

PART-1

Chapter-1

Functioning of Power Sector Undertakings

1. Introduction

1.1 The power sector companies play an important role in the economy of the State. Apart from providing a critical infrastructure required for development of the State's economy, the sector also adds significantly to the GDP of the State. A ratio of Power sector PSUs' turnover to Gross State Domestic Product (GSDP) shows the extent of activities of PSUs in the State economy. The table - 1.1 provides the details of turnover of the power sector undertakings and GSDP of Chhattisgarh for a period of three years ending March 2018.

Table - 1.1: Details of turnover of power sector undertakings vis-a-vis GSDP of Chhattisgarh

Particulars	₹ in crore)		
	2015-16	2016-17	2017-18
Turnover	15,166.73	20,024.86	20,024.86
Percentage change in turnover as compared to turnover of preceding year	18.71	32.03	-
GSDP of Chhattisgarh	2,34,212	2,62,263	2,91,681
Percentage change in GSDP as compared to GSDP of preceding year	5.91	11.98	11.22
Percentage of Turnover to GSDP of Chhattisgarh	6.48	7.64	6.87

(Source: Compiled based on Turnover figures of power sector PSUs from CAG Audit Report and GSDP figures as per Economic Review 2017-18 of Government of Chhattisgarh)

The turnover of power sector undertakings has increased and it ranged between 18.71 per cent and 32.03 per cent during the period 2015-18, whereas increase in GSDP of Chhattisgarh ranged between 5.91 per cent and 11.98 per cent during the same period. The compounded annual growth¹ of GSDP was 7.59 per cent during the last three years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 7.59 per cent of the GSDP, the turnover of power sector undertakings recorded higher compounded annual growth of 9.70 per cent during last three years. This resulted in increase in share of turnover of these power sector undertakings to the GSDP from 6.48 per cent in 2015-16 to 6.87 per cent in 2017-18.

Formation of Power Sector Undertakings

1.2 The Chhattisgarh State Electricity Board (CSEB) was unbundled into five new companies viz., Chhattisgarh State Power Holding Company Limited

¹ Rate of Compounded Annual Growth $\{[(\text{Value of 2017-18}/\text{Value of 2015-16})^{(1/3 \text{ years})}]-1\} \times 100$.

(CSPHCL), Chhattisgarh State Power Generation Company Limited (CSPGCL), Chhattisgarh State Power Transmission Company Limited (CSPTCL), Chhattisgarh State Power Distribution Company Limited (CSPDCL) and Chhattisgarh State Power Trading Company Limited (CSPTTrCL) w.e.f. 1 January 2009 vide State Government's Gazette notification dated 19 December 2008 and all the assets and liabilities of CSEB (including equity of ₹ 4,475.90 crore² and loans and capital liabilities of CSEB of ₹ 2,985.41 crore) were distributed among these companies according to the provisions of the Transfer Scheme Rules 2010. Further, as per the Transfer Scheme Rules 2010 notified (31 March 2010) by the State Government, the properties and all interest, rights, liabilities etc. of the erstwhile CSEB stands transferred to and vested with the State Government w.e.f. 1 January 2009.

Disinvestment, restructuring and privatisation of Power Sector Undertakings

1.3 No disinvestment, restructuring and privatisation of Power Sector Undertakings was done during this period in the State of Chhattisgarh.

Investment in Power Sector Undertakings

1.4 The activity-wise summary of investment in the power sector undertakings as on 31 March 2018 is given in table - 1.2.

Table - 1.2: Activity-wise investment in power sector undertakings

Activity	Number of government undertakings	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	1	2,814.30	8,249.63	11,063.93
Transmission of Power	1	904.71	1,101.72	2,006.43
Distribution of Power	1	2,263.10	4,160.56	6,423.66
Other ³	2	609.78 ⁴	-	609.78
Total	5	6,591.89	13,511.91	20,103.80

(Source: Compiled based on annual accounts of PSUs and sanction/release orders for equity and loans.)

As on 31 March 2018, the total investment (equity and long term loans) in five power sector undertakings was ₹ 20,103.80 crore. The investment consisted of 32.79 per cent towards equity and 67.21 per cent in long-term loans.

The Long term loans advanced by the State government constituted 1.13 per cent (₹ 152.44 crore) of the total long term loans, whereas

² The final amount of equity apportioned to the CSPHCL (₹ 715.58 crore), CSPGCL (₹ 1,230.26 crore), CSPTCL (₹ 749.05 crore), CSPDCL (₹ 1,780.96 crore) and CSPTTrCL (₹ 0.05 crore) as per the GoCG's notification No.:1816/F-21/13/13-2/2014 dated 17 July 2017.

³ Sr. No. 4 and 5 of *Annexure - 1.1*.

