

# Financial Restructuring Plan

## PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Subject: Karnataka Power Sector Reform and Restructuring Programme - Karnataka Electricity Reform (Transfer Scheme) Rules, 1999-Approval of the Financial Restructuring Plan of the Power Sector and Balance Sheet Restructuring Plan of KEB-Notifying Opening Balance Sheets of KPTCL/VVNL - Orders reg.

### READ:

1. Karnataka Electricity Reform Act, 1999 (Karnataka Act 25 of 1999).
2. Karnataka Electricity Reform (Transfer Scheme) Rules, 1999.
3. G.O. No. DE 17 PSR 99 dated 27-1-2000.
4. G.O. No. DE 5 PSR 99 dated 31-8-2000.
5. D.O. No. CFA/CC (RM)/FRS-1953-55 dated 27-10-2000.
6. G.O. No. DE 14 PSR 99 dated 8-1-2001.
7. D.O. Letter No. CFA/CC(RM)/FRS-PS-248, dated 20-2-2001.
8. D.O. Letter No. CFA/CC(RM)/FRS/265-66 dated 5-3-2001.
9. D.O. Letter No. A1 F2B dated 14-3-2001.

### PREAMBLE:

1. Government of Karnataka has been implementing reform and restructuring of the power sector which includes corporatization of KEB, establishment of Regulatory Commission, unbundling of transmission of distribution and privatization of electricity distribution in the State, as to establish healthy and viable successor entities.
2. Success of the power sector reform programme of any State hinges upon successful implementation of the Financial Restructuring Plans (FRP) of SEBs/Power Utilities, who have large accumulated historical liabilities in their balance sheets vis a vis huge sums of unpaid state subsidies in the order of thousands of crores being accumulated year after year. It is a well-settled position that in the reform process, the new and successor entities, which may be from private or joint sector, should not be burdened with such historical liabilities, and they should be allowed to run the businesses with clean opening balance sheets. Strict adherence to various sanctions made in FRP is therefore very critical for successful implementation of the reform and privatization process in the power sector in the state.
3. In exercise of the power reffered under the Karnataka Electricity Reform Act, 1999 read at (1) above, Government of Karnataka has incorporated new entities namely, Karnataka Power Transmission Corporation Limited (KPTCL) and Visvesvaraya Vidyuth Nigama Limited (VVNL), as successor companies of KEB, notified a Transfer Scheme read at (2) above for giving effect to the dissolution of the Karnataka Electricity Board, Balance Sheet cleaning up and transfer of assets and liabilities to the KPTCL and VVNL through opening Balance Sheets, as on 1-4-200.
4. In the Government Order dated 31-8-2000 read at (4) above, provisional Balance Sheets of KPTCL and VVNL have been notified.
5. In the Government Order dated 8-1-2001 read at (6) above, detailed power policy

statement and IPP Policy for the power sector have been approved.

6. Chairman and Managing Director, KPTCL in his letters dated 22-10-2000, 20-2-2001 and 5-3-2001 read at (5), (7) and (8) above, had requested the Government to approve the Ten-year Financial Restructuring Plan and Balance Sheet Restructuring Plan of KEB as on 31-3-2000 (based on un-audited Balance Sheet), which were formulated and revised by KPTCL, with the assistance of Bridge Consultants, and in consultation with the Government from time to time. CMD, KPTCL has also requested the Government that the Principal Secretary to Government, Energy Department be authorized to approve any changes arising out of Comptroller and Auditor General's Audit of Accounts of KEB for the year 1999-2000.

7. The key assumptions considered in the FRP "Base case with Moderate Tariff Increase Scenario" were as follows:

- a) Reduction of Technical losses from existing 26% to 21% by the year 2005 and to 14% by the year 2010.
- b) Reduction of commercial losses from existing 11% to 7% by the year 2005 and to 2% by the year 2010.
- c) Investment programme of Rs.6608 Crores in the first 5 years and Rs. 15294 Crores in 10 years.
- d) Energisation of IP sets should not exceed 40000 pump sets per annum irrespective of number of pending applications.
- e) Annual overall growth in consumption of about 5%. (Domestic 7.62% IP sets 3%, Commercial LT 8.22%, Industrial LT 6.25%, HT industrial 5.06%)
- f) Tariff increase CAGR 12% for first 5 years and 9% for 10 years.
- g) Anticipated additional capacity build up - 2325 MWs in 5 years and 3101 MWs in 10 years.
- h) Restriction in drawl of energy from Contracted sources to the requirement through DSM to utilize cheapest power available and reduce the variable cost of power purchase.
- i) Cash support of Rs. 3,100 Crores in 10 years towards Pension contribution.

