reviewed by the Audit committee and the report of the audit committee placed before the Board in its March 09 meeting. All efforts must be made to address the qualifications of the auditors. It was observed that the Statutory Auditors have made a comment on excess payment of transport charges on poles transportation under para 11 of their report. The Board felt that normally test certificates are issued before dispatch. As such delivery of poles cannot precede placement of purchase orders. The Board therefore decided that the Audit Committee could go into all aspects of the transactions relating to poles. This should be covered in the report to be submitted to the Board. Regarding the audit observation for recruitment of a full time Secretary on the increase in share capital, the Managing Director was asked to take necessary action to obtain the services of a suitable person on contract.
- iv) **Shri L Ravi, Director emphasized the need for a separate HR wing as in KPCL.** A HR wing with defined role and structure would go a long way in streamlining the work. Importance should be given to finalise enquiries within a reasonable time. There is need to give greater exposure to all officers by way of suitable training. It was decided that while cadre management would be with KPTCL for the present in view of the tripartite agreement with associations and unions, all other Disciplinary enquiry aspects would be with the ESCOMs. In any case the ASCI study should throw light on the desired structure and thereafter, the whole process could be harmonized for efficient working.
- v) Shri Alok Mohan, Director felt that all store keepers should give the inventory certificate by 31.12.08. Shri Ravi stated that there



is an established procedure for making payments based on 5 documents and the same should be scrupulously followed. He felt that computerisation of stores is equally important and MD should review the movement or non moving stocks periodically. He also informed that a uniform policy regarding cash incentive for vigilance is being proposed for all ESCOMS.

- vi) The Board desired that case studies based on GIS applications be made to appreciate the utility and cost benefit analysis of using GIS at work.

**Item No.21/4: Procurement of 63KVA Distribution Transformer to CESC on rate contract basis for a period of one year**

21/04.01 The Superintending Engineer (Elect) briefed the about the requirement of 63 KV distribution transformer to CESC, the tender process initiated, the extent of participation and the outcome and the proposal.

21/04.02 The Board noted that the bids had been invited and processed in compliance of KTPP Act and that the tender is for the quantity required for the balance period of the financial year. Further, the proposal has been scrutinized by the Tender Scrutiny Committee and by the Internal Audit and the L1 rate of Rs. 84,162 is 17.01 % less than the previous procurement rate and 11.69% below the CESC SR of 2007.

21/04.03 The Board felt that obviously the bidders had acted in cartel since all have quoted same price. The Board felt that in view of the same and also considering the downward trend in the price of steel products it would be prudent to restrict the present procurement to about 500 numbers and float a short term tender for the additional requirements and also providing for loss capitalisation in tender evaluation. The Board desired the Managing Director to explore the possibility of obtaining further price reduction through negotiations and thereafter to place orders on the firms at the negotiated rates. The Board therefore



resolved that with regard to the procurement of 500 nos. of 63 KVA distribution transformer, the Managing Director do negotiate with the following L1 firms:-

- 1 M/s Kailash Transformer Pvt.Ltd. Gulbarga - 585 104
- 2 M/s Sri Basaveshwara Engg Works
- 3 M/s Maruthi Transformer Mfg.Co.
- 4 M/s Sri Shanthaveera Transformers Mfg Co
- 5 M/s STAR ELECTRICALS
- 6 M/s VT Switchgears & Transformers
- 7 M/s Yeshoda Electrical Suppliers

with respect to L1 unit FORD price of Rs. 84,162 and thereafter to place orders equally on all firms who offer the least price

Further, the Managing Director be and is hereby authorized to float short term tenders for the required quantity of transformers duly providing for evaluation on loss capitalisation

**Item No. 21/5: Procurement of 300 KLS of EHV Grade new Transformer oil on rate contract basis for one year**

21/05.01 The Superintending Engineer (Elect) briefed about the requirement of EHV oil quantity assessed for the balance period, the tender process initiated, the extent of participation and the outcome and the proposal.

21.05.02 The Board noted that the bids have been invited and processed in compliance of KTPP Act and that the tender is for the quantity required for the balance period of the financial year. Further, the proposal has been scrutinized by the Tender Scrutiny Committee and by the Internal Audit and the L1 rate of Rs. 67,290.456 is comparable to the orders placed by BESCOM recently.

