

PART-I

CHAPTER-I

FUNCTIONING OF STATE POWER SECTOR UNDERTAKINGS

1 Introduction

1.1 The power sector companies play an important role in the economy of the State. The State has identified power potential of 27,436 MW out of which 10,571.17 MW has been harnessed upto March 2019. Out of which 814.09 MW is under the control of State government while the rest is being utilised by the Central Government (7,457.73 MW) and Private Sector (2,299.35 MW). State PSUs are operating hydroelectric projects of 652.55 MW. During the year ended 31 March 2018 against the total demand of 9,390.82 MUs HPSEBL was able to generate only 1,962.11 MUs and the balance of 7,428.71 MUs was received by the HPSEBL from other generating stations. 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 below provides the details of turnover of the power sector undertakings and GSDP of Himachal Pradesh for a period of five years ending March 2018.

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

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	3,830.56	4,230.44	5,093.79	5,599.56	5,993.79
GSDP of Himachal Pradesh	85,841	95,587	1,10,511	1,24,570	1,35,914
Percentage of Turnover to GSDP of Himachal Pradesh	4.46	4.43	4.61	4.50	4.41

Source: Compiled based on Turnover figures of power sector PSUs and GSDP figures as per Economic Review 2017-18 of Government of Himachal Pradesh.

The turnover of power sector undertakings has recorded continuous increase over previous years. The increase in turnover ranged between 7.04 per cent and 20.41 per cent during the period 2013-18, whereas increase in GSDP of Himachal Pradesh ranged between 9.11 per cent and 15.61 per cent during the same period. The compounded annual growth of GSDP was 12.17 per cent during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 12.17 per cent of the GSDP, the turnover of power sector undertakings recorded lower compounded annual growth of 11.84 per cent during last five years. This resulted in decrease in share of turnover of these power sector undertakings to the GSDP from 4.46 per cent in 2013-14 to 4.41 per cent in 2017-18.

1.2 Restructuring / Formation of Power Sector Undertakings

Pursuant to Electricity Act, 2003, the Government of Himachal Pradesh constituted three companies viz, Himachal Pradesh Power Corporation Limited (HPPCL) during 2006-07 however, equity of ₹ 79.71 crore was infused during 2007-08 and Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) by infusing equity of ₹ 3.00 crore in 2008-09 and Himachal Pradesh State Electricity Board Limited (HPSEBL) during December 2009.

The State government formulated (June 2010) the Himachal Pradesh Power Sector Reforms Transfer Scheme 2010 (HPPSRT Scheme 2010) for unbundling of Himachal Pradesh State Electricity Board (HPSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of HPSEB to Himachal Pradesh State Electricity Board Limited (HPSEBL). The Company came into existence *w.e.f.* 10 June 2010 and all the assets and liabilities of HPSEB was transferred to the newly created Company according to the provisions of the HPPSRT Scheme 2010. Another power sector company namely Beas Valley Power Corporation Limited (BVPCL) was also incorporated during 2002-03, as subsidiary of the HPSEB for execution of 100 MW Uhl-III HEP. Thus, there were four Power Sector companies in the State as on 31 March 2018. Of these four Power Sector companies, Beas Valley Power Corporation Limited had not commenced commercial activities till 2017-18.

Twenty one hydroelectric power projects having total generating installed capacity of 477.450 MW along with distribution activities would be maintained by HPSEBL and only six new hydroelectric projects having generating capacity of 986 MW had been transferred to HPPCL for construction. In addition, the HPSEBL had two projects of 110 MW capacity under execution out of which one project of 10 MW was commissioned during 2014. The State government has also allotted four new hydroelectric projects having total installed capacity of 70.50 MW to HPSEBL for construction in April 2013.

All assets and liabilities relating to transmission lines (not being essential part of distribution system or the dedicated lines from existing or future HEPs of HPSEBL) shall stand vested / transferred to HPPTCL. Accordingly, 14 existing transmission lines of 66 KV and above (278.860 Circuit Kilometers) were transferred to HPPTCL during 2009-11.

Thus, HPSEBL is still managing / operating all its existing generating and transmission network except 14 transmission lines *ibid*, along with distribution activities, therefore, the very purpose of unbundling of the Board in true spirit as envisaged in Electricity Act, 2003 has not been achieved.

