

**Government of India**  
**Ministry of Commerce & Industry**  
**Department of Industrial Policy & Promotion**

**Press Note No. 8 (2012 Series)**

**Subject:** Policy on foreign investment in Power Exchanges

**1.0 Present Position:**

1.1 As per extant policy, FDI, up to 100%, under the automatic route, is permitted in the power sector (except atomic energy). This includes generation, transmission and distribution of electricity, as well as power trading, subject to the provisions of the Electricity Act, 2003.

1.2 Extant policy, however, does not provide any specific dispensation for foreign investment in power exchanges.

**2.0 Revised Position:**

2.1 The Government of India has reviewed the position in this regard and decided to permit foreign investment, up to 49%, in Power Exchanges, registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010, as below:

- (i) Such foreign investment would be subject to an FDI limit of 26 per cent and an FII limit of 23 per cent of the paid-up capital;
- (ii) FII investments would be permitted under the automatic route and FDI would be permitted under the government approval route;
- (iii) FII purchases shall be restricted to secondary market only;
- (iv) No non-resident investor/ entity, including persons acting in concert, will hold more than 5% of the equity in these companies; and
- (v) The foreign investment would be in compliance with SEBI Regulations; other applicable laws/ regulations; security and other conditionalities.

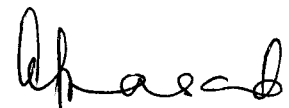
**3.0 Insertion of new paragraph 6.2.26:**

3.1 Accordingly, a new paragraph 6.2.26 is inserted under 'Circular 1 of 2012-Consolidated FDI Policy', effective from April 10, 2012, as below:

6.2.26	<b>Power Exchanges</b>		
6.2.26.1	Power Exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010	49% (FDI &FII)	Government (for FDI)
6.2.26.2	<b>Other conditions:</b>		
	(i) Such foreign investment would be subject to an FDI limit of 26 per cent and an FII limit of 23 per cent of the paid-up capital;		

	<p>(ii) FII investments would be permitted under the automatic route and FDI would be permitted under the government approval route;</p> <p>(iii) FII purchases shall be restricted to secondary market only;</p> <p>(iv) No non-resident investor/ entity, including persons acting in concert, will hold more than 5% of the equity in these companies; and</p> <p>(v) The foreign investment would be in compliance with SEBI Regulations; other applicable laws/ regulations; security and other conditionalities.</p>
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4.0 The above decision will take immediate effect.



(Anjali Prasad)

Joint Secretary to the Government of India

D/o IPP File No.: No. 5/5/2012-FC.I dated: 20<sup>th</sup> September, 2012

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