



## KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Companies Act, 1956)

Reg. Office: Vidyuthi Bhavanam, Pattom, Thiruvananthapuram – 695 004, Kerala

CIN :U40100KL2011SGC027424

website: [www.kseb.in](http://www.kseb.in)

Phone: +91 471.2514437, 2514371, 2514612 Fax: 0471 2514262

E-mail: [sorkseb@kseb.in](mailto:sorkseb@kseb.in)

### Abstract

Acceptance of 'Letter of Mandate' issued by Reserve Bank of India in lieu of the Bank Guarantee from Southern Railway against Security Deposit by deleting Clause No.3 of the 'Letter of Mandate' – Sanctioned – Orders issued.

### CORPORATE OFFICE (SPECIAL OFFICER (REVENUE))

B.O.(FTD) No.226/2020 (SOR/RG.II/SD-Bank Guarantee/Railway/2019-20)

Dated, Thiruvananthapuram, 20.03.2020.

Read:- (1) Letter No.BD(T) No.351/11.1.003/2019-20 dated 09.08.2019 from Reserve Bank of India.  
(2) Letter No.E/46/ET/1/KSEB dated 19.12.2019 from Southern Railway.  
(3) Note No.SOR/RG.II/SD-Bank Guarantee/Railway/2019-20/461 dated 29.02.2020 of Special Officer (Revenue) submitted to the Full Time Directors (Agenda No.29/03/20).

### ORDER

M/s. Southern Railway is consumer being several HT/EHT connection in the office of the Special Officer (Revenue). As per Kerala Electricity Supply Code 2014, it is mandatory that HT/EHT consumers should have Security Deposit equivalent to at least twice their average monthly bill amount. As per Regulation 70 of the Supply Code there is an option for HT/EHT consumers to place upto 50% of their security deposit in the form of Bank Guarantee from any nationalized/scheduled commercial bank instead of cash.

For meeting the purpose of Bank Guarantee, the Railway usually submitted "Letter of Assurance" issued by the Reserve Bank of India and the same was accepted by KSEBL. Now all the 'Letter of Assurances' submitted by M/s. Southern Railway instead of Bank Guarantee were expired on 30.06.2018. Two months before the expiry date of the 'Letter of Assurance' already submitted, the Railway was intimated to furnish new/revalidate the expiring 'Letter of Assurance'. But Railway informed that now the Reserve Bank of India is not issuing the 'Letter of Assurance' and also requested to accept 'Letter of Mandate' forwarded by Reserve Bank of India in the place of Letter of Assurance/Bank Guarantee, stating that it will fulfill KSEBL's requirements. They also requested not to insist Bank Guarantees from Commercial Banks. On going through the conditions mentioned in the 'Draft

Letter of Mandate' forwarded by Railways, it is seen that the 'Letter of Mandate' can be revoked by Railway at any time by issuing a notice in writing to Reserve Bank of India even without informing the State Distribution Utilities. On comparing the 'Letter of Assurance' earlier being issued by the Reserve Bank of India with the 'Letter of Mandate', it is seen that 'Letter of Assurance' issued by RBI was as good as Bank Guarantee assuring payments by RBI till the expiry of tenure of the 'Letter of Assurance' and there was no clause for revoking the assurance of the remittance before the validity of letter of assurance. But in the case of Clause No.3 of 'Letter of Mandate' Railway will have the option to revoke it at any time by issuing a notice to Reserve Bank of India. Hence, there is an inherent risk of revoking the 'Letter of Mandate' by Railway and hence it could not be treated at par with the Bank Guarantee.

Clause No.3 of 'Letter of Mandate' - *"or until we shall have expressly revoked it by notice in writing delivered to you and you have acknowledge receipt of such notice whichever is earlier"*,

If the Railway is willing to make amendment to the Clause No.3 of the "Letter of Mandate' by deleting the condition, then the amended Letter of Mandate can be accepted in the place of Bank Guarantee as it eliminate the risk of revocation of the Letter of Mandate by the Railways without informing State Distribution utilities.

Railway had forwarded a copy of Office Memorandum No.23/22/2019-R&R issued by the Ministry of Power, Government of India dated 6<sup>th</sup> August 2019 conveying the approval of the competent authority that for the purpose of scheduling as per Ministry of Power's order dated 28.06.2019, the 'Letter of Mandate' issued by Reserve Bank of India, can be considered as payment security mechanism.

Railway as per letter read 3<sup>rd</sup> above now requested to consider the following points.

- i) As Ministry of Power has communicated its acceptability of 'Letter of Mandate' as a payment security mechanism, it shall be applicable to all the state electricity boards that includes KSEBL, hence separate assurance directly to KSEBL is not warranted and the 'Letter of Assurance' issued earlier was also not directly addressed to KSEBL.
- ii) In the 'Letter of Mandate' format it is clear that Railway has authorized Reserve Bank of India to unconditionally debit its account for any claim

insist for any documents from SEB and hence there shall be no difficulty in encashment.

- iii) Southern Railway is availing Traction Power Supply in the State of Tamil Nadu, Kerala and Andhra and except Kerala no SEB is having the provision for payment of 50% of Security Deposit in the form of Bank Guarantee.

M/s. Southern Railway have assured to provide additional details and any clarification on 'Letter of Mandate' issued by RBI if further required by KSEBL.

The matter was placed before Full Time Directors as per note read 3<sup>rd</sup> above.

The Full Time Directors, in the meeting held on 03.03.2020 resolved to accord sanction for the following –

- 1) To suggest Railway to make amendment to the Clause No.(3) of the 'Letter of Mandate' by deleting the condition "or until we shall have expressly revoked it by notice in writing deliver to you and you have acknowledge the receipt of such notices whichever is earlier".
- 2) To accept the 'Letter of Mandate', if the Letter of Mandate is amended as suggested above.

Orders are issued accordingly.

By Order of the Full Time Directors  
Sd/-  
LEKHA. G  
COMPANY SECRETARY (IN-CHARGE)


To

The Chief Electrical Distribution Engineer,  
Headquarters Officer, Southern Railway, Electrical Branch, Chennai.

Copy to:-

1. The Financial Adviser/The Chief Internal Auditor.
2. The Chief Engineer (IT).
3. The TA to Chairman & Managing Director/Director (Distn., IT&HRM/ Director (Trans. System Operation, Corporate Planning, Safety & REES)/ Director (Generation Civil)/Director (Generation-(Electrical) &SCM).
4. The PA to Director (Finance)/Senior CA to Secretary (Administration).
5. The Company Secretary-in charge.
6. The Special Officer (Revenue), KSEBL.
7. Library/Stock file.

Forwarded / By Order

  
Senior Superintendent