

Chapter-I

Financial Performance of State Public Sector Enterprises (Power Sector)

**Financial Performance of State Public Sector Enterprises
(Power Sector)**

1.1 Introduction

As on 31 March 2020, there are five¹ Power Sector State Public Sector Enterprises (SPSEs) in the State. All the five SPSEs were under audit jurisdiction of the Comptroller and Auditor General of India (CAG). Of these, two² Power Sector SPSEs have not yet commenced commercial activities and are under consideration for winding up by the holding Company (PSPCL). The five Power Sector SPSEs, include three³ incorporated for carrying out the activity of generation of power, one SPSE, Punjab State Power Corporation Limited, undertakes both generation as well as distribution activities and one SPSE, the Punjab State Transmission Corporation Limited, undertakes power transmission activity. The Government of Punjab (GoP) has contributed funds in only two⁴ of the five Power Sector SPSEs while the funds in other three have been contributed by their holding SPSE/ Government organisation.

The financial performance of all five Power Sector SPSEs on the basis of latest finalised accounts as on 31 December 2020 as per *Annexure I* is covered in this Chapter.

Summary of financial performance of Power Sector SPSEs	
Number of Power Sector SPSEs	05
SPSEs covered	05
Paid up Capital	₹ 22,338.61 crore
Equity investment of Government of Punjab (31 March 2020)	₹ 22,315.61 crore
Long term Loans	₹ 16,472.97 crore
Net Profit	₹ 3.93 crore (One ⁵ SPSE)
Net Loss	₹ (-) 1,191.77 crore (Two ⁶ SPSEs)
Zero Profit/Loss	Two ⁷ SPSEs
Dividend declared	₹ 1.83 crore
Total assets	₹ 64,318.94 crore
Turnover	₹ 33,262.60 crore
Net worth ⁸	₹ 14,675.57 crore

Source: Compiled based on latest finalised accounts of Power Sector SPSEs and information received from SPSEs.

¹ Gidderbaha Power Limited (GPL), Punjab Genco Limited (PGL), Punjab State Power Corporation Limited (PSPCL), Punjab State Transmission Corporation Limited (PSTCL) and Punjab Thermal Generation Limited (PTGL).

² GPL and PTGL. PSPCL, the holding company decided to wind up the SPSEs in July 2018 and April 2017 respectively.

³ GPL (Fully owned Subsidiary Company of PSPCL), PGL (entire shareholding by Punjab Energy Development Agency) and PTGL (Fully owned Subsidiary Company of PSPCL)

⁴ PSPCL and PSTCL

⁵ PGL

⁶ PSPCL and PSTCL

⁷ GPL and PTGL - commercial activities not commenced

⁸ Net Worth = Paid up share capital + free reserves and surplus - accumulated losses - deferred revenue expenditure.

The ratio of turnover of Power Sector SPSEs to Gross State Domestic Product (GSDP) shows the contribution of activities of these SPSEs in the State economy. The **Table 1.1** below provides the details of turnover of the Power Sector SPSEs and GSDP of Punjab for a period of five years ending March 2020.

Table 1.1: Details of turnover of Power Sector SPSEs vis-à-vis GSDP of Punjab

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover	23,589.08	24,763.66	29,880.88	32,040.21	33,262.60
GSDP of Punjab (at current prices and advance estimates)	3,90,087.00	4,26,988.00	4,70,834.00	5,26,376.00	5,74,760.00
Percentage of Turnover to GSDP of Punjab	6.05	5.80	6.35	6.09	5.79

Source: Turnover figures as per latest finalised accounts and GSDP figures as per Economic and Statistical Organisation, Government of Punjab.

The turnover of Power Sector SPSEs recorded continuous increase from 2015-16 to 2019-20 and it ranged between 3.82 per cent and 20.66 per cent during the period 2015-20 whereas increase in GSDP of Punjab ranged between 9.19 per cent and 11.80 per cent during the same period. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 10.11 per cent of the GSDP, the turnover of Power Sector SPSEs recorded lower compounded annual growth of 8.35 per cent during last five years. Thus, there is decrease in the share of turnover of these SPSEs to the GSDP, in percentage terms, from 6.05 per cent in 2015-16 to 5.79 per cent in 2019-20.

Out of five Power Sector SPSEs, four SPSEs submitted their accounts for the year 2019-20 for audit by CAG on or before 31 December 2020⁹ as per statutory requirement.

