



THE WEST BENGAL POWER DEVELOPMENT CORPORATION LIMITED

(A Government of West Bengal Enterprise)

Corporate Identity No. : U40104WB1985SGC039154

: Registered & Corporate Office :

'Bidyut Unnayan Bhaban', Plot No. 3/C, LA-Block, Sector-III, Salt Lake, Kolkata – 700 098

WBPDC

• Phone : (033) 2335-0571/2339-3100 • Fax : (033) 2339-3186/2339-3286 • Website : www.wbpdcl.co.in

• email : wbpdcl@wbpdcl.co.in

Ref.No. WBPDC/DPL/DDS/2014/2102

26th September, 2014

Request for proposal to conduct Due Diligence Study in respect of certain assets of Durgapur Project Limited

The West Bengal Power Development Corporation Ltd. (WBPDC) is a fully owned Government of West Bengal Enterprise. The Company is a Generating Company, as defined under the Electricity Act, 2003, with existing capacity of 3860 MW. The turn-over of WBPDC was around Rs. 7400 crore for the year 2013-14.

As advised by the Government of West Bengal, WBPDC is contemplating to take over the management control of the Durgapur Projects Limited (DPL) in respect of its Generating Units, Coke Oven Plants and Water Works.

The DPL is a fully owned Government of West Bengal Enterprise engaged in Generation, Transmission and Distribution of Electricity in its area of its command. At present the installed capacity of DPL is 660 MW.

For the purpose of conducting Due Diligence Study of the State of Affairs of the DPL as on 30.09.2014 and submission of a report in relation thereto, proposals are invited from eligible firms having requisite qualification and experience within 15th October, 2014.

The firm to be appointed for the above assignment must fulfill the following conditions:

- (i) Must undertaken at least one similar job during the last three years,
- (ii) The required resources for the assignment such as detailed profiles of professionals to be engaged for the job etc. is required to be submitted.
- (iii) Average Annual Turn-over of the firm during the last three years should not be less than Rs.1.00 Crore.

The interested firms may submit their proposals within 3-00 PM of 15th October, 2014 to the following address along with (i) Organization Profile, (ii) Copies of Annual Report for the last three years, (iii) Copy of at least one order received for similar job during the last three years & (iv) Professional Fees indicating separately TA/DA & Out of Pocket Expenses. The proposal super scribing the words " Proposal for Due Diligence Study of The Durgapur Projects Ltd." is to be submitted to :

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Bandel Thermal Power Station
GM-(033)2684 6369
E-mail : gmbtpps@wbpdcl.co.in
Fax : 2684 6151

Santaldih Thermal Power Station
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E-mail : gmstps@wbpdcl.co.in
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Kolaghat Thermal Power Station
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The Sr. Manager (F&A)-IA
The West Bengal Power Development Corporation Ltd.
Bidyut Unnayan Bhaban,
3/C, L A Block, Sector – III,
Bidhannagar,
Kolkata – 700 098

The proposal to be submitted in two separate sealed envelope along with the aforesaid documents. One envelope must be relating to the eligibility criteria and the other envelope should be exclusively for Professional Fees. The envelope containing the Fees will not be opened unless minimum eligibility criteria are fulfilled.

The detailed scope of work and other relevant terms are as per **Annexure**.

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ANNEXURE

SCOPE OF WORK :

1. FINANCIAL :

The due diligence review would be performed on the historical financial statements of the company, covering the period ending 30th September, 2014, with reference to the following aspects :

Business Overview:

- Obtain the detailed history and background of the Company and the present organizational structure.
- Review the basis of preparation of financial statements of the Company for the period under review.
- Obtain latest share holding pattern.
- Review the audited / un-audited financial statements of the Company for the period under review
- Review the significant accounting policies followed by the Company.

