

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 313/MP/2022**

**Coram:**

**Shri Jishnu Barua, Chairman**

**Shri I.S. Jha, Member**

**Shri Arun Goyal, Member**

**Shri P.K. Singh, Member**

**Date of Order: 16<sup>th</sup> July, 2023**

**In the matter of**

Petition under Regulation 14 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 and under Regulations 54, 55 and 56 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021 seeking additional time period to achieve and maintain the Net Worth criteria as set out under Regulations 14 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021.

**And**

**In the matter of**

Hindustan Power Exchange Ltd  
(Formerly Pranurja Solution Ltd)  
25<sup>th</sup> Floor, P J Towers  
Dalal Street, Mumbai - 400 001

.....**Petitioner**

**Parties present:**

Shri Ravi Kishore, Advocate, HPEL

Shri Keshav Singh, Advocate, HPEL

**ORDER**

The Petitioner - Hindustan Power Exchange Limited, has filed the present petition seeking additional time to attain and maintain the minimum Net Worth of Rs 50 crores as set out under Regulation 14 of the Central Electricity Regulatory Commission (Power Market) Regulations, 2021.

**Background of the Case:**

1. The Commission, vide order dated 12.5.2021, in Petition No. 287/MP/2018, granted registration to the Petitioner to establish and operate a Power Exchange.

Subsequently, vide order dated 27.06.2022 in Petition No 159/MP/2022, the Commission accorded permission to the Petitioner to commence operations of its Power Exchange, and consequently, the Petitioner commenced operation of its Power Exchange w.e.f. 06.07.2022. At the time of grant of registration, the Petitioner herein had met the Net Worth criteria of 50 crores.

2. Regulation 14 of the CERC (Power Market) Regulations, 2021 (“PMR 2021”) provides that the Power Exchange shall have a minimum Net Worth of Rs.50 crores at all times. The relevant extract of PMR 2021 is reproduced as under:

**“14. Net worth**

*A Power Exchange shall have a minimum Net worth of Rs. 50 crores at all times:*

*Provided that the Power Exchanges which have been granted registration by the Commission prior to the date of coming into force of these regulations shall meet the minimum Net worth criteria within a period of six months from the date of coming into force of these regulations and submit an audited special balance sheet to support the compliance of Net worth requirement;*

*Provided further that in case the Net worth of the Power Exchange reduces at any time below Rs. 50 crores, the Commission may allow the Power Exchange to achieve the Net worth within such period as may be considered necessary”*

3. At the time of registration, the Net Worth of the Petitioner was Rs.55,25,00,000/- with shareholding pattern of the company as under: -

<b>Sr. No.</b>	<b>Name of the Shareholders</b>	<b>Number of Equity Shares allotted</b>	<b>%</b>
1.	PTC India Limited (Promoter Shareholder)	12,50,00,000	22.62
2.	BSE Investments Limited (Promoter Shareholder)	12,49,99,996	22.62
3.	ICICI Bank (Promoter Shareholder)	4,99,50,000	9.04
4.	Shri Shankar Jadav (Nominee of BSE Investment) (Promoter Shareholder)	1,	0*
5.	Sh. Nayan Mehta (Nominee of BSE Investment) (Promoter Shareholder)	1	0*
6.	Shri Neeraj Kulshrestha (Nominee of BSE Investment) (Promoter Shareholder)	1	0*
7.	Shri Vishal Bhat (Nominee of BSE Investment) (Promoter Shareholder)	1	0*
8.	Greenko Energies Private Limited	2,50,00,000	4.52
9.	Lebnitze Real Estate Private Limited	2,50,00,000	4.52
10.	Varanium Dynamic Trust	2,50,00,000	4.52

11.	Jindal Power Limited	2,00,00,000	3.62
12.	Chamaria Enterprises Private Limited	1,30,50,000	2.36
13.	Manikaran Power Limited	1,75,00,000	3.17
14.	H K Shah and Sons Private Limited	2,50,00,000	4.52
15.	Mercados Energy Markets India Private Limited	1,75,00,000	3.17
16.	Rachana Raj Transport Associates Private Limited	2,00,00,000	3.62
17.	PSL Infratech Private Limited	70,00,000	1.27
18.	Lord Navnit Rai Dholakia	50,00,000	0.90
19.	West Bengal State Electricity Distribution Company Limited	1,75,00,000	3.17
20.	Uttar Haryana Bijili Vitran Nigam Limited	1,75,00,000	3.17
21.	SJVN Limited	1,75,00,000	3.17
	<b>TOTAL</b>	<b>55,25,00,000</b>	<b>100.00</b>

