

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 557/TD/2020**

**Coram:**  
**Shri P.K.Pujari, Chairperson**  
**Shri I.S.Jha, Member**  
**Shri Arun Goyal, Member**

**Date of Order : 21<sup>st</sup> August, 2020**

**In the matter of**

Application for downgradation of inter-State trading licence in electricity from Category 'II' to Category 'IV'.

**And**

**In the matter of**

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

**Petitioner**

**Following were present:**

Shri Kumar Mihir, Advocate, SCL  
Shri Amarit Singh, SCL  
Shri Swapnil Mishra, 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 'II' to Category 'IV' with effect from 1.4.2020.

2. By order dated 16.3.2010, Shree Cement Limited (hereinafter referred to as 'the licensee') was granted inter-State trading licence in electricity 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 (hereinafter referred to as 'the 2009 Trading Licence Regulations'), subject to the terms and conditions contained in the licence. Subsequently, on the request of the Petitioner, the Commission by its order dated 29.8.2019 in Petition No. 73/TD/2019 downgraded the licence of the Petitioner from category 'I' to Category 'II'. The 2009 Trading Licence Regulations has since been repealed and in its place, the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of trading licence and other related matters)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 "2020 Trading Licence Regulations") has been notified. Accordingly, the Petitioner has approached the Commission for down-gradation of its licence under 2020 Trading Licence Regulations.

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 'II' to Category 'IV' and is desirous to trade not more than 2000 MU in a year.

4. The matter was heard on 30.7.2020. The Petitioner vide Record of Proceedings for the hearing dated 30.7.2020 was directed to submit the Audited Special Balance Sheet along with notes to the accounts in terms of Regulation 6(1)(b) of the 2020 Trading Licence Regulations i.e. as on any date falling within 30 days immediately preceding the date of making the application. The Petitioner has filed this Petition (through e-filing portal of the Commission) on 30.4.2020. The Petitioner vide its affidavit dated 4.8.2020 has submitted the Special Balance Sheet as on 31.3.2020. Therefore, the

requirement of Regulation 6(1)(b) of the 2020 Trading Licence Regulations is fulfilled.

5. We have considered the submissions of the Petitioner. Regulation 9(4) of the 2020 Trading Licence Regulations provides as under:

*“(4) The Trading Licensee shall 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 in order to fulfill the conditions of these regulations in accordance with the procedure specified in Regulation 15 of these regulations.”*

6. Further, Regulation 15(3) of the 2020 Trading Licence Regulations provides as under:

*“(3) Down-gradation of licence:*

*(a) The Trading Licensee may file an application to the Commission for down-gradation of its licence to a lower category at any time:*

*Provided that the Trading Licensee shall not be allowed to apply for up-gradation of licence within the same Year.*

*(b) The Trading Licensee shall be required to upload the audited special balance sheet to support the compliance of Net Worth requirement for lower category licence.*

*(c) While applying for downgradation of licence, the Trading Licensee shall be required to pay the licence fee applicable for the category of licence for which the application is being submitted.”*

7. On perusal of the application, we find that the Petitioner being a Category ‘II’ licensee fulfills all technical requirements for grant of Category ‘IV’ inter-State trading licence specified in Regulation 3(2) of the 2020 Trading Licence Regulations. As regards the net worth requirements for Category ‘IV’, Regulation 3(3) of the 2020 Trading Licence Regulations provides that a person applying for Category ‘IV’ trading licence should have net worth ₹ 10 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.

