

Proceedings of the Government of Karnataka

Sub: Securitisation of Gram Panchayat Electricity dues outstanding as on 31.03.2015 and settlement of power purchase dues of Karnataka Power Corporation Ltd., (KPCL) on behalf of Electricity Supply Companies (ESCOs) through adjustment of borrowings under securitisation scheme – Reg.

- Read: 1) FD concept Note No: FD 1304 Exp-1/2014 dtd: 16.01.2016
2) PCKL Note No: PCKL/A12/24/2015-16 dtd: 19.11.2016
3) Cabinet Note No: EN 3 PSR 2016/P3 approved on 10.01.2017

Preamble:

- 1) The Rural Local Bodies in Karnataka have not been making full payment of Electricity charges of Gram Panchayaths since a very long time and arrears are accumulating over the years. The electricity charges outstanding as at the end of March-2015 was Rs. 3766.81 Crs. The Electricity Supply Companies (ESCOs) in the State have not been able to make payment of power purchase cost of Karnataka Power Corporation Ltd., (KPCL) as the ESCOs have to receive large amount from various category of consumer including Gram Panchayaths. The ESCOs have been managing their finances over the years through shortterm borrowings towards its requirement for working capital.
- 2) The outstanding dues of electricity charges from Gram Panchayaths as at the end of March-2015 was Rs. 3766.81crs and the payable by ESCOs to KPCL is also increasing, the Govt has decided to clear the KPCL power purchase dues in the books of accounts of ESCOs to the extent of receivable from Gram Panchayaths through securitisation of the GP receivables. The receivables from the GPs by ESCOs as at the end of March-2015 is as follows:

Rs in Crs	
ESCO	GP Dues as on 31.03.2015 (Reconciled)
BESCOM	1797.39
MESCOM	219.59
HESCOM	485.04
GESCOM	748.48
CESC	516.31
TOTAL	3,766.81

- 3) The power purchase cost (PPC) of KPCL payable by ESCOs outstanding as at the end of November-2016 was Rs. 15252.53 crs.

short term borrowings for day to day management, the cost of borrowing is adding to the cost of power as well as cost of supply. In view of the same, Finance Dept has proposed to clear not only the principal amount receivable from GPs but also the interest thereon outstanding as on 31.03.2015.

- 5) The ESCOMs are finding it difficult to finance the working capital requirement as the outstanding short term borrowings are also mounting up. the ESCOMs are requesting the State Govt to liquidate receivables from Gram Panchayaths. The KPCL is also requesting the Govt to arrange for clearing the outstanding power purchase dues from ESCOMs.
- 6) The Power Company of Karnataka Limited (PCKL) will be the Nodal Agency for securitisation of Gram Panchayath receivables and it is proposed to authorise PCKL to act as Nodal Agency.
- 7) PCKL has reported that as per the revised letter to the Banks & financial Institutions, six banks have sent their letter of intent to participate in the securitisation to the extent of Rs 2800.00 Crs at the rate of interest ranging from 8.50% to 9.00%. The State Bank of India has offered to lend Rs 1800.00 Crs at the rate of interest of Rs 8.35%.
- 8) The Govt has decided to securitise the receivables from Gram Panchayaths outstanding as on 31.03.2015 of Rs 3766.81 Crs through borrowings from the financial institutions/ Banks on behalf of RDPR department and pay the outstanding Power Purchase Cost of KPCL on behalf of ESCOMs to the extent of securitisation. The Govt has agreed to provide necessary Govt guarantee for securitisation of Gram Panchayaths receivables and has also agreed to provide necessary budgetary support periodically over the years through the concerned Department towards debt servicing.
- 9) The cabinet has stated that future demand for electricity charges of Gram Panchayaths should invariably be paid regularly without allowing for accumulation of any arrears subsequent to the cut-off date of 31.03.2015. Hence, this order.

