

CHAPTER-V: FUNCTIONING OF POWER SECTOR PSUs

5.1 Introduction

Power sector PSUs play an important role in the economy of the State by providing critical infrastructure required for growth and development of the State. The PSUs in this sector also add significantly to the GSDP of the State as can be seen from the ratio of these PSUs turnover to GSDP. There were six Power Sector Undertakings (PSUs) as on 31 March 2019. Of these six Power Sector PSUs, analysis of financial performance of five PSUs has been presented in this Report. One PSU viz. Uttar Chhattisgarh Rajya Vidyut Utpadan Limited (UCRVUL)¹ added during 2018-19 was yet to commence its commercial activities. **Table 5.1** below provides the details of turnover of the power sector undertakings and GSDP of Chhattisgarh for a period of three years ending March 2019.

Table 5.1: Turnover of Power Sector PSUs vis-à-vis GSDP of Chhattisgarh

| Particulars | 2016-17 | 2017-18 | 2018-19 |
|---|-----------|-----------|-----------|
| Turnover | 20,024.86 | 22,756.12 | 22,794.73 |
| Percentage change in turnover as compared to turnover of preceding year | 32.03 | 13.64 | 0.17 |
| GSDP of Chhattisgarh State | 2,54,722 | 2,84,194 | 3,11,660 |
| Percentage change in GSDP as compared to GSDP of preceding year | 12.02 | 11.57 | 9.66 |
| Percentage of Turnover to GSDP of Chhattisgarh | 7.86 | 8.01 | 7.31 |

(Source: Turnover: Accounts of PSUs; GSDP: Economic Review 2018-19 of Government of Chhattisgarh)

The percentage of change in turnover of Power Sector PSUs decreased compared to preceding year's turnover from 32.03 per cent in 2016-17 to 0.17 per cent in 2018-19. The compounded average annual growth rate² of GSDP of Chhattisgarh was 6.96 per cent during the years 2016-19, while the turnover of Power Sector PSUs recorded lower compounded average annual growth of 4.41 per cent during the same period. This resulted in decrease in share of the turnover of these PSUs to the GSDP from 7.86 per cent in 2016-17 to 7.31 per cent in 2018-19.

5.1.1 Formation of Power Sector Undertakings

The erstwhile Chhattisgarh State Electricity Board (CSEB) was functionally unbundled into five new companies viz., Chhattisgarh State Power Holding Company Limited (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) with effect from 1 January 2009 as per State

¹ UCRVUL (erstwhile IFFCO Chhattisgarh Power Limited, a non-government public limited Company incorporated on 25 January 2006) became 100 per cent subsidiary Company of Chhattisgarh State Power Generation Company Limited on 22 March 2018.

² CAGR= $\left[\left(\frac{\text{Value of 2018-19}}{\text{Value of 2016-17}}\right)^{\frac{1}{3 \text{ years}}}-1\right]*100$.

Government's order dated 19 December 2008. All the assets and liabilities of CSEB (including equity of ₹ 4,475.90 crore³ and loans and capital liabilities of ₹ 2,985.41 crore) were distributed among these Companies according to the provisions of the Transfer Scheme Rules, 2010, as notified by the State Government on 31 March 2010. Further, as per these Rules, the properties and all interest, rights, liabilities etc. of the erstwhile CSEB stands transferred to and vested with the State Government with effect from January 2009.

5.2 Restructuring, Disinvestment and Privatisation of Power Sector PSUs

During the year 2018-19, there was no disinvestment of any Power Sector PSU in Chhattisgarh State nor was any of these PSUs privatized.

5.3 Investment in Power Sector PSUs

The activity-wise investment of Central and State Governments and Others (capital and long-term loans) in the Power Sector PSUs as on 31 March 2019 is detailed in **Table 5.2**.

