



KERALA STATE ELECTRICITY BOARD Ltd

(Incorporated under the Companies Act, 1956)

Registered Office: Vidyuthi Bhavanam, Pattom,

Thiruvananthapuram – 695 004

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ABSTRACT

Renewal and Enhancement of Credit limits from M/s Canara Bank - Sanctioned - Orders issued.

CORPORATE OFFICE-(FINANCE)

BO (FTD)No.411/2023(Fin 2(B)/Canara Thiruvananthapuram,Dated: 23.08.2023
Bank/OD/WCDL/TL/2023-24)

- Read: 1. B.O. (FTD) No.752/2022(Fin 2(B)/Canara Bank/OD/WCDL/2022-23) dated 02.09.2022.
2. Letter No. Fin 2(B)/Canara Bank/OD/WCDL/2021-22(13) dated 23.06.2023 & 26.06.2023.
3. Sanction Memo LCB-TVM/KSEB/147/PR/2023-24 dated 24.07.2023 of Assistant General Manager, Canara Bank, Specialised Large Corporate Branch, Thiruvananthapuram.
4. Letter No.Fin.2(B)/Canara Bank/OD/WCDL/2022-23 (50) dated 29.07.2023
5. Letter No.LCB-TVM/KSEB/165/PR/2023-24 dated 04.08.2023 of Assistant General Manager, Canara Bank.
6. Letter No.LCB-TVM/KSEB/RA/166/2023-24 dated 05.08.2023 of Assistant General Manager, Canara Bank.
7. Minutes of the meeting held on 16.08.2023 by the Director (Finance) with General Manager, Canara Bank.
8. Email dated 17.08.2023 from Canara Bank.
9. Note No.Fin.2(B)/Canara Bank/OD/WCDL/TL/2023-24 dated 07.08.2023 of Financial Adviser (Agenda No.26/08/23).

ORDER

Kerala State Electricity Board Limited had availed an Overdraft facility of Rs.850 Crore offered by M/s. Canara Bank for a period of one year at one year MCLR of Canara Bank i.e. 7.50% + 0.90%, the effective rate being 8.40% per annum and the WCDL sublimit of Rs.850 Crore at one month MCLR (presently 8%) per annum as per B.O. read as 1st above. The validity of the facilities expired on 02.08.2023.

M/s. Canara Bank, as per letter read as 2nd above was requested to enhance and renew the credit facility for a further period of one year.

M/s. Canara Bank, as per sanction letter read as 3rd above has permitted the renewal of working capital limits (Fund Based Clean) of Rs.850 Crore with WCDL sublimit of Rs.850 Crore and RILC/BG (Non fund based) sublimit of Rs.250 Crore within the

sanctioned limit of Rs.850 Crore only) for a further period of 1 year tenable till 23.07.2024 and a Fresh Term Loan of Rs.750 Crore. Rate of interest for OD at one year MCLR i.e., 8.65% p.a + 0.90% p.a, effective rate being 9.55% and WCDL at tenor based MCLR +0.15% and Term Loan at one year MCLR + 0.60% per annum, effective rate being 9.25%(8.65%+.60%)

The terms and conditions are detailed in the sanction letter are as follows.

Nature of limit	Existing	Permitted
Fund Based: (excluding TLs /STLs):		
a) Regular: (ODBD/WCDL)		
Clean OD	850.00	----
ODBD	---	850.00
Sub Limit: WCDL	(850.00)	(850.00)
b) Adhoc:	-	-
Total Fund Based Limit	850.00	850.00
Non Fund Based:		
a) Regular		
Sub limit - RILC/SBLC/BG	(250.00)	(250.00)
b) Adhoc:		
Total Non-Fund Based Limit	(250.00)	(250.00)
TOTAL FB + NFB	850.00	850.00

Margin : Facility wise

Fund Based: (OD/WCDL) : NIL

Non-Fund Based: (RILC/SBLC/BG)Cash Margin : 25.00%

Rate of Interest: CC/WCDL (Facility wise)

CC : One Year MCLR (July'23) 8.65% + 0.90% i.e. 9.55% p.a.

WCDL : Tenor Based MCLR+0.15%

Commission on RILC/SBLC/BG : 15.00% of Applicable Charges as per the sanction letter read as 3rd above

Processing charges/Documentation charges for working Capital : Rs 10.00 Lakhs + GST

Commitment charges: 1% p.a. on the entire unutilized portion on a quarterly basis (If the average utilization during the quarter is less than 50 %)

Security for Working Capital Limits:

Primary:

First charge on unencumbered receivables of the company, both present and future, on pari-passu basis with UBI and SBI with a minimum asset cover of 100% of the amounts outstanding in the account, to be maintained at all times. As RILC/SBLC/BG limit is also sub limit, the security available to ODBD limit will be available to NFB Limit as well.

Collateral: Nil.

Other Comforts: Pari-Passu 1st Charge on Escrow account maintained with Canara Bank.

