

Office Note Chamundeshwari Electricity Supply Corporation Limited

No. A1 C7 BM31

Date: 1.12.2010

Sub: Minutes of the 31<sup>st</sup> meeting of the Board held on 27<sup>th</sup> November, 2010

The draft minutes of the 31<sup>st</sup> meeting of the Board of Directors of the Company held on 27.11.2010 is placed opposite for kind perusal and approval.

*[Signature]*  
Authorized Signatory

~~MD)~~ *[Signature]*

~~Chairperson)~~

*2*  
*3/12/10*

(s)

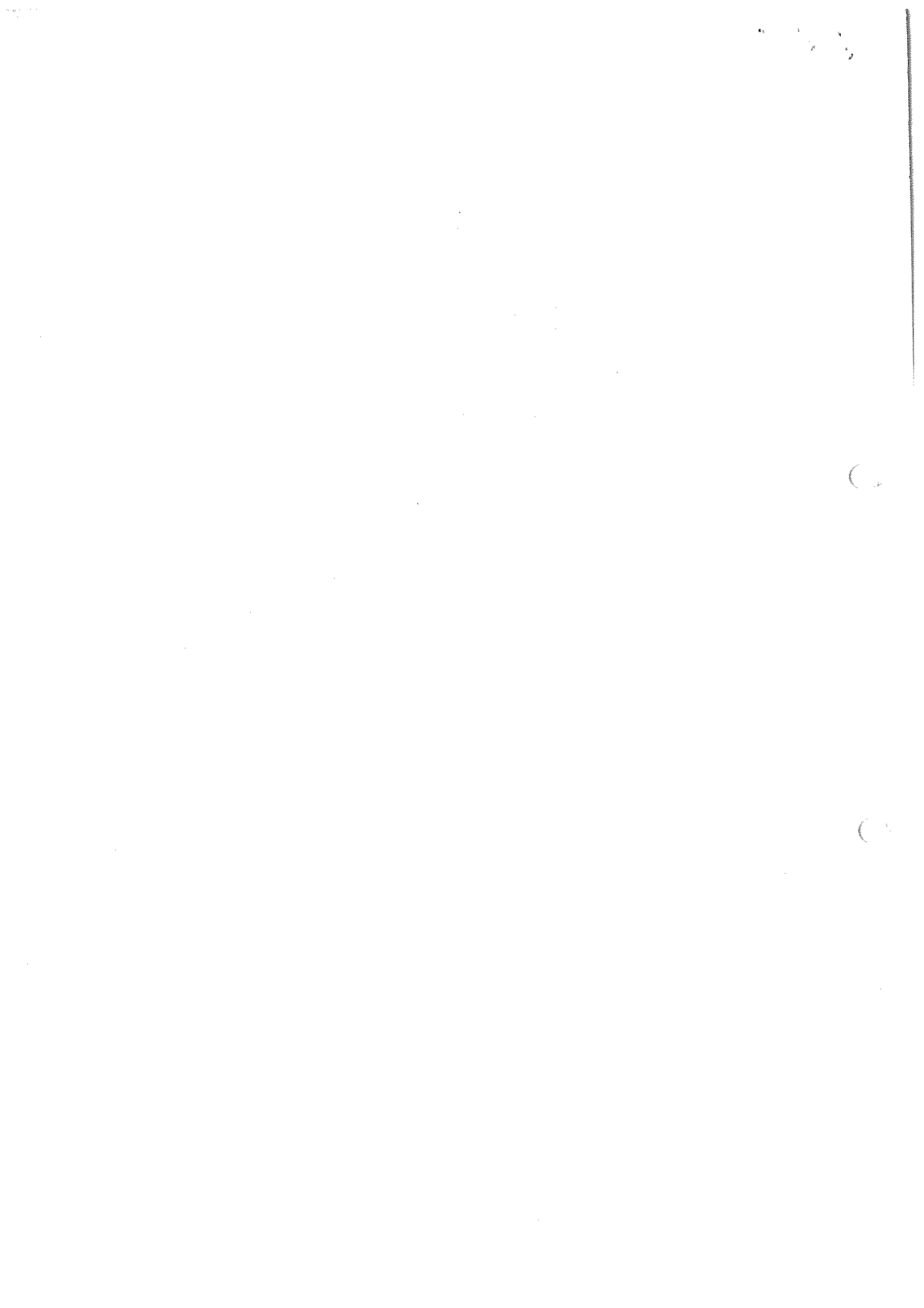
Fair copy put up for  
kind signature of  
Chairperson