⁴ GoCG released equity of ₹ 6,591.89 crore to CSPHCL as equity which includes amount of ₹ 5,982.16 crore which was invested by CSPHCL (holding company) in its subsidiary companies viz., CSPGCL (₹ 2,814.30 crore), CSPTCL (₹ 904.71 crore), CSPDCL (₹ 2,263.10 crore) and CSPTTrCL (₹ 0.05 crore) as shown under Generation, Transmission, Distribution and other sector as shown in **Table - 1.2** and *Annexure - 1.1*. Therefore, the figure (₹ 609.78 crore) includes the equity of ₹ 609.73 crore in CSPHCL (excluding the amount of ₹ 5,982.16 crore which was given by the GoCG for its subsidiary companies) and equity of ₹ 0.05 crore in CSPTTrCL.

98.87 per cent (₹ 13,359.47 crore) of the total long term loans were availed from other financial institutions. However, during 2015-16, out of the outstanding debts (₹ 1,153.60 crore) of CSPDCL as on 30 September 2015, the State Government has taken over (March 2016) ₹ 870.12 crore (State Government share) under Ujwal DISCOM Assurance Yojana⁵ (UDAY) scheme.

Budgetary Support to Power Sector Undertakings

1.5 The Government of Chhattisgarh (GoCG) provides financial support to power sector undertakings in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of power sector undertakings for the last three years ending March 2018 are given in table – 1.3.

Table - 1.3: Details of budgetary support to power sector undertakings during the years

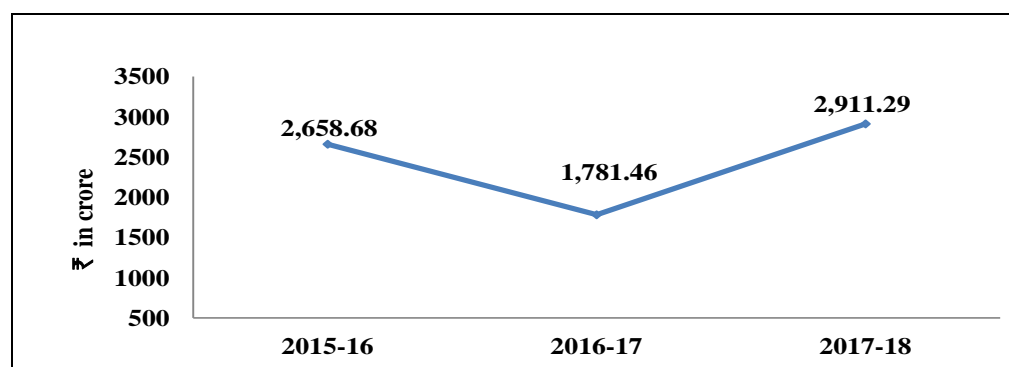
Particulars ⁶	2015-16		2016-17		2017-18	
	No of PSUs	Amount	No of PSUs	Amount	No of PSUs	Amount
Equity Capital outgo (i)	-	-	1	490.00	-	-
Loans given (ii)	-	-	-	-	-	-
Grants/Subsidies provided (iii)	1	2,658.68	1	1,291.46	1	2,911.29
Total Outgo (i+ii+iii)	1	2,658.68	2	1,781.46	1	2,911.29
Loan repayment/ written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees Outstanding	2	827.46	2	2,739.59	1	2,318.12
Guarantee Commitment	2	1,327.46	2	3,118.88	1	2,955.00

(₹ in crore)

(Source: Compiled based on annual accounts of PSUs and sanction/release orders for equity, loans and guarantees)

The details of budgetary support towards equity, loans and grants/ subsidies for the last three years ending March 2018 are given in a chart – 1.1.

Chart - 1.1: Budgetary support towards Equity, Loans and Grants/Subsidies



⁵ Scheme launched by Ministry of Power, GoI for financial and operational turnaround of DISCOMs.

⁶ Amount represents outgo from State Budget only.

The budgetary assistance received by these PSUs during the year ranged between ₹ 2,911.29 crore and ₹ 1,781.46 crore during the period 2015-16 to 2017-18. The budgetary assistance of ₹ 2,911.29 crore received during the year 2017-18 was in the form of grants/subsidy for implementation of various schemes⁷ as well as revenue subsidy.

Besides, the Ministry of Power (MoP), Government of India (GoI) also launched (20 November 2015) UDAY Scheme for operational and financial turnaround of State owned Power Distribution companies (DISCOMs). The provisions of UDAY and status of implementation of the scheme by CSPDCL are discussed under Para 1.19 of this Chapter. The subsidy/grants provided by the State Government for the year 2015-16 (₹ 2,658.68 crore) also includes assistance to CSPDCL under UDAY Scheme (₹ 870.12 crore).

GoCG provides guarantee under Chhattisgarh State Government Guarantee Rules (CSGGR), 2003 for PSUs to seek financial assistance from Banks and financial institutions. The guarantee fee is charged from the borrowing institution at a rate, in a manner and within a time period as specified by the GoCG in the grant order in case of loan availed by PSUs from banks/financial institutions without any exception under the provisions of the CSGGR 2003. Outstanding guarantee commitments decreased by 5.25 per cent from ₹ 3,118.88 crore in 2016-17 to ₹ 2,955 crore in 2017-18.

