

**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 four<sup>11</sup> Power Sector State Public Sector Enterprises (SPSEs) in the State. All the four working Power Sector SPSEs are under audit jurisdiction of the CAG. The four working SPSEs include two in Generation (Himachal Pradesh Power Corporation Limited and Beas Valley Power Corporation Limited), one in both Generation and Distribution (Himachal Pradesh State Electricity Board Limited) and remaining one in Transmission (Himachal Pradesh Power Transmission Corporation Limited). Beas Valley Power Corporation Limited is a subsidiary Company of Himachal Pradesh State Electricity Board Limited. The financial performance of all four working Power Sector SPSEs is covered in this Section. The financial statements of two SPSEs<sup>12</sup> were finalised for the year 2017-18 and another two SPSEs<sup>13</sup> for the year 2018-19 as per latest finalised accounts as of 31 December 2020.

#### Summary of financial performance of Power Sector SPSEs as per latest accounts finalised as on 31 December 2020

Number of SPSEs	4
SPSEs covered	4
Paid-up capital	₹3,142.57 crore
Equity investment of Government of Himachal Pradesh	₹1,415.95 crore
Long term loans	₹8,444.55 crore
Net profit (One SPSE)	₹3.66 crore
Net loss (Two SPSEs)	₹120.04 crore
Number of Power Sector SPSE did not prepare its first profit and loss account so far	One
Dividend declared	Nil
Total Assets	₹19,336.49 crore
Turnover	₹6,622.45 crore
Net worth*	₹1,438.45 crore
Accumulated loss	₹1,704.12 crore

**Source:** Compiled based on Annual Financial Statements of power sector SPSEs finalised as of 31 December 2020.

\*Net worth means the sum total of the paid-up capital and free 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. **Table-1.1**

<sup>11</sup> Himachal Pradesh State Electricity Board Limited (HPSEBL), Himachal Pradesh Power Corporation Limited (HPPCL), Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) and Beas Valley Power Corporation Limited (BVPCL).

<sup>12</sup> Himachal Pradesh State Electricity Board Limited and Himachal Pradesh Power Corporation Limited.

<sup>13</sup> Himachal Pradesh Power Transmission Corporation Limited and Beas Valley Power Corporation Limited.

below provides the details of turnover of the Power Sector SPSEs and GSDP of Himachal Pradesh for a period of five years ending March 2020.

**Table-1.1: Details of turnover of Power Sector SPSEs vis-a-vis GSDP of Himachal Pradesh**

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover	5,093.79	5,599.56	5,993.79	6,325.56	6,622.45
GSDP of Himachal Pradesh	1,14,239	1,25,634	1,38,351	1,53,845	1,65,472
Percentage of Turnover to GSDP of Himachal Pradesh	4.46	4.46	4.33	4.11	4.00

**Source:** Power Sector SPSEs and Government of Himachal Pradesh.

The turnover of power sector SPSEs has recorded continuous increase over previous years. The increase in turnover ranged between 4.69 per cent and 9.93 per cent during the period 2015-20, whereas increase in GSDP of Himachal Pradesh ranged between 7.56 per cent and 11.20 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 9.71 per cent of the GSDP, the turnover of power sector SPSEs recorded lower compounded annual growth of 6.78 per cent during last five years. This resulted in decrease in share of turnover of these power sector SPSEs to the GSDP from 4.46 per cent in 2015-16 to four per cent in 2019-20.

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

The peak demand for power, its availability and the share of the State's own power generating<sup>14</sup> and distribution utility, the Himachal Pradesh State Electricity Board Limited (HPSEBL), during 2015-16 to 2019-20 is given in the **Table-1.2** below:

**Table-1.2: Details of Power Generation by HPSEBL**

Year	Installed Capacity of HPSEBL	Peak demand	Availability of Power	Total power Supply	Power Supplied by HPSEBL	HPSEBL's share in total supply
	(in MW)			(in MUs)		(in per cent)
2015-16	487.45	1,488	1,488	8,758	1,455	17
2016-17	487.45	1,499	1,499	8,779	1,491	17
2017-18	487.45	1,594	1,594	9,345	1,837	20
2018-19	487.45	1,700	1,700	9,618	1,956	20
2019-20	487.45	1,786	1,786	10,353	2,122	20

**Source:** Load Generation Balance Reports of Central Electricity Authority and Annual Accounts of HPSEBL.

The State was able to meet its peak demand through tied up agreements (Power Purchase Agreements), purchase and drawal of power under unscheduled interchange (UI)<sup>15</sup> through power grid. Also, Himachal Pradesh State Electricity Board Limited's share in total power supply in the State remained almost static<sup>16</sup> due to no increase in its installed capacity to match the increase in demand.

