

EMPLOYEES' PROVIDENT FUND ORGANISATION

NEW DELHI



92nd Meeting of the

**FINANCE AND INVESTMENT
COMMITTEE**

[CENTRAL BOARD OF TRUSTEES, EMPLOYEES' PROVIDENT FUND]

ON

24/07/2008 at 10.00 AM

VENUE:

**Conference Hall,
3rd Floor, EPFO
Headquarters,
Bhavishya Nidhi Bhawan,
14, Bhikaiji Cama Place,
New Delhi - 110 066.**

EMPLOYEES' PROVIDENT FUND ORGANISATION

AGENDA BOOK

92nd Meeting Finance & Investment Committee

Date : 24 .07.2008 INDEX OF ITEMS Time :10.00 AM

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3.	Any other item with the permission of the Chair.	

Item No. 1 Confirmation of the Minutes of 91st Meeting of the Finance and Investment Committee held on 19.03.2008 at EPFO Head Quarter New Delhi.

Minutes of 91st meeting held on 19.03.2008 of the Finance and Investment Committee was circulated vide letter No. Invest.1/1(91st)Mtg.FIC/2008/25572-87 dated 04.03.2008. No comments have been received on the minutes of the above said meetings. Copy of the minutes is enclosed as **Annexure -A (Page No. 3 to 8)**.

(Annexure -A)

**DRAFT MINUTES OF 91st MEETING OF THE FINANCE AND INVESTMENT (F&I)
COMMITTEE, CENTRAL BOARD OF TRUSTEES, EMPLOYEES PROVIDENT FUND, HELD
IN THE CONFERENCE ROOM, 3rd FLOOR, EPFO, HEAD OFFICE, NEW DELHI AT 3.00
P.M. ON 19.03.2008**

The 91st meeting of the Finance and Investment Committee, Central Board of Trustees, Employees' Provident Fund was held on 19th March, 2008 in the Conference Room, 3rd floor, EPFO Head Office, New Delhi, at 3.00 P.M. The meeting was chaired by **Shri Rajesh Verma**, Joint Secretary & Financial Advisor, Ministry of Labour and Employment, Government of India.

(a) The following were present in the meeting:

1.	Shri W.R. Varada Rajan	Member, (Employees' Representative)
2.	Shri A. Venkataram	Member, (Employees' Representative)
3.	Dr. Ram Tarneja	Member, (Employers' Representative)
4.	Shri J P Chowdhury	Member, (Employers' Representative)
5.	Shri M P Mehrotra	Member, (Employers' Representative)
6.	Shri Abhay Kr. Singh	Convener and FA & CAO, EPFO

(b) Special Invitee

Shri A Viswanathan, Central Provident Fund Commissioner

(c) The following were also present in the meeting:

- Shri K C Pandey, ACC (Pension)
- Shri V P Ramaiah, RPFC (F&A)
- Shri S C Goyal, RPFC (Investment)
- Shri B K Mishra, APFC (Investment)

Shri G Sanjeeva Reddy could not attend the meeting and prayed for leave of absence.

At the outset, **FA & CAO** welcomed the members and informed that four meetings of the Finance & Investment Committee had been held during the year and many constructive decisions were taken including that on 'Appointment of Multiple Fund Managers'. He briefed the Committee regarding progress made in the process of selection of fund managers. He informed that draft agreement has been sent to the Consultant for signature and Expression of Interest was also at the finalization stage. He also informed the Committee that as per the decision taken in the previous meeting, matter of interpretation of Para 52 was referred back to the Ministry and the clarification has been put up in the Action Taken Report after discussing the same with the Chairman. He further informed the Committee that the final report of the auditors has also been put up in the Action Taken Report and there is only one agenda item on the Rate of Interest for the year 2008-09.

Item No. 1 **Confirmation of the Minutes of 90th Meeting of the Finance and Investment Committee held on 21.01.2008.**

The minutes were noted and approved.

Item No 2 **Statement showing the actions taken on the recommendations of the Finance and Investment Committee**

FA and CAO informed the members that SBI could not provide a date for meeting with the Chairman and now had again shown its inability in sharing returns generated on idle funds of EPFO in view of the RBI Guidelines.

Shri Varada Rajan said that SBI itself took the initiative of offering Savings A/c interest on the idle balances lying with them, which later on proved to be inconsequential. He said that the meeting with DMD or CGM as proposed by SBI meant nothing in view of the SBI's letter, wherein they expressed their inability in sharing returns with EPFO on EPFO's funds. He suggested that the matter should be taken up at the Ministry's level.

Shri M P Mehrotra said that SBI is having the same stand as before and EPFO should look for other banks also.