*[Signature]*

~~Chairperson)~~

*[Signature]*  
*3/12/10*

(s)





**MINUTES OF THE 31<sup>ST</sup> BOARD OF DIRECTORS MEETING OF CESC, HELD ON SATURDAY THE 27<sup>TH</sup> NOVEMBER, 2010 AT 11.00 AM AT THE REGD. OFFICE At NO. 927, LJ AVENUE COMMERCIAL COMPLEX, NEW KANTHARAJ URS ROAD, SARASWATHIPURAM, MYSORE-570 009**

**Members Present:**

Shriyuths / Smt

1. M Shamim Banu, IAS : Chairperson
2. M Govindappa : Managing Director
3. Shivayogi C Kalasad : Director
4. ParvathyKeshavachar : Director
5. L Ravi : Director
6. M Nagaraju : Director

**By invitation:**

1. A Devaprasad : Financial Adviser
2. M Shanthi : Chief Engineer, O&M, Mysore
2. S Ramesh : Controller, Internal Audit
3. G Chandranayar : SEE/Procurement
4. HD Shreenagesh : SEE/Projects (I/c)

**In attendance**

1. R Balasubramanian : Authorized signatory

*Leave of absence granted to Shriyuths S.Sumanth, BS Ramprasad, PK Garg & C Shamarao, Directors*

**Item No.31/1: Confirmation of minutes of 30<sup>th</sup> Board of Directors Meeting held on 24.09.2010**

31/1.01 The Board confirmed the minutes of the 30<sup>th</sup> meeting held on 24.09.2010 as circulated.

**Item No.31/1(a): Appointment of Director**

31/1(a).01 The Board noted the appointment of Shri PK Garg, IPS as Director in place of Shri Alok Mohan, IPS transferred. The





Board took on record GO No. EN 75 samanvaya 2010 dated 23.10.2010 in this regard.

31/1(a).02 The Board welcomed the appointment of Shri PK Garg and placed on record the services rendered by Shri Alok Mohan during his tenure.

**Item No.31/2: Action taken report on the minutes of 30<sup>th</sup> Board meeting held on 24.09.2010**

31/02.01 The Managing Director apprised the Board of the action taken on the decisions of the 30<sup>th</sup> Board meeting.

31/02.02 In regard to Item No. 30/11, the Board desired to know when the HVDS pilot project works would be completed. It was indicated that it would be completed by end of January 2011 and a quick evaluation would be made by March 2011.

31/02.03 The Board thereafter took on record the action taken report.

**Item No.31/3: Performance review of the Company for FY-11**

31/3.01 The Managing Director apprised the Board of the performance of the company for the FY upto October 2010 *vis-a-vis* performance during the corresponding period in the previous year.

31/3.02 The Board noted the capital outlay booked to an extent of Rs.80.92crores. It was explained that once NJY works pick up, there would be substantial increase in capex. Out of total budget of Rs. 438.00 crore for FY 11, NJY alone accounts for Rs.208 crores. It was also noted that while input energy had gone up by about 76 MU, energy sales had gone up by about 63 MU and metered sales by 82 MU. The demand has also increased substantially and collection efficiency is about 96.09%. However, there has been a slight increase in T&D losses but AT&C losses have come down.



