

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 194/TDL/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: 27th of December, 2016

In the matter of

Application for grant of inter-State trading licence to Renew Solar Services Private Limited.

And

In the matter of

Renew Solar Services Private Limited
10th Floor, DLF Square,
M Block, Jacaranda Marg, DLF City,
Phase-II, Gurgaon-122 002, Haryana

..... Petitioner

The following were present:

Shri Ishan Nagpal, RSSPL
Shri Kulbhushan Kumar, RSSPL

ORDER

The petitioner, Renew Solar Services Private 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 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 `IV` licence for inter-State trading in electricity in all States and Union Territories of India.

2. Regulation 6 of the Trading Licence Regulations provides for the procedure for grant of trading licence as under:

“6. Procedure for grant of licence

(1) *Any person desirous of undertaking inter-State trading in electricity shall make an applicant to the Commission for grant of licence in the manner specified in Form-I appended to these regulations and such applicant shall be accompanied by , -*

(a) *Such fee as may be prescribed by the Central Government from time to time payable through Bank Draft or pay order drawn in favour of Assistant Secretary, Central Electricity Regulatory Commission, New Delhi.*

(b) *Copies of the annual reports in case of the persons incorporated under the Companies Act, 1956 (1 of 1956) and audited accounts along with the Director’s Report, Auditors’ Report, the Schedules and notices on accounts for three years immediately preceding the year in which the application has been made and the special balance sheet as on any date falling within 30 days immediately preceding the date of making the application:*

Provided that where the applicant has not been incorporated, registered or formed during the period of three years immediately preceding the year in which the application is made, the application shall be accompanied by the copies of the annual reports and audited accounts for such lesser period for which the applicant has been in existence.

(2) *The application for grant of licence, along with annexures and enclosures shall also be submitted to the Commission on compact disc (CD).*

(3) *The applicant shall post complete application along with annexures and enclosures on his own website so as to facilitate access to the application by any person through internet and shall keep them on the website till the disposal of his application.*

(4) *The applicant shall within 7 days after making such application, publish a notice of his application, in two daily newspapers having circulation in each of the five regions in addition to those published from Delhi, including one economic daily newspaper in Form II, with the following particulars, name
xxxxxx*

(5) *The applicant shall within 7 days from the date of publication of the notice as aforesaid submit to the Commission on affidavit the details of the notice published and shall also file the original complete page of the newspaper in which the notice has been published.*

(6) *The applicant may file his reply to the objections or suggestions received in response to the notice within 45 days of its publication in the newspapers.*

(7)The Commission after consideration of the objections or suggestions received in response to the notice published by the applicant and his reply may propose to grant licence.

(8) When the Commission proposes to grant licence, it shall publish a notice of its proposal in two daily newspapers, as the Commission may consider appropriate, stating the name and address of the person to whom it proposes to issue the licence, with such other details as the Commission considers appropriate, to invite further objections or suggestions to its proposal.”

3. The petitioner has made the application as per Form-I along with CD and paid the fee of Rupees one lakh as prescribed by the Government of India.

4. The petitioner has posted the application for grant of trading licence on its website in terms of Regulation 6(3) of the Trading Licence Regulations. The petitioner has placed on record the relevant copies of the newspapers in original in which notice of its application has been issued. The notices under sub-section (2) of Section 15 of the Act read with clause (4) of Regulation 6 of the Trading Licence Regulations have been published by the petitioner on 25.10.2016 in all editions of ‘Business Standard’, Rashtriya Sahara (Delhi), Bikelar Pratidin (Kolkata), Andhra Joyti (Chennai), Navshakti (Mumbai) and Assam Bani (Guwahati). No objection has been received in response to the public notices.

5. The petitioner company has been incorporated under the Companies Act, 1956 on 2.3.2012. Proviso to clause (1) of Regulation 3 of the Trading Licence Regulations provides that the applicant should have been authorized to undertake trading in electricity by its Memorandum of Association. Trading in electricity is covered under Main Objects of the Memorandum of Association of the petitioner. Para III (A) (2) of the Main Objects of the company reads as under:

“2. To carry on business as trader of water, gas, electricity and other utilities.”

6. Transmission of electricity is not covered under the Main Objects of the Memorandum of Association of the petitioner. However, the petitioner vide its affidavit dated 26.9.2016 has submitted that during the subsistence of the trading licence if granted by the Commission, it shall not apply for any transmission licence before any concerned authority without surrendering the trading licence granted to it. The affidavit has been taken on record.

7. The petitioner, vide Record of Proceedings for the hearing dated 1.12.2016, was directed to submit the following information:

(a) The applicant company was incorporated on 4.4.2013 as subsidiary of ReNew Power Ventures Private Limited. Subsequently, 100% shareholding of the company was transferred to ReNew Solar Energy Private Limited. The application for grant of inter-State trading licence of ReNew Solar Energy Private Limited was rejected by the Commission for not fulfilling the networth criteria. It may be clarified that as to why the applicant company has not commenced operation of its business even though it was incorporated in 2013.

(b) Confirmation that the professionals mentioned in affidavit dated 15.11.2016 are full time professionals of the applicant company in terms of Regulation 3 (2) of the Trading Licence Regulations.