Reconciliation with Finance Accounts of Government of Chhattisgarh

1.6 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Chhattisgarh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated in table – 1.4.

Table - 1.4: Equity, Loans and Guarantee outstanding as per Finance Accounts vis-à-vis records of power sector undertakings

(₹ in crore)			
Form of investment	As per Finance Accounts	As per records of power sector undertakings	Difference
Equity	6,416.05	6,591.89	175.84 ⁸
Loans	108.71	152.44	43.73
Guarantees	2,318.12	2,190.00	128.12

(Source: Compiled based on information received from PSUs and Finance Accounts)

The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs/ Departments from time to time. The major difference in equity (₹ 175.84 crore) was observed in Chhattisgarh State Power Holding Company

⁷ Subsidy / Grant for Single Bulb Connection, Free supply of Electricity to Agriculture pump, Mukhyamantri Majra-tola Vidyutikaran Yojna, Energisation of Agriculture pump etc. and revenue subsidy given to Chhattisgarh State Power Distribution Company Limited.

⁸ The amount of equity of ₹ 175.84 crore was kept as share application money in the accounts of CSPHCL against which no equity shares have been issued by CSPHCL. Accordingly, GoCG has not considered the same as investment resulting in difference in equity investment by GoCG in Finance accounts.

Limited. The audit, therefore, recommend that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by Power Sector Undertakings

Timeliness in preparation of accounts by Power Sector Undertakings

1.7 There were five power sector undertakings under the audit purview of CAG as of 31 March 2018. Accounts for the year 2017-18 were not submitted by any Power sector PSUs by 31 December 2018. Details of arrears in submission of accounts of power sector undertakings as on 30th September of each financial year for the last three years ending 31 March 2018 are given in table – 1.5.

Table - 1.5: Position relating to submission of accounts of Power Sector Undertakings

Sl. No.	Particulars	2015-16	2016-17 ⁹	2017-18 ¹⁰
1.	Number of PSUs	5	5	5
2.	Number of accounts submitted during current year	5	5	5
3.	Number of PSUs which finalised accounts for the current year	-	-	-
4.	Number of previous year accounts finalised during current year	5	5	5
5.	Number of PSUs with arrears in accounts	5	5	5
6.	Number of accounts in arrears	5	5	5
7.	Extent of arrears	1 year	1 year	1 year

(Source: Compiled based on accounts of PSUs received till 31 December 2018)

Performance of Power Sector Undertakings

1.8 The financial position and working results of five power sector companies as per their latest finalised accounts as of 31 December 2018 are detailed in *Annexure - 1.2*.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The total investment of State Government and others in the power sector PSUs was ₹ 20,103.80 crore consisting of ₹ 6,591.89 crore as equity and ₹ 13,511.91 crore as long-term loans (Government loan of ₹ 152.44 crore¹¹ and financial institutions loan of ₹ 13,359.47 crore) as detailed in *Annexure - 1.1*. Out of this, Government of Chhattisgarh has investment of ₹ 6,744.28 crore in the four Power Sector PSUs¹² only consisting of equity of ₹ 6,591.84 crore and long-term loans of

⁹ For the year 2016-17 accounts received till 31 December are considered.

¹⁰ For the year 2017-18 accounts received till 31 December are considered.

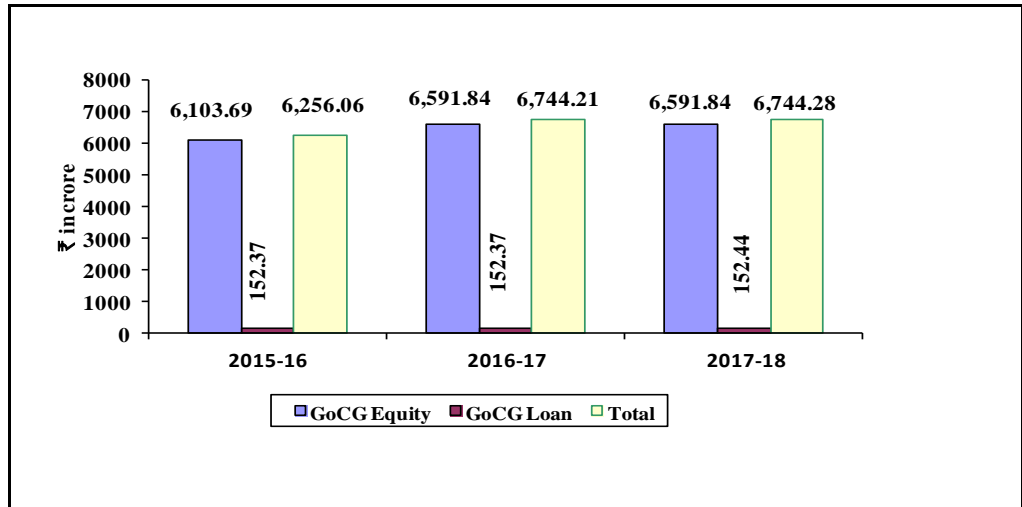
¹¹ The adjustment of loan as well as interest has not been done by Energy Department, GoCG since 2015-16 and thus the outstanding amount has been reinstated as GoCG loan.