Table 5.2: Activity-wise total investment in Power Sector PSUs

| Activity | Number of PSUs | Investment (₹ in crore) | | |
|-----------------------|----------------|-------------------------|------------------|------------------|
| | | Equity | Long term loans | Total |
| Generation of Power | 2 | 3,014.30 | 7,549.63 | 10,563.93 |
| Transmission of Power | 1 | 904.71 | 1,281.10 | 2,185.81 |
| Distribution of Power | 1 | 2,263.10 | 2,502.35 | 4,765.45 |
| Other ⁴ | 2 | 609.78 ⁵ | - | 609.78 |
| Total | 6 | 6,791.89 | 11,333.08 | 18,124.97 |

(Source: Annual Accounts / information furnished by PSUs)

As on 31 March 2019, out of the total investment in Power Sector PSUs, 37.47 per cent comprised equity capital and 62.53 per cent comprised long-term loans. The Long term loans advanced by the State Government constituted 1.34 per cent (₹ 151.65 crore) of the total long term loans and 98.66 per cent (₹ 11,181.43 crore) raised from other sources. Details are given in **Appendix 5.1**. During 2018-19, investment of ₹ 200 crore by Chhattisgarh State Power Generation Company Limited in the form of equity in the newly incorporated Government Company, viz. Uttar Chhattisgarh Rajya Vidyut Utpadan Limited was added.

The year wise details of investment made by the State Government in the form of equity and long-term loans in the Power Sector PSUs during the period 2016-17 to 2018-19 are given in **Chart 5.1**.

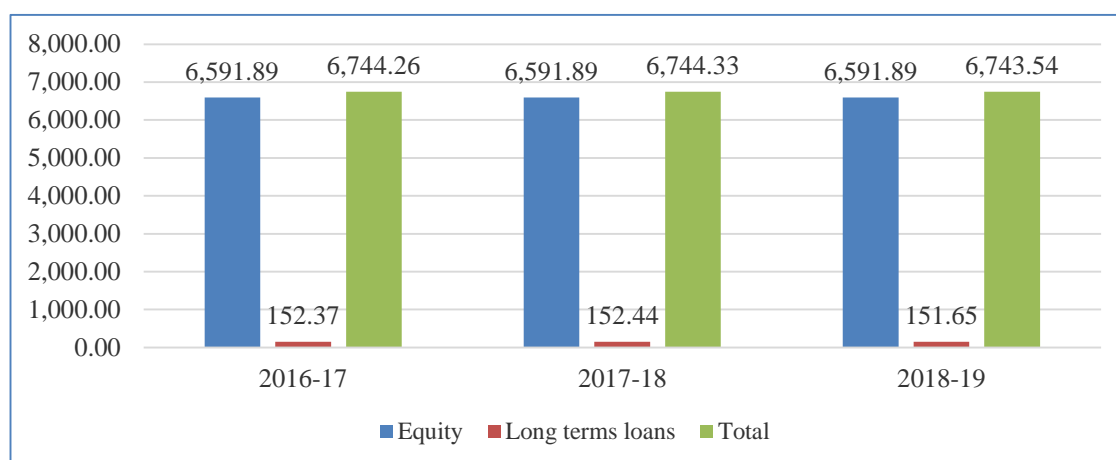
³ The final amount of equity was apportioned among CSPHCL (₹ 715.58 crore), CSPGCL (₹ 1,230.26 crore), CSPTCL (₹ 749.05 crore), CSPDCL (₹ 1,780.96 crore) and CSPTTrCL (₹ 0.05 crore) by the GoCG in July 2017.

⁴ CSPHCL and CSPTTrCL.

⁵ GoCG released equity of ₹ 6,591.89 crore to CSPHCL (Holding Company), which reinvested ₹ 5,982.16 crore in its four Subsidiary Companies. Hence, balance ₹ 609.73 crore was shown as equity in CSPHCL (**Appendix-5.1**).

