



No. Dir(F)/MSEDCL/14008

Date : 03.05.2011

CIRCULAR

Sub : Repatriation of funds collected against the HT/LT consumers' energy bills.

- Ref:** 1) Circular No. Dir(F)/MSEDCL/1235/8092 dated 11/03/2011
2) HDFC Banks' proposal dtd. 17.02.2011 of E-CMS of HT Consumer.
3) ICICI Banks' proposal dtd. 16.09.2010 of virtual account.

It has been observed that the amount collected against the HT & LT energy bills through various collection modes at various levels such as Division, Circle, Zone etc. is received in Ways & Means Section, Corporate Office late. Due to this, in spite of realization of the revenue timely, MSEDCL is not able to use the funds and in turn resort to drawing overdraft from the banks by paying heavy interest.

In order to have a better monitoring and control over revenue management, time and again instructions were issued to field offices to ensure close monitoring and faster transfer of funds. A latest circular referred above at (1) with detailed instruction was issued again and a monthly information report in the prescribed format was sought. However, in spite of the instructions, except one or two, nobody has furnished the desired information.

It is understood that, the present process flow of High Tension consumer bills through cheques is as under:

- The cheques are collected by the circle offices on 0 Day.
- The cheques are sent to Bank a for clearance on Day 1 to 2.
- The amount is cleared by bank on Day 2 to 3 (As per the RBI settlement cycle for all MICR cheques)
- The entire amount is repatriated to MSEDCLs' Canara Bank account in Mumbai on Day 3 to 5.

Honorable Managing Director has shown the displeasure in existing mechanism of HT bills collection through cheques and directed to work out a comprehensive solution for faster repatriation of funds. The present process of HT/LT collection through cheques requires a time of three to five days, this can

Maharashtra State Electricity Distribution Co. Ltd.

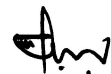
Prakashgad, Plot No. G-9, Bandra (E), Mumbai - 51. ☎ (P) 26472912 (O) 26474211 • Fax: 26479941
Hongkong Bank Bldg., M. G. Road, Fort, Mumbai - 01 ☎ (P) 22650796 (O) 22619100 • Fax 22676194
Email.: df@mahadiscom.in • Website: www.mahadiscom.in

be minimized if we ensure all HT consumers transfers the funds via RTGS/NEFT to MSEDCLs' designated bank account.

All concerned are hereby directed, to approach the each HT consumer of your Circle and impress upon them to remit the payments to MSEDCL by way of RTGS/NEFT instead of issuance of cheques. Earlier, in order to address this issue a proposal of E-CMS for collection of bills from HT consumers is offered by HDFC Bank and a virtual account concept by ICICI Bank. The copy of the same was mailed in the month of March, 2011. However, for your reference the same is again enclosed.

Superintending Engineer of the circle with the help of Asst. Manager/Dy. Manager (F&A) shall individually interact with the HT consumers and persuade them to effect the payment through RTGS/NEFT mode. The activity of bringing all the HT consumers in the network of RTGS/NEFT instead of cheque payment shall be completed before 15th June, 2011. A fortnightly report in this regard be also submitted to the undersigned. The Supdt. Engineer of Circle will be personally responsible for this compliance.

Above instructions shall be scrupulously followed & the concerned billing staff / officers and the supervisory officials shall be instructed to ensure implementation of this before the deadline of 15th June 2011.



Director (Finance)

To,

All Supt Engineers, circle MSEDCL.

Copy f.w.cs. to :- The Director (Operations), MSEDCL, Mumbai.

Copy to :-

1. The Regional Executive Director (I)-Kalyan / (II)-Pune / (III)-Nagpur, MSEDCL.
2. All Chief Engineers of Zones, MSEDCL.

May, 26th, 2009

To
The Director – Finance,
Maharashtra State Electricity Distributions Company Ltd (MSEDCL)
'Prakashgad', 5th Floor, Prof. Anant Kanekar Marg,
Bandra (East), Mumbai – 400 051

Dear Sir,

Subject: Cost Saving "VIRTUAL ACCOUNT" for MSEDCL (Electronic collections over RTGS / NEFT for H.T. consumers)

This is with regards to offering our valued client MSEDCL with a new way for HT Collections in the form of the Cost Efficient VIRTUAL ACCOUNT for facilitating electronic collections over RTGS / NEFT systems from MSEDCL's consumers.