¹² GoCG released equity to the Chhattisgarh State Power Holding Company Limited on behalf of its four subsidiary power sector PSUs. Therefore, for the purpose of infusion of Government's fund, reduced equity of holding company (to the extent of equity invested in subsidiaries) and the equity capital of three subsidiary PSUs (in which GoCG has directly invested in the form of loans/grants/subsidies) have been considered (*Annexure - 1.1*). The Chhattisgarh State Power Trading Company Limited has not been considered for the purpose of GoCG investment.

₹ 152.44 crore.

The year wise status of investment of GoCG in the form of equity and long-term loans in the power sector PSUs during the period 2015-16 to 2017-18 is given in a chart - 1.2.

Chart - 1.2: Total investment of GoCG in power sector undertakings

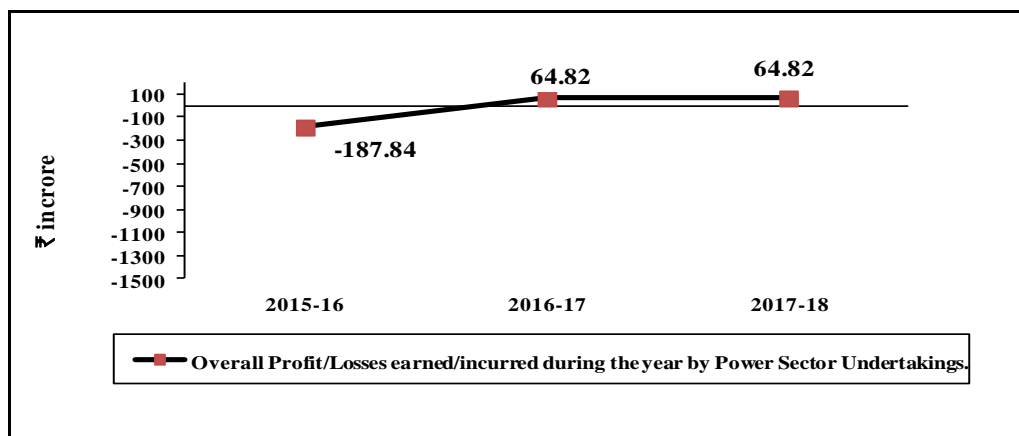


The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company’s profitability and the efficiency with which its capital is used and is calculated by dividing company’s earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders’ fund.

Return on Investment

1.9 Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses¹³ earned/incurred by all the power sector undertakings during 2015-16 to 2017-18 is depicted in a chart – 1.3.

¹³ Figures are as per the latest finalised accounts during the respective years.

Chart - 1.3: Profit/Losses earned/incurred by Power Sector Undertakings

The profit earned by power sector PSUs was ₹ 64.82 crore in 2017-18 against losses of ₹ 187.84 crore incurred in 2015-16. According to latest finalised accounts of PSUs covered in this report, three PSUs earned profit of ₹ 489.52 crore and two PSUs incurred loss of ₹ 424.70 crore (*Annexure-1.2*). The profit making companies were Chhattisgarh State Power Generation Company Limited (₹ 336.49 crore) and Chhattisgarh State Power Transmission Company Limited (₹ 152.06 crore) while Chhattisgarh State Power Distribution Company Limited (₹ 421.76 crore) incurred heavy loss.

Position of Power Sector Undertakings which earned/incurred profit/loss during 2015-16 to 2017-18 is given in table – 1.6.

Table -1.6: Power Sector Undertakings which earned profit /incurred loss

Financial year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had No profit/loss during the year
2015-16	5	3	2	-
2016-17	5	3	2	-
2017-18	5	3	2	-

Real return on the basis of Present Value of Investment

1.10 In view of the significant investment by Government in the four Power Sector companies, return on such investment is essential from the perspective of State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, the return on investment has been calculated after considering the Present Value of money to arrive at real return in investment made by the GoCG. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free/defaulted long term loans and Capital grants since finalisation of the balance sheets of these companies after unbundling of erstwhile Electricity Board (2008-09) till 31 March 2018.

The Present value (PV) of the State Government investment in power sector undertakings was computed on the basis of following assumptions:

- Interest free/defaulted long term loans and capital grants have been considered as investment infusion by the State Government. Further, in those cases where interest free loans given to the PSUs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year. The funds made available in the form of revenue grants and subsidies have not been reckoned as investment except in the case of grant given under UDAY scheme as referred in *Paragraph 1.19*.
- The average rate of interest on government borrowings for the concerned financial year¹⁴ was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year.

