

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 114/MP/2016

Coram:

Shri Gireesh B. Pradhan, Chairperson

Shri A.K.Singhal, Member

Shri A.S.Bakshi, Member

Dr. M.K.Iyer, Member

Date of Order : 31st of October, 2016

In the matter of

Application for up-gradation of inter-State trading licence in electricity from Category III to Category II.

And

In the matter of

My Home Power Private Limited
5TH Floor, Block 3, My Home Hub,
Madhapur, Hyderabad, Telangana-500 081

Petitioner

ORDER

The petitioner, My Home Power Private Limited, has filed the present petition for upgradation of its inter-State trading licence in electricity from Category III to Category II.

2. By order dated 26.4.2011, My Home Power Limited (licensee) was granted trading licence for Category III to trade in electricity as an electricity trader in the whole of India in accordance with Central Electricity Regulatory Commission (Procedure, Terms and Conditions of Trading licence and other related matters) Regulations, 2009 as amended from time to time (hereinafter referred to as the "Trading Licence Regulations"), subject to the terms and conditions contained in the licence. Subsequently, vide order dated 29.5.2013

in Petition No. 103/RC/2013, name of the licensee was changed from 'My Home Power Limited' to 'My Home Power Private Limited'.

3. The third proviso 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".

4. The licensee has filed an application for up-gradation of its licence in accordance with Trading Licence Regulations. On perusal of the application, we find that the applicant being a Category III licensee fulfills all technical requirements for grant of Category II inter-State trading licence. As regards the net worth requirements for Category II, Regulation 3 (3) of the Trading Licence Regulations provides that a person applying for Category II trading licence should have net worth ₹ 15 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. As per Regulation 6 (1) (b) of the Trading Licence Regulations, the applicant is required to submit the special balance sheet as on any date falling within 30 days immediately preceding the date of making the application. However, the licensee submitted the annual accounts for the years 2012-13, 2013-14, 2014-15 and provisional audited balance sheet as on 31.3.2016.

5. The petitioner, vide letter dated 15.6.2016, was directed to submit (i) audited special balance sheet and profit and loss account along with notes of account as on 31.3.2016, (ii) Detailed resume of all professional members of core management team and (iii) Organization chart of its group companies.

6. The petitioner vide its affidavit dated 26.7.2016 has submitted (i) Audited Balance sheet and profit and loss account for the financial year 2015-16, (ii) Audited Balance Sheet as on 23.7.2016, (iii) Statement showing details of loans and advances given to associates, and (iv) Detailed resumes of professional members. As per sub-clause (b) of clause (1) of Regulation 6, the applicant is required to submit the copy of the special balance sheet as on any date falling within 30 days immediately preceding the date of making the application. However, the petitioner has filed the present application for up-gradation of licence on 23.5.2016 along with the un-audited balance sheet as on 31.3.2016. Subsequently, the petitioner was directed to file audited balance sheet as on 31.3.2016. The petitioner vide its affidavit dated 26.7.2016 has submitted the audited balance sheet as on 31.3.2016.

7. Based on the Audited Balance Sheet as on 31.3.2016 submitted by the petitioner, its net worth has been worked out as given below:

Net Worth Computation	As per audited Balance Sheet as on 31.3.2016
Particulars	(Rs in lakh)
A) Paid up equity capital (1)	550.02
B) Reserves & Surplus.	
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	0.00
B.7. Surplus (P and L Account)	357.19
B.8. Other Free Reserves (i.e. General Reserve)	1742.39
Free Reserves & Surplus Considered for Net worth (2) (B6+B7+B8)	2099.58
C) Loans & Advances given to associates (3)	1395.00
D) Deferred Expenditure (including Misc. Expenses) not written off (4)	0.000
Net Worth (1+2-3-4)	1254.60

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

Net worth (Asset approach), Current Ratio & Liquidity Ratio Computation	As on 31.3.2016 (Rs. in lakh)
A) Non-current Assets	
A.1. Net block of Tangible Asset	0.90
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	223.68
A.7 Long-term loans and advances	1395.00
A.7.1 Less: Loans & Advances given to Associates included in above	1395.00
A.7.2 Net Long Term Loans and Advances (A.7 - A.7.1)	0.00
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
Total Non-Current Assets	1619.58
Total Non-Current Assets considered for net worth (1)	224.58

