



Bangalore Electricity Supply Company Limited

(Wholly owned Government of Karnataka Undertaking)

(CIN- U04010KA2002SGC030438)

PROCEEDINGS OF THE 71st MEETING OF BOARD OF DIRECTORS OF BANGALORE ELECTRICITY SUPPLY COMPANY LIMITED HELD ON WEDNESDAY THE 30TH OF SEPTEMBER 2015 @ 1.00 PM AT CORPORATE OFFICE, BESCOM, K.R.CIRCLE, BENGALURU – 560 001.

MEMBERS PRESENT

Sl. No.	Sriyuths/Smt	BOARD
1	P.Ravi Kumar	Chairman
2	Pankaj Kumar Pandey	Managing Director
3	Jawaid Akhtar	Director
4	H.Nagesh	Director (Technical)
5	B.L.Guru Prasad	CFO & Director (Finance)
6	K.T.Mahanthappa	Director
7	M.Nagaraj	Director
8	A.N.Jayaraj	Director

INVITEE

T.H.Shakeel Ahmed	Chief General Manager (F&C)
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CONVENER

K.T.Hiriyanna	Company Secretary
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At the outset, the Managing Director welcomed the Chairman, Members, Company Secretary and other Officers to the meeting. Quorum being present, the subjects were taken up for discussion and decision thereon.



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PART I - ROUTINE SUBJECTS

Subject No. BoD 71/01: Leave of Absence

Leave of Absence was granted to the following Directors:

1. Sri.Gaurav Gupta
2. Smt.Dipti Aditya Kanade
3. Sri.T.H.M.Kumar

Subject No.BoD 71/02: Confirmation of Minutes of the 70th Board of Directors meeting BESCOM held on 15th September 2015 Board of Directors meeting

The minutes were submitted for kind approval of Chairman, BESCOM and approval was received yesterday only. The Board noted this aspect and authorized Company Secretary to place the same before the next Board Meeting for confirmation.

Subject No.BoD 71/03: "Action taken report" on the minutes of 70th meeting of Board of Directors of BESCOM held on 15th September 2015.

The minutes were submitted for kind approval of Chairman, BESCOM and approval was received yesterday only. The Board noted this aspect and authorized Company Secretary to place the same before the next Board Meeting for review.

Subject No.BoD 71/04: Appointment of 'Independent Directors' on the Board of BESCOM.

NOTED

PART-II :SUBJECTS FOR DISCUSSION & APPROVAL

Subject No.BoD 71/05: Arbitration Case and other cases filed against BESCOM by M/s.ABB Ltd., in respect of RLMS works executed in BESCOM.

The following were submitted:

- (1) BESCOM has implemented Rural Load Management Scheme (RLMS) keeping in view the following objectives:
 - (a) To reduce distribution system losses and to improve voltage regulation.



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- (b) To facilitate energy audit in distribution system more effectively.
 - (c) To provide quality power supply to IP sets as per the policies of the Government of Karnataka from time to time and 24 hours continuous power supply to other category of consumers.
 - (d) To increase BESCOM's Revenue by increase in consumption of metered category.
- (2) Tender was called vide enquiry No.BCP 1123/2004-05 dated 03.01.2005 for execution and improvement of 11kv LT line works on partial turnkey basis. M/s. ABB Ltd., was the qualified bidder, to which, DWA was issued for execution of works under 14 different lots (14 divisions) at a project cost of Rs.159.59 crores with a completion period of 9 months from the date of LoI.
- (3) The work was executed mainly for improving the Rural Distribution System by switching "ON/OFF" the LT circuits of distribution transformers adopting IT techniques by using programmable logic control.
- (4) As per the contractor's request (M/s.ABB Ltd), the delivery extension for materials for various purchase orders of total 14 lots was given upto 31.07.2007 without levy of penalty under the justified circumstances. However there was a delay by M/s.ABB Ltd., for completion of the work and hence penalty was levied to an extent of Rs.12.06 crores as stipulated under commercial conditions clause of DWA and necessary communication was also made to M/s.ABB Ltd. In the meanwhile concerned banks were also informed for invoking encashment of 'Bank Guarantees' in respect of 5 divisions for an amount of Rs.5.64 crores.
- (5) Further to the above, M/s.ABB Ltd., brought an interim stay order from civil court restraining BESCOM to invoke BG vide order dated 23.06.2010. M/s.ABB Ltd., further approached High Court of Karnataka for appointment of Arbitrator on 07.07.2013. Accordingly the arbitration proceedings were taken place on 07.07.2013, 22.06.2014 and 18.01.2015.