Details of arrears in submission of accounts of Power Sector SPSEs for the last three years ending 31 March 2020 are given below:

Table 1.2: Position relating to submission of accounts by Power Sector SPSEs

Sl. No.	Particulars	2017-18	2018-19	2019-20
1.	Number of SPSEs	5	5	5
2.	Number of accounts submitted during current year	9	5	5
3.	Number of SPSEs which finalised accounts for the current year	4	4	4
4.	Number of previous year accounts finalised during current year	5	1	1
5.	Number of SPSEs with arrears in accounts	1	1	1
6.	Number of accounts in arrears	1	1	1
7.	Extent of arrears	1 year	1 year	1 year

Source: Compiled on the basis of Accounts received during October 2019 to December 2020.

Only one Company (Punjab Genco Limited) had arrear in preparation of accounts for one year i.e. 2019-20.

⁹ Due date for holding of Annual General Meeting has been extended up to 31 December 2020 for the financial year 2019-20 as per Registrar of Companies order of 8 September 2020.

1.2 Power demand, availability and supply position in the State

The peak demand for power, its availability and share through State's own power generating utility, PSPCL, during 2015-16 to 2019-20 is given in the **Table 1.3** below:

Table 1.3: Details of Power Generation by PSPCL

Year	Installed Capacity of PSPCL (in MW)	Total own installed capacity and contracted capacity (in MW)	Peak demand (in MW)	Availability of Power (in MW)	Percentage of excess power tied up above peak demand	Total power Supply (in MUs)	Power Supplied by PSPCL (in MUs)	PSPCL's own share in total supply (in per cent)
2015-16	3,640	11,996	10,852	10,852	0	50,353	16,155	32.08
2016-17	3,640	13,961	11,408	11,408	0	53,167	13,277	24.97
2017-18	2,778	13,391	11,705	11,705	0	55,012	13,441	24.43
2018-19	2,776	13,466	12,638	12,638	0	55,262	11,343	20.53
2019-20	2,776	13,902	13,606	13,606	0	56,542	11,005	19.46

Source: Information provided by PSPCL.

During the period 2015-20, PSPCL was able to meet its peak demand. It had entered into long term Power Purchase Agreements with other power generators. It was observed that the share of the Company's own generated power in total power supplied has been consistently declining due to backing/shutting down of its own units after evaluating commercial aspects including deterioration of operating parameters of its own generating units.

1.3 Investment in SPSEs

The amount of investment in equity and long term loans in five SPSEs as at the end of 31 March 2020 is given in **Table 1.4** below:

Table 1.4: Equity investment and loans in Power Sector SPSEs

(₹ in crore)

Source of Investment	As on 31 March 2018			As on 31 March 2019			As on 31 March 2020		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	6,687.35	15,654.95	22,342.30	6,687.35	20.38	6,707.73	22,315.61	14.07	22,329.68
Central Government ¹⁰	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others ¹¹	23.00	14,762.15	14,785.15	23.00	15,696.72	15,719.72	23.00	16,458.90	16,481.90
Total	6,710.35	30,417.10	37,127.45	6,710.35	15,717.10	22,427.45	22,338.61	16,472.97	38,811.58
Percentage of State Government investment to total investment	99.66	51.47	60.18	99.66	0.13	29.91	99.90	0.09	57.53

Source: Compiled on the basis of latest finalised Accounts of Power Sector SPSEs.

The GoP provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans,

¹⁰ Loans from Power Finance Corporation under R-APDRP scheme of the Government of India have been considered as loan taken from other sources.

¹¹ In case of equity, it represents investment by Holding Company/Government organisation. In case of loans, it represents loans from financial institution/holding company.

grants/subsidies, loans written off and loans converted into equity during the year in respect of SPSEs for the last five years ending March 2020 are as follows:

Table 1.5: Details of budgetary support to Power Sector SPSEs during last five years

Particulars ¹²	2015-16		2016-17		2017-18		2018-19		2019-20	
	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount
(i) Equity Capital Outgo	0	0	0	0	0	0	0	0	1	15,628.26
(ii) Loans given (Interest bearing ¹³)	1	9,859.72	1	5,768.54	0	0	0	0	1	(15,628.26)
(iii) Grants/ Subsidy ¹⁴	1	4,847.00	1	5,600.70	1	6,577.57	1	9,036.42	1	9,394.11
Total Outgo (i+ii+iii)		14,706.72		11,369.24		6,577.57		9,036.42		9,394.11
Loan repayment written off	0	0	0	0	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	0	0	0	0	1	15,628.26
Guarantees issued	2	6,248.28	2	1,993.26	2	1,879.00	2	2,833.89	1	3,975.94
Guarantee Commitment	2	9,408.00	2	8,519.08	2	9,345.14	2	10,494.85	2	13,504.93

Source: Compiled based on information received from SPSEs.