*\* Negligible shareholding as a percentage of the total paid-up Equity Share Capital*

4. After obtaining registration, the Petitioner was required to make substantial investments in infrastructure development, personnel recruitment, and technology acquisition, among other things, in order to launch the power exchange. All of these activities necessitated substantial investments on the part of the Petitioner, and these investments/expenditures were made from the capital of the Petitioner Company, as the Power Exchange was not yet operational. Due to these expenditures, the company's Net Worth decreased to Rs. 51.66 crores as of 31<sup>st</sup> March 2022.

5. The Power Exchange of the Petitioner Company started operations on 06.07.2022, following the 27.06.2022 Order of the Commission. Despite the fact that the Power Exchange began operations on July 6, 2022, sufficient volumes have yet to be reached in order to attain break-even and profitability. In light of this and the fact that the Power Exchange was incurring recurring expenses in the form of manpower costs, rentals, and other costs, the Petitioner's capital was further eroded. Additional investments were made to upgrade the technology in preparation for the introduction of new products.

6. In light of the preceding, the Petitioner Company's Net Worth decreased further and stood at Rs. 47.88 crores as on 30.06.2022. This Net Worth was below the required minimum of Rs.50 crores as stipulated by Regulation 14 of PMR 2021.

7. The Petitioner has filed the present petition under Regulation 14 of PMR 2021 and Regulations 54, 55, and 56 of the PMR, 2021. The Petitioner has made the following specific prayers:

- a. allow the present petition;
- b. grant a period of one year for achieving and maintaining the minimum Net Worth of Rs.50 crores as mandated under Regulation 14 of PMR, 2021; and
- c. pass such other and further order(s) as this Hon'ble Commission may deem fit and proper under the facts and circumstances of the present case and in the interest of justice.

**Submissions made by the Petitioner:**

8. To meet the minimum Net Worth criterion of Rs. 50 crores, the Petitioner Company approached the Promoters to infuse additional equity, and an Equity Investment Committee comprised of all three promoters was formed. The Promoters agreed to inject new equity up to the utmost limit permitted by applicable regulations and in accordance with the Shareholders' Agreement after consulting with the Committee. The promoters agreed to purchase 79050000 (approx.) new equity shares for Rs.7,90,50,000 (approx.). During its meeting on 28.07.2022, the Board of Directors was informed of the Promoters' plans to inject approximately Rs.7,90,50,000 worth of additional capital. The proposal is in the process of being put up to the Board for its formal approval and then to the shareholders for their approval, both of which are imminent.

9. After the proposed infusion of additional shares, the shareholding of the Promoters shall be as under: -

<b>Name of the Original Shareholders</b>	<b>Additional Shares to be subscribed</b>	<b>Total Shareholding post issue</b>	<b>Percentage of Post Preferential Offer Capital</b>
PTC India Limited	3,29,16,667	15,79,16,667	25%
BSE Investments Ltd	3,29,16,667	15,79,16,663	25%
ICICI Bank Limited	1,32,16,666	6,31,66,666	10%
<b>Total</b>	<b>7,90,50,000</b>	<b>37,89,99,996</b>	

10. The Petitioner has submitted that after the proposed additional capital infusion by the Promoters, the Promoters' shareholding will be within the limits prescribed by Regulation 15 of the PMR, 2021, and the Sectoral Regulation applicable to ICICI Bank Ltd. It has been submitted that once the Promoters inject the additional capital outlined above, the Net Worth of the Petitioner Company will exceed Rs. 50 crores. As the income from the Power Exchange's operations may not be sufficient to cover the expenses, it is anticipated that the Power Exchange's Net Worth may fall below the Rs. 50 crores threshold in the future.

11. Further, since the Power Exchange began operations only on July 6, 2022, it is anticipated that it will generate sufficient revenue within the next year to cover operational expenses and generate a profit. In light of the foregoing, the Petitioner has requested the grant of a one-year grace period for achieving and maintaining the minimum Net Worth requirement of Rs. 50 crores, as mandated by Regulation 14 of PMR, 2021. The Petitioner anticipates sufficient volume and revenue by that time.

