

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 230/TD/2021  
with  
Interlocutory Application No: 85/IA/2021**

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

**Date of Order: 8<sup>th</sup> January, 2022**

**In the matter of**

Application under Section 15 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 Category 'V' licence for inter-State trading of electricity in all States and Union Territories of India.

**And  
In the matter of**

Instant Venture Private Limited,  
8<sup>th</sup> Floor, Samson Towers,  
Pantheon Road, Casa Major Road,  
Egmore, Chennai-660 008

**..... Applicant**

**The following were present:**

Shri Ravi Sharma, Advocate for the Applicant  
Shri Ganesh Venkat for the Applicant

**ORDER**

The Applicant, Instant Venture Private Limited, a company registered under the Companies Act, 1956 has made the present application under Section 15(1) 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 all States and Union Territories of India.

2. Case was called out for virtual hearing on 2.12.2021. During the course of hearing, the learned counsel for the Applicant reiterated the submissions made in the Petition. After hearing the submissions of the learned counsel for the Applicant, the Commission had observed that as per Audited Special Balance Sheet as on 30.9.2021, the Applicant company does not seem to be fulfilling the net worth requirement as specified in the Trading Licence Regulations. In response, the learned counsel for the Applicant sought time to take instructions in this regard.

3. Subsequently, the Applicant has filed Interlocutory Application (IA) No. 85/IA/2021 with the following prayers:

*“(a) To allow the application and grant the liberty to Applicant to place the Revised Special Audited Balance Sheet as on 07.10.2021 on record forming part & parcel of Application / Petition No. 230/TD/2021 for the purpose and for consideration of calculation of Net-worth, current ratio, liquidity ratio and other financial qualification criteria as required for grant of Category V Inter-State Trading Licence;*

*(b) To remove/rescind/delete the Special Balance Sheet dated 30.09.2021 from the record of Application/Petition No. 230/TD/2021; and*

*(c) To grant the Category ‘V’ Inter-State Trading Licence to Applicant.”*

4. The Applicant in the IA has submitted that after conducting internal investigation, it was found that unsecured loan of Rs. 5,51,149/- given to associate company and reflecting on Special Audited Balance Sheet as on 30.9.2021 had been repaid by the associate company to the Applicant company. Since the repayment of Rs.5,51,149/- was not received from the associate company till 30.9.2021, the auditor had not agreed

to remove the same from the special balance sheet as on 30.9.2021. The aforesaid error was caused in a hurry of complying with the timelines specified in the Trading Licence Regulations, without any mala-fide intention. It has been submitted by the Applicant that subsequent to repayment of Rs. 5,51,149/- by associate company, the auditor has revised the special balance sheet as on 7.10.2021 by removing the unsecured loan of Rs.5,51,149/-. The Applicant has submitted that as per audited special balance sheet as on 7.10.2021, the Applicant company is fulfilling the financial qualifications including but not limited to net-worth, current ratio and liquidity ratio, etc.

5. IA was called out for virtual hearing on 6.1.2022. During the course of hearing, learned counsel for the Applicant reiterated the submissions made in the IA and prayed to consider the audited special balance sheet as on 7.10.2021 for the purpose of calculation of net-worth, current ratio and liquidity ratio, etc. Learned counsel submitted that the Applicant company has complied with all requirements prescribed under the Trading Licence Regulations.

6. We have examined the documents on record. 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:-*

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*(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 Applicant has submitted the application as per Form-I along with the requisite fees.

8. The Applicant 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 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 1.11.2021 in all editions of 'Financial Express' and 'New Indian Express'. It has been submitted by the Applicant that no objection has been received in response to the public notices.

9. The Applicant company has been incorporated under the Companies Act, 1956 on 15.1.2014. 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. We note that trading in electricity is covered under Main Objects of the Memorandum of Association of the Applicant company. Paragraph 2 of the Main Objects of the Memorandum of Association of the Applicant company reads as under:

*"2. To carry on in India or abroad the business of Energy related Products to trading of Power, Generate, accumulate, transmit, Distribute, Purchase, Sell, and supply electric power or any other energy from Conventional/non-Conventional energy by Bio-Mass, Hydro, Thermal, Gas, Air, Diesel, Oil or through renewable energy sources...."*

10 In view of the above, it has been submitted by the Applicant 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. As per Clause (1)(b) of Regulation 6 of the Trading Licence Regulations, the Applicant is required to submit special balance sheet as on any date falling within 30 days immediately preceding the date of making the application. After hearing the matter, the

Applicant has filed IA submitting clarification regarding loans and advances given to its associate company and has prayed to consider revised special audited balance sheet as on 7.10.2021.

12. Taking note the submissions made by the Applicant in the paragraph 4 above, we have considered the special audited balance sheet as on 7.10.2021. Based on the special audited balance sheet as on 7.10.2021, net worth, current ratio and liquidity ratio have been worked out as under:

Net worth computation	As per Special Audited Balance Sheet as on 7.10.2021
<b>Particulars</b>	
<b>A) Paid up equity capital (1)</b>	<b>150.00</b>
<b>B) Reserves and 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 and reserves other than free reserves	0.00
B.6. Securities premium reserve	0.00
B.7. Surplus (P and L Account)	60.59
B.8. Other free reserves (i.e. general reserve and cash flow reserve)	0.00
<b>Free reserves and surplus considered for net worth (2) (B6+B7+B8)</b>	<b>60.59</b>
<b>C) Loans and advances given to associates (3)</b>	<b>0.45</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>210.14</b>

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

(Rs. in lakh)

Net worth (Asset approach), Current Ratio and Liquidity Ratio computation	As per Special Audited Balance Sheet as on 7.10.2021
<b>A) Non-current Assets</b>	
A.1 Net block of tangible asset	26.15
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	35.00
<b>A.6 Deferred tax assets</b>	<b>0.00</b>
A.7 Long-term loans and advances	36.13
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)	36.13
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
<b>Total non-current assets</b>	<b>97.28</b>
<b>Total non-current assets considered for net worth (1)</b>	<b>97.28</b>
<b>B. Non-current liabilities, preferential share and 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	9.80
B.4 Deferred tax liabilities	0.001
B.5 Other long term liabilities	0.00
B.6 Long term provisions	0.00
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>9.80</b>
<b>C. Current assets</b>	<b>0.00</b>
C.1. Current investments	0.00
C.2. Inventories	0.00
C.3. Trade receivables	72.50
C.4. Cash and cash equivalents	10.89
C.5 Short term loans and advances	68.65
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)	68.65
C.6 Other current assets	3.66
C.7 Deferred expenditure	0.00
Total current assets	155.70
<b>Total current asset considered for net worth (3)</b>	<b>155.70</b>
<b>D. Current Liabilities</b>	
D.1. Short-term Borrowings	0.00
D.2. Trade payables	0.08
D.3. Other current liabilities	23.92
D.4. Short-term provisions	9.03
<b>Total current liabilities considered for net worth (4)</b>	<b>33.03</b>
<b>Net worth ((1-2)+(3-4))</b>	<b>210.14</b>

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

Sr. No.	Particulars	As per Special Audited Balance Sheet as on 7.10.2021
1	Net worth (Rs. in lakh)	210.14
2	Current ratio	4.71
3	Liquidity ratio	4.56

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 Applicant, 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 Applicant 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 Applicant. 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. In light of the above discussions and findings, I.A. No. 85/IA/2021 is disposed of. 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**