

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 54/MP/2014

Subject : Petition under section 17 (3) of the Electricity Act, 2003 for amalgamation/ merger of WRTML and WRTGL with Reliance Infra (RInfra)

Date of hearing : 18.9.2014

Coram : Shri Gireesh B. Pradhan, Chairperson
Shri M. Deena Dayalan, Member
Shri A.K. Singhal, Member
Shri A.S. Bakshi, Member

Petitioners : Reliance Infrastructure Limited (RInfra) and others

Respondents : Power Grid Corporation of India Limited and others

Parties present : Shri Buddy Rangnathan , Advocate, RIL
Shri Naveen Nagpal, RIL
Shri Aditya Panda, RIL
Shri Raju Shayam, RIL
Shri L.N. Mishra, WRTM/WRTG

Record of Proceedings

Learned counsel for the petitioner submitted that Hon`ble High Court of Mumbai vide its order dated 15.7.2014 in Company Scheme Petition Nos. 108 of 2014 and 109 of 2014 has approved the amalgamation of WRTML and WRTGL with RInfra. He further submitted that as per the Commission`s direction dated 22.7.2014, clarification has been filed. Learned counsel submitted that the following objectives would be achieved on account of merger:

(a) The consolidation of power transmission business by amalgamating WRTGL and WRTML into RInfra will lead to synergies of operations and integrate business functions;

(b) As RInfra holds the entire share capital of WRTGL and WRTML, it would be in order to consolidate the business of the entities in the manner proposed in this scheme;

- (c) Reduce managerial overlaps, which are necessarily involved in running multiple entities;
- (d) Reduce administrative cost;
- (e) Remove multiple payer inefficiencies; and
- (f) Achieving management efficiency.

2. Learned counsel for the petitioner submitted that merger is in the interest of efficient and effective conduct and running of the respective divisions of WRTML and WRTGL with RInfra. With the agglomeration of each of the businesses in each of the Divisions, the consolidated entity would be able to better concentrate on those businesses and the assets and the personnel engaged in those businesses would be optimally utilized. Learned counsel submitted that the combined financial strength and assets of the amalgamated business would also make it easier for RInfra to seek financing for the entity as a whole on competitive terms.

3. In response to the Commission's query as to how the transmission business shall be kept separate from the other businesses, learned counsel for the petitioner submitted that RInfra has the following Divisions dealing with generation, transmission and distribution of electricity:

- (i) Thermal (coal) generation at Dahanu;
- (ii) Intra-State transmission in Maharashtra- under a licence granted by the MERC;
- (iii) Distribution in Bombay under a licence by MERC;
- (iv) Gas based generation in Andhra Pradesh;
- (v) EPC Division;
- (vi) Generation and distribution at Goa;
- (vii) Wind generation; and
- (viii) Corporate Division.

Learned counsel submitted that subsequent to the merger, WRTML and WRTGL would become two separate Divisions of RInfra. The entire RInfra accounting is covered by a robust SAP platform in which each Division is treated as a separate profit centre. The accounting for each profit division is done from the voucher level upwards. Hence, it is possible to identify the profit and loss of each Division in the balance sheet.

4. Learned counsel for the petitioner submitted that as per the regulatory requirement, RInfra is required to provide the breakup of revenues and costs of each of the regulated and un-regulated Divisions. The breakup is correlated with total numbers in the final accounts of RInfra as a whole. The said breakup is also certified by the company's auditor as being in consonance with the final audited accounts of RInfra.

Learned counsel relied upon the judgments of Appellate Tribunal in Appeal Nos. 251 of 2006 and 138-139 of 2012 and submitted that copies of the judgments will be submitted shortly.

5. After hearing the learned counsel for the petitioner, the Commission directed the petitioner to file on affidavit, by 15.10.2014 the following information/clarification:

(a) After merger, how the petitioner will maintain the separate accounts for other business and transmission business in terms of Regulation 15 (a), (b) and (c) of Transmission Licence Regulations?

(b) How the petitioner will value the assets of WRTML and WRTGL separately in the balance sheet and distribute the premium? and

(c) How the petitioner will keep cash and Bank balance separately of WRTML and WRTGL from other divisions in the company?

6. The Commission directed that due date of filing the information/clarification should be strictly complied with.

7. Subject to above, the Commission reserved order in the petition.

By order of the Commission

Sd/-
(T. Rout)
Chief (Law)