1.3.1 Investment in equity

During 2019-20, the total investment at face value of the equity in the five SPSEs registered an increase of ₹ 15,628.26 crore which was entirely contributed by the State Government.

A review of additional investment by way of equity in SPSEs indicated that increase of ₹ 15,628.26 crore was due to conversion of loan given¹⁵ to Punjab State Power Corporation Limited by State Government under Ujwal Discom Assurance Yojana (UDAY) scheme into equity. This was against the spirit of the paragraph 1.2 (d) of tripartite Memorandum of understanding (MOU) executed in this regard, which provided for conversion of loan into equity amounting ₹ 3,900.00 crore and into grant amounting ₹ 11,728.26 crore during 2019-20. Against this, the entire amount of loan of ₹ 15,628.26 crore was converted into equity. This resulted¹⁶ in understatement of revenue deficit of the State for the year 2019-20.

¹² Amount represents outgo from State budget only.

¹³ PSPCL was given interest bearing loans at the rates of interest of 7.21 per cent to 8.72 per cent per annum.

¹⁴ The subsidy is on account of tariff compensation.

¹⁵ 2015-16: ₹ 9,859.72 crore and 2016-17: ₹ 5,768.54 crore

¹⁶ Paragraph no. 2.4.2.2 (v) – Implementation of Ujwal Discom Assurance Yojna – of Audit Report on State Finances of Comptroller and Auditor General of India – Government of Punjab for the year 2019-20 refers.

1.3.2 Loans given to SPSEs

1.3.2.1 Computation of long term loans outstanding as on 31 March 2020

The total long term loans outstanding in five SPSEs from all sources as on 31 March 2020 was ₹ 16,472.97 crore. As compared to 2018-19, the long term loans of Government Companies registered an overall increase of ₹ 755.87 crore in 2019-20. Out of the total long term loans outstanding as on 31 March 2020, loans from State Government were ₹ 14.07 crore only.

Out of five Power Sector SPSEs, as on 31 March 2020, two¹⁷ SPSEs did not have any long term loans.

1.3.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a Company can stay solvent. To be considered solvent, the value of a Company's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in five Power Sector SPSEs as on 31 March 2020 is given in the following **Table 1.6**:

Table 1.6: Coverage of long term loans with total assets

Name of SPSE	Assets (₹ in crore)	Long term loans (₹ in crore)	Ratio of Assets to Long term loans
Punjab State Power Corporation Limited	56,210.72	12,416.45	4.53:1
Punjab State Transmission Corporation Limited	7,941.44	4,044.51	1.96:1
Punjab Genco Limited	154.44	-	-
Punjab Thermal Generation Limited	0.02	-	-
Gidderbaha Power Limited	12.32	12.01	1.03:1
Total	64,318.94	16,472.97	3.90:1

Source: Compiled on the basis of latest finalised Accounts of Power Sector SPSEs.

Out of five SPSEs, the ratio of total assets to long term loans could not be calculated in two, as they did not have any long term loans. The remaining three SPSEs had positive coverage of long term loans.

1.3.2.3 Interest Coverage

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 is the ability of the Company to pay interest on debt. An interest coverage ratio of below one indicates that the Company is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in these SPSEs charging interest on long term loans in their accounts during the period from 2017-18 to 2019-20 are given in the **Table 1.7**:

¹⁷ PGL and PTGL

Table 1.7: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of Power Sector SPSEs	Number of SPSEs having interest coverage ratio more than 1	Number of SPSEs having interest coverage ratio less than 1
2017-18	3,456.20	2,554.28	2	1	1
2018-19	3,291.66	3,246.97	2	0	2
2019-20	3,461.24	2,269.47	2	0	2

Source: Latest finalised Accounts of Power Sector SPSEs.