Investment in Power Sector Undertakings

1.3 The activity-wise summary of investment in the power sector undertakings as on 31 March 2018 is given below:

Table 1.2: Activity-wise investment in power sector undertakings

Activity	Number of government undertakings	Investment (₹ in crore)				Total
		Equity		Long term loans		
		GoHP	Others	GoHP	Others	
Generation of Power (HPPCL)	1	527.64	1,327.92	2,508.62	14.71	4,378.89
Transmission of Power (HPPTCL)	1	177.75	108.70	680.87	37.18	1,004.49
Distribution of Power (HPSEBL)	1	670.56	-	2,909.61	1,917.57	5,497.74
Other ¹ (BVPCL)	1	-	300	-	933.40	1,233.40
Total	4	1,375.95		6,099.10	2,902.86	12,114.52

Source: Compiled based on information received from PSUs.

As on 31 March 2018, the total investment (equity and long term loans) in four power sector undertakings was ₹ 12,114.52 crore. The investment consisted of 25.69 *per cent* towards equity and 74.31 *per cent* in long-term loans.

¹ Subsidiary of HPSEBL created for construction of Uhl-III HEP.

The long term loans advanced by the State government constituted 67.75 per cent (₹ 6,099.10 crore) of the total long term loans whereas 32.25 per cent (₹ 2,902.86 crore) of the total long term loans were availed from other financial institutions. During 2016-17, the State government had taken over ₹ 2,890.50 crore (75 per cent) of the outstanding debts (₹ 3,854 crore) of the DISCOMs as on 15 September 2015 under Ujwal DISCOM Assurance Yojana² (UDAY) scheme.

Budgetary Support to Power Sector Undertakings

1.4 The Government of Himachal Pradesh (GoHP) 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 as follows:

Table 1.3: Details of budgetary support to power sector undertakings during last three years

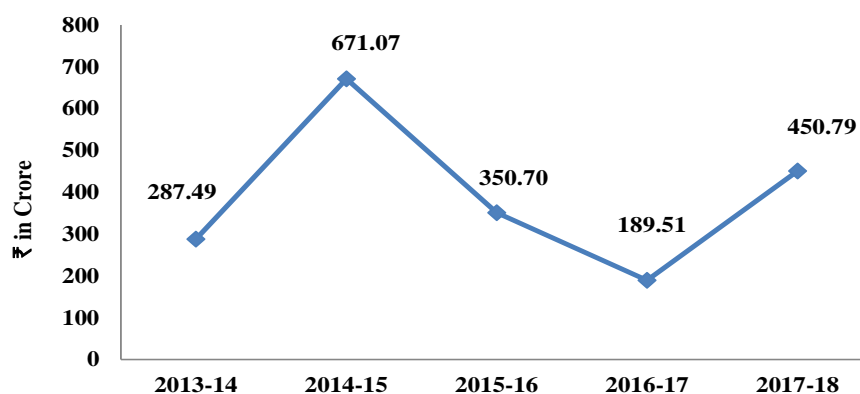
(₹ in crore)

Particulars ³	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	3	265.00	2	69.51	3	182.11
Loans given (ii)	1	85.00	1	120.00	1	262.68
Grants/Subsidy provided (iii)	1	0.70		-	1	6.00
Total Outgo (i+ii+iii)		350.70		189.51		450.79
Loan repayment written off		0		-		-
Loans converted into equity		-		-		-
Guarantees issued during the year	1	300.00	1	2,890.50	-	-
Guarantee Commitment/ Outstanding	1	2,650.59	1	3,760.25	1	3,715.50

Source: Compiled based on information received from PSUs.

The details of budgetary support towards equity, loans and grants / subsidies for the last five years ending March 2018 are given in a graph below:

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



² Scheme launched by Ministry of Power and GoI for financial and operational turnaround of DISCOMs.

³ Amount represents outgo from State Budget only.

The budgetary assistance received by these PSUs during the year ranged between ₹ 189.51 crore and ₹ 671.07 crore during the period 2013-14 to 2017-18. In 2014-15 increase in budgetary support was due to release of ₹ 521.07 crore to Himachal Pradesh State Electricity Board Limited (HPSEBL) and Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) in the shape of loans and grant / subsidies and during 2017-18 due to release of equity and loans of ₹ 427.52 crore to HPPTCL and Himachal Pradesh Power Corporation Limited (HPPCL).

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State government provides guarantee and charges guarantee fee from zero per cent to one per cent.

