

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 94/MP/2015**

**Coram:**

**Shri Gireesh B. Pradhan, Chairperson**

**Shri A.K.Singhal, Member**

**Shri A.S.Bakshi, Member**

**Dr. M.K.Iyer, Member**

**Date of Hearing: 22.9.2015**

**Date of Order : 28.9.2015**

**In the matter of**

Downgrading of inter-State trading licence of Reliance Energy Trading Limited from Category 'I' to Category 'IV'.

**And**

**In the matter of**

Reliance Energy Trading Ltd.  
H Block, 1<sup>st</sup> Floor,  
Dhirubhai Ambani Knowledge City,  
Navi Mumbai-400 710

**Petitioner**

**Following was present:**

Shri Hasan Murtaza, Advocate for the petitioner

**ORDER**

This petition has been filed by Reliance Energy Trading Limited for down gradation of inter-State trading licence in electricity from Category 'I' to Category 'IV'. The petitioner has made the following prayer:

“(a) that this Hon`ble Commission may be pleased to downgrade the existing trading licence having category 'I' to Category 'IV' w.e.f. 1.4.2015 and make necessary endorsement of the same; and

(b) pass any such other and further reliefs as this Hon`ble Commission deems just and proper in the nature and circumstances of the present case.”

2. By order dated 29.6.2004, Reliance Energy Trading Private Limited was granted trading licence for Category 'IV' to trade in electricity as an electricity trader in the whole of India except the State of Jammu and Kashmir in accordance with Central Electricity Regulatory Commission (Procedure, Terms and Conditions of Trading licence and other related matters) Regulations, 2004. Consequent to the notification of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions of Trading licence and other related matters) Regulations, 2009 (hereinafter referred to as the "Trading Licence Regulations") as amended vide notification dated 7.6.2010, the licence stands re-categorized as Category 'IV', subject to the terms and conditions contained in the licence. Subsequently, vide order dated 6.9.2004 the name of trading licensee was changed from 'Reliance Energy Trading Pvt. Ltd.' to 'Reliance Energy Trading Limited'. Further, vide order dated 17.8.2005 in licence of the petitioner was upgraded from Category 'IV' to Category 'I'.

3. The petitioner has submitted that in view of the stiff and tough competition in power market and looking at the future business potential of trading, it is seeking down gradation of its trading licence from Category 'I' to Category 'IV' and is desirous to trade not more than 100 MUs in a year from 1.4.2015.

4. We have considered the submission of the petitioner. The third and fourth provisos to Regulation 7 (b) of the Trading Licence Regulations provides as under:

" Provided also that a licensee may make an appropriate Application accompanied by prescribed fees for upgradation of its licence to a higher category or down gradation of its licence to a lower category if it fulfills the conditions of these regulations for grant of such licence but it shall not be required to follow the procedure specified in Regulation 6 of these regulations.

Provided further that the licensee shall be heard by the Commission before taking a decision on the application."

5. The licensee has filed an application for down gradation of its licence in accordance with Trading Licence Regulations. On perusal of the application, we find that the applicant being a Category 'I' licensee fulfills all technical requirements for grant of Category 'IV' inter-State trading licence. As regards the net worth requirements for Category 'IV', Regulation 3 (3) of the Trading Licence Regulations, 2009 provides that a person applying for Category 'IV' trading licence should have net worth ₹ 1 crore and should have maintained minimum current ratio and liquidity ratio of 1:1 on the date of audited special balance sheet accompanying the application.

6. The petitioner has submitted the Audited Special Balance Sheet as on 28.2.2015. Based on the Audited Special Balance Sheet submitted by the petitioner, its net worth has been worked out as given below:

<b>Net Worth Computation</b>	<b>As per Audited Special Balance Sheet as on 28.2.2015</b>
<b>Particulars</b>	<b>(₹ in lakh)</b>
<b>A) Paid up equity capital (1)</b>	<b>2065.00</b>
<b>B) Reserves and Surplus.</b>	0.00
B.1. Capital Reserves	0.00
B.2. Capital Redemption Reserve	0.00

B.3. Debenture Redemption Reserve	0.00
B.4. Revaluation Reserve	0.00
B.5. Share Options Outstanding Account and Reserves other than free reserves	0.00
B.6. Securities Premium Reserve (Note 1)	990.00
B.7. Surplus (P and L Account) (Note 2)	2373.00
B.8. Other Free Reserves (i.e. General Reserve)	0.00
<b>Free Reserves and Surplus Considered for Net worth (2)</b> (B6+B7+B8)	<b>3363.00</b>
<b>C) Loans &amp; Advances given to associates (3)</b>	<b>0.00</b>
<b>D) Deferred Expenditure (including Misc. Expenses) not written off (4)</b>	<b>0.00</b>
<b>Net Worth (1+2-3-4)</b>	<b>5428.00</b>