The above interest includes interest of ₹ 1,306.95 crore, ₹ 1,306.95 crore and ₹ 1,304.25 crore charged by the GoP during 2017-18, 2018-19 and 2019-20 respectively from PSPCL on the loans given to it under Ujwal Discom Assurance Yojna (UDAY) to discharge its loan liability to other financial institutions and Banks.

It was observed that out of the two SPSEs (PSPCL and PSTCL), having loan liability and paying interest on loans, PSTCL had interest coverage ratio of more than one during 2017-18. However, both companies had interest coverage ratio of less than one during 2018-20.

1.3.2.4 Age wise analysis of interest outstanding on Long term loans

There was no outstanding interest on State Government loans payable as on 31 March 2020. However, interest of ₹ 0.19 crore was outstanding as on 31 March 2020 in one SPSE (GPL) on account of interest on loan from other sources (the Holding Company PSPCL). This interest was outstanding for payment for more than three years.

1.4 Return on investment in SPSEs

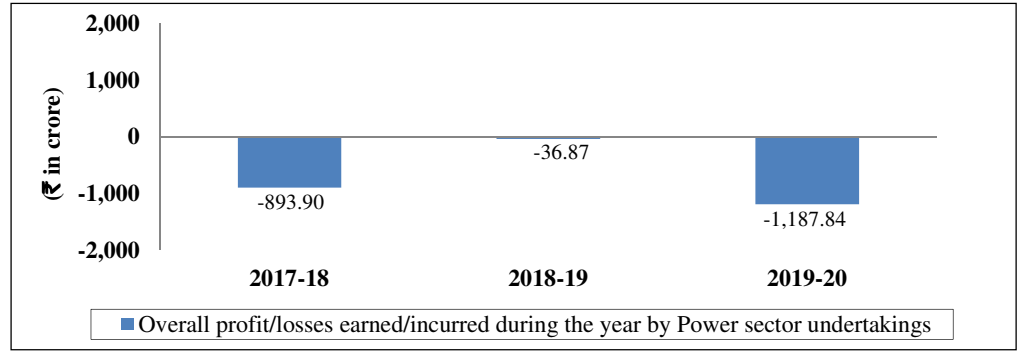
1.4.1 Profit earned by SPSEs

As per their latest finalised accounts, out of the five SPSEs, only one SPSE (Punjab Genco Limited) earned profit of ₹ 3.93 crore while two¹⁸ SPSEs incurred loss of ₹ 1,191.77 crore and two SPSEs had not started their commercial activities. The overall losses incurred by these five SPSEs stood at ₹ 1,187.84 crore in 2019-20 against loss of ₹ 893.90 crore in 2017-18. The overall position of Profit/losses¹⁹ earned/incurred by all the Power Sector SPSEs during 2017-18 to 2019-20 is depicted in the **Chart 1.1**:

¹⁸ PSPCL and PSTCL.

¹⁹ Figures are as per the latest finalised accounts during the respective years.

Chart 1.1: Profit/Losses earned/incurred by Power Sector SPSEs



The SPSEs had reported an aggregate loss of ₹ 893.90 crore for the year 2017-18. The losses reported declined sharply to ₹ 36.87 crore in 2018-19 as PSPCL reported receipt of ₹ 1,057.00 crore as interest (other income) from Government of Punjab, for delayed payment of subsidy.

Further, the increase in losses during 2019-20 over that of 2018-19 were again primarily attributable to PSPCL (₹ 1,158.20 crore) as in this year there was decrease in other income by ₹ 817.76 crore. Also, its rate of increase in cost of power (5.29 per cent) was higher when compared with the rate of increase in sale price of power (3.74 per cent). Position of Power Sector SPSEs which earned/incurred profit/loss during 2017-18 to 2019-20 is given below:

Table 1.8: Power Sector SPSEs which earned/incurred profit/loss

Financial year	Total number of SPSEs	Number of SPSEs which earned profit during the year	Number of SPSEs which incurred loss during the year	Number of SPSEs which had not commenced commercial activities
2017-18	5	2	1	2
2018-19	5	1	2	2
2019-20	5	1	2	2

Source: Latest finalised Accounts of Power Sector SPSEs.

1.4.2 Dividend payout by Power Sector SPSEs

As per latest financial statements finalised during 2019-20, out of five SPSEs, only one SPSE (PGL) earned profit and declared dividend²⁰. There was no State Government investment in this dividend declaring SPSE. PGL with a paid up capital of ₹ 22.90 crore reported a net profit of ₹ 3.93 crore and declared a dividend of ₹ 1.83 crore.