21/05.03 It was brought to the perusal of the Board that the subject was discussed in the 27<sup>th</sup> Purchase Committee Meeting held on 10<sup>th</sup> Dec.08 wherein it was recommended to place the matter before the Board for consideration. The Committee had felt that in view of the downward trend in the price of petroleum products it would be prudent to explore the possibility of obtaining further price reduction through negotiations and thereafter to place orders on the firm at the negotiated rates.

21/05.04 The Board observed that the L1 firm was also L1 at MESCOM and that it would be appropriate to explore the possibility of suitable price reduction in view of the prevailing economic situation. Hence, after detailed deliberations on the issue, the Board

- Resolved (a) that the Managing Director be and is hereby authorized to place orders with the L1 firm M/s Savitha Chemicals Limited, Mumbai, for manufacture & supply of the entire quantity of 300 KL EHV Grade new transformer oil conforming to IS:335 in new steel barrels (depending upon the requirement during the next two years) at the negotiated rate after one more round of negotiations with reference to their negotiated Unit Ford Price of Rs.73493.54/KL (i.e., Unit Ex-Works Price Rs.56550.00+ Excise Duty @14%+Cess on ED @ 3% +CST Nil against 'C' form + F& I Rs.2200+Entry Tax@ 5%)(i.e. ,inclusive of all taxes and statutory levies but exclusive of the admissible price variation if any);**
- (b) admissible price variation as per tender conditions be and is hereby approved.**
- (c) the Managing Director be and is hereby authorized to take further action in the matter**

**Item No. 21/6: Procurement of 1000 Kms. Rabbit ACSR Conductor to CESC on rate contract basis for one year**

21/06.01 The Superintending Engineer (Elecl) briefed the Board about the requirement of Rabbit ACSR conductor, salient features of tender process, the specifications and qualifying requirements,



the extent of participation, bid evaluation, report of the Tender Scrutiny Committee, the views of Financial Adviser and Internal Audit, compliance with KTPP Act and the comparative position of the offers.

21/06.02 The Board noted that the tender process had been carried out as per the provisions of KTPP law. The Board further noted that of the 9 firms who had participated, 4 firms were declared as non responsive in not meeting tender conditions and the rest 5 firms considered as techno commercially responsive. It was also noted that the L1 offer of M/s Dynamic Cables Pvt. Ltd. Jaipur at Rs. 32,950.81/km was higher than CESC SR rate of 2007 and that of MESCOM where orders had been placed on negotiated unit FORD rate of Rs. 29,300/- per Km. It was also noted that the L1 being an outside firm, there were four State SSI units which had quoted within the 15% price band.

21/06.03 The Board noted that the Purchase Committee had observed that there appeared to be scope for obtaining further reduction in price and felt that negotiations be held with the L1 firm to get comparable price to that obtained by MESCOM recently. Further, as per the State Industrial Policy, 25% of the quantity should be placed on the L1 firm and the balance 75% offered to the local SSI which was L1 provided it matches the negotiated price of the L1 firm. In the event the local L1 does not match to the price, an opportunity may be given to the L2 and L3 firms thereafter. If none of the firms match the price of L1, then the entire quantity should be placed on L1. The Board noted the outcome of negotiations on 7.11.08.

21/06.04 The Board after discussions

**Resolved** that the proposal to place orders for supply of 1000 Kms of Rabbit ACSR Conductor on M/s. Dynamic Cables Pvt. Ltd, Jaipur for 25% of the tender quantity & 75% tender quantity on state SSI firm M/s Aluminum cables, B'lore at L-1 Unit FORD Price of Rs.29000.00 based on CACMAI circular date 01.11.08 (updated) on rate contract for a period of one year”



### Item No. 21/7: Sanction of Additional Post through upgradation

21/07.01 The Board was apprised of the management structure at the Corporate office following the bifurcation of MESCOM and creation of CESC, the functional requirements of Finance and Accounts, regulatory matters etc. The Board was further informed that since distribution and detailed businesses are to be bifurcated as per KERC directives, one post of Controller and one post of Deputy Controller is necessary to handle these aspects. Further a few Accounts Officers are also required to handle the revenue accounts, Board and taxation matters.