7. The net worth of the petitioner is further represented by the following:

<b>Net worth (Asset approach), Current Ratio and Liquidity Ratio Computation</b>	<b>As on 28.2.2015</b>
<b>A) Non-current Assets</b>	<b>(₹ in lakh)</b>
A.1. Net block of Tangible Asset	5.81
A.2. Net Block of Intangible Asset	0.00
A.3. Capital work in progress	0.00
A.4. Intangible Assets under development	0.00
A.5. Non-Current Investments	0.00
A.6. Deferred Tax Assets	0.50
A.7. Long-term loans and advances (Note 3)	244.29
A.7.1 Less: Loans and Advances given to Associates included in above	0.00
A.7.2 <b>Net Long Term Loans and Advances (A.7 - A.7.1)</b>	<b>244.29</b>
A.8. Other Non Current Asset	0.00
A.9. Deferred Expenditure (including Misc. Expenses) not written off (Not considered for net worth computation)	0.00
<b>Total Non-Current Assets</b>	<b>250.60</b>
<b>Total Non-Current Assets considered for net worth (1)</b>	<b>250.60</b>
<b>B. Non-Current Liabilities, Pref. Share and Share Application money and Reserves other than free reserves</b>	
B.1. Share application money pending allotment	0.00
B.2. Preference Share Capital	0.00
B.3. Long term Borrowings	0.00
B.4. Deferred tax Liabilities	0.00

B.5 Other Long Term Liabilities (i.e. Advance from customers and Retention money)	0.00
B.6 Long Term provisions (Note 4)	0.00
B.7 Reserves other than free reserves	0.00
<b>Total Non-Current Liabilities, Reserves other than free reserves considered for Net worth (2)</b>	<b>0.00</b>
<b>C. Current Assets</b>	
C.1. Current Investments (Note 5)	2329.91
C.2. Inventories	0.00
C.3. Trade Receivables	3465.66
C.4. Cash and cash equivalents	96.10
C.5 Short Term Loans and Advances	2521.59
C.5.1 Less: Loans and Advances given to associates	0.00
C.5.2 <b>Net Short Term Loan and Advances (C.5 - C.5.1)</b>	<b>2521.59</b>
C.6 Other current assets (Accrued interest on inter corporate deposits)	223.76
C.7 Deferred Expenditure (including Misc. Expenses) not written off (not considered for net worth & Liquidity purpose)	0.00
Total Current Assets	<b>8637.02</b>
<b>Total Current Asset considered for Net worth (3)</b>	<b>8637.02</b>
<b>D. Current Liabilities</b>	
D.1. Short-term Borrowings	0.00
D.2. Trade payables	3402.24
D.3. Other Current liabilities (Adv. from vendors, payable to employees and other payables)	57.49
D.4. Short-term provisions	0.00
<b>Total Current Liabilities considered for Net worth (4)</b>	<b>3459.73</b>
<b>Net worth ((1-2)+(3-4))</b>	<b>5427.89</b>

8. Based on the above, the net worth, current ratio and liquidity ratio workout as under:

<b>Particulars</b>	<b>As on 28.2.2015</b>
Net Worth (₹ in lakh)	<b>5427.89</b>
Current Ratio	<b>2.50</b>
Liquidity ratio	<b>2.50</b>

9. On consideration of the above facts, we are satisfied that the petitioner meets the net worth, current ratio and liquidity ratio requirements specified by the Commission for grant of Category 'IV' licence. Accordingly, we approve the down gradation of the licence of the petitioner from Category 'I' to Category 'IV' with effect from 1.4.2015.

10. A copy of this order be sent to the Central Government in Ministry of Power and CEA in terms of sub-section (7) of Section 15 of the Electricity Act, 2003 for their information and record.

11. We direct that necessary endorsement be made on the licence issued to the petitioner with regard to change of Category of the licensee.

12. The petition stands disposed of accordingly.

Sd/-  
**(Dr. M.K.Iyer)**  
Member

sd/-  
**(A.S. Bakshi)**  
Member

sd/-  
**(A. K. Singhal)**  
Member

sd/-  
**(Gireesh B. Pradhan)**  
Chairperson