

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Bhanu Bhushan, Member**
- 2. Shri R. Krishnamoorthy, Member**

Petition No.152/2006

In the matter of

Application for grant of inter-State trading licence in electricity.

And in the matter of

Ispat Energy Limited

..Applicant

The following were present:

1. Shri S.Subramanian, IEL
2. Shri Surender Singh Rawat, IEL
3. Shri Rajesh Ranjan, IEL

**ORDER
(DATE OF HEARING: 24.7.2007)**

The applicant, a company registered under the Companies Act, 1956 has made the present application under sub-section (1) of section 15 of the Electricity Act, 2003 (the Act) for grant of licence for inter-State trading in electricity in whole of India for trading of a volume 1000 Million Units or more of electricity in a year. The Memorandum of Association of the applicant covers trading in electricity as one of its main objects. The notices under sub-section (2) of section 15 of the Act read with clause (4) of regulation 4 of the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of Trading licence and other related matters) Regulations, 2004 have been published. No objections have been received on the public notices.

2. As per Regulation 6, the net worth of the electricity trader at the time of filing of application should not be less than Rs. 20.00 crore in case an applicant proposing to trade 1000 Million Units of electricity in a year.

3. The applicant has placed on record balance sheet for the years 2002-03 to 2006-07. From the balance sheet, the applicant company's net worth values have been worked out as detailed below:

(Rs. in lakh)

Year	2002-03	2003-04	2004-05	2005-06	2006-07
Share Capital					
Paid up equity capital	5.00	5.00	5.00	11,000.13	11,000.13
Reserves and Surplus					
General Reserve					
Surplus in P/L A/C					
Sub-Total 2	-	-	-	-	-
Misc. Expenses to the extent not written off or adjusted	0.27	0.22		88.88	88.88
Net Worth (1 + 2 - 3)	4.73	4.78	5.00	10,911.24	10,911.24

4. It is noted that the above net worth is represented by the following:

(Rs. in lakh)

Year	2002-03	2003-04	2004-05	2005-06	2006-07
1 Fixed Assets					
Gross Block	2.15	2.15	2.15	2.15	2.15
Less: Depreciation	0.95	1.20	1.42	1.60	1.63
Net Block	1.20	0.95	0.73	0.55	0.52
Capital Work-in-Progress	20,226.52	24,937.63	28,584.89	29,169.24	26,733.03
Preoperative expenses (pending Allocation)	14,896.29	15,058.31	15,283.70	15,705.10	15,348.54
Sub-Total 1	35,124.01	39,996.89	43,869.32	44,874.89	42,082.10
2 Current Assets, Loans & Advances					
Inventories					
Cash and Bank Balance	0.36	436.84	0.46	0.48	209.24
Sundry Debtors					
Loans & Advances	1,659.52	39.14	74.49	76.83	132.35
Other Current Assets					
Sub-Total 2	1,659.88	475.98	74.95	77.31	341.59
3 Current Liabilities & Provisions					
Project Development Expenses	25,026.24	26,386.14	27,176.30	28,253.51	30,127.08
Sundry Creditors	693.44	3,071.38	5,759.54	5,782.21	1,378.18
Provisions	11.53	15.43	8.30	5.24	7.18
Sub-Total 3	25,731.21	29,472.96	32,944.14	34,040.96	31,512.44
4 Loans					
Secured Loans					
Unsecured Loans	29.47				
Sub-Total 4	29.47	-	-	-	-
5 Items not considered for Net worth					
Advance against equity	11,018.48	10,995.13	10,995.13		
Deferred Tax Liability					
Sub-Total 5	11,018.48	10,995.13	10,995.13	-	-
Net Worth(1+2-3-4-5)	4.73	4.78	5.00	10,911.24	10,911.24

5. On consideration of the above facts, we are satisfied that the applicant meets the net worth requirements specified by the Commission for grant of licence for trading of 1000 MUs or more during a year. Therefore, *prima facie*, based on its net worth, the applicant qualifies for grant of licence for inter-State trading as category `F` electricity trader, that is, for trading a volume of 1000 MUs or more of electricity during a year.

6. Therefore, the Commission proposes to grant the licence to the applicant for category `F`. 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.

7. As per the Memorandum of Association of the applicant company, it can also undertake transmission of electricity. However, under the Act, trading in and transmission of electricity cannot be combined in one person. The applicant has filed an affidavit to the effect that it will make an application before the Central Commission or any of the State Commissions to act as a transmission licensee only after surrendering the trading licence granted to it. The applicant shall remain bound by the undertaking given in the affidavit.

8. List this petition for further directions on 30.8.2007.

sd/-
(R.KRISHNAMOORTHY)
MEMBER
New Delhi dated 24th July 2007

sd/-
(BHANU BHUSHAN)
MEMBER