Government Order No: EN 3 PSR 2016/P3, Dated: 31.03.2017

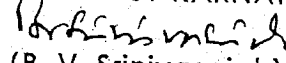
1. Govt is pleased to accord approval for securitisation of Gram Panchayath dues (including interest) of Rs 3766.81 crores outstanding as at the end of March 2015 as approved by the State Cabinet on 10.01.2017 and approval is also accorded for the following:

- i) For raising loan from Banks or any other Financial Institutions to an extent of Rs 3766.81 Crs and at the rate at the best possible rate considering that this loan will be virtually works out to be riskless.
- ii) For appointing the Power Company of Karnataka Limited as nodal agency for implementing the securitization of Gram Panchayat dues, for entering into agreement for borrowings and documentations, releasing of the borrowed fund to KPCL on behalf of ESCOMs as per the approval of the Govt, for arranging periodical repayment of loans raised under this securitisation based on the revenue from sale of power to Gram Panchayats and its related installations, including the arrears of these installation for the period prior to 31st March 2015 and also for maintaining the accounts relating to securitization, debt servicing etc.
- iii) For authorizing Power Company of Karnataka Limited to borrow additional sum from any other Financial Institutions / Banks if the intended banks does not lend to the extent of fund offered within the approved terms and conditions.
- iv) For utilization of the borrowings under this scheme towards payment of Power Purchase dues of KPCL on behalf of ESCOMs to the extent of securitization amount, the breakup details of which is as in preamble para 2 above.
- v) For providing Govt Guarantee for Securitisation of Gram Panchayath dues to the extent of Rs 3766.81 Crs and the Under Secretary, Energy Department is authorized to sign the Government Guarantee and the ESCOMs to bear the Guarantee commission.
- vi) For providing necessary annual budgetary support for meeting the obligations of debt servicing.
- vii) For making payment of revenue from sale of power (Electricity charges) including the past arrears of Gram Panchayaths to ESCOMs and ESCOMs channelize this revenue to PCKL to the extent of amount required for periodical repayment of the principal and interest (Debt Servicing) amount of securitisation till the completion of debt servicing.
- viii) The RDPR Department to propose for the fund required for this purpose in the annual budget periodically over the years till the repayment of the loan including interest and facilitate channelising the revenue to PCKL through ESCOMs account for debt servicing.
- ix) For transfer of receivables from Gram Panchayath dues to ESCOMs to PCKL to enable to hypothecate the receivables towards borrowings.

31.03.2015.

- xi) It is also approved to adjust towards energy balancing dues through a separate order out of the payment made to KPCL through securitisation.
- xii) The KPCL to account the payment of Power Purchase Cost under securitisation towards principal amount only.
- xiii) The KPCL and ESCOMs to account the amount of securitisation suitably in their books of accounts so as to reduce the Power Purchase dues receivable from ESCOMs and the electricity dues receivable from RDPR department.
- xiv) For RDPR department to account the securitisation amount suitably in the books of accounts to reduce their payable to the ESCOMs towards electricity dues to the tune of Rs 3766.81 Crs outstanding as on 31.03.2015 and also clear the future electricity demand charges periodically on time making necessary funding arrangement in advance as approved by the Cabinet.
- xv) Approval is accorded for bearing all the incidental expenses of securitisation by the ESCOMs.

BY ORDER AND IN THE NAME OF
GOVERNOR OF KARNATAKA


(B. V. Srinivasaiah)