This solution will help MSEDCL to achieve higher cost efficiency for collection and reconciliation operations. This proposal would cover the current modalities vis-a-vis proposed and the benefits to MSEDCL.

The flow of the proposal is as below :

- 9/6/09
- Comparison for the Current and Proposed Virtual Collection Process
 - Benefits to MSEDCL
 - Implementation steps
 - Commercials

Present paper collection process:

The collection process from HT consumers is paper based. The consumer issues a high-value cheque favoring MSEDCL on the due / discount date. The cheques are collected at respective circle offices and segregated in High Value & MICR clearing wise. Subsequently, along with acknowledgement sheet the same are deposited or collected by CMS bankers for respective circle office accounts. The cheques are processed at banks on T + 1 (T 0 being the date of pickup) and presented in clearing. Credit for High Value clearing are received on same day i.e. T + 1 and MICR clearing on 2nd Day i.e. T + 2 in respective circle office accounts. The same funds are consolidated in the main account of MSEDCL by end of day. The realization is further delayed in case of holidays.

As can be seen, the current collection process has certain drawbacks.

- It is operationally intensive as it requires paper processing and data entry operations.
- There is also risk of transit loss due to physical movement of cheques.
- Interest Loss since cheques presented in clearing takes longer time for realization.

Proposed electronic virtual account solution:

The electronic virtual account solution addresses all the drawbacks of the paper based process. With the electronic clearing infrastructure now reaching a high level of maturity, it moves the collection mechanism from paper based cheques to electronic clearing platforms, i.e. RTGS and



collection mechanism from paper based cheques to electronic clearing platforms, i.e. RTGS and NEFT. The combination of electronic clearing with virtual accounts creates a near 'fool-proof' solution which will allow MSEDCL to identify the remitter of funds irrespective of whether remittance details are provided by the consumer and whether or not the remittance information is transmitted through the remittance chain.

The Virtual account solution offered by ICICI BANK allows MSEDCL to move to electronic collections without the fear of losing crucial information necessary for reconciliation i.e. the consumer detail. Each consumer is assigned a virtual account number consisting of two parts (i.e. A and B) and the solution works by allowing MSEDCL to define Part B of the Virtual account as the consumer number and / or name of the HT customer. Part A is defined by the bank and is linked to the actual physical account of MSEDCL with ICICI BANK. The HT consumer then makes a remittance of the bill amount to the virtual account (and not to the actual physical account of MSEDCL) which is Part B. When ICICI BANK receives the payment over the RTGS / NEFT system, it uses Part A to identify the correct physical account of MSEDCL to be credited and uses Part B in the account narration while posting the credit. MSEDCL therefore receives the credit along with the unique consumer number or name and is able to reconcile the account. Given that the consumer number or name is embedded in the virtual account no., MSEDCL is assured of being able to reconcile the payment even if no other information accompanies the payment.

MSEDCL can communicate Individual Virtual Account Numbers to the HT Customers and they can make RTGS payment directly to the virtual account.

Alternatively, the collection process can be even more easily facilitated by providing each HT customer a pre-printed stub along with the necessary details to make the remittance. In that case, all that the customer has to do is to detach and sign the stub and hand it over to his bank after filling in the debit account no.

The stub would contain the following pre-printed details:

Remittance mode:	RTGS or NEFT
Amount:	Bill Amount
Beneficiary bank:	ICICI Bank Ltd
IFSC Code:	XXXX
Beneficiary name:	Maharashtra State Electricity Distributions Company Ltd.
Beneficiary account no:	_(will be provided separately virtual account no.).

The remittance mode would be RTGS for amounts over INR 100,000/- and NEFT for amounts below INR 100,000/-.