8. As a result of these assumptions it was expected that the KPTCL (or its successor entities) would show a turn around from the year 2006-07 and their dependence on Government for subsidy support would cease.

9. However, it was noted by the Government that any slippage in any of these assumptions would result in serious and adverse imbalance in the sector, which will have impact on state finances. For instance, the tariff assumptions for the year 2000-01 did not materialize to the desired level of 23%. KERC approved only 17% increase and Government directed increase of tariff for agricultural consumers would be subsidized for one year. This has resulted in an additional burden of (a) around Rs. 2200 crores over next five years on account of KERC order and (b) Rs. 144 crores on account of directive of Government, on the state finances.

10. Government of Karnataka has been negotiating with the World Bank for loan assistance to finance to cash and investment support required for power sector in particular and the support required for the State's Economic Restructuring Programme. World Bank has been stating time and again that timely and full implementation of key reform and financial measures assumed in the FRP would be linked to the extent and timing of loan disbursement to the State. Non-achievement or delay in achievement of targeted efficiency and financial measures contemplated in the FRP would also delay the loan disbursements by the World Bank to the State.

11. During their last visit, the World Bank Mission held extensive discussions with the Government of Karnataka and KPTCL to finalise the support to be given by the GoK to KPTCL. These included preparation of Balance Sheet Restructuring Plan and a Sectoral FRP duly including the financial needs of KPCL, within the ambit of support envisaged in the Medium Term Fiscal Plan (MTFP). After detailed deliberations the MTFP figures to the power sector was fixed at Rs. 8999 Crores for the 5-year period from 2000-01 to 2004-05. The year-wise break up of support provided in the MTFP to the power sector is as follows:

(Rs in Crores)

Year	Subsidy	Capital support	Debt service on Trade Bonds	Payments to KPCL for past dues	Addl. Contribution towards pension	Contribution to pension Trust	Total
2000-01	709	0	0	0	170	0	879
2001-02	1779	0	21	67	184	250	2301
2002-03	1796	0	43	67	133	300	2339
2003-04	1538	0	43	66	118	300	2065
2004-05	928	0	43	0	94	350	1415
Total	6750	0	150	200	699	1200	8999

12. Karnataka Power Corporation (KPCL) in their letter dated 14-3-2001 read at (9) above, has made the following comments on the FRP:

(1) As per the Annual Report of KPCL for the year 1999-2000, the dues from KPTCL to KPCL was Rs. 1067 crores. However, as per KPTCL books, it is reckoned as Rs. 722 crores leaving a difference of Rs. 345 crores. The difference is essentially due to (a) Non-adjustment of energy bills by KPTCL...and (b) the rate of interest and manner in which the same is reckoned...

(2) The short payment of about Rs. 700 crores during 2000-01 has not been reckoned at all. The manner in which this amount would be paid every year has been completely omitted

(3) The inter-se payment between Central Generating stations and KPTCL should be more equitable, and preferably biased in favor of KPCL (ie Rs. 330 crores to CGS out of Rs. 636 crores as against Rs. 200 crores to KPCL out of Rs. 723 crores provided in FRP. In the light of the above, a part of dues to CGS be proposed for write off and payment of arrears to KPCL may precede clearing of overdues of CGS.

(4) The 100 days receivable position to KPCL is much higher than what would be expected at the end of restructuring.

(5) Cash payment during restructuring phase every year has to progressively reach 100% , which would facilitate for arms length transaction between KPTCL, KPCL and GoK.

(6). KPTCL has to provide for and pay costs of funding overdues by KPCL.

(7) KPTCL has been consistently maintaining during the World Bank missions that it does not require any cash for restructuring, under the assumption that the amount due to it would be made available without much sacrifice. However, FRP as proposed by KPTCL casts an undue heavy burden on KPTCL..... It would severely affect the projects on the anvil and the market reputation assiduously built up would be destroyed in one go.

13. The Central Electricity Regulatory Commission (CERC), in its Order dated 4th January 2000, approved a new Tariff mechanism called Availability Based Tariff (ABT) for Central Sector Generating Stations.

(1) Under this tariff mechanism there are three elements of the tariff:

- (a) Capacity Charges
- (b) Energy Charges and
- (c) Unscheduled Interchange (UI) Charges.

(2) The following difficulties still exist thereby preventing a smooth implementation of the ABT:

(a) The allocation of share made by Government of India (GOI) to beneficiaries in Southern region cannot be expressed as % of the capacity of the generating station because of non-firm allocation to industries such as Nav Bharat Ferro and INDSIL.

(b) The tariff for the Central Sector Generation Stations under NLC in Southern Region notified by GOI do not have Capacity Charges and Energy Charges required for implementation of ABT.

