CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 208/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: 21st November, 2021

In the matter of

Application under Section 14 of the Electricity Act, 2003 read with Regulation 6 of the Central Electricity Regulatory Commission (P0rocedure, 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

Shell Energy Marketing and Trading India Private Limited,
2nd Floor, Campus 4A, RMZ Millenia Business Park-II,
143 Dr. MGR Road, Kandhanchavadi, Perungudi,
Chennai-600 096

…… Applicant

The following were present:

Shri Avijeet Lala, Advocate for the Applicant
Shri Sakya Singha Chaudhuri, Advocate for the Applicant
Ms. Meha Chandra, Advocate for the Applicant
Mr. Shayur Shah for the Applicant
Shri Amikar Jha for the Applicant
Shri Saurabh Agarwal for the Applicant

ORDER

The Applicant, Shell Energy Marketing and Trading India Private Limited, a company registered under the Companies Act, 1956 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 16.11.2021. The learned counsel for the Applicant submitted that the Applicant company has complied with all requirements prescribed under the Trading Licence Regulations and further submitted that the Applicant company undertakes to comply with the requirements specified in the Trading Licence Regulations during the subsistence of the trading licence, if granted.

3. 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."

4. The Applicant has submitted the application as per Form-I along with the requisite fees.

5. 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 1.10.2021 in 'Times of India' (Pune, Kolkata, Coimbatore, Bhopal, Chandigarh, New Delhi, Agra, Jaipur, Kolhapur, Mangaluru, Aurangabad, Bhubaneswar, Trichy/Maduari, Ernakulam/Kochi, Dehradun, Bareilly, Mysuru, Lucknow and Hubballi Dharwar Belagavi editions) and 'Economic Times' (Mumbai, Puna, Delhi, Kolkata, Chennai, Lucknow, Hyderabad, Bangalore,

Ahmedabad, Bhopal and Chandigarh editions). It has been submitted by the Applicant that no objection has been received in response to the public notices.

6. The Applicant company, which is a part of the Shell group of companies, has been incorporated under the Companies Act, 1956 on 20.11.2012. 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 1(b) of the Main Objects of the Memorandum of Association of the Applicant company reads as under:

> *"1 (b). To establish and carry on the business and act as traders in the sale and purchase of electricity and electrical energy in any form and in any market including power exchanges and derivatives market, and by any process ad any fuel, derivatives including but not limited to renewable energy certificates, carbon credits, energy conservation certificates, financially traded electricity forwards, or by products connected with on related to the generation and supply of electrical energy, enter into demand side management contracts energy conservation contracts including energy performance contracts, megawatt contracts enter into contract for banking of electricity in accordance with the provisions of the Indian Electricity Act, 1910 and/or Electricity (Supply) Act, 1948, the Electricity Act, 2003 and any other statutory modifications or re-enactment thereof and rules made thereunder to operate as an energy trading/service s company and to bet registered with appropriate agency including the Central Electricity Regulatory Commission.."*

7. 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.

8. 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. The Applicant has submitted audited special balance sheet as on 31.8.2021.

9. Based on the special audited balance sheet as on 31.8.2021, 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 31.8.2021**
Particulars	
A) Paid up equity capital (1)	**3063.18**
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)	(2549.75)
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)	**(2549.75)**
C) Loans and Advances given to associates (3)	**0.00**
D) Deferred expenditure (including Miscellaneous Expenses) not written off (4)	**0.00**
Net Worth (1+2-3-4)	**513.43**

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

(Rs. in lakh)

Net worth (Asset approach), Current Ratio & Liquidity Ratio computation	As per Special Audited Balance Sheet as on 31.8.2021
A) Non-current Assets	
A.1 Net block of Tangible Asset	0.00
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	75.34
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)	75.34
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	75.34
Total Non-Current Assets considered for net worth (1)	**75.34**
B. Non-Current Liabilities, Preferential Share and Share Application money and Reserves other than free reserves	
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	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)	**0.00**
C. Current Assets	
C.1. Current Investments	0.00
C.2. Inventories	0.00
C.3. Trade Receivables	0.00
C.4. Cash and cash equivalents	509.39
C.5 Short Term Loans and Advances	0.14
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)	0.14

C.6 **Other current assets ***	91.97
C.7 Deferred Expenditure	0.00
Total Current Assets	601.49
Total Current Asset considered for Net worth (3)	**601.49**
D. Current Liabilities	
D.1. Short-term Borrowings	0.00
D.2. Trade payables	12.54
D.3. Other Current liabilities	150.86
D.4. Short-term provisions	0.00
Total Current Liabilities considered for Net worth (4)	**163.40**
Net worth [(1-2)+(3-4)]	**513.43**

* The Petitioner has disclosed Rs. 67.42 lakh as "Receivable from related parties" under Head- "Other Current assets" but has not clearly mentioned nature of transaction.

11. 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 31.8.2021
1.	Net worth (Rs. in lakh)	**513.43**
2.	Current ratio	**3.68**
3.	Liquidity ratio	**3.68**

12. 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.

13. 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.

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

Sd/-	**sd/-**	**sd/-**	**sd/-**
(P.K. Singh)	**(Arun Goyal)**	**(I.S. Jha)**	**(P.K. Pujari)**
Member	**Member**	**Member**	**Chairperson**