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## Discoms- The missing link in implementing “Power For All”

The Union Government recently announced India having achieved 100% electrification of villages. The same was achieved before the targeted deadline in April 2018.

The Government defines a village to be electrified where-

- \*Basic infrastructure such as Distribution Transformer and Distribution lines are provided in the inhabited locality as well as the Dalit Basti Hamlet where it exists.

- \* Electricity is provided to public places like Schools, Panchayat Office, Health centers, dispensaries, community centers etc.

- \* The number of households electrified should be at least 10% of the total number of households in the village

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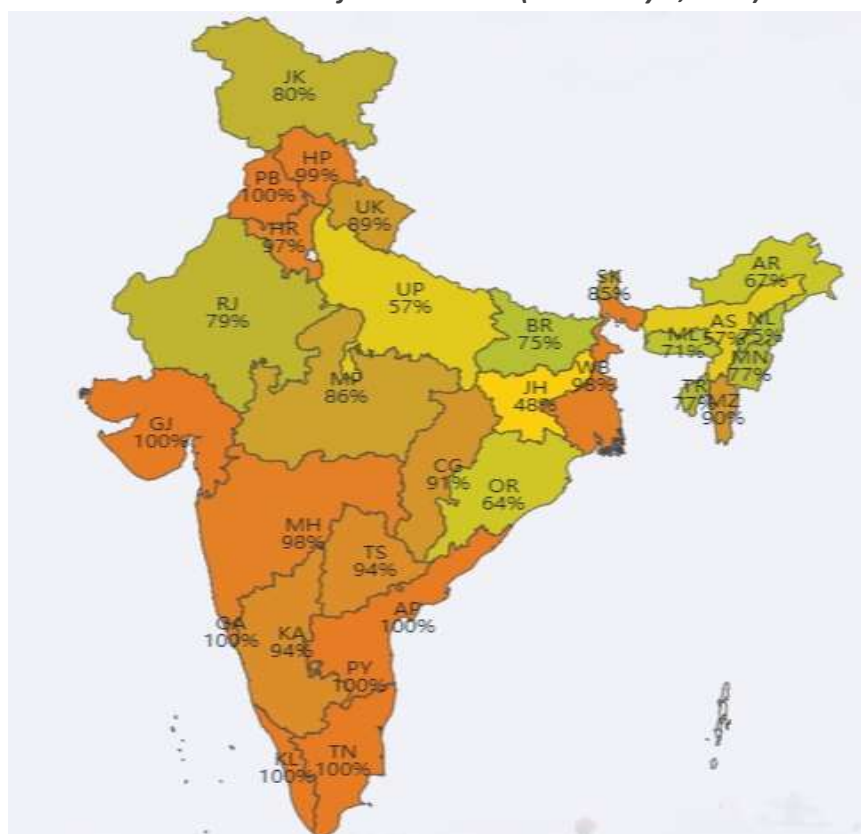
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**Illustration 1. Electrification Status (As on May 7, 2018)**



Source: SAUBHAGYA Dashboard

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The Union Government introduced “SAUBHAGYA” Scheme with an outlay of Rs. 16,320 crore to electrify every household in the country in September 2018. As per Government data, around 31 million households in the country are yet to be electrified. Out of these, 25 million households are in rural areas. The State Discoms are expected to complete the task of connecting these un-electrified households to the grid-based power.

## State Discoms: The key to implementing “SAUBHAGYA”

Under “SAUBHAGYA” scheme, the Government targets to electrify all households in the country. Connecting the large un-electrified households to reliable power source has been one of the key initiatives of the Government and is expected to drive demand for power in the country. The Government has set an ambitious target of electrifying every household in this country by December 2018. Post introduction of this scheme in September 2017, 5.4 million households have been electrified and there are 31 million households remaining to be electrified. With 200 days left for achieving the target specified under the scheme, almost 1,50,000 households need to be electrified every day.

The Union Government has allocated Rs. 21,550 crores for electrification scheme in the Budget. In this, SAUBHAGYA Scheme has been allocated Rs. 2,750 crore and Deen Dayal Upadhyaya Gram Jyoti Yojana aimed at rural electrification and strengthening power infrastructure has been allocated Rs. 18,800 crore.

**Table 1. State Discoms: Electrification Status and Operation & Financial Position**

State	Un-electrified Households	Households Electrified (%)	AT & C (%)	UDAY Bonds (In Rs. Cr)
Uttar Pradesh	1,32,51,223	55.98	30.94%	49,510
Bihar	31,93,313	74.44	36.75%	3 109
Odisha	30,80,518	63.77	--	--
Jharkhand	28,68,293	47.77	36.28%	6,136
Assam*	22,51,598	56.99	20.00%	--
Rajasthan	19,57,865	78.72	24.44%	72,090
Madhya Pradesh	15,14,210	85.51	31.63%	7,360
Karnataka	5,82,627	93.79	15.28%	--
Chhattisgarh	4,34,872	91.27	22.25%	870
Telangana	3,65,976	93.87	13.90%	8,923
West Bengal <sup>#</sup>	2,88,305	98.03	--	--
Jammu & Kashmir*	2,63,890	79.44	57.40%	3,538
Maharashtra	2,45,079	98.25	20.15%	4,960
Tripura*	2,02,688	72.28	18.62%	--
<b>Total</b>	<b>3,05,00,457</b>	<b>Total UDAY Bonds Outstanding</b>	Rs. 2.32 lakh crore	

Source: [UDAY.gov.in](http://UDAY.gov.in) \*Special Category Status States #West Bengal is not a member UDAY Scheme AT&C- Aggregate Technical and Commercial loss

The 14 states exhibited in table 1 account for 97.6% of the total un-electrified households in the country. The top-7 states with the highest number of un-electrified households account for 90% of the total un-electrified households in the country.

