

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 385/TDL/2014

Coram:

Shri Gireesh B.Pradhan, Chairperson

Shri M. Deena Dayalan, Member

Shri A.K.Singhal, Member

Shri A.S.Bakshi, Member

Date of Hearing: 09.12.2014

Date of Order: 22.12.2014

In the matter of

Application for grant of inter-State trading licence to Provestment Services Limited (PSL).

And

In the matter of

Provestment Services Limited
Building No. 5, First Floor,
Pusa Road, WEA Karol Bagh,
New Delhi-110 005

Petitioner

The following were present:

Shri Praveen Bhatia, PSL

Shri Anil Bhatt, PSL

Shri Anil Hridy, PSL

ORDER

The petitioner, Provestment Services Limited, a company registered under the Companies Act, 1956 (1 of 1956) has made the present application under sub-section (1) of Section 15 of the Electricity Act, 2003 (36 of 2003) (hereinafter referred to as "the Act") read with Central Electricity Regulatory Commission (Procedure, Terms and



Conditions for grant of Trading licence and other related matters) Regulations, 2009 (hereinafter referred to as “Trading Licence Regulations”) amended from time to time, for grant of Category `IV` licence for inter-State trading in electricity within all regions and States of India.

2. 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 applicant to the Commission for grant of licence in the manner specified in Form-I appended to these regulations and such applicant shall be accompanied by ,-*

(a) *Such fee as may be prescribed by the Central Government from time to time payable through Bank Draft or pay order drawn in favour of Assistant Secretary, Central Electricity Regulatory Commission, New Delhi.*

(b) *Copies of the annual reports in case of the persons incorporated under the Companies Act, 1956 (1 of 1956) and audited accounts along with the Director's Report, Auditors' Report, the Schedules and notices on accounts for three years immediately preceding the year in which the application has been made and the special balance sheet as on any date falling within 30 days immediately preceding the date of making the application:*

Provided that where the applicant has not been incorporated, registered or formed during the period of three years immediately preceding the year in which the application is made, the application shall be accompanied by the copies of the annual reports and audited accounts for such lesser period for which the applicant has been in existence.

(2) *The application for grant of licence, along with annexures and enclosures shall also be submitted to the Commission on compact disc (CD).*

(3) *The applicant shall post complete application along with annexures and enclosures on his own 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 his application.*

(4) *The applicant shall within 7 days after making such application, publish a notice of his 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, name*
xxxxxx

(5) *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.*

(6) *The applicant may file his reply to the objections or suggestions received in response to the notice within 45 days of its publication in the newspapers.*

(7) *The Commission after consideration of the objections or suggestions received in response to the notice published by the applicant and his reply 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, with such other details as the Commission considers appropriate, to invite further objections or suggestions to its proposal."*

3. The petitioner has made the application as per Form-I along with CD and paid the fee of Rupees one lakh as prescribed by the Government of India.

4. The petitioner has posted the application for grant of trading licence on its website in terms of Regulation 6(3) of the Trading Licence Regulations. The petitioner has placed on record the relevant copies of the newspapers in original in which notice of its application has been issued. The 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 1.10.2014 in all editions of 'Indian Express' and 'Financial Express'. No objection has been received in response to the public notices.

5. 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. As trading in electricity was not indicated in the Main Objects of the Memorandum of Association, the petitioner was directed to submit amended Memorandum of Association after incorporation of trading in electricity in the Main Objects to be pursued by the company. The petitioner has placed on record the resolution passed by the Board of the petitioner company on 30.9.2014 regarding

alteration in Memorandum of Association to include trading in electricity in its Main Objects clause. The petitioner has also placed on record copy of the certificate of registration dated 27.11.2014 issued by Assistant Registrar of Companies, Delhi confirming alteration of Object clause in Memorandum of Association. Relevant portion of Memorandum of Association of the petitioner is extracted as under:

"8. To promote, undertake, carry on either or its own or through any other entity or to enter into agreements, contracts, partnership, alliance or any other arrangement for technical, financial and operational assistance or sharing of profits/losses with any person/Body/Bodies Corporate incorporated in India or abroad either under a Strategic Alliance or Joint Venture or any other arrangement, in any part of the world, the business of **trading in electricity**, distributing, purchasing, selling, importing, aggregating and accumulating or otherwise deal in all forms of electric power in all aspects."