Reconciliation with Finance Accounts of Government of Himachal Pradesh

1.5 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 Himachal Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. There were differences in the position of Equity and loans as on 31 March 2018 as stated below:

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

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	827.71	848.30	20.59
Loans	3,387.83	6,099.10	2,711.27

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. We, therefore, recommend that the State government and the PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by Power Sector Undertakings

1.6 Timeliness in preparation of accounts by Power Sector Undertakings

There were four 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 of these working PSUs by 30 September 2018 as per statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30 September of each financial year for the last five years ending 31 March 2018 are given below:

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

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	2.	3.	4.	5.	6.	7.
1.	Number of PSUs	4	4	4	4	4
2.	Number of accounts submitted during current year	2	3	4	4	3
3.	Number of PSUs which finalised accounts for the current year	1	0	0	0	0

1.	2.	3.	4.	5.	6.	7.
4.	Number of previous year accounts finalised during current year	1	3	4	4	3
5.	Number of PSUs with arrears in accounts	4	4	4	4	4
6.	Number of accounts in arrears	4	5	5	5	6
7.	Extent of arrears	Two years	Two years	Two years	Two years	Two years

Source: Compiled based on accounts of working PSUs received during the period October 2017 to September 2018.

Of these four working State PSUs, three PSUs had finalised three annual accounts for previous years during the period 1 October 2017 to 30 September 2018. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period.

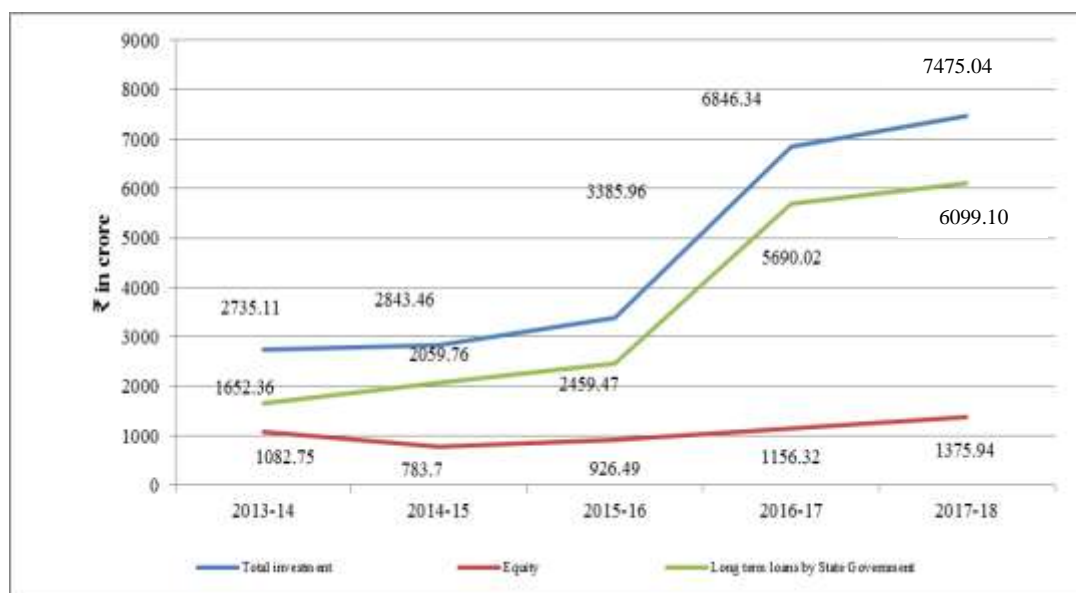
Performance of Power Sector Undertakings

1.7 The financial position and working results of four power sector Companies are detailed in *Appendix 1.1* as per their latest finalised accounts as of 30 September 2018.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in them. The total investment of State government and others in the power sector PSUs was ₹ 12,114.52 crore consisting of ₹ 3,112.57 crore as equity and ₹ 9,001.95 crore as long term loans. Out of this, GoHP has investment of ₹ 7,475.04 crore in the three Power Sector Undertakings only consisting of equity of ₹ 1,375.94 crore and long term loans of ₹ 6,099.10 crore. The increase in loans in the year 2016-17 was mainly due to loan of ₹ 2,890.50 crore given by the GoHP to HPSEBL under UDAY scheme.