31/3.03 The Board noted the increased number of feeders in the 10 to 20% distribution losses category both in respect of urban and rural feeders. It was indicated that these would be analysed for further corrective action. Regarding DTC metering, it was indicated that there has been good progress and that the rural DTC meters are functioning and used for assessment of IP set consumption. As regards transformer failure, it was explained that steps would be taken to replace failed transformers with new transformers procured from KAVIKA. It is expected to speed up the process of replacement/ repairs of faulty transformers in the next two to three months. Action plan is also on hand for steady replacement of MNR meters. Every section is expected to replace at least 3-5 meters per day and considering that there are 192 sections, a target of about 1000 numbers per day is quite feasible. Shri L Ravi, observed that there is also a practice of utilizing the services of retired personnel to take up the work of MNR replacement as a onetime exercise. Chairperson observed that the Managing Director may assess the success of his approach in tackling the MNR problem through internal arrangements and consider alternatives, if necessary.

31/3.04 As regards Ganga Kalyan works, it was brought to the notice of the Board that there was difficulty in taking up extension of line works exceeding Rs.one lakh. Shri SC Kalasad, Director suggested that the RDPR could be addressed to enable ZPs to bear excess cost if any.

31/3.05 On the issue of vigilance, Shri L Ravi desired that the number of cases handled by MT and Vigilance may be segregated and presented for better appreciation of the efforts of the respective wings. It was also explained that the concept of having targets for penalty was resulting in improper behavior with customers leading to complaints to the KERC. Managing Director agreed to provide the breakup of cases generated by MT and vigilance wings in future.

31/3.06 Chairperson desired to know whether the company would be able to clear the backlog of applications pending for energisation of drinking water schemes. Managing Director explained that the



company is seriously attending to these works but the numbers are increasing continuously for various reasons. It is hoped that in the near future the number would come down. Presently, maximum attention is devoted to these schemes only.

31/3.07 The Board, after discussions took on record the performance for the period of up to October 2010.

**Item No.31/4: Growth of Consumer, Input Energy/Sales and DCB for FY-11& comparison of the previous year for the same period**

31/4.01 The Board was apprised of the consumer growth of 4.03% during current financial year up to October 2010, the increase in input energy, energy sales, demand and collection and the improvement in collection efficiency by 8.11%.

31/4.02 The Board felt that regarding collection of IP Set tariff subsidy released by GoK, it would be desirable to reconcile the figures so that a correct picture emerges.

**Item No.31/5: Category wise Demand, Collection and Balance for the FY-2011 (Up to Oct-2010)**

31/5.01 The Board was informed of the collection efficiency under various categories of LT & HT and the extent of closing balance under LT & HT categories.

31/5.02 The Board noted that of the LT total closing balance of Rs.952 crores, Rs.298.63 pertains to water supply works and street lighting which have to be pursued with GoK. The Board desired that efforts may be made to realize the same early.

**Item No.31/6: Progress of Capital Works**

31/6.01 Managing Director apprised the Board of the progress of capital works of Ganga Kalyana scheme, drinking water supply,



NJY works, RGGVY, DTC metering, R-APDRP and HVDS pilot project.

31/6.02 The Board noted the progress in respect of various works. It was noted that under R-APDRP scheme, there has been some delay on the part of M/s Infosys and that it may affect the ability of the company to get the loan component converted into grant. The Board advised the Managing Director to take up the matter with PFC and GoI at an appropriate time to extend the deadline under the circumstances explained.

**Item No.31/7: Authorising PCKL to conduct bid process on behalf of CESC to procure energy from the proposed 700 MW power plants at Belgaum, Gadag and Davangere Districts**

31/7.01 The Board was informed of the proposal to authorize M/s PCKL to process the bidding on behalf of CESC to procure energy from the proposed 700 MW power plant at Belgaum, Gadag and Davangere districts.