Benefits to MSEDCL:

The proposed process has the following benefits for MSEDCL:

1. The process does not involve any physical movement of cheques from one place to another resulting in elimination of loss in transit risk.
2. Operational effort of transferring, depositing, processing, and reconciling cheques is completely eliminated resulting in significant savings to MSEDCL.
3. As each entry posted into MSEDCL's account bears the consumer number captured through the virtual account mechanism, the entire reconciliation process can be completely automated.

5. Different regional offices can also be brought under this scheme by using different accounts. Each account would be identified through a unique part A assigned by ICICI BANK, while part B i.e. the virtual account would continue to be in the name of consumer number or name.
6. Funds transferred over the electronic clearing system are good funds and hence there is no risk of returns or subsequent debits to your account once credited.

Implementation steps:

The virtual account implementation process involves the following steps:

1. One time set up of virtual accounts for all HT consumers of MSEDCL on ICICI BANK's systems.
 2. Amendment to the pre-printed stub sent to all HT customers along with the monthly bill to provide the necessary remittance instructions to all HT consumers (if only required). Otherwise, we shall communicate the part B a/c nos. to respective circles to further be communicated to the respective consumers.
 3. ICICI BANK will also work with MSEDCL to provide the data of these transactions to MSEDCL in an electronic form so that the consumer's account can be automatically and seamlessly credited with the funds received (may be useful for MSEDCL)
 4. Electronic Credit Advice can be facilitated for the HT Customers and going forward we will explore value added services like Mobile Alerts etc for the MSEDCL's valued customers.
- It is recommended that MSEDCL makes this mode of payment mandatory for all its HT consumers to achieve maximum operational efficiency.

Commercials:

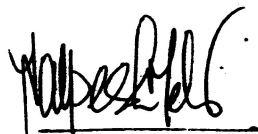
The following are the commercials for the proposal:

Date of transfer to MSEDCL's nominated account (with other banks):	Day 1, for funds received on Day 0.
One time set-up of virtual accounts:	Waived
Monthly management fees:	Waived
Per transaction fees:	Current Nominal Fees

Looking forward to being instrument in saving cost and increasing operational efficiency for MSEDCL

Please feel free for clarifications if any or to share your thoughts and feedback and guiding us with the way forward.

Best Regards,



Jalpesh Mehta
Chief Manager
Government Banking Group



Surajit Das
Team Leader
Cash Management Services



We understand your world

Dir.(F)/Dist./...891...

Date: 21/02/2011

C.G.M. (C.F.) 715
MSDCL/DT: 18/2/11

HDFC Bank Limited,
1201, Raheja Centre,
Free Press Journal Marg,
Nariman Point, Mumbai 400 021
Maharashtra

February 17th, 2011.

Shri Vijay R Shiroorkar
General Manager (Corporate Account)
Maharashtra Power Generation Company Ltd. (MSDCL),
Prakashgad, 2nd Floor,
Bandra (E), Mumbai 400 051

Gm (FA)

Ch. Discom

21/02/11

This is with reference to the issue raised by Nagpur office for delayed repatriation submitted for perusal pls

Director (Finance)

*d.g. shiroorkar
Gm (C.F.) 21/02/11*

Dear Sir,

Sub : ONLINE CASH MANAGEMENT SERVICES (E-CMS) for H.T. CONSUMERS

Please refer to our meeting with your kind self and the discussions had with you regarding the repatriation of funds for the cheques collected at Nagpur circle. In this connection, we would like to state that as per regulatory guidelines any cheque has to go through the Reserve Bank of India Clearing/ settlement cycle before it is credited to the customer's account. Accordingly, the cheques picked up from MSDCL-Nagpur circle is sent to RBI for clearance and goes through Reserve Bank of India settlement cycle.

The present process for High Tension cheque collected is as follows:

- The cheques are collected from the circle offices on Day 0 late in the evening.
- The cheques are sent to Reserve Bank of India for clearance on Day 1.
- The amount is cleared on Day 2 (As per the RBI settlement cycle for all MICR cheques)
- The entire amount is repatriated to MSDCL's Canara Bank account in Mumbai on Day 3.

We strictly repatriate the amount on 'Clear + 1' basis.

