

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 227/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 : 5th of May, 2017

In the matter of

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

And

In the matter of

Customized Energy Solutions India Private Limited
A-501, GO Square, Aundh, Hinjewadi Link Road,
Wakad, Pune, Maharashtra- 411 057

Petitioner

ORDER

The Petitioner, Customized Energy Solutions India Private Limited, has filed the present petition for up-gradation of its inter-State trading licence in electricity from Category IV to Category III.

2. By order dated 8.6.2011, Customized Energy Solutions India Private Limited (licensee) was granted trading licence for Category IV to trade in electricity as an electricity trader 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.

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 up-gradation 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 IV licensee fulfills all technical requirements for grant of Category III inter-State trading licence. As regards the net worth requirements for Category III, Regulation 3 (3) of the Trading Licence Regulations provides that a person applying for Category III trading licence should have net worth ₹ 5 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. The licensee was directed to file Auditor's comments on submitted special balance sheet and details of loans and advances given to associates as on 31.10.2016, etc. The licensee vide its affidavit has submitted the information called for. The licensee filed its

application under affidavit dated 7.11.2016 and submitted the annual accounts for the year 2015-16 and audited special balance sheet as on 31.10.2016.

5. Based on the Special Audited Balance Sheet as on 31.10.2016 submitted by the licensee, its net worth has been worked out as given below:

(₹ in lakh)

Net Worth Computation	As per Audited Special Balance Sheet as on 31.10.2016
Particulars	
A) Paid up equity capital (1)	233.00
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 & Reserves other than free reserves	0.00
B.6. Securities Premium Reserve	0.00
B.7. Surplus (P & L Account)	317.53
B.8. Other Free Reserves	0.00
Free Reserves & Surplus Considered for Net worth (2) (B6+B7+B8)	317.53
C) Loans & Advances given to associates (3)	0.00
D) Deferred Expenditure (including Misc. Expenses) not written off (4)	0.000
Net Worth (1+2-3-4)	550.53

6. The net worth of the applicant is further represented by the following:

(₹ in lakh)

Net worth (Asset approach), Current Ratio & Liquidity Ratio Computation	As on 31.10.2016
A) Non-current Assets	
A.1. Net block of Tangible Asset	54.13
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	15.94
A.7 Long-term loans and advances	180.71
A.7.1 Less: Loans & Advances given to Associates included in above	0.00
A.7.2 <i>Net Long Term Loans & Advances (A.7 - A.7.1)</i>	180.71
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	250.77
Total Non-Current Assets considered for net worth (1)	250.77
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	74.27
C.4. Cash and cash equivalent	657.85
C.5 Short Term Loans & Advances	67.47
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>	67.47
C.6 Other current assets (i.e stock of Multi Meters)	9.20
C.7 Deferred Expenditure (including Misc. Expenses) not written off (not considered for net worth & Liquidity purpose)	0.00
Total Current Assets	826.79

Total Current Asset considered for Net worth (3)	826.79
D. Current Liabilities	
D.1. Short-term Borrowings	0.00
D.2. Trade payables	12.22
D.3. Other Current liabilities (i.e. advance from customers and related parties, IT Provision, security deposit and others)	506.89
D.4. Short-term provisions	7.92
Total Current Liabilities considered for Net worth (4)	527.03
Net worth [(1-2)+(3-4)]	550.53

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

Particulars	31.10.2016
Net Worth (₹ in lakh)	550.53
Current Ratio	1.57
Liquidity ratio	1.57

8. 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 licensee, vide Record of Proceedings for the hearing dated 9.2.2017, was directed to submit the details of the professionals of the company in terms of Regulation 3 (2) of the Trading Licence Regulations. The licensee vide its affidavit dated 15.2.2017 has submitted that the details of the full time professionals in terms of Regulation 3 (2) of the Trading Licence Regulations.

9. On consideration of the above facts, we are satisfied that the licensee meets the net worth, current ratio and liquidity ratio requirements specified by the Commission for grant of Category-III licence and satisfy the requirement

stipulated in the Regulation 3 (2) of the Trading Licence Regulations. Accordingly, we approve the up-gradation of the licence of the licensee from Category IV to Category-III.

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 applicant 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