

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

- 1. Dr. Pramod Deo, Chairperson**
- 2. Shri Bhanu Bhushan, Member**
- 3. Shri R. Krishnamoorthy, Member**

Petition No. 5/2008

In the matter of

Application for grant of inter-State trading licence to Basis Point Commodities Private Limited (BPCPL)

And in the matter of

Basis Point Commodities Private Limited, Mumbai

.... Applicant

The following were present:

1. Shri V. Balasubramaniam, BPCPL
2. Shri Amit Agarwal, BPCPL
3. Shri Bhavesh Kundalia, BPCPL

**ORDER
(Date of Hearing: 7.8.2008)**

The applicant, 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) (the Act) for grant of category `A` licence for inter-State trading in electricity in whole of India. Trading in electricity is covered under the main objects of the applicant-company. Although transmission of electricity is another main object of the applicant, the applicant vide its affidavit dated 28.7.2008 has undertaken that it will not engage in the business of transmission in electricity without surrendering trading licence.

2. 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 (the 2004 regulations) have been published by the applicant. No objections have been received on the public notices.

3. Based on the auditor's certificates, the applicant had the net worth of Rs. 151.3 lakh as at 24.11.2007 and Rs. 184.85 lakh as on 31.3.2008. However, the Commission also noticed that out of the total current assets of Rs. 180 lakh as at 31.3.2008, a sum of Rs. 164.71 lakh was in the form of investment on loans and advances. In order to ensure that the applicant had sufficient cash balance to take care of its trading activities, the Commission vide its order dated 25.4.2008 directed the applicant to furnish details of investments on loans and advances and to indicate the manner in which it would meet requirement of funds for undertaking the trading activities. Further, during the hearing on 7.8.2008, the applicant was directed to submit the following details, namely:-

- (a) whether the utilization of "share premium account" is as per sub-section (2) of Section 78 of the Companies Act, 1956;
- (b) bank statement in support of the amount received against issuing preference share capital including share premium and its utilization for investment in the liquid mutual funds; and
- (c) cash balance available for undertaking trading transaction after excluding the share premium amounting to Rs. 1.64 crore.

4. The applicant vide its affidavit dated 11.8.2008 has submitted the necessary details. The applicant has also undertaken on affidavit that it will maintain sufficient cash for conducting its trading activities.

5. In accordance with Regulation 6 of the 2004 regulations, a person applying for Category `A` trading licence should have net worth of Rs. 150 lakh.

6. Based on the balance sheets, the net worth of the applicant has been worked out as given below:

(Rs. in lakh)

		As at 24.11.2007	As at 31.3.2008	As at 28.4.2008	As at 26.7.2008
1	Share capital				
	Paid up equity capital	150.00	150.00	150.00	150.00
	Preference share capital			5.50	15.50
	Share application pending allotment		55.00		
	Sub-total 1	150.00	205.00	155.50	165.50
2	Reserves and Surplus	1.39			
	Securities premium			49.50	164.50
	P/L Account		0.29	0.32	- 1.19
	Sub-total 2	1.39	0.29	49.82	163.31
3	Mis. Expenses to the extent not written off or adjusted				
	Preliminary expenses	0.07	0.07	0.07	0.06
	Deferred Expenditure	24.09	20.37	20.50	19.55
	Sub-total 3	24.16	20.44	20.57	19.61
	Networth (1+2-3)	127.23	184.85	184.76	309.20

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

(Rs. in lakh)

Year	As at 24.11.2007	As at 31.3.2008	As at 28.4.2008	As at 26.7.2008
1 Fixed Assets				
Gross Block	3.13	4.32	4.32	5.61
Less: Depreciation	0.09	0.22	0.27	0.51
Net Block	3.03	4.10	4.05	5.10
Capital Work-in-Progress				
Sub-Total 1	3.03	4.10	4.05	5.10
2 Investments				125.00
3 Current Assets, Loans & Advances				
Inventories				
Cash and Bank Balance	22.26	18.57	16.75	13.78
Sundry Debtors		0.01	0.41	0.40
Loans & Advances	102.00	162.35	163.71	165.13
Other Current Assets				
Sub-Total 3	124.25	180.93	180.87	179.31
4 Current Liabilities & Provisions				
Sundry Creditors		0.01	0.01	0.07
Other Liabilities		0.03	0.00	0.12
Provisions	0.06	0.14	0.15	0.02
Sub-Total 4	0.06	0.18	0.16	0.21
5 Loans				
Secured Loans				
Unsecured Loans				
Sub-Total 5	-	-	-	-
6 Items not considered for Net worth				
Share application Money				
Deferred Tax Liability				
Sub-Total 6	-	-	-	-
Net Worth(1+2+3-4-5-6)	127.23	184.85	184.76	309.20

8. It has been noticed that the amount collected by the applicant on account of the securities Premium has been invested in Liquid plus Mutual Fund (Birla Sun Life) in a transparent manner and appears to be in the interest of the applicant-company.

9. 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 Category `A`. Therefore, *prima facie*, based on above, the applicant qualifies for grant of licence for inter-State trading as Category `A` electricity trader, that is, for trading a volume up to 100 MU of electricity during a year.

10. Therefore, the Commission proposes to grant the licence to the applicant for Category `A`. 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. We further direct that the applicant shall always maintain the necessary liquidity for conduct of smooth trading operations.

11. List this petition for further directions on 30.9.2008.

Sd/-

**(R.KRISHNAMOORTHY
MEMBER**

New Delhi dated the 10th September, 2008

sd/-

**(BHANU BHUSHAN)
MEMBER**

sd/-

**(DR PRAMOD DEO)
CHAIRPERSON**