

Part I

Chapter I

Functioning of Power Sector Undertakings

Introduction

1.1 The power sector companies play an important role in the economy of the State. Apart from providing a critical infrastructure required for development of the State economy, the sector also adds significantly to the Gross Domestic Product of the State. A ratio of Power Sector Public Sector Undertakings' (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 Haryana for a period of five years ending March 2018.

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

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	22,256.12	27,716.88	29,475.63	32,169.09	34,370.70
GSDP of Haryana	3,95,747.73	4,41,864.26	4,92,656.90	4,34,607.93	6,08,470.73
Percentage of Turnover to GSDP of Haryana	5.62	6.27	5.98	7.40	5.65

Source: Compilation based on Turnover figures of power sector PSUs and GSDP figures as per information supplied by Department of Economic and Statistical Analysis, Government of Haryana.

The turnover of power sector undertakings has recorded continuous increase and it ranged between 6.35 and 24.54 *per cent* during the period 2013-18, whereas increase in GSDP of Haryana ranged between 11.50 *per cent* and 40 *per cent* during the same period. The compounded annual growth of GSDP was 11.67 *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 11.67 *per cent* of the GSDP, the turnover of power sector undertakings recorded marginally lower compounded annual growth of 11.15 *per cent* during last five years. This resulted in marginal increase in share of turnover of the power sector undertakings to the GSDP from 5.62 *per cent* in 2013-14 to 5.65 *per cent* in 2017-18.

Formation of Power Sector Undertakings

1.2 The erstwhile Haryana State Electricity Board (Board) was constituted on 3 May 1967 under Section 5(1) of the Electricity (Supply) Act, 1948. The Board was responsible for generation, transmission and distribution of power in the State. The erstwhile Board had been incurring losses since 1986-87. The accumulated losses stood at ₹ 1,358.67 crore as on 31 March 1993. The main reasons for the Board incurring losses in its operations were unremunerative tariff, high rates of transmission and distribution losses, supply of power to agriculture sector at subsidized rates, low plant load factor in its thermal power stations which adversely affected financial position and development activities. The Board was in an adverse financial position despite the Electricity supply Act, 1948 stipulating a minimum

Rate of Return (RoR) of 3 per cent on the capital base.

To overcome the bottlenecks, the State Government decided (1993) to restructure the Board and appointed consultants for Power Sector Restructuring Project Study. On the basis of consultants' Reports (July 1995), the erstwhile Board was finally restructured on 14 August 1998 by transferring generation function to Haryana Power Generation Corporation Limited (HPGCL - incorporated in March 1997) and transmission and distribution function were transferred to Haryana Vidyut Prasaran Nigam Limited (HVPNL - incorporated in August 1997). Both the Companies, wholly owned by State Government, commenced their activities from 14 August 1998. In the second transfer scheme, the distribution function was transferred from HVPNL to two Distribution Companies (DISCOMs) i.e., Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) (both incorporated in March 1999) dividing distribution business in the State into two regions. The DISCOMs (wholly owned subsidiaries of the HVPNL) commenced their business from 1 July 1999.

Beside above, four more Companies in power sector - Yamuna Coal Company Private Limited in 2008-09, Haryana Coal Company Limited (subsidiary of HPGCL) in 2012-13, HARUP Coal Corporation Limited in 2014-15 and Saur Urja Nigam Haryana Limited in 2016-17 were incorporated as joint ventures by infusing equity of ₹ 1.24 crore, ₹ 0.01 crore, ₹ 0.10 crore and ₹ 0.10 crore respectively.

Haryana Coal Company Limited and HARUP Coal Corporation Limited were wound up in 2014-15 and 2016-17 respectively. The Board of Yamuna Coal Company Private Limited decided to wind up the Company in 2017-18 on cancellation of coal block (Mara II Mahan) by Hon'ble Supreme Court of India vide their order dated 24 September 2014.

Disinvestment, restructuring and privatisation of Power Sector Undertakings

1.3 During the year 2017-18, no disinvestment, restructuring or privatisation exercise was undertaken by the State Government in State's Power Sector PSUs.

Investment in Power Sector Undertakings

1.4 The activity-wise summary of investment¹ 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 Companies	Investment (₹ in crore)				
		Equity of GoH	Equity of others	Long term loans of GoH	Loans from others	Total
Generation of Power	1	2,873.46	148.58	0.00	1,800.21	4,822.25
Transmission of Power	1	2,887.13	13.67	0.00	4,624.42	7,525.22
Distribution of Power	2	10,240.41	984.26	6,331.83	4,646.14	22,202.64
Total	4	16,001.00	1,146.51	6,331.83	11,070.77	34,550.11

Source: Compilation based on accounts finalised by PSUs.

¹ Investment includes paid up capital and long term loans extended by GoH and others.

As on 31 March 2018, the total investment (equity and long term loans) in four power sector undertakings was ₹ 34,550.11 crore. The investment consisted of 49.63 *per cent* towards equity and 50.37 *per cent* in long term loans.