No dividend was declared by the two²¹ SPSEs where equity was infused by GoP during the period 2017-20. GoP had infused a total of ₹ 22,315.61 crore as equity in the two SPSEs.

During the year 2017-18, only PSTCL earned profit but did not declare/pay dividend during the year. During 2018-19 and 2019-20, neither of these two SPSEs earned profits.

²⁰ Dividend for the year 2017-18 was declared in the accounts of 2018-19.

²¹ PSPCL and PSTCL

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of 5 per cent on Government equity should be paid by all enterprises. The State Government adopted the recommendations and directed (July 2011) all its Public Sector Enterprises (PSEs) to pay a minimum return of five per cent on the funds invested. But due to non earning of profits by these two SPSEs during 2019-20, no dividend was declared.

1.4.3 Return on Equity of Power Sector SPSEs

Return on equity²² (RoE) is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The details of shareholders' equity and RoE relating to these five SPSEs during the period from 2017-18 to 2019-20 are given in **Table 1.9** below:

Table 1.9: Return on Equity relating to Power Sector SPSEs

Year	Net Income/ Total Earnings for the year ²³ (₹ in crore)	Shareholders' equity (₹ in crore)	Return on Equity (in per cent)
2017-18	(-) 893.90	280.58	(-) 318.59
2018-19	(-) 36.87	240.03	(-) 15.36
2019-20	(-) 1,187.84	14,675.57	(-) 8.09

Source: Compilation based on financial results of SPSEs in Annexure 1.

During the last three years ending 31 March 2020, the Net Income remained negative which was primarily attributed to losses incurred by PSPCL as discussed above. However, shareholders' equity remained positive during all the three years. During 2019-20, it increased due to conversion of Short term loans (under UDAY) of ₹ 15,628.26 crore into equity by GoP.

1.5 Operating efficiency of Power Sector SPSEs

1.5.1 Turnover

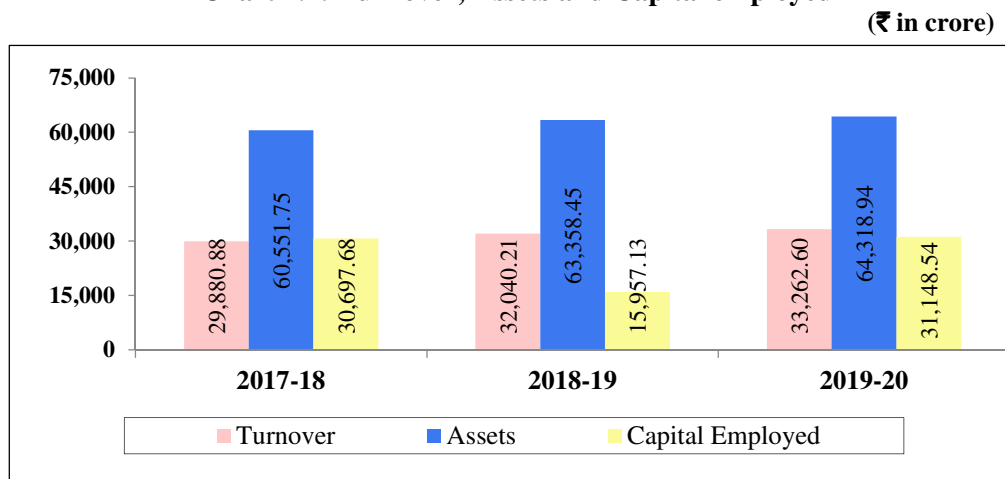
The summary indicating turnover, total assets and capital employed²⁴ of five SPSEs over a period of three years is depicted in the **Chart 1.2**:

²² Return on equity = (Net Profit after Tax/ Shareholder's Equity) x 100 where Shareholder's equity = paid up capital + free reserves - accumulated losses- deferred revenue expenditure

²³ As per annual accounts of the respective years.

