



**MINUTES OF THE 43<sup>rd</sup> MEETING OF THE BOARD OF DIRECTORS OF CESC LIMITED HELD ON MONDAY, THE 16<sup>TH</sup> DECEMBER 2013 AT 4.30 P.M. AT THE REGISTERED OFFICE OF THE CORPORATION, MYSORE**

**Members present:**

Shriyuths/Smt

1. Dr. Amita Prasad IAS : Chairperson
2. A B Ibrahim, KAS : Managing Director
3. B Bhagya Naik : Director(Technical)
4. C Shikha : Director
5. S Sumanth : Director
6. C Shama Rao : Director
7. M Mahadev : Director
8. Dr.Manoj Kumar H Pujar : Director
9. Venkatshiva Reddy : Director
10. M Nagaraju : Director

**By invitation:**

1. R Sridhara : Director (RA) & CS KPTCL
2. A Shivanna : Financial Adviser
3. S Shivaramu : Controller - Internal Audit
4. M V Raghu : Controller
5. TS Aswathreddy : SEE (Purchase)

**In attendance**

R Balasubramanian : - Authorized signatory

*Leave of absence was granted to Shri PK Garg Director*

*The Board paid its last respects to the memory of late Srikantadatta Wodeyar, the erstwhile Maharaja of Mysore who passed away on 10<sup>th</sup> December 2013.*

**Item No.43/01: Confirmation of minutes of 42nd Board of Directors Meeting held on 03.09.2013 & Circular Resolutions**

43/01.01 The Board confirmed the minutes as circulated.



The Board also kindly confirmed the following resolution passed by circulation:

**1) Circular Resolution dated 27<sup>th</sup> September, 2013**

**Sub: Approval to Utilize Regularization of Un- authorized IP-Sets loan amount**

The Board notes the GoK policy for regularization of unauthorized IP sets, the budget provision for carrying out programme of regularization of IP sets, the financial tie up of ₹100 crores made in this regard, directive of GoK to create distribution Transformer Bank at sub-divisional level out of company resources, orders placed in this regard for procurement of Transformers at a cost of ₹38.10 crores, non-availability of funding from commercial banks for meeting additional expenditure towards creation of Transformer Bank and the proposal to utilize ₹25 crores out of the existing sanctioned loan from SBM to an extent of ₹25 crores for this purpose. Under the circumstances, the Board notes that the creation of Transformer Bank is pursuant to Government directive and hence

Resolves that the Managing Director be and is hereby authorized to utilize an amount of ₹25 crores towards formation of Transformer Bank from out of the available balance term loan of ₹100 crores for regularization of IP sets sanctioned from SBM, Kuvempunagar branch, Mysore

**2) Circular Resolution dated 14<sup>th</sup> November, 2013**

**Subject: Authorization of Superintending Engineer(Coml),Corporate Office, CESC,MYSORE To file APR-13 and revision of ARR and Tariff for FY-15**

The Board notes the need to file APR for FY-13 and ARR /ERC with Tariff revision application for FY -15.before KERC for approval as per ltr no. KERC/B/15/13/1163 dtd 31.10.13 and to authorise an officer of the company to liaise and comply with KERC requirements in this regard. Accordingly, the Board

Resolves that the Superintending Engineer (Coml),Corporate Office CESC, Mysore be and is hereby authorized on behalf of CESC:-

- i. to file APR fo FY – 13 and revision of ARR and Tariff filing for FY – 15 before KERC;
- ii. to receive all notices, sign all papers and pleadings to be filed before KERC

**3) Circular Resolution dated 6<sup>th</sup> December 2013**

**Sub: Approval of Revised Annual Accounts for FY 2012-13**



The Board notes the need to revise the annual accounts for 2012-13 based on the observations of the C&AG and to obtain the report of the statutory auditors and Nil comment of the C&AG and to adopt the accounts at the 8th annual general meeting to be convened on or before 31.12.2013. Accordingly, the Board