For the period 2015-16 to 2017-18 when one¹⁵ power sector PSU in which GoCG invested incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the company is commented upon in *Paragraph 1.12*.

1.11 The position of State Government investment in the four power sector companies in the form of equity, Interest free/defaulted long term loans and Capital Grants from 2008-09 till 31 March 2018 and the consolidated position of the PV of the State Government investment relating to them from 2008-09 till 31 March 2018 is indicated in table – 1.7.

¹⁴ The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Chhattisgarh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

¹⁵ CSPDCL

Table - 1.7: Year wise details of investment by the State government and present value (PV) of government funds from 2000-01 to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State government during the year	Interest free / defaulted loans, Capital Grant given by the State government during the year	Total investment during the year	Average rate of interest on government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year ¹⁶
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii={vii*(1+vi)/100}	ix={vii*vi/100}	x
Upto 2007-08	-	24.92	-	24.92	-	-	41.31	-	-
2008-09	41.31	5,106.84	29.50	5,136.34	7.36	5,177.65	5,558.72	381.07	136.94
2009-10	5,558.72	0.00	200.80	200.80	7.13	5,759.52	6,170.17	410.65	435.29
2010-11	6,170.17	0.00	78.49	78.49	7.34	6,248.66	6,707.32	458.65	296.51
2011-12	6,707.32	900.00	100.00	1,000.00	7.08	7,707.32	8,252.99	545.68	280.80
2012-13	8,252.99	704.00	182.73	886.73	6.34	9,139.72	9,719.18	579.46	-1,883.53
2013-14	9,719.18	22.00	172.12	194.12	6.12	9,913.30	10,520.00	606.69	-492.35
2014-15	10,520.00	0.00	200.81	200.81	6.16	10,720.81	11,381.21	660.40	-1,334.29
2015-16	10,727.09	-654.12 ¹⁷	1,102.70	448.58	6.25	11,175.67	11,874.15	698.48	-185.68
2016-17	11,874.15	488.20 ¹⁸	296.47	784.67	6.62	12,658.82	13,496.83	838.01	67.76
2017-18	13,496.83	0.00	1,338.11	1,338.11	6.38	14,834.94	15,781.41	946.47	67.76
Total		6,591.84	3,701.73	10,293.57					

The balance of investment of the State Government in these four companies at the end of the year increased to ₹ 10,293.57 crore in 2017-18 from ₹ 24.92 crore in 2007-08 as the State Government made further investments in shape of equity (₹ 6,566.92 crore), interest free loans and capital grants (₹ 3,701.73 crore). The PV of investments of the State Government upto 31 March 2018 worked out to ₹ 15,781.41 crore.

During the period between 2008-09 and 2011-12 (except during 2009-10), total earnings of these PSUs remained substantially below the minimum expected return towards the investment made by GoCG. Further, the total earnings for the year relating to these PSUs remained negative during the period between 2012-13 and 2015-16 which indicates that instead of generating returns on the invested funds, these companies did not recover the cost of funds to the Government during the period.

Further, the GoCG investment also include grant of ₹ 870.12 crore during

¹⁶ Total earnings for the year depict total of net earnings (profit/loss) for the concerned year relating to those Power Sector PSUs where funds were infused by State Government.

¹⁷ The surplus revenue pertaining to the period from 1 January 2008 to 31 March 2009 of erstwhile Chhattisgarh State Electricity Board was kept as share application money by CSPHCL after bifurcation of CSEB. Further, GoCG decided (2015-16) that the amount of ₹ 654.12 crore was the income of CSPDCL and hence was transferred to CSPDCL, which was considered as an exceptional item (income) in P&L account of 2015-16 of CSPDCL. Thus, investment in equity by GoCG in power sector PSUs decreased to that extent during the year 2015-16.

¹⁸ The figure includes budgetary support in the form of equity of ₹ 490 crore given by GoCG to Chhattisgarh State Power Generation Company Limited through Chhattisgarh State Power Holding Company Limited (CSPHCL). Further, the equity of CSPHCL was adjusted by ₹ (-) 1.80 crore in light of the final Balance sheet vide notification No. 1816/F-21/13/13-2/2014 dated 17 July 2017 of GoCG. Thus, the net equity infusion by GoCG during the year 2016-17 has been taken as ₹ 488.20 crore (₹ 490.00 crore - ₹ 1.80 crore).

2015-16 to the Chhattisgarh State Power Distribution Company Limited under UDAY scheme for taking over the debts of the Company due to banks and financial institutions.