Chart 5.1: State Government's investment in Power Sector PSUs

(₹ in crore)



5.4 Budgetary Support to Power Sector PSUs

The State Government provides financial support to Power Sector PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidy, loans written off and loans converted into equity during the year in respect of five power sector undertakings covered in this Report for the last three years ending March 2019 are given in **Table 5.3**.

Table 5.3: Details relating to budgetary support to Power Sector PSUs

(₹ in crore)

| Particulars | 2016-17 | | 2017-18 | | 2018-19 | |
|-------------------------------|----------------|-----------------|-------------|-----------------|----------------|-----------------|
| | No. of PSUs | Amount | No. of PSUs | Amount | No. of PSUs | Amount |
| (i) Equity Capital | 1 | 490.00 | - | - | - | - |
| (ii) Loans | - | - | - | - | - | - |
| (iii) Grants / Subsidy | 1 | 1,291.46 | 1 | 2,911.29 | 1 ⁶ | 2,333.77 |
| Total Outgo (i+ii+iii) | 2 | 1,781.46 | 1 | 2,911.29 | 1 | 2,333.77 |
| Guarantees Outstanding | 2 ⁷ | 2,739.59 | 1 | 2,318.12 | 1 ⁶ | 1,895.62 |
| Guarantee Commitments | 2 ⁸ | 3,118.88 | 1 | 2,955.00 | 1 ⁶ | 2,455.00 |

(Source: Annual Accounts / information furnished by PSUs)

As can be seen from the Table, budgetary assistance received by these PSUs increased from ₹ 1,781.46 crore in 2016-17 to ₹ 2,333.77 crore in 2018-19. During 2018-19, it comprised grants / subsidy provided to CSPDCL for implementation of various schemes such as Single Bulb Connection, Free supply of Electricity to Agriculture pump, Mukhyamantri Majra-tola Vidyutikaran Yojna, Energisation of Agriculture pumps etc. and revenue subsidy.

Further, the Ministry of Power (MoP), Government of India (GoI) also launched (20 November 2015) Ujwal Discom Assurance Yojana (UDAY) Scheme for operational

⁶ CSPDCL.

⁷ The figure pertains to CSPHCL (₹ 163.89 crore) and CSPDCL (₹ 2,575.70 crore).

⁸ The figure pertains to CSPHCL (₹ 429.30 crore) and CSPDCL (₹ 2,689.58 crore).

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 **Paragraph 5.7** of this Chapter.

The State Government helps the Power Sector PSUs to raise loans from banks and Public Financial Institutions by providing guarantee for repayment of principal and interest under Chhattisgarh State Government Guarantee Rules (CSGGR), 2003. For the purpose, guarantee fee is charged by the State Government from the PSUs at a rate and period as specified in the grant order. Outstanding guarantee commitments given by the State Government decreased by 21.28 *per cent* from ₹ 3,118.88 crore in 2016-17 to ₹ 2,455.00 crore in 2018-19. These guarantees were, however, exempted from payment of any guarantee fee.

5.5 Submission of Accounts by Power Sector PSUs

5.5.1 Timeliness in preparation of Accounts by Power Sector PSUs

Section 96 (1) of the Companies Act, 2013 requires that the PSUs finalise their accounts within six months from the end of the relevant financial year, i.e., by September end. Failure to do so may attract penal provisions under Section 99 of the Companies Act, 2013. The following **Table 5.4** below provides details of progress made by five Power Sector PSUs in finalisation of their accounts as on 31 December 2019:

Table 5.4: Position relating to finalisation of Accounts of Power Sector PSUs

| Sl. No. | Particulars | 2016-17 ⁹ | 2017-18 ⁹ | 2018-19 ⁹ |
|---------|--|----------------------|----------------------|----------------------|
| 1. | Number of PSUs | 5 | 5 | 6 |
| 2. | Number of accounts submitted during current year | 5 | 5 | 8 |
| 3. | Number of PSUs which finalised accounts for the current year | - | - | 2 |
| 4. | Number of previous year accounts finalised during current year | 5 | 5 | 6 |
| 5. | Number of PSUs with arrears in accounts | 5 | 5 | 4 |
| 6. | Number of accounts in arrears | 5 | 5 | 4 |
| 7. | Extent of arrears | 1 year | 1 year | 1 year |

(Source: Annual Accounts of PSUs received as on 31 December of respective years)

5.6 Performance of Power Sector PSUs

Financial position and working results of Power Sector PSUs as on 31 December 2019, as per their latest finalised accounts are detailed in **Appendix 5.2**.