<sup>14</sup> Apart from Himachal Pradesh State Electricity Board Limited, Himachal Pradesh Power Corporation Limited is also power generating. However, most of the power generated is not supplied to the State. Beas Valley Power Corporation Limited is yet to commence commercial operations.

<sup>15</sup> Actual drawl minus total scheduled drawl.

<sup>16</sup> The reasons for increased power supplied by Himachal Pradesh State Electricity Board Limited in 2017-18 was due to restoration of Bhaba HEP to its optimum capacity which was damaged in fire in January 2016.

### 1.3 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	1,635.95	6,393.82	8,029.77	1,890.59	6,961.18	8,851.77
State Government Companies/Corporations	430.77	-	430.77	430.77	-	430.77
Financial Institutions and others	1,295.86	3,142.82	4,438.68	1,295.86	3,633.91	4,929.77
<b>Total</b>	<b>3,362.58</b>	<b>9,536.64</b>	<b>12,899.22</b>	<b>3,617.22</b>	<b>10,595.09</b>	<b>14,212.31</b>
Percentage of State Government Investment to Total Investment	48.65	67.04	62.25	52.27	65.70	62.28

**Source:** Compiled based on information received from Power Sector SPSEs.

As on 31 March 2020, the total investment (equity and long-term loans) in four power sector SPSEs was ₹14,212.31 crore and registered an increase of ₹1,313.09 crore over that of 31 March 2019. Significant investment made by the State Government during 2019-20 was in Himachal Pradesh Power Corporation Limited (₹165.00 crore) as equity.

The Government of Himachal Pradesh (GoHP) provides financial support to Power Sector enterprises in various forms through annual budget. The summarized 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 given in **Table-1.4**.

**Table-1.4: Details of budgetary support to power sector SPSEs during last three years**

(₹ in crore)

Particulars <sup>17</sup>	2017-18		2018-19		2019-20	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity Capital	3	182.11	3	250.00	3	254.64
Loans given	1	262.68	1	365.00	1	567.36
Grants/Subsidies provided	1	6.00	2	24.00	1	20.00
<b>Total Outgo</b>		<b>450.79</b>	<b>-</b>	<b>639.00</b>	<b>-</b>	<b>842.00</b>
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued during the year	1	-	-	-	2	565.00
Guarantee Commitment/ Outstanding	1	3,715.50	-	-	2	1,250.91

**Source:** Compiled based on information from Power Sector SPSEs for the year 2019-20 and Finalised Accounts.

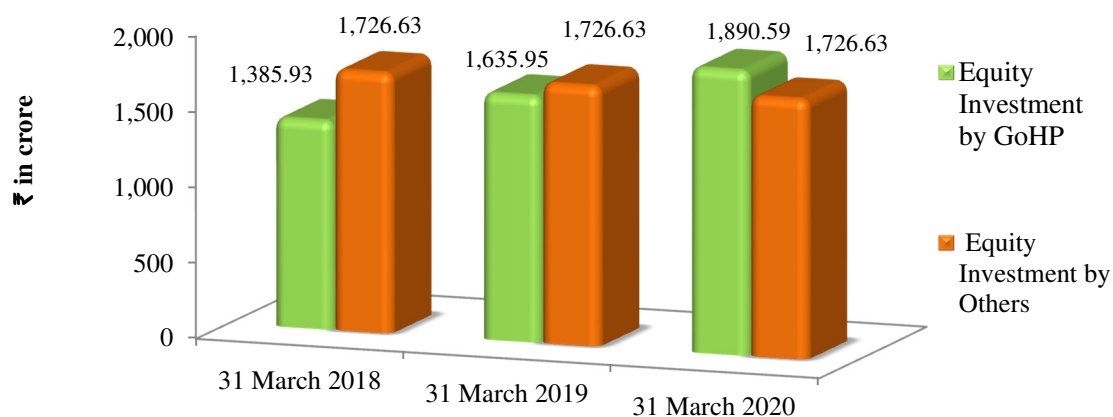
<sup>17</sup> Amount represents outgo from State Budget only. No budgetary support was given by the State to Beas Valley Power Corporation Limited from State Budget.