(c) The implementation of ABT will need complete revamping of the Regional Energy Accounts to indicate the required date for billing by the generators to the beneficiaries. The Southern Regional Electricity Board is yet to finalize the procedures for the same.

(d) The two generating stations namely MAPS and Kaiga APS under Nuclear Power Corporation (NPC) are not covered by ABT. This will bring in difficulties in the determination of UI and implementation of ABT. The power from the generating stations under ABT and the generating stations not covered under ABT flow into KPTCL through the same lines and hence it will not be possible to monitor the drawal of power from the stations under ABT.

(3) Hence, it is contended by SEBs/Power Utilities that ABT cannot be implemented for part of the Central Sector Stations. Thus the implementation of ABT is being sought to be stayed till CERC orders the implementation of ABT in all Central Sector Stations.

(4) Therefore, ABT norms as per CERC order has not been factored into FRP in view of the difficulties and intricacies involved therein, and for the reasons explained above.

14. Keeping in view the above and the sectoral approach, KPTCL/KPCL'S concerns have been addressed in the FRP. However, it is to be reiterated that there are several critical and aggressive assumptions made in FRP such as annual revision of tariffs, annual reduction of losses, almost no energy purchases from Liquid fuel based IPPs during first five years, 100% collection efficiency and 100% payment towards power purchases, aggressive borrowings/ availability of Government Guarantee/ Support to meet the capital as well as increased working capital requirement. Hence, occurrence of any slippage or deviation in achieving these targets would have adverse impact on state finances as well as finances of KPTCL and KPCL. Further, it would also affect or delay the loan disbursement to the State from World Bank. Hence, the following order.

**GOVERNMENT ORDER NO. DE 12 PSR 2001 BANGALORE, DATED 30-3-2001.**

In the circumstances explained in the Preamble, Government are pleased to approve the following:

1. The Sectoral Financial Restructuring Plan consistent with Medium Term Fiscal Plan (MTFP)

and the Balance Sheet Restructuring Plan for transfer of assets and liabilities to the KPTCL and VVNL as on 1-4-2000 (Effective Date of Transfer), after passing necessary adjustments to the Balance Sheet of KEB as at 31-3-2000 (Un-audited) and retaining with the Government, the residuary liabilities (including dues of Rs.330 crores towards CPSUs and Rs. 200.50 crores towards KPCL) as on 31-3-2000.

2. Statement of GoK Fund Flow to the Power Sector, Balance Sheet Restructuring Plan of KPTCL, and Statement of Residuary Liabilities of K.E.B. retained by the Government vide Annexures -1 to 3 are appended to this order, subject to the following:

- a) The total financial support to the power sector is kept at Rs.8999 crores during first five years consistent with the MTFP.
- b) The Receipts assumed in MTFP from the power sector have been shown as a payment to the State Government.
- c) The loan outstanding in the books of KEB as on 31-3-2000 and due to the State Government from KPTCL is set off in the adjustments carried out in the Balance Sheet Restructuring Plan. This would be offset by the Proceeds of Privatization of Electricity Distribution.
- d) Investment Programmes of KPTCL shall not exceed the limit of Rs. 5,124 Crores during first five years and Rs 12074 Crores during the 10-year period.
- e) Funding of unfunded pension liability upto a limit of Rs. 3,850 Crores during the ten-year period.
- f) 100% Financing of investment programme from debt. On this account as well as KPCL's cash flow requirement, KPTCL's borrowings have been projected to reach a level of RS. 4777 cores for the first five years and Rs. 7187 crores during 10-year period. Lending Mechanism without the use of Government guarantee would have to be explored to meet these high levels of borrowings of KPTCL, for which the Government may not be in a position to provide Government Guarantee.
- g) The accounts payable i.e., power purchase dues level during first 5 years would be maintained by KPTCL at 150, 80, 75, 70 and 65 days respectively. The Payables to KPCL would be maintained as to be not more than 126 days during FY2001-02, 114 days during FY 2002-03, 101 days during 2003-04 and 92 days during 2004-05 and payments regulated as per the assumptions made in the Annexure-4 appended to this order. KPTCL shall ensure that the amounts payable to KPCL as per the FRP is paid within the month as envisaged and to the extent practicable uniformly spread over the month. Provision for payment of interest for delayed payment by KPTCL to KPCL is made @ 12% per annum. However this is subject revision, as and when FRP is revised by the Government. The methodology of computing interest on overdues (both principal and interest) billing and other attendant matters shall be notified in due course.
- h) As per KPTCL, the amount due to KPCL is Rs. 722.55 crores and as per KPCL the amount to be received is Rs. 1066.57 crores as on 1.4.200. The difference of Rs. 344.02 crores between the amounts due from KPTCL to KPCL as per their respective books of accounts, is essentially due to the method of reckoning interest and adjusting payments therefor and nonadmission of certain bills by KPTCL for purchase of energy from KPCL. In consideration of the above provisions made in FRP towards full payment of current bills and gradual reduction in payables level, KPCL shall write off this difference Rs. 344.02 crores in their receivables account, as a one-time settlement.
- i) Consequent to (h) above, the dues from KPTCL to KPCL shall be Rs. 722.55 crores as on 1.4.2000. This entire amount shall be reckoned as the principal amount due from KPTCL to KPCL.

