

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 44/TDL/2018

Coram:
Shri P.K. Pujari, Chairperson
Shri A.K.Singhal, Member
Dr. M.K.Iyer, Member

Date of Order: 30th of July, 2018

In the matter of

Application for grant of inter-State trading licence to Refex Energy Limited.

And

In the matter of

Refex Energy Limited
67, Bazullah Road,
T. Nagar, Cheennai-600 017

..... **Petitioner**

The following was present:

Shri Anand Ganeshan, Advocate for the Petitioner

ORDER

The Petitioner, Refex Energy 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 the 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 ‘I’ licence for inter-State trading in electricity in whole 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 application to the Commission for grant of licence in the manner specified in Form-I appended to these regulations and such application 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

x x x x x x

(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 1.2.2018 in all editions of 'Business Standard', 'Rashtriya Sahara', Delhi edition, 'Navshakti', Mumbai edition, 'Dainik Assam', Assam edition and Makkal Kular, Tamil Nadu edition. No objection has been received in response to the public notices.

5. The petitioner company has been incorporated under the Companies Act, 1956 on 7.12.2010. 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 5 of the Main Objects of the company reads as under:

"5....To enable, Facilitate, Initiate, Foster or Engage in the business of Energy Trading and other allied services, including but not limited to Carbon Credits, CDM (Clean Development Mechanisms), CER (Carbon Emission Reduction), and all other forms of Renewable Energy Certificates (RECCerts) amongst Power users, Procurers and all other Traders, including import and export of Electrical Power, Supply and Trading of Electrical Power across all local State Boundaries and various Union Territories within the geographical borders of the country and across National Borders, wherein trading of such electrical power is permitted by law of both the buyers and sellers country of origin, and the infrastructure for carrying out such Electrical power trading is existing and permitted."

In view of the above, the Petitioner fulfills the requirements specified in Regulation 3 (1) of the Trading Licence Regulations.

6. Transmission of electricity as one of the object is covered under the Main Objects of the Memorandum of Association of the Petitioner. However, the Petitioner has submitted that it does not hold transmission licence. The Petitioner is directed to submit the affidavit to the effect 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.

7. In accordance with Regulation 3 (3) of the Trading Licence Regulations, a person applying for Category `I` trading licence should have net worth of ₹ fifty 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 28.1.2018 and submitted audited special balance sheet as on 31.12.2017 and balance sheet as on 31.3.2017.

8. Based on the special audited balance sheet as on 31.12.2017, net worth, current ratio and liquidity ratio have been worked out as under:

(Rs. in lakh)	
Net Worth Computation	As per Audited Special Balance Sheet as on 31.12.2017
Particulars	
A) Paid up equity capital (1)	1600.00
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 & Reserves other than free reserves	0.00
B.6. Securities Premium Reserve	0.00
B.7. Surplus (P and L Account)	3877.96
B.8. Other Free Reserves (i.e. General Reserve)	0.00
Free Reserves & Surplus Considered for Net worth (2) (B6+B7+B8)	3877.96
C) Loans and 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)	5477.96

9. The net worth of the Petitioner is further represented by the following:

(Rs. in lakh)	
Net worth (Asset approach), Current Ratio and Liquidity Ratio Computation	As per audited special Balance Sheet as on 31.12.2017
A) Non-current Assets	
A.1. Net block of Tangible Asset	203.82
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	2478.81
A.6 Deferred Tax Assets	13.30
A.7 Long-term loans and advances	0.00
A.7.1 Less: Loans & Advances given to Associates included in above	0.00
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	2695.93
Total Non-Current Assets considered for net worth (1)	2695.93
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	2450.00
B.3 Long term Borrowings	286.68
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)	2736.68
C. Current Assets	
C.1. Current Investments	0.00
C.2. Inventories	1803.51
C.3. Trade Receivables	13791.97
C.4. Cash and cash equivalents	744.27
C.5 Short Term Loans & Advances	1821.58
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)	1821.58
C.6 Other current assets (deposits, Receivables, prepaid insurance, prepaid expenses interest accrued but not received)	0.00
C.7 Deferred Expenditure (including Misc. Expenses) not written off (not considered for net worth & Liquidity purpose)	0.00
Total Current Assets	18161.33
Total Current Asset considered for Net worth (3)	18161.33
D. Current Liabilities	
D.1. Short-term Borrowings	1585.24
D.2. Trade payables	9750.43
D.3. Other Current liabilities (Statutory payables, accrued expenses, retention money and advance from customers)	820.85
D.4. Short-term provisions	486.11
Total Current Liabilities considered for Net worth (4)	12642.62
Net worth ((1-2)+(3-4))	5477.96

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

S. No.	Particulars	As per audited special Balance Sheet as on 31.12.2017
1.	Net worth (₹ in lakh)	5477.96
2.	Current ratio	1.44
3.	Liquidity ratio	1.29

11. 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. As per information submitted by the Petitioner, it fulfils the requirements of Regulation 3 (2) of the Trading Licence Regulations.

12. 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 `I` 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 `I` 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.

13. List this petition for further directions on 28.8.2018.

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

sd/-
(A.K. Singhal)
Member

sd/-
(P.K. Pujari)
Chairperson