21/07.02 The Board felt that the proposal for one post of SE (Elect), EE (Elect), Controller and Dy. Controller and two posts of AO are bare minimum and necessary for effective functioning of the company. The Board also noted that as against these posts, other posts of AEE and Jr. Asst. could be set off. The Board agreed with the same and

**Resolved that as part of restructuring, the following additional posts through upgradation and by abolition of other posts be and is hereby approved**

Sl. No	Name of the post	Sanctioned	Working	Addition	Cost per post @ in Rs.lakhs	Cost Adjustments
1	SEE	3	3	1	5.45	34 posts of AEE are vacant. By abolishing 3 posts of AEE(Vacant)Rs.10.34 lakhs is set off
2	Exe.Engr	5	5	1	4.89	
3	Controller	0	0	1	5.64	203 posts of Jr.Asst are vacant. By abolishing 11 posts (5.5%) Rs.18.65 lakhs is set off.
4	Dy.Controller	1	1	1	5.03	
5	Accts.Officer	6	6	2	7.98	
Total		15	15	7	28.99	



**Item No. 21/8: CESC Performance**

21/08.01 The Board was apprised of the performance of the company in terms of T&D loss, reduction in AT & C losses, reduction in transformer failure, reliability index, increase in revenue collections, capital expenditure achieved, increase in meter consumption, control of faulty meters, dues to KPCL, demand side management etc.

21/08.02 The Board noted the performance and decided to take up examination of various parameters under the relevant agenda item heads.

21/08.03 While on the subject, the Board observed that as the availability of energy was not more than 120 MU/per day from all sources in the State and as the consumption could go upto 140 MU/per day during summer, a gap of about 1000 MW will have to be bridged. Since power supply may have to be regulated, the officers will have to deal patiently with all consumers and educate them through proper communication.

**Item No: 21/9: Extension & Improvement Works**

21/09.01 The Board was apprised of the extensions of HT line, LT line and additional DTCs established during and up to November 08 and also the extent of reconductoring carried out. It was informed that the works could pick up during the coming months as the rains have now ceased and ground conditions conducive for working.

21/09.02 The Board desired that these works must be stepped up and necessary targets achieved.

**Item No. 21/10: Failure of Distribution Transformers**

21/10.01 The Board was apprised of the extent of DTC failure during the previous year and the current year.

21/10.02 The Board observed that transformer failure was about 1.5% per month which was on the higher side. It was felt that





failure of transformers impacts the revenues of the company and therefore steps have to be taken to minimize the same. The Board desired to know whether transformers are being replaced within 72 hours, whether repairs of transformers are taken up promptly by the TC Centres, whether guarantees from manufacturers and repair centres are being availed, whether failures are taking place even after replacement during guarantee periods, and whether action is taken on such manufacturers and centres by way of black listing etc., The Board desired the Director Technical to make an in-depth analysis of the transformer failure and bring down the loss to less than half percent per month as in well managed ESCOMS.

#### **Item No. 21/11: Metering Status and Energy Audit**

21/11.01 The Board was informed that 100% metering of all installations have been carried out except in respect of IP sets and DTCs.

21/11.02 The Board observed that with regard to percentage of losses recorded in the DTCs audited, significant number was above 20%. The Board desired the Director Technical to make a thorough analysis of the DTCs metered and to address the problems where heavy losses are being recorded.

#### **Item No.21/12: Vigilance activities**

21/12.01 The Board took note of the status of vigilance activities.

21/12.02 Shri Alok Mohan, Director apprised the Board of the steps required to be taken to apprehend theft and the modus operandi being employed by power stealers of various categories, the devices in the market and the technology being employed. He emphasized the need to carry out level one vigilance through inspection after analysis and level two after feeder wise analysis. He suggested ways and means to combat the theft and requested the vigilance and engineering staff to cooperate in tackling the malaise. He also suggested taking action to file FIRs once the theft is identified so that law would take its course. He observed that in



the context of the power crises, arresting power theft would help the State in reducing the purchase of costly power. He stated that there would be a drive during January across the State.

**Item No. 21/13: T& D and AT&C Losses**

21/13.01 The Board was apprised of the T&D loss for previous year and for the current year in respect of Works Circles at Mysore & Mandya and O & M Circles at Mysore & Hassan .

21/13.02 The Board felt that the AT & C loss in respect of Mysore was very high. Vigilance activities have to be stepped up apart from commissioning of the system improvement works to reduce the losses. It was also emphasized that since input energy was being obtained at high price, it was necessary to curb losses to conserve the energy. Director Technical was asked to examine the measures to arrest the T&D losses.

**Item No: 21 /14: Revenue Profile**

21/14.01 Financial Adviser briefed the Board about the revenue profile of the company, monthly demand during the current year and the collection efficiency.