The Long term loans advanced by the State Government constituted 36.38 *per cent* (₹ 6,331.83 crore) of the total long term loans whereas 63.62 *per cent* (₹ 11,070.77 crore) of the total long term loans were availed from other Financial Institutions (FIs). However, during 2015-16 and 2016-17, the State Government has taken over ₹ 25,950 crore (75 *per cent*) of the outstanding debts (₹ 34,600 crore) of the DISCOMs as on 30 September 2015 under Ujwal DISCOM Assurance Yojana² (UDAY) Scheme.

Budgetary Support to Power Sector Undertakings

1.5 The Government of Haryana (GoH) 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 last three years ending March 2018 are as follows:

Table 1.3: Details of budgetary support to Power Sector Undertakings during last three years

Particulars	2015-16		2016-17		2017-18	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital ³ (i)	4	2,916.92	4	3,225.49	4	10,644.44
Loans ⁴ given (ii)	2	156.83	3	1,974.67	3	550.70
Grants/ Subsidy ⁵ provided (iii)	2	6,426.90	3	10,501.35	2	4,864.00
Total Outgo (i+ii+iii)		9,500.65		15,701.51		16,059.14
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	4	3,804.78	3	87.39	3	263.18
Guarantee Commitment	4	14,472.72	4	5,563.18	4	4,204.17

Source: Compilation based on information received from PSUs.

The details of budgetary support towards equity, loans and grants/ subsidies for the

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

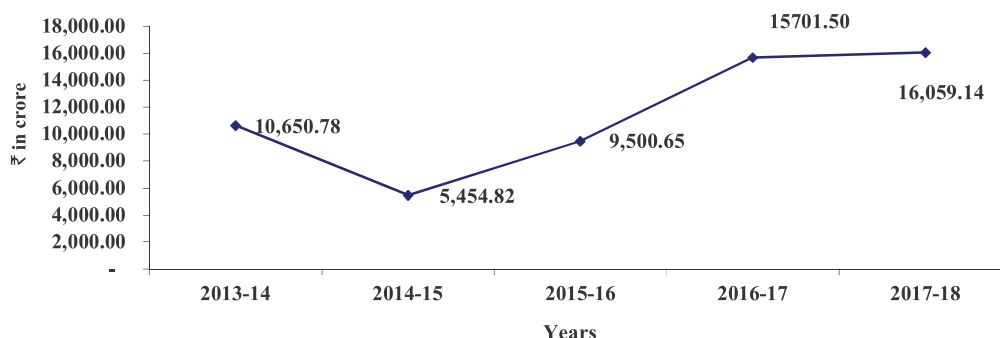
³ This includes equity received under UDAY Scheme *i.e.*, ₹ 1,297.50 crore each for the year 2015-16 and 2016-17 and ₹ 5,190.00 crore for the year 2017-18.

⁴ This excludes interest bearing loans given under UDAY Scheme of ₹ 12,110 crore and ₹ 3,460 crore during 2015-16 and 2016-17 respectively.

⁵ This includes grant of ₹ 3,892.50 crore received each year under UDAY Scheme during 2015-16 and 2016-17.

last five years ending March 2018 are given in a graph below:

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



The budgetary assistance received by these PSUs ranged between ₹ 5,454.82 crore and ₹ 16,059.14 crore during 2013-14 to 2017-18. The budgetary assistance ₹ 16,059.14 crore received during the year 2017-18 included ₹ 10,644.44 crore, ₹ 550.70 crore and ₹ 4,864.00 crore in the form of equity, loan and grants/ subsidy respectively. The Ministry of Power, Government of India (GoI) also launched (20 November 2015) UDAY Scheme for operational and financial turnaround of State owned Power DISCOMs. The provisions of UDAY and status of implementation of the Scheme by two DISCOMs are discussed under Para No. 1.20 of this Chapter. Out of total outstanding loan of ₹ 15,570 crore, loans amounting to ₹ 5,190 crore were repaid by the power sector PSUs during 2017-18 under UDAY Scheme and fresh subscription (₹ 5,190 crore) in equity of power sector companies were made by the GoH during 2017-18 in the two State DISCOMs under UDAY Scheme. The additional equity was given for execution of various capital projects.

In order to enable PSUs to obtain financial assistance from Banks and FIs, State Government gives guarantee subject to limits prescribed by the Constitution of India for which a guarantee fee is charged. The State Government charged guarantee fee at the rate of two *per cent*. The guarantee commitment decreased to ₹ 4,204.17 crore during 2017-18 from ₹ 14,472.72 crore in 2015-16. During the year 2017-18 no guarantee fee was paid to the State Government.

