

Distribution Companies in India - Performance Turnaround and Road Ahead

February 6, 2026 • vajiramandravi.com



Distribution Companies Latest News

- India's electricity distribution companies (DISCOMs) have recorded a notable financial and operational turnaround, though concerns remain over their long-term sustainability.

Understanding DISCOMs in India

- Power Distribution Companies, commonly known as DISCOMs, are responsible for the final stage of electricity delivery, distributing power to households, industries, and agricultural consumers.
- India currently has **72 DISCOMs**, comprising State-owned utilities, private-sector entities, and power departments.
- Historically, DISCOMs have been the weakest link in India's power sector, plagued by inefficiencies, mounting losses, and rising debt.
- Two indicators define their financial health:
 - **Aggregate Technical and Commercial (AT&C) losses**, which capture losses from theft, technical inefficiencies, and billing gaps.

- **ACS-ARR gap**, the difference between the Average Cost of Supply (ACS) and Average Revenue Realised (ARR).
- For decades, high AT&C losses and non-cost-reflective tariffs resulted in persistent deficits, forcing State governments to periodically bail out DISCOMs.

Legacy of Financial Stress

- The roots of DISCOM losses lie in the functioning of earlier State Electricity Boards under the **Electricity (Supply) Act, 1948**.
- Although the law required utilities to earn modest profits, political interference, subsidised tariffs, and delayed subsidy payments weakened financial discipline.
- Between 2020-21 and 2024-25, accumulated losses rose from Rs. 5.5 lakh crore to Rs. 6.47 lakh crore, while outstanding debt touched Rs. 7.26 lakh crore.
- Non-payment of dues by consumers, delayed State subsidies, and rising power procurement costs worsened the situation.

Signs of a Turnaround

- Recent years have shown measurable improvement. According to official data, DISCOMs collectively recorded a Profit After Tax of Rs. 2,701 crore in 2024-25, a sharp contrast to losses exceeding Rs. 67,000 crore in 2013-14.
- AT&C losses declined from 22.62% to 15.04%, while the ACS-ARR gap narrowed drastically to 0.06 paise per unit, indicating near cost recovery.
- This turnaround reflects better billing efficiency, improved collections, and stronger enforcement of financial discipline.

Role of Policy Reforms

- The improvement has been driven by a series of reforms:
 - **Revamped Distribution Sector Scheme (RDSS):** Links financial assistance to measurable performance outcomes such as feeder metering, loss reduction, and system modernisation.
 - **Electricity Rules and Late Payment Surcharge Rules:** Enabled DISCOMs to clear legacy dues in instalments, preventing snowballing of unpaid liabilities.
 - **Debt Discipline Measures:** Since 2022, legacy dues of nearly Rs. 1.4 lakh crore have been substantially reduced through structured repayments.
- These reforms restored confidence among power generators and fuel suppliers, stabilising the electricity supply chain.

Dependence on State Support

- Despite improvements, financial sustainability remains fragile. Many DISCOMs have posted profits only after receiving tariff subsidies and loss takeovers from State governments.

- For instance, utilities in States like Tamil Nadu and Rajasthan reported profits largely due to direct fiscal support rather than operational surplus.
- This dependence raises concerns about the durability of the turnaround, especially when future liabilities such as employee pay revisions arise.

Structural Challenges Ahead

- **Unmetered Agricultural Supply:** Lack of accurate data on farm power consumption distorts cost recovery.
- **Free or Highly Subsidised Power:** Universal free electricity benefits wealthier consumers disproportionately and weakens utility finances.
- **Operational Inefficiencies:** Not all States have adopted feeder segregation or smart metering at scale.
- Without addressing these structural issues, improvements may prove temporary.

Way Forward

- Long-term sustainability requires deeper reforms.
- Expanding feeder segregation, promoting solar pumps in agriculture, improving metering, and ensuring cost-reflective tariffs are essential.
- Political commitment and professional management must align to transform DISCOMs into consumer-friendly and financially viable utilities.

Source: TH

Source: <https://vajiramandravi.com/current-affairs/distribution-companies-in-india/>

© Vajiram & Ravi. For personal use only.