Erosion of Net worth

1.12 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

As on 31 March 2018 there were two PSUs with accumulated losses of ₹ 6,839.32 crore. Of the two PSUs, one PSU (CSPDCL) incurred losses in the year 2017-18 amounting to ₹ 421.76 crore and one PSU (CSPGCL) had not incurred loss in the year 2017-18, even though it had accumulated loss of ₹ 843.04 crore (*Annexure - 1.2*). None of the PSUs were under winding up/closure/ liquidation/ strategic disinvestment.

Net worth of one (CSPDCL) out of two PSUs had been completely eroded by accumulated loss and its net worth was negative. The net worth of the PSU was (-) ₹ 3,733.18 crore against equity investment of ₹ 2,263.10 crore as on 31 March 2018.

In respect of one PSU (CSPDCL) whose capital had been eroded, Government loans ₹ 86.42 crore outstanding as on 31 March 2018 also stand eroded.

Net worth of ₹ 1,971.26 crore was less than the paid up capital of ₹ 2,814.30 crore in respect of one PSU (CSPGCL) at the end of 31 March 2018, indicating its potential financial sickness.

The table – 1.8 indicates paid up capital, accumulated profit/loss and net worth of CSPDCL during the period 2015-16 to 2017-18.

Table - 1.8: Net worth of CSPDCL a loss making Power Sector Undertaking during 2015-16 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
2015-16	2,326.37	-5,574.52	-	-3,248.15
2016-17	2,263.10	-5,996.28	-	-3,733.18
2017-18	2,263.10	-5,996.28	-	-3,733.18

Dividend Payout

1.13 The State Government has not formulated any dividend policy for State PSUs. As per their latest finalised accounts, three out of four PSUs who has earned an aggregate profit of ₹ 489.52 crore on the Government equity of ₹ 4,328.74 crore¹⁹, no dividend from their profit were proposed by the Power Sector Undertakings. Dividend Payout relating to four Power Sector Undertakings where equity was infused by GoCG during the period is shown in table – 1.9.

¹⁹ Paid-up capital of CSPGCL, CSPTCL and CSPHCL as per their latest finalised accounts.

Table - 1.9: Dividend Payout of four Power Sector Undertakings during 2015-16 to 2017-18

Year	Total PSUs where equity infused by GoCG		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoCG	Number of PSUs	Equity infused by GoCG	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2015-16	4	6,103.64	3	3,777.27	-	-	-
2016-17	4	6,591.84	3	4,328.74	-	-	-
2017-18	4	6,591.84	3	4,328.74	-	-	-

During the period 2015-16 to 2017-18, of three PSUs which earned profits, none of the PSUs declared/paid dividend to GoCG. Further analysis disclosed that none of these companies declared/paid dividend since inception.

Return on Equity

1.14 Return on Equity (ROE)²⁰ is a measure of financial performance to assess how effectively management is using company's assets to create profits and is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund *plus* GoCG loans. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Return on Equity has been computed in respect of three profit making power sector PSUs where funds had been infused by the State Government. The details of Shareholders fund and ROE relating to these profit making power sector undertakings during the period from 2015-16 to 2017-18 are given in table – 1.10.

Table - 1.10: Return on Equity relating to three Power Sector Undertakings where funds were infused by the GoCG

Year	Net Income/ total Earnings for the year ²¹ (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (in per cent)
2015-16	366.27	2869.72 ²²	12.76
2016-17	489.52	3910.71 ²³	12.52
2017-18	489.52	3910.71 ²⁴	12.52

²⁰ Return on Equity = (Net Profit after Tax and preference Dividend/Equity)*100 where Equity = Paid up Capital + Free Reserves + GoCG Loans – Accumulated Loss – Deferred Revenue Expenditure

²¹ As per annual accounts of the respective years.

²² The figure of shareholder's fund includes net worth (₹ 2,803.70 crore) of CSPGCL, CSPTCL and CSPHCL *plus* GoCG loan of CSPGCL (₹ 50.33 crore) and CSPTCL (₹ 15.69 crore).

²³ The figure of shareholder's fund includes net worth (₹ 3,844.69 crore) of CSPGCL, CSPTCL and CSPHCL *plus* GoCG loan of CSPGCL (₹ 50.33 crore) and CSPTCL (₹ 15.69 crore).

²⁴ The figure of shareholder's fund includes net worth (₹ 3,844.69 crore) of CSPGCL, CSPTCL and CSPHCL *plus* GoCG loan of CSPGCL (₹ 50.33 crore) and CSPTCL (₹ 15.69 crore) as shown in Annexure – 1.2 and Annexure – 1.1 respectively.

As can be seen from the above table, during the last three years period ended March 2018, the Net Income and Shareholders fund ranged between 12.52 per cent and 12.76 per cent during the period from 2015-16 to 2017-18.

Return on Capital Employed

1.15 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed²⁵. The details of ROCE of PSUs covered in this report during the period from 2015-16 to 2017-18 are given in table – 1.11.