The year wise status of investment of GoHP in the form of equity and long term loans in the power sector PSUs during the period 2013-14 to 2017-18 is as follows:

Graph.1.2: Total investment of GoHP in power sector undertakings

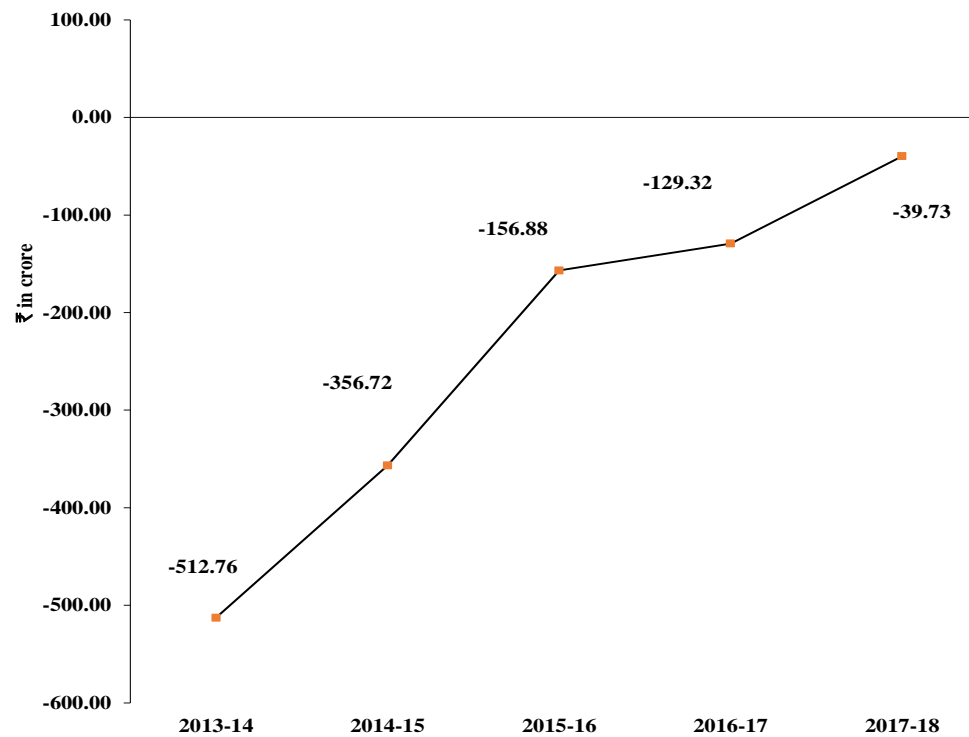


The profitability of a company is traditionally assessed through return on investment and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested and is expressed as a percentage of net profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used.

Return on Investment

1.8 Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses⁴ earned/incurred by all the power sector undertakings during 2013-14 to 2017-18 is depicted below in a graph.

Graph 1.3: Profit/Losses earned/incurred by Power Sector Undertakings



— Overall Profit/Losses earned/incurred during the year by Power Sector Undertakings.

- The losses incurred by these PSUs was ₹ 39.73 crore in 2017-18 (*Appendix 1.1*) against losses of ₹ 512.76 crore incurred in 2013-14.
- The main reason for decrease in losses was grant of financial package in the form of grants-in-aid / subsidy by the State government.

⁴ Figures are as per the latest finalised accounts during the respective years.

Position of Power Sector Undertakings which earned/incurred profit/loss during 2013-14 to 2017-18 is given below:

Table 1.6: Power Sector Undertakings which earned/incurred profit/loss during 2013-14 to 2017-18 as per their latest finalized accounts

Financial year	Total PSUs in power sector	Number of PSUs which earned profits	Number of PSUs which incurred loss	Number of PSUs which had not prepared their Profit and Loss account during the year
2013-14	4	-	1	3
2014-15	4	1	2	1
2015-16	4	1	2	1
2016-17	4	1	2	1
2017-18	4	-	3	1

(a) Return on the basis of historical cost of investment

1.9 Out of four power sector undertakings of the State, the State government infused funds in the form of equity, loans and grants / subsidies in three power sector undertakings only. The State government did not infuse any direct funds in one company (BVPCL) where no equity was subscribed by the State government till 2017-18. The entire equity of the company which is subsidiary of HPSEBL was contributed by the concerned holding company.

The investment of State government in these three Power Sector Undertakings was ₹ 1,376.44 crore consisting of equity only.

