

# Ujwal Discom Assurance Yojana

September 14, 2020

UDAY is the Centre's scheme to rescue the country's **ailing state power distribution utilities (discoms)**. And it is supposed to be nothing short of a new dawn for them, the books of the State discoms are to be **purged of their massive losses and mounting debt, paving the way for them to be operationally viable.**

## Features of the Scheme

### For Financial Turnaround

- **States will take over 75% of the DISCOM debt** as on Sept 30, 2015 – 50% in FY 2015-16 and 25% in FY 2016-17.
- States to issue **non-SLR including SDL bonds**, to take over debt and transfer the proceeds to DISCOMs in a mix of grant, loan, equity.
- Maturity period of bonds – 10-15 years.
- Moratorium period – up to 5 years.
- Borrowing not to be included for calculating the fiscal deficit of the State.
  
- Balance 25% of debt to remain with the DISCOMs in the following manner:
  - . Issued as State-backed DISCOM bonds; or
  - . Re-priced by Banks/ FIs at interest rate not more than bank base rate + 0.10%
  
- **States to take over future losses of DISCOMs** as per trajectory in a graded manner.  
[0% of loss of 14-15 & 15-16; 5% of 16-17; 10% of 17-18; 25% of 18-19 & 50% of 2019-20]
- Balance losses to be financed through State bonds or DISCOM bonds backed by State Govt guarantee.

## Advantages of the Scheme

- Financially & operationally sound DISCOMs
- Increased demand for power
- Improvement in PLF of generating plants
- Reduction in stressed assets
- Availability of cheaper funds
- Increased capital investment
- Development of renewable energy sector