UNDER SECRETARY TO GOVERNMENT,
ENERGY DEPARTMENT

22034674

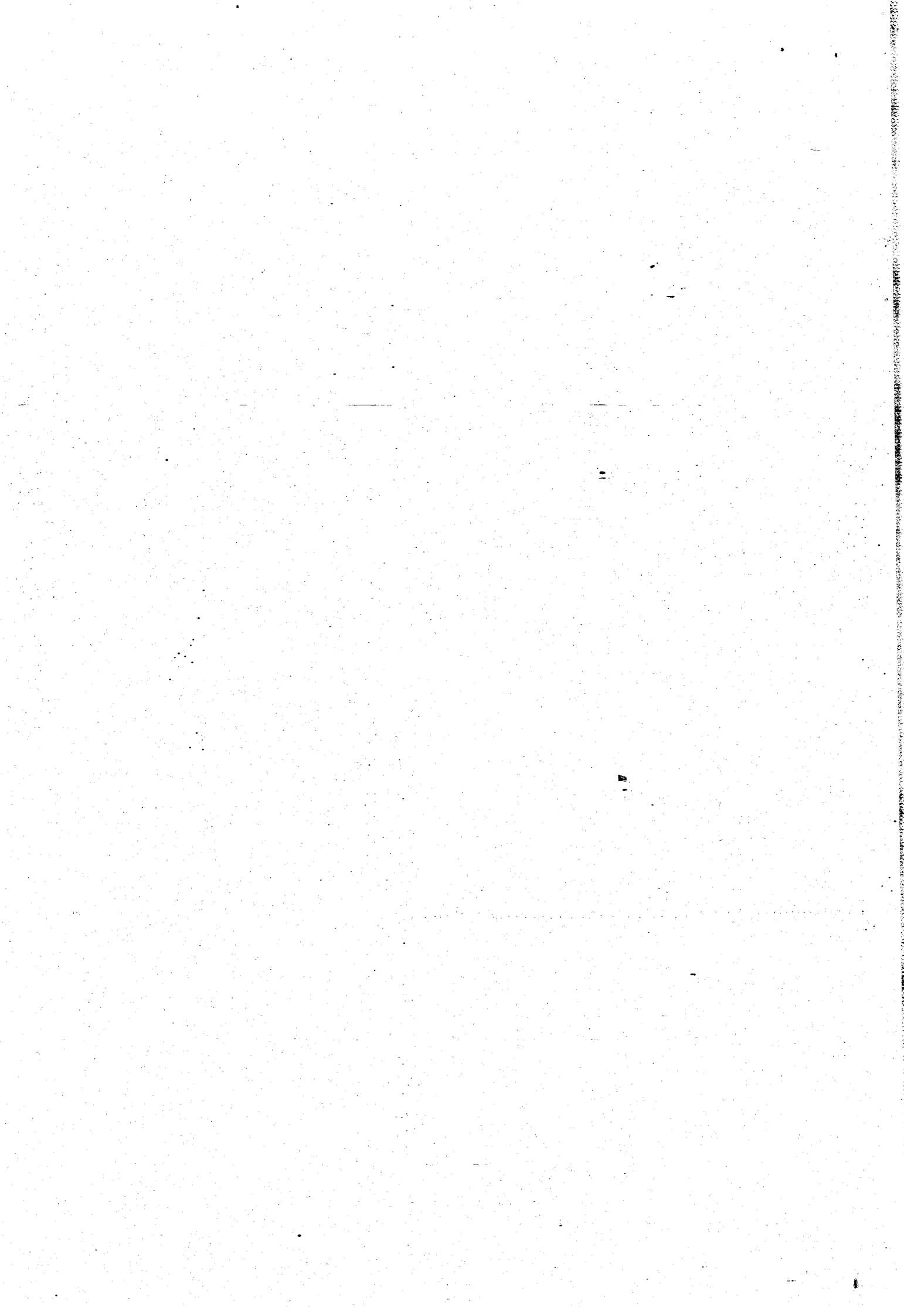
To:

1. The Compiler, for notification in the Karnataka Government Gazette.

Copy to:

1. The Accountant General (A&E) / (Audit-1 & Audit-2) in Karnataka, Bangalore-560 001.
2. The Additional Chief Secretary to Government, Finance Department, Vidhana Soudha, Bangalore.
3. The Principal Secretary to Government, Rural Development and Panchayath Raj Department, M S Building, Bangalore.
4. The Managing Director, Karnataka Power Transmission Corporation Limited, Corporate Office, Kaveri Bhavan, Bangalore.
5. The Managing Director, Karnataka Power Corporation Limited, No. 82, Shakti Bhavan, Race Course Road, Bangalore.
6. The Managing Director, BESCOM/MESCOM/HESCOM/GESCOM/ CESC.
7. The Managing Director, PCKL, Kaveri Bhavan, Bangalore.
8. The Secretary (B&R), Finance Dept, Vidhana Soudha, Bangalore.