FA and CAO informed that DGM, SBI came to his office on the date of the meeting and proposed that a combination of Investments in Liquid Mutual Funds and Overdraft Facility could be tried for generating returns on the idle funds.

Shri A Venkataram wanted to know whether SBI has forwarded its advice in writing, on which FA and CAO said that it was only a verbal discussion.

CPFC said that the suggestion of SBI was worth considering in view of regulatory advices a portfolio manager has to follow.

Shri Varada Rajan said that SBI should have avoided mentioning Savings A/c interest in all its correspondences. He further remarked that a valued customer like EPFO has not been served properly by SBI.

Shri J P Chowdhury suggested that EPFO should scout for other banks not only for investment but also for banking activity.

CPFC said that the Scheme may require some modifications for allowing banks other than RBI or SBI. **FA and CAO** said that the scheme already provided for engaging other scheduled commercial banks. **RPFC (FA)** said that other banks may be considered if Central Government notifies accordingly.

Shri J P Chowdhury suggested that EPFO may write to top 10 scheduled commercial banks outlining the collection and banking requirements of EPFO. Funds should be ideally transferred to respective investment accounts on daily basis.

FA and CAO informed that there were two different aspects for consideration-one pertaining to investments activity and another pertaining to banking or collection activity.

Shri Varada Rajan said that the other banks should also be considered for banking/collection. He suggested that the Ministry of Finance should be approached to notify a few other commercial banks, which may then be considered by EPFO.

CPFC suggested that EPFO may follow the Income Tax Department's model, wherein a number of banks act as collection centers and NSDL keeps the account details.

Shri M P Mehrotra suggested that different banks in different regions may be selected as per their branch network in a particular region.

Shri Varada Rajan said that choosing these banks comes at a later stage; first banks need to be notified by the Central Government.

Shri J P Chowdhury advised that EPFO should approach the top 5 to 10 banks and specifically ask them whether they could transfer the collected money on the same day and whether they could offer returns on the idle funds.

FA and CAO said that the arrangement of base branch/link branch should also be looked into before taking such a decision.

RPFC (F&A) explained that the challans collected in the base branches have to physically reach to the link branch and our offices for the purpose of reconciliation and merely transferring the money on daily basis without receiving the physical challans may cause problems in reconciliation.

Shri J P Chowdhury said that such procedural aspects could be sorted out later on. He was of the view that Banks may readily offer attractive arrangements due to the size of EPF funds. He further advised that prospect of filing e-challans/returns should be explored, which was endorsed by **Shri M P Mehrotra** and **Dr. Ram Tameja**.

The Chairman said that SBI is presently enjoying monopoly and bringing competition is the only remedy to break this impasse. He further suggested that top 5 to 10 banks should be approached to begin with.

Dr. Ram Tameja suggested that the prospect of electronic transfer of contributions must be explored. CPFC said that Income Tax Department's procedure in this regard may be studied.

The Committee finally decided to approach 10 top banks on the basis of their branch spread, to ask how quickly they could transfer the collected money to respective investment accounts and arrangements they may propose for sending physical challans to the designated EPF offices.

Regarding the Auditor's report, **Shri M P Mehrotra** said that the final report submitted by the auditors' was not up to the mark. Auditors have not addressed the concerns shown by EPFO and have rather shied away from quantifying any notional losses.

FA and CAO said that the Auditors first submitted a draft report without consulting the Bank. A final report was submitted later on with significant modifications. EPFO sent its observations and now another report has been submitted incorporating their replies on the observations made by EPFO.

The Chairman said that the remarks put up by EPFO indicated that EPFO was not satisfied with the Auditors' Report.

Shri M P Mehrotra suggested that the report may be referred to the Institute of Chartered Accountants of India - (ICAI).

Shri Varada Rajan said that as the auditors have done their job, their payment should not be withheld, but at the same time, the report should be referred to the Institute as suggested by **Shri Mehrotra**.

The Chairman suggested that the matter may be referred to the Executive Committee before making the payment, meanwhile the report be referred to ICAI for taking necessary action.

The Committee concurred with the views of the Chairman.

Item No. 3: Recommendation of the Rate of Interest to be credited to EPF members' accounts for the year 2008-09.

Shri Varada Rajan said that he has been raising the issue of a structured debate on the Interest Suspense Account since long. He further said that before 2000, overall yields were high, while the declared EPF interest rates were lower, which might have resulted in surpluses during those years. He further said that the Government should honour its commitment of offering a minimum of 9.5% interest rate.