Public Sector Undertakings are expected to yield reasonable return on investment made by Governments. The profitability of a Company is traditionally assessed through return on investment (RoI), return on equity (RoE) and return on capital employed (RoCE). Rate of Real Return on Investment (RoRR) is the percentage of profit or loss to the Present Value (PV) of total investment. RoRR measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for their time value. It assumes significance when compared with the conventional

⁹ Accounts received till 31 December of the respective years are considered.

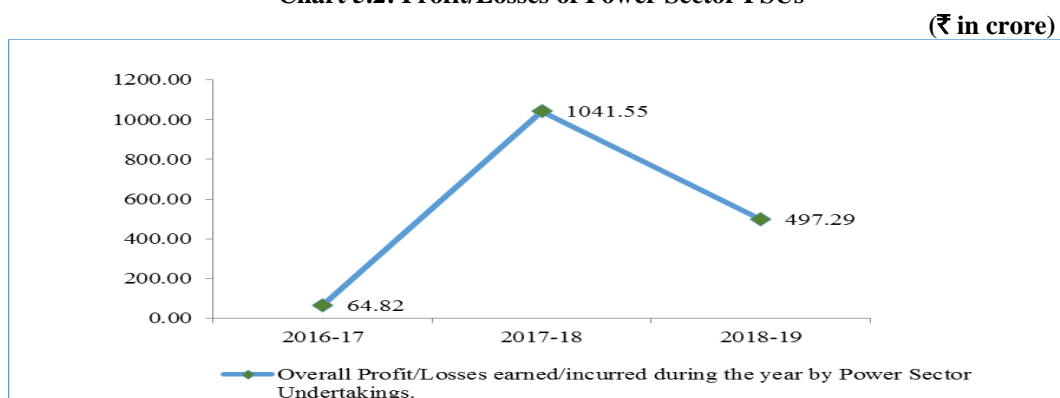
Rate of Return, which is calculated by dividing the Profit After Tax (PAT) by the sum of all such investments counted on historical cost basis. Investment for this purpose include equity, interest free loans, subsidies and grants for operational and management expenses. Return on capital employed is 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 PAT by the shareholders' fund.

As discussed in **Paragraph 5.3**, the total investment of State Government and others in the Power Sector PSUs was ₹ 18,124.97 crore consisting of ₹ 6,791.89 crore as equity and ₹ 11,333.08 crore as long-term loans (**Appendix 5.1**). Out of this, State Government's investment of ₹ 6,743.54 crore in five PSUs consisted of equity of ₹ 6,591.89 crore and long-term loans of ₹ 151.65 crore.

5.6.1 Rate of Real Return on Investment

Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses¹⁰ earned/incurred by five Power Sector PSUs during 2016-17 to 2018-19 is depicted in **Chart 5.2**.

Chart 5.2: Profit/Losses of Power Sector PSUs



The overall profit of the five PSUs ranged between ₹ 64.82 crore to ₹ 1,041.55 crore during the period 2016-17 to 2018-19. Of these five PSUs, three PSUs earned a profit of ₹ 779.49 crore and two PSUs incurred a loss of ₹ 282.20 crore (**Appendix 5.2**). The major profit making Companies were CSPGCL (₹ 671.82 crore) and CSPTCL (₹ 106.83 crore), while CSPDCL reported substantial losses (₹ 279.14 crore).

The number of Power Sector PSUs that earned profit/incurred loss during the three-year period 2016-19 is given in **Table 5.5**.