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The perused the following significant points:

- (a) **In the MMR meeting chaired by Hon'ble Energy Minister, it was directed BESCOM to settle the case amicably out of court with mutual consent of both the parties.** Accordingly a meeting was convened with M/s.ABB on this issue on 25.06.2014. A Committee was constituted to bring out the facts and justified reasons for the delay which are attributable to BESCOM or M/s.ABB Ltd., or beyond control of both the parties. The Board perused the report of the Committee dated 16.08.2014, proceedings of the Committee dated 03.08.2014 and 10.09.2014.
- (b) The Board further perused the letters addressed to the Corporate Office by the concerned Executive Engineer (Ele) of the divisions which have shown that there are considerable delays on the part of BESCOM to issue associated materials from BESCOM stores (Hiriyur Division letter dated 19.11.2010, Ramanagara Division letter dated 10.11.2009, Nelamangala Division letter dated 06.11.2009, Kolar Division letter dated 03.12.2009, 16.11.2010, KGF Division letter dated 04.12.2009, 22.11.2010, Harihara Division letter dated 12.11.2010).
- (c) It was observed from the Committee proceedings dated 10.09.2015 (Meeting was held on 03.08.2015), the Law Officer BESCOM was directed to file a joint memo through respective Counsel before the Arbitrator stating that the steps are taken to settle the dispute amicably out of court. Further to this, one more meeting of the committee was held on 11.08.2015 and the point of dispute as presented by the contractor (M/s.ABB Ltd.,)
- (d) It was further observed by the Board that the Committee constituted for dispute resolution has not completely come to a final conclusion, but brought out the facts as under:
 - (1) The materials earmarked for one particular feeder have been utilized for different feeders and subsequently regularization is made at a too later date. This type of delay in returning materials created scarcity of materials for the works of other feeders under the scheme.



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- (2) As per PERT Chart of DWA, the firm had to supply their portion of material completely within 17.05.2006, but they continued to supply the materials upto 01.08.2007.
 - (3) The Committee opined that the delay in completion of work is due to delay in issue of materials from BESCOM is not the valid acceptable reason.
- (e) The different issues related to disputes were also perused as discussed in the meetings of Committee:
- (a) Rate of penalty: It was agreed by both the parties for 10% penalty.
 - (b) Applicability: Both the parties agreed for the applicability of penalty clause only to the incomplete portion of work.
 - (c) It was agreed to apply P.V. clauses for certain materials: agreed by both the parties.
 - (d) Executed value of work is Rs.190.99 crores: agreed by both the parties.
 - (e) Payments made is to an extent of Rs.177.78 crores: agreed by both the parties.
 - (f) Refundable penalty is Rs.12.08 crores: Both the parties agreed for reconciliation with the BESCOM records.
 - (g) Present proposal submitted to Board for decision on the following:**
 - (1) To approve for refund of penalty already deducted for the delays not attributable to the contractor (M/s. ABB Ltd.,) as certified by the concerned Executive Engineer(Elc)'s divisions.**
 - (2) To approve Rs.2.60 crores to be paid to M/s.ABB Ltd., for maintenance works which is blocked without release.**
 - (3) To approve M/s.ABB Ltd's pray to include P.V.Value for the project.**

The Board went through the proposal. The annexures and details submitted were perused in detail.