9. The Deputy Secretary (B&R), Finance Dept, Vidhana Soudha, Bangalore.
10. The Director, Treasury Network, Management Center, Khanija Bhavan, Bangalore.
11. The Joint Director, State Huzur Treasury, Nrupathunga Road, Bangalore.
12. The Secretary, Karnataka Electricity Regulatory Commission, M.G. Road, Bangalore.
13. Senior P.S. to Additional Chief Secretary to Govt., Energy Dept.
14. P.A. to Deputy Secretary to Govt., Energy Dept.
15. P.A. to Under Secretary to Govt., Energy Dept.
16. The Section Officer (R & I) Section, Energy Dept., Bangalore.
17. Section Guard file / Office copy / Spare copies.



GOVERNMENT OF KARNATAKA

No. EN 3 PSR 2016/P3

Encl:

Karnataka Government
2nd floor, Energy Dept,
Vikasa Soudha, Bangalore,
Dated: 19.05.2017

From,

The Additional Chief Secretary,
Government of Karnataka,
Energy Department,
Bangalore-560 001.

To

The Managing Director,
BESCOM, MESCOM, HESCOM,
GESCOM & CESC

Managing Director,
Power Company of Karnataka Ltd,
KPTCL Building, Kaveri Bhavan,
Bangalore

Sir,

Sub: Transfer of receivables from Gram Panchayaths to ESCOMs to PCKL to enable PCKL to hypothecate the receivables towards raising Loan from banks and financial institutions – reg.

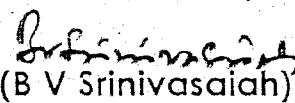
Ref: G O No EN 3 PSR 2016/P3 dated 31.03.2017.

The Govt. Order was issued vide G O No EN 3 PSR 2016/P3 dated 31.03.2017 for securitisation of receivables from Gram Panchayaths of Rs 3766.81 Crs outstanding as on 31.03.2015, as approved in the State Cabinet held on 10th Jan 2017. As in para 1(ix) of the Order portion of the Govt Order cited above, approval was accorded for transfer of receivables from Gram Panchayaths from ESCOMs to PCKL to enable PCKL to hypothecate the receivables towards raising Loan from banks and financial institutions.

ESCOMs wise receivable from Gram Panchayaths as on 31st March 2015 is as follows:

ESCOMs	Amount: Rupees in Crores
BESCOM	1797.39
MESCOM	219.59
HESCOM	485.04
GESCOM	748.48
CESC	516.31
Total	3766.81

In this regard, I am directed to request the ESCOMs to transfer the receivables from Gram Panchayaths of Rs 3766.81 Crs outstanding as at the end of Mar 2015 passing suitable accounting entries in the books of accounts of ESCOMs and PCKL for the same.

Yours faithfully,

(B V Srinivasiah)
Under Secretary
Energy Department

Sample Accounting Entries

Action to be taken by ESCOM	Action to be taken by PCKL
Receivable from GOK/PCKL Dr To Receivable from GPS (To transfer "Receivable from GPS" to PCKL by ESCOMs)	Receivable from GPS Dr To Payable to ESCOMs (To account the transfer from ESCOMs)
Cash A/c Dr To Receivable from GOK/PCKL (on receipt of cash from PCKL)	Bank A/c Dr To Loan A/c (On raising loan from Bank)
KPCL Account Dr To Receivable from PCKL Account. Adjustment entry for payment of proceeds of securitisation towards PCKL PPC on behalf of ESCOMs)	Bank/Cash Account Dr To KPCL Account (payment of proceeds of securitisation towards KPCL PPC on behalf of ESCOMs)
	Payable to ESCOMs Dr To Bank A/c (On Payment of cash to ESCOMs)
	Bank A/c Dr To Receivable from GPS (On receipt from loan instalment from GOK towards debt servicing)
	Loan A/c Dr To Bank (On repayment of loan Amount)

