

## **Chapter-I**

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



## Chapter I

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

#### 1.1 Introduction

As on 31 March 2020, there were five Power Sector SPSEs (four<sup>1</sup> working SPSEs and one<sup>2</sup> inactive SPSE) in the State. The four working SPSEs under audit jurisdiction of the CAG include Haryana Power Generation Corporation Limited (generation), Haryana Vidyut Prasaran Nigam Limited (transmission), Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited (distribution). The financial performance of all four working Power Sector SPSEs is covered in this chapter. The financial statements of all the four working power sector SPSEs for the year 2019-20 had been finalised.

#### Summary of financial performance of Power Sector SPSEs

Number of SPSEs	4
SPSEs covered	4
Paid-up capital	₹ 36,257.75 crore
Equity investment of Government of Haryana	₹ 35,128.48 crore
Long term loans	₹ 10,275.71 crore
Net profit	₹ 640.52 crore
Dividend declared	Nil
Total Assets	₹ 39,522.35 crore
Turnover	₹ 33,262.31 crore
Net worth <sup>#</sup>	₹ 8,187.36 crore

Source: Compilation based on Annual financial statements of power sector SPSEs

<sup>#</sup>Net Worth means paid-up capital and reserves and surplus *minus* accumulated losses and 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 below provides the details of turnover of the Power Sector SPSEs and GSDP of Haryana for a period of five years ending March 2020.

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

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover	29,475.63	32,169.09	34,370.70	36,818.34	33,262.31
GSDP of Haryana	4,92,656.90	4,34,607.93	6,08,470.73	7,07,126.33	8,31,610.21

<sup>1</sup> Haryana Power Generation Corporation Limited, Haryana Vidyut Prasaran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited and Uttar Haryana Bijli Vitran Nigam Limited.

<sup>2</sup> Saur Urja Nigam Haryana Limited.

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Percentage of Turnover to GSDP of Haryana	5.98	7.40	5.65	5.21	4.00

Source: Compilation based on Turnover figures of Power Sector SPSEs and GSDP figures as per information supplied by Department of Economic and Statistical Analysis, Government of Haryana at current prices of respective years (Advanced Estimates) for year to year comparison.

During exit conference, the Additional Chief Secretary (Finance) stated (July 2021) that falling contribution of SPSEs in GSDP of Haryana was a matter of concern and desired that SPSEs should analyse the reasons for the same.

### Power demand, availability and supply position in the State

**1.1.1** The peak demand for power, its availability and share through State's own power generating utility, the Haryana Power Generation Company Limited (HPGCL), during 2015-16 to 2019-20 is given in the table below:

**Table 1.2: Details of Power Generation by HPGCL**

Year	Installed Capacity of HPGCL (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 HPGCL (in MUs)	HPGCL's share in total supply (in per cent)
2015-16	2,782.40	9,113	11,294.47	23.94	50,900	9,796	19.25
2016-17	2,792.40	9,262	11,332.42	22.35	51,264	8,885	17.33
2017-18	2,792.40	9,671	11,442.42	18.32	54,735	10,084	18.42
2018-19	2,792.40	10,270	12,181.42	18.61	56,994	9,983	17.52
2019-20	2,582.40 <sup>3</sup>	11,030	11,950.70	8.35	55,160	6,766	12.27

Source: Load Generation Balance Reports of Central Electricity Authority, Annual Accounts of HPGCL and data supplied by the Haryana Power Purchase Centre.

The State has entered into Power Purchase Agreements for power beyond its peak demand making Haryana a power surplus State. Also, HPGCL's share in total power supply in the State has been consistently decreasing due to its higher variable cost in comparison to that from other power producers such as National Thermal Power Corporation and Private power producers with whom State has tied-up for power purchase.

## 1.2 Investment in Power Sector SPSEs

The amount of investment in equity and loans in four Power Sector SPSEs as at the end of 31 March 2020 is given in Table 1.3:

**Table 1.3: Equity investment and loans in Power Sector SPSEs**

(₹ in crore)

Sources of investment	As on 31 March 2019			As on 31 March 2020		
	Equity	Long term loans	Total	Equity	Long term loans	Total
State Government	29,303.48	11.36	29,314.84	35,128.48	8.65	35,137.13

<sup>3</sup> Reduction in installed capacity was due to closing down of Unit no. V (210 MW) at Thermal Power Station, Panipat.

