

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 61 of 2010

In the matter of
Application of M/s. Knowledge Infrastructure Systems Pvt Ltd for grant of Trading
Licence in accordance with the
MERC (Trading License Conditions) Regulations, 2004

Shri V. P. Raja, Chairman
Shri Vijay. L. Sonavane, Member

M/s. Knowledge Infrastructure Systems Pvt Ltd
A-2/22,Safdarjung Enclave, New Delhi 110029

.....Applicant

ORDER

Dated: September 2, 2011

M/s. Knowledge Infrastructure Systems Pvt. Ltd. (*herein after referred as KISPL*) submitted an application on September 08, 2010 for grant of Intra-State Trading License, to undertake trading of more than 1000 MU, per year, for the next five years in the State of Maharashtra.

2. The prayers of the Applicant are as follows:-

“i. Grant Intra State Trading License in electricity in the State of Maharashtra to the Applicant.

ii. Pass such other and further orders as may be deemed proper and necessary in the facts and circumstances of the present case.”

3. M/s. Knowledge Infrastructure Systems Pvt Ltd (KISPL) in its application stated as under:
 - a) KISPL is an integrated power and coal solutions Provider Company in India, incorporated in November 2003. The Applicant Company is head quartered in New Delhi and has branch offices in Mumbai at 41-42, A Wing Mittal Court, Nariman Point, Mumbai-400 021 and Vishakapatnam. It holds membership of Indian Energy Exchange and Power Exchange India Ltd and also holds a Category I power Trading License issued by the Central Electricity Regulatory Commission. It has self contained trading platform with on-line connectivity with NLDC, RLDCs, SLDCs and Power Exchange.
 - b) KISPL is engaged in the business of Power trading and:
 - i) Procures power from surplus area for its supplies to deficit area.
 - ii) Organizes physical deliveries on settled commercial terms and ensures effective utilization of resources
 - iii) Clientele business for exchange transactions
4. KISPL submitted the following documents along with its Application:
 - a) Memorandum and Articles of Association of KISPL;
 - b) Audited Financial statements of KISPL for the last three years from FY 2007-2010, duly certified by R.S. Singhvi & Co, Chartered Accountants;
 - c) Names, particulars and experience of the promoter of KISPL, and persons holding key managerial positions in KISPL;
 - d) Net Worth Certificate as on March 31,2010 issued by R.S. Singhvi & Co, Chartered Accountants
5. Based on initial scrutiny of the application; the same was found deficient, and it was communicated to the Applicant vide MERC letter no. MERC/LEGAL/New Appln/2010/1155 dated September 17, 2010 directing the Applicant to file a Petition as per Form II of MERC (Conduct of Business) Regulations, 2004, within two weeks of the issue of the letter. The deficiency was rectified by the Applicant vide letter dated October 05, 2010.
6. The Commission vide letter dated October 28, 2010 directed KISPL to comply with the procedure of publication of notice in two Marathi and two English Newspapers in accordance with Section 15(2) of Electricity Act, 2003 ("2003 Act") read with Regulation 7 of the MERC (Trading Licence Conditions) Regulations, 2004 and submit the proof of compliance to the Commission along with copy of the notice so published. However, no document was submitted by the applicant and it also failed to respond to the reminder letter issued by the Commission.

7. In view of the above, a hearing was held in the matter on May 12, 2011 at the Commission's office. During the hearing, the Commission enquired of the Applicant about reasons for non-compliance of Section 15(2) of the Electricity Act 2003 read with Regulation 7 of the MERC (Trading Licence Conditions) Regulations, 2004 directions issued by Commission and the Applicant's intention with regards to the further proceedings of Application. In response, the Applicant submitted that it had complied with the directions issued by the Commission, by publishing Public Notice in two English (*viz. Business Standard and Free Press Journal*) and two Marathi newspapers (*viz. Navshakti and Navakal*) edition dated December 11, 2010 and submitted the supporting documents with a letter. However as per Commission's records, the said letter along with the supporting documents of proof had not been received by Commission.
8. Further the Commission directed the Applicant to submit the copy of the letter and the supporting documents, which were earlier submitted by it, in response, as proof of compliance of Commission's directions, on affidavit at earliest. The Applicant submitted the requisite documents vide letter dated May 13 2011, however the same were not in order and the deficiencies were communicated to the Applicant. Finally, the deficiencies were rectified and the documents were resubmitted by the Applicant vide letter dated June 6, 2011.
9. As regards the Public notice in two English (*viz. Business Standard and Free Press Journal*) and two Marathi newspapers (*viz. Navshakti and Navakal*) edition dated December 11,2010 no suggestions or objections were received in this regard either by the Commission or the Applicant.
10. As per the MERC (Trading Licence Conditions) Regulations, 2004, the networth required for trading above 1000 MU per year for Category `F` electricity trader shall not be less than Rs. 20 Cr. The Applicant produced a Net worth Certificate from M/s. R.S. Singhvi & Co, Chartered Accountants certifying the Net worth of M/s. Knowledge Infrastructure Systems Pvt Ltd, as on March 31, 2010 to be Rs 210.17 Cr comprising of Rs. 19.25 Cr as Share Capital and Rs.190.92 Cr as Reserves & Surplus. Based on the said details furnished by the applicant, it was established that the Applicant had the required net worth at the time of making of the application. The details of the professional and supporting staff engaged by the Applicant were also examined.
11. On examination of KISPL's application for grant of intra-State Trading License in the State of Maharashtra and additional information submitted by KISPL in accordance with the provisions of MERC (Trading Licence Conditions) Regulations, 2004, observations and findings are made in the following paragraphs:

Regulation 5 of MERC (Trading License Conditions) Regulations, 2004 specifies the following eligibility criteria with respect to Technical requirement, capital adequacy requirement and creditworthiness:

A. Technical Requirement

Reg 5.2 The applicant shall have not less than one full-time professional having experience in each of the following disciplines, namely:-

- (a) power system operations and commercial aspects of power transfer;*
- (b) finance, commerce and accounts*

Provided that the technical requirement of staff shall be complied with before undertaking the Licensed Business notwithstanding the fact that the Commission has granted the licence.

Reg 5.3 The applicant shall furnish to the Commission the details of the professional and supporting staff engaged by him on full time basis before undertaking the Licensed Business.

12. KISPL, in its Application, has submitted details of the following key persons of the organization, i.e., the Chairman & Managing Director, Director & CEO, Director Business Development, ED Finance & Accounts, Head-HR, General Manager Finance & Accounts .Further with regards to Regulation 5.2 specifying the requirement of full-time professional, the Applicant submitted that Shri Rajesh Mahajan an electrical Engineer and a Post graduate in Management, currently working as Director Business Development would take care of the Technical and Operational aspects of the Company, and that Shri Kapil Kumar Jain a Chartered Accountant having fourteen years of work experience currently working as General Manager Finance & Accounts would be responsible for handling the Financial aspects of the Company.
13. Based on brief resumes of the key persons provided along with the application, it is observed that application submitted by KISPL meets the technical requirement laid down under Regulation 5.2 of the MERC (Trading License Conditions) Regulations,2004.

B. Networth Requirement

As per Regulation 5.4 of MERC (Trading License Conditions) Regulations, 2004, the Net worth of the applicant for Category 'F' license shall not be less than Rs 20.0 Cr for trading of above 1000 MU per annum. Further, the Net Worth in MERC (Trading Licence Conditions) Regulations, 2004 is defined as follows:

“Net worth means, in the case of an individual or body of individuals, the sum total of cash, bank balances and market value of investments in listed securities as reduced by the amount of any loans and liabilities owing to any person, and, in case of any other person, the sum total of paid up share capital, share premium and such of the reserves as are eligible for distribution as dividend”

14. The Commission is of the view that, as KISPL is a Private Limited Company, the criteria of Net Worth as applicable to any other person shall be applicable in this case. Thus, the Net-worth of the KISPL needs to be considered as the sum of Share Capital and the Reserves & Surplus. KISPL along with its application received on September 08, 2010 submitted the Net worth Certificate from M/s. R.S. Singhvi & Co, Chartered Accountants certifying the Net worth of M/s. Knowledge Infrastructure Systems Pvt Ltd, as on March 31, 2010 to be Rs 210.17 Cr comprising of Rs. 19.25 Cr as Share Capital and Rs.190.92 Cr as Reserves & Surplus. KISPL also submitted the Annual Accounting Statements along with Auditors Report for three financial years from FY 2007-2010.
15. KISPL complied with the requirement of Regulation 7.1 of MERC (Trading License Regulations, 2004 by publishing the notice of his application in the two English (viz. Business Standard and Free Press Journal) and two Marathi language news-papers (viz. Navashakti and Navakal) edition dated December 11, 2010.
16. The Commission is of the view that KISPL, the Applicant, has submitted before the Commission all requisite information in accordance with MERC (Trading License Conditions) Regulations,2004.The Applicant has also submitted an undertaking that no cases/litigation are pending against KISPL and its promoters.
17. Accordingly, the applicant *prima facie* qualified for grant of licence, for intra-State trading in electricity as a Category ‘F’ electricity trader. On the above considerations, the Commission had proposed to grant licence to the applicant for Category ‘F’. Further in pursuance of clause (a) of sub-section (5) of Section 15 of the Electricity Act 2003, the Commission issued a Public Notice on June 12, 2011 inviting suggestions and objections to the proposal to grant trading licence to KISPL for intra-State trading of electricity in the State of Maharashtra for trading above 1000 MU per year for Category ‘F’ electricity trader as per the MERC (Trading Licence Conditions) Regulations, 2004. No suggestions or objections were received in this regard either by the Commission or the Applicant.
18. The Public Hearing was originally scheduled on July, 12 2011 and was further rescheduled on July 28, 2011 and a separate Public Notice was issued for communicating the same, in two English (*Times of India & Indian Express*) and two Marathi (*Loksatta & Lokmat*) news paper edition dated July 7, 2011. The Public

