

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram**

- 1. Shri Ashok Basu, Chairman**
- 2. Shri K.N.Sinha, Member**
- 3. Shri Bhanu Bhushan, Member**

**Petition No.5/2004**

**In the matter of**

Application for grant of Inter-State Trading Licence

**And in the matter of**

Lanco Electric Utility Limited .

**...Applicant**

**The following were present**

1. Shri A.G.K. Rao, Director, Lanco Electric Utility Limited
2. Shri S. Rajendran, AGM(F), Lanco Electric Utility Limited

**ORDER  
(DATE OF HEARING 16.3.2004)**

Heard the representatives of the applicant.

2. The application has been filed 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, except the State of Jammu and Kashmir. In accordance with sub-section (2) of Section 15 of the Act any person who has made an application for grant of licence shall within seven days after making such application publish the notice of his application with such particulars and in such manner as may be specified by the Commission. 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 (the Regulations), lays down that the applicant

shall within seven days after making an application publish a notice of his application in at least two national English daily newspapers, including one economic paper and two local newspapers falling within the area or areas of trading, one of which shall be in vernacular with the prescribed particulars.

3. The applicant had published notices on 18.1.2004 in the following newspapers:

- Andhra Jyothi (**Telugu**) –

Anantapur, Guntur, Hyderabad, Kakinada,  
Karimnagar, Kurnool, Nellore, Tirupati, Tanuku,  
Vijayawada, Visakhapatnam, Warangal.

- The New Indian Express (**English**) – Bhubaneswar, Belgaum, Kozhikode,  
Kochi, Coimbatore, Hyderabad, Chennai, Madurai, Shimoga,  
Thiruvantapuram, Vijayawada, Visakhapatnam.

- Financial Express (**English**) – Ahmedabad, Bangalore, Mumbai, Kolkotta,  
Chandigarh, Kochi, New Delhi, Chennai.

4. We find that the requirement of the Regulations has not been complied with since the notice has been published only in one local newspaper, published in the State of Andhra Pradesh. The representative of the applicant initially explained that the New Indian Express, also published from Hyderabad was a local newspaper and, therefore, the requirement of clause (4) of Regulation 4 could be taken to have been complied with. However, subsequently he undertook that the notice would be published afresh in one of the local newspapers having circulation within the State of Andhra Pradesh.

5. As per Regulation 6, considering the volume of inter-state trading proposed to be undertaken by the applicant, the net worth of the electricity trader at the time of application shall not be less than the amounts specified therein. The minimum net

worth for volume of trading up to 100 million units in as year specified in the Regulations is Rs.1.50 crore. In accordance with column 10 of the prescribed application, the applicant is required to indicate net worth for the immediate past five years, duly supported by copies of annual reports or certified audited results.

6. The applicant was incorporated on 6.3.2000 as per the certificate of incorporation annexed to the application. As per Memorandum and Articles of Association, the authorised Equity Share Capital of the applicant is increased to Rs.2.50 crore. However, it is seen that subscribed and paid up capital of the applicant is Rs.5 lakh. Net worth as used in the Regulations means share capital plus reserve and surplus excluding revaluation of reserves less accumulated losses and intangible assets. As per the annual reports submitted by the applicant its net worth works out as below:

Year	(Rs. in lakh)		
	2000-01	2001-02	2002-03
Share Capital	0.07	0.07	5.00
Reserves and Surplus (Excluding Revaluation Reserves)	0.00	0.00	0.00
	0.07	0.07	5.00
<b>Less: Accumulated Losses and Intangible assets</b>			
Pre operative Expenses Pending allocation	0.00	0.00	4.68
Misc.Expenses to the extent not written off or adjusted	0.18	0.12	0.12
Net Worth	-0.11	-0.05	0.20

7. The applicant does not have the net worth specified by the Commission for undertaking inter-state trading in electricity. The representative of the application submitted that it would take necessary steps to bring its net worth at par with the requirement specified in the Regulations.

8. In view of the deficiencies noted, a view on acceptance or rejection of the application for inter-state trading in electricity by the applicant is not possible. Accordingly, we direct that this petition be listed on 18.5.2004 for further hearing. Meanwhile, the applicant shall take the necessary steps to make up the deficiencies noticed above. It is also recognised that it is impracticable to take a decision on the application for grant of licence within 90 days of making the application on 14.1.2004, in this case.

Sd/-  
**(BHANU BHUSHAN)**  
**MEMBER**

Sd/-  
**(K.N. SINHA)**  
**MEMBER**

Sd/-  
**(ASHOK BASU)**  
**CHAIRMAN**

**New Delhi dated the 24<sup>th</sup> March, 2004**