Reconciliation with Finance Accounts of GoH

1.6 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the GoH. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. Though the figures in respect of equity and guarantees outstanding agree with that in the Finance accounts, there were differences in the position of 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)

Sl. No	Name of Company	Loan as per Finance Accounts 2017-18	Loan as per Company's accounts 2017-18	Differences
1	Haryana Power Generation Corporation Limited	57.49	0.00	57.49
2	Haryana Vidyut Prasaran Nigam Limited	11,631.86	1,294.11	4,005.92
3	Uttar Haryana Bijli Vitran Nigam Limited		6,150.01	
4	Dakshin Haryana Bijli Vitran Nigam Limited		181.82	
Total		11,689.35	7,625.94	4,063.41

Source: Compilation 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

Timeliness in preparation of accounts by Power Sector Undertakings

1.7 There were five power sector undertakings under the audit purview of Comptroller and Auditor General (CAG) of India as of 31 March 2018. Accounts for the year 2017-18 were submitted by all these working power sector undertakings by 30 September 2018 as per statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30th 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.	Number of PSUs	6	5	4	5	5
2.	Number of accounts submitted during current year	7	5	2	6	8
3.	Number of PSUs which finalised accounts for the current year	4	3	0	2	5
4.	Number of previous year accounts finalised during current year	3	2	2	4	3
5.	Number of PSUs with arrears in accounts	2	2	4	3	0
6.	Number of accounts in arrears	2	2	4	3	0
7.	Extent of arrears	One year	One year	One year	One year	-

Source: Compilation based on accounts of working PSUs received during the period 1 October 2017 to 30 September 2018.

There is now no arrear in finalisation of accounts of power sector companies.

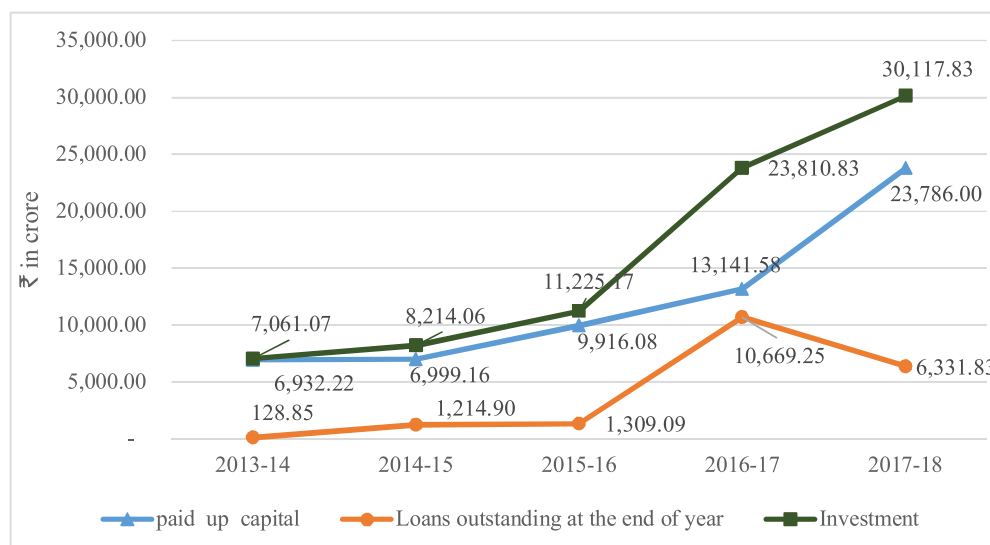
Performance of Power Sector Undertakings

1.8 The financial position and working results of four power sector Companies as per their latest finalised accounts as of 30 September 2018 are detailed in *Appendix 1*.

The Public Sector Undertakings are expected to yield reasonable return on investment made by government in the undertakings. The amount of investment in the power sector PSUs as on 31 March 2018 was ₹ 42,335.11 crore (₹ 34,550.11 crore + ₹ 7,785 crore grant under UDAY scheme) consisting of ₹ 24,932.51 crore as equity and ₹ 17,402.60 crore as long term loans. Out of this, GoH has investment of ₹ 30,117.83 crore in the four Power Sector public sector undertakings consisting of equity of ₹ 23,786.00 crore and long term loans of ₹ 6,331.83 crore.

The year-wise status of investment of GoH 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:

Chart 1.2: Total investment of GoH in Power Sector Undertakings



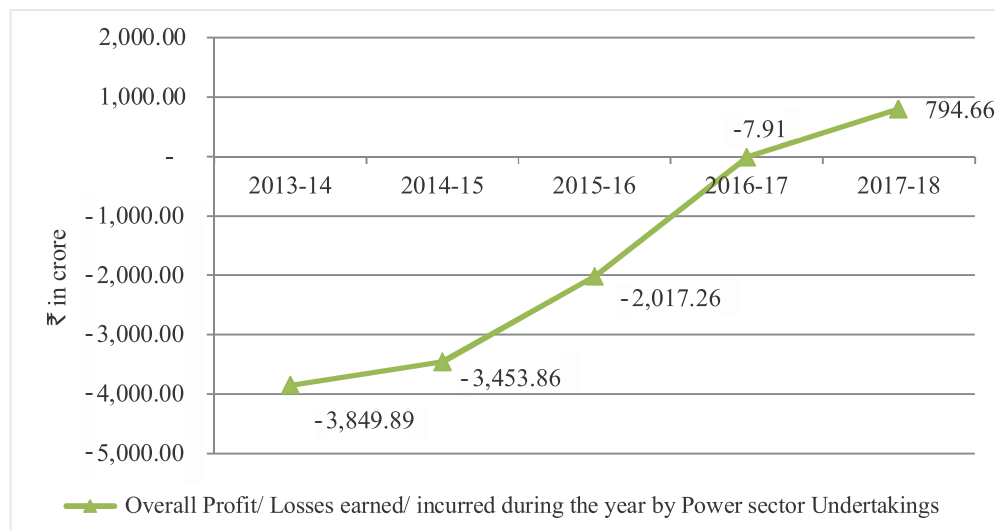
The profitability of a company is traditionally assessed through return on investment, return on equity and Return on Capital Employed (ROCE). Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. ROCE is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's Earnings Before Interest and Taxes (EBIT) by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Return on Investment

1.9 Return on investment is the percentage of profit or loss to the total

investment. The overall position of Profit/ losses⁶ earned/ incurred by all the working power sector undertakings during 2013-14 to 2017-18 is depicted below in the chart:

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



The profit earned by these four power sector PSUs was ₹ 794.66 crore in 2017-18 against losses of ₹ 3,849.89 crore incurred in 2013-14. As per latest finalised accounts for the year 2017-18, all the four PSUs earned profit of ₹ 794.66 crore (*Appendix 1*). The top profit making companies were UHBVNL (₹ 278.24 crore) and HPGCL (₹ 231.35 crore).

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

Financial year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/ loss during the year
2013-14	4	0	4	0
2014-15	4	1	2	1
2015-16	4	1	2	1
2016-17	4	3	1	0
2017-18	4	4	0	0

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

1.10 Out of five power sector undertakings of the State, the State Government infused funds in the form of equity, loans and grants/ subsidies in four power sector undertakings only. The State Government did not infuse any direct funds in the Saur Urja Nigam Haryana Limited⁷. The entire equity of this Company was

⁶ Figures are as per the latest finalised accounts during the respective years.

⁷ Joint venture of HPGCL and Haryana State Industrial and Infrastructure Development Corporation Limited.

contributed by the joint venture partners.

The Return on Investment from the four PSUs has been calculated on the investment made by the GoH in the PSUs in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the government does not receive any interest on such loans and are therefore of the nature of equity investment by government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Further, the funds made available in the forms of the grants/ subsidy are not to be reckoned as investment. However, the grant given to the power sector PSUs under the UDAY Scheme during 2015-16 to 2017-18 has been considered as investment since this grant was given by the GoH to take over the debts of the DISCOMs due to banks and FIs. The comparison of return on investment has, therefore, been given in both ways *i.e.*, after considering grant under UDAY as investment and without considering such grant as investment.

The investment of State Government in these four Power Sector Undertakings has been arrived at by considering the equity (initial equity net of initial residual accumulated losses transferred to PSUs plus the equity infused during the later years) and adding Interest free loans, if any. The investment of State Government as on 31 March 2018 in these four power sector PSUs was ₹ 23,554.10 crore (₹ 23,786 crore minus ₹ 231.90 crore and not taking into account loans as all loans were interest bearing loans) at the end of 2017-18 on historical cost basis after adjustment of initial accumulated losses of ₹ 231.90 crore.

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 GoH in form of Equity on historic cost basis (net of initial accumulated losses) (₹ in crore)	Total earnings/ losses for the year (₹ in crore)	Return on Investment (in per cent)
2013-14	6,700.32	-3,849.89	-57.46
2014-15	6,767.26	-3,453.86	-51.04
2015-16	9,684.18	-2,017.26	-20.83
2016-17	12,909.68	-7.91	-0.06
2017-18	23,554.10	794.66	3.37

The return on investment in the four power sector PSUs improved from -57.46 per cent in 2013-14 to -0.06 per cent in 2016-17 and further to 3.37 per cent during 2017-18 mainly due to increase in income of two DISCOMs by way of subsidy received under UDAY Scheme.

(b) Return on the basis of Present Value of Investment

1.11 In view of the significant investment by Government in the four Power Sector Companies, return on such investment is essential from the perspective of State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value (PV) of money. The PV of the Government investments has been computed to assess the RoR on the PV of investments of GoH in the State PSUs as compared to historical value of

investments. In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2018, the past investments/ year-wise funds infused by the GoH in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, 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. However, the four PSUs had a positive return on investment only during the year 2017-18. Therefore, only for the year 2017-18, the return on investment has been calculated and depicted on the basis of PV including the subsidy granted as part of UDAY Scheme and without including such subsidy.

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

- In those cases where interest free loans given to the PSUs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year. The funds made available in the form of grant have not been treated as investment except in the case of subsidy given under UDAY Scheme as referred in para 1.10.
- The average rate of interest on Government borrowings for the concerned financial year⁸ 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 RoR on investments made by the Government.