21/14.02 The Board noted that both the demand and collection efficiency has been going up. The closing balance to demand ratio is still high. It was further observed that overall monthly collections have gone up but the dues from the subsidized categories were still on the higher side. The recoverable dues from the non-subsidised categories were about Rs. 60.26 crores only. The Board desired that all efforts be made to recover these amounts. As regards water supply and street light dues from Gram Panchayats and CMCs also, it was felt necessary to pursue the same with Government.



**Item No. 21/15-(a): LOT-1 - Establishing of 11 KV independent feeders, extension/re arranging of LT lines, erection of distribution Transformers, for non agricultural loads in Malavalli Taluk, Mandya District on Partial Turnkey basis under Nirantara Jyothi (*Gujarat Model*)**

21/15(a).01 The Superintending Engineer (Elect) briefed the Board about the Government's initiative to provide uninterrupted power supply for non agricultural loads in the rural areas on the lines of JGY Gujarat model, the decision in the Board of Directors meeting held on 28.8.08 to process bids for pilot project in one taluka in CESC area, the salient features of the tender process, the qualifying requirements, evaluation criteria, bid conditions, scrutiny by the Technical Scrutiny Committee, compliance to KTPP Act, scrutiny by the Internal Audit and the proposal for award of work to L1.

21/15(a).02 The Board noted that the tender has been invited pursuant to Government's decision to go in for 24 hour power supply to non agricultural loads in rural areas as in Gujarat and that the Board had authorized the Managing Director to process a proposal in one taluka in CESC area. The Committee further noted that the Malavalli taluka in Mandya district has been chosen and that tender has been invited in five lots on partial turnkey basis. The estimated cost of the tender has been based on BESCOM rates. Further, there is a condition in the tender that the qualified bidder who is L1 is eligible for one work only i.e. for one lot as per choice of CESC.

21/15(a).03 The Board was informed that in respect of Lot-1, covering two feeders, the estimated cost of the tender is Rs.358.27 lakhs and that two bidders have responded. The offer of M/s Asian Fab Tech Limited Bangalore at Rs.38895134.28 is the lowest and is 8.56% above the estimated cost of Rs. 3.58 crores. The Committee noted that M/s Asian Fab Tech Ltd., Bangalore was



also L1 in Lots 2,3,4 and 5. However, since as per bid condition, the firm would be eligible for only one work, lot-1 is proposed to be finalized.

21/15(a).04 The Board noted that the bid has been processed in terms of KTPP Act and that the offer of L1 was marginally higher than the estimated cost, there appears to be some scope for obtaining price reduction through negotiations. The Board observed that the Purchase Committee had felt that negotiations could be held with the L1 firm and thereafter the proposal placed before the Board for its consideration and approval. Accordingly, the rates were negotiated on 26.11.08 with M/s Asian Fab tech Ltd. Bangalore. The firm expressed that the materials required for the project in Malvalli Tq are to be procured and transported from Bangalore which is faraway unlike Bangalore to Malur in BESCOM and transportation charges will be higher when compared to the prices quoted for similar project in BESCOM. However the firm has agreed to execute the subject works at negotiated FORD price of Rs.384.64 lakhs (*Rs three hundred eight four lakh sixty four thousand*) which is 7.36% above the estimated cost of Rs.358.27 lakhs (*Rs Three hundred fifty eight lakh twenty seven thousands*).

21/15(a).05 The Board after discussions

**Resolved that in respect of Lot-1 covered under bid enquiry No. CESC/SEE(P)/C2-3313/2008-09 dated 11.09.08, the Managing Director be and is hereby authorized to place orders on M/s Asian Fab Tec Limited, Bangalore at negotiated FORD price of Rs.384.64 lakhs (*Rs Three hundred eighty four lakh sixty four thousand*) for establishing of 11 KV independent feeders, extension/re arranging of LT lines, erection of distribution Transformers, for non agricultural loads in Malavalli Taluk, Mandya District on Partial Turnkey basis Lot-1 for two feeders i.e. from BG Pura MUSS to Chikkabagilu and other 27 villages & from BG Pura MUSS to Hosahalli and other 19 villages fed by the proposed two feeders.**



**Item No. 21/15-(b): LOT-2 - Establishing of 11 KV independent feeders, extension/re arranging of LT lines, erection of distribution Transformers, for non agricultural loads in Malavalli Taluk, Mandya District on Partial Turnkey basis under Nirantara Jyothi (*Gujarat Model*)**

