

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 5/TD/2021**

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

**Date of Order : 10<sup>th</sup> March, 2021**

**In the matter of**

Application for down-gradation of inter-State trading licence in electricity from Category 'I' to Category 'IV'.

**And**

**In the matter of**

Knowledge Infrastructure Systems Private Limited  
G-02, Salcon Aurum Complex,  
4 Commercial Centre,  
Jasola, New Delhi-110 025

.....**Applicant**

**Following were present:**

Shri Rajesh Mahajan for the Applicant  
Shri Vipin Mahajan for the Applicant  
Shri Arvind Ahuja for the Applicant

**ORDER**

The Applicant, Knowledge Infrastructure Systems Private Limited, has filed the present Application for down-gradation of its inter-State trading licence in electricity from Category 'I' to Category 'IV' with effect from 1.4.2020.

2. By order dated 18.12.2008, the Applicant was granted inter-State trading licence in electricity for Category 'F' 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, 2004 subject to the terms and conditions contained in the

licence. Consequent to the notification of 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”), the licence of the Applicant stood re-categorized as Category ‘I’, subject to the terms and conditions contained in the licence.

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 The 2009 Trading Licence Regulations has since been repealed and the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020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 category of licence of the Applicant remains unchanged as Category ‘I’ under the 2020 Trading License Regulations also. The Applicant has now approached the Commission under provisions of the 2020 Trading Licence Regulations for down-gradation of its licence with effect from 1.4.2020.

4. It is submitted by the Applicant that in view of difficult business environment coupled with very low remuneration, the Applicant is seeking down-gradation of its trading licence from Category ‘I’ to Category ‘IV’ and is desirous to trade not more than 2000 MU in a year.

5. Case was called out for virtual hearing on 5.3.2021. The representative of the Applicant submitted that vide its letter dated 26.3.2020, he had requested the Commission for down-gradation of trading licence from Category ‘I’ to Category ‘IV’ w.e.f 1.4.2020. It was also informed that due to Covid-19 pandemic and imposition of lockdown, the Applicant was not in position to file the application for down-gradation of its licence with requisite documents and requested to permit the filing of Application immediately upon improvement of the situation. Since the Covid-19

pandemic continued, the present Application was filed on e-filing portal on 2.7.2020 and hard copy was submitted on 23.9.2020. Against the above backdrop, it was prayed that the down-gradation of its trading licence may be considered w.e.f. 1.4.2020.

6. 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.”*

7. 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.”*

8. During the course of hearing, the Commission observed that as per Regulation 6(1)(b) of the 2020 Trading Licence Regulations, the Applicant is required to submit Audited Special Balance Sheet along with notes to the accounts as on any date falling within 30 days immediately preceding the date of making the application. In response, it was submitted that the Applicant has submitted Special Audited Balance Sheet as on 31.3.2020 and the Applicant company has Net Worth of Rs. 24444.14 lakh which is more than requirement for Category ‘IV’ licence. It was further

submitted that due to the Covid-19 pandemic, the Applicant could not file the Audited Special Balance Sheet in terms of Regulation 6(1)(b) of the 2020 Trading Licence Regulations and accordingly, it was requested to consider the Special Audited Balance Sheet as on 31.3.2020 for the purpose of down-gradation of licence from Category 'I' to Category 'IV' w.e.f 1.4.2020.

9. We have considered the submissions of the Applicant. Keeping in mind the above submissions coupled with peculiar exceptional circumstances, we deem it appropriate, as a special case, to consider Special Audited Balance Sheet as on 31.3.2020 submitted by the Applicant for down-gradation of licence from Category 'I' to Category 'IV'.

10. On examination of the application, we find that the Applicant being a Category 'I' licensee fulfills all technical requirements for grant of Category 'IV' inter-State trading licence specified in Regulation 3(2) of the 2020 Trading Licence Regulations. As regards the net worth requirements for Category 'IV' trading licence, Regulation 3(3) of the 2020 Trading Licence Regulations provides that a person applying for Category 'IV' trading licence should have net worth of Rs. 10 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.

