

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 161/TDL//2011

Coram:

- 1. Dr. Pramod Deo, Chairperson**
- 2. Shri V.S.Verma, Member**
- 3. Shri M.Deena Dayalan, Member**

DATE OF HEARING: 28.11.2011

DATE OF ORDER: 30.12.2011

Application for grant of inter-State trading licence to Greta Power Trading Limited, Chennai

And in the matter of

Greta Power Trading Limited, Chennai

...Applicant

The following was present:

1. Shri D. Radhakrishnan, Greta Power Trading Limited
2. Shri Praveen Chandra, Greta Power Trading Limited

ORDER

The applicant, Greta Power Trading Limited, a company registered under the Companies Act, 1956 (1 of 1956) has made the present application under sub-section (1) of Section 15 of the Electricity Act, 2003 (36 of 2003) (the Act) read with Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of Trading licence and other related matters) Regulations, 2009 (hereinafter referred to as "the 2009 trading licence regulations"), for grant of Category-IV licence for inter-State trading in electricity in



whole of India, except the State of Jammu and Kashmir. Trading in electricity is one of the main objects of the applicant-company.

2. Regulation 6 of the 2009 trading licence regulations provides for the procedure for grant of trading licence as under:

“6. Procedure for grant of licence

(1) Any person desirous of undertaking inter-State trading in electricity shall make an applicant to the Commission for grant of licence in the manner specified in Form-I appended to these regulations and such applicant shall be accompanied by , -

(a) Such fee as may be prescribed by the Central Government from time to time payable through Bank Draft or pay order drawn in favour of Assistant Secretary, Central Electricity Regulatory Commission, New Delhi.

(b) Copies of the annual reports in case of the persons incorporated under the Companies Act, 1956 (1 of 1956) and audited accounts along with the Director's Report, Auditors' Report, the Schedules and notices on accounts for three years immediately preceding the year in which the application has been made and the special balance sheet as on any date falling within 30 days immediately preceding the date of making the application:

Provided that where the applicant has not been incorporated, registered or formed during the period of three years immediately preceding the year in which the application is made, the application shall be accompanied by the copies of the annual reports and audited accounts for such lesser period for which the applicant has been in existence.

(2) The application for grant of licence, along with annexures and enclosures shall also be submitted to the Commission on compact disc (CD).

(3) The applicant shall post complete application along with annexures and enclosures on his own website so as to facilitate access to the application by any person through internet and shall keep them on the website till the disposal of his application.

*(4) The applicant shall within 7 days after making such application, publish a notice of his application, in two daily newspapers having circulation in each of the five regions in addition to those published from Delhi, including one economic daily newspaper in Form II, with the following particulars, namely:-
xxxxxx*

(5) The applicant shall within 7 days from the date of publication of the notice



as aforesaid submit to the Commission on affidavit the details of the notice published and shall also file the original complete page of the newspaper in which the notice has been published.

(6) The applicant may file his reply to the objections or suggestions received in response to the notice within 45 days of its publication in the newspapers.

(7) The Commission after consideration of the objections or suggestions received in response to the notice published by the applicant and his reply may propose to grant licence.

(8) When the Commission proposes to grant licence, it shall publish a notice of its proposal in two daily newspapers, as the Commission may consider appropriate, stating the name and address of the person to whom it proposes to issue the licence, with such other details as the Commission considers appropriate, to invite further objections or suggestions to its proposal."

3. The Applicant has made the application as per Form-I and paid the fee of ₹ one lakh as prescribed by the Government of India.

4. The applicant has posted the application for grant of trading licence on its website in terms of Regulation 6(3) of the 2009 trading licence regulations. The Applicant has placed on record the relevant copies of the newspapers in original in which notice of its application has been issued. The notices under sub-section (2) of Section 15 of the Act read with clause (4) of Regulation 6 of the 2009 trading licence regulations have been published by the applicant on 6.7.2011 in all editions of 'The Business Standard' and 'The Financial Express'. No objection has been received in response to the said public notices.