21/15(b).01 The Superintending Engineer (Elect) briefed the Board about the Government's initiative to provide uninterrupted power supply for non agricultural loads in the rural areas on the lines of JGY Gujarat model, the decision in the Board of Directors meeting held on 28.8.08 to process bids for pilot project in one taluka in CESC area, the salient features of the tender process, the qualifying requirements, evaluation criteria, bid conditions, scrutiny by the Technical Scrutiny Committee, compliance to KTPP Act, scrutiny by the Internal Audit and the proposal for award of work to L1.

21/15(b).02 The Board noted that the tender has been invited pursuant to Government's decision to go in for 24 hour power supply to non agricultural loads in rural areas as in Gujarat and that the Board had authorized the Managing Director to process a proposal in one taluka in CESC area. The Committee further noted that the Malavalli taluka in Mandya district has been chosen and that tender has been invited in five lots on partial turnkey basis. The estimated cost of the tender has been based on BESCOM rates. Further, there is a condition in the tender that the qualified bidder who is L1 is eligible for one work only i.e. for one lot as per choice of CESC.

21/15(b).03 The Board was informed that in respect of Lot-2, covering two feeders, the estimated cost of the tender is Rs.306.481 lakhs and that two bidders have responded. The Committee noted that the offer of M/s Asian Fab Tech Ltd., Bangalore at Rs. 329.74755 lakhs was the lowest and was 7.59% above the estimated cost. However, since this firm was eligible for



award of work in respect of Lot-1 by virtue of tender conditions, it would not be eligible for any other works. Hence, the eligible bidder in the fray was M/s Skill tech Engineers & Contractors Pvt Ltd. Their offer of Rs. 3.502 crores was 14.29% above the estimated cost.

21/15(b).04 The Board noted that the Purchase Committee has observed that similar works had been awarded in BESCOM at less than 7% above the estimated cost and hence there was need to explore the possibility of obtaining further price reduction so that the negotiated price is comparable to that of BESCOM. The Committee had therefore felt that negotiations could be held with the eligible bidder M/s Skill Tech Engineers and Contractors Pvt Ltd., for obtaining suitable price reduction comparable to BESCOM order and thereafter to place it before the Board for approval. Accordingly, the rates have been negotiated on 26.11.08 with M/s Skill Tech Engineers & Contractors Pvt. Ltd. The firm expressed that the materials required for the project in Malvalli Tq., are to be procured and transported from Bangalore which is faraway unlike Bangalore to Malur in BESCOM and transportation charges will be higher when compared to the prices quoted for similar project in BESCOM. However the firm has agreed to execute the subject works at negotiated FORD price of Rs. 328.85 lakhs (*Rs three hundred twenty eight lakh and eighty five thousand*) which is 7.3% above the estimated cost of Rs. Rs.306.481 lakhs (*Rs Three hundred six lakh forty eight thousand one hundred*).

21/15(b).05 The Board after discussions

**Resolved** that in respect of Lot-2 covered under bid enquiry No.CESC/SEE(P)/C2-3313/2008-09 dated 11.09.08,, the Managing Director be and is hereby authorized to place orders on M/s Skill Tech Engineers & Contractors Pvt. Ltd at negotiated FORD price of Rs.328.85 lakhs (*Rs three hundred twenty eight lakh and eighty five thousand*) for establishing of 11KV independent feeders, extension/re arranging of LT lines, erection of distribution Transformers, for non agricultural loads in Malavalli Taluk, Mandya District on Partial Turnkey basis Lot-1 for two feeders i.e. from DG Kopallu MUSS



to Kiragavalu & other 20 villages & from DGKopallu MUSS to Mooganakopallu & other 23 villages fed by the proposed two feeders

**Item No. 21/15-(c): LOT-3 - Establishing of 11 KV independent feeders, extension/re arranging of LT lines, erection of distribution Transformers, for non agricultural loads in Malavalli Taluk, Mandya District on Partial Turnkey basis under Nirantara Jyothi (*Gujarat Model*)**

21/15(c).01 The Superintending Engineer (Elec) briefed the Board about the Government's initiative to provide uninterrupted power supply for non agricultural loads in the rural areas on the lines of JGY Gujarat model, the decision in the Board of Directors meeting held on 28.8.08 to process bids for pilot project in one taluka in CESC area, the salient features of the tender process, the qualifying requirements, evaluation criteria, bid conditions, scrutiny by the Technical Scrutiny Committee, compliance to KTPP Act, scrutiny by the Internal Audit and the proposal for award of work to L1.