Shri A Venkataram enquired about the notification of interest rate for 2007-08, on which CPFC explained that a letter has already been sent to the Ministry to this effect. Shri Venkataram further said that the contingency provided in 2006-07 and the amortization cost shown in the estimates of 2007-08 were nothing but surplus and should be utilized to pay interest rate of 8.5% comfortably.

FA and CAO replied that the cost of amortization is a real charge on income and cannot be treated as surplus. On the other hand, if Committee agrees, the contingency reserve provided in the year 2006-07 may be utilized following the precedence of the previous year when the CBT utilized the entire contingencies provided in estimates till 2005-06.

Shri A Venkataram said that even if the contingency reserve of Rs 150 crores as provided in the year 2006-07 is utilized, rate of 8.5% could be declared.

The Chairman wanted to see the details of such declaration made in past on the basis of contingencies provided, which were shown to him. He suggested that the Committee may place the factual position before the Board for taking a decision.

Shri Varada Rajan said that as the outgoing members would already be getting the previous year's interest rate, there was no hurry to declare the interest rate now. He further said that a structured debate should first take place on the Interest Suspense Account before recommending anything to the Board.

The Committee finally decided that the factual position could be placed before the Board.

The meeting ended with vote of thanks to the Chair.

Item No.2 : Selection of Multiple Fund Managers

1. The Finance and Investment Committee, in its 83rd meeting held on 06/03/2006, decided to have an approach paper on Multi Fund Managers. It was also decided in the said meeting that the eligibility criteria could be drawn for inviting capable and efficient contenders. The approach paper on appointment of Multi Fund Managers was placed before the Finance and Investment Committee in its 87th meeting held on 02.03.2007 & was deferred due to paucity of time. The item was again placed before the F&I Committee in its 88th meeting held on 11.04.2007 and the Committee resolved to request Shri M.S. Verma & Shri Purwar to suggest a comprehensive road map for laying the foundation of investment monitoring cell at Employees' Provident Fund Organisation and to appoint multiple fund managers. The letters were issued to Shri M.S.Verma & Shri Purwar. Both the Gentlemen refused to take up this task- Shri M.S.Verma on account of insufficiency of infrastructure available with him and Shri Purwar due to their past association with the SBI as chairman.

2. The matter was again placed in the 89th meeting of the Finance and Investment Committee held on 19/11/2007 and it was suggested to appoint a professional consultant by limited tendering process to help EPFO through the process of appointing multiple fund managers and later on monitoring the performance of chosen fund managers till a specified period. It was also suggested to restrict the potential bidders from among the rating agencies operating in India, viz., CRISIL, ICRA, CARE and FITCH looking at the fact that CRISIL, a credit rating agency provided the same kind of services to CMPF and PFRDA in recent past. The Finance and Investment Committee was also requested to approve the following committee for initiating, and completing the process of appointment of consultant in this respect.

- ❖ FA & CAO, EPFO
- ❖ Director (Social Security), Ministry of Labour & Employment
- ❖ Director (Finance), Ministry of Labour & Employment

The same committee was also to be empowered to select a consultant, which may or may not be the same consultant as said above, for helping EPFO in monitoring the performance of chosen fund managers for a specified period and also in establishing Investment Monitoring

Cell. It was desired that by the end of the time period so determined, EPFO would be expected to achieve in-house competence with regards to monitoring fund manager's performance. The proposals were accepted by the FIC and the item was approved. The same was to be taken up to the CBT in its 180th meeting held on 6th December 2007 .

3. The CBT in its 180th meeting held on 6th December 2007 gave its approval for constitution of a 3 members committee to carry out the process of selection of Consultant out of the Credit Rating Agencies Registered with SEBI to assist EPFO in choosing Multiple Fund Managers. The three members Committee after going through the procedure as per GFR had given its recommendations to appoint M/s Crisil Limited as Consultant and the same was approved by the CBT in its 181st Meeting held on 24/01/2008.

4. The proposal for extending the mandate to the existing three-member committee to select fund managers was placed before the 90th Finance and Investment Committee held on 21/01/2008 for consideration and recommendation to the Central Board of Trustees, EPFO.

After detailed deliberation, it was decided that:

- ❖ The Finance and Investment Committee approved the appointment of M/s Crisil as consultant at negotiated remuneration to assist EPFO in selection of Multiple Fund Managers and also to help in monitoring the performance of chosen fund managers and establishment of the Investment Monitoring Cell at EPFO.
- ❖ The F&I committee further decided to refer back the matter of interpretation of Para 52 regarding eligibility of Asset Management Companies or other financial institutions in addition to banks as portfolio managers. It was also decided to empower the chairman of the Finance and Investment Committee to decide whether the legal opinion obtained needed any further clarification.
- ❖ The committee also approved the mandate of the three-member committee to further take up the process of selection of the fund managers in assistance with the appointed

consultant. The proceedings of the three-member committee shall be placed before the Finance and Investment Committee and CBT for final selection.