8. The petitioner, vide its affidavit dated 9.12.2016, has submitted as under:

“3. The Applicant Company was incorporated for the purpose of conducting business in the field of generation of electricity from wind energy based generation sources and supply thereof. However, based upon its initial assessment of substantial potential in the field of solar rooftop business and power trading business due to conducive policy and regulatory environment at Center and State level, the company was engaged in detailed analysis of both the business sector i.e. solar rooftop and power trading.

4. The Applicant Company after complete deliberation of both the sectors decided to undertake the business of power trading as one of its primary business and accordingly started aligning it with the eligibility criteria as stipulated in the governing regulations notified by CERC i.e. Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2009 and amendments thereof.

5. To undertake the business of power trading, the Applicant Company made necessary amendment in its Memorandum of Association on 25.4.2016, developed required technical and financial capabilities.”

9. The petitioner has further submitted that it has technical capability as required under Regulation 3 (2) of the Trading Licence Regulations and Shri Prabhat Kumar Mishra and Shri Sudeep Kumar Gupta are full time professionals of the Applicant Company in the field of operations and finance.

10. In accordance with Regulation 3 (3) of the Trading Licence Regulations, a person applying for Category `IV` trading licence should have net worth of ₹ one crore, and should have maintained minimum current ratio and liquidity ratio of 1:1, as on date of audited 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. The licensee filed its application under affidavit dated 26.9.2016 and submitted provisional audited special balance sheet as on 31.8.2016.

11. Based on the special audited balance sheet as on 31.8.2016, net worth and liquidity ratios has been worked out as under:

Net Worth Computation	As per special Balance Sheet as on 31.8.2016
Particulars	
A) Paid up equity capital (1)	156.000
B) Reserves and 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)	-3.01
B.8. Other Free Reserves	
Free Reserves and Surplus considered for Net worth (2) (B6+B7+B8)	-3.01
C) Loans and Advances given to associates (3)	25.47
D) Deferred Expenditure (including Misc. Expenses) not written off (4)	5.73
Net Worth (1+2-3-4)	121.79

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

Net worth (Asset approach), Current Ratio and Liquidity Ratio Computation	As per special Balance Sheet as on 31.8.2016
A) Non-current Assets	
A.1. Net block of Tangible Asset	0.00
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	0.00
A.7 Long-term loans and advances	25.47
A.7.1 Less: Loans & Advances given to Associates included in above	25.47
A.7.2 Net Long Term Loans & Advances (A.7 - A.7.1)	0.00
A.8 Other Non Current Asset (interest accrued on fixed deposit with banks)	0.00
A.9 Deferred Expenditure (including Misc. Expenses) not written off (Not considered for net worth computation)	5.73
Total Non-Current Assets	31.20
Total Non-Current Assets considered for net worth (1)	0.00
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	0.00
C.3. Trade Receivables	0.00
C.4. Cash and cash equivalents	157.01
C.5 Short Term Loans and Advances	4.29
C.5.1 Less: Loans and Advances given to associates	0.00
C.5.2 Net Short Term Loan and Advances (C.5 - C.5.1)	4.29
C.6 Other current assets (Unamortised ancillary cost of borrowing, and non-current bank balance)	0.45
C.7 Deferred Expenditure (including Misc. Expenses) not written off (not considered for net worth & Liquidity purpose)	0.00
Total Current Assets	161.75
Total Current Asset considered for Net worth (3)	161.75
D. Current Liabilities	
D.1. Short-term Borrowings	28.00
D.2. Trade payables	8.26
D.3. Other Current liabilities	3.70
D.4. Short-term provisions	0.00
Total Current Liabilities considered for Net worth (4)	39.96
Net worth ((1-2)+(3-4))	121.79

13. Based on the above, the net worth, current ratio and liquidity ratio work out as under:

S. No.	Particulars	31.8.2016
1.	Net worth (₹ in lakh)	121.79
2.	Current ratio	4.5

3.	Liquidity ratio	4.5
----	-----------------	-----

14. The petitioner has submitted that initially the applicant company was incorporated for generation of electricity from wind energy. However, subsequently, based upon its initial assessment of substantial potential in the field of solar rooftop business and power trading business, the applicant company decided to carry out business of power trading. Therefore, the applicant company could not start its business from its incorporation. 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 was directed to confirm that the professionals mentioned in the affidavit dated 15.11.2016 are full time professionals in terms of Regulation 3 (2) of the Trading Licence Regulations. The petitioner vide its affidavit dated 16.11.2016 has submitted that the professionals as provided in the affidavit are full time professionals in terms of Regulation 3 (2) of the Trading Licence Regulations.

15. On consideration of the above facts, we are ***prima facie*** satisfied that the petitioner meets the net worth requirements specified by the Commission for grant of Category `IV` trading licence and fulfills other conditions for grant of trading licence subject to the condition that the petitioner shall maintain the net worth as per the Trading Licence Regulations during the subsistence of the trading licence, if granted. The Commission proposes to grant Category `IV` trading licence to the petitioner. 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 proposal of the Commission.

16. List this petition for further directions on 17.1.2017.

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

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

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

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