Sources of investment	As on 31 March 2019			As on 31 March 2020		
	Equity	Long term loans	Total	Equity	Long term loans	Total
State Government Companies/Corporations	1,129.27	1,580.97	2,710.24	1,129.27 <sup>4</sup>	1,040.07	2,169.34
Financial Institutions and others	Nil	9,552.20	9,552.20	Nil	9,226.99	9,226.99
<b>Total</b>	<b>30,432.75</b>	<b>11,144.53</b>	<b>41,577.28</b>	<b>36,257.75</b>	<b>10,275.71</b>	<b>46,533.46</b>
Percentage of State Government Investment to Total Investment	96.29	0.10	70.51	96.89	0.08	75.51

Source: Compilation based on accounts finalised by SPSEs.

The Government of Haryana (GoH) provides financial support to Power Sector enterprises 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 in respect of Power Sector SPSEs for last three years ending March 2020 are as follows:

**Table 1.4: Details of budgetary support to Power Sector SPSEs during last three years**

(₹ in crore)

Particulars	2017-18		2018-19		2019-20	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity Capital (i)	4	10,644.44 <sup>5</sup>	4	13,302.48 <sup>6</sup>	4	5,825.00
Loans given (ii)	3	550.70	2	52.84	1	108.74
Grants/ Subsidy provided <sup>7</sup> (iii)	0	0.00	2	18.56	0	0.00
<b>Total Outgo (i+ii+iii)</b>		<b>11,195.14</b>		<b>13,373.88</b>		<b>5,933.74</b>
Loan repayment	-	-	4	5,494.92	4	487.41
Loans converted into equity	-	-	3	5,531.99	3	5,190.00
Guarantees issued	3	263.18	3	1,120.59	2	1,406.16
Guarantee Commitment	4	4,204.17	3	1,758.09	2	3,803.34

Source: Compilation based on accounts finalised by SPSEs.

### 1.2.1 Investment in equity

Total investment at face value of equity in the four Power Sector SPSEs registered a net increase of ₹ 5,825 crore during 2019-20. The entire amount was contributed by the State Government. Review in audit of the purpose of additional investment of equity in SPSEs indicated that out of ₹ 5,825 crore, ₹ 5,190 crore was on account of conversion of loan advanced by the State Government to power distribution companies under Ujwal Discom Assurance Yojna (UDAY) scheme. This conversion of loan into equity was against the spirit of the tripartite MOU executed in this regard, as the entire amount due during the year was converted to equity instead of converting

<sup>4</sup> Haryana Financial Corporation: ₹ 145.00 crore and Haryana Vidyut Prasaran Nigam Limited: ₹ 984.27 crore.

<sup>5</sup> This includes equity received under UDAY scheme *i.e.* ₹ 5,190 crore for the year 2017-18.

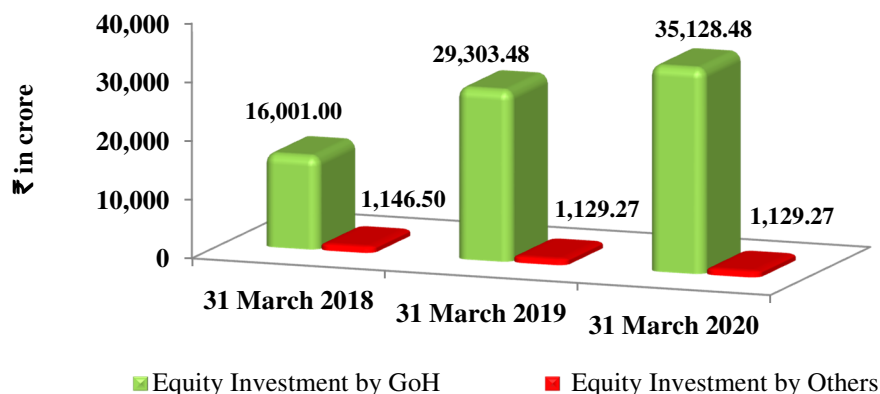
<sup>6</sup> This also includes grant amounting to ₹ 7,785 crore which was converted into Equity during the year 2018-19

<sup>7</sup> This excludes RE Subsidy of ₹ 4,864 crore, ₹ 7,351.72 crore and ₹ 6,991.25 crore received from State Government during 2017-18, 2018-19 and 2019-20 respectively.

75 per cent of the amount into grant and 25 per cent into equity<sup>8</sup>. The effect of this on the State Finances is that there is overstatement of capital expenditure and consequent understatement of revenue expenditure. This also resulted in understatement of revenue deficit of the State.

