

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 211/RC/2015**

Subject : Petition seeking additional time to comply with the Commission`s directions regarding Net worth Norms and Shareholding Pattern as prescribed under Regulations 18 (i), 19(1) and 20 of the Central Electricity Regulatory Commission (Power market) Regulations, 2010.

Date of hearing : 17.9.2015

Coram : Shri A.K. Singhal, Member  
Shri A.S. Bakshi, Member  
Dr. M.K. Iyer, Member

Petitioner : Power Exchange India Limited

Parties present : Shri Venkatesh, Advcoate, PXIL  
Shri M G Raoot, PXIL  
Shri Pawan Agarwal, PXIL  
Shri Kapil Dev, PXIL

**Record of Proceedings**

Learned counsel for the petitioner submitted that the present petition has been filed seeking time to comply with the minimum network requirement of ₹ 25 crore as per Regulation 18 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2010. Learned counsel for the petitioner further submitted as under:

- (a) Since two promoters are already holding about 30% of shareholding, they can't infuse further capital in the petitioner`s exchange.
- (b) Third party investors don't seem to be comfortable due to short time granted by the Commission to fulfill the network requirements.
- (c) The petitioner has been in discussion with Chicago Mercantile Exchange as a foreign investor. However, due to 5% cap on the Power Exchanges, the same has not yet materialized.
- (d) As per the Companies, 2013, the 'Networth' includes equity share capital and preference share capital whereas as per Power Market Regulations, net worth includes only paid-up equity capital.

(e) Presently, promoters of the petitioner hold optionally convertible redeemable preference share worth ₹5 crore each.

(f) Learned counsel referred to the Judgment of the Hon'ble Supreme Court in Sahara Vs SEBI and submitted that the 'Preference Share Capital' is compulsorily redeemable after five years in form of 'Equity' not in form of 'Debt'. The Companies Act, 2013 has incorporated 'Preference Share' and 'Equity Share' together in the networth. By virtue of the subscription of preference shares by promoters, the net worth of the petitioner is (-) ₹ 68 lakh whereas as per Power Market Regulations, the petitioner's net worth is(-) ₹ 10.68 crore only.

(g) The Commission vide order dated 2.7.2014 had permitted promoters to infuse more than 25% equity. However, the Commission has held that such an investment would not given them additional voting right which is not in conformity with the Companies Act, 2013.

2. In response to the Commission's query regarding risk management in view of negative networth, the learned counsel submitted that the petitioner take 100% margin from buyers for considering trade and that not even a single default has taken place on the Exchange. The petitioner maintains a robust Settlement Guarantee Fund mechanism. The cash loss of exchange has reduced from ₹ 5.78 crore to ₹ 0.07 crore.

3. The Commission directed the petitioner to submit on affidavit by 23.9.2015 a concrete proposal on increasing the networth, and if promoters are ready to infuse additional preference share capital.

4. The Commission directed to list the petition for hearing on 24.9.2015.

**By order of the Commission**

**Sd/-  
(T. Rout)  
Chief (Law)**