

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

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

**Petition No. 7/2005**

**In the matter of**

Grant of licence for inter-state trading in electricity to Subhash Kabini Power Corporation Ltd.

**And in the matter of**

Subhash Kabini Power Corporation Ltd...

Applicant

**The following were present:**

1. Shri Gain Bansal, SPML
2. Shri Sudheesh P.V., SPML
3. Shri Rahul Tripathi, SPML

**ORDER  
(DATE OF HEARING 26.4.2005)**

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 100 Million Units in a year. The memorandum of association of the applicant covers trading as one of its main objects. The notices in accordance with 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. In response to the public notices, no objections have been received.

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.1.5 crore in case of the applicant proposing to trade upto 100 Million Units of electricity in a year.

3. The petitioner 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 as mentioned in the application
1	1999-00	232.92
2	2000-01	233.00
3	2001-02	3000.00
4	2002-03	3100.00
5	2003-04	3100.00

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

(Rs. in lakh)

S. No.	Year	1999-00	1999-00 (As per Annual Report 2000-01)	2000-01	2001-02	2002-03	2003-04
<b>1</b>	<b>Share Capital</b>						
	Paid up equity capital	0.07	0.07	500.00	1748.20	2256.70	3000.00
<b>2</b>	<b>Reserves and Surplus</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>3</b>	<b>Less:</b>						
	Misc.Expenses to the extent not written off or adjusted	315.47	3.10	3.97	20.85	30.57	21.07
	Expenses during Construction	0.00	322.38	436.96	862.78	1661.90	0.00
	Profit and loss A/C	0.00	0.00	0.00	0.00	0.00	344.51
	Deferred Tax Asset	0.00	0.00	0.00	0.00	0.00	190.09
	<b>SubTotal 3</b>	<b>315.47</b>	<b>325.47</b>	<b>440.93</b>	<b>883.62</b>	<b>1692.48</b>	<b>555.66</b>

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

(Rs. in lakh)

S. No	Year	1999-00	1999-00 (As per Annual Report 2000-01)	2000-01	2001-02	2002-03	2003-04
1	Fixed Assets	5.06	5.06	6.97	17.21	20.18	8823.23
	Less: Depreciation	1.05	1.05	1.74	2.85	4.59	343.60
	Net Block <b>Sub-Total 1</b>	<b>4.01</b>	<b>4.01</b>	<b>5.23</b>	<b>14.36</b>	<b>15.60</b>	<b>8479.63</b>
2	Capital Work-in-Progress	<b>5.60</b>	<b>226.71</b>	<b>1937.14</b>	<b>4776.74</b>	<b>6975.92</b>	<b>0.00</b>
3	<b>Current Assets, Loans &amp; Advances</b>						
	Closing stock	0.00	0.00	0.00	0.00	0.00	150.17
	Cash in hand	0.01	0.01	0.07	14.22	0.29	5.49
	Balances in Banks	0.09	0.09	3.13	64.83	8.28	4.53
	Sundry Debtors	0.00	0.00	0.00	0.00	0.00	225.22
	Loans & Advances and Other Current Assets	246.01	14.06	15.29	89.83	28.46	113.48
	<b>Sub-Total 3</b>	<b>246.11</b>	<b>14.16</b>	<b>18.49</b>	<b>168.88</b>	<b>37.04</b>	<b>498.89</b>
4	<b>Current Liabilities &amp; Provisions</b>						
	Sundry Creditors	17.47	16.63	54.49	197.75	363.54	744.74
	Other Liabilities	3.40	3.40	18.11	1.99	1.36	4.89
	Provisions	0.00	0.00	0.00	4.97	7.20	8.16
	<b>Sub-Total 4</b>	<b>20.87</b>	<b>20.03</b>	<b>72.60</b>	<b>204.70</b>	<b>372.10</b>	<b>757.79</b>
5	<b>Loans</b>						
	Secured Loans	0.00	0.00	0.00	3305.90	5348.93	5676.40
	Unsecured Loans	140.26	140.26	0.00	0.00	0.00	0.00
	<b>Sub-Total 5</b>	<b>140.26</b>	<b>140.26</b>	<b>0.00</b>	<b>3305.90</b>	<b>5348.93</b>	<b>5676.40</b>
6	<b>Items not considered for Net worth</b>						
	Share Application Money	410.00	410.00	1829.18	584.80	743.30	100.00
	<b>Net Worth (1 + 2 + 3 - 4 - 5 - 6)</b>	<b>(-) 315.40</b>	<b>(-) 325.40</b>	<b>59.07</b>	<b>864.58</b>	<b>564.22</b>	<b>2444.34</b>

6. On consideration of the above details, we are satisfied that the applicant meets the net worth requirements specified by the Commission. Therefore, *prima facie*, the applicant qualifies for grant of licence for inter-state trading as category 'A' electricity trader, that is, for trading of up to 100 Million Units of electricity during a year.

7. Accordingly, The Commission proposes to grant the licence to the applicant for category 'A'. We direct that the 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. The names of the companies forming part of

Subhash group of companies shall be mentioned in public notice to be issued and for this purpose, the applicant shall furnish the necessary details, on affidavit.

8. From the Memorandum of Association of the applicant company, it is noticed that the applicant can undertake the business of transmission of electricity, in addition to pursuing the object of trading in electricity and other objects. Under third proviso to Section 41 of the Act, no transmission licensee can enter into any contract or otherwise engage in the business of trading in electricity. In other words, a person granted licence for trading in electricity cannot undertake the business of transmission. Therefore, the applicant is directed to file an affidavit by 10.5.2005 to the effect that it will not make an application to undertake transmission of electricity as a transmission licensee, inter-state as well as intra-state, without surrendering the trading licence, if granted by the Commission.

9. List this petition on 26.5.2005.

Sd/-  
**(A.H.JUNG)**  
**MEMBER**

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

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

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

**New Delhi, dated 5th May 2005**