31/7.02 The Board noted the salient features of the proposed projects, the bid process and the need to authorize PCKL to conduct the bid process on behalf of CESC. While on the subject, the Board felt that since PCKL was procuring power on behalf of ESCOMS, it would be appropriate if Managing Directors of all the ESCOMS are also made the Directors on the Board of PCKL. It was decided to take up the matter with GoK. The Board after discussions

**Resolved that M/s PCKL be and is hereby authorized to conduct bid process on behalf of CESC to procure energy from the 700 MW gas based projects proposed at Belgaum, Gadag and Davangere districts each at reasonable rates; Further, the Managing Director be and is hereby authorized to take necessary steps in the matter and also to address GoK regarding the need to nominate Managing Director, CESC on the Board of M/s PCKL**



**Item No.31/8: Tenders for carrying out Niranthara Jyothy Project Works (under phase-1) at Chamarajanagar taluk in Chamarajanagar district on partial turnkey basis**

31/8.01 The Managing Director apprised the Board about the tenders invited on partial turnkey basis for construction of new 11 KV independent NJ feeders bifurcating the agricultural loads from the existing rural feeders in Chamarajanagar taluk in Chamarajanagar District. It was informed about the cancellation of earlier tender as per the directions of the 28<sup>th</sup> Board meeting and issue of notification for re-tendering, number of new 11 KV NJ feeders to be constructed, supply of major materials by CESC, scope of partial turnkey tenders, evaluation of techno-commercial bids, verification of bids by the Tender Scrutiny Committee, Internal Audit verification and replies furnished to the audit, discussions and recommendation of Purchase Committee.

31/8.02 The Board noted the amount put to tender is as per the rates provided in the typical cost data sheet of SR-2009 for turnkey contract works, evaluation of tenders excluding 60% employees cost and comparison of bids including employees cost component of 60% of labour charges, scope of contractor supply of materials, completion schedule of 9 months from the date of issue of work award, payment conditions, taxes & duties payable to the contractor.

31/8.03 The Board also noted the salient features of partial turnkey tenders, participation of only one bidder in the tender, their technical responsiveness and the negotiated offer of Rs475.00 lakhs by M/s Ishwar Electric Company, Dharwad which is 14.42% excess over the tender amount, process of tenders as per KTPP Act, views of Financial Adviser, observations of Internal Audit and replies furnished to internal audit, discussions and recommendations of the Purchase Committee.

31/8.04 The Board felt that having regard to the rates at which the works have been awarded for similar works in other ESCOMS, the same could be considered competitive and reasonable.





31/8.07 The Board, after detailed deliberations

**Resolved that the proposed construction of 12 Nos. of new 11 KV NJ feeders in Chamarajanagar Taluk, Chamarajnagar District and awarding of contract to L1 bidder M/s Ishwar Electric Company, Dharwad at the negotiated all inclusive price of Rs.475.00 lakhs on partial turnkey basis be and is hereby approved**

**Item No: 31/09: Extension of maintenance contract period of GIS for a period of 2 years**

31/9.01 The Board was apprised of the scope of GIS contract awarded to M/s Reli-e-MARG, Mysore, extension of the contract after the maintenance period up to 26.08.2010, utilization of the GIS for verifying the estimates of NJY works and the need to continue the GIS till R-APDRP comes into effect.

31/9.02 The Board felt that there were inherent issues with regard to software based contracts and that GIS is an important component of the proposed R-APDRP works. Further, since updating is a continuous process, the system has to be operated for which the software maintenance becomes critical. The point is that as the GIS is already a part of the R-APDRP, it may not be appropriate to call for tender. Under the circumstances, it may be prudent to negotiate with the existing agency and continue the existing arrangement for a period of one year or till R-APDRP comes into effect whichever is earlier. The services of an independent IT expert could also be availed in the matter of integration of the R-APDRP software and the existing software.

31/9.03 The Board therefore, after discussions,

**Resolved that the Managing Director be and is hereby authorized to extend the existing maintenance contract of GIS software and hardware with M/s Reli-e-MARG, Mysore for a further period of one year from 1.12.2010 at the negotiated rate with the same terms and conditions of the contract; The Managing Director may make efforts to obtain further**



price reduction with reference to the present negotiated rate of Rs.5.00 lakhs per month

**Item No.31/10: Extension of TRM contract Period in O&M Divisions of CESC**

31/10.01 The Managing Director apprised the Board of the scope of total revenue management services contract awarded in CESC, the continuation of the services of existing TRM agencies pending finalization of the R-APDRP project in which common software for TRM is envisaged, the proposal to continue the services of the existing agencies for a further period till operationalization of the R-APDRP software, the need to have a software owned by the company instead of sourcing multiple software from different agencies as at present and the advice of the Board sought in the matter.

