

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 379/TD/2018

Coram:
Shri P. K. Pujari, Chairperson
Dr. M. K. Iyer, Member
Shri I.S Jha, member

Date of Order: 13th of May, 2019

In the matter of

Application for grant of inter-State trading licence to Rajasthan Urja Vikas Nigam Limited.

**And
In the matter of**

Rajasthan Urja Vikas Nigam Limited
Vidyut Bhawan, Joyti Nagar,
Jaipur-302 005

.....**Petitioner**

Parties present:

Shri K.K.Agarwal, Advocate for the Petitioner
Shri V.Sharma, Advocate for the Petitioner
Shri S.K.Jain, RUVNL

ORDER

The Petitioner, Rajasthan Urja Vikas Nigam Limited, a company registered under the Companies Act, 1956 (1 of 1956) has made the present application under sub-section (1) of Section 15 of the Electricity Act, 2003 (hereinafter referred to as “the Act”) read with the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of Trading Licence and other related matters) Regulations, 2009 (hereinafter referred to as “Trading Licence Regulations”) amended from time to time,



for grant of Category `I` licence for inter-State trading in electricity in whole of India.

2. The matter was heard on 6.3.2019. During the course of hearing, the Commission observed that as per the audited balance sheet dated 31.3.2018 and 30.10.2018, the Petitioner's paid up share capital of Rs. 5000 lakh has been paid as loan to Distribution companies of Rajasthan, namely Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited (hereinafter referred to as the 'Rajasthan Discoms'). Therefore, the Petitioner is not fulfilling the net worth criteria specified in the Trading Licence Regulations. Accordingly, the Petitioner was directed to explain the relationship of the Petitioner company with these Distribution Companies and to clarify as to whether the Rajasthan Discoms are associate companies of the Petitioner company in accordance with Regulation 2(1) (c) of the Trading Licence Regulations.

3. The Petitioner vide its affidavit dated 19.3.2019 has submitted that the Rajasthan Discoms are not associates of the Petitioner Company in terms of Regulation 2(1)(c) and (o) of the Trading Licence Regulations. The Petitioner has further submitted that there is no common Managing Director or majority of Directors of the Applicant Company and Rajasthan Discoms. The Petitioner has submitted that referred loan of Rs. 50 crore are given with the approval of the Board of Directors of the Applicant Company and also with the approval of State Government of Rajasthan and it stands payable by 31.3.2019 or till attainment of status of deemed/trading licensee by the Petitioner, whichever is earlier. The Petitioner has submitted that it will not be



renewing/continuing the loan for the future period and the loan will rather be recalled from Rajasthan Discoms.

4. Regulation 2(1) (c) of the Trading Licence Regulations defines the term “Associate” as under:

(c) **"Associate"**, in relation to an applicant or the licensee, as the case may be, means the person—

(i) who owns or controls shares carrying not less than twenty-six percent of the voting rights of the applicant or the licensee, as the case may be; or

(ii) in respect of whom the applicant or the licensee, as the case may be, owns or controls shares carrying not less than twenty-six percent of the voting rights; or

(iii) who is under the same management as the applicant or the licensee, as the case may be.

Explanation: For the purpose of this sub-clause, the applicant or the licensee, as the case may be, and the person concerned shall be deemed to be under the same management:

(i) if the managing director or manager of the applicant or the licensee, as the case may be, is the managing director or manager of such person; or

(ii) if a majority of the directors of the applicant or the licensee, as the case may be, constitute or any time within six months immediately preceding, constituted a majority of the directors of such person; or

(iii) if not less than one third of the total voting power with respect to any matter relating to the applicant or the licensee, as the case may be, and such person is exercised or controlled by the same individual or body corporate; or

(iv) if any of the directors of the applicant or the licensee, as the case may be, while holding the majority of shares of the applicant or the licensee as the case may be, also hold the majority of shares in such person.

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5. Regulation 2(1) (o) of the Trading Licence Regulations defines the term “Net worth” as under:

(o) **“Net worth”** means aggregate value of the paid up equity capital and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulated losses, deferred expenditure (including miscellaneous expenses) not written off and loans and advances to the associates;

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As per the definition of net worth, loan and advances given to the associates are



required to be reduced for the purpose of computation of network.

6. It is noted that the Petitioner's paid up share capital of Rs. 5000 lakh has been lent as loan to Rajasthan Discoms, namely Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited. The Petitioner has submitted that the Rajasthan Discoms are not associate companies of the Applicant Company in accordance with Regulation 2 (1)(c) and (o) of the Trading Licence Regulations.

7. Perusal of Annual Report for the Financial Year 2017-18 reveals that the Petitioner has been working on behalf of Rajasthan Discoms. Therefore, in our view, they are associate companies of the Petitioner. Further, as per the Annual Report for the Financial Year 2017-18, the Directors/Chairman of the Applicant Company are working as Managing Director/Directors in one or more of the Rajasthan Discoms which details is as under:

Name of the Executive	Post held in applicant company (i.e., Rajasthan Urja Vikas Nigam Ltd.)	Post held in Discoms as per the annual Report of Discoms for the year 2017-18
Sh. Sanjay Malhotra	Chairman	Director in Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Nigam Limited
Shri Basant Kumar Dosi	Director	MD in Jaipur Vidyut Vitran Nigam Limited
Shri Ram Gopal Gupta	Director	MD in Jaipur Vidyut Vitran Nigam Limited
Shri Bhagirath Mal Bhamu	Director	MD & CEO in Ajmer Vidyut Vitran Nigam Limited

8. Since, as per our finding, the Rajasthan Discoms are associate companies of

Rajasthan Urja Vikas Nigam Ltd., they do not meet the requirements of the network criteria and current/liquidity ratio as per the Special Balance Sheet as on 31.10.2018 submitted by the Petitioner. In view of the above, the Petitioner is not eligible for grant of Category I licence for not satisfying the requirement of clause (3) of Regulation 3 of the Trading Licence Regulations.

9. The Petitioner has submitted that loan of Rs. 50 crore has been given with the approval of the Board of Directors of the Applicant company and also with the approval of State Government of Rajasthan and stands payable by 31.3.2019 or till attainment of status of deemed/trading licensee by RUVNL, whichever is earlier. The Petitioner has submitted that it will not be continuing the loan for the future period and same would be recalled. In view of these submissions, the Petitioner is granted liberty to approach the Commission after achieving the required network.

10. Accordingly, Petition No. 379/TD/2018 is disposed of.

Sd/-
(I.S.Jha)
Member

sd/-
(Dr. M. K. Iyer)
Member

sd/-
(P. K. Pujari)
Chairperson