Investment in equity by the State Government and others during last three years as on 31 March 2020 in these Power Sector enterprises is depicted in Chart 1.1 below:

**Chart 1.1: Investment in equity in Power Sector SPSEs**

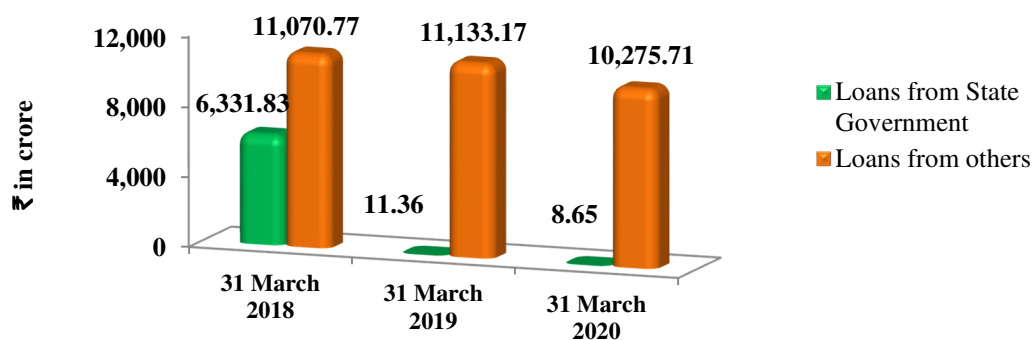


## 1.2.2 Loans given to power sector SPSEs

### 1.2.2.1 Computation of long term loans outstanding as on 31 March 2020

The total long term loans outstanding in four Power Sector SPSEs from all sources as on 31 March 2020 was ₹ 10,275.71 crore. As on 31 March 2020, the long term loans of these SPSEs registered a decrease of ₹ 868.82 crore over that of 31 March 2019. Out of the total loans outstanding as on 31 March 2020, loans from State Government were ₹ 8.65 crore (0.08 per cent) only. Year-wise details of outstanding long term loans of Power Sector SPSEs is depicted in Chart 1.2.

**Chart 1.2: Long term loans outstanding in Power Sector SPSEs**



<sup>8</sup> Paragraph no. 2.4.3.2 (v) – Implementation of Ujwal Discom Assurance Yojna of State Finances Audit Report of Comptroller and Auditor General of India for the year ended 31 March 2020 of Government of Haryana also refers.

### 1.2.2.2 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. In order to be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in four Power Sector SPSEs which had outstanding loans as on 31 March 2020 is given in Table 1.5.

**Table 1.5: Coverage of long term loans with total assets**

Name of SPSE	Assets (₹ in crore)	Long term loans (₹ in crore)	Ratio of Assets to Loans
Haryana Power Generation Corporation Limited (HPGCL)	7,874.14	573.64	13.73:1
Haryana Vidyut Prasaran Nigam Limited (HVPNL)	11,177.08	4,339.71	2.58:1
Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL)	11,435.49	3,064.26	3.73:1
Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL)	9,035.64	2,298.10	3.93:1

Source: Compilation based on accounts finalised by SPSEs.

The value of total assets was more than the loan outstanding in all four SPSEs.

### 1.2.2.3 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 below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of SPSEs during the period from 2017-18 to 2019-20 are given in Table 1.6.

**Table 1.6: Interest Coverage Ratio in Power Sector SPSEs**

Name of the SPSE	2017-18			2018-19			2019-20		
	Interest cost (₹ in crore)	EBIT (₹ in crore)	Interest coverage ratio	Interest cost (₹ in crore)	EBIT (₹ in crore)	Interest coverage ratio	Interest cost (₹ in crore)	EBIT (₹ in crore)	Interest coverage ratio
HPGCL	306.72	629.60	2.05	252.89	1,003.76	3.97	183.41	457.63	2.50
HVPNL	430.58	964.83	2.24	381.51	838.64	2.20	379.98	600.55	1.58
UHBVNL	1,156.48	1,434.72	1.24	885.85	1,071.56	1.21	606.42	824.14	1.36
DHBVNL	779.91	914.03	1.17	541.74	636.97	1.18	351.96	465.63	1.32

Source: Compilation based on accounts finalised by SPSEs.

It was observed that the average interest coverage ratio of all Power Sector SPSEs was higher than one which indicates low risk of insolvency in these SPSEs.