- Electrification by States:** Among states with most un-electrified households, Jharkhand and UP have 53.2% and 44.1% of its households remaining to be electrified. Uttar Pradesh tops the list and accounts for 13.25 million households or 42.4% of the total un-electrified houses in India. Uttar Pradesh is also among the top-3 power consuming states in the country. At a distant 2<sup>nd</sup> is Bihar with 3.2 million un-electrified households. Other states with over 1 million un-electrified households are Odisha, Jharkhand, Assam, Rajasthan and Madhya Pradesh.
- Special Category States:** Eight states which fall under the category of Special States are likely to be funded 90% of their funding requirement for implementing SAUBHAGYA and DDUGJY scheme by the government. Out of these eight, Assam, J&K and Tripura account for 2.7 million households remaining to be electrified and would require Rs. 2,500-3,500 crore for implementation of the scheme. The remaining five special status states, with

an additional 6,00,000 un-electrified households would require an allocation of Rs. 800-1000 crore for implementing this scheme.

- Operational efficiency:** UP and Bihar discoms continue to lag on operational parameters with UP reporting 31% and Bihar reporting 36.8% of AT&C losses. Jharkhand and Madhya Pradesh are two other states with high AT&C losses of 36.3% and 31.6% respectively and have over 4.4million households to be electrified. Barring Telangana, Karnataka, Assam and Tripura, all states listed in *table 1*, continue to report AT& C losses over national average of 21.32%. A high AT&C loss indicates lower collection efficiency and lesser revenues, which in turns leads to mounting losses and affects the fund raising capacity of the discom.
- UDAY Bonds:** UP and Rajasthan account for 52.4% of UDAY bonds issued at Rs. 1.21 lakh crore out of the total UDAY bonds issued worth Rs. 2.33 lakh crore. Telangana, MP and Jharkhand are other states with significant amount of outstanding UDAY bonds. UDAY bonds were issued with the view to decrease interest cost on the discoms while they improve operationally. Operational efficiency especially on the collection front has remained to be a challenge for the discoms. For the loss incurring discoms, arranging for the additional Rs. 15,000-18,000 crores for achieving SAUBHAGYA targets seem to be an immediate challenge unless State governments and other state financing agencies like REC provide for the same.
- Tariff:** Low tariffs are a necessity to sustain schemes like SAUBHAGYA. The scheme would have to be backed by reliable power supply at economical tariffs for these first time users of power. The tariff for thermal and renewable energy sources have been in the range of Rs. 2-3 per unit as per data from CEA and recent MNRE auctions. Discoms will have to sign more PPAs to avoid tariff shocks in foreseeable future due to higher peak demand. Coal supply disruption, surging imported coal prices, policy disruption like levy of duty on imported renewable energy equipments may lead to further strengthening of tariffs in the near future.

#### CARE Ratings view:

<b>Total number of un-electrified households</b>	<b>31.2 millions</b>
Total Allocation to scheme*	Rs. 21,550 crore
Number of households(Special Category States(SCS))	3.3 million
Funding Requirement for Electrifying SCS Households	Rs. 4,500 crore (Approx)
Number of households(Non-SCS)	27.9 million
Funding Requirement by other states	Rs. Rs. 32,000-35,000 crore
Additional Funding requirement for Non-SCS discoms	Rs.15,000-18,000 crore (Approx)

\*As per Union Budget 2018, Rs. 21,550 crore has been allocated to DDUGJY and Saubhagya

- Special Category States (SCS) would be granted as much as 90% of the fund required to complete the implementation of these central government schemes. Thus, Rs. 3,500-4,500 crore would be granted for electrifying households in these States which will amount to 20% of the total allocation by Central Government towards the electrification scheme. These states are expected to achieve electrification targets due to adequate access to funds.
- Discoms of non-SCS would require a minimum additional Rs. 15,500-18,000 crore over the next 7 months in order to electrify the remaining households. State discoms with high outstanding UDAY bonds and poor operational efficiency would find it difficult to rapidly create infrastructure and expand transmission network in order to

ensure last mile connectivity. Uttar Pradesh, Bihar, Odisha and Jharkhand with almost 22 million un-electrified household would find it difficult to achieve SAUBHAGYA scheme target by Dec 2018.

- Other states like Rajasthan and Madhya Pradesh which are headed for elections by year-end are expected to be given a higher allocation for completion of the scheme.

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