B. Non-Current Liabilities, Pref. Share & Share Application money and Reserves other than free reserves	
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	0.00
B.6 Long Term provisions	0.00
B.7 Reserves other than free reserves	0.00
Total Non-Current Liabilities, Reserves other than free reserves considered for Net worth (2)	0.00
C. Current Assets	
C.1. Current Investments	0.00
C.2. Inventories	15.92
C.3. Trade Receivables	3117.44
C.4. Cash and cash equivalents	841.23
C.5 Short Term Loans & Advances	0.20
C.5.1 Less: Loans and Advances given to associates	0.00
C.5.2 <i>Net Short Term Loan and Advances(C.5 - C.5.1)</i>	0.20
C.6 Other current assets (deposits, Receivables, prepaid insurance, prepaid expenses interest accrued but not received)	134.28
C.7 Deferred Expenditure (including Misc. Expenses) not written off (not considered for net worth and Liquidity purpose)	0.00
Total Current Assets	4109.35
Total Current Asset considered for Net worth (3)	4109.35
D. Current Liabilities	
D.1. Short-term Borrowings	0.00
D.2. Trade payables	0.00
D.3. Other Current liabilities creditors for supplies, creditors for expenses advances from customers)	3075.71
D.4. Short-term provisions	3.61
Total Current Liabilities considered for Net worth (4)	3079.32
Net worth ((1-2)+(3-4))	1254.60

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

Particulars	As on 31.3.2016
Net Worth (₹ in lakh)	1254.60
Current Ratio	1:33
Liquidity ratio	1:33

10. As per the above, the petitioner does not meet the networth criteria of Rs. 15 crore. During the course of hearing on 22.9.2016, the representative of the petitioner submitted that though the petitioner applied for up-gradation of trading licence based on the balance sheet as on 31.3.2016, the petitioner has received back an amount of Rs. 2.50 crore from its associate i.e M/s My Home Infrastructure Pvt. Ltd. towards partial refund of loan. After refund of the loan, the networth of the company has arisen to Rs. 15.59 crore and the petitioner meets the requirement of networth for Category-II licence as specified in the Trading Licence Regulations. In response to our query as to whether the petitioner managed refund of loan in order to maintain the networth, the representative of the petitioner submitted that networth of Rs. 15 crore shall be maintained at all time when the petitioner is holding Category-II licence. With regard to organization chart of the group companies, the representative of the petitioner submitted that the petitioner does not hold any shareholding with any other company in the group and there is no subsidiary relationship with any of the company in the group. The representative of the petitioner submitted that in this regard the petitioner has filed affidavit dated 9.9.2016.

11. The petitioner was directed to file an affidavit to the effect that the net worth of the company as Rs. 15 crore would always be maintained at all time.

12. The petitioner, vide its affidavit dated 1.10.2016, has submitted that it would maintain the net worth of the company as Rs. 15 crore at all points of time and same would not be transferred to any other company and it would be kept exclusively for trading purpose only.

13. In accordance with Regulation 3 (2) of the Trading Licence Regulations, the petitioner should have at least one full time professional having, qualifications and experience in power system operation and commercial aspects of power transfer and finance, commerce and accounts. The petitioner vide its affidavit dated 26.7.2016 has submitted that the professionals as provided are full time professionals in terms of Regulation 3 (2) of the Trading Licence Regulations.

14. The petitioner did not meet the networth requirement on the basis of the balance sheet dated 31.3.2016 which was filed along with the petition for up-gradation of licence. Though, the petitioner has subsequently filed the balance sheet as on 26.7.2016 on the basis of which it meets the net worth, the case of the petitioner is not covered under the Trading Licence Regulations under which the networth of the applicant is required to be considered based on the special balance sheet raised within 30 days of the date of application. The petitioner is at liberty to make a fresh application accompanied by a balance sheet made within thirty days of the date of

application of up-gradation of licence within a period of three months from the date of issue of the order. If any petition is filed for up-gradation of licence, the filing fee paid in the present petition will be adjusted.

15. The petition stands disposed of with the above direction.

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

sd/-
(A.S. Bakshi)
Member

sd/-
(A.K. Singhal)
Member

sd/-
(Gireesh B. Pradhan)
Chairperson