

## STATE OF DISCOMS

11 March 2022

### DISCOMS under stress

Against the background of the recently concluded State Elections where free power was an important issue, we analyse the current situation of DISCOMS in states. Our analysis of UDAY data shows that most of the states are still reporting high transmission losses and are also under financial stress with ACS-ARR gap far above the targeted level of “zero”. In light of this, we believe that Central government’s RDS scheme may have set ambitious target for FY25 (ACS-ARR gap to 0).

Sonal Badhan

sonal.badhan@bankofbaroda.com

**Distribution problem:** Majority of the DISCOMS in our country are loss making and face issues on two fronts. One, high transmission losses, and second, inability to raise tariff in line with rising costs. On a national level, government data shows that average ACS-ARR gap (Rs per unit) is 0.25/unit. Average AT & C losses are 18.77%. Of the 28 states for which data is available, 15 states have losses above 0.25/unit. Only 7 states make profit. In terms of transmission losses, out of 29 states, 17 states have reported losses above the national average. To solve these problems, government had earlier introduced the Uday scheme and more recently the Revamped Distribution Scheme (RDS).

**Revamped distribution scheme:** It is a reforms-based and results-linked scheme with an outlay of Rs 3.04 lakh crore over a period of 5 years from FY22 to FY26. The Scheme aims to reduce the **AT& C losses to pan-India levels of 12-15%** and **ACS-ARR gap to zero by 2024-25** by improving the operational efficiencies and financial sustainability of all DISCOMS/ Power Departments excluding Private Sector DISCOMS.

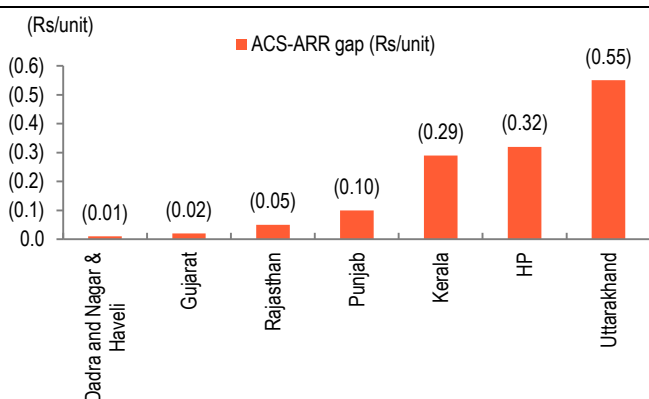
**State of States:** Uday data shows that the 7 states where DISCOMS are making profits include: Gujarat, Rajasthan, Punjab, Kerala, Himachal Pradesh, Uttarakhand, and Dadra and Nagar Haveli. Amongst these, only 4 states have transmission losses less than 15% (Gujarat, Kerala, Himachal Pradesh and Dadra and Nagar Haveli). Rajasthan and Punjab have transmission losses at 28.1% and 20.6% respectively. Uttarakhand’s AT & C losses are at whopping 96.43%.

The low performing states in terms of financial losses (ACS-ARR gap) include: Sikkim, Arunachal Pradesh, J&K, Madhya Pradesh, Manipur, Telangana and Bihar. Amongst these, except Madhya Pradesh and Telangana, AT& C losses for other states range between 35-64%.

**Power freebies:** State governments tend to announce free power for farmers in order to help in agricultural production. Most recently, parties in UP, Punjab, Uttarakhand, and Goa have made promises of free power to certain sections of populations. The challenge really is that the cost is borne by the DISCOMS when the states fail to pay for the subsidy being given or delay the same. Amongst these states, only DISCOMS in Punjab and Uttarkhand have reported profit. UP’s AT & C loss are at 27.85% and ACS-ARR gap is at Rs 0.27/unit, both above the national average. Even in case of Manipur, ACC-ARR gap at Rs 1.31/unit is above the national average. Only Goa is below the national average at Rs 0.12/unit.

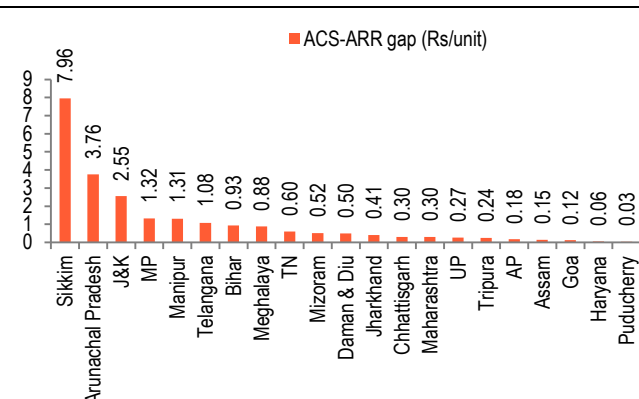


Fig 1 – States where power is sold at a profit



Source: UDAY, Bank of Baroda Research; Note: Negative gap implies profit

Fig 2 – States where power is sold at a loss



Source: UDAY, Bank of Baroda Research; Note: Positive gap implies loss

Fig 3 – State-wise transmission losses

(% change)	AT & C Loss (%)	Bands	
Uttarakhand	96.43	>40%	
Nagaland	67.97		
Arunachal Pradesh	64.27		
J&K	61.6		
Manipur	44.21		
Jharkhand	42.79		
Sikkim	38.06		30-40%
Meghalaya	36.48		
Bihar	35.01		
Mizoram	32.15		
Rajasthan	28.1	20-30%	
UP	27.85		
Chhattisgarh	26.02		
MP	22.45		
Tripura	20.94		
Punjab	20.6		
Assam	19.36	10-20%	
Haryana	17.82		
Maharashtra	15.41		
Karnataka	13.33		
Goa	13.05		
HP	12.92		
TN	12.43		
AP	11.94		
Telangana	11.79		
Gujarat	10.6		
Kerala	8.01		<10%
Daman & Diu	6.53		
Dadra and Nagar & Haveli	2.32		

Source: UDAY, Bank of Baroda Research

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

### **Economics Research Department**

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com