



ABSTRACT

Tamil Nadu Generation and Distribution Corporation Limited – Financial Restructuring Scheme – Approval of State Government and Constitution of State Level Monitoring Committee – Orders Issued.

Energy (D2) Department

G.O.Ms.No. 142

Dated: 24.12.2012

**Marghazhi 9, Nandana,
Thiruvalluvar Aandu 2043**

Read:

1. Office Memorandum No.20/11/2012-APDRP, dated 5.10.2012 from Government of India, Ministry of Power, New Delhi.
2. From Chairman and Managing Director, TANGEDCO D.O.Letter No.37373/DFC/RES/A35/A351/2012, dated 14.11.2012.
3. From Chairman and Managing Director, TANGEDCO D.O.Letter No.37373/DFC/RES/A35/A351/2012, dated 19.11.2012.
4. From Chairman and Managing Director, TANGEDCO D.O.Letter No.37373/DFC/RES/A35/A351/2012, dated 29.11.2012.
5. From Chairman and Managing Director, TANGEDCO D.O.Letter No.36308/DFC/RES/A34/A342/2012, dated 1.12.2012.
6. Letter Ms.No.141, Energy (D2) Department, dated 21.12.2012.

ORDER:

The Ministry of Power, Government of India in the Memorandum read above have formulated a scheme for financial restructuring of State Distribution Companies to enable the turnaround and ensure long term viability of the State Discoms. The scheme contains measures to be taken by the State Discoms and State Government for achieving financial turnaround by restructuring their debt with support through a transitional finance mechanism by Central Government.

2. The Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) in his

letter reference 2nd read above has requested to convey the State Government's willingness to participate in the scheme of Financial Restructuring of distribution companies formulated by the Ministry of Power, Government of India in the reference 1st read above.

3. The Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited in his letter reference 3rd read above has reiterated that the Financial restructuring of Tamil Nadu Generation and Distribution Corporation Limited was also discussed in the 2nd meeting of the Committee for Financial Restructuring of State Distribution Companies under the Chairmanship of Secretary (Power) held on 10.11.2012 at New Delhi and has forwarded the mandatory conditions to be fulfilled as per the memorandum in the reference read above.

4. The Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited in his letter reference 4th read above has informed that the status of formation of State level committee was discussed in the 2nd meeting of the Committee for Financial Restructuring of State Distribution Companies under the Chairmanship of Secretary (Power) held on 10.11.2012 at New Delhi. The Ministry of Power has also advised to form the State Level Monitoring Committee early. Hence the State Level Monitoring Committee may be constituted immediately as per the memorandum in the reference first read above.

5. The Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited vide letter dated 01.12.2012 has reiterated his earlier request to convey the willingness of the State Government to Ministry of Power, Government of India. He has further informed that Tamil Nadu Generation and Distribution Corporation Limited has appointed M/s. ICRA Management Consultant Services Limited (iMaCs) as consultant for the preparation of Financial Restructuring Plan of Tamil Nadu Generation and Distribution Corporation Limited and they have submitted the Financial Restructuring Plan report of Tamil Nadu Generation and Distribution Corporation Limited. He has enclosed the report of the consultant and has informed that the Financial Restructuring Plan report has been circulated among the Members of the Board of Directors of Tamil Nadu Generation and Distribution Corporation Limited and got approved on 30.11.2012. He has further stated as below:-

- i. The eligible amount of short term liabilities has been worked-out by consultant for the financial restructuring of Tamil Nadu Generation and Distribution Corporation Limited for an amount of Rs.24422 Crores as on 31.3.2012.
- ii. The 50% of the above eligible amount of short term liabilities has to be taken over by the State Government i.e. Rs.12211 Crores and balance have to be restructured by the banks and financial institutions. The Tamil Nadu Generation and Distribution Corporation Limited would issue bonds to the participating lenders

backed by the State Government guarantee. The State Government will take over the liability over next 5 years by issuance of special securities in favour of participating lenders in a phased manner keeping in view the fiscal space available till the entire loan is taken over by the State Government.

- iii. The consultant has worked-out current year (2012-13) estimated cash loss as Rs.8183 Crores as per the projected business plan of 10 years. As per the Financial Restructuring Plan Scheme, the Banks would provide 70% of the current year loss as a fresh financial assistance to Tamil Nadu Generation and Distribution Corporation Limited for the year 2012-13 and the balance 30% would be provided by State Government as subsidy to Tamil Nadu Generation and Distribution Corporation Limited.