The recommendation of the F&I-Committee was placed before the CBT in its 181st meeting held on 23/01/2008 for ratification/approval and the same was granted (item and minutes are placed as Annexure -B, Page No. 11 - 26)

The process was initiated on 17/04/2007 by calling for Expressions of Interest by advertising in the leading newspapers. Twenty-one entities expressed their interest in fund management. Out of 21 participants, 17 were shortlisted for the second stage, i.e., the submission of Request for Proposal. The RFP was designed to be a detailed document for the purpose of ensuring technical evaluation of the participants on both the counts, i.e., Quantitative Evaluation and Qualitative Evaluation. After taking input from consultants, it was decided to have 60:40 weights for the Quantitative and qualitative parameters respectively. The last date for submission of the RFP document was fixed on 06/06/2008. A pre-bid conference was held on 30/05/2008 to clarify doubts of the entities. The entities were also informed of the ratio fixed for Quantitative and qualitative parameters. The committee also decided in consultation with the consultant that 70% score would be the bench mark for qualifying the technical bid. The technical evaluation is still under process and shall be completed by 16th of July and the financial bids shall be opened on 22nd July. The final proceeding of the committee shall be tabled in the Finance and Investment Committee meeting on the date of meeting.

Item 19 of 181st CBT

181st CBT Meeting

Item No. 19: Appointing Consultants for Selection of Multiple Fund Managers

The Central Board of Trustees, in its 180th meeting held on 06/12/2007, gave its approval for constitution of a three-member committee to carryout the process of selection of consultant out of the credit rating agencies registered with SEBI to assist EPFO in choosing multiple fund managers and for setting up the investment-monitoring cell.

The committee prepared the Request for Proposal and disclosure document and sent the same to the four credit rating agencies and an advertisement was also placed on the website of EPFO. The interested parties were given the time to send in their technical and financial bids till 03/01/2008, 11.00 AM. The technical bids were opened in the presence of the representatives of the bidders at 12.00 Noon, on 03/01/2008. The committee analyzed the technical bids and considered M/s CRISIL as the suitable bidder for assisting EPFO in selecting multi fund managers as well as for assisting EPFO in monitoring the performance of the chosen fund managers for one year and in establishing an in-house Investment Monitoring Cell. The proceedings of the committee meeting dated 07/01/2008 are placed for ready reference and information (**Annexure-I**).

Now the consultant is to initiate the process of short listing the Fund Managers, the same committee may be empowered to take the process of selection of the fund managers to its logical end with assistance from M/s CRISIL, the chosen consultant.

The issue of interpretation of Para 52 of the EPF Scheme regarding choosing a fund manager from among the Asset Management Companies (AMCs) or Banks came up for discussion during the 88th meeting held on 11/04/2007 (relevant minutes enclosed at **Annexure-II**). At that time, the committee was informed that a legal opinion had been sought from the Ministry. The Ministry has forwarded the views of the legal advisor; a copy of the letter received is enclosed for ready reference. A view was earlier sought from the empanelled advocate and her advice is also enclosed. The opinion received from the legal advisor is not clear; the matter was

Item 19 of 181st CBT

referred to the CPFC for his views. He is of the view that carrying out the activity of management of the EPFO funds is different from the deposits/investment of EPFO funds, and therefore, the portfolio management by AMCs can be made as long as they chanzalized such investments and investments are made in the name of the CBT, EPFO within the pattern of investment/guidelines (the noting of CPFC's views is also enclosed for ready reference at Annexure-III).

As regards the fund size and the net cash inflow to be managed by the prospective fund managers, the details are given as under:

(Rs. in crores)

Fund	Fund Size as on 31/03/2007 at Face Value*	Net Accretion account contribution	Fresh on of	Interest Received
EPF	1,03,837	5,843		7,467
EPS	48,671	3,113		3,761
EDLI	1,623	196		113
Staff Provident Fund	374	20		29
Staff Pension cum Gratuity Fund	1,056	490**		43

* The figures do not include the balances lying in the public account, hence not a part of active fund management

** Includes transfer of arrears; the yearly contribution to this fund may be approximately Rs 60 Crores.

In addition to the above, the maturity proceeds received during the year will also have to be invested as per the prescribed pattern. The information regarding maturity proceeds varies from year to year, depending on investments made in TDRs, which may be rolled over many times within a single year.

