

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 73/TD/2019

Coram:
Shri P.K.Pujari, Chairperson
Dr. M.K.Iyer, Member
Shri I.S.Jha, Member

Date of Order : 29th of August, 2019

In the matter of

Application for down gradation of inter-State trading licence in electricity from Category I to Category II.

And

In the matter of

Shree Cement Limited
Room No. 144, Hans Bhawan,
1, Bahadur Shah Zafar Marg,
New Delhi-110 002.

Petitioner

Following was present:

Shri Kumar Mihir, Advocate, SCL

ORDER

The Petitioner, Shree Cement Limited, has filed the present Petition for down-gradation of its inter-State trading licence in electricity from Category I to Category II.

2. By order dated 16.3.2010, Shree Cement Limited (hereinafter referred to as 'the licensee') was granted trading licence for Category 'I' to trade in electricity as an electricity trader in the whole of India in accordance with Central Electricity Regulatory Commission (Procedure, Terms and Conditions of Trading licence and other related matters) Regulations, 2009 as amended

from time to time (hereinafter referred to as the "Trading Licence Regulations"), subject to the terms and conditions contained in the licence.

3. The Petitioner has submitted that in view of the stiff and tough competition in power market and looking at the future business potential of trading, it is seeking down-gradation of its trading licence from Category 'I' to Category 'II' and is desirous to trade not more than 1500 MUs in a year.

4. The matter was heard on 7.5.2019. The Petitioner vide Record of Proceedings for the hearing 7.5.2019 was directed to submit the Audited Special Balance Sheet in terms of Regulation 6 (1) (b) of the Trading Licence Regulations i.e as on any date falling within 30 days immediately preceding the date of making the application. On 7.8.2019, the Petitioner has submitted the Special Balance Sheet as on 31.12.2018.

5. We have considered the submission of the Petitioner. The third and fourth provisos to Regulation 7 (b) of the Trading Licence Regulations provides as under:

"Provided also that a licensee may make an appropriate Application accompanied by prescribed fees for up-gradation of its licence to a higher category or down gradation of its licence to a lower category if it fulfills the conditions of these regulations for grant of such licence but it shall not be required to follow the procedure specified in Regulation 6 of these regulations.

Provided further that the licensee shall be heard by the Commission before taking a decision on the application."

6. The licensee has filed an application for down-gradation of its licence in accordance with Trading Licence Regulations. On perusal of the application, we find that the applicant being a Category I licensee fulfills all technical requirements for grant of Category II inter-State trading licence. As regards the net worth requirements for Category II, Regulation 3 (3) of the Trading Licence Regulations provides that a person applying for Category II trading licence should have net worth ₹ 15 crore and should have maintained minimum current ratio and liquidity ratio of 1:1 on the date of audited special balance sheet accompanying the application.

7. The applicant has submitted the Audited Balance Sheet as on 31.12.2018. Based on the Audited Balance Sheet submitted by the Petitioner its net worth has been worked out as under:

Net Worth Computation	As per Audited Balance Sheet as on 31.12.2018
Particulars	(Rs. in lakh)
A) Paid up equity capital (1)	3484.00
B) Reserves and Surplus	
B.1. Capital Reserves	0.00
B.2. Capital Redemption Reserve	1500.00
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	2653.00
B.7. Surplus (P & L Account)	383819.00
B.8. Other Free Reserves (i.e. general reserve and cash flow reserve)	550147.00
Free Reserves and Surplus Considered for Net worth (2) (B6+B7+B8)	936619.00
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)	940103.00
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8. The net worth of the applicant is further represented by the following:

Particulars	As per Audited Balance Sheet as on 31.12.2018
A) Non-current Assets	(Rs. in lakh)
A.1. Net block of Tangible Asset	343113.00
A.2 Net Block of Intangible Asset	1123.00
A.3 Capital work in progress	205465.00
A.4 Intangible Assets under development	0.00
A.5 Non-Current Investments	481490.00
A.6 Deferred Tax Assets	58675.00
A.7 Long-term loans and advances	5440.00
A.7.1 Less: Loans & Advances given to Associates included in above	0.00
A.7.2 Net Long Term Loans and Advances (A.7 - A.7.1)	5440.00
A.8 Other Non Current Asset	65709.00
A.9 Deferred Expenditure (including Misc. Expenses) not written off (Not considered for net worth computation)	0.00
Total Non-Current Assets	1161015.00
Total Non-Current Assets considered for net worth (1)	1161015.00
B. Non-Current Liabilities, Pref. 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	232584.00
B.4 Deferred tax Liabilities	0.00
B.5 Other Long Term Liabilities	115995.00
B.6 Long Term provisions	807.00
B.7 Reserves other than free reserves	1500.00
Total Non-Current Liabilities, Reserves other than free reserves considered for Net worth (2)	350886.00
C. Current Assets	
C.1. Current Investments	4022.00

C.2. Inventories	179767.00
C.3. Trade Receivables	63711.00
C.4. Cash and cash equivalents	2527.00
C.5 Short Term Loans & Advances	785.00
C.5.1 Less: Loans & Advances given to associates	0.00
C.5.2 <i>Net Short Term Loan and Advances (C.5 - C.5.1)</i>	785.00
C.6 Other current assets (Advances to supplier, capital advances, other taxes recoverable prepaid expenses, fixed deposits with banks, etc.)	130873.00
C.7 Deferred Expenditure (including Misc. Expenses) not written off (not considered for net worth & Liquidity purpose)	0.00
Total Current Assets	381685.00
Total Current Asset considered for Net worth (3)	381685.00
D. Current Liabilities	
D.1. Short-term Borrowings	92282.00
D.2. Trade payables	45614.00
D.3. Other Current liabilities (Statutory payables, unpaid dividend, security deposits, statutory liabilities, customer advances, etc.)	112452.00
D.4. Short-term provisions	1364.00
Total Current Liabilities considered for Net worth (4)	251712.00
Net worth ((1-2)+(3-4))	940102.00

9. Based on the above, the net worth, current ratio and liquidity ratio workout as under:

Particulars	31.12.2018
Net Worth (Rs. in lakh)	940102
Current Ratio	1.52
Liquidity ratio	0.80

10. The Petitioner meets the net worth and current ratio requirements specified by the Commission. However, the Petitioner does not meet the liquidity ratio requirement prescribed in the Trading Licence Regulations. Since, the Petitioner is category I licensee, we in exercise of power conferred

under Regulation 17 of the Trading Licence Regulations, relax the liquidity ratio requirement and approve the down-gradation of the licence of the Petitioner from Category I to Category II. However, the Petitioner shall fulfill the requirement of the liquidity ratio prescribed in the Trading Licence Regulations by the end of this financial year, failing which the appropriate action for non-compliance of the direction of the Commission under the provisions of the Electricity Act, 2003 and relevant Regulations shall be initiated against it. The licensee shall remain bound by the terms and conditions contained in the order dated 16.3.2010.

11. A copy of this order be sent to the Central Government in Ministry of Power and CEA in terms of sub-section (7) of Section 15 of the Electricity Act, 2003 for their information and record.

12. We direct that necessary endorsement be made on the licence issued to the applicant with regard to change of Category of the licensee.

13. Petition No. 73/TD/2019 stands disposed of accordingly.

Sd/-
(I.S.Jha)
Member

sd/-
(Dr. M.K.Iyer)
Member

sd/-
(P.K.Pujari)
Chairperson