31/10.02 The Board noted that it had been decided earlier to extend the contract period of TRM agencies up to end of June 2010 and to float short term tenders for a period of one year or operationalization of R-APDRP projects whichever is earlier. The Board further noted that the existing software specifications are old and may not be compatible with the common software now being developed by Infosys for R-APDRP works. It may not be advisable to invite fresh tenders without making available software specifications. Also, it is necessary that the software is owned by the company instead of outsourcing it from different agencies. In this background, it was felt that it may be desirable to extend the services of the existing service providers for TRM works subject to examining the feasibility of obtaining further reduction and in particular comparing the rates with BESCOM to the extent feasible.

31/10.03 The Board after discussions concurred with the proposal to extend the services of the existing service providers for TRM services after exploring the possibility of obtaining further price reduction and on the same terms and conditions for a further period of one year or till operationalization of R-APDRP common software whichever is earlier.



**Item No.31/11: Settlement of dues to M/sGrameenaAbhivrudhi Mandali, Kirugavalu, Mandya District**

31/11.01 Managing Director apprised the Board of the dispute arising out of the agreement with M/s GAMK in the matter of franchising the distribution management of Kirugavalu, O&M section in Mandya district, the issues relating to settlement of dues payment of fixed charges, incentive and penalty for performance, the directions of the Arbitrator, the discussions held between CESC and representatives of GAMK, the proposal to make payment after limiting the penalties to 10% of the contract value and to release the balance sum to M/s GAM-K, the examination by the Audit Committee and the proposals, the verification of the working sheet by Internal Audit etc.

31/11.02 The Board noted that as per the decision of the Arbitrator, the parties were to arrive at a mutually acceptable solution and that the present proposal is not fully concurred to by the GAM-K as they have given only their conditional acceptance. They have indicated to leave the decision to the Arbitrator. Since, Principal Secretary (Energy) who was to be the Arbitrator is also the Chairperson of the company, there would be issues regarding propriety of the Board in deciding the matter. Hence, the terms of settlement may be verified and placed before the Arbitrator directly.

**Item No.31/12: Proposal to create 3 posts of Accounts Officer (Internal Audit)**

31/12.01 Managing Director explained the need to strengthen Internal Audit for the RAD and additional CAD division. Further, one more post is also proposed for the Corporate office since large number of works are undertaken under R-APDRP and NJY.

31/12.02 The Board discussed at length the need to strengthen the Internal Audit and the methodology to be adopted. Sriyuths L Ravi and Nagaraju felt that mere upgradation may not serve the purpose since the full complement of staff would be required for effective



working. Smt. Parvathi Keshavachar opined that creation of posts would require approval of the Government as per DPE circular.

31/12.03 The Board observed that organisations which manage their affairs out of funding from their operations should not be subjected to the same scrutiny as that of Government departments which are funded by Government revenue. In the instant case, there is a need to strengthen the Internal Audit considering the magnitude of works being undertaken. It was, therefore, felt that two posts of AOs (Internal Audit) could be created for the Corporate office and divisions.

31/12.04 The Board after discussions **resolved**

**that the proposal to create two posts of Accounts Officer (Internal Audit) be and is hereby approved and the Managing Director authorized to deploy them suitably for the Internal Audit works of the company**

**Item No.31/13: Approval of Annual Accounts & Addendum to Directors' Report of CESC for the Financial Year 2009-10**

31/12.01 Financial Advisor apprised the Board of the salient features of the Annual Accounts for the year ending March 2010, the Statutory Auditors report and nil comment of C&AG and the proposed addendum to Directors' report.