Balance Sheet Components:

- Fixed Assets ;
 - Review components of fixed assets of the Company, including basis of capitalization.
 - Review details of assets taken on lease, if any.
 - Obtain list of non-operative assets, if any.
 - Physical verification of Fixed Assets with reference to Assets Register, if any,
 - Verification of ownership right relating to land.
- Capital Commitments ;
 - Review contracts remaining to be executed on capital account and not provided for, advances made therein and any claims of damages, penalty, interest etc.
- Working Capital ;
 - Analysis of the trends in working capital for the period under review.
 - Discuss with and understand from the management the measures proposed / undertaken to improve the working capital management.
- Accounts Receivable ;
 - Review ageing and composition of accounts receivable.
 - Overview the credit policies and credit control measures adopted by the Company.

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- Review the adequacy of provision for doubtful debts considering historical ageing trends and known exposures.
- For sales through agents/franchisees, obtain an age analysis by agent and franchisee and highlight any significant concentration of credit exposures.
- Review any significant credit notes issued to customers or sales returns, if any, during the period under review.
- Analyze the customer profile and highlight dependency on any specific customers, if any.
- **Inventories ;**
 - Obtain and analyze ageing of inventories by categories and comment upon procedures for identifying slow moving / obsolete items.
 - Review valuation of inventory with emphasis on slow moving / obsolete and non-moving inventories.
 - Enquire with the management the procedures adopted for control of inventories.
 - Physical verification of inventory and stock position as per books of accounts.
- **Share Capital ;**
 - Review share capital and reserves and surplus and understand significant movements in these accounts for the period under review.
 - Review shareholders' agreements, if any.
- **Borrowings ;**
 - Review debts, borrowings and other financial obligations with banks, financial institutions and others including charges created on the assets of the Company.
 - Highlight and analyze restrictive covenants in financing agreements and comment on key financial terms and conditions.
 - Summarize repayment schedule for short term and long term borrowings as on 30th September, 2014.
 - Review the defaults made in repayment of loans / payment of interest on loans and summarize the impact of such defaults.
 - Review as on 30/09/2014 the available bank reconciliation statements for key loan accounts and highlight significant un-reconciled differences, if any.
- **Investments ;**
 - Review the investments held.
 - Highlight any onerous clauses, liabilities, commitments that could potentially devolve on the company in connection with the investments in the group companies / related entities.
 - Highlight if there is any diminution in the carrying value of the investments (quoted, unquoted).
- **Statutory Liabilities ;**
 - Income Tax
 - Service Tax

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- VAT / CST
- Professional Tax
- Trade License
- Tax Deducted at Source
- Excise Duty
- **Other Assets and Liabilities ;**
 - Verification of all short term and long term assets, comment on their nature and assess whether these are good or doubtful in nature.
 - Review significant loans and advances and other current assets including pre-payments, balances and deposits with statutory authorities.
 - Physical verification of Cash Balance.
 - Review Bank Reconciliation Statements for bank accounts with balance confirmation (other than Loan) and significant unusual reconciling items, if any, as on 30/09/2014.
 - Review of Sundry Creditors and comment on existence and age analysis.
 - Review other current liabilities and provisions including employee-related liabilities with age analysis.
 - Review miscellaneous expenditure to the extent not written off or adjusted.
- **Contingent Liabilities / Commitments ;**
 - Review contingent liabilities that could result in a reduction in value of assets or an increase in the value of liabilities.
 - Review significant guarantees, performance bonds or similar documents of assurance and any indemnities provided for the benefit of the Company. With a view to identifying the relevant key accounting and financial issues.
 - Review contingent liabilities pending litigation, sales/purchase commitments, lease/hire purchase commitments of contracts, agreements with shareholders/financers.
 - Obtain a list of significant claims, pending or threatened litigation against the Company and managements' perception of likely outcome.
- **Result of Operations / Business Analysis ;**
 - Analyze the facilities and their utilization towards products & services of the Company.
 - Obtain an understanding of the detailed components of revenues and costs.
 - Obtain an understanding of existing sales system.
 - Perform a trend analysis for preceding 3 Financial years' ended on 31st March of key performance indicators, namely, sales, cost of sales, gross profit and net profit.
 - Comment on any significant extra ordinary items charged/credited to the profit and loss account for the above two years.
 - Comment on nature of significant items in other income, if any.
 - Analysis of Sales :
 - ❖ Sales by product/activity – sales through agents, franchisees, direct sales and any other category of sales ; compare sales growth by region; monthly sales, domestic and export sales.