#### **Hearing dated 27.03.2023**

12. During the hearing on 27.3.2023, the learned counsel for the Petitioner informed the court that the Petitioner has approached the Promoters, who have agreed to inject additional equity into the Petitioner's Power Exchange to meet the minimum Net Worth criteria. Further, the Petitioner requested a month's time to submit the audited accounts and a roadmap of the Power Exchange.

#### **Additional Submission by Petitioner**

13. In accordance with the ROP dated 27.3.2023, the Petitioner submitted the audited financial statements as on 19.5.2023. As per the Audited Accounts, the situation presented by the Petitioner is as under:

#### **Net worth of HPX as on 31.03.2023**

<b>Particulars</b>	<b>Amount (Rs. in crores)</b>
Paid up equity capital	55.25
Accumulated Losses	(13.61)
<b>Net worth</b>	<b>41.64</b>

14.

## **Analysis and Decision**

14. As per Regulation 14 of the PMR 2021, an operating Power Exchange is required to always have a minimum Net Worth of Rs. 50 crores at all times. Regulation provides that any shareholder other than a member of the Power Exchange can have a maximum of 25% shareholding in the Power Exchange a Member can hold a maximum of 5% and all Members taken together can hold up to 49% of the share in the Exchange. These prudential norms of a minimum net worth requirement and a diversified shareholding pattern are mandated to ensure that a Power Exchange is able to safeguard against any business risks and operate in a demutualized and ring-fenced manner with no shareholders dominating the proceedings of the exchange.

15. It is observed that the Petitioner has not been able to fulfil the minimum Net Worth requirements specified under Regulation 14 of the PMR, 2021. As on 31.2.2023, the Petitioner had a Net Worth of Rs. 41.64 crores, which is below the minimum Net Worth prescribed for a Power Exchange.

16. In the past, after examining the facts and circumstances of the particular case, the Commission granted additional time to another power exchange to comply with the minimum Net Worth requirement and shareholding pattern specified under PMR 2021.

17. The submissions made by the Petitioner have been examined in light of the developments in the power market and the efforts made by the Petitioner to comply with the requirements under PMR 2021. These aspects are discussed below.

18. The Commission has adopted a broad regulatory approach to multiple power exchanges to promote competition among power exchanges because of its inherent benefits, viz., product innovation, enhanced services, price control, etc. In this context, the Commission has, from time to time, allowed certain relaxations to the exchanges with lower liquidity towards fulfilment of their regulatory compliances, which has yielded results in terms of an improved performance and increase in competition. We have observed that the volume traded at the Petitioner's power

exchange has also increased over the last few months, particularly in the term-ahead contracts.

19. We have noted the efforts made by the Petitioner to inject more capital, including the Promoters' plans to inject approx. Rs.7,90,50,000 worth of additional capital.

20. In light of the above, we are of the view that the Petitioner may be granted additional time to meet the minimum net worth requirement stipulated in the PMR, 2021.

21. Under Regulation 14, the Commission has the authority to grant the Power Exchange time to attain and maintain a Net Worth of Rs. 50 crores. The relevant proviso of Regulation 14 reads as under: -

*“Provided further that in case the Net worth of the Power Exchange reduces at any time below Rs. 50 crores, the Commission may allow the Power Exchange to achieve the Net worth within such period as may be considered necessary”*

22. Keeping in view the significance of net worth in preventing business risks and in view of the discussion in the paras above, the Commission hereby directs the Petitioner to achieve the minimum Net Worth required under Regulation 14 of the Power Market Regulations, 2021, within one year of the date of this order.

23. The Petitioner is further directed to submit an action plan to comply with the net worth criteria and shareholding pattern as per directions in this order within two months of this order.

24. The Petition No. 313/MP/2022 is disposed of in terms of the above directions.

**Sd/-**  
**(P.K. Singh)**  
**Member**

**Sd/-**  
**(Arun Goyal)**  
**Member**

**Sd/-**  
**(I.S. Jha)**  
**Member**

**Sd/-**  
**(Jishnu Barua)**  
**Chairperson**