- j) Out of the balance due from KPTCL to KPCL as reckoned at Rs. 722.55 crores as per (i) above, dues of Rs. 200.50 crores shall be taken over by Government of Karnataka. However, the interest on this amount as may be outstanding from time to time shall be debited to KPTCL by KPCL. The rate of interest and its accounting shall be done in accordance with this order. KPTCL shall pay the interest so charged to KPCL.
- k) Government of Karnataka shall release Rs. 66.83 crores every year during 2001-02, 2002-03 and 2003-04 towards liquidation of the amount so taken over vide (j) above.
- l) Interest dues of Rs. 147.69 crores from IP set consumers is retained by the Government. KPTCL is directed to formulate and notify an appropriate scheme within seven days from the date of this order, which will be in force for a period of four months from 15th April 2001. By this scheme, IP set consumers who pay the entire principal due to KPTCL will have the interest portion borne by the State Government.
- m) Interest dues of Rs. 68.58 crores from BWSSB are written off, with direction to BWSSB to raise money through Bonds and clear off KEB's Principal dues of Rs. 61.02 crores.
- n) Interest liability of Rs. 262.90 crores as on 31-3-2000 towards CPSU dues, is retained by GoK to take up with GOI/CPSUs to waive off/write off in consideration of GoK taking responsibility of clearance of Principal amount by issue of trade bonds and debt servicing through FRP.
- o) Through better collection efficiency, it is assumed that KPTCL will achieve the level of receivables of 95, 90, 85 and 85 days during FY2000-01 to FY2004-05 respectively.

3. To authorize the Principal Secretary to Government, Energy Department to approve any adjustments in the Balance Sheet Restructuring Plan appended vide Annexure-2 to this order, arising out of the certification by the Comptroller and Auditor General of India on the audited Balance Sheet of KEB as at 31-3-2000.

4. This Order issues with the Concurrence of the Finance Department vide their U.O. Note No. FD 680/B 2 2001 dated 28-3-2001.

BY ORDER AND IN THE NAME OF  
THE GOVERNOR OF KARNATAKA

(M. LOKARAJ)  
Deputy Secretary to Government  
Energy Department

**Annexure -1 to the G.O. No. DE 12 PSR 2001 dated 30-3-2001**

GOK- POWER SECTOR FUNDS FLOW	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	TOTAL
Million											
<b>BASE CASE MODERATE TARIFF (KERC order+ revised 2000-01 and 2001-02)</b>											
<b>PAYMENTS BY GOK</b>	<b>WITH NO INCREASE ASSUMED FOR IP SET IN 2001-02</b>										

Revenue subsidy to Power Sector	7,090	17,787	17,965	15,375	9,283	-	-	-	-	-	67,500
Equity contribution to Power Sector	-	-	-	-	-	-	-	-	-	-	-
Loans & Advances to Power Sector											
-GoK Loans											
-Onlending of External Aid											
Interest on External Aid											
Repayments of External Aid											-
Debt service on trade bonds to CPSU dues		215	429	429	429	429	3,622	-	-	-	5,552
Cash payment to KPCL for past dues		668	668	668			-	-	-	-	2,005
Central appropriations for CGS dues											-
Additional Contribution towards Pension	1,700	1,840	1,328	1,178	938	638	228				7,850
Pension payments for Power sector	-	2,500	3,000	3,000	3,500	4,500	5,000	5,000	6,000	6,000	38,500
<b>Total</b>	<b>8,790</b>	<b>23,010</b>	<b>23,390</b>	<b>20,650</b>	<b>14,150</b>	<b>5,567</b>	<b>8,850</b>	<b>5,000</b>	<b>6,000</b>	<b>6,000</b>	<b>121,407</b>
					<b>89,990</b>						
<b>PAYMENTS TO GOK</b>	<b>8,790</b>	<b>23,010</b>	<b>23,390</b>	<b>20,650</b>	<b>14,150</b>						
<b>Interest from Power Sector</b>					<b>89,990</b>	-					
-Interest on GOK Loans to KPCL	1,181	1,093	990	886	783	677	595	514	432	350	7,501

