



KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Companies Act, 1956)

Registered Office : Vydyuthi Bhavanam, Pattom,

Thiruvananthapuram – 695 004, Kerala

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Abstract

Special loan assistance of ₹2000crore from M/s. REC Limited - availing balance amount of ₹230crore amount – ratification – Sanctioned - Orders issued.

CORPORATE OFFICE (FINANCE WING)

B.O.(FTD) No.716/2019 (Fin.IV B/LTL/REC/General/19-20)

Thiruvananthapuram, Dated: 24.09.2019.

- Read:-
1. Sanction letter No.REC/TVM/SPL/Sanction/2016-17/575 dated 16.02.2017 of M/s. REC Limited, Regional Office, Kerala.
 2. Sanction letter No.REC/TVM/SPL/Sanction/16-17/583 dated 27.02.2017 of M/s. REC Limited, Regional Office, Kerala.
 3. Letter No.REC/TVM/LTL/16-17/626 dated 15.03.2017 of M/s. REC Limited, Regional Office, Kerala.
 4. Letter No.REC/TVM/LTL/16-17/633 dated 23.03.2017 of M/s. REC Limited, Regional Office, Kerala.
 5. Letter No.Fin.IV B/LTL/REC/TVM/19-20 dated 04.05.2019 and 20.07.2019 of Chairman & Managing Director, KSEBL to M/s. REC Limited.
 6. Letter No.REC/TVM/SPL/Sanction/16-17/22.07.2019 of Chief Program Manager, M/s. REC Limited.
 7. Note No.Fin.IV B/LTL/REC/General/19-20 dated 03.09.2019 of Financial Adviser, Kerala State Electricity Board Limited submitted to Full Time Directors.
 8. Agenda Item No.15/09/19 in the Full Time Directors meeting held on 18.09.2019.

ORDER

M/s. REC Limited had sanctioned special loan assistance of ₹2000crore to Kerala State Electricity Board Limited for conversion of outstanding short term loan to long term loan with interest rate fixed as 9.15% per annum with loan period of 10 years (1 year moratorium + 9 years repayment) as per sanction letter read as 2nd above. After a series of discussion, M/s. REC Limited reviewed certain conditions of the sanction letter dated 27.02.2017. Accordingly, the tenure of the loan was revised to 15 years with moratorium period of 18 months and the interest rate was reduced to 9.08% (monthly rest) also the commitment charges was waived as per letter read as 3rd above as a special case.

Out of sanctioned loan of ₹2000crore, initially, Kerala State Electricity Board Limited availed ₹1250crore on 30.03.2017 and the said amount was utilised to swap the outstanding high cost loan availed from various banks as on 31.03.2017. Later, Banks had sanctioned Short Term Loan/Overdraft with interest rate ranging from 8.05% to 8.85% and considering the lesser interest rate, it was preferred to avail the low cost loan from Banks. However, based on the fund requirement for meeting urgent unavoidable commitments, Kerala State Electricity Board Limited had availed an additional amount of ₹520crore in different spells from M/s. REC Limited as shown below:

Date of Availment	Amount Availed	Rate of Interest	Purpose
09.05.2017	₹100crore	9.08%	To meet power purchase obligation.
14.09.2018	₹200crore	9.08%	Swapping of high cost term loan availed from M/s. Power Finance Corporation ranging from 11.15% -11.40% for Pallivasal Extension Scheme
28.11.2018	₹100crore	9.08%	For closure of WCL of State Bank of India
05.03.2019	₹100crore	9.08%	For meeting committed payments
03.05.2019	₹20crore	11%	To meet cash flow gap on 03.05.2019 for making pension payment

Thus, as on 15.07.2019, out of the sanctioned special loan assistance of ₹2000crore, a total amount of ₹1770crore was availed from M/s. REC Limited.