- Resolves (a) to revise the Accounts as above in consultation with the Statutory Auditors of the Company and to incorporate changes suggested by the Statutory Auditors if any;
- (b) in pursuance of the provisions of Section 215 of the Companies Act, 1956 and all other applicable provisions, the revised Balance Sheet as on 31.03.13 and the revised Statement of Profit and Loss for the year ended 31.03.13, which are for the purpose of identification signed by the Financial Advisor, be and are hereby approved 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;
- (c) the revised Balance Sheet as at 31.03.13 and the revised Statement of Profit and Loss for the year ended 31.03.13 be furnished to the Statutory Auditors of the Company for the year 2012-13 viz., M/s MY Ramesha & Co, Chartered Accountants, Mysore for obtaining their certification and report thereon;
- (d) the revised Balance Sheet of the Company as at 31.03.2013 and the revised Statement of Profit and Loss for the year ended 31.03.2013, together with the report of the Statutory Auditors, be submitted to the Principal Accountant General, Karnataka, Bangalore for supplementary /test audit under section 619 of the Companies Act, 1956;
- (e) in pursuance of the provisions of section 217 of the Companies Act, 1956 and all other applicable provisions, the Chairman of the Company be and is hereby authorised to sign the Directors' Report for the financial year 2012-13 and any addendum thereto on behalf of the Board of Directors;
- (f) the Authorised Signatory be and is hereby authorized to convene the 8<sup>th</sup> AGM on or before 31.12.13 as permitted by the Ministry of Corporate Affairs

**Item No.43/02: Follow up action taken report on the minutes of 42<sup>nd</sup> Board of Directors Meeting held on 03.09.2013 & Circular Resolutions**

43/02.01 Managing Director apprised the Board of the action taken on the minutes of the 42<sup>nd</sup> meeting item wise.

43/02.02 The Board noted that action has been taken on all decisions and took on record the same.



43/02.03 While on the subject, Chairperson desired to know whether consequent to giving extension of time for pole manufacturers, the balance supplies have been completed by them. DT informed that there was some lag as there was difficulty in identifying locations for unloading the poles. however, the same would be made good by 31.12.2013. Chairperson also desired to know the status of receipt of transformers, formation of transformer bank and the performance of repair centres. In particular, she emphasized the need for evaluation of performance of transformers procured and installed in the last 3 years; study of the failure, analysing the reasons for failure within and outside the guarantee period. She also advised to go in for metering of transformers as this would help to have better and reliable data about the consumption of IP sets in respect of whose consumption the ESCOMs are claiming subsidy from the government.

**Item No. 43/03: Appointment and cessation of Directors**

43/03.01 The Board noted that Dr. Manojkumar H Pujar has been appointed as the Director of the Company vice Sri PS Vastrad vide Notification No EN 253 Samanvaya 2013 dated 30.10.2013 and took the same on record:

43/03.02 The Board noted that Shri Naveen Kumar Raju, MD, PCKL has been appointed as the Director of the Company vice Sri KN Ramesh Vide Notification No EN 253 Samanvaya 2013 dated 06.09.2013. It also noted that he has since been transferred.

43/03.03 The Board welcomed the newly appointed directors and placed on record the services of the outgoing directors during their tenure.

**Item No.43/04: Annual Accounts for the year ending 2012-13 – Statutory Auditors’ Report and the review and comments of the C&AG of India thereon – approval to Addendum containing management’s reply to Auditors’ observation**

43/04.01 The Board was informed of the receipt of nil comment from the C&AG on the accounts for 2012-13. The Board was apprised of the salient features of the Profit & Loss Account and Balance Sheet.



It was informed that the company had incurred a loss of ₹185 crs basically due to higher power purchase cost.

43/04/02 The Board noted the extent of increase in power purchase cost, extent of additional consumption during the year and revenue generated. The Board advised that all possible steps should be taken within the company to increase the billing, collection efficiency and ensure loss reduction from the various Capex programmes initiated. Chairperson suggested to have targets for loss reduction every quarter. It was also desired that the financing cost should be brought down and all leakages in revenue to be plugged. The Board also observed the limitations in securing tariff increase under the regulatory framework and hence the need to improve the efficiency and performance of the company.

43/04.03 The Board observed that Government of India funds were available with Zilla Panchayats under Calamity Relief and Disaster Management Schemes which could be availed by making proper proposals to the concerned district authorities. It was also suggested that in respect of street lighting and water supply installations, precision meters may be installed so as to have a correct account of consumption for billing since funds can be availed from the local bodies. The Board advised to analyse the demand and recovery in respect of high cost power consumed and segregation made in respect of uncontrollable factors to show them as regulatory loss for recovery in future tariff. The Board also felt that it would be better for the Vigilance to focus on commercial & HT installations than to go after IP sets, street lighting and water supply installations. Ultimately, sincere efforts are required from all quarters in order to ensure profits for the company.

