

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 105/TD/2021**

**Coram:  
Shri P.K.Pujari, Chairperson  
Shri I.S.Jha, Member  
Shri P.K.Singh, Member**

**Date of Order : 29<sup>th</sup> June, 2021**

**In the matter of**

Application under Section 15 of the Electricity Act, 2003 read with Regulation 15(3) and Regulations 3 and 6 of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020 seeking down-gradation of trading licence of Atria Energy Services Private Limited from Category 'IV' to Category 'V' trading licence.

**And**

**In the matter of**

Atria Energy Services Private Limited  
1st Floor, No.11, Commissariat Road,  
Bangalore, Karnataka-6500 025

.....Applicant

**Following was present:**

Shri Tabrez Malawat, Advocate, AESPL

**ORDER**

The Applicant, Atria Energy Services Private Limited, has filed the present Application for down-gradation of its inter-State trading licence in electricity from Category 'IV' to Category 'V'.

2. By order dated 20.6.2017, the Applicant was granted inter-State trading licence in electricity for Category 'IV' to trade in electricity as an electricity trader in the whole

of India in accordance 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 “the 2009 Trading License Regulations”).

3. The 2009 Trading Licence Regulations has since been repealed and the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020 (hereinafter referred to as “the 2020 Trading Licence Regulations”) has been notified. The Applicant has submitted that considering the future business potential of trading and the change in 2009 Trading Licence Regulations, it is not viable for the Applicant to continue to hold Category ‘IV’ inter-State trading licence. Therefore, the Applicant has approached the Commission under provisions of the 2020 Trading Licence Regulations for down-gradation of its licence from Category ‘IV’ to Category ‘V’ and is desirous to trade not more than 500 MU in a year allowed for a Category ‘V’ license.

**Hearing dated 8.4.2021**

4. The matter was heard on 8.4.2021 through video conferencing. During the course of hearing, the learned counsel further submitted that the Applicant fulfils all the requirements of Category ‘V’ inter-State trading licence and has already submitted all the requisite details in support thereof including the audited special balance sheet.

## **Analysis and Decision**

5. We have considered the submissions of the Applicant. Regulation 9(4) of the 2020 Trading Licence Regulations provides as under:

*“(4) The Trading Licensee shall 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 in order to fulfill the conditions of these regulations in accordance with the procedure specified in Regulation 15 of these regulations.”*

6. Further, Regulation 15(3) of the 2020 Trading Licence Regulations provides as under:

*“(3) Down-gradation of licence:*

*(a) The Trading Licensee may file an application to the Commission for down-gradation of its licence to a lower category at any time:*

*Provided that the Trading Licensee shall not be allowed to apply for up-gradation of licence within the same Year.*

*(b) The Trading Licensee shall be required to upload the audited special balance sheet to support the compliance of Net Worth requirement for lower category licence.*

*(c) While applying for downgradation of licence, the Trading Licensee shall be required to pay the licence fee applicable for the category of licence for which the application is being submitted.”*

7. As regards the net worth requirements for Category ‘V’ trading licence, Regulation 3(3) of the 2020 Trading Licence Regulations provides that a person applying for Category ‘V’ trading licence should have net worth of Rs.2 crore and should have maintained minimum current ratio and liquidity ratio of 1:1 on the date of special audited balance sheet accompanying the application.

8. Based on the special audited balance sheet as of 30.9.2020 submitted by the Applicant, its net worth has been worked out as under:

<b>Net Worth Computation</b>	<b>Audited balance sheet as on 30.9.2020</b>
<b>Particulars</b>	<b>(Rs. in lakh)</b>
<b>(A) Paid up equity capital (1)</b>	<b>248.50</b>
<b>(B) Reserves &amp; Surplus</b>	
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)	(-)1.68
B.8. Other Free Reserves	0.00
<b>Free Reserves &amp; Surplus Considered for Net worth (2) (B6+B7+B8)</b>	<b>(-)1.68</b>
<b>(C) Loans &amp; Advances given to associates (3)</b>	<b>80.55</b>
<b>(D) Deferred Expenditure (including Miscellaneous Expenses) not written off (4)</b>	<b>0.00</b>
<b>Net Worth (1+2-3-4)</b>	<b>166.27</b>

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

<b>Net worth (Asset approach), Current Ratio &amp; Liquidity Ratio Computation</b>	<b>As on 30.9.2020</b>
<b>(A) Non-current Assets</b>	<b>(Rs. in lakh)</b>
A.1. Net block of tangible Asset	10.59
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	0.00
A.7.1 Less: Loans & Advances given to Associates included in above	0.00
<b>A.7.2 Net Long Term Loans &amp; Advances (A.7 - A.7.1)</b>	<b>0.00</b>
A.8. Other Non-Current Asset	0.00
A.9. Deferred Expenditure (including Miscellaneous Expenses) not written off (Not considered for net worth computation)	0.00
<b>Total Non-Current Assets</b>	<b>10.59</b>