For the period 2013-14 (four companies), 2014-15 (three companies), 2015-16 (three companies), 2016-17 (only one company) when these Companies had 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 Para 1.13.

1.12 The consolidated position of the PV of the State Government investment relating to the four power sector companies since inception of these Companies till

⁸ The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (GoH) 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.

31 March 2018 is indicated in table below:

Table 1.8: Year-wise details of investment by the State Government and PV of government funds since 1999-2000 to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Average rate of interest on Government borrowings (in per cent)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return	Total earnings for the year
1	2	3	4	5=(2+3)	6=5x(1+4)/100	7=5x4/100	8
1999-2000		448.11	12.05	448.11	502.11	54.00	-445.55
2000-01	502.11	265.00	11.40	767.11	854.56	87.45	-221.63
2001-02	854.56	38.71	10.50	893.27	987.06	93.79	-182.55
2002-03	987.06	97.36	10.74	1,084.42	1,200.89	116.47	26.48
2003-04	1,200.89	112.27	10.20	1,313.16	1,447.10	133.94	239.68
2004-05	1,447.10	162.93	8.49	1,610.03	1,746.72	136.69	-371.08
2005-06	1,746.72	359.29	8.95	2,106.01	2,294.50	188.49	-377.65
2006-07	2,294.50	777.80	9.20	3,072.30	3,354.95	282.65	-416.21
2007-08	3,354.95	930.16	7.43	4,285.11	4,603.49	318.38	-649.10
2008-09	4,603.49	855.72	7.82	5,459.21	5,886.12	426.91	-1,246.5
2009-10	5,886.12	898.82	9.29	6,784.94	7,415.27	630.32	-1,460.84
2010-11	7,415.27	882.18	9.22	8,297.45	9,062.47	765.02	-592.08
2011-12	9,062.47	573.35	9.73	9,635.82	10,573.39	937.57	-10,194.26
2012-13	10,573.39	198.62	9.86	10,772.01	11,834.13	1,062.12	-3,833.76
2013-14	11,834.13	100.00	9.83	11,934.13	13,107.25	1,173.12	-3,849.89
2014-15	13,107.25	66.94	9.33	13,174.19	14,403.34	1,229.15	-3,453.86
2015-16	14,403.34	1,619.42	8.64	16,022.76	17,407.13	1,384.37	-2,017.26
2016-17	17,407.13	1,927.99	8.00	19,335.12	20,881.93	1,546.81	-7.91
2017-18	20,881.93	5,454.43	8.10	26,336.36	28,469.60	2,133.25	794.66
Total		15,769.10					

* Equity infused amounting to ₹ 680.01 crore less initial accumulated residual losses of ₹ 231.90 crore transferred to PSUs. Information in respect of column no. 3 and 8 is compiled from printed Audit Reports of respective years.

The balance of investment of the State Government in these four Companies at the end of the year increased to ₹ 15,769.10 crore in 2017-18 from ₹ 448.11 crore (equity infused by State Government – ₹ 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 ₹ 15,320.99 crore. The PV of investments of the State Government up to 31 March 2018 worked out to ₹ 28,469.60 crore.

It could be seen that total earnings for the years 1999-2000 to 2001-02 and 2004-05 to 2016-17 relating to these Companies remained negative which indicates that Government could not recover its cost of funds. Also, there were positive total earning for the year 2017-18 but they were substantially below the minimum expected returns.

The Government has also given grant of ₹ 3,892.50 crore each in 2015-16 and in 2016-17 to both the DISCOMs under UDAY Scheme for taking over the debts of these DISCOMs due to banks and FIs. If we consider this grant as investment of the State Government, the return on investment would further get reduced. A comparison of Returns on Investment on historic cost basis and PV basis of such investment during 2017-18 when there were positive earnings after considering

subsidy given under UDAY Scheme and without considering such grant is given below:

Table 1.9: Return on State Government Funds

(₹ in crore)

Particulars	Total Earnings/ Loss (-)	Investment by the GoH in form of Equity	Return on State Government investment on the basis of historical value (in per cent)	Present value of the State Government investment at end of the year	Return on State Government investment considering the present value of the investments (in per cent)
Without UDAY	794.66	15,769.10	5.04	28,469.60	2.79
With UDAY	794.66	23,554.10	3.37	37,951.07	2.09

The returns based on PV were less than the returns based on historic cost as indicated by the comparison of returns during 2017-18. The Return based on historic cost basis was 5.04 *per cent* during 2017-18 whereas return based on PV was 2.79 *per cent*. However, if we consider grant given under UDAY Scheme also as investment, the returns reduced from 3.37 *per cent* on the basis of historic cost to 2.09 *per cent* on the basis of PV.