Sanction terms permitted:

1. Receivables Statement to be submitted by the company in the company's format on quarterly basis.

2. Purpose of LC

LC/SBLC to be opened as "Payment Security Mechanism" under power purchase agreements with distribution licenses from Power Generators such as NTPC, NLC and others etc,

3. Type of LC

- a. Revolving
- b. Secured
- c. Standby

4. Period of LC

- a) ILC : 1 Year (Revolving weekly/ monthly)
- b) FLC : NIL

5. Period of Bank Guarantee : 3 years including claim period of 6 months

6. Purpose of Bank Guarantee :

- a) Issuing in favour of other state/ Private distribution utilities for participating in e-bidding
- b) For issuing in favour of GENCOMS for meeting power purchase requirements.

7. Period of BG Trade Credit / Standby LC/LC :

1 Year (Thereafter renewal as per the requirements of the company, as a payment security mechanism for procurement of power from Power Generation Companies.)

Conditions for MCLR:

I MCLR prevailing on the date of renewal will be unchanged till next due date not withstanding any changes in interim.

I Bank reserves the right to revise the rate of interest in case external/internal rating of the company is downgraded and/or RBI revises the provisioning norms for standard assets.

I FOR WCDL: MCLR prevailing on the date of each disbursement will prevail.

Conditions for WCDL:

I Liability under CC/WCDL put together should be within the sanctioned limit i.e: Rs 850.00 Crore including the apportioned limits.

I Period of WCDL: To be availed for a minimum period of 30 days and maximum period of 365 days with re-instate option, after clearance of previous tranche.

I The final repayment date/ due date for WCDL to coincide with the tenability of regular WC limits.

Permitted Fresh Secured Term Loan of Rs.750.00 Crore for ongoing General CAPEX and reimbursement of CAPEX incurred by the company during last six months as under:

Nature of Facility	Secured Term Loan
Amount	Rs.750 Crores (Rupees Seven Hundred Fifty Crore Only)
Purpose	For ongoing general CAPEX (Distribution and other CAPEX) and reimbursement of CAPEX incurred by the company during last six months
Security	<p>Prime:</p> <p>Exclusive 1st charge by way of hypothecation of specific unencumbered Fixed Assets of the Company with Asset coverage of 1.25 times of the loan amount. (The list of assets proposed for hypothecation shall be certified by CA)</p> <p>Collateral: Nil</p> <p>Personal Guarantee: Nil (Waived)</p> <p>Corporate guarantee: Nil</p>
Margin	20% with FACR of 1.25
Tenor	The door to door tenor of the loan is proposed at 10 years
Moratorium	Six months from the date of first disbursement
Repayment	<p>Principal amount to be repaid in 114 structured monthly installments (113 monthly instalments of Rs.6.58 Crore and last instalment of Rs.6.46 crs) after a moratorium period of 6 months from the date of first disbursement.</p> <p>Interest to be paid as and when due at monthly rests.</p>
	As per the requirement of the company. The entire credit facility is proposed to be disbursed in one or more tranches maximum upto 5

Disbursement	tranches (min tranches of Rs.100 Crs). Reimbursement under Term loan may be permitted upto 25% of the term loan or the quantum of the investment whichever is lower as per extant guidelines.
Availability Period	Six months from the date of sanction
Reset Terms	Annual Reset both MCLR and spread. Conditions: I MCLR as well as Spread shall be subject to reset at annual intervals from the date of first disbursement. I MCLR on the date of first disbursement prevails. I MCLR to remain constant till next reset date notwithstanding changes in interim. I Further the Bank shall have a right to reset the Interest Rate/Spread for the Facility upon occurrence of any of the following events: I RBI revises the standard provision on assets and/or; I RBI enhances the risk weight for assets and/or; I If the credit rating (by external rating agency of repute) of the borrower downgraded below the investment grade
Rate of Interest	1 Year MCLR (July'23) 8.65% + 0.60% i.e. 9.25% p.a.
Upfront fee/Documentation Charges	Rs.25.00 Lakh + GST
Prepayment penalty	2% of the prepaid amount (loans prepaid from own sources will not attract prepayment/ pre closure charges)

Specific Terms and Conditions

1. A copy of the resolution passed by the Board of Directors of the Company as per the provisions of the Companies Act, 2013.
 - a . Accepting the terms and conditions of the sanction.
 - b . Authorizing official/Director for execution of

documents and to acknowledge the debts from time to time.

c. Affixing common seal.

d. For creating charge on the assets of the Company in terms of the Sanction shall be submitted by the company.

2. The Company shall submit list of specific unencumbered Fixed Assets of the Company with Asset coverage of 1.25 times of the loan amount offered to the bank duly signed by the Chartered Accountant.

3. The facility initially may be disbursed based on the request made by Financial Advisor or authorized official of the company and after full disbursement of the facility, CA certificate to be obtained in support of end utilization of funds released. (CA certificate should be obtained by 31.03.2024)

4. The company to submit NOC for ceding pari passu charge on the Receivables of the company in favor of Canara Bank from the existing lenders SBI and UBI for the working capital facility within 3 months from the date of present sanction and complete security perfection, failing which additional interest at 2% shall be charged.