### 1.3.1 Investment in equity

During 2019-20, the total investment at face value of equity in the four Power Sector SPSEs registered a net increase of ₹254.64 crore.

Investment in equity by the State Government and others during last three years ended 31 March 2020 in these Power Sector SPSEs is depicted in the **Chart-1.1**.

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



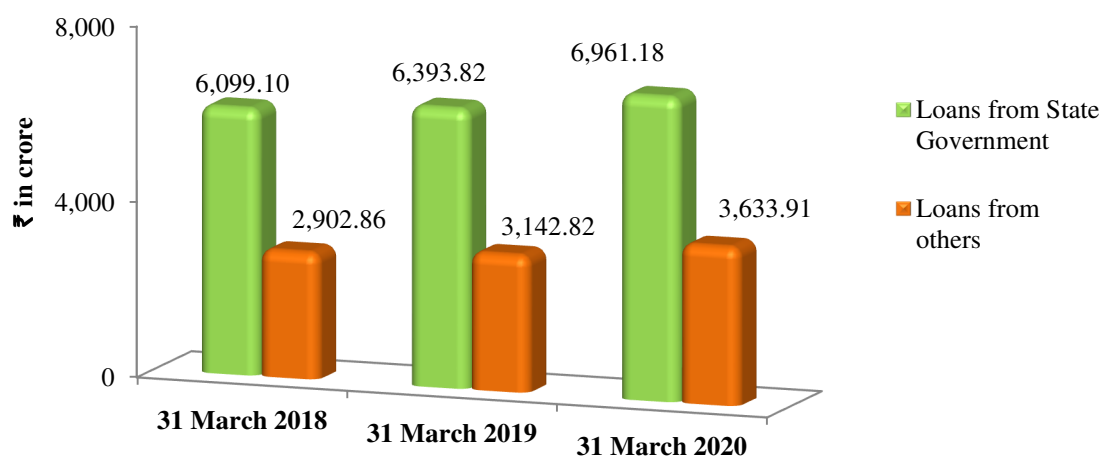
**Source:** Compiled based on information received from Power Sector SPSEs.

### 1.3.2 Loans given to power sector SPSEs

#### 1.3.2.1 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 ₹10,595.09 crore as detailed in **Appendix-III**. As on 31 March 2020, the long-term loans of these SPSEs registered an increase of ₹1,058.45 crore over that of 31 March 2019. Year-wise detail 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**



**Source:** Compiled based on information received from Power Sector SPSEs.

The long-term loans advanced by the State Government constituted 65.70 *per cent* (₹ 6,961.18 crore) of the total long-term loans whereas 34.30 *per cent* (₹3,633.91 crore) of the total long-term loans were availed from other financial institutions. The long-term loans increased from ₹9,001.96 crore in 2017-18 to ₹10,595.09 crore in 2019-20.

### 1.3.3 Adequacy of assets to meet loan liabilities

Ratio of total debt/loans to total assets is one of the methods used to determine whether a Company can stay solvent. 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 per their latest finalised accounts as on 31 December 2020 is given in **Table-1.5**.

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

Name of Power Sector SPSEs	Assets	Long Term Loans	Ratio of Assets to Long Term Loans
	(₹ in crore)		
Himachal Pradesh State Electricity Board Limited	9,209.36	4,719.12	1.95:1
Himachal Pradesh Power Transmission Corporation Limited	1,966.24	1,145.80	1.72:1
Himachal Pradesh Power Corporation Limited	6,414.55	1,181.72	5.43:1
Beas Valley Power Corporation Limited	1,746.34	1,397.91	1.25:1
<b>Total</b>	<b>19,336.49</b>	<b>8,444.55</b>	<b>2.29:1</b>

**Source:** *Compiled based on accounts finalised by SPSEs.*

From the above, it can be seen that the value of assets in respect of all Power Sector SPSEs was greater than the sum of their loans/debts.