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- ❖ Sales by product in quality and value ; any seasonal patterns and shift in patterns.
- ❖ Discounts, claims, credit notes etc. against gross sales values.
- ❖ Obtain and comment on pricing structure of key products profitability of key products.
- Analysis of EBITDA and EBIT margins for the periods under review.
- Review agreements with key customers and the impact of these agreements on the company's business.
- Review terms and conditions of sales including conditions relating to cash / quantity discounts etc.
- Analysis of significant costs (e.g. raw materials, energy, employee costs, administration, selling and distribution expenses) and obtain explanations for significant variances/trends.
- Review material cost and analyse historical trend in prices of major items.
- Review supply contracts for major suppliers.
- Review other significant costs such as Power, labour, freight, marketing etc.
- **Cash Flows ;**
 - Analyse cash flows for the period under review.
 - Identify extra-ordinary items and obtain explanations on the same.
 - Comment on key sources of funding for investing and financing activities on the company.
- **Management and Employees ;**
 - Review manpower details with their age profile.
 - Review financial implications of ;
 - ❖ Directors' remuneration and incentive plans.
 - ❖ Agreement with labour unions, key employees, etc.
 - ❖ Post retirement benefits, if any.
 - ❖ Payments made to contract labour.
- **Other Matters ;**
 - Review of the nature of contractual relationship with related parties and balances recoverable/payable from/to related parties.
 - Review of internal audit reports for past two years and comment on any significant issues raised by the internal auditors.
 - Obtaining details of insurance policies, premiums and assets covered.
 - Outstanding Audit Paras of C&AG regarding Performance/Supplementary Audit for the last 5 years.

2. **APPROACH & METHODOLOGY :**

In order to carry out the assignment, you shall chalk out a detailed action plan in consultation with the Executives/Managers of Finance and Accounts Department of the

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Company and the same will become the basis for successful completion of the assignment. For better understanding of company's financial and operational activities, the following information shall be provided by the concerned Executives of DPL;

- Audited Annual Accounts of the Company for last three financial years i.e. 2011-12, 2012-13 & 2013-14.
- Copy of Income Tax Return for last three years and assessment position till date.
- Memorandum & Articles of Association of the Company.
- Organization Structure (overall and functional).
- Business activities and accounting systems and procedures of the company, in brief.
- List and copies of Manuals/SOP followed by the company.
- Details of standing instructions.
- Details of major customers and suppliers.
- Details of pending orders as on 30th Sept., 2014.

Analysis and Visit Program :

Based on the scope of work and the available documents, you shall analyze the details and shall prepare a Due Diligence Review Program to cover each segment of activity area.

3. DELIVERABLES :

You will prepare and submit a **Due Diligence Report** on the basis of your findings and analysis in respect thereof.

4. TIME FRAME :

Since considering the nature and complexity of the assignment, we envisage that total time span for completing the assignment shall be one month from the date of issue of the order.

5. DUE DILIGENCE TEAM :

The entire assignment will have to be managed by an Engagement Partner of the firm. For conducting Due Diligence for the period under review, you are required to deploy required number of qualified and semi qualified/experienced personnel with experience in the related field.

6. SUPPORT FROM THE MANAGEMENT:

The company shall also ensure that all documents, books and information relevant to the proposed assignment will be made available on time to the Due Diligence Team and the concerned Executives/Managers of the organization to extend all co-operations and help to the members of Due Diligence Team.

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