8. Based on the Audited Balance Sheet dated 31.3.2020 submitted by the Petitioner, its net worth has been worked out as under:

<b>Net Worth Computation</b>	<b>As per Special Audited Balance Sheet as on 31.3.2020</b>
<b>Particulars</b>	<b>(Rs. in lakh)</b>
<b>A) Paid-up equity capital (1)</b>	<b>3608.00</b>
<b>B) Reserves and Surplus</b>	
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	240863.00
B.7. Surplus (P & L Account)	450636.00
B.8. Other Free Reserves (i.e. General Reserve and Cash Flow Reserve)	597035.00
<b>Free Reserves and Surplus Considered for Net worth (2) (B6+B7+B8)</b>	<b>1288534.00</b>
<b>C) Loans and Advances given to Associates (3)</b>	<b>0.00</b>
<b>D) Deferred Expenditure (including Misc. Expenses) not written off (4)</b>	<b>0.00</b>
<b>Net Worth (1+2-3-4)</b>	<b>1292142.00</b>

9. The net worth of the applicant is further represented by the following:

<b>Net worth (Asset approach), Current Ratio and Liquidity Ratio Computation</b>	<b>As per Audited Balance Sheet as on 31.3.2020 (Rs. In lakh)</b>
<b>A) Non-current Assets</b>	
A.1. Net block of Tangible Asset	395930.00
A.2 Net Block of Intangible Asset	1937.00
A.3 Capital work in progress	96211.00
A.4 Intangible Assets under development	0.00
A.5 Non-Current Investments	598534.00
A.6 Deferred Tax Assets	74378.00
A.7 Long-term loans and advances	5270.00
A.7.1 Less: Loans and Advances given to Associates included in above	0.00
<b>A.7.2 Net Long Term Loans and Advances (A.7 - A.7.1)</b>	<b>5270.00</b>
A.8 Other Non-Current Asset (Right of use Assets, Capital Advances, Prepaid expenditure. etc.)	78970.00
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>1251230.00</b>
<b>Total Non-Current Assets considered for net worth (1)</b>	<b>1251230.00</b>
<b>B. Non-Current Liabilities, Preferential Share &amp; 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	163870.00
B.4 Deferred tax Liabilities	0.00
B.5 Other Long Term Liabilities	155255.00
B.6 Long Term provisions	918.00
B.7 Reserves other than free	1500.00

reserves	
<b>Total Non-Current Liabilities, Reserves other than free reserves considered for Net worth (2)</b>	<b>321543.00</b>
<b>C. Current Assets</b>	
C.1. Current Investments	308626.00
C.2. Inventories	142785.00
C.3. Trade Receivables	82845.00
C.4. Cash and cash equivalents	1533.00
C.5 Short Term Loans and Advances	763.00
C.5.1 Less: Loans and Advances given to associates	0.00
<b>C.5.2 Net Short Term Loan and Advances (C.5 - C.5.1)</b>	<b>763.00</b>
C.6 Other current assets (Bank balances other than cash and cash equivalents, other financial assets, advances to supplier and contractor, assets held for disposal, prepaid expenses, etc.)	146005.00
C.7 Deferred expenditure (including Miscellaneous expenses) not written off (not considered for net worth and liquidity purpose)	0.00
Total current assets	682557.00
Total current asset considered for Net worth (3)	682557.00
<b>D. Current liabilities</b>	
D.1. Short-term borrowings	70874.00
D.2. Trade payables	52802.00
D.3. Other current liabilities (unpaid dividend, security deposits, statutory liabilities, customer advances, etc.)	196315.00
D.4. Short-term provisions	111.00
<b>Total Current Liabilities considered for net worth (4)</b>	<b>320102.00</b>

10. Based on the above, net worth, current ratio and liquidity ratio are as under:

<b>Particulars</b>	<b>As on 31.3.2020</b>
Net Worth (Rs. in lakh)	<b>940102.00</b>
Current Ratio	2.13
Liquidity ratio	1.68

11. In terms of the above, the Petitioner meets the net worth, current ratio and liquidity requirements specified by the Commission. Accordingly, we approve the down-gradation of the licence of the Petitioner from Category 'II' to Category 'IV' with effect from the date of issuance of the order. The licensee shall remain bound by the terms and conditions contained in the order dated 16.3.2010.

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

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

14. Petition No. 557/TD/2020 stands disposed of accordingly.

Sd/-  
**(Arun Goyal)**  
**Member**

sd/-  
**(I.S.Jha)**  
**Member**

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