-Interest on External Aid onlent	-	-	-	-	-	-	-	-	-	-	-
Electricity duty	1,580	1,709	1,848	1,996	2,155	2,325	2,508	2,704	2,914	3,139	22,877
Receipt of External Aid for Power Sector	-	-	-	-	-	-	-	-	-	-	-
Loan Recoveries from the Power Sector	-	-	-	-	-	-	-	-	-	-	-
-Repayment of GOK Loans to KPCL	729	847	856	856	660	660	660	660	660	660	7,248
-Repayment of External Aid	-	-	-	-	-	-	-	-	-	-	-
Royalty from KPCL	408	417	425	430	430	430	430	430	430	430	4,260
Proceeds from distribution privatisation	-	-	3,000	-	-	-	-	-	-	-	3,000
Dividends	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,898</b>	<b>4,066</b>	<b>7,119</b>	<b>4,167</b>	<b>4,028</b>	<b>4,092</b>	<b>4,193</b>	<b>4,308</b>	<b>4,436</b>	<b>4,579</b>	<b>44,887</b>
Net Cash Support	4,892	18,944	16,271	16,483	10,122	1,475	4,656	695	1,564	1,421	76,520
Cumulative net cash support	4,892	23,836	40,107	56,590	66,712	68,186	72,843	73,535	75,009	76,520	
Memo:											
GOK guarantees for Power Sector Debt	9,789	13,614	6,625	5,733	12,008	9,577	4,484	-	-	-	-
GoK guarantee limit for power sector	6,088	5,996	6,444	7,732	5,756						





Proportion of distribution capex	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
External funding requirement for distribution capex	3,708	4,551	3,313	2,867	6,004	7,164	5,605	1,682	0	0	0
Debt Equity ratio for funding	1.00	1.00	1.00	1.00	1.00	0.80	0.80	0.80	0.80	0.80	0.80
Debt funding required for distribution capex	3,708	4,551	3,313	2,867	6,004	5,731	4,484	1,346	0	0	0
GoK Equity ownership	100%	100%	49%	49%	49%	49%	49%	49%	49%	49%	49%
Equity funding required from GoK for distribution	0	0	0	0	0	702	549	165	0	0	0
Proportion of debt guaranteed by GoK	100%	100%	100%	100%	100%	75%	50%	0%	0%	0%	0%
Debt guarantees from GoK	3,708	4,551	3,313	2,867	6,004	4,299	2,242	0	0	0	0
Debt funding for working capital and debt repayment	2,373	4,512	0	0	0	980	0	0	0	0	0

**Annexure-2 to G.O. No. DE 12 PSR 2001 dated 30-3-2001**

**Balance Sheet as at 31-3-2000**

**(Adjustments effected as on 31-3-2000)**

**Balance Sheet Restructuring Adjustments)**

**(Rs. in Crores)**

Particulars	Closing Balance March 31, 2000	Transfers to VVNL (Op. Bal for VVNL as on 1st April 2000)	Balances after VVNL Transfers	Provisions, Adjustments in BRP as on 31.3.2000	Transfers to KPTCL (Op. Bal. April 1, 2000)
Assets					
Gross Fixed Assets	4555.98	299.96	4256.02	0.00	4256.02
Less: Accumulated Depreciation	1593.71	146.84	1446.87	0.00	1446.87
Net Fixed Assets	2962.27	153.12	2809.15	0.00	2809.15
Capital Exp. In Progress	597.94	17.06	580.88	0.00	580.88
Assets not in Use	155.10	0.07	155.03	0.00	155.03
Deferred Costs	49.89		49.89	0.00	49.89
Intangible Assets	0.00		0.00	0.00	0.00
Investments	39.51	0.01	39.50	0.00	39.50
<b>Total Fixed Assets</b>	<b>3804.71</b>	<b>170.26</b>	<b>3634.45</b>	<b>0.00</b>	<b>3634.45</b>
<b>Current Assets</b>					
Stocks	143.84	17.16	126.68	0.00	126.68
Receivables against supply of power	1884.01	0.07	1883.94	-429.49	1459.45
Less: Provision for Bad and doubtful debts	347.09		347.09	0.00	347.09
Net Receivables	1536.92	0.07	1536.85	-424.49	1112.36
Cash and Bank Balances	208.18	2.84	205.34	0.00	205.34
Pension/FBF Trust Investments	0.00		0.00	0.00	0.00
Loans and Advances	276.16	52.54	223.62	0.00	223.62
Sundry Receivables	337.23		337.23	-39.66	297.57
Less: Provision for other receivables	0.97		0.97	0.00	0.97
Net Other Receivables	336.26	0.00	336.26	-39.66	296.60
Subsidy receivable from Govt.,	537.80		537.80	-537.80	0.00
Total Current Assets (excl. IUA)	3039.16	72.61	2966.55	-1001.95	1964.60
Inter-Unit-Accounts	12.54		12.54	0.00	12.54