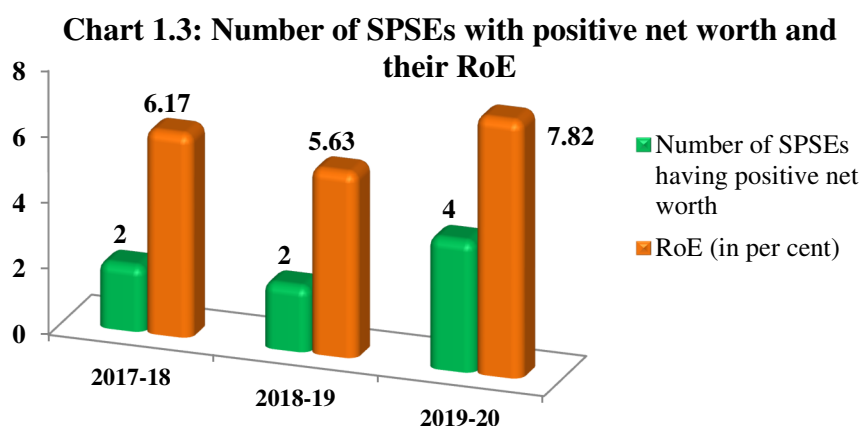
### 1.2.2.4 Interest outstanding on State Government Loans

There was no overdue payment of interest on State Government loans.

## 1.3 Return on investment in Government Companies

### 1.3.1 Profit earned by Power Sector SPSEs

All four Power Sector SPSEs earned profit during 2018-19 and 2019-20. However, the profit earned decreased to ₹ 640.52 crore in 2019-20 from ₹ 687.91 crore in 2018-19. The Return on Equity<sup>9</sup> (RoE) in respect of two<sup>10</sup> SPSEs having positive net worth during 2018-19 was 5.63 per cent. During 2019-20, net worth of all four SPSEs was positive and their RoE was 7.82 per cent. The summarised financial results of Power Sector SPSEs are shown in *Appendix I*. The performance of Power Sector SPSEs having positive net worth during the period 2017-20 and their return on equity is depicted in Chart 1.3:



SPSE wise contribution of profit during 2018-19 is summarised in Table 1.7.

**Table 1.7: Activity wise contribution to profit earned by Power Sector SPSEs during 2019-20**

Activity	Name of the SPSE	Net Profit earned (₹ in crore)	Percentage of profit to total Power Sector SPSEs profit
Generation	HPGCL (A)	247.76	38.68
Transmission	HVPNL (B)	61.37	9.58
Distribution	UHBVNL	217.72	33.99
	DHBVNL	113.67	17.75
	Sub-total (C)	<b>331.39</b>	<b>51.74</b>
<b>Grand total (A+B+C)</b>			<b>640.52</b>

Source: Compilation based on accounts finalised by SPSEs

<sup>9</sup> Return on Equity = (Net Profit after Tax /Equity) x 100, where Equity = Paid-up Capital + Free Reserves - Accumulated Losses - Deferred Revenue Expenditure.

<sup>10</sup> HPGCL and HVPNL



During 2019-20, net profit of ₹ 331.39 crore constituting 51.74 per cent of total profit of ₹ 640.52 crore of power sector SPSEs was contributed by SPSEs engaged in Distribution (UHBVNL and DHBVNL) as compared to 40.84 per cent contributed by those companies in 2018-19.

### **1.3.2 Dividend payout by Power Sector SPSEs**

During the period 2017-18 to 2019-20, all Power Sector SPSEs earned profits ranging between ₹ 61.37 crore and ₹ 278.24 crore. State Government's equity holding, profit earned and dividend payout in four Power Sector SPSEs during this period is shown in Table 1.8:

**Table 1.8: Dividend Payout of Power Sector SPSEs during 2017-18 to 2019-20**  
(₹ in crore)

Year	Total SPSEs where equity held by GoH		SPSEs which earned profit		SPSEs which declared/paid dividend		Dividend Payout Ratio (in per cent)
	No. of SPSEs	Equity by GoH	No. of SPSEs	Profit earned	No. of SPSEs	Dividend declared/paid	
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)=(vii)/(v)*100
2017-18	4	16,001.00	4	794.66	-	-	-
2018-19	4	29,303.48	4	687.91	-	-	-
2019-20	4	35,128.49	4	640.52	-	-	-

Source: Compilation based on accounts finalised by SPSEs

As per the latest finalised accounts, the four working Power Sector SPSEs earned cumulative profit of ₹ 640.52 crore (after interest and taxes) during 2019-20. Also, HPGCL and HVPNL, besides, earning net profits of ₹ 247.76 crore and ₹ 61.37 crore, respectively during 2019-20, had accumulated profits amounting to ₹ 409.23 crore and ₹ 498.27 crore, respectively as on 31 March 2020.

