

No. 20/11/2012-APDRP
Government of India
Ministry of Power

.....
New Delhi, the 05th October, 2012..

OFFICE MEMORANDUM

Subject: - Scheme for Financial Restructuring of State Distribution Companies
(Discoms)

A scheme for Financial restructuring of State Owned Discoms has been formulated and approved by the Government to enable the turnaround of the State Discoms and ensure their long term viability. 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 salient features of the Scheme for restructuring are as under:-
- a. (i) 50% of the outstanding short term liabilities (STL) as of March 31, 2012 to be taken over by State Governments. This shall be first converted into bonds to be issued by Discoms to participating lenders, duly backed by the State Government guarantee. The State Government will take over the liability during next 2-5 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 (50% of STL) is taken over by the State Government. The door to door maturity will not be more than 15 years with a moratorium of 3-5 years on the principal repayment.
 - (ii) The State Government would provide full support to the Discoms for repayment of interest and principal for this portion.
 - (iii) State Government would ensure that issuance of Special securities is within the targets prescribed in FRBM Acts of respective States and even if fiscal space including Debt-GSDP ratio under the FRBM targets is available, States need to remain with their respective Net Borrowing Ceilings (of each of the relevant fiscal) fixed annually as per the formula prescribed by the Thirteenth Finance Commission.
 - b. Balance 50% of the STL will be rescheduled by lenders and serviced by the DISCOMS with moratorium of 3 years on principal. Repayment of Principal and Interest be fully secured by the State Government Guarantee. The best possible terms are to be extended for the rescheduled loans to improve viability of Discoms operations.
 - c. The restructuring/reschedulement of loan is to be accompanied by concrete and measurable action by the Discoms/States to improve the operational

A.K. Singh