31/12.02 The Board noted the increase in power purchase cost, depreciation, and income, etc. The Board further noted that this year, the power purchase cost is lower than the income as against the contrary situation in the previous year. The Board also noted the loss of Rs.73.52 crores. The Board, after discussions

**Resolved that the Statutory Auditors report and the 'Nil' comment of the C&AG be taken on record and that approval be accorded to the management replies to the Auditors observations by way of addendum and the same be signed by the Chairperson on behalf of the Board**



**Item No.31/14: Enhancement of fee payable to Statutory Auditor**

31/13.01 Financial Advisor apprised the Board of the terms of payment of the Statutory Auditors, the additionality of fees claimed by the Auditors and the claim of the Auditors towards medical expenses arising out of accident while carrying out audit.

31/14.02 The Board noted the request of the Auditors for higher fees. The Board sought to know comparability of the fees vis-à-vis other ESCOMS. It was informed that the present remuneration payable is marginally higher than other ESCOMS which are similar in size. The Board felt that it would be difficult to consider any further increase. Also, it may not proper to extend any additional financial assistance to independent auditors appointed by the C&AG. As such, the Board desired the Managing Director to communicate the views of the Board to Auditors.

**Item No. 31/15: Allotment of Shares**

31/15.01 The Board was informed that in the 28<sup>th</sup> meeting held on 31.3.2010, the Board had approved the proposal to enhance the authorized capital from Rs.150 crores to Rs.250 crores to enable the company to issue shares for a sum of Rs.70 crores through conversion of an amount of Rs.70.52 crores released towards payment of high cost power as equity share capital of the Company. Accordingly, the Articles of Association have been amended in the EGM held on 09.08.10. The present authorized share capital is Rs.250 crores. It is now proposed to allot shares to an extent of Rs.70 crores to the Governor of Karnataka as envisaged in GO No. EN 391 NCE/2008/31.3.2009.

31/15.02 The Board concurred with the proposal and

**Resolved that (a) the approval be and is hereby accorded to allot and issue 70 lakh Nos. of Equity Shares of Rs.10 each amounting to Rs.70 crores to the Government of Karnataka by way of conversion of the amount released towards payment of high cost power, in accordance with the GO No. EN 391 NCE/2008 dtd. 31.3.2009 and to pay the**





prescribed stamp duty thereon; Further, the shares shall be issued duly affixing the common seal of the company thereon in the presence of the Managing Director, one of the Directors and the Authorised Signatory of the company

(b) the Authorized Signatory be and is hereby authorized to take further action to comply with the statutory requirements

**Item No.31/16: Cost Audit Report for the year ending 31.3.2010 under Sec.233 B (5) of Companies Act 1956**

31/16.01 The Board was informed that:

- a) the Ministry of Company Affairs, Govt. of India vide Order No:52/62/CAB-2008 dtd 4.2.08 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 Sec.233B (1) of the Companies Act 1956; as per the approval of the Ministry of Power, GOI, Cost Audit Branch, vide letter dated 14.7.2009 and as per the resolution of the 29<sup>th</sup> Board meeting held on 09.08.2010, M/s GNV Associates, Cost Accountants, Bangalore, have been appointed as the Cost Auditors of the company for the year 2009-10;
- b) the Cost Audit Report of the Company for 2009-10 under Sec.233B(1) of the Companies Act 1956 is placed for approval and acceptance.

31/16.02 The Board took note of the contents of the Cost Audit Report of the Company for the year ending 31<sup>st</sup> March 2010 and

**Resolved that (i) in pursuance of the provisions of Section 233 B(5) of the Companies Act, 1956 and all other applicable provisions, the Cost Audit Reports for the year ending 31.03.10 along with other annexures furnished by the Cost Auditors M/s GNV Associates, Bangalore, be and are hereby approved, subject to such modifications as may be necessary in the light of the observations of the Ministry of Corporate Affairs, GOI, Cost Audit**



Branch, if any and the Managing Director & Director (Technical) /any other Director of the Company be and are hereby authorised to sign the same on behalf of the Board of Directors;

- (ii) the Authorised Signatory be and is hereby authorized to take further action to comply with the statutory procedure in the matter including filing of the returns with MoC, GoI through e filing by the Managing Director

  
(M Shamim Banu)  
Chairperson

**Chamundeshwari Electricity Supply Corporation Limited**