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The Managing Director explained in detail, the various aspects that have contributed to delay in execution of works and consequential levy of penalty. M/s. ABB Ltd., has clearly indicated that the delay in execution was caused only due the delay in issue of materials from BESCOM. To substantiate the same, the documentary evidences have been produced i.e., letters addressed by the concerned Executive Engineer's (Ele) of Divisions. It was also discussed as to any possibility of initiating actions on the Executive Engineer's (Ele) and other field officers wherever delays are attributable to BESCOM. **The Board observed that the report submitted by the Committee is and letters from the Executive Engineers are at variance.** The Director (Tech) further explained that, due to material diversion from one work to another needy work of the same scheme certain delays are caused. Director (Finance) further expressed his view that the issue need to be settled fairly since at later date, circumstances may arise to answer to the possible serious queries of Audit. **Managing Director, KPTCL expressed that, the Committee's views/report already submitted is not acceptable one which has not thrown any light on the delays attributable to BESCOM. The opinion of the Committee and realistic position in the field are not matching with each other as per the records submitted to the Board.** The Board further felt that, a thorough re-look/re-examination is required to be made by the Committee looking into the records, circumstances justifiable, responsibility of individual field officers/ EE(E)s' total implication on the issue of settlement of dispute and for submission of a **"Fresh Comprehensive Report"** with clear & authenticated opinion of the Committee. After a detailed deliberation the following resolution was passed.

"RESOLVED that, for the reasons explained, the Managing Director, BESCOM be and is hereby authorized to delegate the existing Committee which is already formed for dispute settlement in respect of RLMS works executed by M/s. ABB Ltd., to further re-examine / re-look thoroughly into the issues related to the dispute and to submit a 'Comprehensive fresh report' to the Board with the unambiguous opinion / views within a period of the one month time frame."



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Subject No.BoD 71/06: Extension of the contract order No.01/2012-13 dated 29.12.2012 placed for "Total Revenue Management" in Bangalore Rural Area Zone & Chitradurga Zone of M/s. N.Soft(India) Services Pvt.Ltd.,

The Director (Finance) explained that:

- (1) The web based 'Total Revenue Management' (TRM) system is implemented in the accounting sub-divisions and sections which are not covered under RAPDRP Part-A project area i.e. Bangalore Rural Area Zone and Chitradurga Zone.
- (2) A tender was invited through e-procurement portal vide No.GM(Rev)/BC-27/2012-13 with a tender condition that contract is **for 2 years period** and extendable for further period at the discretion of BESCOM.
- (3) Board at its 56th meeting, has approved to issue contract order to the lone qualified bidder M/s. N-Soft(India) Services Pvt. Ltd., Bengaluru at an all inclusive unit rate of Rs.2.85(Rs. two and Ps. eighty five only) per installation per month and authorized MD, BESCOM to issue LOI/DWA. Accordingly contract order was issued vide No. 01/2012-13 dated 29.12.2012 on M/s. N-Soft(India) Service Ltd.,
- (4) The initial contract period was valid upto 31.01.2015 and 31.03.2015 in respect of CTAZ and BRAZ area respectively. On completion of the initial contract period, the subject was placed before 66th Meeting of the Board of Directors of BESCOM held on 20th Nov 2014 for extension of contract period for another two years. Considering the proposal the Board has approved extension of validity period from 01.02.2015 to 31.01.2016 to Chitradurga Zone and from 01.04.2015 to 31.03.2016 for BRAZ at the existing rate, existing terms & conditions of original contract.

The Board went through the proposal and following were perused:

- (a) The performance of M/s. N-soft in rendering services and in carrying out the works awarded, shown that billing efficiency has been achieved to the desired level and presently it is at 99% for



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last six-eight months period. The said service provider has introduced photo billing in Bangarpet sub-division as a pilot project. This process is expected to completely plug the revenue leakage by preventing collusion between the consumer and the meter readers in future days.

- (b) Impact on the present system of billing & collection in case of change of service provider was perused. The existing billing and collection application is unique one and customized to the requirement of BESCOM. The existing application is not readily available in the market.
- (c) **"The present proposal which is submitted to the Board is for extension of contract period for another 5 years (Five years) from the date of expiry of validity or till the date of validity of contract with M/s. Infosys whichever is earlier without altering the rate, the terms & conditions of existing contract."**

Board went through the proposal and debated at length. Board felt that there is adequate time gap is available to decide on extension since the existing contract is valid upto 31.03.2016(BRAZ) and upto 31.01.2016 (CTAZ). Moreover, extending contract for proposed five years period is longer one and not advisable. **Reckoning these significant aspects, Board felt that, a fresh tender with well-built tender conditions which promote innovation & experimentation shall be called and thereafter proposal shall be submitted to the Board for extension, if needed.** After a detailed deliberation the following resolutions were passed.