The State Government formulated (October 2003) a dividend policy under which all State SPSEs were required to pay a minimum return of four per cent on the paid-up share capital of the State Government. Thus, despite having accumulated profits which could be used to pay dividend, HPGCL and HVPNL did not declare any dividend which led to non-compliance of the State Government dividend policy during the year 2019-20.

***It is recommended that the State Government may take up the matter through its nominees on the Board of Directors.***

### **1.3.3 Return on Equity of Power Sector SPSEs**

Return on equity (RoE) is a measure of financial performance of companies calculated by dividing net income of the Company by shareholders' equity. Activity wise RoE of Power Sector SPSEs during 2019-20 is depicted in Table 1.9.

**Table 1.9: Activity wise Return on Equity**

<i>(in per cent)</i>				
Sl. No.	Name of Activity	RoE during 2017-18	RoE during 2018-19	RoE during 2019-20
1	Generation	7.79	6.54	7.08
2	Transmission	4.68	4.91	1.41
3	Distribution	-	-	101.92

Source: Compilation based on accounts finalised by SPSEs

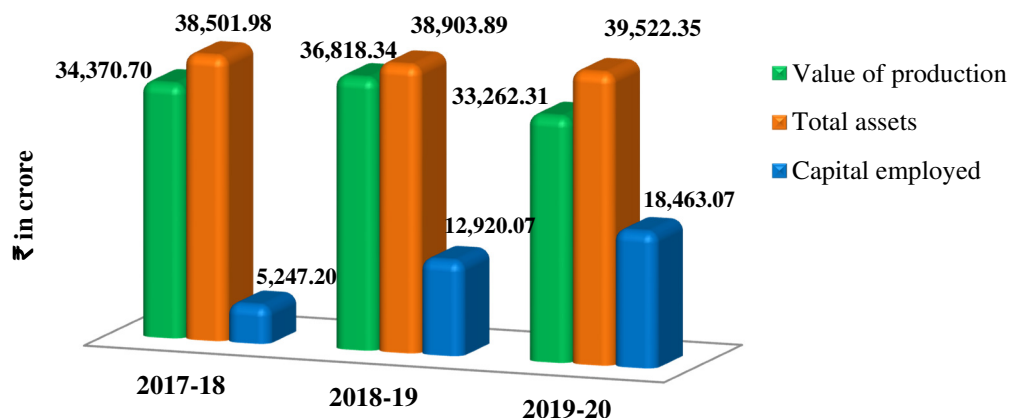
The RoE was not calculated in respect of Distribution activity during 2017-18 and 2018-19 as the net worth of both distribution companies was negative in the two years. Further, the exceptionally high RoE in 2019-20 in respect of Distribution activity was due to equity infusion by the State Government in both distribution companies under UDAY scheme, because of which net worth of these companies turned positive.

## 1.4 Operating efficiency of Power Sector SPSEs

### 1.4.1 Value of production

The summary indicating value of production, total assets and capital employed<sup>11</sup> of four Power Sector SPSEs over a period of three years is depicted in the Chart 1.4.

**Chart 1.4: Value of Production, Assets and Capital Employed**



The details of Power Sector SPSE wise value of production, total assets and capital employed during last three years are mentioned in Table 1.10.

<sup>11</sup> Capital Employed= Paid-up Capital *plus* Free Reserves and Long Term Loans *minus* Accumulated Losses and Deferred Revenue Expenditure.

