

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 322/RC/2013

Subject : Application seeking appropriate directions modifying the order dated 25.7.2013 passed in I.A. No. 17/2013 in Petition No. 52/2013.

Date of hearing : 7.1.2014

Coram : Shri Gireesh B. Pradhan, Chairperson
Shri M. Deena Dayalan, Member
Shri A. K. Singhal, Member

Petitioner : Power Exchange India Limited (PXIL)

Parties present : Shir Pawan Kumar, PXIL
Shri Kapil Dev, PXIL

Record of Proceedings

The representative of Power Exchange India Limited (PXIL) submitted that PXIL has to overcome dual challenge of equity infusion and business performance at the same time. He further submitted that equity cannot be attracted unless the Exchange performs.

2. The representative of PXIL submitted that the business performance of the Exchange has improved in REC segment which contributes 20% of the total revenue. He submitted that in the day ahead market, the trading volume has increased from 3 MUs to 5 MUs per day. However, there is a substantial loss of trade due to the transmission congestion.

3. In response to the Commission's query regarding O & M cost structure of the Exchange, the representative of PXIL submitted that the expenditure has come down by 28% and the revenue has gone up by 20% and cash profit is ₹ 20 lakh.

4. The Commission observed that the remuneration of employee's salary should be performance linked in line with the investment banking industry. In response to the Commission's query regarding salary component of the total cost and cost per employee of the Exchange, the representative of PXIL submitted that the salary component is 40% of the total cost. The per head employee cost has been reduced from ₹1.5 lakh to ₹ 90,000/- per person per month.

5. In response to the Commission's query regarding equity infusion, the representative of PXIL submitted that PXIL has approached strategic investors, promoters, private equity and utilities for the same. He further submitted that NSE and NCDEX have stake of 32.5% and 28%, respectively and they are willing to infuse additional equity. However, they are restricted in accordance with the Regulations 19 and 20 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2010. Therefore, the promoters have infused ₹10 crore of preferential capital which is not a part of the net worth as per the Power Market Regulations.

6. The Commission observed that PXIL's present situation is not comfortable and enquired as to whether the promoters are desirous of keeping the Exchange operational. In response, the representative of PXIL submitted that the promoters have extended full support and are commitment to this business.

7. The Commission observed that since the paid up equity capital has been increased to ₹ 80 crore, NSE and NCDEX along with other shareholders may be asked to bring in capital to meet the net worth requirement along with the fact that the percentage holding of all the shareholders remains in compliance with the Power Market Regulations.

8. The Commission directed PXIL and the staff of the Commission to examine ways and means by which restructuring can be done to infuse equity by NSE and NCDEX without increasing their percentage holding in the Exchange.

9. The Commission further directed PXIL to submit on affidavit by 24.1.2014 a declaration to the effect that in light of the depleted net worth of PXIL, 100% payment is being taken from participants before execution of transaction on Exchange.

10. The Commission directed PXIL to submit quarterly performance report, audited account statement, Balance Sheet and ratios as required under SEBI guidelines for monitoring the business and financial performance of the Exchange. The Commission also directed PXIL to submit its future business plan for next 5 years giving details of the performance comprising Profit and Loss Account and Balance Sheet along with liquidity ratios.

11. Subject to above, the Commission reserved order in the petition.

By order of the Commission

Sd/-

**(T. Rout)
Chief (Law)**