Table 5.5: Number of Power Sector PSUs which earned profit /incurred loss

| Financial year | Total PSUs | No. of PSUs earned profit during the year | No. of PSUs incurred loss during the year |
|----------------|------------|---|---|
| 2016-17 | 5 | 3 | 2 |
| 2017-18 | 5 | 3 | 2 |
| 2018-19 | 5 | 3 | 2 |

¹⁰ Figures are as per the latest finalised accounts during the respective years.

5.6.1.1 Return on the basis of historical cost of investment

The Return on the basis of historical cost of investment of five Power Sector PSUs has been calculated on the investment made by the State and Central Governments, and Others in the form of equity, long term loans, grants / subsidy received as on the close of the respective financial year. The RoI of five Power Sector PSUs on the basis of historical cost of investment for the period 2016-17 to 2018-19 is shown in **Table 5.6**.

Table 5.6: Real Return on Investment on historical cost basis

(₹ in crore)

| Financial Year | Investment on historical cost basis in the form of Equity, Long term loans, Grants and Subsidies | | | | Total Profit / Loss for the year | Rate of Real Return on Investment (in per cent) |
|----------------|--|---------|-----------|-----------|----------------------------------|---|
| | State | Central | Others | Total | | |
| 2016-17 | 8,955.51 | - | 11,287.85 | 20,243.36 | 64.82 | 0.32 |
| 2017-18 | 10,293.62 | - | 13,359.47 | 23,653.09 | 1,041.55 | 4.40 |
| 2018-19 | 10,547.83 | - | 11,181.43 | 21,729.26 | 497.29 | 2.29 |

During the years 2016-17 to 2018-19, the rate of RoI in five Power Sector PSUs on the basis of historical cost of Investment was positive and ranged between 0.32 *per cent* and 4.40 *per cent*. Huge losses of the CSPDCL during 2018-19 contributed to reduction in overall RoI of the Power Sector PSUs.

5.6.1.2 Real return on the basis of Present Value of Investment

In view of the significant investment made by the Governments in the Power Sector PSUs, Rate of Real Return on such investment is essential. 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 (PV) of money. Therefore, the return on investment has been calculated after considering the PV of money to arrive at rate of real return on investment (RoRR) made by the State Government. The PV of the investment in Power Sector PSUs was computed on the basis of following assumptions:

- State Government's investment was computed where funds were infused in the form of equity, defaulted long term loans and operational/ management expenses as on 31 March 2019.
- Long term loans on which interest payments were defaulted by the Power Sector PSUs were considered as investment of State Government. In case of repayment of loans by these PSUs, the PV was calculated on the reduced balances of loans over the period.
- There were no interest free loans or disinvestment as per the information furnished by the Power Sector PSUs. The funds provided in the form of Grants/Subsidy for management/operational expenses/capital have however, been reckoned as investment.

- The average rate of interest on Government borrowings for the concerned financial year¹¹ 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. The average rate of interest on government borrowings for the concerned financial year was adopted as compounded rate for arriving at Present value, since they represent the cost incurred towards investment of funds for the year and, therefore, considered as the minimum expected Rate of Real Return on investments.
- The funds given by State Government under Ujwal DISCOM Assurance Yojana (UDAY) Scheme were considered as State Government's investment. A grant of ₹ 870.12 crore was given during 2015-16 to the CSPDCL under UDAY Scheme to take over the debts of the Company due to Banks and financial institutions.

The total investment of the State Government in these five Power Sector PSUs at the end of the year 2018-19 was ₹ 10,547.83 crore consisting of equity (₹ 6,591.89 crore), defaulted long term loans (₹ 151.65 crore) and capital grants/subsidy (₹ 3,804.29 crore). The PV of investments of the State Government as on 31 March 2019 was worked out to ₹ 17,850.27 crore. Details are given in **Appendix 5.3**.

