CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 72/TD/2023

Coram:
Shri Jishnu Barua, Chairperson
Shri I.S. Jha, Member
Shri Arun Goyal, Member
Shri P.K. Singh, Member

Date of Order: 9th July, 2023

In the matter of

Application under Section 14 of the Electricity Act, 2003 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 for grant of an inter-State Trading Licence.

And
In the matter of

Adarsh Stainless Private Limited,
21-23, Mangal Arcade, 2nd Floor,
TELCO Road, Opp. Hotel Panchshil, Chinchwad,
Pune-411 019, Maharashtra

……Petitioner

The following were present:

Shri Anas Rashid, ASPL
Shri Abdul Vasit, ASPL

ORDER

The Petitioner, Adarsh Stainless 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 (1) 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 the grant of a Category `IV` trading licence for inter-State trading in electricity in Pan India.

2. The matter was listed for hearing on 13.4.2023. During the course of the hearing, the representative of the Petitioner submitted that the Petitioner satisfies all the criteria for the grant of a Category ‘IV’ trading licence as stipulated in the Trading Licence Regulations. In response to the specific query of the Commission whether or not the main object clause of its Memorandum of Association (MoA) authorizes the undertaking of inter-State trading in electricity, the representative of the Petitioner referred to Clause 37 of the MOA and submitted that the said Clause permits the Petitioner to pursue the business of facilitating the sale and purchase of electric contracts, etc.

3. Vide Record of Proceedings for the hearing dated 13.4.2023, the Petitioner was directed to file the following information:

(a) Audited Special Balance Sheet as on any date falling within 30 days immediately preceding the date of filing of the present petition;

(b) Details of the educational qualifications of its Professionals, namely, Sh. Anas Rashid, Head (Business, Power Trading) and Ms. Stella Evans, Head (Finance & Accounts).

(c) Amended main object clause of Memorandum of Association (MoA) authorizing to undertake inter-State trading in electricity

4. The Petitioner, vide its affidavit dated 30.5.2023 has filed the information called for as under:

(a) The Petitioner has submitted the Audited Special Balance Sheet as on 31.1.2023.

(b) Sh. Anas Rashid, Head (Business, Power Trading) is a B.Tech (Electrical Engineer) and he has 12 years' experience in Business Development, Project Management, and Operations in the Power Sector. Ms. Stella Evans, Head (Finance & Accounts) is a B. Com and she has 21 years' experience in the areas of Account, Auditing, Taxation & Financial Planning, etc. Shri Parth Joshi, MBA (Finance and Marketing), has 7 years' experience in the areas of Budgeting, Taxation & Accounts, Auditing, etc.

(c) Part-B of the Objects Clause, incidental or ancillary to the attainment of the main object, of the MOA was amended on 2.5.2023 to include, *inter alia,* inter-State and/or intra-State trading of electricity.

5. We have examined the documents available on record. Regulation 6 of the Trading Licence Regulations provides for the procedure for the grant of a 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."

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

7. The Petitioner has uploaded the application for the grant of a 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 published. The Petitioner, vide its affidavit dated 10.3.2023, 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 Petitioner on 10.3.2023 in 'The Financial Express' (Ahmadabad, Bengaluru, Chandigarh, Chennai, Delhi, Hyderabad, Kochi, Kolkata, Lucknow, Mumbai, and Pune editions), 'Jansatta' (Chandigarh, Delhi, Kolkata, and Lucknow editions), 'Loksatta'(Chandigarh, Delhi, Kolkata and Lucknow editions), 'The India Express (Ahmadabad edition), 'The Business Standard' (Hyderabad edition), and 'The Assam Rising' & 'The Echo of India' (Guwahati edition). It has been submitted by the Petitioner that no objection has been received in response to the public notices.