### 1.3.4 Interest Coverage Ratio

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 will be the ability of the company to pay interest on debt. An interest coverage ratio of less than one indicates that the Company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those Power Sector SPSEs which had interest burden during the period from 2017-18 to 2019-20, are given in **Table-1.6**.

**Table-1.6: Shows the details of interest coverage ratio on power sector SPSEs**

Name of the SPSEs	2017-18			2018-19			2019-20		
	Interest cost	EBIT	Interest coverage ratio	Interest cost	EBIT	Interest coverage ratio	Interest cost	EBIT	Interest coverage ratio
	(₹ in crore)			(₹ in crore)			(₹ in crore)		
HPSEBL	518.55	508.04	0.98	503.35	459.14	0.91	457.06	460.72	1.01
HPPCL	-	(-) 17.92	-	-	(-) 32.35	-	96.23	17.11	0.18
HPPTCL	-	(-) 11.30	-	-	(-) 8.02	-	9.13	(-) 31.79	(-) 3.48

**Source:** *As per latest finalised accounts of the Power Sector SPSEs.*

It was observed that the interest coverage ratio of only Himachal Pradesh State Electricity Board Limited was greater than one. For Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited the interest coverage ratio was less than one which indicates higher risk of insolvency

in these Power Sector SPSEs. Beas Valley Power Corporation Limited is yet to commence commercial operations, accordingly, does not have EBIT.

### 1.3.5 Age wise analysis of interest outstanding on State Government Loans

As per latest finalised accounts as on 31 December 2020, interest of ₹523.55 crore was accrued on the long-term loans by the State Government in respect of three power sector SPSEs (except Beas Valley Power Corporation Limited) preparing their profit and loss account. The age-wise analysis of interest accrued on State Government loans in SPSEs is given in **Table-1.7**.

**Table-1.7: Interest outstanding on State Government loans**

Sr. No.	Name of SPSEs	Outstanding interest on State Government Loans	Interest on State Government loans (₹ in crore)	
			Interest on State Government loans outstanding for less than one year	Interest on State Government loans outstanding for more than one year
1	HPSEBL	36.91	0.02	36.89
2	HPPCL	193.72	75.77	117.95
3	HPPTCL	292.92	292.92	-
	<b>Total</b>	<b>523.55</b>	<b>368.71</b>	<b>154.84</b>

**Source:** Information as per latest finalised accounts of Power Sector SPSEs.

From the above it can be seen that accrued interest of ₹523.55 crore was pending for payment as per latest finalised accounts as of 31 December 2020 of which an amount of ₹154.84 crore was outstanding for more than one year.

## 1.4 Return on investment in Government Companies

### 1.4.1 Profit earned by Power Sector SPSEs

Out of four Power Sector SPSEs, one power sector SPSE (Himachal Pradesh State Electricity Board Limited) earned profit of ₹3.66 crore, two SPSEs (Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited) incurred loss of ₹120.04 crore and as per latest account finalised as of 31 December 2020, one SPSE (Beas Valley Power Corporation Limited) did not prepare its first profit and loss account so far.

Activity wise contribution of profit or loss incurred by each Power Sector SPSEs as per their latest accounts finalised as of 31 December 2020 is given in **Table-1.8**:

**Table-1.8: SPSEs and activity-wise contribution to profit earned or loss incurred by Power Sector SPSEs as per latest accounts finalised as of 31 December 2020**

Activity	Name of the Power Sector SPSEs	Net Profit earned	Net loss incurred
		(₹ in crore)	
Generation	HPPCL	-	40.92
Transmission	HPPTCL	-	79.12
Distribution & Generation	HPSEBL	3.66	-

**Source:** Compiled based on accounts finalised by Power Sector SPSEs as of 31 December 2020.

As per latest finalised accounts by each SPSE, a consolidated net loss of ₹116.38 crore was incurred by three power sector SPSEs.