Table - 1.11: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2015-16	720.03	10,858.17	6.63
2016-17	1,507.91	12,808.47	11.77
2017-18	1,507.91	12,808.47	11.77

The ROCE improved from 6.63 per cent in 2015-16 to 11.77 per cent in 2017-18 due to increase in EBIT mainly due to decrease in losses of Chhattisgarh State Power Distribution Company Limited and increase in profits of Chhattisgarh State Power Generation Company Limited and Chhattisgarh State Power Transmission Company Limited.

Analysis of Long term loans of the Companies

1.16 The analysis of the long term loans of the companies which had leverage during 2015-16 to 2017-18 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through the Interest coverage ratio.

Interest Coverage Ratio

1.17 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's EBIT by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of PSUs which had outstanding loans covered in the report during the period from 2015-16 to 2017-18 are given in table – 1.12.

²⁵ Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

Table - 1.12: Interest coverage ratio

Year	Interest (₹ in crore)	EBIT ²⁶ (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2015-16	907.74	721.78	3	2	1
2016-17	1,442.61	1,509.40	3	2	1
2017-18	1,442.61	1,509.40	3	2	1

It was observed that the number of power sector companies with interest coverage ratio of more than one was two during the period from 2015-16 and 2017-18. Further, one PSU (CSPDCL) had interest coverage ratio of less than one throughout the period from 2015-16 to 2017-18 which indicates high risk of insolvency in the PSU.

Age wise analysis of interest outstanding on State Government Loans

1.18 As on 31 March 2018, interest amounting to ₹ 41.57 crore was outstanding on the long term loans of three PSUs provided by GoCG. The age wise analysis of interest outstanding on GoCG Loans in PSUs is depicted in table – 1.13.

Table - 1.13: Interest outstanding on State Government Loans

(₹ in crore)					
Sl. No.	Name of PSU	Outstanding interest on loans	Outstanding for less than 1 year	Outstanding for 1 to 3 years	Outstanding for more than 3 years
1	CSPGCL	16.61	4.28	8.56	3.77
2	CSPTCL	5.53	1.40	4.13	-
3	CSPDCL	19.43	7.41	12.02	-
Total		41.57	13.09	24.71	3.77

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.19 The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State owned Power Distribution companies (DISCOMs). As per provisions of UDAY Scheme, the participating States were required to undertake following measures for operational and financial turnaround of DISCOMs.

Scheme for improving operational efficiency

1.19.1 The participating States were required to undertake various targeted activities like compulsory feeder and distribution transformer (DT) metering, consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipments, quarterly revision of tariff, comprehensive IEC campaign to check theft of power, assure increased power supply in areas where the Aggregated Technical and Commercial (AT&C) losses have been

²⁶ The figures pertaining to EBIT of those PSUs having long term loans.

reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimize outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption etc. The outcomes of operational improvements were to be measured through indicators *viz.* reduction of AT&C loss to 15 *per cent* in 2018-19 as per loss reduction trajectory finalised by the MoP and States, reduction in gap between average cost of supply and average revenue realised to zero by 2018-19.

Scheme for financial turnaround

1.19.2 The participating States were required to take over 75 *per cent* of DISCOMs debt outstanding as on 30 September 2015 *i.e.* 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17. The scheme for financial turnaround *inter alia* provided that:

- State will issue ‘*Non Statutory Liquidity Ratio (Non-SLR) bonds*’ and the proceeds realised from issue of such bonds shall be transferred to the DISCOM which in turn shall discharge the corresponding amount of Banks/FIs debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto five years.
- Debt of DISCOM will be taken over in the priority of debt already due, followed by debt with higher cost.
- The transfer to the DISCOM by the State in 2015-16 and 2016-17 will be as a grant which can be spread over three years with the remaining transfer through State loan to DISCOM. In exceptional cases, 25 *per cent* of grant can be given as equity.

Implementation of the UDAY Scheme

1.19.3 The status of implementation of the UDAY Scheme is detailed below:

A. Achievement of operational parameters

The achievement *vis-a-vis* targets under UDAY Scheme regarding different operational parameters relating to the CSPDCL is given in the table – 1.14.

Table - 1.14: Parameter wise achievements vis-a-vis targets of operational performance upto 31 March 2018

Parameter	Target period as per MoU	Target	Achievement
Financial turnaround			
Takeover of loans of DISCOMs by GoCG by conversion into grant (in ₹ crore)	2015-16	865.20	870.12 (Achieved)
Reduction of AT & C Loss (in per cent)	2017-18	18	19.07
Elimination of ACS - ARR gap (upto ₹ per unit)	2017-18	-0.34	-0.03
Tariff Revision in time	2017-18	Timely filing of Tariff petition	No delay
Billing efficiency (in per cent)	2017-18	85.28	84.54
Collection efficiency (in per cent)	2017-18	99.66	82.93
Operational turnaround			
Distribution transformers metering (Urban) (in nos.)	2017-18	92,811	1,857
Distribution transformers metering (Rural) (in nos.)	2017-18	1,04,488	3,859
Feeder metering (Rural) (in nos.)	2017-18	2,023	1,687
Rural feeder audit (in nos.)	2017-18	2,793	921
Smart metering above 500 KWH (in nos.)	2017-18	2,92,984	Nil
Electricity access to un-connected households (in lakh)	2017-18	6.40	7.14 (achieved)
Distribution of LEDs under UJALA scheme (in lakh)	2017-18	75	124.85 (achieved)
Physical feeder segregation (in nos.)	2017-18	1179	103