In respect of two¹² Power Sector PSUs, which incurred losses during the period 2016-17 to 2018-19, a more appropriate measure of performance is the evaluation of erosion of net worth.

5.6.2 Erosion of Net worth

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 of the Shareholders has been wiped out by accumulated losses and deferred revenue expenditure.

As against the shareholders' fund of ₹ 6,744.33 crore, overall accumulated losses reported by these PSUs were ₹ 5,339.97 crore, resulting in depletion of net worth to ₹ 1,404.36 crore as on 31 March 2019. Two PSUs viz. CSPDCL and CSPTTrCL, which incurred losses amounting to ₹ 279.14 crore and ₹ 3.06 crore respectively during the year 2018-19 reported total accumulative loss of ₹ 6,286.49 crore as on 31 March 2019. Profits earned by other three PSUs contributed to improvement in net worth of Power Sector PSUs (**Appendix 5.2**).

5.6.3 Dividend Payout

As per their latest finalised accounts, three out of five PSUs earned an aggregate profit of

¹¹ The average rate of interest on government borrowings was adopted from the Reports of the CAG 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.

¹² CSPDCL and CSPTTrCL.

₹ 779.49 crore on the State Government's equity of ₹ 4,328.74 crore¹³. None of these PSUs declared/paid dividend to the State Government. The State Government has not formulated any dividend policy for State PSUs, requiring them to pay dividend.

5.6.4 Return on Equity

Return on Equity (RoE)¹⁴ is a measure of financial performance to assess how effectively management is using company's assets to create profits. It is calculated by dividing net income (i.e. net profit after taxes) by Shareholders' funds. 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 five Power Sector PSUs. The details of Shareholders funds and RoE relating to these PSUs during the period from 2016-17 to 2018-19 are given in **Table 5.7**.

Table 5.7: Shareholders' funds and RoE of Power Sector PSUs

| Nature of PSUs | Year | No. of PSUs | Net Income/ total Earnings for the year ¹⁵ | Shareholders' Fund (₹ in crore) | RoE (in per cent) 5 = 3/4*100 |
|----------------|----------------------|-------------|---|---------------------------------|----------------------------------|
| | 1 | 2 | 3 | 4 | |
| | (Amount: ₹ in crore) | | | | |
| Profit Earning | 2016-17 | 3 | 489.52 | 3,910.71 | 12.52 |
| | 2017-18 | 3 | 1,323.75 | 5,234.46 | 25.29 |
| | 2018-19 | 3 | 779.49 | 5,341.28 | 14.59 |
| Loss incurring | 2016-17 | 2 | -424.70 | -3,654.79 | 11.62 |
| | 2017-18 | 2 | -282.20 | -3,936.92 | 7.17 |
| | 2018-19 | 2 | -282.20 | -3,936.92 | 7.17 |
| Total | 2016-17 | 5 | 64.82 | 255.92 | 25.33 |
| | 2017-18 | 5 | 1,041.55 | 1,297.54 | 80.27 |
| | 2018-19 | 5 | 497.29 | 1,404.36 | 35.41 |

It can be seen from the above table that the RoE was positive and ranged from 25.33 per cent to 80.27 per cent during the period 2016-17 to 2018-19. During the year 2017-18, the RoE of Power sector PSUs increased mainly due to increase in revenue from generation of power by 18.36 per cent (₹ 975.80 crore) compared to 2016-17.

5.6.5 Return on Capital Employed

Return on Capital Employed (RoCE) is a profitability metric that measures the long-term profitability and efficiency with which the total capital is employed by a company. RoCE is calculated by dividing a Company's earnings before interest and taxes (EBIT) by the capital employed¹⁶. The details of RoCE of five power sector PSUs covered in this report during the period from 2016-17 to 2018-19 are given in **Table 5.8**.

¹³ Paid-up capital of CSPGCL, CSPTCL and CSPHCL as per their latest finalised accounts.