### 1.4.2 Erosion of Net worth of State Power SPSEs

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 accumulated losses of all power sector SPSEs were



₹1,704.12 crore as against the capital investment of ₹3,142.57 crore as detailed in **Appendix-I** resulting in positive net worth of ₹1,438.45 crore as given in **Table-1.9**. Of the all Power Sector SPSEs, the net worth of HPSEBL had completely eroded and was (-) ₹ 864.49 crore as per their latest finalized accounts.

The **Table-1.9** indicates net worth of all Power Sector SPSEs during 2017-20:

**Table-1.9: Net worth of four Power Sector SPSEs during 2017-18 to 2019-20**

(₹ in crore)	
Name of SPSE	Net Worth
<b>2017-18</b>	
HPSEBL	(-) 1,396.34
HPPCL	1,526.18
HPPTCL	253.34
BVPCL	300.00
<b>Total</b>	<b>683.18</b>
<b>2018-19</b>	
HPSEBL	(-) 1,390.57
HPPCL	1,634.03
HPPTCL	274.31
BVPCL	300.00
<b>Total</b>	<b>817.77</b>
<b>2019-20</b>	
HPSEBL	(-) 864.49
HPPCL	1,729.56
HPPTCL	273.38
BVPCL	300.00
<b>Total</b>	<b>1,438.45</b>

**Source:** Information as per latest finalised accounts of Power Sector SPSEs.

The State Government continued to provide financial support to these Power Sector SPSEs by infusing equity during the period 2017-20 to improve their liquidity and for capital works. Himachal Pradesh State Electricity Board Limited in 2019-20 (balance sheet of 2017-18) adjusted losses of ₹505.13 crore pertaining to the erstwhile State Electricity Board. This resulted in reduction of overall accumulated losses of power sector companies from ₹2,064.03 crore in 2017-18 to ₹1,704.12 crore in 2019-20.

Out of four Power Sector SPSEs, during 2017-18 to 2019-20, net worth of one<sup>18</sup> SPSE was negative and of other three<sup>19</sup> SPSEs was positive.

#### 1.4.3 Dividend Payout by Power Sector SPSEs

The State Government had formulated (April 2011) policy that all profit-making Power Sector SPSEs (except those in welfare and utility sector) should pay a minimum return of five *per cent* on the paid-up share capital contributed by the State Government, subject to a ceiling of 50 *per cent* of the profit after tax. As per their latest finalised accounts as of 31 December 2020, only one power sector SPSE (Himachal Pradesh State Electricity Board Limited) earned profit ₹3.66 crore, which being in utility sector is not required to pay dividend.

<sup>18</sup> Himachal Pradesh State Electricity Board Limited.

<sup>19</sup> Himachal Pradesh Power Corporation Limited, Himachal Pradesh Power Transmission Corporation Limited and Bead Valley Power Corporation Limited.

#### 1.4.4 Return on Equity of Power Sector SPSEs

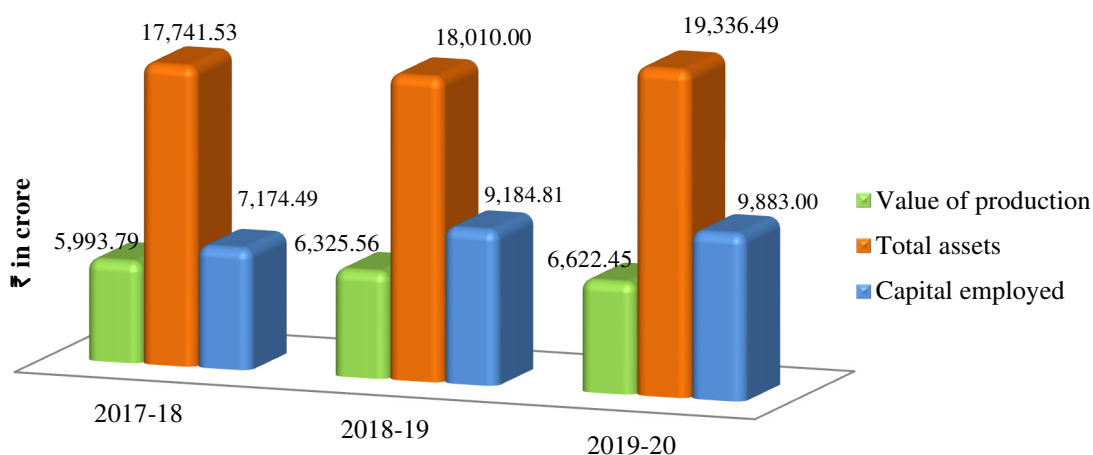
Return on Equity<sup>20</sup> is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The RoE could not be calculated in respect of all three SPSEs during 2017-20 as either the net income or the net worth of all three SPSEs was negative in all three years under consideration. The net income of Himachal Pradesh State Electricity Board Limited was positive as per latest finalised accounts as of 31 December 2020, but net worth of the same was negative during that year.