6. The Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited has therefore requested the Government to accord approval of the Financial Restructuring Plan Scheme of Tamil Nadu Generation and Distribution Corporation Limited based on the report received from M/s. ICRA Management Consulting Services Limited (iMaCS) appointed as consultant for the Financial Restructuring Scheme so as to send it to the Ministry of Power, Government of India to implement the Financial Restructuring Plan Scheme in Tamil Nadu Generation and Distribution Corporation Limited.

7. The Government after careful examination of the proposal of the Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited in the reference 2,3,4 and 5 read above order as below: -

- i. Government of Tamil Nadu and Tamil Nadu Generation and Distribution Corporation Limited shall participate in the Scheme of Financial Restructuring of State Distribution Companies as formulated by Ministry of Power, Government of India in its office memorandum dated 5.10.2012.
- ii. Approve Financial Restructuring Plan Scheme of Tamil Nadu Generation and Distribution Corporation Limited prepared by M/s. ICRA Management Consulting Services and permit Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited to send it to Ministry of Power, Government of India for implementation of the Financial Restructuring Plan.
- iii. Take over 50% of Short Term Liabilities (STL) of Rs.12211 Crores as on 31.3.2012 by the State Government by issue of bonds initially by Tamil Nadu Generation and Distribution Corporation Limited backed by Government guarantee to the participating lenders. The State Government will take over this liability during

next 5 years by issuance of special securities in favour of participating lenders in a phased manner keeping in view the fiscal space available. Government of Tamil Nadu will service, the principal and interest on the Bonds issued by the Tamil Nadu Generation and Distribution Corporation Limited to Bankers and thereafter principal and interest on the securities issued by the Government in lieu of Bonds in respect of 50% Short Term Liabilities taken over by the Government.

- iv. The Government of Tamil Nadu will seek reimbursement of 25% of principal repayment of Bonds / special securities issued by Tamil Nadu Generation and Distribution Corporation Limited / Government respectively.
- v. Permit Tamil Nadu Generation and Distribution Corporation Limited to restructure the balance 50% of Short Term Liabilities of Rs.12211 Crores with lenders with a moratorium of 3 years on principal backed by the Government guarantee for the repayment of principal and interest by Tamil Nadu Generation and Distribution Corporation Limited.
- vi. Note that for financing the operational losses and interest for the first three years by the Banks / Financial Institutions on a diminishing scale, a separate arrangement would be worked out after due consultation to be held by Secretary to Government of India, Department of Financial Services with representatives of the Ministry of Power and concerned States and accept to finance the remaining portion of the operating losses.
- vii. Commit to underwrite the shortfall as equity or interest free loan on annual basis if annual projects in Financial Restructuring Plan is not achieved and provide the shortfall annually.
- viii. Constitute the State Level Monitoring Committee with the following composition for review the progress of implementation of Financial Restructuring Plan on quarterly basis till the turnaround of Tamil Nadu Generation and Distribution Corporation Limited and subsequently once in every half year: -
 - i) Chief Secretary to Government - Chairperson
 - ii) Secretary to Government, Energy - Member Secretary
 - iii) Principal Secretary to Government, Finance – Member
 - iv) Chairman and Managing Director - Member
Tamil Nadu Generation and Distribution Corporation Limited
 - v) Lenders representative

- a. State Bank of India - Member
- b. UCO Bank - Member
- c. Central Bank of India - Member
- vi) Representative from Reserve Bank of India - Member
- vii) Representative from Central Electricity Authority – Member

8. This order issues with the concurrence of Finance Department vide its U.O.No.4373/FS/P/2012, dated 24.12.2012.

(By order of the Governor)

**Rajesh Lakhoni,
Secretary to Government.**

To

The Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited, Chennai-2.

The Secretary to Government of India, Ministry of Power, Government of India, New Delhi.

The Chairman, Central Electricity Authority, New Delhi.

The Secretary, Central Electricity Regulatory Commission, New Delhi.

The Secretary, Tamil Nadu Electricity Regulatory Commission, Chennai-8.

The Deputy General Manager, State Bank of India, Commercial Branch, Chennai-1.

The Deputy General Manager, UCO Bank, Regional Office, Chennai-1.

The Deputy General Manager, Central Bank of India, Addition Branch, Chennai-2.

The Reserve Bank of India, Mumbai / Chennai.

Copy to Private Secretary to Chief Secretary, Chennai-9.

Chief Minister's Office, Chennai-9.

Senior Personal Assistant to Hon'ble Minister for Electricity, Prohibition and Excise, Chennai-9.

//Forwarded/By Order//

Section Officer