5. Company to submit an Undertaking stating that loan will be utilized for sanctioned purpose only.

6. Company to obtain ECAI rating for entire outstanding loans (including our Term Loan Sanction of Rs.750 Crore) duly disclosing our banks name with exposure within a period of 3 months.

7. Insurance cover for the assets hypothecated to the Bank as security for the Term Loan limit of Rs.750crores to be arranged.

8. Company to provide proportionate ancillary business/spin off benefits to Canara Bank within 6 months from the date of sanction of facility or else additional rate of interest of 0.25% shall be levied on the outstanding loans.

Since Kerala State Electricity Board Limited is in need of funds for working capital requirement, and the rate of interest offered is reasonable, it was recommended to renew the limits of Overdraft facility of Rs.850Crore at 1 year MCLR + 0.90% and the WCDL sub limit of Rs.850 Crore at 1 month MCLR +0.15% and for availing Fresh Term Loan of Rs.750 Crore for meeting ongoing general CAPEX and reimbursement of CAPEX incurred by KSEBL in the last six months as per the terms and conditions mentioned above.

For meeting the power purchase payments, Canara Bank has offered the renewal

of the existing RILC facility of Rs.250 Crore offered by M/s Canara Bank as a sub limit of Overdraft facility of Rs.850 Crore for a further period of 1 year and as per the terms and conditions mentioned above.

KSEBL on July 29th, 2023 expressed desire to negotiate a reduction in interest rates, margins, and the exclusion of processing charges for KSEBL. However, Canara Bank in their response dated August 5, 2023, communicated that they have approved the credit facilities at exceptionally competitive rates. Furthermore, they emphasized that the processing charges established by the Bank are exceedingly nominal in relation to the magnitude of exposure undertaken by our company.

Following the instructions of the Chairman and Managing Director, Director (Finance) organized a meeting with the General Manager of Canara Bank on August 16, 2023, aimed at further negotiations. During the meeting, General Manager, Canara Bank conveyed that the approved credit facility rate is already at its lowest, leaving no room for further reduction at this time. The General Manager also informed that due to the recent revision in the Marginal Cost of Funds Based Lending Rate (MCLR) on August 12, 2023, the current effective rate for Rs.750 Crore Term Loan would be 9.30% and there would be corresponding changes for working capital loan also.

The Financial Adviser opined that, as there is no scope for further reduction in interest rate, considering the present financial scenario, the credit facilities sanctioned by Canara Bank as per sanction memo LCB-TVM/KSEB/147/PR/2023-24 dated 24.07.2023 of Assistant General Manager, Canara Bank may be availed. These facilities will be essential to facilitate disbursements that must be completed prior to the upcoming Onam holidays.

Having considered the matter in detail, the Full Time Directors in its Circular Notes dated 18.08.2023 and 19.08.2023 have resolved to accord sanction for the following:

1. Resolved to avail the renewed overdraft facility of Rs.850 Crore offered by M/s. Canara Bank for a further period of one year (tenable till 23.07.2024) at one year MCLR of Canara Bank i.e. 8.70% + 0.90%, the present effective rate being 9.60%, as per the terms and conditions as per their sanction memo read as 3rd above.
2. Further resolved to avail the WCDL of Rs.850Crore as a sub limit of the ODBD Rs.850Crore at Tenor Based MCLR+0.15%.
3. Further resolved to avail the RILC/SBLC/BG facility of Rs.250 Crore within the limit of Overdraft of Rs.850 Crore for a period of one year (tenable till 23.07.2024) on the terms and conditions mentioned in the sanction letter .
4. Further resolved to avail the fresh term loan of Rs.750 Crore offered by M/s. Canara Bank for a tenor of ten years with six months moratorium at one year MCLR of Canara Bank i.e. 8.70% + 0.60%, the present effective rate being 9.30% and as per the terms and conditions in their sanction

memo read as 3rd above.

5. Further resolved to provide exclusive first charge by way of hypothecation of specific unencumbered fixed assets of the company with asset coverage of 1.25 times of the loan amount and execute hypothecation agreement in this regard.
6. Further resolved to authorise the Company Secretary for filing /modifying the charge with Registrar of Companies.
7. Further resolved to authorise the Senior Finance Officer to sign and execute the necessary documents on behalf of Kerala State Electricity Board Limited in this regard with M/s. Canara Bank, Specialised Large Corporate Branch, Thiruvananthapuram.
8. Further resolved to affix the common seal of the company in the required documents, in the presence of the Director (Finance).

**By Order of the
Full Time Directors**

Sdl-

**LEKHA G
Company Secretary**

To:

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

Copy to: The Chief Engineer (IT,CR&CAPS)/ Financial Advisor/ LA&DEO/ Chief Internal Auditor/ Company Secretary
The TA to the Chairman & Managing Director / Director (Generation-Civil) / Director (Distribution, Safety, SCM & IT) / Director (Transmission, SO & Planning)/ Director (Generation - Electrical, REES, SOURA, Sports & Welfare)
The PA to the Director (Finance & HRM)
The Sr.CA to the Secretary (Administration)
The RCAO/ RAO
Stock File.

Forwarded / By Order



Assistant Finance Officer