**Table 1.10: SPSE wise value of production, total assets and capital employed**

(₹ in crore)

Name of SPSE	Value of production	Total assets	Capital employed
<b>2017-18</b>			
HPGCL	5,277.48	7,886.55	4,787.39
HVPNL	2,006.57	10,751.82	7,847.40
UHBVNL	13,686.52	9,834.44	(-)3,972.85
DHBVNL	13,400.13	10,029.17	(-)3,414.74
<b>Total</b>	<b>34,370.70</b>	<b>38,501.98</b>	<b>5,247.20</b>
<b>2018-19</b>			
HPGCL	5,462.60	7,780.53	4,422.83
HVPNL	2,154.41	10,968.78	8,601.12
UHBVNL	14,165.20	9,487.17	(-) 422.44
DHBVNL	15,036.13	10,667.41	318.56
<b>Total</b>	<b>36,818.34</b>	<b>38,903.89</b>	<b>12,920.07</b>
<b>2019-20</b>			
HPGCL	4,206.60	7,874.14	4,074.23
HVPNL	1,640.67	11,177.08	8,701.33
UHBVNL	13,447.41	9,035.64	2,480.42
DHBVNL	13,967.63	11,435.49	3,207.09
<b>Total</b>	<b>33,262.31</b>	<b>39,522.35</b>	<b>18,463.07</b>

Source: Compilation based on accounts finalised by SPSEs.

The decrease in value of production over the period was mainly due to ordering the HPGCL's generating units<sup>12</sup> to reduce production because of less demand for power generated by them.

#### 1.4.2 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 Power Sector SPSEs during the period from 2017-18 to 2019-20 are given in Table 1.11.

**Table 1.11: Return on Capital Employed**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in per cent)
2017-18	3,943.18	5,247.20	75.15
2018-19	3,550.93	12,920.07	27.48
2019-20	2,347.95	18,463.07	12.72

Source: Compilation based on accounts finalised by SPSEs.

<sup>12</sup> Units generated by HPGCL, which were 10,901.51 MUs and 10,806.67 MUs during 2017-18 and 2018-19, respectively, decreased to 7,345.52 MUs during 2019-20.

The RoCE of the Power Sector SPSEs was high at 75.15 *per cent* during 2017-18, primarily because of (i) higher EBIT due to lower reduced interest burden because of taking over of loans of DISCOMs by State Government and (ii) receipt of equity from the State Government under UDAY scheme. However, it decreased in 2018-19 and 2019-20 due to conversion of grant/loan into equity by the State Government. The reduction in power generation at HPGCL's generating units also impacted EBIT of Power Sector SPSEs adversely affecting the RoCE during 2019-20.

#### **1.4.3 Return on the basis of Present Value of Investment**

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

- Actual infusion by the State Government in Power Sector SPSEs in the form of equity and grants/subsidy for operational, administrative expenses has been considered as investment infusion by the State Government.
- In the 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.
- The average interest rate on Government borrowings for the concerned financial year 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.
- For the purpose of PV calculation of State Government investment, the period since inception to 2019-20 has been taken for considering the investment of State Government in four Power Sector SPSEs.

The details of State Government investment in the Power Sector SPSEs in the form of equity and grants/ subsidy (there were no instances of interest free loans and disinvestment) alongwith the consolidated position of the PV of State Government investment in Power Sector SPSEs since inception to 2019-2020 is indicated in Table 1.12:

**Table 1.12: Present value (Real Return) of Government Investment from 1999-2000 to 2019-20**

(₹ in crore)

