

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 125/TD/2022

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

Date of Order: 13th June, 2022

In the matter of

Application under Section 14 of the Electricity Act, 2003 read with Regulation 6(1) of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters) Regulations, 2020 for grant of an inter-State trading licence in electricity.

And

In the matter of

Saini Power Transactor (SPT),
S.C.O: 110, 2^{ne} Floor,
Sector 25, Panchkula-134116, Haryana

.....Petitioner

The following were present:

Shri Nishant Kumar, Advocate, SPT
Ms. Rushali Agarwal, Advocate, SPT
Shri Gaurav Saini, SPT

ORDER

The Petitioner, Saini Power Transactor, a sole proprietorship firm, has made the present application under Section 14 of the Electricity Act, 2003 (hereinafter referred to as “the Act”) read with Regulation 6 of 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 Trading Licence Regulations”) amended from time to time, for grant of Category `V` trading licence for inter-State trading in electricity in whole of India.



2. Case was called out for virtual hearing on 26.5.2022. Learned counsel for the Petitioner submitted that the Petitioner had published notice of its application in the newspapers, inviting the objections or suggestions thereon within a period of 30 days, as per Regulation 6(3) of the Trading Licence Regulations and has filed an affidavit placing on record the details of notice published as per Regulation 6(4) of the Trading Licence Regulations. However, no objections or suggestions have been received in response to the notice published by the Petitioner. In response to the query of the Commission regarding the Petitioner having filed the special purpose balance sheet as on 28.2.2022 stating by auditor 'compiled from unaudited and unverified books of account produce before us', learned counsel for the Petitioner clarified that as per Section 44 AB of the Income Tax Act, 1961, the Petitioner company is not required to get the books of accounts audited as the turnover of the Petitioner company is less than one crore in the previous financial year and as on the date of special balance sheet.

3. The Petitioner vide Record of Proceedings for the hearing dated 26.5.2022 was directed to file the account as on 31.3.2021 and Audited special balance sheet as on 28.2.2022. The Petitioner vide its affidavit dated 6.6.2022 has submitted the information called for.

4. We have examined the documents on record. Regulation 3 (1) of the Trading Licence Regulations provides for qualification of applicant as under:

"3. Qualifications of Applicant

(1) General Qualifications: The Applicant shall be a citizen of India or a partnership firm registered under the Indian Partnership Act, 1932 (9 of 1932) or a Limited Liability Partnership registered under Limited Liability Partnership Act, 2008 or a



company incorporated under the Companies Act, 2013 or an association or body of individuals who are citizens of India whether incorporated or not or an artificial juridical person recognised under the Indian Laws:

Provided that the Applicant should have been authorized to undertake trading in electricity in accordance with its Main Objects in the Memorandum of Association (in case of a company incorporated under the Companies Act, 1956 or 2013) or the Partnership Deed (in case of a partnership firm registered under the Indian Partnership Act, 1932) or the statutory documents of Limited Liability Partnership under Limited Liability Partnership Act, 2008”

5. In view of the above, the Petitioner has submitted that it is a sole proprietorship firm and has executed Deed of Business dated 15.2.2022. Therefore, the Petitioner is eligible for grant of trading licence in terms of the above provisions.

6. 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 application fee as prescribed by the Central Government from time to time and shall be paid as per the procedure specified in Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2012, as amended from time to time or any statutory re-enactment thereof.

(b) Copies of the annual reports in case of the persons incorporated under the Companies Act, 1956 or Companies Act, 2013 including audited accounts along with the Directors' Report, Auditors' Report, the Schedules and notes to accounts for one Year immediately preceding the Year in which the application has been made and the audited special balance sheet as on any date falling within 30 days immediately preceding the date of filing the application.

(2) The Applicant shall post complete application along with annexures and enclosures on its 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 the application.

(3) The Applicant shall within 7 days after making such application, publish a notice of its 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, namely:-



(4) *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.*

(5) *The Applicant shall allow a period of 30 days to the public to file objections or suggestions to the notice of application published in the newspapers.*

(6) *The Applicant shall file its reply before the Commission within 30 days from the last date of receipt of objections or suggestions from the public.*

(7) *The Commission after consideration of the objections or suggestions received in response to the notice published by the Applicant and its reply may reject the application or 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 and with such other details as the Commission considers appropriate, to invite further objections or suggestions to its proposal.”*

7. The Petitioner has submitted the application as per Form-I along with the requisite fees.

8. The Petitioner has uploaded the application for grant of trading licence on its website in terms of Clause (3) of Regulation 6 of the Trading Licence Regulations and further placed on record the relevant copies of the newspapers in original in which notice of its application has been issued. The Petitioner vide its affidavit dated 4.4.2022 has submitted that 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 Applicant on 29.3.2022 in Business Standard (Ahmedabad, Bhubaneswar, Bengaluru, Kolkata, Chandigarh, Chennai, Delhi, Hyderabad, Kochi, Lucknow, Mumbai, Delhi editions), Business Standard (Hindi-New Delhi, Chandigarh,



Bhopal, Mumbai, Kolkata and Lucknow editions), Amar Asom (Guwahati edition), Haribhommi (New Delhi edition) and Varatha Bharti (Bengaluru edition) .