### 1.5 Operating efficiency of Power Sector SPSEs

#### 1.5.1 Value of production

The summary indicating value of production, total assets and capital employed<sup>21</sup> of three Power Sector SPSEs over a period of three years is depicted in the **Chart-1.3**.

**Chart-1.3: Value of Production, Assets and Capital Employed**



**Source:** Information as per latest finalised accounts of Power Sector SPSEs.

The details of Power Sector SPSE wise value of production, total assets and capital employed during 2017-18 to 2019-20 are given in **Table-1.10**.

**Table-1.10: SPSEs wise value of production, total assets and capital employed during 2017-18 to 2019-20 as per their finalised accounts as of 30 September of each year during 2017-19 and as of 31 December 2020 during 2019-20**

(₹ in crore)			
Name of SPSEs	Value of production	Total assets	Capital employed
<b>2017-18</b>			
HPSEBL	5,980.02	9,651.99	1,850.49
HPPCL	1.65	5,679.51	3,274.42
HPPTCL	12.12	1,042.04	711.36
BVPCL	0	1,367.99	1,338.22
<b>Total</b>	<b>5,993.79</b>	<b>17,741.53</b>	<b>7,174.49</b>
<b>2018-19</b>			
HPSEBL	6,291.54	9,061.76	3,171.07
HPPCL	14.71	6,054.63	3,558.10

<sup>20</sup> Return on Equity = (Net Profit after tax/Equity) x 100, where Equity = Paid up Capital + Free Reserves – Accumulated Losses – Deferred Revenue Expenditure.

<sup>21</sup> Capital Employed = Paid-up Capital + Free Reserves + Long Term Loans - Accumulated Losses - Deferred Revenue Expenditure.

Name of SPSEs	Value of production	Total assets	Capital employed
HPPTCL	19.31	1,400.63	1,002.44
BVPCL	0	1,492.98	1,453.20
<b>Total</b>	<b>6,325.56</b>	<b>18,010.00</b>	<b>9,184.81</b>
<b>2019-20</b>			
HPSEBL	6,520.76	9,209.36	3,854.63
HPPCL	83.36	6,414.55	2,911.28
HPPTCL	18.33	1,966.24	1,419.18
BVPCL	0	1,746.34	1,697.91
<b>Total</b>	<b>6,622.45</b>	<b>19,336.49</b>	<b>9,883.00</b>

**Source:** Compiled based on accounts finalised by Power Sector SPSEs.

There is continuous increase in value of production, assets and capital employed of power sector SPSEs from 2017-18 to 2019-20. The increase in production and assets were mainly due to commercial operation of Sainj Hydro Electric Project (HEP) and restoration of Bhaba HEP which was damaged during 2015-16.

### 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 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	Capital Employed	ROCE
	₹ in crore)		(In per cent)
2017-18	478.82	7,174.49	6.67
2018-19	418.77	9,184.81	4.56
2019-20	446.04	9,883.00	4.51

**Source:** Compiled based on accounts finalised by Power Sector SPSEs.

It can be seen from the above table that earnings before interest and tax decreased from ₹478.82 crore in 2017-18 to ₹446.04 crore in 2019-20 and percentage of return on capital employed of these Companies also decreased from 6.67 in 2017-18 to 4.51 in 2019-20.

Though the operating revenue was more in 2019-20 as compared to 2018-19, the ROCE was lesser due to higher Capital Employed for the year.

