

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 106/TD/2021**

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

**Date of Order: 9<sup>th</sup> July, 2021**

**In the matter of**

Application under Regulations 9(4) and 15(3)(a) of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020 for down-gradation of Licence from Category III to Category V in the Financial Year 2020-21.

**And**

**In the matter of**

Shyam Indus Power Solutions Private Limited  
16A, Second Floor, Najafgarh Road,  
Moti Nagar, Shivaji Marg,  
New Delhi.

**.....Applicant**

**Following was present:**

Ms. Shagun Shrivastava, Advocate for the Applicant

**ORDER**

The Applicant, Shyam Indus Power Solutions Private Limited, has filed the present Application for down-gradation of its inter-State trading licence in electricity from Category 'III' to Category 'IV' with effect from 1.3.2020.

2. By order dated 11.11.2008, Shyam Indus Power Solutions Private Limited (licensee) was granted inter-State trading licence for Category 'A' to trade in electricity as an electricity trader in accordance with the Central Electricity Regulatory Commission (Procedure, Terms and Conditions of Trading licence and

other related matters) Regulations, 2004. Consequent to the notification of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions of Trading licence and other related matters) Regulations, 2009 (in short, 'the 2009 Trading Licence Regulations') as amended vide notification dated 7.6.2010, the licence of the Applicant stands re-categorized as Category-IV, subject to the terms and conditions contained in the licence. Based on the request of the Applicant, vide order dated 5.6.2017 in Petition No. 72/MP/2017, licence of the Applicant was upgraded from Category 'IV' to Category 'III'.

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 The 2009 Trading Licence Regulations has since been repealed and the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020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 vide affidavit dated 10.3.2021, has now approached the Commission under provisions of the 2020 Trading Licence Regulations for down-gradation of its inter-State trading licence with effect from 1.3.2020.

4. It is submitted by the Applicant that in view of stiff and tough competition in power market and due to Covid-19 pandemic, the Applicant is seeking down-gradation of its trading licence from Category 'III' to Category 'IV' and is desirous to trade only up to 500 MU in a year as allowed for a Category 'IV' licensee.

5. The Applicant has submitted that during the Covid-19 pandemic, the Commission had notified the 2020 Trading Licence Regulations whereby certain relaxation in fees was granted to all licences. After knowing about change in category from the office of the Commission, the Applicant filed the Application for down-gradation of inter-State trading licence.

6. Case was called out for virtual hearing on 25.6.2021. The learned counsel for the Applicant submitted that it has submitted all the information for down-gradation of inter-State trading licence. After hearing the learned counsel for the Applicant, the matter was reserved for order.

7. 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.”*

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

*“(3) Downgradation 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.”*

As per the above provisions, the trading licensee is required to submit audited special balance sheet in support of the compliance of net worth requirement for lower category licence.

9. Vide Record of Proceedings (ROP) for the hearing dated 25.6.2021, the Applicant was directed to submit/upload, within a week, the audited special balance

sheet as on 10.3.2021 along with Auditor`s Report, Schedules and Notes to the accounts in terms of Regulation 15(3) of the Trading Licence Regulations. The Applicant vide its affidavit dated 26.6.2021 has only submitted the provisional balance sheet as on 31.3.2021 (and not the audited special balance sheet as directed by the Commission vide ROP of hearing dated 25.6.2021). Since the audited special balance sheet as required under Regulation 15(3)(b) of the 2020 Trading Licence Regulations has not been uploaded/submitted despite specific direction, the prayer of the Applicant for down-gradation of inter-State trading licence from Category ‘III’ to Category ‘IV’ stands rejected.

10. Regulations 3(a) and 3(b) of the 2020 Trading Licence Regulations provides for net worth requirement for inter-State trading licensee as under:

*“(3) Financial Qualifications – Capital Adequacy and Liquidity Requirements  
 (a) Considering the volume of inter-State and intra-State trading proposed to be undertaken by the Applicant on the basis of the inter-State trading licence, the minimum Net Worth of the Applicant on the date of application, as per audited special balance sheet accompanying the application, shall not be less than the amount specified hereunder:*

S No.	Category of the trading licence	Minimum Net Worth (Rs. in crore)	Volume of electricity proposed to be traded in a financial year
1	Category I Above	50.00	7,000 MUs
2	Category II	35.00	Not more than 7,000 MUs
3	Category III	20.00	Not more than 4,000 MUs
4	Category IV	10.00	Not more than 2,000 MUs
5	Category V	2.00	Not more than 500 MUs

*(b) The Applicant shall have Net Worth as per clause (a) above and have a minimum Current Ratio of 1:1 and a minimum Liquidity Ratio of 1:1:*

*Provided that the Net Worth, Current Ratio and Liquidity Ratio specified in this regulation shall be computed on the basis of the audited special balance sheet prepared in accordance with the financial reporting framework prescribed under the Companies Act, 2013.”*

11. 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. ....”*

As per the above provisions, trading licensee is obligated to maintain net worth in accordance with Regulation 3 of the 2020 Trading Licence Regulations at all times and the current ratio and liquidity ratio of 1:1 at the end of every financial year.

12. Regulation 17(3) of the 2020 Trading Licence Regulations provides 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;*

*.....”*

As per the above provision, failure to meet the specified net worth criteria constitutes a contravention of the provisions of the 2020 Trading Licence Regulations by a trading licensee.

13. Accordingly, we direct the office of the Commission to examine the records and ascertain whether the Petitioner licensee has the required net worth to hold the inter-State trading licence for any of Category in terms of the 2020 Trading Licence

Regulations, and if it does not, initiate appropriate proceedings against the Applicant as per the provisions of the 2020 Trading Licence Regulations.

14. Petition No. 106/TD/2021 is disposed of in terms of findings in paragraph 9 and paragraph 13 above.

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

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

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