

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

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

**Petition No. 15/2005**

**In the matter of**

Grant of licence for inter-state trading in electricity to Instinct Advertising & Marketing (Pvt.) Limited.

**And in the matter of**

Instinct Advertising & Marketing (Pvt) Ltd                      ...                      Applicant

**The following were present:**

1. Shri Ravi Gupta, CEO, Instinct Advt. & Mktg. Ltd.
2. Shri Amit Gupta, Instinct Advt. & Mktg. Ltd.

**ORDER  
(DATE OF HEARING: 19.7.2005)**

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. Initially the applicant has proposed to trade 100 Million Units in a year. The Memorandum of Association of the applicant covers trading 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 have been received on the public notice.

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 up to 100 Million Units of electricity in a year.

3. 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	0.0002
2	2000-01	0.0002
3	2001-02	0.0002
4	2002-03	0.0002
5	2003-04	3.0200
6	As on 14.2.2005	154.1000

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

(Rs. in lakh)

Year	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Share Capital (1)</b>					
Paid up equity capital	0.00	0.00	0.00	3.00	150.00
<b>Reserves and Surplus (2)</b>	0.00	0.00	0.00	0.01	4.32
<b>Less: (3)</b>					
Misc. Expenses to the extent not written off or adjusted	0.05	0.04	0.04	0.04	1.63
Profit and loss A/C	0.18	1.74	2.22	0.00	0.00
Total (3)	<b>0.23</b>	<b>1.78</b>	<b>2.26</b>	<b>0.04</b>	<b>1.63</b>
<b>Net Worth (1)+(2) – (3)</b>	<b>-0.22</b>	<b>-1.78</b>	<b>-2.26</b>	<b>2.98</b>	<b>152.69</b>

5. 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
1 Fixed Assets	0.00	0.00	0.05	10.97	10.43
Less: Depreciation	0.00	0.00	0.00	1.18	2.17
Sub-Total 1	<b>0.00</b>	<b>0.00</b>	<b>0.05</b>	<b>9.78</b>	<b>8.26</b>
<b>2 Current Assets, Loans &amp; Advances</b>					
TDS	0.00	0.00	0.07	1.07	0.00
Cash in hand	0.01	1.45	0.64	0.05	1.18
Balances in Banks	0.00	0.07	0.00	0.05	4.03
Sundry Debtors	0.00	0.00	0.50	0.00	0.00
Advances	0.00	0.00	0.02	0.00	143.90
Sub-Total 2	<b>0.01</b>	<b>1.53</b>	<b>1.24</b>	<b>1.18</b>	<b>149.11</b>
<b>3 Current Liabilities &amp; Provisions</b>					
Audit Fee Payable	0.07	0.09	0.14	0.11	0.11
Accounting Charges Payable	0.00	0.00	0.00	0.48	0.00
Oriental Bank of Commerce	0.00	0.00	0.17	0.00	0.00
Sub-Total 3	<b>0.07</b>	<b>0.09</b>	<b>0.32</b>	<b>0.59</b>	<b>0.11</b>
<b>4 Loans</b>					
Secured Loans- ICICI Bank (Car Loans)	0.00	0.00	0.00	6.90	4.57
Unsecured Loans- Due to Directors	0.17	0.22	0.23	0.00	0.00
Sub-Total 3	<b>0.17</b>	<b>0.22</b>	<b>0.23</b>	<b>6.90</b>	<b>4.57</b>
<b>5 Items not considered for Net worth</b>					
Share Application Money	<b>0.00</b>	<b>3.00</b>	<b>3.00</b>	<b>0.50</b>	<b>0.00</b>
<b>Net Worth (1+2-3-4-5)</b>	<b>-0.22</b>	<b>-1.78</b>	<b>-2.26</b>	<b>2.98</b>	<b>152.69</b>

6. 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 100 MUs during a year. Therefore, *prima facie*, based on its net worth also 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. Therefore, the Commission proposes to grant the licence to the applicant for category 'A'. 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.

8. On perusal of the balance sheet for the year 2004-05, it is noticed that the authorised and paid up share capital of the company has increased to Rs. 152.68 lakh during the period from November 2004 to February 2005. The applicant has advanced an amount of Rs.144 lakh as a short-term loan to its sister concerns namely, M/s Lakshmi Agro Industries and M/s Dynatech Controls Pvt. Ltd. The representative of the applicant explained that the amount can be withdrawn at a short notice for use for trading in electricity after grant of licence. An affidavit shall be filed by the applicant latest by 16.8.2005 to explain the nature of instruments on which the amount, is employed and the shortest period of notice needed to withdraw the amount so that it becomes available to the applicant for undertaking the business of trading.

8. List this petition on 24.8.2005.

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

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

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

**New Delhi, dated the 19th July 2005**