



**GOVERNMENT OF KERALA**  
**Abstract**

Power Department - Re-organization of Electricity Board as per the Electricity Act, 2003 - Re-vesting of the assets and liabilities of erstwhile Kerala State Electricity Board to the Kerala State Electricity Board Limited and Restructuring of KSEB Limited - In principle approval of Kerala Electricity Second Transfer Scheme (Re-vesting) 2011 - Modality of funding of terminal liability - Orders issued.

---

**POWER (C) DEPARTMENT**

**G.O. (MS) No.42/2011/PD. Dated, Thiruvananthapuram,03-11-2011.**

---

Read: - 1. G.O. (Ms) No 29/2008/PD. dated 25.08.2008.  
2. G.O. (Ms) No 37/2008/PD. dated 25.09.2008.  
3. G.O (Ms) No. 21/2011/PD dated 17.05.2011.  
4. G.O (Ms) NO. 04/2009/PD dated 18.04.2009.  
5. Letter No. RC/1/Transfer Scheme/09 dated 26-10-2009 from the Special Officer, Managing Committee, KSEB.

**ORDER**

As per the Government Order read as 1<sup>st</sup> paper above, Government of Kerala have decided to restructure Kerala State Electricity Board as a Company under the Indian Companies Act, 1956 as stipulated in the Electricity Act, 2003 (Central Act 36 of 2003). Accordingly in exercise of the powers conferred under Section 131 & 133 of the Act, Government have approved the Kerala Electricity First Transfer Scheme 2008, vide Government Order, read as 2<sup>nd</sup> paper above and notified the scheme vesting the functions, properties, interests, rights, obligations and liabilities of the erstwhile Kerala State Electricity Board in Government.

2. As per Clause 6(1) of the Transfer Scheme, the functions and undertakings of the Electricity Board as vested in Government under clause 4 of the scheme have to be

re-vested in the company to be constituted under the Indian Companies Act 1956, in the place of KSEB, subject to the provisions of the Act and the scheme, within 30<sup>th</sup> September 2009. As the procedures regarding the constitution of the new Company and re-vesting the assets and liabilities could not be completed within the above time limit, Government as per order, read as 3<sup>rd</sup> paper above, published as S.R.O No. 322/2011 dated 25-05-2011 have extended time limit in this regard up to 30-09-2011.

3. Pending re-vesting of assets and liabilities into the new company, Government have constituted a Managing Committee as per G.O (Ms) No. 38/2008/PD dated 26-09-2008 with the then Chairman KSEB as Special Officer and the then members of the Board of Directors of erstwhile KSEB as Members for managing the affairs of KSEB.

4. A new Company in the name of " Kerala State Electricity Board Limited " has since been incorporated. The Memorandum of Association and Articles of Association of the new Company have been approved by Government, as per the Government Order, read as 4<sup>th</sup> paper above. The Company viz, ' Kerala State Electricity Board Limited ' was registered under the Companies Act, 1956, on 14-01-2011, with Corporate Identity No. U 40100 KL/2011 SGC 027424.

5. The Special Officer of the Managing Committee, KSEB, vide the letter read as 5<sup>th</sup> paper above, submitted the draft Transfer Scheme (Re-vesting) based on he assessment of the liabilities and actuarial valuation of the unfunded and unaccounted terminal liabilities as on 31-03-2008 to Government for approval. The pension liability of the employees of the new company is proposed to be met by way of creating a Master Trust/Pension Fund. The unfunded terminal liability of KSEB as on 31-03-2009 has been estimated at Rs.4520 crores. Out of this, the total terminal liability to be funded by Government is proposed as Rs. 2500 crores, ie. Rs. 1599.82 crores (rounded to Rs.1600 crores) being the net liability of the Board plus Rs.900/- crores being the contribution from Government. The total amount of Rs.2500 crores is to be adjusted in installments from the electricity duty payable to Government by the Board for the next ten years. The balance amount to be borne by the Board is Rs.2020 Crores.

6. For funding the above, KSEB will issue 10 year bond with a coupon rate of 9% per annum for Rs.1600 crore. It is envisaged that on an average, Government will be funding approximately Rs.250 crore per year over next ten years. The net present value of the fund stream of Rs.250 crore per year over next ten years discounted at 9% comes to Rs.1600 crores. Approximate Budgetary provision will have to be made even though it would be only a book adjustment and hence there will be no physical transfer of budgetary resources of the State Government for this purpose. After deducting this amount of Rs.1600 crores from the total pension liability of Rs.4520 crores, the liability to be borne by the Board is Rs.2920 crores vide issue of bond (20 years) with coupon rate of 10%.