(Source: Compiled based on information received from PSUs)

The State has not initiated action for the smart metering of consumers consuming above 200 units per month, it has performed poorly in metering of DTs in rural areas, feeder metering and feeder segregation, whereas the performance has been excellent in terms of providing electricity to unconnected households and distribution of LEDs. Further, the AT&C loss of the State was 19.84 per cent by 2018-19 against the target of 15 per cent. So, the State could not achieve the most important target of reduction on AT&C loss.

B. Implementation of Financial Turnaround

1.19.4 With an objective to improve the operational and financial efficiency of the State DISCOMs, Ministry of Power, Government of India (GoI) launched (November 2015) Ujwal Discom Assurance Yojna (UDAY), a scheme for the financial turnaround of power distribution companies.

Memorandum of Understanding (MoU) was signed (January 2016) between Ministry of Power, GoI, Government of Chhattisgarh (GoCG) and Chhattisgarh State Power Distribution Company Limited (CSPDCL) for implementation of the scheme with identified financial and operational targets. As per provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 1,740.24 crore) pertaining to CSPDCL as on

30 September 2015, the GoCG was to take over debt of ₹ 1,305.18 crore (75 per cent of total debt) by providing grant of ₹ 870.12 crore during the period 2015-16 and ₹ 435.06 crore during 2016-17.

However, due to exclusion of its borrowings from State Government and CSPDCL bonds, GoCG revised the total debt of CSPDCL by ₹ 1,153.60 crore for which GoCG was liable to provide grant of ₹ 865.20 crore (75 per cent of ₹ 1,153.60 crore) only.

Comments on Accounts of Power Sector Undertakings

1.20 Five Power sector companies forwarded their five audited accounts to the Accountant General during 1 January 2018 to 31 December 2018. All the five accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG for the accounts of 2015-18 are given in table – 1.15.

Table - 1.15: Impact of audit comments on Power Sector companies

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	2	9.68	3	20.75	The accounts of power sector PSUs for the year 2017-18 were not finalised till 31 December 2018.	
2	Increase in profit	-	-	-	-		
3	Increase in loss	1	7.93	1	167.79		
4	Decrease in loss	1	26.34	-	-		
5	Non-disclosure of material facts	-	-	4	281.62		
6	Errors of classification	-	-	-	-		

(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government companies)

During the year 2017-18, the Statutory Auditors had issued qualified certificates on five accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out two instances of non-compliance to the Accounting Standards in one account.

Performance Audit and Compliance Audit Paragraphs

1.21 For Part-1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, a performance audit on “Construction and Operation of Atal Bihari Vajpayee Thermal Power Station, Marwa” of Chhattisgarh State Power Generation Company Limited, relating to power sector undertakings were issued to the Principal Secretary of Energy Department, GoCG with request to furnish replies within six weeks. Reply on the performance audit has been received (November 2019) from the State Government and suitably incorporated in this report. The total financial impact of the Performance Audit is ₹ 4,099.47 crore.

Follow up action on Audit Reports

1.22 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate

and timely response from the executive. The Finance Department, Government of Chhattisgarh issued (April 2017) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Discussion of Audit Reports by COPU

1.23 The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 31 December 2018 are given in the table - 1.16.

Table - 1.16: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 31 December 2018

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2008-09	-	04	-	02 (4.3.1, 4.3.2)
2009-10	01(CSPGCL)	-	01	-
2010-11	01 (CSPDCL)	01	01	01 (4.3.8)
2011-12	01 (CSPTCL)	05	-	05 (3.6 to 3.10)
2012-13	-	03	-	03 (3.7 to 3.9)
2013-14	-	04	-	-
2014-15	-	06	-	-
2015-16	01(RAPDRP)	01	-	-
2016-17	-	-	-	-

(Source: Compiled based on the discussions of COPU on the Audit Reports)

Compliance to Reports of COPU

1.24 Action Taken Notes (ATNs) on one report²⁷ of the COPU presented to the State Legislature in March 2006 had not been received (31 December 2018) relating to the State PSUs (Power sector) as indicated in table - 1.17.

Table - 1.17: Compliance to COPU Reports

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2004-05	01	01	01

(Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoCG)

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to the erstwhile Chhattisgarh State Electricity Board which appeared in the Report of the CAG of India for the year 2004-05.

²⁷ Pertaining to Energy Department, GoCG, which appeared in the reports of the CAG of India for the year 2004-05.