### 1.6 Return on the basis of Present Value of Investment

In view of the significant investment by the Government in the three Power Sector SPSEs, Rate of Real Return (RORR) is essential from the perspective of the State Government. Traditional calculation of ROI based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value (PV) of money. Therefore, in addition, RORR is calculated considering the Present Value (PV) of investment.

To bring the historical cost of investments to its present value at the end of each year up to 31 March 2020, the past investments / year-wise funds infused by the GoHP in the Power Sector SPSEs 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 in the shape of equity (no interest free loans / subsidies for operational and administrative expenditure was received) since inception of these companies till 31 March 2020 was computed.

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 were computed on the basis of following assumptions:

- Where interest free loans were given to the SPSEs and 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 rate of interest on Government borrowings for the concerned financial year<sup>22</sup> was adopted as compounded rate for arriving at the PV since these 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.
- Disinvestment has been deducted while calculating total investment at the end of the year.

#### **1.6.1 Rate of Real Return (RORR) on the basis of Present Value of Investment**

The Company wise position of State Government investment in the three power sector SPSEs in the form of equity and loans since inception of these SPSEs till 31 March 2020 is indicated in **Appendix-1.1**. However, no interest free loans/interest free loans were converted into equity/grants/subsidies/disinvestment given/made by the State Government during the last five years ending 31 March 2020.

The consolidated position of the PV of State Government investment in Power Sector SPSEs for year ending 31 March 2020 is indicated in **Table-1.12**.

---

<sup>22</sup> *The average rate of interest on Government borrowings was adopted from the Reports of the Comptroller and Auditor General of India on State Finances (Government of Himachal Pradesh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100.*

**Table-1.12: Year-wise details of investment by the State Government and present value (PV) of Government funds from 2007-08 to 2019-20**

(₹ in crore)

Year	Present Value of total investment at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loans given by the State Government during the year	Interest free loans converted into equity during the year	Grants/subsidies given by State Government for operational and administrative expenditure	Disinvestment by the State Government during the year at face value	Total investment during the year (vii=ii+ii i-iv+v-vi)	Total investment at the end of the year (viii=i+vi i)	Average rate of interest on Government borrowings (in %)	Present value of total investment at the end of the year (x={viii*(1+ix)/100})	Minimum expected return to recover cost of funds for the year xi={viii*i x/100}	Total earnings for the year <sup>23</sup>	Return on Investment (xiii=xii/x*100)
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007-08	-	80.11	-	-	-	-	80.11	80.11	9.09	87.39	7.28	-	-
2008-09	87.39	252.32	-	-	-	-	252.32	339.71	9.19	370.93	31.22	-	-
2009-10	370.93	288.11	-	-	-	-	288.11	659.04	8.59	715.65	56.61	-	-
2010-11	715.65	532.28	-	-	-	-	532.28	1247.93	7.78	1345.02	97.09	-152.62	-
2011-12	1345.02	98.05	-	-	-	645.85	-547.80	797.22	7.80	859.41	62.18	-152.62	-
2012-13	859.41	257.96	-	-	-	-	257.96	1117.37	8.08	1207.65	90.28	-315.94	-
2013-14	1207.65	219.75	-	-	-	-	219.75	1427.40	7.71	1537.45	110.05	-512.76	-
2014-15	1537.45	294.27	-	-	-	550.00	-255.73	1281.72	7.91	1383.11	101.38	-356.72	-
2015-16	1383.11	174.04	-	-	-	-	174.04	1557.15	7.95	1680.94	123.79	-156.88	-
2016-17	1680.94	202.78	-	-	-	-	202.78	1883.72	7.60	2026.88	143.16	-129.32	-
2017-18	2026.88	182.11	-	-	-	-	182.11	2208.99	7.71	2379.30	170.31	-39.73	-
2018-19	2379.30	250.00	-	-	-	-	250.00	2629.30	8.32	2848.06	218.76	-83.28	-
2019-20	2848.06	254.66	-	-	-	-	254.66	3102.72	7.97	3350.01	247.29	-116.38	-
		3,086.44 <sup>24</sup>	-	-	-	1,195.85	1890.59	-	-	-	-	-	-

