



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

Issue of further Bonds to Master Trust- Sanctioned – Orders issued.

CORPORATE OFFICE (FINANCE WING)

B.O.(DB)No.45/2021/Master Trust/Bond/2020-21

Thiruvananthapuram, Dated:19.01.2021

- Read: -
- (1) G.O. (MS) No. 37/2008/PD dated 25/09/2008.
 - (2) G.O. (P) No. 46/2013/PD dated 31st October 2013
 - (3) Tripartite Agreement dated 01/08/2014
 - (4) G.O. (P) No. 3/2015/PD dated 28th January 2015.
 - (5) Letter No. Master Trust/Bond issue/clarification/2019-20 dated 11.03.2020 of the Financial Adviser.
 - (6) Letter No. F.182/41/20-21 dated 21/05/ 2020 of M/s Varma and Varma, Chartered Accountants.
 - (7) Note No. Master Trust /Bond/2020-21 dated 10.12.2020 of the Chairman & Managing Director to Board of Directors.
 - (8) Proceedings of the 56th meeting of Board of Directors held on 01/01/2021 vide Agenda Item no.16-12/2020

ORDER

As per clause 6(9)(e) of the G.O (P) No. 46/2013/PD dated 31st October 2013, KSEB Ltd. has to pay the annual pension contribution based on actuarial valuation to the Master Trust in respect of the personnel transferred to KSEB Ltd.

The first actuarial valuation was conducted as on 31.10.2013 as part of the revesting process. The net present value of unfunded terminal liability was ₹12,419 crores which was borne by the State Government and KSEBL in the ratio 35.4:64.6 respectively. The pattern of funding of terminal liabilities was also notified by the Government.

The Master Trust came into existence on 01.01.2016 and thereafter the actuarial valuation is being carried out for every financial year from 2016-17 onwards.

Though KSEB Ltd has to pay the annual pension contribution based on actuarial valuation to the Trust as per the clause 6 (9) (e) of the G.O (P) No. 46/2013/PD dated 31st October 2013, KSEB

Ltd was unable to pay same due to the financial crunch in the company. Hence KSEB Ltd have requested the Government of Kerala for providing financial contribution of the increased actuarial valuation in the same ratio (35.4:64.6) in which the terminal liability was borne by the State Government and KSEBL during re-vesting of KSEB to KSEB Ltd in accordance with the following clauses in Tripartite Agreement entered amongst Government of Kerala, KSEB Ltd and KSEB Employees' Unions and Associations on 01/08/2014.

Clause 2(e) the State Government and KSEB Ltd shall take all steps to assure the payment of pension including dearness relief and other terminal benefits of the existing employees and pensioners as on the date of re-vesting, in the same pattern as on today including periodical revisions as applicable.

Clause 2(l) if for any reason the Master Trust is not able to meet its obligations relating to payment of pensionary benefits from its fund fully or partially, the State Government and the KSEB Ltd shall make good such shortages to ensure the payment of terminal benefits without any defaults.

KSEB Ltd is paying only the net funds required by Master Trust to make payment to pensioners.

The company requested M/s Varma and Varma Chartered Accountants, Trivandrum as per vide letter read as (5) above to give detailed clarification regarding the legal and tax implication on the further issue of Bonds by KSEB Ltd worth ₹4,985.74 Crore (i.e. ₹7,717.87Cr * 64.6/100) the KSEB Ltd share on the increased portion as on 31/3/2020 without approval of Government of Kerala, and subsequent issue of bonds worth ₹2,732.13 Crore (i.e. ₹7,717.87Cr*35.4/100) (Government of Kerala Portion) after getting the approval from Government of Kerala.

In reply the tax consultants as per letter read as (6) has advised us to take up the matter to the Secretary (Power) and Commissioner of Income Tax.

Considering the above, the following suggestions are placed before the Director Board vide note read as (7) above.

- a) KSEB Ltd is legally bound to provide necessary funds to Master Trust, KSEB Ltd may issue bonds worth ₹4,985.74 Crore being the share of KSEB Ltd on the increased portion of actuarial valuation as on 31.03.2020 without waiting for the approval of Government of Kerala.
- b) In view of the advice of the tax Consultants that if the Master Trust don't invest its excess income in Financial institutions it may lead to cancellation of Income Tax recognition, necessary approval from Government of Kerala, Board of Directors and Board of Trustee is required to

amend the interest clause specified in the bond to reduce the interest rate to a reasonable level so that KSEB Ltd may be able to meet the obligation.

- c) Bonds worth ₹2,732.13Crore being the portion of Government of Kerala in the increased value of actuarial value may be issued after receiving consent from Government of Kerala.

The matter was placed before the Board meeting held on 01.01.2021. The Chairman & Managing Director explained the need for the issue of additional Bonds to the tune of ₹7,717.87Crore to the Master Trust to meet the terminal liabilities of the Company determined as per the actuarial valuation as on 31.03.2020. The unfunded terminal liability has to be borne by the Government of Kerala and KSEBL in the ratio of 35.4: 64.6 respectively as per the tripartite agreement executed at the time of corporatisation of Kerala State Electricity Board. The Chairman & Managing Director also opined that consequent to the issue of the additional Bond to the above extent, the existing borrowing limit of ₹30,000Crore would be insufficient and there would be a need for amendment of Articles of Association of the Company. The Secretary (Power) opined that considering the huge financial impact of the issue of the bonds it would be appropriate to seek the concurrence of the Government before proceeding further in this regard. After discussion the Board

RESOLVED TO initiate action for the subsequent issue of bonds worth ₹7,717.87Crore (₹4,985.74Crore (ie; ₹7,717.87Cr* 64.6/100) – being KSEB Ltd share of the increased value of Actuarial valuation as on 31.03.2020 + ₹2732.13Crore (ie; ₹7717.87Cr* 35.4/100) - being the Government of Kerala share of the increased value) after getting the approval from the Government of Kerala, including Government Sanction for amendment to the Articles of Association for enhancing the borrowing limit of the company.

RESOLVED FURTHER TO invite Expression of interest for appointment of consultant for designing the structure of the bonds as well as the funding pattern for increased actuarial liabilities.

Orders are issued accordingly.

By Order of the Director Board

Sd/-

Lekha. G

Company Secretary (in-charge)

To

The Financial Adviser, K.S.E. Board Ltd.

Copy to:

The Chief Internal Auditor.
The TA to Chairman & Managing Director / Director (Distribution, IT & HRM) /
Director (Transmission, System Operation & REES) / Director (Generation (Electrical
and SCM) / Director (Generation-Civil),
Full Additional Charge of Sports Wing, KSEB Ltd.
Director (Planning & Safety), Full Additional Charge of SOURA/
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



Divisional Accounts Officer