¹⁴ Return on Equity = (Net Profit after Tax/ Equity)*100, where Equity = Paid up Capital + Defaulted Loan + Free Reserves/ accumulated profit.

¹⁵ As per annual accounts of the respective years.

¹⁶ Capital employed = Paid up share capital + free reserves and surplus + long term loans + accumulated profit / (-) accumulated losses. Figures are as per the latest year for which accounts of the PSUs are finalised.

Table 5.8: Return on Capital Employed

| Nature of PSUs | Year | No. of PSUs | EBIT | Capital Employed | RoCE (in per cent) $5 = 3/4 * 100$ |
|----------------|----------------------|-------------|----------|------------------|--|
| | 1 | 2 | 3 | 4 | |
| | (Amount: ₹ in crore) | | | | |
| Profit Earning | 2016-17 | 3 | 1,780.80 | 13,847.33 | 12.86 |
| | 2017-18 | 3 | 2,385.43 | 14,453.77 | 16.50 |
| | 2018-19 | 3 | 1,869.47 | 14,039.97 | 13.32 |
| Loss incurring | 2016-17 | 2 | -126.99 | -1,038.86 | -12.22 |
| | 2017-18 | 2 | 89.19 | -1,363.09 | -6.54 |
| | 2018-19 | 2 | 89.19 | -1,363.09 | -6.54 |
| Total | 2016-17 | 5 | 1,653.81 | 12,808.47 | 12.91 |
| | 2017-18 | 5 | 2,474.62 | 13,090.68 | 18.90 |
| | 2018-19 | 5 | 1,958.66 | 12,676.88 | 15.45 |

During the period 2016-17 to 2018-19, RoCE was positive and ranged between 12.91 per cent and 18.90 per cent mainly due to increase in profit of CSPGCL and decrease in losses of CSPDCL, which resulted in overall increase in EBIT of Power Sector PSUs.

5.6.6 Analysis of Long term loans of the Companies

The ability of the Power Sector PSUs to service the debt owed by them to the Government, banks and other financial institutions is assessed through the Interest Coverage Ratio (ICR).

5.6.6.1 Interest Coverage Ratio

The ICR 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 ICR of below one indicates that the Company was not generating sufficient revenues to meet its expenses on interest. The details of ICR of PSUs which had outstanding loans during the period from 2016-17 to 2018-19 are given in Table 5.9.

Table 5.9: Details of ICR of Power Sector PSUs

| Year | Interest (₹ in crore) | EBIT ¹⁷ (₹ in crore) | ICR | No. of PSUs having interest burden | No. of PSUs having ICR more than 1 | Number of PSUs having ICR less than 1 |
|---------|--------------------------|------------------------------------|------|------------------------------------|------------------------------------|---------------------------------------|
| 2016-17 | 1,588.51 | 1,655.30 | 1.04 | 3 | 2 | 1 |
| 2017-18 | 1,432.66 | 2,476.43 | 1.73 | 3 | 2 | 1 |
| 2018-19 | 1,362.94 | 1,960.47 | 1.44 | 3 | 2 | 1 |

It was observed that out of three PSUs having interest burden, one PSU (CSPDCL) had ICR of less than one throughout the period 2016-17 to 2018-19.

5.7 Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

Government of India launched Ujwal DISCOM Assurance Yojana (UDAY) on 20 November 2015 for operational and financial turnaround of DISCOMs. As per

¹⁷ The figures pertaining to EBIT of those PSUs having long term loans.

provisions of UDAY Scheme, the participating States were required to undertake following measures for operational and financial turnaround of DISCOMs.

5.7.1 Scheme for improving operational efficiency

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 International Electrotechnical Commission (IEC) campaign to check theft of power, assure increased power supply in areas where the Aggregated Technical and Commercial (AT&C) losses have been reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so as 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.

5.7.2 Scheme for financial turnaround

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 realized from issue of such bonds shall be transferred to the DISCOM, which in turn shall discharge the corresponding amount of Banks/ Financial Institutions (FIs) debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal up to 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 to DISCOM. In exceptional cases, 25 *per cent* of grant can be given as equity.