The SBI, during discussion in a meeting, informed that due to bigger size of the fund, many a times it was difficult to deploy the inflows in suitable instruments.

Item 19 of 181st CBT

In view of the above, the Committee may be empowered to select as many fund managers as required to derive maximum returns with advice from the selected consultant.

The proposal for extending the mandate to the existing three-member committee to select fund managers was placed before the 90th Finance and Investment Committee held on 21/01/2008 for consideration and recommendation to the Central Board of Trustees, EPFO.

After detailed deliberation, it was decided that:

- ❖ The Finance and Investment Committee approved the appointment of M/s Grisil as consultant at negotiated remuneration to assist EPFO in selection of Multiple Fund Managers and also to help in monitoring the performance of chosen fund managers and establishment of the Investment Monitoring Cell at EPFO.
- ❖ The committee further decided to refer back the matter of interpretation of Para 52 regarding eligibility of Asset Management Companies or other financial institutions in addition to banks as portfolio managers. It was also decided to empower the chairman of the Finance and Investment Committee to decide whether the legal opinion obtained needed any further clarification.
- ❖ The committee also approved the mandate of the three-member committee to further take up the process of selection of the fund managers in assistance with the appointed consultant. The proceedings of the three-member committee shall be placed before the Finance and Investment Committee and CBT for final selection.

PROPOSAL : The Central Board of Trustees may consider the recommendations of the Finance and Investment Committee and accord approval and necessary financial sanction as proposed above.

Proceedings of the meeting held on 16/01/2008

The three member committee met with the representatives of M/s Crisil, in order to elicit their views regarding the reasonableness of the amount in the financial bid submitted by them.

On the outset, FA & CAO said that qualification of only one consultant through the technical bid process left the committee with only one financial bid, and it did not have a comparative bid. On formal enquiry from CMPF, it was found that Crisil had quoted Rs 4 Lakh for EoI and Rs 6 Lakh for processing the appointment of portfolio manager.

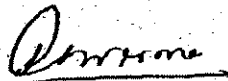
M/S Crisil was asked to justify their financial bid.

The representative of Crisil informed that they had studied the scope of assignment and also the deliverables carefully. The assignment included significant efforts including the developing the evaluation techniques and criteria, scoring sheet, assessment framework and evaluating the bids. Quantitative factors also needed to be seen. He informed that it was very important assignment and Crisil would deploy adequate resources and manpower including very senior members. They, however, were ready to decrease their price by Rs 1 Lakh and not beyond.

The Committee felt that the participants to the bid may be higher in number having regard to EPFO's fund size, which may enhance workload for Crisil for processing the bids. Moreover, the committee also felt that CMPF had appointed the consultant about a year back, the cost including the cost of deployment of manpower must have increased. The mandate given by CMPF may also vary from requirements of EPFO. The Committee finally considered that the rate quoted by M/s Crisil after reduction is reasonable.


(Abhay Kr Singh)


(Vikas)


(S K Verma)

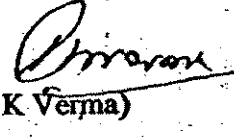
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Proceedings of the Committee Meeting held on 10/01/2008

A meeting was held in the chamber of Director (SS) to discuss the financial bid of M/s Crisil in order to check the reasonableness of the bid amount. The committee decided to gather the information about the amount paid by CMPF. The committee also decided to invite M/s Crisil over telephone for negotiation on 16/01/2008 given the shortage of time.


(Abhay Kr. Singh)


(Vikas)


(S K Verma)

Proceedings of the Committee Meeting dated 07/01/2008

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Technical and Financial Bids were invited from four Credit Rating Agencies. Only two bids were received. The Bidders are:

1. M/s CRISIL Ltd
2. M/s ICRA Ltd.

Director (Finance) informed that he discussed with FA (Labour) regarding his preoccupation and Director (SS) being on tour. Under Secretary was instructed to represent both the members of the Ministry. The bidders were present through their representatives. The technical bids were opened and signatures were obtained from the members and the representative on the bid envelopes. The Committee analyzed the technical bids; a comparative analysis is given in the table give below:

Parameters	CRISIL	ICRA
1. Experience in handling such assignments, including appreciation letters, if any.	<p>Crisol has provided information about the similar work undertaken by them in the past and it includes:</p> <ul style="list-style-type: none"> -Assistance in evaluating Bids by interested sponsors for PFRDA, assistance in preparation of RFP, submission of evaluation report on the bids to PFRDA, assistance in short listing of sponsors for the proposed pension funds of PFRDA. Letter from PFRDA to the effect that the assignment was completed in time and to their satisfaction has been provided. -Appointment of Fund Manager by CMPF: assisted in developing criteria for selecting the fund manager, preparation of RFP and evaluation of the bids and submission of report to CMPF and active participation in drafting agreement with the short-listed bidders, provided support in developing MIS and performance evaluation of the fund manager on an on-going 	<p>Has got experience in managing the assignments as under:</p> <ul style="list-style-type: none"> - Review, Finalization and Vetting of various agreements for selection of private players for developing three transmission projects in association with the Power Grid Corporation of India Ltd. Bidding assistance for 4000 MW, ultra mega power project of NTPC at Sasan. This included study of tariff based competitive bid guidelines and RFP, PPA and other bid documents and assistance in preparation of bid and providing post bid assistance in case NTPC's bid is successful. Facilitating purchases of power for railways traction from agencies other than distribution licensee for the area through open access in

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	<p>basis. Letter from CMPF to the effect that the assignment was completed to their satisfaction and to their benefit has been provided.</p> <p>- Appointment by Siemens Ltd. for portfolio performance review for retiral benefit schemes. Crisil reviewed and evaluated the Provident and Pension Fund portfolio since 2002 and also reviewed the portfolio performance of its subsidiaries for the past two years. The assignment includes:</p> <ul style="list-style-type: none"> ❖ Analysis of the exposure to interest rate risk on the portfolio ❖ Analysis of the exposure to credit risk for all the asset classes of the portfolio ❖ Valuation of the portfolio as of date ❖ Evaluation of the payout capability of the portfolio (capability to make a payout of 8.5%) based on an assumed incremental inflow ❖ Review of portfolio performance relative to an Index and suggestion of measures to improve portfolio returns. ❖ Review of the adequacy of controls in the investment process. <p>Crisil has also mentioned about the following benefits to Siemens:</p> <ul style="list-style-type: none"> ❖ Reduction in exposure to lower credit quality papers ❖ Investments in high yield corporate issuances ❖ Investments in high coupon cash-flow 	<p>UP and Tamilnadu for Indian Railways. The work included bid process management, assistance in regulatory approval, suggesting feasible models for power procurement etc.</p> <p>- Development of three tourism and entertainment projects through private participation for State Tourism Department of Andhra Pradesh. The work involves the technical, commercial and financial evaluation of the proposal; project structuring, legal documentation and negotiation support.</p> <p>- Development of Budget Hotels at six locations and management of auditorium, restaurants and cafeteria at National Rail Museum. The work includes the review of earlier reports and identification of gaps, update the feasibility report and undertake the work of bid process management comprising preparation of bid invitation documents, tender documents, relevant lease/license agreements and undertake selection of prospective operators/developers.</p> <p>Financial evaluation of bids for chartering of self-unloader vessel and gearless vessels for Poornpuhar Shipping Ltd. in Tamilnadu.</p> <p>Bid process management for</p>
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	<p>bearing bonds</p> <p>Siemens letter appreciates the Crisil Team for excellent presentation, and usefulness of the services offered by Crisil. it also states that the analysis of Crisil is objective and closer to market realities covering credit and market risk aspects.</p>	<p>selection of private players for execution of two transmission projects on BOT basis for Power Grid Corporation of India Ltd.</p> <p>Financial advisory services for commercial and financial evaluation of tenders for tugs and launches for Ennore Port Ltd. in Tamilnadu</p> <p>Assistance in selection of JV partner for developing transmission network for Power Grid Corp. development of understanding regarding requirement of the joint venture partner, preparation of notice inviting tender and finalization of eligibility criteria of prospective bidders, preparation of an assessment framework and development of parameters for selecting prospective JV partners, and finalization of project agreements.</p> <p>Evaluation of bidders for the Cargo complex at the New Delhi airport for the Airport Authority of India. The work includes study of the proposals and developing the criteria for designing the matrix to convert all the qualitative issues in tangible numbers.</p> <p>Financial advisor to AAI for privatization of Delhi and Mumbai airports. The work mainly entails preparation of bid</p>
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		<p>documents and bid process management leading to selection of private developers.</p> <ul style="list-style-type: none"> - Assistance in the tendering procedure, preparation of tender document, and evaluation of bids for procurement of power of 3200 MW by tariff based competitive bidding for Haryana Power Generating Co. Ltd. - Consultancy service for techno-economic feasibility study and bid process management for Delhi Mono-Rail project for Government of NCT of Delhi. - Scheme for supporting creation of shared infrastructure for mobile services in rural areas including bid process management for Universal Service Obligation Fund, Dept. of Telecommunication, Govt. of India. - Identifying a bidder for a prime property in Surat for Gujarat Industrial Development Corporation. The work included bid process management. - Assistance in tendering process and preparation of tendering/contractual documents for awarding the EPC contract for the 2x8 MW hydro project located in Mandi District of Himachal Pradesh for Patikari Power Private Limited (PPPL). - Selection of a private
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		<p>player for operating inland water services between Chennai and Muttukkadu on BOT basis for Tamil Nadu Tourism Development Corporation.</p> <p>Bidding assistance for 4000 MW imported coal based mega power project in Mundra for Torrent Power AEC Limited. It includes study of tariff based competitive bid guidelines and RFP, PPA and other bid documents, extensive financial and tariff modeling relating to project.</p>
2. The qualification/experience of the key personnel	<p>CRISIL has proposed the following experts for deploying them in this task along with their experience and profile:</p> <ol style="list-style-type: none"> 1. K Sitharaman, PGDM, IIM Calcutta (13th Rank); B E (Mech), 5th Rank, Jadavpur University. Mr. Sitharaman is presently heading fund services and fixed income research and he also oversees offerings in Mutual Fund ratings, rankings, customized research, risk assessment service and wealth management and desktop solutions. He has extensive experience in conducting workshops and seminars on retail risk, mutual funds, BASEL II, Credit risk and securitization. He has also provided oversight for more than 50 Micro-finance 	<p>ICRA proposes to deploy the following Key Staff with the proposed position. Details of the experience of the members are enclosed as Annexure A.</p> <ol style="list-style-type: none"> 1. V Sriram, Project Director, ACA; Graduate Member, ICWA; Licentiate Member, ICSI; Affiliate Member, Institute of Management Consultants of India. 2. S Pareek, Project Manager, ACA; AICSI; AICWA 3. Dhruva Purkayastha, Co-Project Manager, PGDM (Finance & Economics), IIM Calcutta; BE (Mech), BIT, Ranchi 4. Sanjib Sahu; Bidding Process Specialist, MBA (Finance), Asian Institute of Management, Manila, the Philippines; B E (Hons), NIT, Rourkela. 5. Karthik Srinivasan; Financial Instrument