21/15(c).02 The Board noted that the tender has been invited pursuant to Government's decision to go in for 24 hour power supply to non agricultural loads in rural areas as in Gujarat and that the Board had authorized the Managing Director to process a proposal in one taluka in CESC area. The Committee further noted that the Malavalli taluka in Mandya district has been chosen and that tender has been invited in five lots on partial turnkey basis. The estimated cost of the tender has been based on BESCOM rates. Further, there is a condition in the tender that the qualified bidder who is L1 is eligible for one work only i.e. for one lot as per choice of CESC.

21/15(c).03 The Board was informed that in respect of Lot-3, covering two feeders, the estimated cost of the tender is Rs.321.51 lakhs and that two bidders have responded. The Board noted that the offer of M/s. Asian Fab Tech Ltd., Bangalore at Rs. 345.175 lakhs was the lowest and was 7.36% above the estimated cost.



However, since this firm was eligible for award of work in respect of Lot-1 by virtue of tender conditions, it would not be eligible for any other works. Hence, the eligible bidder in the fray was M/s Ishwar Electric Co., Dharwad. Their offer of Rs. 3.999 crores was 24.40% above the estimated cost.

21/15(c).04 The Board noted that the Purchase Committee had observed that similar works had been awarded in BESCOM at less than 7% above the estimated cost and hence there was need to explore the possibility of obtaining further price reduction so that the negotiated price is comparable to that of BESCOM. The Committee therefore felt that negotiations could be held with the eligible bidder M/s Ishwar Electric Co., Dharwad, for obtaining suitable price reduction comparable to BESCOM order and thereafter to place it before the Board for approval. Accordingly, the rates were negotiated on 26.11.08 with M/s Ishwar Electric Co. Dharwad. The firm expressed that the materials required for the project in Malvalli Tq., are to be procured and transported from Bangalore which is faraway unlike Bangalore to Malur in BESCOM and transportation charges will be higher when compared to the prices quoted for similar project in BESCOM. However the firm has agreed to execute the subject works at negotiated FORD price of Rs.344.825 lakhs (*Rs Three hundred forty four lakh eight two thousand and five hundred only*) which is 7.25% above the estimated tender cost of Rs.321.515 lakhs (*Rs Three hundred twenty one lakh fifty one thousand and five hundred only*).

21/15(c).05 The Board after discussions

- Resolved that in respect of Lot-3 covered under bid enquiry No.CESC/SEE(P)/C2-3313/2008-09 dated 11.09.08., the Managing Director be and is hereby authorized to place orders on M/s Ishwar Electric Co. Dharwad at negotiated price of Rs.344.825 lakhs (*Rs Three hundred forty four lakh eight two thousand and five hundred only*) for Establishing of 11 KV independent feeders, extension/re arranging of LT lines, erection of distribution Transformers, for non agricultural loads in Malavalli Taluk, Mandya District on Partial Turnkey basis Lot-3 for five feeders i.e. from TK Halli





measures to be adopted to bring down the variable costs with special reference to the average cost of borrowing and for effective cost management in the Company.

21/17.02 Further it was apprised to the Board that

- (a) the Ministry of Company Affairs, GOI, vide order No:52/63/CAB-2008 dated 4<sup>th</sup> Feb.08 has directed for the Audit of cost accounts maintained by the Company in respect of financial year ending 31.3.2008 and for every financial year thereafter continuously to be conducted by an auditor with the qualifications prescribed under Sc.233B(1) of the Companies Act 1956.
- (b) As per the approval of the Ministry of Power, GOI, Cost Audit Branch and as per the resolution of the 18<sup>th</sup> Board Meeting held on 7<sup>th</sup> March 2008, M/s GNV Associates, Cost Accountants, Bangalore, were appointed as the Cost Auditors for 2007-08 at a remuneration of Rs.40,000/- plus service tax plus out of pocket expenses at actuals and it is proposed to appoint the same cost auditors for the audit of cost accounts for the financial year 2008-09 also on the same terms and conditions and remuneration.