We suggest a better methodology for faster and efficient ways of collecting the funds from High Tension consumers. We would like to offer you our "E-CMS" product, which is one step ahead as it does away with cheques and will thereby reduce the clearance time involved. It will also help your organization in better liquidity management and will bring efficiency in working capital management.

The timelines for the proposed "E-CMS" facility will be as follows:

- The HT consumers will transfer the funds via RTGS/NEFT to the virtual account on Day 0.
- HDFC Bank will repatriate the amount collected through E-CMS to MSDCL's account in Mumbai on Day 1.

The above process will result in saving of 2 days for collection of funds by MSDCL

The proposed process flow for E-CMS (Online cash management systems) will be as follows:

- Each H.T. consumer will be given a "Unique virtual account number"
- MSDCL HT Consumer number can be a part of Unique Virtual Account number
- This unique virtual account number will be a combination of Bank generated code followed by MSDCL HT Consumer code. For eg: 3077xxxxxxx.
- Bank generated code will identify MSDCL account.

Regd. Office: HDFC Bank Limited, HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai - 400 013.

- The consumers of MSEDCL will remit the bill amount through 'RTGS' or 'NEFT'
- The consumers will be advised to make remittance into the respective virtual accounts
- The virtual account will get instant credit through "Straight Through Processing" of HDFC Bank
- At the end of the day, HDFC Bank will sweep the entire amount from the virtual account to the main account of MSEDCL.
- HDFC Bank will on the next working day remit the amount to the Cash-credit account of MSEDCL through RTGS (as communicated by MSEDCL)
- Detailed MIS providing the following details Name of the consumer; Consumer Number, UTR number, Amount; etc.
- MIS will be provided as the format of MSEDCL.
- MIS can be sent as per the mutually agreed frequency.
- MIS can be directly uploaded into MSEDCL's site.
- MIS will ensure Auto Reconciliation at your end.

Unique facility offered by HDFC Bank to MSEDCL:

- Single IFSC code for all customers of MSEDCL.
- Simple five details required for routing the transaction through E-CMS

Amount:	Bill Amount
Beneficiary bank:	HDFC Bank
IFSC Code:	HDFC0000240
Beneficiary name:	Maharashtra State Electricity Distributions Company Ltd.
Beneficiary account no:	Virtual account number which is a combination of Bank four digit code followed by Customer number.

- The consumers will fill up the details in the pay-in slip and submit the same to their Bank for making the remittance.

HDFC Bank will put the following checks and controls to ensure that the remittance is received from the proper consumer of MSEDCL:

- HDFC Bank will credit the funds received through a Straight through process (STP), without any manual intervention.
- HDFC Bank will do necessary validation of Consumer Number & Beneficiary Name with the masters before remitting the funds to the main account of MSEDCL.
- HDFC Bank will return the funds in case of mismatch.
- HDFC Bank will have a auto sweep of funds from the consumer virtual accounts to MSEDCL's main account.
- HDFC bank will provide customized system generated MIS to MSEDCL.

Advantages to MSEDCL:

- **Reduced clearance time** -With collection through RTGS and NEFT the clearance time reduces considerably
- **Settlement Risk** - Reduces settlement risk since the account is credited instantaneously and all RTGS payments are irrevocable and unconditional
- **Lower Interest Cost** -Faster flow of funds will help corporate to manage the working capital more efficiently.

- **Improve Liquidity**-Instant credit will help corporate to avoid delay in collecting the funds and there by improve liquidity.
- **Operation Efficiency**- HDFC Bank offer unique Product to corporate to ensure flow of funds along with information of the remitters.
- **Reduced Dependency on other banks** - E-CMS will reduce the dependency on other banks for remitters details

Charges

Being our Privileged customer all the above services will be offered "Free of Cost" to MSEDCL.

We hope that you will find our proposal of E-CMS for collections of bills from H.T consumers to be operationally efficient and mutually beneficial. We are open to modifications and fine-tuning of our proposal to suit your requirements. We look forward to offer the above services to your esteemed organisation.

Yours sincerely,


Amrita Singh
Relationship Manager
Financial Institutions &
Govt Business Group


Gayatri Rao
Vice President
Financial Institutions &
Govt Business Group