6. Trading in electricity is covered under the Main Objects of the petitioner company. The petitioner vide its affidavit dated 24.9.2014 has submitted that it shall not submit any application to undertake transmission in electricity as a transmission licensee (inter-State and Intra-State) without surrendering the trading licence, if granted by the Commission in the present petition. The affidavit has been taken on record.

7. In accordance with Regulation 3 (3) of the Trading Licence Regulations, a person applying for Category `IV` trading licence should have net worth of ₹ 1 crore, and should have maintained minimum current ratio and liquidity ratio of 1:1, as on date of audited balance sheet accompanying the application. The petitioner has submitted the special audited balance sheet as on 31.8.2014.

8. Based on the special balance sheet as on 31.8.2014, net worth and liquidity ratios has been worked out as under:

(₹ in lakh)	
Particulars	31.8.2014
Particulars	
(A) Paid up equity capital (1)	510.30
(B) Reserves and Surplus	0.00
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 and Reserves other than free reserves	0.00
B.6. Securities Premium Reserve	0.00
B.7. Surplus (P and L Account)	261.65
B.8. Other Free Reserves (i.e. General Reserve)	60.00
Total of Reserve and Surplus	321.65
Free Reserves and Surplus Considered for Net worth (2) (B6+B7+B8)	321.65
(C) Loans and Advances given to associates (3)	0.00
(D) Deferred Expenditure (including Misc. Expenses) not written off (4)	4.10
Net Worth (1+2-3-4)	827.85

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

(₹ in lakh)	
Particulars	31.8.2014
A. Non-current Assets	
A.1. Net block of Tangible Asset	421.42
A.2 Net Block of Intangible Asset	38.24
A.3 Capital work in progress (i.e. Office Building)	85.11
A.4 Intangible Assets under development	0.00
A.5 Non-Current Investments	41.97
A.6 Deferred Tax Assets	0.00
A.7 Long-term loans and advances	1.04
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)	1.04
A.8 Other Non-Current Assets	0.00
A.9 Deferred Expenditure (including Misc. Expenses) not written off (Not considered for net worth computation)	4.10
Total Non-Current Assets	591.88
Total Non-Current Assets considered for net worth (1)	587.78
B. Non-Current Liabilities, Pref. Share and Share	

Application money	
B.1 Share application money pending allotment	0.00
B.2 Preference Share Capital	0.00
B.3 Long term Borrowings	11.58
B.4 Deferred tax Liabilities	33.12
B.5 Other Long Term Liabilities	0.00
B.6 Long Term provisions	2.18
Total Non-Current Liabilities considered for Net worth (2)	46.88
C. Current Assets	
C.1. Current Investments	0.00
C.2. Inventories	119.46
C.3. Trade Receivables	394.85
C.4. Cash and cash equivalents	176.47
C.5 Short Term Loans & Advances	641.85
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)	641.85
C.6 Other current assets (i.e. Deposit with BCCL, Commission Receivables and pre-paid expenses)	2.07
C.7 Deferred Expenditure (including Misc. Expenses) not written off (not considered for net worth and Liquidity purpose)	0.00
Total Current Assets	1334.71
Total Current Asset considered for Net worth (3)	1334.71
D. Current Liabilities	
D.1. Short-term Borrowings	497.24
D.2. Trade payables	344.55
D.3. Other Current liabilities (i.e. Advance from parties and Expenses payable)	199.24
D.4. Short-term provisions	6.73
Total Current Liabilities considered for Net worth (4)	1047.76
Net worth ((1-2)+(3-4))	827.85

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

S. No.	Particulars	31.8.2014
1.	Net worth (₹ in lakh)	827.85
2.	Current ratio	1.27
3.	Liquidity ratio	1.16

11. On consideration of the above facts, we are **prima facie** satisfied that the petitioner meets the net worth requirements specified by the Commission for grant of Category `IV` trading licence and fulfills other conditions for grant of trading licence.

The Commission proposes to grant 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.

12. List this petition for further directions on 15.1.2015.

Sd/-
(A.S. Bakshi)
Member

sd/-
(A.K. Singhal)
Member

sd/-
(M.Deena Dayalan)
Member

sd/-
(Gireesh B Pradhan)
Chairperson