**Source:** Statistical information received from Power Sector SPSEs and latest finalised accounts.

**Note:** No grants/ subsidies were received from the State Government for operational and administrative expenditure.

The net investment of the State Government in these companies as of 31 March 2020 was ₹1,890.59 crore after adjustment of ₹1,195.85 crore (Himachal Pradesh Power Corporation Limited: ₹537.15 crore (2011-12) and ₹550.00 crore (2014-15) and Himachal Pradesh Power Transmission Corporation Limited: ₹108.70 crore (2011-12) due to disinvestment by the State Government. The State Government made investments in the shape of equity only and no grants/subsidy for meeting operational and administrative expenses were received from the State Government during this period. The PV of investments of the State Government up to 31 March 2020 worked out to ₹3,350.01 crore. The net earnings of these three SPSEs during the year 2019-20 was (-) ₹116.38 crore. Thus, the rate of real return for these SPSEs for the year 2019-20 was (-) 3.47 per cent. It could be seen that total earnings of the companies remained negative from 2010-11 onwards, which indicates that instead of generating returns on the invested funds, these companies were not able to even recover the cost of funds.

<sup>23</sup> Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those three Power Sector SPSEs where funds were infused by State government.

<sup>24</sup> Includes disinvestment of ₹1,195.85 crore made by the State Government during 2011-12 and 2014-15.

### 1.6.2 Return on Investment on Historical Cost and Present Value of Investment

The State Government as on 31 March 2020 had invested ₹1,890.59 crore on historical cost basis. However, it is evident from the **Table-1.12**, the return on State Government investment in SPSEs remained negative in all years till 31 March 2020.

### 1.7 Implementation of UDAY (Ujwal DISCOM Assurance Yojana) Scheme

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

#### 1.7.1 Financial Turnaround

The Government of Himachal Pradesh conveyed (18 August 2016) its ‘in principle’ consent to the Ministry of Power, Government of India to take benefit of the UDAY Scheme. Thereafter, tripartite Memorandum of Understanding (MoU) was signed on 8 December 2016 between the Ministry of Power, the Government of Himachal Pradesh and State DISCOM (Himachal Pradesh State Electricity Board Limited). As per provisions of UDAY Scheme and tripartite Memorandum of Understandings (MoU), out of total outstanding debt (₹ 3,854.00 crore) pertaining to the State DISCOM as on 15 September 2015, the Government of Himachal Pradesh took over total debt of ₹2,890.50 crore during 2016-17 by taking over the loan.

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

#### 1.7.2 Achievement of operational parameters

The achievements *vis-a-vis* targets under UDAY Scheme regarding different operational parameters relating to the one State DISCOM (Himachal Pradesh State Electricity Board Limited) is given in **Table-1.13**.

**Table-1.13: Parameter-wise achievements *vis-a-vis* targets of operational performance up-to 30 September 2020**

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in per cent)
Feeder metering (in Nos.)	Meters already installed		
Metering at Distribution Transformers (in Nos.)	-	-	-
Urban	Meters already installed		
Rural	7,921	865	10.92
Rural Feeder Audit (in Nos.)	Energy Audit already being done		
Electricity to unconnected household (in lakh Nos.)	0.18	0.67	372
Distribution of LED UJALA (in lakh Nos.)	Already distributed		
Aggregated Technical and Commercial (AT &C) Losses (in per cent)	12.75	9.47	100
Average Cost of Supply (ACS)- Average Realisable Revenue (ARR) - (₹ per unit)	(-) 0.05	0.03	92.38

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

The performance of the Power Sector SPSE was excellent in energy audit of rural feeders, electricity to unconnected households and in most important target of reduction

in aggregated technical and commercial losses and reduction in ACS-ARR gap, but it performed poorly in metering of distribution transformers (DTs) in rural areas.

The DISCOM paid interest of ₹683.34 crore, for the period February 2017 to March 2020, on the loans given by the GoHP under UDAY Scheme to discharge the loan liability due to other financial institutions and banks. The loans were extended by the GoHP at rates of interest ranging between 7.49 *per cent* and 8.19 *per cent* per annum.