Financial 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 State Government for operational and Administrative Expenditure	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	Total earnings for the year	Return on Investment (in percent age)
(1)	(2)	(3)	(4)	(5)= (3)+(4)	(6)= (2)+(5)	(7)	(8)= (6)x(7)/100+(6)	(9) = (6)x(7)/100	(10)	(11)= (10)/(8)*100
1999-2000		448.11	0.00	448.11	448.11	12.05	502.11	54.00	-445.55	-
2000-01	502.11	265.00	0.00	265.00	767.11	11.40	854.56	87.45	-221.63	-
2001-02	854.56	38.71	0.00	38.71	893.27	10.50	987.06	93.79	-182.55	-
2002-03	987.06	97.36	10.62	107.98	1,095.04	10.74	1,212.65	117.61	26.48	2.18
2003-04	1,212.65	112.27	64.24	176.51	1,389.16	10.20	1,530.85	141.69	239.68	15.66
2004-05	1,530.85	162.93	0.19	163.12	1,693.97	8.49	1,837.79	143.82	-371.08	-
2005-06	1,837.79	359.29	0.00	359.29	2,197.08	8.95	2,393.72	196.64	-377.65	-
2006-07	2,393.72	777.80	0.00	777.80	3,171.52	9.20	3,463.30	291.78	-416.21	-
2007-08	3,463.30	930.16	0.00	930.16	4,393.46	7.43	4,719.89	326.43	-649.10	-
2008-09	4,719.89	855.72	0.00	855.72	5,575.61	7.82	6,011.63	436.01	-1246.50	-
2009-10	6,011.63	898.82	0.00	898.82	6,910.45	9.29	7,552.43	641.98	-1,460.84	-
2010-11	7,552.43	882.18	0.00	882.18	8,434.61	9.22	9,212.28	777.67	-592.08	-
2011-12	9,212.28	573.35	0.00	573.35	9,785.63	9.73	10,737.77	952.14	-10,194.30	-
2012-13	10,737.77	198.62	0.00	198.62	10,936.39	9.86	12,014.72	1,078.33	-3,833.76	-
2013-14	12,014.72	100.00	0.00	100.00	12,114.72	9.83	13,305.59	1,190.88	-3,849.89	-
2014-15	13,305.60	66.94	0.00	66.94	13,372.54	9.33	14,620.20	1,247.66	-3,453.86	-
2015-16	14,620.20	1,619.42	3,892.50	5,511.92	20,132.12	8.64	21,871.54	1,739.42	-2,017.26	-
2016-17	21,871.54	1,927.99	3,892.50	5,820.49	27,692.03	8.00	29,907.39	2,215.36	-7.91	-
2017-18	29,907.39	5,454.43	0.00	5,454.43	35,361.82	8.10	38,226.13	2,864.31	794.66	2.08
2018-19	30,441.13**	13,302.48	18.56	13,321.04	43,762.17	8.81	47,617.62	3,855.45	687.91	1.44
2019-20	47,617.62	5,825.00	0.00	5,825.00	53,442.62	8.31	57,883.70	4,441.08	640.52	1.11
<b>Total</b>		<b>34,896.58</b>	<b>93.61<sup>#</sup></b>	<b>34,990.19<sup>#</sup></b>						

\*Equity infused amounting to ₹ 680.01 crore less initial accumulated residual losses of ₹ 231.90 crore transferred to SPSEs. Information in respect of column no. 3, 4 and 10 is compiled from printed Audit Reports of respective years.

\*\*The difference of ₹ 7,785 crore in opening balance was due to grant received under UDAY Scheme (₹ 3892.50 crore during 2015-16 and 2016-17 in each year) which was converted into Equity during 2018-19 as its impact had already been taken in grant of respective years.

<sup>#</sup>Total grants excludes ₹ 7,785 crore converted into equity during the year 2018-19.

The balance of investment of the State Government in these four companies at the end of 2019-20 increased to ₹ 34,990.19 crore from ₹ 448.11 crore (equity infused ₹ 680.01 crore minus initial residual accumulated losses of ₹ 231.90 crore) in 1999-2000 as the State Government made further

investments in the shape of equity and grant/subsidy of ₹ 34,542.08 crore. The PV of investments of the State Government up to 31 March 2020 worked out to ₹ 57,883.70 crore.

The total earnings for the years 1999-2000 to 2001-02 and 2004-05 to 2016-17 for these companies were negative which indicates that Government could not recover its cost of funds. Though, there were positive total earning during 2017-18 to 2019-20 yet they were substantially below the minimum expected returns. The Return on Present Value of Investment for the last three years *i.e.* 2017-18 to 2019-20 which had turned positive, ranged between 2.08 and 1.11 *per cent*, was mainly due to infusion of funds under UDAY scheme. The rate of return on investment on historical cost<sup>13</sup> basis during the same period of last three years ranged between 3.36 and 1.83 *per cent*.

### **Implementation of the UDAY Scheme**

**1.4.4** The status of implementation of the Ujwal Discom Assurance Yojana (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 two State DISCOMs were as follows:

**Table 1.13: Parameter wise achievements *vis-a-vis* targets of operational performance up to 31 March 2020**

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in <i>per cent</i> )
<b>Feeder metering (in Nos.)</b>			
Urban	1,365	1,509	110.55
Rural	1,621	1,992	122.89
<b>Metering at Distribution Transformers (in Nos.)</b>			
Urban	2,79,420	32,997	11.81
Rural	4,78,120	32,195	6.73
Feeder Segregation (in Nos.)	3,536	4,171	117.96
Rural Feeder Audit (in Nos.)	1,621	1,992	122.89
Electricity to unconnected household (in Nos.)	49,18,000	23,69,807	48.19
Smart metering above 500 KWH (in Nos.)	4,31,797	1,35,277	10.78
Smart metering above 200 and up to 500kWH (in Nos.)	8,22,747		
Distribution of LED UJALA (in lakh Nos.)	214	158.82	74.21
AT&C Losses (in <i>per cent</i> )	15	15.65 to 20.10	
ACS-ARR Gap (₹ per unit)	0.02	-0.04 to 0.12	
Net Income or Profit/Loss including subsidy (₹ in crore)		331.39	

Source: Information supplied by both the DISCOMs.