43/04.2 The Board, thereafter, noted that the contents of the Statutory Auditors Report dated 26.08.2013 on the accounts for the year ending 2012-13, nil comment of the C&AG, the need to take the same on record, management's replies to the observations of the Statutory Auditors to be approved as an addendum to the Directors' Report and to convene the 8<sup>th</sup> Annual General Meeting on or before 31.12.2013 at short notice. Hence the Board



**Resolved (1) in continuation of the resolution approving the Annual Accounts on 7.12.2013, to take on record the Statutory Auditors report dated 7.12.2013 and the review & comment of the C&AG under section 619(4) of the Companies Act dated 10.12.2013 respectively and to place the same before the 8<sup>th</sup> Annual General Meeting to be convened on or before 31.12.2013 along with the Annual Accounts and Directors Report for 2012-13 for adoption;**

**(2) Further, the Addendum containing management's reply to auditors' observations be and is hereby approved and the Managing Director & the Chairman/Audit Committee be and are hereby authorized to sign the same on behalf of the Board**

While on the subject, the Board was informed of the cost audit report submitted by the cost auditor, which is to be noted and filed with the MCA. Accordingly, the Board perused the same and

**Resolved that the Managing Director be authorized to incorporate the Cost Audit Report for the year 2012-13 along with the Annexures as required by the Ministry of Corporate Affairs, GoI and to file the Report to Ministry of Corporate Affairs, GOI duly signed by Managing Director and Director-Technical**

**Item No. 43/05: Linking of NJY feeders to rural DTC's of villages for providing continuous power supply to domestic/commercial/power installations by construction of 22 Nos. of 11KV line, providing & erection of 25 & 63 KVA DTC's & construction of LT line in Mysore Taluk, CESC on TTK basis**

43/05.01 The Board was apprised of the tenders floated through e-procurement portal during June 2013 as per recommendation of the TSC as the earlier 3 tenders elicited single bid / no bid, the extension of time for the present bid due to clarifications / change in QR requested by some bidders, two responsive bids received, offer of L1 bidder being 18.17% over the estimated amount based on SR 12-13, observation of Internal Audit, negotiations held with the L1 bidder, total reduction of ₹150 lakhs offered by the bidder, the negotiated



price working out to 14.56% over the estimated amount, examination of the proposal in the 61<sup>st</sup> Purchase Committee Meeting held on 16.12.2013, observation of the Purchase Committee that the negotiated price is comparable to the recent award of bids for NJY works in 5 taluks and the recommendation of the Purchase Committee to place the subject before Board for a decision.

43/05.02 The Board noted that this was the last NJY tender. It noted that the estimated cost is based on SR 12-13 which considers current input costs. It also noted that the basic estimates have been prepared based on detailed field surveys.

43/05.03 Regarding evaluation, the Board observed that the amount put to tender of ₹3862.16 lakhs does not take into account the turnkey components and the cost of galvanisation which has been brought out in para 14.1 of the agenda note. After considering these components, the evaluated amount becomes ₹4159.55 lakhs. The Board noted that one round of negotiation has been made with the L1 bidder and they have reduced their price from ₹4915.33 lakhs to ₹4890.33 lakhs. After the second round of negotiations, the offer is ₹4765.33 lakhs. The Board noted that in the recent award of work for NJY works in 5 taluks, the tender premium considered ranges from 8.97% (Nanjangud taluk) to 15.48% (Gundlupet taluk) over the updated estimate amount put to tender. As such the excess over the evaluated amount put to tender at 14.56% appears to be comparable as observed by the Purchase Committee.

43/05.04 The Board noted that the L1 bidder is already carrying out similar works in CESC and desired to know the performance. DT informed that the performance is satisfactory. It was further observed that the agency has to ensure due compliance to all statutory requirements to protect the interest of CESC before entrusting the work. Verification of the compliance of the statutory requirements and confirmation of the calculations of the tender premium of 14.56% may be obtained from internal audit before the award of the work. Thereafter, the Committee felt that under the circumstances, the proposal could be considered and

**Resolved that the Managing Director be and is hereby authorised to accept the offer of the L1 bidder M/s TV Subbaiah, Hubli**



at the total all inclusive negotiated bid price of ₹4765.33 lakhs for construction of 22 feeder works under NJY Phase-2 scheme in Mysore taluk on total turnkey basis i.e.14.56% above the updated estimated cost duly ensuring compliance to observations of the Board in para 43/05.04

**Item No.43/06: Authorization to Superintending Engineer (Coml) Corporate Office CESC Mysore to sign all the PPAs, MoA / MoU under REC Mechanism, Wheeling and Banking Agreements and all related matters**

43/06.01 The Board was informed that the authority to sign all PPAs/ MOUs/ billing & banking arrangements etc., had been delegated to the General Manager (Technical) of the corporate office in the 38<sup>th</sup> Board meeting. However, in view of the increased workload for General Manager (Technical) and the Managing Director it was proposed to delegate the authority to the Superintending Engineer for signing of these documents with the approval of the whole time directors.

