

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 3/TD/2022**

**Coram:**

**Shri P.K.Pujari, Chairperson**

**Shri I.S. Jha, Member**

**Shri Arun Goyal, Member**

**Shri P.K. Singh, Member**

**Date of Order: 17<sup>th</sup> February, 2022**

**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 in electricity.

**And**

**In the matter of**

**Refex Industries Limited,**

11<sup>th</sup> Floor, Bascon Futura IT Park,

New No.10/2, Old No.56L, Venkat Narayana Road,

T Nagar – 600 017, Chennai.

**..... Applicant**

**The following were present:**

Shri Anand K Ganesan, Advocate, RIL

Ms. Swapna Seshadri, Advocate, RIL

Shri Ashwin Ramanathan, Advocate, RIL

**ORDER**

The Applicant, Refex Industries 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 ‘I’ trading licence for inter-State trading in electricity in whole of India.

2. Case was called out for virtual hearing on 21.1.2022. During the course of hearing, learned counsel for the Applicant submitted that the Applicant had issued notice of its application in various newspapers on 30.12.2021, inviting objections or suggestions therein within period of 30 days, in compliance with the requirements under Regulation 6(3) of the Trading Licence Regulations. However, no objections or suggestions have been received. He added that the Applicant, vide affidavit dated 7.2.2022, has filed the audited special balance sheet as on 31.12.2021.

3. During the hearing, in response to the observation of the Commission regarding Refex Energy Limited, a related party to the Applicant, already having a Category ‘I’ trading licensee, learned counsel for the Applicant submitted that since the Applicant is a public listed company, it might not be possible to transfer the trading licence granted to Refex Energy Limited to the Applicant. It further submitted that the trading licence granted to Refex Energy Limited will be surrendered if licence is granted to the Applicant.

4. The Applicant vide Record of Proceedings for the hearing dated 21.1.2022 was directed to file the following information/ clarification:

(a) Undertaking from Refex Energy Limited that it will surrender the trading licence granted to it if a trading licence is granted to the Applicant and that Refex Energy Limited will not enter any new contracts and fulfil all the obligations under existing contracts till the process of surrender is completed; and

(b) Curriculum Vitae (CV) of the employees, to corroborate technical qualification as prescribed in Regulation 3(2) of the Trading Licence Regulations.

5. The Applicant vide its affidavit dated 15.2.2022 has submitted the information/undertaking called for.

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 Applicant vide its affidavit dated 11.1.2022 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 30.12.2021 in Business Standard-English (Chennai, Kochi, Bangalore, New Delhi, Chandigarh, Lucknow, Kolkata, Bhubaneswar, Mumbai, Ahmedabad and Pune editions), Business Standard-Hindi (Delhi, Chandigarh, Lucknow, Kolkata, Mumbai and Bhopal editions), Dinamani-Tamil (Chennai edition), Hamro Prajashakti-Nepali (Tezpur edition) and Dainandin Barta-Assamese (Guwahati edition). 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 13.9.2002. 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 5 of the Main Objects of the Memorandum of Association of the Applicant company reads as under:

*“5. To enable, facilitate, initiate, engage and carry on the business of purchase and sale of all forms of electrical power/energy, both conventional, non-conventional and Renewable, within India amongst Power users, Producers, State Electricity Boards, Power Utilities Generating Companies, Distribution and all other Traders including import and export of Electrical Power, Supply and Trading of Electrical Power/Energy across all local State Boundaries and Various Union Territories within the geographical borders of the Country and also across National borders, wherein trading of Such Electrical Power is permitted by law of both the Buyers and Sellers country of Origin, and the infrastructure for carrying out such Electrical Power trading is existing and permitted.”*

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 `I` trading licence should have net worth of Rs. 50 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 Applicant has submitted audited special balance sheet as on 31.12.2021.

12. Based on the special audited balance sheet as on 31.12.2021, net worth, current ratio and liquidity ratio have been worked out as under:

<b>(Rs. in lakh)</b>	
<b>Net Worth Computation</b>	<b>As per Audited Balance Sheet as on 31.12.2021</b>
<b>Particulars</b>	
<b>A) Paid up equity capital (1)</b>	<b>2100.20</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	(5.16)
B.5. Share Options Outstanding Account and Reserves other than free reserves	0.00
B.6. Securities Premium Reserve	4258.52
B.7. Surplus (P and L Account)	9178.24
B.8. Other Free Reserves (i.e. general reserve and cash flow reserve)	422.10
<b>Free Reserves and Surplus considered for net worth (2) (B6+B7+B8)</b>	<b>13853.70</b>
<b>C) Loans and Advances given to associates (3)</b>	<b>5360.86</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>10593.04</b>

13. 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 Audited Balance Sheet as on 31.12.2021
<b>(A) Non-current Assets</b>	
A.1 Net block of Tangible Asset	1679.79
A.2 Net Block of Intangible Asset	5.16
A.3 Capital work in progress	16.00
A.4 Intangible Assets under development	0.00
A.5 Non-Current investments	7405.00
A.6 Deferred Tax Assets	325.95
A.7 Long-term loans and advances	700.00
A.7.1 Less: Loans and advances given to associates included in above	700.00
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.)	6729.33
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>16161.23</b>
<b>Total Non-Current Assets considered for net worth (1)</b>	<b>16161.23</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	122.30
B.4 Deferred tax Liabilities	0.00
B.5 Other Long Term Liabilities	5982.97
B.6 Long Term provisions	1131.13
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>7236.40</b>
<b>(C) Current Assets</b>	
C.1. Current investments	0.00
C.2. Inventories	578.90
C.3. Trade receivables	8998.92
C.4. Cash and cash equivalents	722.71
C.5 Short Term loans and advances	5018.99
C.5.1 Less: Loans and advances given to associates	4660.86
C.5.2 Net short -term loan and advances (C.5 - C.5.1)	358.13
C.6 Other current assets	1033.03
C.7 Deferred expenditure	0.00
Total Current Assets	11691.69
<b>Total Current Asset considered for Net worth (3)</b>	<b>11691.69</b>
<b>(D) Current Liabilities</b>	
D.1. Short-term borrowings	1623.58
D.2. Trade payables	3027.55
D.3. Other current liabilities	5372.35
D.4. Short-term provisions	0.00
<b>Total Current Liabilities considered for Net worth (4)</b>	<b>10023.48</b>
<b>Net worth ((1-2)+(3-4))</b>	<b>10593.04</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 31.12.2021
1	Net worth (Rs. in lakh)	10593.04
2	Current ratio	1.17
3	Liquidity ratio	1.11

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 vide affidavit dated 15.2.2022, it fulfils the requirements of Clause (2) of Regulation 3 of the Trading Licence Regulations.

16. The Applicant vide its affidavit dated 15.2.2022 has submitted as under:

*“...M/s Refex Energy Limited, hereby undertakes to initiate the process of surrendering the inter-State trading licence No. 82/Trading Licence/2018/CERC as granted by the Central Electricity Regulatory Commission to us on 30.8.2018, upon grant of a Category-I inter-State trading licence to Refex Industries Limited and upon fulfilling the existing obligations of the Company as morefully stated in clause 4 below.*

*4. The trading licence would be surrendered by Refex Energy Limited upon conclusion of the existing obligations under the trading licence granted. Further, except for the purposes of satisfying the existing obligations, no fresh contractual obligations would be undertaken by Refex Energy Limited upon the grant of the trading licence to Refex Industries Limited.”*

17. 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 `I` trading licence. In view thereof, the Commission proposes to grant Category `I` 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.

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**

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