<b>Total Current Assets</b>	<b>3051.70</b>	<b>72.61</b>	<b>2979.09</b>	<b>-1001.95</b>	<b>1977.14</b>
<b>TOTAL ASSETS</b>	<b>6856.41</b>	<b>242.87</b>	<b>6613.54</b>	<b>-1001.95</b>	<b>5611.59</b>
NET WORTH					
Equity Share Capital of GoK	436.01	122.35	313.66	109.88	423.54
Deposit towards Share Capital by GoK	0.00		0.00		0.00
Equity (Addl. Cash Support for discharging PP dues)	0.00		0.00	0.00	0.00
Equity (Addl. Cash Support for meeting Interest liability being disputed by KPTCL and KPCL)	0.00		0.00	0.00	0.00
Consumer's Contributions	274.86	10.16	264.70	-55.97	208.73
Surplus	192.94		192.94	0.00	192.94
Profit on sale of Fixed Assets	0.00		0.00	0.00	0.00
Retained Earnings (Losses)/ Reserves	194.42	1.11	193.31	0.00	193.31
Grants	11.12		11.12	0.00	11.12
Reserve for Contingent Liabilities	0.00		0.00	88.46	88.46
<b>Total Net Worth</b>	<b>1109.35</b>	<b>133.62</b>	<b>975.73</b>	<b>142.37</b>	<b>1118.10</b>
<b>LONG TERM DEBTS</b>					
State Govt. Loans	429.78		429.78	-429.78	0.00
PFC Loans	661.77	89.57	572.20	0.00	572.20
REC Loans	711.11		711.11	0.00	711.11
Other Loans	630.27		630.27	0.00	630.27
Pension Trust-Retired & Family Pensioners	0.00		0.00	208.45	208.45
Pension Trust-FBF	0.00		0.00	30.96	30.96
<b>Total Long Term Loans</b>	<b>2432.93</b>	<b>89.57</b>	<b>2343.36</b>	<b>-190.37</b>	<b>2152.99</b>
<b>CURRENT LIABILITIES</b>					

Accounts Payables	2373.62	19.68	2353.94	-953.95	1399.99
Deposits from Consumers	920.92		920.92	0.00	920.92
Accumulated Interest on Loans from GoK	-0.08		-0.08	0.00	-0.08
Accumulated Interest on Loans from Others	0.01		0.01	0.00	0.01
Borrowings for working capital	19.66		19.66	0.00	19.66
<b>Total Current Liabilities</b>	<b>3314.13</b>	<b>19.68</b>	<b>3294.45</b>	<b>-953.95</b>	<b>2340.50</b>
<b>TOTAL LIABILITIES</b>	<b>6856.41</b>	<b>242.87</b>	<b>6613.54</b>	<b>-1001.95</b>	<b>5611.59</b>

(M. LOKARAJ)  
Deputy Secretary to Government  
Energy Department

**Attachment - to the Annexure 2  
to the G.O. No. DE 12 PSR 2001 dated 30-3-2001.**

### SALIENT FEATURES OF BALANCE SHEET RESTRUCTURING PLAN

**1. Fixed Assets:** Out of book value of Rs. 4555.98 crores, Rs.275.31 crores would be reduced from the gross amount and Rs. 132.50 crores from the accumulated depreciation, on account of proposed sale/ divestment of Yelahanka Diesel Power Plant now transferred to VVNL, for funding pension liabilities of KEB in respect of its employees. This adjustment gets effected in the Balance Sheet of VVNL, as and when the transaction takes place.