<b>Net worth (Asset approach), Current Ratio &amp; Liquidity Ratio Computation</b>	<b>As on 30.9.2020</b>
<b>Total Non-Current Assets considered for net worth (1)</b>	<b>10.59</b>
<b>(B) Non-Current Liabilities, Preferential Share &amp; 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 (i.e. compulsory convertible debentures)	2.00
B.4. Deferred tax Liabilities	0.00
B.5. Other Long Term Liabilities	0.00
B.6. Long Term provisions	4.65
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>6.65</b>
<b>(C) Current Assets</b>	
C.1. Current Investments	8.33
C.2. Inventories	0.00
C.3. Trade Receivables	132.90
C.4. Cash and cash equivalents	102.73
C.5. Short Term Loans & Advances	85.95
C.5.1 Less: Loans & Advances given to associates	80.55
C.5.2 <b>Net Short Term Loan &amp; Advances(C.5 - C.5.1)</b>	5.40
C.6. Other current assets*	723.97
C.7. Deferred Expenditure (including Misc. Expenses) not written off (not considered for net worth & Liquidity purpose)	0.00
<b>Total Current Assets</b>	<b>1053.88</b>
<b>Total Current Asset considered for Net worth (3)</b>	<b>973.33</b>
<b>(D) Current Liabilities</b>	
D.1. Short-term Borrowings	0.00
D.2. Trade payables	164.03
D.3. Other Current liabilities	1.19
D.4. Short-term provisions	645.79
<b>Total Current Liabilities considered for Net worth (4)</b>	<b>811.01</b>

10. Based on the above, net worth, current ratio and liquidity ratio of the Applicant are as under:

	<b>As on 30.9.2020</b>
<b>Net worth (Rs. in lakh)</b>	<b>166.27</b>
<b>Current Ratio</b> (Total Current Asset)/(Total Current Liability) (Minimum 1:1)	<b>1.30</b>
<b>Liquid Ratio</b> (Total Current Asset – Inventories - Prepaid expenses)/ (Total Current Liability) (Minimum 1:1)	<b>1.30</b>

11. The expression 'net worth' has been defined under Regulation 2(q) of the 2020 Trading Licence Regulations, which is reproduced as under:

"2.

...

*(q) 'Net Worth' means aggregate value of the paid up equity share capital and compulsorily convertible preference shares and free reserves (excluding reserves created out of revaluation and write back of depreciation) reduced by the aggregate value of accumulated losses, deferred expenditure (including miscellaneous expenses) not written off and loans and advances to and investments made in Associates;"*

12. Thus, as per audited balance sheet as on 30.9.2020, the Applicant company has a net worth of Rs. 166.27 lakh. Therefore, the Applicant company does not meet requirements of net worth for any Category of trading licence as prescribed under Regulation 3(3)(a) of the 2020 Trading Licence Regulations.

13 Accordingly, the prayer of the Applicant for down-gradation of its licence from Category 'IV' to Category 'V' is rejected.

14. Further, as observed above the Applicant company does not meet requirements of net worth for any Category of trading licence as prescribed under Regulation 3(3)(a) of the 2020 Trading Licence Regulations.

15. We further observe that the Regulation 9(2) of the 2020 Trading Licence Regulations provides for an obligation of the trading licensee as under:

*“9. Obligations of the Trading Licensee*

*The Trading Licensee shall be subject to the following obligations, namely:-*

*.....*

*9(2) The Trading Licensee shall maintain the Net Worth in accordance with Regulation 3 of these regulations at all times and shall maintain Current Ratio of 1:1 and Liquidity Ratio of 1:1 at the end of every financial year:*

*Provided that if the current ratio or the liquidity ratio at the end of the financial year is less than 1:1, then the Trading Licensee shall be required to maintain additional Net Worth of 100% of the Net Worth stipulated for the respective category of trading licence. ....”*

16. As per above-mentioned provisions, trading licensee is obligated to maintain the net worth in accordance with Regulation 3 of the 2020 Trading Licence Regulations at all times and the current and liquidity ratios of 1:1 at the end of every financial year. Evidently, the Applicant has failed to fulfill its obligations to maintain the net worth as specified in the 2020 Trading Licence Regulations.

17. Further, as per the Regulation 17(3) of the 2020 Trading Licence Regulations, failure to meet the specified net worth criteria constitutes a contravention of terms of conditions of license by the trading licensee. Regulation 17(3) of the 2020 Trading Licence Regulations reads as under:

*“17. Contravention by Trading Licensee*

*Contraventions of the provisions of the Act, Rules and Regulations framed thereunder and non-compliance of the orders of the Commission by a Trading Licensee shall cover the following:*

*...*

*(3) Failure to meet the Net Worth criteria specified in these regulations;*

*.....”*

18. Since the licensee has failed to fulfill required net worth to hold the inter-State trading licence for any of Category in terms of the 2020 Trading Licence Regulations,

we direct the office of the Commission to initiate appropriate proceedings against the Applicant as per the provisions of the 2020 Trading Licence Regulations.

19. The Petition No. 105/TD/2021 is disposed of in terms of the above discussions and findings.

Sd/-  
**(P.K. Singh)**  
Member

sd/-  
**(I.S. Jha)**  
Member

sd/-  
**(P.K. Pujari)**  
Chairperson