5. Regulation 3 (3) (a) of the 2009 trading licence regulations further provides as under:

“(3) Capital adequacy and Liquidity Requirements

[(a) Considering the volume of inter-State trading proposed to be undertaken, the net worth of the applicant for three years immediately preceding the year in which the application is made or such lesser period during which the applicant may have been incorporated, registered or formed and on the date of special balance sheet accompanying the application, shall not be less than the amounts specified hereunder:

Sr No.	Category of the Trading Licence	Volume of Electricity proposed to be traded in a year	Net Worth (Rs. in crore)
1	Category I	No limit	50.00
2	Category II	Not more than 1500 MUs	15.00
3	Category III	Not more than 500 MUs	5.00
4	Category IV	Not more than 100 MUs	1.00

(b) The applicant shall have minimum current ratio of 1:1 and liquidity ratio of 1:1 consistently for three years immediately preceding the year in which the application is made or such lesser period as may be applicable, and on the date of special balance sheet accompanying the application."

6. Based on the financial details submitted by the applicant, its net worth has been worked out as given below:

(in ₹)

	Particulars	As on 19.9.2011
1	Share Capital	
	Paid up equity capital	10750000.00
	Share Applications/warrants	0.00
2	Reserves and Surplus	
	Reserves and Surplus	0.00
	Sub Total 1	10750000.00
3	Loans and Advances to associates	10250000.00
4	Misc. Expenses to the extent not written off or adjusted	632171.50
5	Investment in wholly owned subsidiary whose net worth is eroded	0.00
	Sub Total 2	10882171.50
	Net Worth (1 + 2 - 3-4-5)	-132171.50



7. The net worth of the applicant is further represented by the following:

		(in ₹)
Particulars		As on 19.9.2011
Current Assets, Loans and Advances		
Cash and Bank Balance		46678.5
Loans and Advances		10250000
Less: Loans and Advances to Associates as per Regulation 2(1)(o) of the 2009 trading licence regulations		10250000
Net Loans & Advances		0.00
Inventories		0
Sn Debtors		0
Other current assets		0
	Sub-Total 1	46,678.50
2 Current Liabilities & Provisions		
Current Liabilities and Provisions		178850
	Sub-Total 2	1,78,850.00
3 Loans		
Secured loans		0
Unsecured loans		0.00
Deferred tax Liabilities		0
	Sub-Total 3	0.00
Net Worth(1-2-3)		(-)132171.50

8. Based on the above, the net worth, current ratio and liquidity ratio work out as under:

Particulars	As on 19.9.2011
Net worth (in ₹)	(-)132171.50
Current Ratio	0.26
Liquid Ratio	0.26

9. In accordance with Regulation 3 (3) of the 2009 trading licence regulations, a person applying for Category-IV trading licence should have net worth of ₹ one crore, and should have maintained minimum current ratio and liquidity ratio of 1:1, consistently for three years



immediately preceding the year in which the application is made. We had observed that at the time of the making of application, the applicant company has a net worth of ₹ (-) 132171.50/- which is less than ₹ one crore in terms of Regulation 3 (a) of the 2009 trading licence regulations. During the course of hearing, the representative of the applicant submitted that the Inter Corporate Deposit of ₹ one crore two lakh fifty thousand given to M/s Kusum Metals Pvt. Ltd. has been received back on 8.11.2011 and net worth of company is ₹ 1.012 crore as on 8.11.2011. The representative of the applicant filed provisional balance sheet and net worth certificate issued by Chartered Accountant on the same day.

10. The applicant company did not possess the required net worth at the time of making of application and therefore, the applicant is not eligible to be granted a trading licence based on the present application. However, the applicant has submitted during the hearing, a provisional balance sheet as on 8.11.2011 in support of its possessing the required net worth. On perusal of the documents, it is noticed that the inter-corporate deposit given to M/s Kusum Metals Pvt. Ltd. has been returned on 8.11.2011. This does not meet the requirement of 2009 trading licence regulations as the net worth should be possessed at the time of making of application.



11. In view of the above, the applicant may, if so desired, file a revised application within a period of one month in terms of 2009 trading licence regulations.

Sd/-

(M.DEENA DAYALAN)
MEMBER

sd/-

(V.S.VERMA)
MEMBER

sd/-

(Dr. PRAMOD DEO)
CHAIRPERSON

