

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Ashok Basu, Chairperson**
- 2. Shri Bhanu Bhushan, Member**
- 3. Shri A.H. Jung, Member**

Petition No. 98/2006

In the matter of

Grant of licence for inter-State trading in electricity to GEA Energy System (India) Limited, Chennai

And in the matter of

GEA Energy System (India) Limited, Chennai .. **Applicant**

The following were present:

1. Shri Balakrishnan, GEA India
2. Shri R. Ramesh Kumar, GEA India

**ORDER
(DATE OF HEARING: 26.10.2006)**

The applicant, a company registered under the Companies Act, 1956 has made the present application under sub-section (1) of section 15 of the Electricity Act, 2003 (the Act) for grant of licence for inter-State trading in electricity in whole of India for trading of a volume 1000 Million Units or more of electricity in a year. The Memorandum of Association of the applicant covers trading in electricity as one of its main objects. The notices under sub-section (2) of section 15 of the Act read with clause (4) of Regulation 4 of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of Trading licence and other related matters) Regulations, 2004 have been published. No objections have been received on the public notices.

2. As per Regulation 6, the net worth of the electricity trader at the time of filing of application should not be less than Rs. 20.00 crore in case an applicant proposing to trade 1000 Million Units of electricity in a year.

3. The applicant has submitted its shareholding pattern as under:

Sr. No.	Name of the Shareholder	No. of shares	% Shareholding
1	Mr. B.G.Raghupathy	3942360	36.51%
2	Mrs. Sasikala Raghupathy	2315520	21.44%
3	Vani Securities Pvt. Ltd.	904680	8.38%
4	Arjun Securities Pvt. Ltd.	756720	7.01%
5	Priya Securities Pvt. Ltd.	1440000	13.33%
6	Swarna Leasing Pvt Ltd.	1440000	13.33%
	Total	10799280	100.00%

4. The applicant has submitted its net worth values for the last three years beginning from 2002-03:

Sr. No.	Years	Net worth (Rs. in lakh)
1	2002-03	3148
2	2003-04	3975
3	2004-05	5108

5. From the annual reports of the applicant company, its net worth values have been worked out as detailed below:

(Rs in lakh)						
Year	2001-02 (30.9.01)	2002-03 (30.9.02)	2003-04 (30.9.03)	2004-05 (30.9.04)	2005-06 (30.9.05)	
1	Share Capital					
	Paid up equity capital	540.00	540.00	540.00	1,080.00	1,080.00
2	Reserves and Surplus					
	General Reserve	241.94	304.63	379.29	489.65	622.22
	Surplus in P/L A/C	1,188.53	1,670.45	2,001.99	2,211.03	3,157.86
	Sub-total 2	1,430.47	1,975.08	2,381.28	2,700.68	3,780.08
3	Less:					
	Misc .Expenses to the extent not written off or adjusted	91.16	83.89	76.41	78.99	117.27
	Net Worth (1 + 2 - 3)	1,879.31	2,431.19	2,844.87	3,701.69	4,742.81

6. It is noted that the above net worth is represented by the following assets and liabilities:

(Rs. in lakh)

Year	2001-02 (30.9.01)	2002-03 (30.9.02)	2003-04 (30.9.03)	2004-05 (30.9.04)	2005-06 (30.9.05)
1 Fixed Assets					
Gross Block	1,603.88	1,653.70	1,721.42	2,511.77	3,660.62
Less: Depreciation	618.97	714.67	815.43	969.07	1,235.88
Net Block	984.91	939.03	905.99	1,542.70	2,424.74
Capital Work-in-Progress				18.25	55.31
Sub-Total 1	984.91	939.03	905.99	1,560.95	2,480.05
2 Investments	512.98	512.98	502.98	492.98	492.98
3 Current Assets, Loans & Advances					
Inventories	965.14	1,327.59	1,926.51	2,169.15	4,736.71
Cash and Bank Balance	600.30	641.56	710.30	2,197.10	1,805.73
Sundry Debtors	4,185.36	4,913.01	6,419.05	6,157.36	8,485.96
Loans & Advances	1,125.95	1,264.81	1,467.33	2,459.08	2,692.31
Other Current Assets	53.05	50.15	47.17	185.61	357.39
Sub-Total 3	6,929.80	8,197.12	10,570.36	13,168.30	18,078.10
4 Current Liabilities & Provisions					
Sundry Creditors	1,016.45	2,236.02	2,961.83	2,970.53	4,220.32
Other Liabilities	572.19	620.40	534.25	2,266.77	2,239.77
Provisions	251.48	280.20	438.18	737.21	966.99
Sub-Total 4	1,840.12	3,136.62	3,934.26	5,974.51	7,427.08
5 Loans					
Secured Loans	3,952.71	3,398.96	4,309.88	4,718.99	8,041.17
Unsecured Loans	746.55	673.36	663.70	633.05	592.12
Sub-Total 5	4,699.26	4,072.32	4,973.58	5,352.04	8,633.29
6 Items not considered for Net worth					
Advance against share capital	9.00	9.00	9.00	9.00	9.00
Deferred Tax Liability			217.62	184.99	238.95
Sub-Total 6	9.00	9.00	226.62	193.99	247.95
Net Worth(1+2+3-4-5-6)	1,879.31	2,431.19	2,844.87	3,701.69	4,742.81

7. On consideration of the above facts, we are satisfied that the applicant meets the net worth requirements specified by the Commission for grant of licence for trading of 1000 MUs or more during a year. Therefore, *prima facie*, based on its net worth, the applicant qualifies for grant of licence for inter-state trading as category 'F' electricity trader, that is, for trading a volume of 1000 Million Units or more of electricity during a year.

8. The applicant has also filed the details of all pending legal proceeding before various courts. The applicant is directed to file the details of the cases involving Commissioner of Central Excise, Chennai, Labour Enforcement Officer, Rajamundry and the Secretary to the State of Tamil Nadu and the CTO, Ponneri, latest by 15.11.2006 for the Commission's consideration and further examination.

9. Subject to satisfactory outcome of the examination of details of cases directed to filed under para 8 above, the Commission proposes to grant the licence to the applicant for category `F`. We direct that a notice under clause (a) of sub-section (5) of section 15 of the Act be issued inviting further suggestions or objections to the above proposal of the Commission to grant a licence for trading to the applicant.

10. As per the Memorandum of Association of the applicant company, it can also undertake transmission of electricity. The applicant has filed an affidavit to the effect that it will make an application before the Central Commission or any of the State Commission to act as a transmission licensee only after surrendering the trading licence granted to it. The applicant shall remain bound by the undertaking given in the affidavit.

11. List this petition for further directions on 7.12.2006.

sd-/
(A.H.JUNG)
MEMBER

sd-/
(BHANU BHUSHAN)
MEMBER

sd-/
(ASHOK BASU)
CHAIRPERSON

New Delhi, dated the 26th October 2006