

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Ashok Basu, Chairperson**
2. **Shri K.N. Sinha, Member**
3. **Shri Bhanu Bhushan, Member**
4. **Shri A.H. Jung, Member**

Petition No. 94/2005

In the matter of

Grant of licence for inter-state trading in electricity to Essar Electric Power Development Corporation Limited, Mumbai.

And in the matter of

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

The following were present:

1. Shri S. Srivastava, EPDCL
2. Shri R.B.Lal, EPDCL

**ORDER
(DATE OF HEARING: 10.11.2005)**

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, except the State of Jammu & Kashmir for trading of 500 Million Units 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 CERC (Procedure, Terms and Conditions for grant of Trading licence and other related matters) Regulations, 2004 have been published. No objections had been received on the public notice.

2. The application was heard on 25.10.2005. By its order dated 25.10.2005, the Commission had directed the applicant to file the annual

report for the year 2004-05 and also the special balance sheet/profit and loss account as at 10th August 2005 and affidavit to the effect that it would not make an application to undertake transmission in electricity as a transmission licensee (inter-state or intra-state) without surrendering the trading licence if granted by Commission.

3. The applicant has filed the details on affidavit.

4. As per Regulation 6, the net worth of the electricity trader at the time of filing of application should not be less than Rs.7.50 crore in case of the applicant proposing to trade up to 500 Million Units of electricity in a year.

5. The applicant has submitted its net worth values for the last 5 years beginning from 1999-2000 as under:

(Rs. in lakh)

S.No	Years	Net worth
1	1999-00	(-) 289920
2	2000-01	(-) 300070
3	2001-02	(-) 304230
4	2002-03	191540
5	2003-04	178275

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

(Rs in lakh)

S.No.	Year	2000-01	2001-02	2002-03	2003-04	2004-05	As on 12.8.2005
1	Share Capital						
	Paid up equity capital	0.00070	0.00070	5.00	5.00	5.00	785.00
2	Reserves and Surplus						
	Share Premium Account	-	-	-	-	-	
	Surplus in P/L A/C	-	-	-	-	-	
	Sub-Total 2	-	-	-	-	-	
	Less:						
3	Miscellaneous Expenses to the extent not written off or adjusted	3.00	3.04	3.08	3.22	17.28	17.28
	Net Worth (1 + 2 - 3)	(3.00)	(3.04)	1.92	1.78	(12.28)	767.72

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

(Rs. in lakh)

Year	2000-01	2001-02	2002-03	2003-04	2004-05	As on 12.8.2005
1 Fixed Assets						
Gross Block						
Less: Depreciation						
Net Block	-	-	-	-	-	-
Capital Work-in-Progress						
Incidental expenses pending allocation						
Sub-Total 1	-	-	-	-	-	-
2 Investments			2.00	2.00	1.96	1.96
3 Current Assets, Loans & Advances						
Inventories						
Cash in hand						
Cash and Bank Balance						780.00
Sundry Debtors						
Loans & Advances						
Other Current Assets						
Sub-Total 3	-	-	-	-	-	780.00
4 Current Liabilities & Provisions						
Sundry Creditors	3.00	3.04	0.08	0.22	14.24	14.24
Other Liabilities						
Provisions						
Sub-Total 4	3.00	3.04	0.08	0.22	14.24	14.24
5 Loans						
Secured Loans						
Unsecured Loans						
Sub-Total 5	-	-	-	-	-	-
6 Items not considered for Net worth						
Share Application Money						
Deferred Tax Liability						
Sub-Total 6	-	-	-	-	-	-
Net Worth (1+2+3-4-5-6)	(3.00)	(3.04)	1.92	1.78	(12.28)	767.72

8. The applicant has also placed on record a certificate dated 10.8.2005 from M/s A. P. Rajagopalan & Co. Chartered Accountant certifying net worth of Rs. 767.72 lakh

9. On consideration of the above details, we are satisfied that the applicant meets the net worth requirements specified by the Commission for grant of licence for trading of 500 MUs during a year. Therefore, *prima facie*, based on its net worth, the applicant qualifies for grant of licence for inter-state trading as category `C` electricity trader, that is, for trading of up to 500 Million Units of electricity during a year.

10. Therefore, the Commission proposes to grant the licence to the applicant for category `C`. 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.

11. 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.

12. List this petition for further directions on 13.12.2005.

sd/-
(A.H.JUNG)
MEMBER

sd/-
(BHANU BHUSHAN)
MEMBER

sd/-
(K.N.SINHA)
MEMBER

sd/-
(ASHOK BASU)
CHAIRPERSON

New Delhi, dated the 11th November 2005