²⁴ Capital Employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure

Chart 1.2: Turnover, Assets and Capital employed



The SPSE wise turnover, total assets and capital employed during 2017-18 to 2019-20 are given in **Table 1.10** below:

Table 1.10: SPSE wise turnover, total assets and capital employed

(₹ in crore)

Name of SPSE	Turnover	Total assets	Capital employed
2017-18			
PSPCL	28,682.50	52,309.69	25,054.06
PSTCL	1,182.46	8,079.56	5,491.91
PGL	15.92	150.14	139.60
GPL	-	12.33	12.06
PTGL	-	0.03	0.05
Total	29,880.88	60,551.75	30,697.68
2018-19			
PSPCL	30,781.82	55,215.41	10,539.52
PSTCL	1245.39	7,974.43	5,258.08
PGL	13.00	156.26	147.42
GPL	-	12.32	12.06
PTGL	-	0.03	0.05
Total	32,040.21	63,358.45	15,957.13
2019-20			
PSPCL	31,933.56	56,210.72	25,986.89
PSTCL	1,321.07	7,941.44	5,000.40
PGL	7.97	154.44	149.14
GPL	-	12.32	12.06
PTGL	-	0.02	0.05
Total	33,262.60	64,318.94	31,148.54

Source: Latest finalised Accounts of Power Sector SPSEs.

Capital employed in PSPCL decreased in the year 2018-19 over 2017-18 mainly due to treatment of the loan of ₹ 15,628.26 crore taken over by GoP under UDAY scheme as short term liability in its Accounts. Thereafter, in 2019-20, Capital employed again increased due to conversion of said short term loan into equity by GoP.

1.5.2 Return on Capital Employed

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 employed. The details of ROCE of five SPSEs during the period from 2017-18 to 2019-20 are given in **Table 1.11** below:

Table 1.11: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in per cent)
2017-18	2,567.06	30,697.68	8.36
2018-19	3,257.61	15,957.13	20.41
2019-20	2,274.97	31,148.54	7.30

Source: Latest finalised Accounts of Power Sector SPSEs.

The ROCE of the Power Sector SPSEs ranged between 7.30 per cent and 20.41 per cent during the period 2017-18 to 2019-20. The ROCE reduced in the year 2019-20, over that of 2018-19, due to decrease in EBIT of PSPCL due to factors as discussed at paragraph 1.4.1 above and increase in Capital employed of PSPCL reasons of which have been explained in paragraph 1.5.1 above.

1.5.3 Return on the basis of Present Value of Investment

In order to bring the historical cost of investment to its Present Value (PV) at the end of each year upto 31 March 2020, the past investments/ year-wise funds infused by the State Government in the Power Sector SPSEs have been computed on the basis of following assumptions:

- Interest free loans have been considered as investment infusion by the State Government. Further, in those cases where interest free loans given to the Power Sector SPSEs 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.
- Disinvestment has been deducted while calculating total investment at the end of the year.
- The average rate of interest on Government borrowings for the concerned financial year²⁵ was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

The Company wise position of State Government investment in the two Power Sector Public Enterprises in the form of equity and interest free loans since inception of these companies till 31 March 2020 has been indicated in **Annexure 2**. The consolidated position of the PV of the State Government investment and the total earnings relating to the two Power Sector SPSEs (PSPCL and PSTCL) since inception of these companies till 31 March 2020 is indicated in **Table 1.12**:

²⁵ The average rate of interest on Government borrowings was adopted from the Reports of the CAG on State Finances (GoP) for the concerned year wherein the average rate for interest paid = Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] *100.

Table 1.12: Year wise details of investment by the State Government and its present value (PV)

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by the State government during the year	Grants/subsidies given by the State government during the year for operational and management expenses	Disinvestment by the State government	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in per cent)	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 ²⁶
i	ii	iii	iv	v	vi = iii + iv - v	vii = ii + vi	viii	ix={vii*(1 + viii/100)}	x={vii*viii/100}	xi
2010-11	-	6,687.35 ²⁷	-	-	6,687.35	6,687.35	7.73	7,204.28	516.93	(-) 1,696.24
2011-12	7,204.28	-	-	-	0.00	7,204.28	7.96	7,777.74	573.46	(-) 559.34
2012-13	7,777.74	-	-	-	0.00	7,777.74	7.79	8,383.63	605.89	419.21
2013-14	8,383.63	-	-	-	0.00	8,383.63	8.04	9,057.67	674.04	629.83
2014-15	9,057.67	-	-	-	0.00	9,057.67	8.35	9,813.99	756.32	103.20
2015-16	9,813.99	-	-	-	0.00	9,813.99	8.09	10,607.94	793.95	(-) 1,692.83
2016-17	10,607.94	-	-	-	0.00	10,607.94	7.48	11,401.41	793.47	(-) 2,831.23
2017-18	11,401.41	-	-	-	0.00	11,401.41	8.12	12,327.21	925.79	(-) 901.92
2018-19	12,327.21	-	-	-	0.00	12,327.21	8.00	13,313.39	986.18	(-) 44.69
2019-20	13,313.39	15,628.26	-	-	15,628.26	28,941.65	7.93	31,236.72	2,295.07	(-) 1,191.77
Total		22,315.61	-	-	22,315.61					