43/6.03. Under the circumstances, the Board concurred with the proposal and resolved

- a) to re-delegate the power of signing of PPA by General Manager (Tech) and the power of signing of MoA / MoU under REC Mechanism and Wheeling & Banking agreements by the Managing Director to the Superintending Engineer (Coml), Corporate Office to sign all the PPAs, MoA / MoU under REC Mechanism and Wheeling & Banking agreements and all related matter after obtaining approval from whole time Directors;
- b) to approve and take on record all the Wheeling and Banking Agreements and MoA / MoU under REC mechanism signed in the past by the General Manager (Tech), Corporate Office, CESC Mysore with the approval of the whole time Directors and
- c) to obtain ratification of such agreements to be signed in future from the Board in the next meeting





**Item No.43/07: Financial tie up with M/s REC Ltd, Bangalore for Niranthara Jyothi Yojane Phase-2 works**

43/07.01 The Board was apprised of the extent of NJY works awarded and the funding tie up made with M/s REC Limited, the extent of equity received from Government and the balance equity receivable, the proposal of availing balance loan from REC to the extent of non-release of equity by Govt. of Karnataka.

43/07.02 The Board noted that it has been authorised to avail loan of ₹300 crs. For Niranthara Jyothi Yojane works considering 40% release of equity. The Board felt that the Govt. of Karnataka may be addressed for the balance equity contribution receivable from GoK for the works awarded under the Niranthara Jyothi Yojane Phase -1 & 2. In the interim, the management may tie up with REC Ltd., for further loan of ₹150 crs. on the same terms and conditions of the loan of ₹800 crs sanctioned earlier. Drawal of loan may be regulated keeping in view the extent of release of equity by GoK. The Board accordingly

**Resolved that the Managing Director be and is hereby authorized**

- a) to address Govt. of Karnataka for release of balance equity support from Govt. of Karnataka towards Niranthara Jyothi Yojane works representing the difference between 40% of the project cost and amount already released;
- b) to tie up with M/s REC Limited for further loan of ₹150 crs. On the same terms as the earlier loan of ₹300 crs. Sanctioned for NJY phase-2 and to phase the drawal of loan to the extent of equity released by GoK

**Item No. 43/08: Legal Issues pertaining to Regulatory Affairs (RA) of ESCOMs**

43/08.01 Shri R Sridhara, Director (RA) & Company Secretary, KPTCL Director apprised the Board of the issues relating to regulatory affairs pertaining to CESC, status of various cases pending before the different forums, the legal charges apportioned to CESC, the professional fees due from CESC and the need to exercise care and caution in relation to PPAs with IPPs so as to protect the interests of the company.




43/08.02 Chairperson observed that in respect of regulatory issues, a Committee of officers may be formed under the Chairmanship of Financial Adviser and a quarterly report furnished to the Board regarding the action taken with reference to various cases and payments to advocates. She also advised to check the model PPA announced by Government of India and take suitable action in regard to future PPAs.

**Item No.43/09: Approval for reimbursement of medical expenditure incurred by Sri Siddanagowda S Patil, Lineman, D.M. Kurke, Arasikere Division**

43/09.01 The Board was apprised of the request of Shri Siddanagowda S. Patil, lineman regarding medical reimbursement for treatment of his mother in Solapur District in Maharashtra.

43/09.02 The Board observed that as there are government hospitals or hospitals attached to medical colleges in many of the districts in the border areas of Karnataka, it is desirable to advise employees to avail treatment for themselves and/or their dependents at such hospitals as they charge standard rates. A list of hospitals may be circulated among the employees to avoid such cases in future. In the instant case, the rates to be considered for reimbursement of medical expenditure should be based on acceptable norms such as that of GoK, CGHS, Yashaswini etc.

43/09.03 Under the circumstances in the present case, the Board **Resolved that the Managing Director be and is hereby authorised to approve reimbursement of expenditure incurred outside the state by Shri Siddanagowda S. Patil for treatment of his mother duly limiting the same to CGHS/Yashaswini Scheme or other acceptable reference applicable to state government servants**

  
**(Dr. Amita Prasad)**  
**Chairperson**