11. Based on the Special Audited Balance Sheet dated 31.3.2020 submitted by the Applicant, its net worth has been worked out as under:

| <b>Net Worth Computation</b>         | <b>As per Special Audited Balance Sheet as on 31.3.2020</b> |
|--------------------------------------|---|
| <b>Particulars</b>                   | <b>(Rs. in lakh)</b>  |
| <b>A) Paid up equity capital (1)</b> | <b>1925.07</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)  | 19732.18        |
| B.8. Other free reserves (i.e. general reserve and cash flow reserve)                 | 3895.00         |
| <b>Free Reserves &amp; Surplus Considered for Net worth (2)</b><br>(B6+B7+B8)         | <b>23627.18</b> |
| <b>C) Loans &amp; Advances given to associates/Subsidiary (3)</b>                     | <b>1108.11</b>  |
| <b>D) Deferred expenditure (including Miscellaneous Expenses) not written off (4)</b> | 0.00            |
| <b>Net Worth (1+2-3-4)</b>  | <b>24444.14</b> |

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

| Net worth (Asset approach), Current Ratio & Liquidity Ratio Computation  | As per Special Audited Balance Sheet |
|--|--------------------------------------|
|  | As on 31.3.2020                      |
| <b>A) Non-current Assets</b>   | <b>(Rs. in lakh)</b>                 |
| A.1. Net block of tangible asset   | 1310.34                              |
| A.2. Net Block of intangible asset   | 3.95                                 |
| A.3. Capital work in progress  | 0.00                                 |
| A.4. Intangible Assets under development   | 0.00                                 |
| A.5. Non-Current investments   | 5550.19                              |
| A.6. Deferred Tax assets   | 687.16                               |
| A.7. Long-term loans and advances  | 35.00                                |
| A.7.1 Less: Loans & Advances given to Associates included in above   | 0.00                                 |
| A.7.2 <b>Net Long Term Loans &amp; Advances (A.7 - A.7.1)</b>  | 35.00                                |
| A.8. Other Non-current Asset (Current tax Asset)   | 861.77                               |
| A.9. Deferred Expenditure  | 0.00                                 |
| <b>Total Non-Current Assets</b>  | <b>8448.40</b>                       |
| <b>Total Non-current Assets considered for net worth (1)</b>   | <b>8448.40</b>                       |
| <b>B. Non-Current Liabilities, Pref. 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  | 0.00            |
| B.4 Deferred tax Liabilities  | 0.00            |
| B.5 Other Long Term Liabilities   | 0.00            |
| B.6 Long Term provisions  | 158.80          |
| 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>158.80</b>   |
| <b>C. Current Assets</b>  |                 |
| C.1. Current Investments  | 0.00            |
| C.2. Inventories  | 12.96           |
| C.3. Trade Receivables  | 22230.35        |
| C.4. Cash and cash equivalents  | 2096.35         |
| C.5 Short Term Loans & Advances   | 2921.82         |
| C.5.1 Less: Loans & Advances given to associates/Subsidiary   | 1108.11         |
| C.5.2 <b>Net Short Term Loan &amp; Advances(C.5 - C.5.1)</b>  | 1813.71         |
| C.6 Other current assets (contractual reimbursement expenses, interest accrued but not due in fixed assets, advance to vendor/ employees, etc.) | 5083.29         |
| C.7 Deferred Expenditure  | 0.00            |
| Total Current Assets  | <b>32344.77</b> |
| <b>Total Current Asset considered for Net worth (3)</b>   | <b>31236.66</b> |
| <b>D. Current Liabilities</b>   |                 |
| D.1. Short-term Borrowings  | 0.00            |
| D.2. Trade payables   | 14691.80        |
| D.3. Other Current liabilities (Provision for forward contract, payable to employees, advances from customers, etc. )                           | 373.62          |
| D.4. Short-term provisions  | 16.70           |
| <b>Total Current Liabilities considered for Net worth (4)</b>   | <b>15082.12</b> |

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

| Particulars             | As on 31.3.2020 |
|-------------------------|-----------------|
| Net Worth (Rs. in lakh) | <b>24444.14</b> |
| Current Ratio           | 2.14            |
| Liquidity ratio         | 2.14            |

14. In terms of the above, the Applicant meets the net worth, current ratio and liquidity ratio requirements as specified in the 2020, Trading Licence Regulations. The Applicant has paid the licence fee for Category 'IV' trading licence. It is noticed that the Applicant through its letter dated 26.3.2020 had informed the Commission that due to Covid-19 pandemic, it was not in position to file the application for down-gradation of its licence and had requested to downgrade its licence from 1.4.2020. Since the Applicant could not file the Application for down-gradation of licence owing to Covid-19 pandemic which was beyond its control, in the instant case, we approve the down-gradation of the licence of the Applicant from Category 'I' to Category 'IV' with effect from 1.4.2020. The licensee shall remain bound by the terms and conditions contained in the order dated 18.12.2008.

15. A copy of this order shall be sent to the Central Government in Ministry of Power and Central Electricity Authority in terms of sub-section (7) of Section 15 of the Electricity Act, 2003 for their information and record.

16. We direct that necessary endorsement be made on the licence issued to the applicant with regard to change of Category of the licensee.

17. Petition No. 5/TD/2021 stands disposed of accordingly.

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

sd/-  
**(Arun Goyal)**  
Member

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

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