Erosion of Net worth

1.13 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 ₹ 29,302.90 crore as against the capital investment of ₹ 17,147.50 crore resulting in negative net worth of ₹ 12,155.38 crore after deducting the deferred revenue expenditure of ₹ 0.02 crore (**Appendix I**). Of the four power sector undertakings, the net worth was eroded completely in UHBVNL (₹ 9,639.10 crore) and DHBVNL (₹ 8,726.44 crore).

The following table indicates paid up capital, accumulated profit/ loss and net worth of the four Power Sector Undertakings during the period 2013-14 to 2017-18:

Table 1.10: Net worth of four Power Sector Undertakings during 2013-14 to 2017-18

(₹ in crore)

Year	Paid up capital at the end of the year	Free Reserves and Surplus	Accumulated profit/ loss	Deferred revenue expenditure	Net worth
2013-14	8,236.61	-	-25,042.76	0.00	-16,806.15
2014-15	8,370.48	-	-29,173.23	0.02	-20,802.77
2015-16	11,322.28	-	-29,122.79	0.01	-17,800.52
2016-17	11,675.82	-	-30,082.91	0.01	-18,407.10
2017-18	17,147.50	-	-29,302.90	0.02	-12,155.42

The State Government continued to provide financial support to four Power Sector Companies by infusing substantial equity during the period 2013-18. However, despite infusion of substantial capital, the accumulated losses of these power companies increased from ₹ 25,042.76 crore in 2013-14 to ₹ 29,302.90 crore in 2017-18 and the entire capital infused in these Companies had been eroded. Further, during 2017-18, though the Power Sector Companies earned profit of ₹ 794.66

crore, the net worth of these Companies was negative (₹ 12,155.42 crore) due to accumulated losses.

Out of four⁹ PSUs, during 2013-14 to 2017-18, the net worth of two¹⁰ PSUs was in negative and two¹¹ PSUs showed positive net worth. The net worth of two¹² PSUs increased during 2013-14 to 2017-18 whereas it is fluctuating in respect of two PSUs¹³ during the same period.

Dividend Payout

1.14 The State Government had formulated (October 2003) a dividend policy under which all PSUs are required to pay a minimum return of four *per cent* on the paid up share capital of the State Government. Dividend Payout relating to four Power Sector Undertakings where equity was infused by GoH during the period is shown in table below:

Table 1.11: Dividend Payout of Power Sector Undertakings during 2013-14 to 2017-18
(₹ in crore)

Year	Total PSUs where equity infused by GoH (without adjustment of initial accumulated losses)		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (in <i>per cent</i>)
	Number of PSUs	Equity infused by GoH	Number of PSUs	Equity infused by GoH	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2013-14	4	6,932.22	-	0	-	-	-
2014-15	4	6,999.16	1	2,900.24	-	-	-
2015-16	4	8,618.58	1	2,949.04	-	-	-
2016-17	4	10,546.57	2	5,617.59	-	-	-
2017-18	4	16,001.00	4	16,001.00	-	-	-

During the period 2013-14 to 2017-18, four PSUs earned profits ranging between ₹ 11.96 crore and ₹ 278.24 crore, none of which declared/ paid dividend to GoH.

As per their latest finalised accounts, four working PSUs earned an aggregate profit of ₹ 794.66 crore (after interest and taxes) during 2017-18, but none of them considered dividend.

Return on Equity

1.15 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.

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

⁹ HPGCL, HVPNL, UHBVNL and DHBVNL.

¹⁰ UHBVNL and DHBVNL.

¹¹ HPGCL and HVPNL.

¹² HPGCL and HVPNL.

¹³ UHBVNL and DHBVNL.

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.

ROE 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 1.12: Return on Equity relating to four Power Sector Undertakings where funds were infused by the GoH

Year	Net Income/ total Earnings for the year ¹⁴ (₹ in crore)	Shareholders' funds (₹ in crore)	ROE (in per cent)
2013-14	-3,849.89	-16,806.15	-
2014-15	-3,453.86	-20,802.73	-
2015-16	-2,017.26	-17,800.50	-
2016-17	-7.91	-18,407.08	-
2017-18	794.66	-12,155.38	-

As can be seen from the above table, during the last five years period ended March 2018, the Net Income was positive only during 2017-18, however, Shareholders fund was negative during all the five years. Since the Net income of these PSUs during 2013-14 to 2016-17 and the Shareholders' Fund for all the years were negative, ROE in respect of these PSUs could not be worked out. However, negative shareholders' fund indicates that the liabilities of these PSUs have exceeded the assets instead of paying returns to the shareholders.

Return on Capital Employed

1.16 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 EBIT by the capital employed¹⁵. The details of ROCE of all four power sector undertakings during the period from 2013-14 to 2017-18 are given in table below:

Table 1.13: Return on Capital Employed

Year	Capital employed (₹ in crore)	EBIT (₹ in crore)	ROCE (in per cent)
2013-14	18,973.98	177.65	0.94
2014-15	19,836.80	1,500.43	7.56
2015-16	15,658.97	4,125.81	26.35
2016-17	10,549.65	1,723.04	16.33
2017-18	5,247.18	3,943.18	75.15

The ROCE of the Power Sector Undertakings ranged between 0.94 *per cent* and 75.15 *per cent* during the period 2013-14 to 2017-18. The ROCE substantially increased during the year 2017-18 in comparison to that for the year 2016-17

¹⁴ As per annual accounts of the respective years.