Note: There were no interest free loans given by the State Government during these years.

The PV of investment by way of equity of the State Government upto 31 March 2020 worked out to ₹ 31,236.72 crore. The State Government had converted loans of ₹ 15,628.26 crore taken over under UDAY scheme into equity during 2019-20 in case of PSPCL.

It could be seen that total earnings for the year in these SPSEs remained negative during the years 2010-11, 2011-12 and 2015-16 to 2019-20. This indicates that instead of generating returns on the invested funds, Government could not recover its cost of funds invested. Further, the positive total earnings during the remaining years also remained substantially below the minimum expected return towards the investment made in these SPSEs.

1.6 Power Sector SPSEs incurring losses

There were two Power Sector SPSEs that incurred losses during the year 2019-20. The losses increased to ₹ (-) 1,191.77 crore in 2019-20 from ₹ (-) 44.69 crore during 2018-19 as given in **Table 1.13**:

²⁶ Total earnings for the year depict total of net earnings (profit/loss) for the concerned year relating to two SPSEs where funds were infused by State Government.

²⁷ No accumulated losses were transferred to Power Sector Companies at the time of unbundling as accumulated losses of erstwhile PSEB of ₹ 10,180.35 crore were set off against capital reserve created on land revaluation.

Table 1.13: Power Sector SPSEs that incurred losses during 2017-20

(₹ in crore)

Year	Name of SPSEs that incurred loss	Net loss for the year	Accumulated Profit/Loss	Net worth
2017-18	PSPCL	(-) 906.92	(-) 6,943.29	(-) 861.82
	Total	(-) 906.92	(-) 6,943.29	(-) 861.82
2018-19	PSPCL	(-) 37.80	(-) 7,001.17	(-) 899.62
	PSTCL	(-) 6.89	384.25	992.13
	Total	(-) 44.69	(-) 6,616.92	92.51
2019-20	PSPCL	(-) 1,158.20	(-) 8,159.37	13,570.44
	PSTCL	(-) 33.57	348.01	955.89
	Total	(-) 1,191.77	(-) 7,811.36	14,526.33

The huge increase in losses during 2019-20 were primarily attributable to PSPCL (₹ 1,158.20 crore) as there was decrease in its other income in the year 2019-20 by ₹ 817.76 crore as compared to previous year mainly due to receipt of interest on delayed payment of subsidy from GoP in 2018-19. Further, there was increase in power cost (5.29 per cent) at a rate higher than increase in sale of power income (3.74 per cent) of the Company as compared to previous year (2018-19). The increase in Net worth of PSPCL during 2019-20 was attributed to the conversion of Short term loans (under UDAY) of ₹ 15,628.26 crore into equity by GoP.

1.6.1 Erosion of Capital in Power Sector SPSEs

As on 31 March 2020, there was one power sector SPSE (PSPCL) with accumulated losses of ₹ 8,159.37 crore. However, the conversion of loans of ₹ 15,628.26 crore into equity during the year 2019-20, prevented the further erosion of its capital by accumulated losses and helped in turning its net worth to positive.