**2. Current Assets:** Adjustments to the current assets of KEB as to remove the receivables not realizable and passed on net sundry receivables to KPTCL are as follows:

(Rs. In Crores)

(a) Dues from Bhagyajyothi/ Kutirjyothi Installations:	41.52
(b) Dues from Hukkeri Society:	18.79
(c) Dues from IP Sets (Interest portion only)1 :	147.69
(d) Dues from Permanently disconnected Installations:	147.91
(e) Dues From BWSSB (Interest portion only)2:	68.58
<b>Total</b>	<b>424.49</b>

**LESS:**

(a) Adjusted by retention of Overdue Interest on CPSU Dues by GoK as residual liabilities Under Transfer Scheme:	262.90	
(b) GoK receivables on account of electricity Tax (0.67), Guarantee Comm.(0.91) & Royalty (3.20):	4.78	

(c) GoK loans to KEB set off (Balance)	156.81	424.49
Clearance of Receivables from GoK not paid to KEB, but proposed to be set off against clearance of the following liability items:		
(a) RE Loss subsidy for previous years:	537.80	
(b) REC Interest subsidy:	24.52	
(c) BJ-Capital subsidy:	4.90	
(d) Rebate on Electricity tax receivables:	10.24	577.46

1. Interest dues of Rs. 147.69 crores from .IP set consumers is retained by the Government. KPTCL is directed to formulate and notify an appropriate scheme within seven days from the date of this order, which will be in force for a period of four months from 15th April 2001. By this scheme, IP set consumers who pay the entire principal due to KPTCL will have the interest portion borne by the State Government.

2. Interest dues from BWSSB are written off, with direction to BWSSB to raise money through Bonds and clear off KEB Principal dues of Rs.61.02 crores

3. This liability is retained by GoK and to take up with GOI/CPSUs to waive off/write off in consideration of GoK taking responsibility of clearance of Principal amount by issue of trade bonds and debt servicing through FRP.

**LESS:**

(a) by retention of CPSU Principal dues to be cleared by issue of trade bonds (provided in FRP):	330.00	
(b) KPC dues (provided in FRP):	200.50	
(c) GoK Loans to KEB set off (Balance):	46.96	577.46

**3. Current Liabilities:** Recognition and creation of certain current liabilities on account of power purchases, without affecting revenue account but by adjustment against GOK loan to KEB set off:

(a) Power Purchase dues NLC - Income Tax:	17.59	
(b) NTPC Claims - Revision of FC:	66.05	
(c) Reserve for Contingent Liabilities:	88.46	<b>172.10</b>
MSEB: 14.06;MAPS: 1.86;NLC; 57.54; PGCIL; 15.00		
<b>LESS:</b> by set off of GOK Loan		172.10

**4. Equity/Net worth:** Creation of additional share capital required to match balances transferred to KPTCL/VVNL (in excess of the existing equity of 436.01)

(a) Transfer of share deposit to KPTCL:	423.54	
(b) Transfer of share deposit to VVNL:	122.35	
(c) Less existing share of GoK in KEB:	436.01	109.88

**LESS:**

(a) Out of GoK loan balance (429.78-375.87):	53.91	
(b) Consumer Contribution (balance required):	55.97	109.88

5. The following are the resultant Journal Entry adjustments effected to the KEB Annual Accounts for transferring balances to KPTCL and VVNL as on 1-4-2000:

(Journal Vouchers)		(Amount: Rs. in Crores)	
		DEBIT	CREDIT
GoK Loans Account	Dr.	429.78	
GOK Equity Account	Dr.	436.01	
Contributions, Grants, Subsidies etc., (Consumer Contribution Account)	Dr.	55.97	
El. Tax payable to GoK	Dr.	0.67	
Guarantee Commission Payable to GoK	Dr.	0.91	
Royalty Payable to GoK	Dr.	3.20	
Sy. Crs. Power purchase dues - KPCL	Dr.	200.50	
Sy. Crs. Power purchase dues - CGS (Principal)	Dr.	330.00	
Sy. Crs. Power purchase dues - CGS (Interest)	Dr.	262.90	
Provision for Pension	Dr.	208.45	
Provision for FBF	Dr.	30.96	
To Share Deposit Account of KPTCL			423.54
To Share Deposit Account of VVNL			122.35
To Subsidy Receivable from GoK			537.80
To Sy. Receivables (Diff. Int. (REC) receivable from GoK			10.24
To Sy. Receivables - Capital Subsidy (BJ)			4.90
To Sy. Drs. - BWSSB (Interest)			68.58
To Sy. Drs. - IP Sets (Interest)			147.69
To Sy. Drs. - Dues from permanently dis. Installations			147.91
To Sy. Crs. - Power purchase dues - NLC			17.59
To Sy. Crs. - Power purchase dues - NTPC			66.05
To Reserve for contingent liability			88.46
To Sy. Drs.- Bhagyajyoti/ Kuteerjyothi			41.52
To Sy. Drs.- Hukkeri Society			18.79
To Pension Trust- Retired and Family Pension			208.45
To Pension Trust - FBF			30.96
<b>TOTAL</b>		<b>1959.35</b>	<b>1959.35</b>

(M. LOKARAJ)

**Annexure - 3 to the G.O. NO.DE 12 PSR 2001 dated 30-3-2001.**

**KARNATAKA POWER SECTOR RESTRUCTURING ACCOUNT**

STATEMENT OF RESIDUARY LIABILITIES OF KEB AS ON 31-3-2000  
RETAINED BY THE GOVERNMENT OF KARNATAKA UNDER RULE 4(3) OF KARNATAKA ELECTRICITY  
REFORM (TRANSFER SCHEME), RULES, 1999.