¹⁵ 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.

primarily because of decrease in finance cost due to taking over of loans and providing grant by GoH under UDAY Scheme.

Analysis of Long term loans of the Companies

1.17 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 FIs. This is assessed through the Interest coverage ratio and Debt Turnover Ratio.

Interest Coverage Ratio

1.18 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's EBIT by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in four power sector companies which had interest burden during the period from 2013-14 to 2017-18 are given in table below:

Table 1.14: Interest coverage ratio

Year	Interest (₹ in crore)	EBIT (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other FIs	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2013-14	3,929.76	177.65	4	-	4
2014-15	3,471.80	1,500.43	4	1	3
2015-16	4,531.25	4,125.81	4	2	2
2016-17	3,134.92	1,723.04	4	3	1
2017-18	2,673.69	3,943.18	4	4	-

It can be observed that while there was no Power Sector Company with interest coverage ratio of more than one in the year 2013-14, in 2017-18 all four Companies had interest coverage ratio of more than one.

Debt Turnover Ratio

1.19 During the last five years, the turnover of power sector undertakings recorded compounded annual growth of 11.15 *per cent* and long term loans decreased to ₹ 17,402.60 crore in 2017-18 due to which the Debt-Turnover Ratio improved from 1.61:1 in 2013-14 to 0.51:1 in 2017-18 as given in table below:

Table 1.15: Debt Turnover ratio relating to the Power Sector Undertakings

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debts from Government and others (Banks and FIs)	35,780.12	24,339.52	33,459.49	28,956.75	17,402.60
Turnover	22,256.12	27,716.88	29,475.63	32,169.09	34,371.00
Debt-Turnover Ratio	1.61:1	0.88:1	1.14:1	0.90:1	0.51:1

Source: Compilation based on *Appendix I*

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.20 The Ministry of Power, GoI launched (20 November 2015) UDAY Scheme for operational and financial turnaround of State owned Power 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

1.20.1 The participating States were required to undertake various targeted activities like compulsory feeder and Distribution Transformer (DT) metering, consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management through energy efficient equipments, quarterly revision of tariff, comprehensive consumer Information, Education And Communication campaign to check theft of power, assure increased power supply in areas where the Aggregate Technical & Commercial (AT&C) losses have been reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimize outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption *etc.* The outcomes of operational improvements were to be measured through indicators *viz.* reduction of AT&C loss to 15 *per cent* by 2018-19 as per loss reduction trajectory finalised by the Ministry of Power and States, reduction in gap between average cost of supply and average revenue realised to zero by 2019-20.

Scheme for financial turnaround

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

- State will issue ‘Non-Statutory Liquidity Ratio’ bonds and the proceeds realised 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 up to 5 years.
- Debt of DISCOM will be taken over in the priority of debt already due, followed by debt with higher cost.
- The transfer to the DISCOM by the State in 2015-16 and 2016-17 will be as a grant which can be spread over three years with the remaining transfer through State loan to DISCOM. In exceptional cases, 25 *per cent* of grant can be given as equity.

Implementation of the UDAY Scheme

1.20.3 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 two State DISCOMs were as under:

Table 1.16: Parameter wise achievements *vis-à-vis* targets of operational performance up to 31 December 2018

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in per cent)
Feeder metering (in Nos.)			
Urban	1,365	2,014	147.55
Rural	1,621	2,513	155.03
Metering at Distribution Transformers (in Nos.)			
Urban	2,79,420	50,154	17.95
Rural	4,78,120	63,744	13.33
Feeder Segregation (in Nos.)	3,536	3,536	100.00
Rural Feeder Audit (in Nos.)	1,621	2,076	128.07
Electricity to unconnected household (in Nos.)	49,18,000	45,58,000	92.68
Smart metering above 500 kWh (in Nos.)	4,31,797	6,583	1.52
Smart metering above 200 and up to 500kWh (in Nos.)	8,22,747	3,857	0.47
Distribution of LED UJALA (in Nos.)	2,14,00,000	1,55,89,000	72.85
AT&C Losses (in per cent)	15	15.55 to 24.06 ¹⁶	
ACS-ARR Gap (₹ per unit)	-0.12	-0.03 to 0.11 ¹⁷	
Net Income or Profit/Loss including subsidy (₹ in crore)	-456	1,197.94	100

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

The State's performance in metering at DTs in urban and rural areas was not encouraging. The work of smart metering had not started whereas the performance has been excellent in areas of feeder segregation and feeder metering, providing electricity to unconnected households and distribution of LEDs. The most important target, *i.e.*, of restricting AT&C loss to 15 *per cent* by 2018-19 was still to be achieved. The Ministry of Power, GoI, had ranked the State, fifth, amongst all the states on the basis of overall achievements made by the two State DISCOMs under UDAY Scheme up to 31 December 2018.