Consequent to the expiry of the moratorium period on 29.09.2018, the principal repayment of the loan commenced. Though Kerala State Electricity Board Limited as per letter dated 07.01.2019 has requested M/s. REC Limited to release the balance amount of ₹350crore at the sanctioned rate of 9.08%, M/s. REC Limited has disbursed only ₹100crore on 05.03.2019 against the request of Kerala State Electricity Board Limited. On further request, to release the balance amount of ₹250crore, M/s. REC Limited has informed that the interest chargeable for the balance disbursement will be as per the Current Loan Policy Circular and has requested to intimate whether M/s. REC Limited could release the amount as per the Current Loan Policy Circular (10.90% monthly rest). Chairman & Managing Director as per letter read as 5th paper above requested the Director (Finance) of M/s. REC Limited to intervene in the matter and to release the balance loan amount due to Kerala State Electricity Board Limited on or before 10.05.2019, at the rate as per the original sanction.

Meanwhile, the scenario of the banking sector changed a lot and many of the Banks imposed certain restriction on lending and thereby experiencing severe financial crunch. In order to tide over this situation Kerala State Electricity Board Limited requested M/s. Power Finance Corporation Limited to sanction a Short Term Loan of ₹250crore. Accordingly, M/s. Power Finance Corporation Limited sanctioned the loan of ₹250crore at an interest rate of 11.75% per annum for a period of one year to be repayable in six EMI's after a moratorium period of six months. Though, Kerala State Electricity Board Limited requested to allow a concessional interest rate, the same was not acceded to. At the same time, M/s. REC Limited was also reluctant to disburse the unavailed loan amount of ₹230crore at the sanctioned rate of 9.08% since the borrowing cost has increased, and hence considering the financial condition of Board, Chairman & Managing Director as per letter dated 20.07.2019 requested M/s. REC Limited to release the said amount at the most attractive rate.

In this regard, consequent to the deteriorating financial position, the fund request from Account Rendering Units from 20th June were pending and the total amount to the tune of ₹350crore was pending to be released and it was difficult to meet the salary and pension and power purchase payments on due dates.

At this juncture, based on the request of Chairman & Managing Director, on further negotiation, M/s. REC Limited as per letter read as 6th paper above has agreed to release the balance ₹230crore at 10.65% monthly rest, considering the present precarious financial position and to meet committed payments and pending assignments, Kerala State Electricity Board Limited intimated the willingness to avail the balance ₹230crore at 10.65% monthly rest as Kerala State Electricity Board Limited had no other option to raise funds from other sources with lesser interest rate. The only available sanction was Short Term Loan (1year) from M/s. Power Finance Corporation Limited carrying an interest rate of 11.75%. M/s. REC Limited has released the above amount on 25.07.2019.

The Chairman & Managing Director has ordered to place the matter before the Full Time Directors for ratification.

Having examined the matter in detail the Full Time Directors in the meeting held on 18.09.2019, resolved to ratify the decision of Chairman & Managing Director to avail the balance ₹230crore loan from M/s. REC Limited at 10.65% monthly rest for meeting the present obligations considering the present financial situation.

Orders are issued accordingly.

By Order of the Full Time Directors

Sd/-

Lekha G.

COMPANY SECRETARY (IN-CHARGE)

To

The Financial Adviser, Kerala State Electricity Board Limited.

Copy to:-

The Chief Internal Auditor.

The TA to Chairman & Managing Director/Director (Distribution, IT & HRM)/

Director (Transmission, System Operation & Safety)/Director (Generation (Electrical) and SCM)/Director (Generation (Civil)).

The PA to Director (Finance)/Secretary (Administration).

The Chief Vigilance Officer/The Legal Adviser & Disciplinary Enquiry Officer.

The Deputy Chief Engineer (IT)/The Company Secretary-in-charge.

The Faircopy Superintendent, O/o. the Secretary (Administration) by E-mail through EDP Section/Stock File.

Forwarded / By Order


SENIOR FINANCE OFFICER