	<p>Institution evaluations. He has also handled similar assignments for CMPF and PFRDA, which includes development of criteria and methodology for assessing the bidders; evaluation of bidders; recommendation about the best bidder; preparation of portfolio management agreement and designing of MIS format to monitor the performance of Portfolio Managers etc..</p> <p>2. Rama Vasantharajan, Post Graduate Diploma in Software Management (NIIT). Her responsibilities include Mutual Fund rankings, customized research in Mutual Fund, wealth management and desktop solutions. She is also responsible for managing fixed income research group, which provides valuation services, benchmarking services, customized portfolio, analytical services etc..</p> <p>3. Parag Doshi, ACA; AICSI. He has experience in handling fund evaluation and rating assignments for many mutual funds, banks and broking houses etc. He has also assisted in selection of fund managers for PFRDA. He has also worked with Zurich India Mutual Fund and</p>	<p>Analyst; Member CFA, USA; MMS (Finance), NMIMS; BE (K J Somayya College).</p> <p>6. Shalini Gupta; Team Member; Member ICFAI; MBA, MDI (Gurgaon); B. Com (Hons), SRCC</p> <p>7. Ranjeet Mishra; Team Member; Member ICAI; Member ICWAI</p>
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	<p style="text-align: center;">JM Mutual Fund</p> <p>4. Manish Saraf, PGDBA (Finance), Welinger, Mumbai, ACA. He is a key member of the Fund services team and is involved in rating and diagnostic assignments relating to financial sector entities like Mutual Funds, PMS providers, Banks. He was also involved in selection of portfolio managers for management of retirement funds of large public sector organizations. His assignment is the past includes framing of criteria for selection of portfolio managers, bid analysis and the selection of portfolio manager, and also framing of MIS reports for monitoring the Portfolio Managers' performance etc.</p> <p>5. Jiju Vidyadharan, MBA (Finance), IMSR, Pune. He is a key member of the Fund services team and is involved in rating and diagnostic assignments relating to financial sector entities like Mutual Funds, PMS providers, Banks etc.</p>	
<p>3. Experience in rating the financial instruments as prescribed in the investment pattern followed by EPFO</p>	<p>Crisil has rated various types of financial instruments and they have over 65% market share in rating the instruments mentioned in the investment pattern. They have provided an exhaustive list of the instruments rated by them, which includes banks, financial</p>	<p>ICRA has experience of rating 3792 instruments as on 31/03/2007, which includes rating of manufacturing companies, finance companies, banking and financial institutions and state level institutions. Out of 3792 instruments, 1874 instruments relate to finance</p>