B. Implementation of Financial Turnaround

1.20.4 A tripartite Memorandum of Understanding (MoU) was signed (11 March 2016) between the Ministry of Power, 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) pertaining to two State DISCOMs as on 30 September 2015, the GoH took over total debt of ₹ 25,950

¹⁶ AT&C loss of UHBVNL as on 31 December 2018 was 24.06 *per cent* and that of DHBVNL was 15.55 *per cent*.

¹⁷ ACS-ARR gap of UHBVNL as on 31 December 2018 was ₹ 0.11 per unit and that of DHBVNL was ₹ -0.03 per unit.

crore during the period 2015-16 and 2016-17 by providing equity of ₹ 2,595 crore and grant of ₹ 7,785 crore as detailed below:

Table 1.17: Implementation of UDAY Scheme

(₹ in crore)

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
Total	2,595.00	15,570.00	7,785.00	25,950.00
2017-18	5,190.00	-5,190.00	-	-
Position as on 31 March 2018	7,785.00	10,380.00	7,785.00	25,950.00

The amount of ₹ 7,785 crore was provided during 2015-16 and 2016-17 by way of grant under UDAY Scheme. Further, loan amounting to ₹ 5,190 crore had been repaid by the DISCOMs.

The DISCOMs paid interest of ₹ 2,760.18 crore, for the period October 2015 to March 2018, on the loans given by GoH under UDAY Scheme to discharge the loan liability due to other FIs and banks. The loans were extended by GoH at rates of interest ranging between 8.06 *per cent* and 8.21 *per cent* per annum.

Comments on Accounts of Power Sector Undertakings

1.21 Four Power Sector Companies forwarded their six audited accounts to the Principal Accountant General during the period from 1 October 2017 to 30 September 2018. All of these 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 1.18: 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	108.03	1	13.06	0	0
2	Increase in profit	0	0	1	79.68	3	714.78
3	Increase in loss	3	1,027.61	2	127.1	1	3,428.35
4	Decrease in loss	0	0	1	380.23	2	304.46
5	Non-disclosure of material facts	1	1,022.01	0	0	0	0
6	Errors of classification	3	1,050.34	2	652.09	0	0

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 four accounts, unqualified certificate on one account and adverse certificates on one account. After taking into consideration, the effect of CAG's qualifications on the accounts of UHBVNL the Profit for the year 2017-18 converted into Loss of ₹ 53.77 crore.

Performance Audit and Compliance Audit Paragraphs

1.22 For Part-I of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, a Performance Audit (PA) on 'Tariff, Billing and Collection of Revenue' by Dakshin Haryana Bijli Vitran Nigam Limited and four compliance audit paragraphs were issued to the Additional Chief Secretary of Power Department, GoH with request to furnish replies within two weeks. Replies in respect of three compliance audit paragraphs have not been received from the State Government (May 2019). The total financial impact of the PA and the compliance audit paragraphs is ₹ 4,000.74 crore.

Follow up action on Audit Reports

Replies outstanding

1.23 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, GoH issued (July 2002) instructions to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ PAs included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table 1.19: Position of explanatory notes on Audit Reports related to Power Sector PSUs (as on 30 November 2018)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014-15	14.03.2016	1	8	-	-
2015-16	27.02.2017	1	9	-	6
2016-17	14.03.2018	-	13	-	10

Source: Compilation based on explanatory notes received from respective Departments of GoH.

The explanatory notes for six paragraphs of 2015-16 and ten paragraphs of 2016-17 are yet to be received.

Discussion of Audit Reports by COPU

1.24 The status of discussion of PAs and paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 30 November 2018 was as under:

Table 1.20: Performance Audits/Paragraphs appeared in Audit Reports vis-à-vis discussed as on 30 November 2018

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PA	Paragraphs	PA	Paragraphs
2014-15	1	8	1	8
2015-16	1	9	-	-
2016-17	-	13	-	-

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

The discussion in respect of 2014-15 for power sector has been completed.

Compliance to Reports of COPU

1.25 Action Taken Notes (ATNs) on three reports of the COPU presented to the State Legislature between March 2016 and March 2018 had not been received (30 November 2018) relating to the State PSUs as indicated in the following table:

Table 1.21: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	Number of recommendations where ATNs not received
2015-16	1	4	1 (Para No. 14)
2016-17	1	7	7 (Para No. 1 to 7)
2017-18	1	8	8 (Para No. 3 to 7 and 11 to 13)
Total	3	19	16

Source: Compilation based on ATNs received on recommendations of COPU from the respective Departments of GoH.

The above mentioned Reports of COPU contained recommendations in respect of paragraphs which appeared in the Reports of the CAG of India for the period 2011-12 to 2013-14.