"RESOLVED that, for the reasons explained, MD, BESCOM be and is hereby authorized to invite a fresh tender for availing "total revenue management" services within the expiry date of present contract (CTAZ: 31.01.2016, BRAZ:31.03.2016) with M/s.N-Soft (India) Services Ltd., Bengaluru"

"RESOLVED FURTHER, that MD, BESCOM be and is hereby authorized to submit proposal to Board for extension of contract period only after inviting necessary fresh tender, till the finalization of invited tender as per the provisions of KTPP Act".



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Subject No.BoD 71/07: (a) Approval of Directors' Report, Audited Annual Accounts & Financial Statements (Standalone) of BESCOM.
(b) Approval of Audited Annual Accounts & consolidated financial statements of BESCOM.
(c) Calling AGM at Shorter notice.

The Company Secretary appraised that:

- (1) The audit Committee which met on 05.06.2015 had reviewed the Annual Accounts and Financial statements for the FY 2014-15. Further, the accounts & financial statements were placed before the Board for approval at its 69th meeting held on 25.07.2015.
- (2) Subsequent to this, the accounts & financial statements were handed over to the statutory auditors and Principal Accountant General, Karnataka for their audit. On auditing of the said accounts and financial statements certain audit queries were issued by the auditors.
- (3) After attending/replying the same the accounts and financial statements were again submitted to Board for approval of revised accounts and financial statements. The Board at its 70th meeting held on 15.09.2015 has approved the "Revised Annual Accounts and CFS".
- (4) After obtaining the Board approval, the same were handed over to the C&AG /Principal Accountant General's auditors for test audit. On completing of the test audit, Principal A.G. has issued "Nil Comments" certificate on 25.09.2015. To fulfill the statutory requirement under Companies Act 2013, the Annual Accounts & CFS need to be approved by the Board and Board in-turn need to submit the same in the Annual General Meeting for '**adoption**'.

The following were perused by the Board:

- (1) Pursuant to section 96 (1) every Company shall in each year hold in addition to any other meeting, a general meeting as its



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'Annual General Meeting' to hold within a period of six months from the date of closure of the financial year.

- (2) Pursuant to section 129 (2) read with relevant rules stipulated that at every general meeting of the company, the Board of Directors of the company shall lay before such meeting, financial statements of the financial year.
- (3) **Further pursuant to section 134 (1), (2), (3), (4), (5) read with relevant rules stipulated that the report of the Board of Directors to be attached to the financial statements containing explanation or comments by the Board on every adverse remarks/qualification, reservation made by the auditors.**

The subject was discussed within the preview of the provisions laid down under Companies Act 2013 read with relevant rules. The "Nil Comments" of C&AG issued by the Pr. Accountant General, Karnataka only on 24.09.2015. Hence a clear 21 days notice could not be issued for convening Annual General Meeting and hence Board felt that obtaining consent for shorter notice from all the shareholders pursuant to section 101 of Companies Act 2013 is appropriate for convening 13th Annual General Meeting. After a detailed discussion the following resolutions were passed.

"RESOLVED that, the audited Financial Statements of BESCOM for the FY 2014-15 viz., Balance sheet as on 31.03.2015, statement year ending 31st March 2015 along with notes, Auditors Reports (including cost audit and secretarial audit reports) be and are hereby APPROVED to send to the Members and to place before the Annual General Meeting (along with the C&AG comments) for adoption".

"RESOLVED FURTHER that audited consolidated financial statements along with notes, Auditors Reports (including cost audit and secretarial audit reports) be and are hereby APPROVED to send to the Members and to place before 13th Annual General Meeting for adoption".

"RESOLVED FURTHER that, the draft Directors Report for the financial year 2014-15 containing Directors Responsibility Statements be and is hereby APPROVED to send to the Members and to place before the 13th Annual General Meeting for adoption."



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"RESOLVED FURTHER, that Company Secretary, BESCOM be and is hereby authorized to issue notice for convening 13th convene Annual General Meeting pursuant to section 96, by obtaining consent from shareholders for shorter notice pursuant to section 101 of Companies Act 2013 and to take all necessary steps in this behalf for compliance of statutory provisions."

Since there were no other subjects to discuss, meeting concluded with vote of thanks to the chair.

Bengaluru

Dtd: 16-10-2015

**Chairman
BESCOM**