9. The Petitioner company has been registered on 11.2.2010. Proviso to Clause (1) of Regulation 3 of the Trading Licence Regulations provides that the Petitioner should have been authorized to undertake trading in electricity. We note that since the Petitioner is proprietorship firm and trading in electricity is covered under its Deed of Business dated 15.1.2022. Clause 2 of Deed of Business dated 15.1.2022 of the Petitioner company reads as under:

"2. OBJECTIVE AND DETAILS OF THE BUSINESS

Inter-State and/or intra-State trading of electricity, REC, Ecerts on IEX, Procurement, deisigning, erection and commissioning of electrical systems, consultancy, manufacturing and repairing of special purpose test equipment`s, procurement, designing, erection & commissioning of solar systems, sale & purchase of electrical & electronics instruments and equipment`s and sale & purchase of electrical maintenance tools, materials and equipment`s"

10. In view of the above, it has been submitted by the Petitioner that it fulfills the requirements specified in Clause (1) of Regulation 3 of the Trading Licence Regulations.

11. In accordance with Clause (3) of Regulation 3 of the Trading Licence Regulations, a person applying for Category `V` trading licence should have net worth of Rs. two crore and should have maintained minimum current ratio and liquidity ratio of 1:1 as on the date of audited balance sheet accompanying the application. The Petitioner has submitted audited special balance sheet as on 28.2.2022.



12. Based on the audited special balance sheet as on 28.2.2022, 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 28.2.2022
Particulars	
A) Paid up equity capital (1)	296.37
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 and reserves other than free reserves	0.00
B.6. Securities premium reserve	0.00
B.7. Surplus (P and L Account)	0.00
B.8. Other free reserves (i.e. general reserve and cash flow reserve)	0.00
Free reserves and surplus considered for net worth (2) (B6+B7+B8)	0.00
C) Loans and advances given to associates (3)	12.30
D) Deferred expenditure (including Misc. Expenses) not written off (4)	0.00
Net Worth (1+2-3-4)	284.07

13. 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 28.2.2022
A) Non-current assets	
A.1 Net block of tangible asset	234.70
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	0.43
A.6 Deferred tax assets	0.00
A.7 Long-term loans and advances	0.00
A.7.1 Less: Loans and 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 (Right of use assets, capital advances and prepaid expenses, etc.)	0.00
A.9 Deferred expenditure (including miscellaneous expenses) not written off (Not considered for net worth computation)	0.00
Total Non-Current Assets	235.13
Total non-current assets considered for net worth (1)	235.13
B. Non-current liabilities, preferential share and share application money and reserves other than free reserves	0.00
B.1 Share application money pending allotment	0.00
B.2 Preference share capital	0.00
B.3 Long term borrowings	14.39
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)	14.39
C. Current Assets	
C.1. Current investments	0.00
C.2. Inventories	10.04
C.3. Trade receivables	16.83
C.4. Cash and cash equivalents	6.45
C.5 Short Term Loans & Advances	52.83
C.5.1 Less: Loans and Advances given to associates	12.30
C.5.2 Net short term loan and advances (C.5 - C.5.1)	40.53
C.6 Other current assets	0.00
C.7 Deferred expenditure	0.00
Total current assets	73.85
Total current asset considered for net worth (3)	73.85
D. Current liabilities	
D.1. Short-term borrowings	4.00
D.2. Trade payables	2.71
D.3. Other Current liabilities	0.00
D.4. Short-term provisions	3.81
Total current liabilities considered for net worth (4)	10.52
Net worth ((1-2)+(3-4))	284.07



14. Based on the above, the net worth, current ratio and liquidity ratio of the Petitioner company work out as under:

Sr. No.	Particulars	As per Special Audited Balance Sheet as on 28.2.2022
1	Net worth (Rs. in lakh)	284.07
2	Current ratio	7.02
3	Liquidity ratio	6.06

15. In accordance with Clause (2) of Regulation 3 of the Trading Licence Regulations, the Applicant should have at least one full-time professional having qualifications and experience in power system operation and commercial aspects of power transfer, finance, commerce and accounts. As per information submitted by the Petitioner, it fulfils the requirements of Clause (2) of Regulation 3 of the Trading Licence Regulations.

16. On consideration of the above facts, after a preliminary examination, we find that the Petitioner meets the requirements as specified in the Trading Licence Regulations for grant of Category `V` trading licence. In view thereof, the Commission proposes to grant Category `V` 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.

17. It is noticed that the Petitioner is currently registered as a Professional Member on Indian Energy Exchange. Upon grant of inter-State trading licence, it is to be recognized as a trader member in terms of Regulation 21 (1) of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021. Therefore,

the Petitioner would be required to change/ surrender the current membership category in terms of rules and byelaws of the Power Exchange.

18. The Petition shall be listed for final hearing in due course for which notice will be issued separately.

Sd/-
(P.K. Singh)
Member

sd/-
(Arun Goyal)
Member

sd/-
(I.S. Jha)
Member