Hearing in the matter was held on July 28, 2011 at the Commission's office. Shri. Vipin Mahajan and Nidhi Goyal appeared on behalf of KISPL. The Commission enquired about the Applicant and asked it to briefly summarize its application for intra-state trading license, the business activities of the Company and background of the Board of Directors. The Applicant submitted that KISPL is a Private Limited Company registered under the Companies Act, 1956 and is in existence since November 2003. It was established with a focus on supply of Coal and has operations in Singapore and soon proposes to start Joint Venture in Indonesia.

19. Further with respect to the Board of Directors, the Applicant submitted that the Company has two Directors viz.. Shri Rahul Bhandare as the Chairman and Managing Director and Shri Vipin Mahajan as Director and CEO. The Applicant submitted that Shri Vipin Mahajan is an Electrical Engineer with over 21 years experience in electricity utility environment and has a background of Cost Engineering with Post Graduation in Management and Systems. He had been a member of Expert Committee on Energy of Associated Chambers of Commerce and Industry of India (ASSOCHAM) and was employed in the Consultancy division of NTPC Ltd. The Applicant also briefed about Shri Rahul Bhandare stating that he was the first person to visualise the opportunity lying in Indonesian coal and further about his experience in the power sector.
20. The Commission further enquired about the statutory reporting requirements applicable to the Applicant, with respect to Annual Reports, Balance Sheet and P&L Accounts. The Applicant responded that it being a registered Private Limited Company all the statutory provisions as per the Companies Act, 1956 would be applicable to it. The Commission enquired about Applicant's trading plans and its views on assessment of power market as a trader. In response, the Applicant submitted that, it held an inter-state trading license under Category I issued by CERC and has already traded over 2 billion units in the last two years.
21. During the Public hearing, Dr. S L Patil from Thane Belapur Industries Association, an authorised Consumer representative, submitted that he fully supported the Application and appreciated the infrastructural capabilities of the Company. Further, Dr. Ashok Pendse another Consumer representative, from Thane Belapur Industries Association stated that, he also supported the views expressed by Dr. S L Patil.
22. The Commission has carried out a detailed analysis of the eligibility of the Applicant as against the technical requirement, capital adequacy pursuant to the provisions under Section 52 of the Electricity Act 2003 and MERC (Trading License Conditions) Regulations, 2004 as in force. Having considered the material placed on record, the Commission is of the view that the Applicant satisfies the technical, commercial and financial requirements to qualify for the grant of licence to undertake

intra-State trading in accordance with MERC (Trading License Conditions) Regulations, 2004. The applicant has also satisfied that it is authorized to undertake Electricity Trading in accordance with the Main Objects in the Memorandum of Association.

23. In view of the above, the Commission hereby grants licence to M/s KISPL for undertaking intra-State trading of electricity above 1000 MU per year in the State of Maharashtra for a period of Twenty Five (25) years as specified under sub-section (8) of Section 15 of the 2003 Act.

24. The Applicant has submitted a trading plan for undertaking trading, starting from approx 200 MU to above 2000 MU over a period of next five years. The license is being granted for a period of twenty five years to trade above 1000 MU on an annual basis, until or unless revoked earlier. Further, KISPL should also submit the detailed trading plans before the end of every fifth year for the subsequent five years.

25. Accordingly, the Commission directs that the Applicant be issued the license by the Secretary for Intra-State trading as a Category 'F' trader within the State of Maharashtra and a copy of the same be forwarded to Government of Maharashtra, all electricity transmission and distribution utilities in the State of Maharashtra and a copy be posted on the website of the Commission. The grant of license shall be subject to the following conditions:-

(A) The applicant shall designate an employee as its compliance officer and shall have at least one full-time professional having, qualifications and experience in each of the following disciplines, namely:-

i) Power system operations and commercial aspects of power transfer

ii) Finance, commerce and accounts

(B) The Applicant complying with the applicable provisions of the 2003 Act, the rules made by the Appropriate Government and regulations as specified by the Commission from time to time in all respects.

(C) KISPL shall abide by such trading margin, as the Commission may fix under Section 86(1)(j) of the 2003 Act for Intra-State trading transactions in the State of Maharashtra. KISPL shall not engage in any trading transaction which would be detrimental to the interests of the electricity consumers in the State of Maharashtra.

With the above, Case No. 61 of 2010 stands disposed of.

Sd/
(Vijay L. Sonavane)
Member

Sd/-
(V. P. Raja)
Chairman