21/17.03 The Board after discussion

- Resolved**
- (a) that the cost audit report for the year 2007-08 submitted by the cost auditors M/s GNV Associates be and is hereby accepted and the managing Director authorized to file the same with the ministry of corporate affairs;
  - (b) further, pursuant to Section 233B of the Companies Act 1956 and subject to the approval of the Ministry of Company Affairs, Cost Audit Branch, Govt of India, M/s GNV Associates 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, 2009 at a remuneration of Rs.40,000/= plus service tax plus out of pocket expenses at actuals;



MUSS to Karalakatte & other 13 villages, from Halagur MUSS to Kunthoor & other 17 villages, from Halagur MUSS to Basavanahalli & other 11 villages, from Halagur MUSS to Halgoor & other 10 villages & from TK Halli MUSS to Husakur & other 10 villages comprising five feeders.

21/15(c).06 While on the subject, the Board was informed that in respect of Lots 4 and 5, the Purchase Committee had advised to re-tender since there were no eligible bidders. The Board felt that atleast one Lot viz., Lot 4 could be taken up for departmental execution as this would help to bench mark the works tendered out also. Accordingly, the Managing Director was authorized to take up departmental execution of Lot 4.

**Item No: 21/16 Short closure of Scheme – APDRP Phase I**

21/16.01 The Board was apprised of the scope of APDRP Phase-I launched during August 08 and its coverage, the extent of work done by M/s Deepak Cables Ltd., and Nagarjuna Construction Company Ltd., and the extent of work to be completed.

21/16.02 The Board noted that despite efforts by the company, the agency M/s NCC Ltd., has not taken up the works under APDRP work and that it was necessary to short close the works under APDRP-1 as only after that works under RAPDRP could be taken up for Mysore and other towns. The Board after discussions

**Resolved that the Managing Director be and is hereby authorized to take necessary action against M/s NCC Ltd., Hyderabad in respect of the works entrusted to them as per contractual provisions regarding penalty, short closure and black listing at the risk and cost of the firm**

**Item No 21/17: Cost Audit Report for the year ending 31.3.2008**

21/17.01 The Board confirmed the circular resolution dated 22.9.08 for approval of cost audit report for 2007-08 as circulated. The cost audit report for 2007-08 was discussed at length with the



29/12.04 The Board desired that the Internal Audit System be strengthened and if necessary to outsource for expert professional services. The material accounting and auditing was also desired to be updated through Technical Audit Wing.

29/12.05 After discussion on the financial positions as depicted and reflected in the financial statements, **the Board**

**Resolved (a) that the statutory auditors' report and the 'Nil' comments of the Comptroller & Auditor General of India on the Annual Accounts 2007-2008 be and are hereby taken on record;**

**(b) the Annual Accounts, Directors' Report together with the Auditors' Report and C&AG Nil comments be placed before the Annual General Meeting to be convened on or before 31.12.2008 for adoption;**

**(c) Shri R Balasubramanian, Authorized Signatory be and is hereby authorized to issue the Notice convening the 3<sup>rd</sup> Annual General Meeting on or before 31.12.08**

**Item No.21/19 Revision of Sitting Fees for Board of Directors**

21/19.01 It was informed to the Board that vide Order No: 26/SPU 2008 Dated 25.9.2008 GOK has ordered for the revision of sitting fees of the Directors of Public Sector Undertakings, Boards and other Autonomous Corporations which are under the control of the Govt. of Karnataka from the existing rate of Rs.250/- to Rs.500/-

21/19.02 Board noted that since CESCO Ltd, is also a GOK Undertaking coming under the purview of Dept. of Public Enterprises, the GOK Order dated 25.9.2008 would be applicable to it also.

21/19.03 After discussion on the issue, **the Board**

**Resolved (a) that the GOK Order No:26/SPU 2008 dated 25.9.2008 be and is hereby adopted by the Company forthwith;**

**(b) the Managing Director be and is hereby authorized to take further action in the matter**



- (c) the Authorised signatory be and is hereby authorized to submit the necessary application in Form No.23C to the Ministry of Company Affairs, Cost Audit Branch, GOI, and to do all such other acts as may be necessary;
- (d) The Managing Director be and is hereby authorized to appoint Cost Auditor for future financial years

**Item No. 21/18 : Annual Accounts for the year ending 07- 08 – Statutory Auditors’ Report and the Review and Comments of the C&AG thereon – approval to Directors report including Addendum containing management’s reply to Auditors’ observation**

21/18.01 The Annual Accounts for the year ending 2007-2008, Statutory Auditors’ Report and the review and comments of the C&AG thereon, the Directors’ report including Addendum containing management’s reply to Auditors’ observation were deliberated at length and the Board took note of the same.

