

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 302/MP/2018

Subject : Petition seeking additional time period to comply with the Net-worth Norms and Shareholding Pattern as prescribed under Regulations 18 (i) 19 (1) and 20 of the CERC Power Market) Regulations,2010.

Date of Hearing : 18.10.2018

Coram : Shri P. K. Pujari, Chairperson
Dr. M. K. Iyer, Member

Petitioner : Power Exchange India Limited

Parties present : Shri Sarthak, Advocate, PEIL
Shri Kapil Dev, PEIL

Record of Proceedings

The representative of the Petitioner submitted that the Petitioner has filed the present Petition seeking additional time period of five years for complying with the minimum net-worth of Rs 25 crore under Regulation 18 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 (Power Market Regulations). The representative of the Petitioner further submitted as under:

- a) The Petitioner's current net worth is Rs. (-) 5.97 crore. The Petitioner has proposed to convert the Optionally Convertible Redeemable Preference Shares (OCRPS) into equity shares and waive of the accumulated dividend on the OCRPS into shares, which would help the Petitioner to improve its net worth to Rs 11.51 crore.
- b) The Petitioner is exploring the option of raising additional capital from its existing shareholders through rights issue and the Promoters have showed interest in subscribing to the rights to the extent of meeting the requirements of Power Market Regulations provided the shareholding norms are relaxed.
- c) The Petitioner is targeting and working towards a net profit of Rs 15.02 crore from its operations during Financial Year 2019-20, which will increase the net worth of the company. Consequently, with the improvement in business operations and conversion of OCRPS into equity, the net worth of Rs 22.87 crore may be achieved by 31st March, 2019.
- d) The Petitioner has been meeting its operational costs on the basis of the equity infusion done by the shareholders from time to time as well as by limited cash profits achieved previously. However, any additional capitalization to meet

the minimum net-worth of Rs. 25 crore prescribed under Regulation 18 of the Power Market Regulations will only result in regulatory capital as no major capital expenditure is envisaged by the Petitioner, which will also make it difficult for the Petitioner to service this capital. This inability of the Petitioner to service such capital from the revenues in the short to medium term has been one of the constraints in attracting new investors.

e) The shareholding pattern prescribed under Regulation 19 of the Power Market Regulations puts a limit of 25% Paid up Equity Shareholding on a Non-Member shareholder. It creates a very difficult situation for the Petitioner, wherein, even if the promoters of the Petitioner are willing to infuse additional equity to satisfy the minimum net-worth prescribed under Regulation 18 of the Power Market Regulations, the shareholding cap under Regulation 19 of the Power Market Regulations restricts them to infuse additional equity share capital. Therefore, in the past, the promoters of the Petitioner have been forced to infuse further capital in the form of preference shares.

f) The requirement of net worth and diversified shareholding are interlinked. Therefore, any requirement for diversification of shareholding can be insisted upon only after the net worth has been achieved, which will take reasonable time frame.

2. After hearing the representative of the Petitioner, the Commission reserved the order in the Petition.

By order of the Commission

**Sd/-
(T. D. Pant)
Deputy Chief (Law)**