<sup>13</sup> Historical cost of investment for a year is the cumulative total of funds infused by State Government in form of equity and grants/ subsidies for operational and administrative expenditure.

The State's performance in certain parameters like metering at Distribution Transformers (DTs) in urban and rural areas was not encouraging. The progress of work of installation of smart meters was also not encouraging as the achievement was only 10.78 per cent of the targets whereas the performance had been excellent in areas of Feeder segregation and Feeder metering. The target of restricting Aggregate Technical and Commercial (AT&C) losses to 15 per cent by the year 2018-19 could not be achieved by DHBVNL and UHBVNL up to March 2020 when the AT&C losses were 15.65 per cent and 20.10 per cent respectively. The Ministry of Power, Government of India, had ranked the State, fifth, amongst all the states on the basis of overall achievements made by the two State DISCOMs under UDAY Scheme as on 31 December 2020.

### **B. Implementation of Financial Turnaround**

The participating states were required to take over 75 per cent of DISCOMs outstanding debt as on 30 September 2015, i.e. 50 per cent in 2015-16 and 25 per cent in 2016-17. The scheme also provided for States to issue non-SLR bonds and the proceeds realised from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount to banks/ financial institutions 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. The transfer to the DISCOMs by the State in 2015-16 and 2016-17 will be a grant which can be spread over three years with the remaining transfer through State loan to DISCOMs. In exceptional cases, 25 per cent of grant can be given as equity.

A tripartite Memorandum of Understanding (MoUs) was signed (11 March 2016) between the Ministry of Power (MoP) Government of India, the GoH and State DISCOMs (i.e. UHBVNL and DHBVNL). As per provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 34,600 crore) of the two State DISCOMs as on 30 September 2015, GoH took over 75 per cent of total debt, i.e. ₹ 25,950 crore during the period 2015-17.

As per the terms of the MoU, the loan of ₹ 25,950 crore taken over by the GoH, was to be ultimately converted into grant of ₹ 3,892.50 crore and equity of ₹ 1,297.50 crore annually for a period of five years, starting from 2015-16. Thus, GoH would have an equity of ₹ 6,487.50 crore (₹ 1,297.50 crore x 5) and ₹ 19,462.50 crore (₹ 3,892.50 crore x 5) would have been given to the DISCOMs by way of grants at the end of the 2019-20.

However, the actual implementation of the scheme was as detailed below:

**Table 1.14: Implementation of UDAY Scheme**

Year	Equity Investment	Loan	Grant	Total
2015-16	1,297.50	12,110.00	3,892.50	17,300.00
2016-17	1,297.50	3,460.00	3,892.50	8,650.00
<b>Total</b>	<b>2,595.00</b>	<b>15,570.00</b>	<b>7,785.00</b>	<b>25,950.00</b>

Year	Equity Investment	Loan	Grant	Total
2017-18	5,190.00	-5,190.00	0.00	0.00
2018-19	12,975.00	-5,190.00	-7,785.00	0.00
2019-20	5,190.00	-5,190.00	0.00	0.00
<b>As on 31 March 2020</b>	<b>25,950.00</b>	<b>0.00</b>	<b>0.00</b>	<b>25,950.00</b>

Source: Compilation based on sanctions received from State Government.

It was observed that the GoH did not follow the provisions of the UDAY scheme and MoU. Loans of ₹ 5,190 crore each received during 2017-18, 2018-19 and 2019-20 were converted into equity instead of bifurcating between grant and equity in the ratio of 3:1. Further, grant of ₹ 7,785 crore, provided vide UDAY Scheme during 2015-16 and 2016-17 were converted into equity during 2018-19.

Consequently, GoH has invested ₹ 19,462.50 crore in equity in excess of the agreed limit of ₹ 6,487.50 crore. Further reduction of grant to Nil was also against the UDAY Scheme notification.

The DISCOMs paid interest of ₹ 3,061.12 crore, for the period October 2015 to March 2020, on the loans given by GoH under UDAY Scheme to discharge the loan liability due to other financial institutions and banks. The loans were extended by GoH at rates of interest ranging between 8.06 and 8.21 *per cent* per annum.