1.7 Implementation of the UDAY Scheme

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

A. Achievement of operational parameters

The achievements *vis-à-vis* targets under UDAY Scheme regarding different operational parameters relating to the only State owned Power Distribution Companies (DISCOMs) (PSPCL) were as given in **Table 1.14**:

Table 1.14: Parameter wise achievements vis-à-vis targets of operational performance upto 31 March 2020

Parameter of UDAY Scheme	Target under UDAY Scheme upto 2019-20	Progress under UDAY Scheme upto 31 March 2020	Achievement (in per cent)
Feeder metering (in Nos.)	11,658	11,658	100
Metering at Distribution Transformers (in Nos.)	1,92,137	47,062	24.49
Feeder Segregation (in Nos.)	6,415	6,139	95.70
Rural Feeder Audit (in Nos.)	8,018	8,018	100
Electricity to unconnected household (in lakh Nos.)	70.61	70.61	100
Smart metering (in Nos.) above 500 Kwh	6,97,711	0	0
Smart metering (in Nos.) above 200 Kwh upto 500 Kwh	9,34,394	0	0
Distribution of LED UJALA (in lakh Nos.)	120.00	13.19	10.99
AT&C Losses (in per cent)	14.00	13.98	-
ACS-ARR Gap (₹ per unit)	0.09	(0.30) ²⁸	-
Net Income or Profit/Loss including subsidy (₹ in crore)	467	(1,158.20)	-

Source: Information provided by PSPCL and State Health Card under UDAY Scheme as per website of the MoP, GoI.

PSPCL floated tenders (July 2019) for procurement of smart meters. The order for supply of 96000 smart meters by December 2020 was placed on a firm in May 2020. Audit observed that upto April 2021, only 335 smart meters were installed. Its performance in case of metering of Distribution Transformers and distribution of LED UJALA were not to the targets set, whereas the targets were fully achieved in feeder metering, rural feeder audit, providing electricity to unconnected households and reduction of AT&C losses to below 14.00 per cent. According to the Ministry of Power, Government of India, the State of Punjab stood 12th amongst all the States on the basis of overall achievements made by the State DISCOM under UDAY Scheme upto 31 December 2020.

B. Implementation of Financial Turnaround

A tripartite Memorandum of Understanding (MoU) was signed (04 March 2016) between the MoP (GoI), the GoP and PSPCL. As per provisions of the UDAY Scheme and tripartite MoU, out of the total outstanding debt (₹ 20,837.68 crore) pertaining to PSPCL as on 30 September 2015, the GoP was to take over total debt of ₹ 15,628.26 crore during the period 2015-16 (₹ 10,418.84 crore) and 2016-17 (₹ 5,209.42 crore) by giving loan. The actual loan taken over by the GoP in respective years is as detailed in **Table 1.15:**

Table 1.15: Implementation of the UDAY Scheme

(₹ in crore)

Year	Equity Investment	Loan	Revenue Grant	Total
2015-16	-	9,859.72	-	9,859.72
2016-17	-	5,768.54	-	5,768.54
2017-18	-	-	141.81	141.81
2018-19	-	-	90.69	90.69
2019-20	15,628.26	(15,628.26)	9.45	9.45
Total	15,628.26	0.00	241.95	15,870.21
Position as on 31 March 2020	15,628.26	0.00	241.95	15,870.21

Source: Latest finalised Accounts

It was observed that as per the provisions of the UDAY scheme for financial turnaround, the debt of the DISCOM was to be taken over by the State government in the form of grant whereas the MoU provided for takeover of debt in the form of loan as explained above. Further, it was observed that against ₹ 10,418.84 crore due for takeover in 2015-16, as provided in MoU, loans of ₹ 9,859.72 crore were taken over during the year. Balance amount of ₹ 559.12 crore, pertaining to the year 2015-16, was taken over in the year 2016-17 along with the amount stipulated (₹ 5,209.42 crore) for the year.

Further, the amount of ₹ 15,628.26 crore which was provided by way of loans under UDAY Scheme, was to be converted into equity ₹ 3,900.00 crore and grant ₹ 11,728.26 crore during 2019-20 in terms of the MoU. However, the whole amount of loan of ₹ 15,628.26 crore was converted into equity in 2019-20 by the State Government.

The GoP charged interest of ₹ 5,110.32 crore (at rates of interest ranging between 7.21 and 8.72 *per cent per annum*) for the period October 2015 to March 2020 on the loans given to PSPCL under UDAY Scheme to discharge the loan liability due to other financial institutions and banks.

As per the MoU, GoP was to fund a specified percentage of losses of DISCOM during 2017-18 to 2020-21. Accordingly, 5 *per cent* of losses of the year 2016-17 were to be funded in 2017-18, 10 *per cent* of losses of the year 2017-18 in 2018-19 and 25 *per cent* of losses of the year 2018-19 in 2019-20 which was duly adhered to by GoP by providing revenue grants to PSPCL as shown in the **Table 1.15** above.