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	<p>institutions, insurance companies, infrastructure companies, non-banking finance companies, housing finance companies and corporate sector companies etc. They have varied experience in rating financial instruments falling within the pattern.</p>	<p>companies, banking and financial institutions and state level institutions, which <i>may be</i> falling within the investment pattern followed by EPFO. Rating of 1918 instruments of manufacturing companies, which are public sector undertakings may also be falling under the ambit of the said pattern. The specific reference to the companies falling within the pattern has not been provided.</p>																																		
<p>4. Other desired particulars</p>	<ul style="list-style-type: none"> ❖ It is a public limited company listed on BSE and NSE ❖ Registered with SEBI and details provided ❖ Address given in the document ❖ Details of the contact person provided ❖ Shareholding holding provided. <table border="0"> <tr> <td>Standard & Poors:</td> <td>51.5%</td> </tr> <tr> <td>MFs:</td> <td>4.52%</td> </tr> <tr> <td>Banks/FIs</td> <td>3.07%</td> </tr> <tr> <td>Ins Companies</td> <td>6.57%</td> </tr> <tr> <td>FIs</td> <td>9.14%</td> </tr> <tr> <td>Bodies Corp.</td> <td>1.89%</td> </tr> <tr> <td>Individuals</td> <td>21.60%</td> </tr> <tr> <td>Others</td> <td>1.72%</td> </tr> </table> <ul style="list-style-type: none"> ❖ The details of the directors have been provided. 	Standard & Poors:	51.5%	MFs:	4.52%	Banks/FIs	3.07%	Ins Companies	6.57%	FIs	9.14%	Bodies Corp.	1.89%	Individuals	21.60%	Others	1.72%	<ul style="list-style-type: none"> ❖ It is a public limited company listed on BSE and NSE ❖ Registered with SEBI and details provided ❖ Address given in the document. ❖ Details of the contact person provided ❖ Shareholding holding provided. <table border="0"> <tr> <td>Moody's:</td> <td>28.51%</td> </tr> <tr> <td>MFs/UTI:</td> <td>7.70%</td> </tr> <tr> <td>Banks/FIs</td> <td>23.91%</td> </tr> <tr> <td>Ins Companies</td> <td>12.93%</td> </tr> <tr> <td>FIs</td> <td>0.15%</td> </tr> <tr> <td>Bodies Corp.</td> <td>6.75%</td> </tr> <tr> <td>Individuals</td> <td>9.92%</td> </tr> <tr> <td>Trusts:</td> <td>9.07%</td> </tr> <tr> <td>Others</td> <td>1.07%</td> </tr> </table> <p>The potential bidders for multiple fund managers out of the banks having more than 1% shareholding are PNB, SBI, ALLAHABAD BANK, INDIAN BANK, and CBI. PNB and SBI hold 5.25% and 10% respectively. It is also mentioned that the Chairman of group ICRA is a former Chairman of SBI.</p> <ul style="list-style-type: none"> ❖ The details of the directors have been provided. 	Moody's:	28.51%	MFs/UTI:	7.70%	Banks/FIs	23.91%	Ins Companies	12.93%	FIs	0.15%	Bodies Corp.	6.75%	Individuals	9.92%	Trusts:	9.07%	Others	1.07%
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The committee made the following observations:

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- A) Both the firms have got varied experience in providing services for 'bid process management', but Crisil only have direct experience of handling similar activity for CMPF, PFRDA and Siemens Ltd.
 - B) Crisil has provided appreciation letters from the entities for whom they undertook the job previously. ICRA has not provided any such letters.
 - Both Crisil and ICRA, being the two largest Credit rating agencies in the country, have rated varied instruments. Crisil has specifically given the list of the instruments rated by them, which fall within the ambit of the investment pattern followed by EPFO, while ICRA has only provided us the bigger picture at macro level.
 - Moreover, there may likely be conflict of interest as SBI is having 10% of holdings in ICRA and presently a former Chairman of SBI is heading ICRA.
 - From the above observations, the committee considers M/s Crisil suitably meets the desired criteria for assisting EPFO in selecting multi fund managers as well as for assisting EPFO in monitoring the performance of the chosen fund managers for one year and in establishing an in-house Investment Monitoring Cell.

(Abhay Kr. Singh)

7.1.08

(Vikas)

(S K Verma)

7.1.2008

The minutes of 181st CBT meeting on the item of Appointing Consultants for Selection of Multiple Fund Manager:-

The Board approved the items as tabled along with the minutes of the Finance and Investment Committee.