7. The Board also informed that further losses incurred (estimated at Rs. 1500 crores) should also be incorporated in the Transfer Scheme in order to recoup the losses. The rationale for the additionality has been explained as below :-

(i) In the letter dated 26-10-2009, from the Chairman, KSEB, the netting off of dues, (quantified as Rs. 1600 crores), between Government of Kerala and KSE Board have been taken into account up to the accounting year 2007-08 ie up to 31-03-2008 only. Now three more years have passed. Board's financial position has further deteriorated. The Board is still supplying power at the rates fixed more than nine years ago. Further, concessions have been extended to various classes of consumers without providing subsidy to Board in Government Budget as stipulated in Section 65 of the Electricity Act, 2003. On account of all these, the losses suffered by KSEB comes to Rs. 1025.82 crore. The amount may be given to KSEB as additional Budgetary support over next ten years.

(ii) In addition to the above Rs.1025.82 crores loss, a further amount of Rs. 500 crores has accrued as an additional liability towards pension liability after the Transfer Scheme was forwarded to Government; taking into account the recent pay hike, pension increase and increase in the rate of Gratuity covered under Payment of Gratuity Act, 1972.

(iii) Accordingly an additional amount of Rs. 1500 crores should be provided by the Government over a period of next ten years by making a provision of Rs. 150 crores each year in the Government Budget for the next ten years.

8. The proposals submitted by KSEB, for re-vesting the assets and liabilities to the newly incorporated Company (ie. KSEB Limited) and funding of the pension and terminal liability have been examined by Government in detail and are pleased to issue the following orders, so as to ensure that the power utility in the State is run efficiently.

(i) A total amount of Rs. 3024 crores, (including Rs. 524 crores being the sum receivable by the KSEB from Kerala Water Authority on account of write off of the electricity charges vide G.O (Ms) No. 45/08/WRD dated 26-09-2008) will be released to KSEB Limited by Government towards funding of terminal liability in the manner indicated below:-

Rs. 2500 crores will be adjusted in 10 years @ Rs. 250 crores per year as per the modality indicated in para 6 above. Rs.524 crores will be compensated by Government, for which orders will be issued separately.

(ii) KSEB Limited will not be provided any further financial assistance / grant from Government, except in the case of direction issued to KSEB Limited under Section 65 of the Electricity Act, 2003.

(iii) The Kerala Electricity Second Transfer Scheme (Re-vesting), 2011 for re-vesting all assets, liabilities and rights of the Kerala State Electricity Board in the fully owned Government Company viz., 'KSEB Limited' will be finalised and notified by Government after due legal and financial vetting.

(iv) The time limit for re-vesting the Assets and Liabilities of erstwhile KSEB to the newly constituted Company, viz. KSEB Limited will be extended for a further period up to 31-12-2011.

(v) Government are also pleased to order that Board of Directors of KSEB Limited shall be reconstituted as per the provisions of the Articles of Association of the Company.

By Order of the Governor,

**PRADEEP KUMAR,**  
*Secretary to Government.*

*To*

The Special Officer, Kerala State Electricity Board Limited.  
The Secretary, Kerala State Electricity Board, Thiruvananthapuram.  
The Accountant General (A & E), Kerala, Thiruvananthapuram.  
The Principal Accountant General (Audit), Kerala, Thiruvananthapuram.  
The Secretary to Governor (with Covering Letter)  
The Secretary, Kerala Public Service Commission (with Covering Letter)  
The Advocate General, Ernakulam (with Covering Letter)  
The Secretary, Kerala State Electricity Regulatory Commission, Thiruvananthapuram  
(with Covering Letter)  
The member Secretary, State Planning Board, Thiruvananthapuram  
The General Administration (SC) Department  
The Finance Department (Vide U.O No.85321/PUA2/11/Fin dated 03-11-2011).  
The Planning and Economic Affairs Department.  
The Personnel and Administrative Reforms Department.  
The Information and Public Relations Department.  
Private Secretary to Chief Minister and other Ministers.  
Stock File / Office Copy.

**Forwarded / By Order,**

**Section Officer.**