The return on investment on historical cost basis for the period 2013-14 to 2017-18 is as given below:

Table 1.7: Return on State government Investment on historical cost basis

Financial year	Funds infused by the GoHP in form of Equity and Interest Free Loans on historic cost basis (₹ in crore)	Total Earnings/ Losses (₹ in crore)	Return on Investment (in per cent)
2013-14	1,082.75	-512.76	-47.36
2014-15	784.21	-356.72	-45.49
2015-16	926.99	-156.88	-16.92
2016-17	1,156.80	-129.32	-11.18
2017-18	1,376.44	-39.73	-2.89

The return on investment of the four power sector PSUs ranged between -47.36 per cent to -2.89 per cent during 2013-14 to 2017-18.

(b) On the basis of Present Value of Investment

1.10 In view of the significant investment by Government in the three 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, in addition to the calculation of return on funds invested by GoHP in three Power Sector companies on historical cost basis, the return on investment has also been calculated after considering the Present Value (PV) of money. PV of the State government investment was computed where

funds had been infused by the State government in the shape of equity and interest free loan since inception of these companies till 31 March 2018.

The PV of the State government investment in power sector undertakings was computed on the basis of following assumptions:

- The average rate of interest on government borrowings for the concerned financial year⁵ was adopted as discount rate⁶ for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year.

For the period 2013-14 to 2017-18 when the four companies 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 Company wise position of State government investment in the three power sector companies in the form of equity and loans since inception of these companies till 31 March 2018 is indicated in **Appendix 1.2**. The consolidated position of the PV of the State government investment relating to the three power sector companies since inception of these companies till 31 March 2018 is indicated in table below:

Table 1.8: Year wise details of investment by the State government and present value (PV) of government funds from 2007-08 to 2017-18

(₹ in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
i	Present value of total investment at the beginning of the year											
	-	86.96	370.46	604.59	1225.33	840.82	1108.75	1509.20	1306.42	1930.60	1564.42	
ii	Equity infused by the State government during the year											
	79.71	252.32	186.31	532.29	-445.35	185.04	292.42	-298.54	142.79	229.81	219.64	1376.44
iii	Interest free loans given by the State government during the year											
	-	-	-	-	-	-	-	-	-	-	-	
Iv	Interest free loans converted during the year											
	-	-	-	-	-	-	-	-	-	-	-	
v	Total investment during the year (v=ii+iii-iv)											
	79.71	252.32	186.31	532.29	-445.35	185.04	292.42	-298.54	142.79	229.81	219.64	
vi	Total investment at the end of the year (vi=i+v)											
	79.71	339.28	556.77	1136.88	779.98	1025.86	1401.17	1210.66	1449.21	1794.23	2150.24	
vii	Average rate of interest on government borrowings (in %)											
	9.09	9.19	8.59	7.78	7.80	8.08	7.71	7.91	7.95	7.60	7.71	
viii	Present value of total investment at the end of the year (viii={vi*(1+ vii)/100}											
	86.96	370.46	604.59	1225.33	840.82	1108.75	1509.20	1306.42	1564.42	1930.60	2316.02	
ix	Minimum expected return to recover cost of funds for the year ix={vi*vii/100}											
	7.25	31.18	47.83	88.45	60.84	82.89	108.03	95.72	115.17	136.32	165.73	
x	Total earnings for the year⁷											
	-	-	-	-152.62	-152.62	-315.94	-512.76	-356.72	-156.88	-129.32	-39.73	

The balance of investment of the State government in these three companies at the end of the year increased to ₹ 1,376.44 crore in 2017-18 from ₹ 79.71 crore in 2007-08 as the State government made further investments in shape of equity (₹ 1,296.73 crore). The PV of investments of the State government upto 31 March 2018 worked out to ₹ 2,316.02 crore.

⁵ The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Himachal Pradesh) 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.

⁶ Discount rate that could be earned in alternative investments.

⁷ Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those three Power Sector PSUs where funds were infused by State government.

It could be seen that total earnings of the companies remained negative during 2010-11 to 2017-18, which indicates that instead of generating returns on the invested funds, these companies did not even recover the cost of funds.

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. The overall accumulated losses of the four Power Sector Undertakings were ₹ 2,064.03 crore as against the capital investment of ₹ 2,747.21 crore (historical cost) resulting in net worth of ₹ 683.18 crore (*Appendix 1.1*). Of the four Power Sector Undertakings, the net worth was eroded completely in HPSEBL (₹ -1,396.34 crore).