5.7.3 Implementation of the UDAY Scheme

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

5.7.3.1 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 5.10**.

Table 5.10: Parameter-wise achievements vis-à-vis targets of operational performance

| Parameter of UDAY Scheme | Target | Progress | Achievement (In %) |
|--|----------|----------|--------------------|
| Financial turnaround | | | |
| Takeover of loans of DISCOMs by GoCG by conversion into grant (₹ in crore) | 865.20 | 870.12 | 100 |
| Reduction of AT & C Loss (in per cent) | 15 | 20.49 | Not achieved |
| Elimination of ACS - ARR gap (upto ₹ per unit) | No gap | -0.04 | Not achieved |
| Billing efficiency (in per cent) | 85.28 | 83.40 | 97.80 |
| Collection efficiency (in per cent) | 99.66 | 96.11 | 96.44 |
| Operational turnaround | | | |
| Distribution transformers metering (Urban) (in Nos.) | 92,811 | 5,095 | 5.49 |
| Distribution transformers metering (Rural) (in Nos.) | 1,04,488 | 7,031 | 6.73 |
| Feeder metering (Rural) (in Nos.) | 2,023 | 1,898 | 93.82 |
| Rural feeder audit (in Nos.) | 2,793 | 2,565 | 91.84 |
| Smart metering above 500 KWH (in Nos.) | 4,88,307 | Nil | Nil |
| Electricity access to un-connected households (in lakh) | 9.88 | 9.71 | 98.28 |
| Distribution of LEDs under UJALA scheme (in lakh) | 75 | 135.77 | 181 |
| Physical feeder segregation (in Nos.) | 1179 | 153 | 12.98 |

(Source: Information furnished by PSUs)

The State has not initiated action for smart metering of consumers. It has performed poorly in metering of DTs in rural as well as urban 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 20.49 per cent by 2018-19 against the target of 15 per cent. So, the State could not achieve the most important target of reduction in AT&C loss.

5.7.3.2 Implementation of Financial Turnaround

A tripartite Memorandum of Understanding (MoU) was signed (January 2016) among the MoP, the GoCG and Chhattisgarh State DISCOM. 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 a grant of ₹ 865.20 crore (75 per cent of ₹ 1,153.60 crore) only. The amount was already released by the State Government to CSPDCL during 2015-16.

5.8 Comments on Accounts of Power Sector PSUs

Six Power sector PSUs forwarded their eight annual Accounts to the Principal Accountant General (Audit) during 1 January 2019 to 31 December 2019. All the eight 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 2016-19 are given in **Table 5.11**.

Table 5.11: Impact of audit comments on Power Sector companies

(₹ in crore)

| Sl. No. | Particulars | 2016-17 | | 2017-18 ¹⁸ | | 2018-19 | |
|---------|----------------------------------|-----------------|--------|-----------------------|--------|-----------------|--------|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1 | Decrease in profit | 3 | 20.75 | - | - | 3 | 29.92 |
| 2 | Increase in profit | - | - | - | - | 1 | 9.40 |
| 3 | Increase in loss | 1 | 167.79 | - | - | - | - |
| 4 | Decrease in loss | - | - | - | - | 1 | 7.20 |
| 5 | Non-disclosure of material facts | 4 | 281.62 | - | - | 1 | 5.77 |
| 6 | Errors of classification | - | - | - | - | 1 | 5.13 |

(Source: Compiled from comments of the Statutory Auditors / CAG in respect of Government Companies)

During the year 2018-19, the Statutory Auditors had issued qualified certificates on all eight annual accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 10 instances of non-compliance to the Accounting Standards in six accounts.

¹⁸ No instances of increase/decrease in profit/loss, Non-disclosure of material facts or Errors of classification in any Accounts received during the period or comments on accounts were not finalised during the said period.