<b>A. LIABILITIES TO BE RETAINED BY GOK</b>	Rs. In Crores
KPCL - Past dues as on 31-3-2000 (Part) (provided in FRP for cash	
1. payment over three years @Rs. 67 crores per annum)	200.50
2. NTPC- Principal as on 31-3-2000 (debt servicing through Trade Bonds)	178.35
3. MAPS - Principal as on 31-3-2000 (debt servicing through Trade Bonds)	4.27
4. NLC - Principal as on 31-3-200 (debt servicing through Trade Bonds)	124.12
5. PGCIL - Principal as on 31-3-200 (debt servicing through Trade Bonds)	23.26
CPSUs-Overdue Interest as on 31-3-2000 (proposed to CPSUs/ GOI to consider waiver/ write off in consideration servicing of Principal Dues by GOK through Trade Bonds, as provided in FRP)	262.92
	<b>793.40</b>
<b>B. CONTINGENT LIABILITIES TO BE RETAINED BY GOK</b>	
1. TNEB - Energy overdrawn from grid	26.29
2. NTPC - El. Duty & Cess levied by AP4	165.14
3. MAPS - Difference in Surcharge	10.49
4. PGCIL - Claims towards SRLDC Charges, FERV, etc.,	12.00
	<b>213.92</b>
<b>TOTAL (A+B)</b>	<b>1007.32</b>

(M. LOKARAJ)  
Deputy Secretary to Government  
Energy Department

[4] This amount has been considered in BRP as Contingent Liability due to the following: Question as to whether the electricity duty levied by the Andhra Pradesh Government is applicable to supply of electricity by NTPC's unit in AP to other State Electricity Boards in subjudice, as the AP High Court has held that it is outside the purview of AP legislature and accordingly company is not liable to pay the duty. The AP Government filed a civil appeal petition before the Supreme Court, which is yet to deliberate the issue but in its interim order directed the company to maintain a separate account in respect of the duty but will not be obliged to deposit the duty.

Year ended 31st March	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Annexure-4 to the G.O. NO.DE 12 PSR 2001 dated 30-3-2001</b>										
<b>Details of Power Purchase Payments</b>										





Payables (in No. of days)	131	80	75	70	65	60	50	40	40	40
KPC's Payable level	200	126	114	101	92	80	60	38	38	42
CGS's Payable level	10	45	45	45	45	45	45	45	45	45
Others Payable level	87	30	30	30	30	30	30	30	30	30
<b>Closing Balance</b>										
KPC	11329	8025	7984	8190	7844	7300	5718	3956	4212	4882
CGS	280	1,299	1,955	2,045	2,700	3,396	3,884	4,327	4,721	4,871
Others	1,392	1151	966	1030	936	698	735	760	811	2163
Total	13,001	10,474	10,905	11,265	11,479	11,394	10,337	9,043	9,743	11,916
<b>Payments:</b>										
KPC	16210	26239	25153	29008	31093	33361	36117	39417	39938	40151
CGS	10128	9373	14982	16268	20943	26472	30582	34170	37373	38969
Others	4711	14050	11777	12299	11328	8617	8783	9095	9677	25953
Total	31048	49662	51912	57575	63364	68450	75482	82681	86988	105074
<b>KPC</b>										
<b>OB</b>	7186	11329	8025	7984	8190	7844	7300	5718	3956	4212
<b>Demand</b>	20353	22934	25112	29215	30747	32817	34536	37655	40193	42324
<b>Payment</b>	16210	26239	25153	29008	31093	33361	36117	39417	39938	40151
<b>CB</b>	11329	8025	7984	8190	7844	7300	5718	3956	4212	6385
% payment (Dem. Vs. Pay).	80%	114%	100%	99%	101%	102%	105%	105%	99%	95%
		3305	41	-207	347	544	1582	1762	-255	-2173
<b>Interest on PP dues of KPCL</b>										
<b>Rate of Interest</b>	12%									
<b>Opening Balance</b>	7186	8025	7984	7984	7844	7300	5718	3956	3956	4212

Interest on OB	862	963	958	958	941	876	686	475	475	505
Interest on Current dues	249	0	0	12	0	0	0	0	15	130
Total Interest	1111	963	958	970	941	876	686	475	490	636
Grand total of interest					4944					8106