The following table indicates paid up capital, accumulated profit / loss and net worth of the four Power Sector Undertakings (holding companies) during the period 2013-14 to 2016-17:

Table 1.9: Net worth of four Power Sector Undertakings during 2013-14 to 2016-17
(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
2013-14	2,447.16	-1,398.35	125.05	923.76
2014-15	2,110.01	-1,755.07	120.98	233.96
2015-16	2,391.14	-1,920.33	116.20	354.61
2016-17	2,677.69	-2,049.65	115.53	512.51

The State government continued to provide financial support to these four power sector companies by infusing equity during the period 2013-18 to improve their liquidity and for capital works. However, despite infusion of substantial capital, the accumulated losses of these power companies increased from ₹ 1,398.35 crore in 2013-14 to ₹ 2,049.65 crore in 2016-17.

Out of four PSUs during 2013-14 to 2017-18, net worth of one⁸ PSU was in negative and three⁹ PSUs showed positive net worth.

Dividend Payout

1.13 The State government had formulated (April 2011) a dividend policy under which all profit making PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State government, subject to a ceiling of 50 *per cent* of the profit after tax. However, as per their latest finalised accounts, received during the year 2017-18 none of the PSUs earned profit.

Return on Equity

1.14 Return on Equity (ROE) 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. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

⁸ Himachal Pradesh State Electricity Board Limited.

⁹ Himachal Pradesh Power Corporation Limited, Himachal Pradesh Power Transmission Corporation Limited and Beas Valley Power Corporation Limited.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of four power sector undertakings where funds had been infused by the State government. The details of Shareholders fund and ROE relating to these four power sector undertakings during the period from 2013-14 to 2017-18 are given in table below:

Table 1.10: Return on Equity relating to four Power Sector Undertakings where funds were infused by the GoHP

Year	Net Income/ total Earnings for the year ¹⁰ (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2013-14	-512.76	923.76	-
2014-15	-356.72	233.96	-
2015-16	-156.88	354.61	-
2016-17	-129.32	512.51	-
2017-18	-39.73	683.18	-

As can be seen from the above table, during the last five years period ended March 2018, the Net Income were negative during 2013-14 to 2017-18, Since the Net Income for all the years were negative, ROE in respect of these PSUs could not be worked out.

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 employed¹¹. The details of ROCE of all the four power sector undertakings during the period from 2013-14 to 2017-18 are given in table below:

Table 1.11: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2013-14	-251.64	2,318.15	-10.86
2014-15	-356.72	6,045.75	-5.90
2015-16	-156.88	7,348.83	-2.13
2016-17	-128.29	6,341.71	-2.02
2017-18	-39.73	7,174.49	-0.55

The ROCE of the Power Sector Undertakings ranged between -0.55 per cent and -10.86 per cent during the period 2013-14 to 2017-18.

Analysis of Long term loans of the Companies

1.16 The analysis of the long term loans of the companies which had leverage during 2013-14 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 and Debt Turnover Ratio.

¹⁰ As per their latest finalised annual accounts.

¹¹ 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.

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 earnings before interest and taxes (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 in those power sector companies which had interest burden during the period from 2013-14 to 2017-18 are given in table below:

Table 1.12: Interest coverage ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ 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
2013-14	261.11	-251.64	4	-	4
2014-15	455.37	-356.72	4	-	4
2015-16	573.38	-156.88	4	-	4
2016-17	535.52	-128.29	4	-	4
2017-18	518.55	-39.73	4	-	4

It was observed that none of power sector companies had coverage ratio of more than one during 2013-14 to 2017-18.

Debt-Turnover Ratio

1.18 During the last five years, the turnover of power sector undertakings recorded compounded annual growth of 11.84 *per cent* and compounded annual growth of debt was 4.19 *per cent* due to which the Debt-Turnover Ratio improved from 1.44 in 2013-14 to 1.08 in 2017-18 as given in table below:

Table 1.13: Debt Turnover ratio relating to the Power Sector undertakings

Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from government and others (Banks and Financial Institutions)	5,509.06	6,160.88	4,957.69	5,829.20	6,491.31
Turnover	3,830.56	4,230.44	5,093.79	5,599.56	5,993.79
Debt-Turnover Ratio	1.44:1	1.46:1	0.97:1	1.04:1	1.08:1

Source: Compiled based on Appendix I.1.