8. The Petitioner Company was incorporated under the Companies Act, 1956, on 20. 3.2008. 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 by its Memorandum of Association. We note that trading in electricity is covered under the Main Objects as well as the Objects incidental or ancillary to the attainment of the Main Objects of the Memorandum of Association of the Petitioner Company. Paragraph [A] (1) of the main Objects and Paragraph (B) 39 of the Objects

incidental or ancillary to the attainment of the Main Objects Memorandum of Association of the Petitioner company read as under:

> *"[A] (1) … to carry on the trading of all type of commodities, general trading in all types of sector in India or elsewhere."*
>
> *(B) 39. To pursue business of facilitating sale and purchase of electric contracts and Renewable Energy Certificates or any other contracts traded on the platform of Indian Energy Exchange or any other exchange and to establish and carry out Inter-State AND/OR Intra-State Trading of Electricity, REC & ECerts on IEX, PXIL or on any other energy/power exchange."*

9. In view of the above, it has been submitted by the Petitioner that it fulfils the requirements specified in Clause (1) of Regulation 3 of the Trading Licence Regulations. The Petitioner has submitted that there is no authorization in the Memorandum of Association regarding the undertaking of the transmission of electricity. However, the Petitioner is directed to file an affidavit to the effect that it will not carry out the transmission business without surrendering the trading licence, if granted by the Commission.

10. In accordance with Clause (3) of Regulation 3 of the Trading Licence Regulations, a person applying for a Category `IV` trading licence should have a net worth of Rs. ten crore and should have maintained a minimum current ratio and liquidity ratio of 1:1 as on the date of Audited Special Balance Sheet accompanying the application. The Petitioner has submitted the Audited Special Balance Sheet as on 31.1.2023.

11. Based on the Audited Special Balance Sheet as on 31.1.2023, 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 31.1.2023
Particulars	
A) Paid up equity capital (1)	**702.07**
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 & Reserves other than free reserves	0.00
B.6. Securities Premium Reserve	0.00
B.7. Surplus (P and L Account)	1261.25
B.8. Other Free Reserves (i.e. general reserve and cash flow reserve)	0.00
Free Reserves & Surplus considered for net worth (2) (B6+B7+B8)	**1261.25**
C) Loans and Advances given to associates (3)	**0.00**
D) Deferred expenditure (including Misc. Expenses) not written off (4)	**0.00**
Net Worth (1+2-3-4)	**1963.32**

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

(Rs. in lakh)

Net worth (Asset approach), Current Ratio & Liquidity Ratio computation	As per Audited Special balance sheet as on 31.1.2023
A) Non-current Assets	
A.1 Net block of Tangible Asset	83.85
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	85.95
A.6 Deferred Tax Assets	5.05
A.7 Long-term loans and advances	0.00

A.7.1 Less: Loans & Advances given to Associates included in above	0.00
A.7.2 Net Long Term Loans & 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 Misc. Expenses) not written off (Not considered for net worth computation)	0.00
Total Non-Current Assets	174.85
Total Non-Current Assets considered for net worth (1)	**174.85**
B. Non-Current Liabilities, Preferential Share & 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	1152.40
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)	**1152.40**
C. Current Assets	
C.1. Current Investments	0.00
C.2. Inventories	135.62
C.3. Trade Receivables	2960.98
C.4. Cash and cash equivalents	16.75
C.5 Short Term Loans & Advances	1385.66
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)	1385.66
C.6 Other current assets	0.00
C.7 Deferred Expenditure	0.00
Total Current Assets	4499.01
Total Current Asset considered for Net worth (3)	**4499.01**
D. Current Liabilities	
D.1. Short-term Borrowings	0.00

D.2. Trade payables	1487.66
D.3. Other Current liabilities	45.48
D.4. Short-term provisions	25.00
Total Current Liabilities considered for Net worth (4)	**1558.14**
Net worth ((1-2)+(3-4))	**1963.32**

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

Sr. No.	Particulars	As per Audited Special balance sheet as on 31.1.2023
1	Net worth (Rs. in lakh)	1963.32
2	Current ratio	2.89
3	Liquidity ratio	2.80

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

15. 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 the grant of a Category `IV` trading licence. In view thereof, the Commission proposes to grant a Category `IV` 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.

16. The Petition shall be listed for final hearing on **9.8.2023**.

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