

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. RC/79/2014

Coram:

Shri Gireesh B.Pradhan, Chairperson

Shri M.Deena Dayalan, Member

Shri A.K.Singhal, Member

Date of Hearing: 24.7.2014

Date of Order : 05.9.2014

In the matter of

Regulatory Compliance Application for up-gradation of inter-State trading licence in electricity from Category III to Category II.

And

In the matter of

Essar Electric Power Development Corporation Limited **..Petitioner**

Following were present:

Shri Alok Shankar, Advocate for the petitioner

Shri Deepak Rodricks, EEPDCL

ORDER

This Regulatory Compliance Application has been made by the Essar Electric Power Development Corporation Limited (EEPDC) for upgradation of its inter-State trading licence in electricity from Category III to Category II.

2. By order dated 14.5.2010, Essar Electric Power Development Corporation Limited was granted Category "C" licence under Central Electricity Regulatory Commission (Procedure, Terms and Conditions of Trading Licence and other related matters) Regulations, 2004 for undertaking inter-State trading in electricity



in whole of India except the State of Jammu and Kashmir up to 500 MUs in a year. Consequent to the notification of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions of Trading Licence and other related matters) Regulations, 2009 as amended from time to time (Trading Licence Regulations), the licence granted to the petitioner stands re-categorised as Category "III".

3. The licensee has filed an application for up-gradation of its licence from Category III to Category II in accordance with Trading Licence Regulations. Third and Fourth provisos to Regulation 7 (b) of the Trading Licence Regulations provide as under:

" Provided also that a licensee may make an appropriate Application accompanied by prescribed fees for upgradation of its licence to a higher category or down gradation of its licence to a lower category if it fulfills the conditions of these regulations for grant of such licence but it shall not be required to follow the procedure specified in Regulation 6 of these regulations.

Provided further that the licensee shall be heard by the Commission before taking a decision on the application."

4. The technical requirements for all categories of licence are the same. The petitioner, who holds a Category III licence, therefore, fulfills the technical requirements of Category II licence also. As regards the net worth, Regulation 3 (3) of the Trading Licence Regulations provides that a person applying for Category II trading licence should have net worth of ₹ 15 crore and should have maintained minimum current ratio and liquidity ratio of 1:1 on the date of audited special balance sheet accompanying the application.

5. The petitioner has submitted the audited special balance sheet as on 31.3.2014. Based on the Special Balance Sheet submitted by the petitioner, its net worth has been worked out as given below:

(₹ in lakh)

Particulars	31.3.2014
Paid-up equity Capital	3888.89
Share Premium	0.00
Free Reserve: Reserve and Surplus	0.00
Free Reserve: Profit and loss account	-484.41
Total Capital and Free Reserves (A)	3404.48
Loans and Advances to associates (B)	1570.00
Deferred Expenditure (including Misc expenses) not written off (C)	0.00
Net worth (A-B-C)	1834.48

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

(₹ in lakh)

Particulars	31.3.2014
Fixed /Non-current Assets	
Net block	0.00
Capital work in progress	0.00
Long-term loans and advances (Security deposit)	35.00
Less loans and advances to associates	0.00
Net loans and Advances	35.00
Other Non-current assets	0.00
Investment	0.00
Total Fixed/Non Current Assets (1)	35.00
Non-current liabilities	
Preference Share Capital	0.00
Long term Borrowings	0.00
Deferred tax liabilities	0.00
Long term provisions	0.00
Other long term liabilities	0.00
Total Non-current liabilities (2)	0.00
Current Assets	
Cash and Bank Balance	1802.57
Short term loans and advances	1606.20
Less: and Advances to associates	1570.00
Net Loans and Advances	36.20

Inventories	0.00
Trade receivables	1.70
Current portion of long term investments	0.00
Current investment	0.00
Other current assets (i.e interest receivables on FD/Corporate deposits)	62.40
Total current asset (3)	1902.87
Trade payable	9.76
Short term borrowings	0.00
Provisions (for taxation)	21.97
Other liabilities (Advance received from customers and others)	71.66
Total current liabilities (4)	103.39
Net Worth (1-2+3-4)	1834.48

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

Particulars	31.3.2014
Net Worth (₹ in lakh)	1834.48
Current Ratio	18.40
Liquidity ratio	18.40

8. During the course of hearing on 24.7.2014, the petitioner was directed to clarify as to how the petitioner is operating its business without having any fixed assets. In response, the petitioner vide its affidavit dated 28.7.2014 has submitted that EEPDCL is a wholly owned subsidiary of Essar Power Limited and it has entered into an agreement with Essar Power Limited for management services and support for day to day works and development of its trading business. The petitioner has further submitted that it has also entered into an agreement with its group company, namely, M/s Aegis limited for shared services, support services and all day to day accounting, banking and other works. The petitioner has clarified that it has no fixed

assets since the same is shared with its group companies. We have considered the submission of the petitioner. The special balance sheet submitted by the petitioner establish that the petitioner has the required net worth for grant of Category II trading licence. However, the petitioner as a company should have its fixed assets and staff and should not depend on the holding company or group company for shared services and support services.

9. As per Regulation 8 of the Trading Licence Regulations, the licensee is required to maintain separate accounts for each business. Accordingly, the petitioner is directed to maintain the accounts of its trading business and transmission business separately. The petitioner is also directed to ensure that it has fixed assets and staff and do not share the fixed assets and staff of its holding /group company. The petitioner shall file an affidavit in compliance with the above within a period of one month from the date of issue of this order.

10. The petitioner meets the net worth, current ratio and liquidity ratio requirements specified by the Commission for grant of Category II licence. Accordingly, we approve the upgradation of the licence of the petitioner from Category III to Category II which shall be operationalized after compliance with the directions in para 9 above.

11. A copy of this order be sent to the Central Government in Ministry of Power and Central Electricity Authority in terms of sub-section (7) of Section 15 of the Electricity Act, 2003 for their information and record.



12. We direct that necessary endorsement be made on the licence issued to the petitioner with regard to change of category of the licensee.

13. The petition stands disposed of accordingly.

Sd/-
(A.K.Singhal)
Member

Sd/-
(M. Deena Dayalan)
Member

Sd/-
(Gireesh B.Pradhan)
Chairperson