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, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) by providing LED for domestic and other category consumers, undertaking consumer awareness programs for optimum utilisation of resources and to foster long term behavioural changes and

replace at least 10 per cent of existing agriculture pumps with energy efficient pumps. 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 minimise 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 12.75 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 turn around

1.19.2 The State was required to take over 75 per cent of DISCOMs debt by 2016-17. The scheme for financial turnaround *inter alia* provided that:

- State will issue non-SLR bonds and the proceeds realized from issue of such bonds shall be transferred to the DISCOMs 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 2016-17 will be as a loan which will be converted into 75 per cent Grant and 25 per cent equity during 2020-21 subject to achievement of certain targets by the State DISCOM.

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 achievements *vis-a-vis* targets under UDAY Scheme regarding different operational parameters relating to the three State DISCOMs were as under:

Table 1.14: Parameter wise achievements *vis-a-vis* targets of operational performance upto 30 September 2018

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in %)
Feeder metering (in Nos.)	Meters already installed		
Metering at Distribution Transformers (in Nos.)			
Urban	Meters already installed		
Rural	10,300	618	6.00
Rural Feeder Audit (in Nos.)	Energy Audit already being done		
Electricity to unconnected household (in lakh Nos.)	0.05	0.07	100
Distribution of LED UJALA (in lakh Nos.)	Already distributed		
AT&C Losses (in %)	12.75	11.51	100
ACS-ARR Gap (₹ per unit)	-0.05	-0.25	100

Source: State Health Card under UDAY Scheme as per website of the MoP, GoI.

The State has performed poorly in metering of DTs in rural areas, whereas the performance has been excellent in terms of providing electricity to unconnected households. Further, the State has achieved the most important target of reduction of AT&C loss to 12.75 per cent.

B. Implementation of Financial Turnaround

1.19.4 The Government of Himachal Pradesh (GoHP) conveyed (18.08.2016) its 'in principle' consent to the MoP, GoI to take benefit of the UDAY Scheme. Thereafter, tripartite Memorandum of Understanding (MoUs) were signed (8 December 2016 between the MoP, the GoHP and State DISCOM (i.e. HPSEBL). As per provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 3,854 crore) pertaining to the State DISCOM as on 15 September 2015, the GoHP took over total debt of ₹ 2,890.50 crore during 2016-17 by taking over the loan as detailed below:

Table 1.15: Implementation of UDAY Scheme

(₹ in crore)				
Year	Equity Investment	Loan	Subsidy	Total
2015-16	--	--	--	--
2016-17	--	2890.50	--	2,890.50
Total	--	2,890.50	--	2,890.50
2017-18	--	--	--	--
Position as on 31-03-2018	--	2,890.50	--	2,890.50

The amount of ₹ 2,890.50 crore which was provided by way of loans under UDAY Scheme, was to be converted into 75 per cent Grant and 25 per cent equity during 2020-21.

Comments on Accounts of Power Sector Undertakings

1.20 Three Power sector Companies forwarded their three audited accounts to the Accountant General during the period from 1 October 2017 to 30 September 2018. All the 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 as follows:

Table 1.16: 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	-	-	1	3.27	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	-	-	2	21.16	2	24.98
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	-	-	-	-

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 two accounts and disclaimer on one account. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out four instances of non-compliance to the Accounting Standards in one accounts.

Performance Audit and Compliance Audit Paragraphs

1.21 For Part-I of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, a performance audit on 'Execution of Sainj Hydro Electric Project by Himachal Pradesh Power Corporation Limited' and four compliance audit paragraphs relating to power sector undertakings were issued to the Principal Secretary of Energy Department, GoHP with request to furnish replies within two weeks. Replies on two compliance audit paragraphs have not been received (September 2019) from the State Government. The replies received have been suitably incorporated in this report. The total financial impact of the PA and the compliance audit paragraphs is ₹ 671.82 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 Himachal Pradesh issued (February 1994) 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 of their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The Department of Energy, GoHP has forwarded all the explanatory notes for the paragraphs contained in the Audit Reports.

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 30 September 2018 was as under:

Table 1.17: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2018

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2011-12	1	5	1	1
2012-13	2	5	0	3
2013-14	1	5	0	5
2014-15	1	9	0	0
2015-16	0	9	0	0
2016-17	1	9	0	0

Source: Compiled based on the discussions of COPU on the Audit Reports.

The discussion on Audit Reports (PSUs) up to 2010-11 has been completed.