21/18.02 The statutory auditors’ qualifications on the accounts and the replies of the management with special reference to the mandatory ‘Accounting Standards’ to be implemented as enumerated in the addendum to the Directors’ Report were discussed thread bare.

21/18.03 It was clarified to the Board that there is variance in the accounting standards and conventions followed by Electricity Distribution Companies as per ESAAR-1985 and hence many qualifications issued by the Statutory Auditors are of ‘general statements’ in nature. However Board desired that verification and documentation of fixed assets of the Company and the inventory of materials be initiated by 31<sup>st</sup> March 2009 positively. The Board also advised the Managing Director to look into the average cost of borrowings, material planning and capitalisation of improvements.



- (b) M/s Power Company of Karnataka Ltd., has been made as a facilitator by the Govt., of Karnataka, for carrying out various preliminary activities like appointment of consultants, land acquisition, clearance from various Departments etc., for enabling commissioning of UMPP within the scheduled target.
- (c) Vide Letter No:PCKL/A1/26/2007-08/4295-99 dtd.,10.11.08, M/s. PCKL has requested ESCOMs to authorize them through a Board Resolution to carry out 'Bidding process activities in respect of establishment of 4000 MW UMPP at Kudigi in Bijapur District through tariff based competitive bidding on behalf of ESCOMS'

21/21.02 The Board after deliberations on the issue,

- Resolved that (a) approval be and is hereby accorded to authorize M/s Power Company of Karnataka Ltd., (PCKL) to carry out the bidding process activities in respect of establishment of 4000 MW UMPP at Kudigi in Bijapur District through tariff based competitive bidding for and on behalf of the Company;
- (b) the Managing Director be and is hereby authorized to take further action in the matter

**Item No.21/22: Opening of Police Station at Madikeri and creation of one post of SP for CESC**

21/22.01 Shri Alok Mohan, Director explained that a post of SP for CESCO is to be created since it is the policy to have one post of SP and Dy.SP for each ESCOM. Following the bifurcation of MESCOM and creation of CESCO, the post of SP was retained in MESCOM and post of Dy.SP in CESCO. The Board agreed with the same. Further, he also sought for the opening of a Police Station at Madikeri. The Board after discussions

Resolved that the proposals to open a Police Station at Madikeri and to create a post of SP (Vigilance) for CESC be and are hereby approved

  
(K. Jairaj)  
Chairman



**Item No. 21/20: Rate Contract for Execution of Action Plan Work in Hassan Circle**

21/20.01 The Board was informed of the proposal to go in for rate contract for execution of action plan in Hassan circle on turn key basis, the scope of the work involved, the different schedules for various items, qualifying requirements, the terms of payment, the extent of participation, the scrutiny by the Tender Scrutiny Committee and the Purchase Committee and the proposal.

21/20.02 The Board observed that in respect of the 14 schedules, the percentage of excess quoted price with reference to CESC SR varies significantly. It further noted that schedules 7, 8, 9 and 10 relating to distribution transformers centres did not appear to differentiate among 25 KVA, 63 KVA and 100 KVA sets. The total quantity of work is also not brought out. Considering these and other aspects, the Board felt that the Managing Director may bring up the proposal duly clarifying the following aspects:-

- i) Whether the tendering process is as per KTPP law?
- ii) What is the tendered quantity and period of the proposed turnkey contract?
- iii) Whether the bidder has the capability to handle the quantum of work involved? What are works completed by him?
- iv) Whether entrustment of such work would restrict scope for local small time contactors in the area?
- v) Whether there is proper estimation of quantities proposed?
- vi) Whether detailed negotiation is carried out in respect of the different schedules?

**Item No.21/21: Authorising M/s. PCKL to process the bidding activities pertaining to 4000 MW UMPP at Kudigi in Bijapur District**

21/21.01 The Board was explained that:

- (a) considering Karnataka's power requirements, the Govt. of Karnataka vide Order No: EN 128 PPC 2008, Dated 16<sup>th</sup> October 2008 has accorded approval for establishing a 4000 MW Ultra Mega Power Project at Kudigi in Bijapur District, whereby Karnataka can avail upto 50% share in the 4000 MW project besides other advantages.