



Dated: August 13, 2020

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The Manager
National Stock Exchange of India Ltd
Listing Department
Exchange Plaza, 5th Floor, Plot no C/1
G Block, Bandra Kurla Complex
Bandra (E), Mumbai-400 051

Scrip Code: 540750

Symbol: IEX

Sub: Transcript of the Earnings Conference call with analysts and investors relating to Financial Results of the Company for the quarter ended June 2020

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of earnings conference call held with analysts and investors on Thursday, July 30, 2020, at 2:30 pm (IST) to discuss the financial results of the Company for the quarter ended June, 2020.

The above information will also be made available on the website of the Company:
www.iexindia.com

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For Indian Energy Exchange Limited

Vineet Harlalka
Company Secretary & Compliance Officer
Membership No. ACS-16264

Encl: as above



“Indian Energy Exchange Limited
Q1 FY2021 Earnings Conference Call”
July 30, 2020



ANALYST:

MR. ABHISHEK PURI – AXIS CAPITAL LIMITED

MANAGEMENT:

MR. RAJIV SRIVASTAVA – MD & CEO
MR. VINEET HARLALKAR - CHIEF FINANCIAL OFFICER
MR. RAJESH MEDIRATTA- DIRECTOR STRATEGY & REGULATORY AFFAIRS
MR. ROHIT BAJAJ- HEAD BUSINESS DEVELOPMENT
MR. AMIT KUMAR – HEAD MARKET OPERATIONS
MR. INDRANIL CHATTERJEE - HEAD-RISK, ALLIANCES & STRATEGIC DIVERSIFICATION
MS. SHRUTI BHATIA – HEAD CORPORATE COMMUNICATIONS
MR. SAMIR PRAKASH – HEAD -HR & ADMINISTRATION
MR. GAUTAM SANGH - CHIEF TECHNOLOGY OFFICER
MS. APARNA GARG – LEAD INVESTOR RELATIONS



*Indian Energy Exchange Limited
July 30, 2020*

Moderator: Ladies and gentlemen good day and welcome to the Indian Energy Exchange Limited Q1 FY2021 Results Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Puri from Axis Capital Limited. Thank you and over to you Sir!

Abhishek Puri: Thank you. Good afternoon ladies and gentlemen, on behalf of Axis Capital I am pleased to welcome you all for the Indian Energy Exchange Q1 FY2021 Earnings conference call. We have with us the top management team represented by Mr. Rajiv Srivastava, Managing Director & Chief Executive Officer and Mr. Vineet Harlalka, the Chief Financial Officer and the entire management team of IEX. We will begin with an opening remark from Mr. Rajiv Srivastava followed by an interactive Q&A session. Over to you Rajiv!

Rajiv Srivastava: Alright. Thanks Abhishek, and I hope I am audible.

Moderator: Yes, you are audible.

Rajiv Srivastava: Alright. Thank you so much. Good afternoon everyone and I extend a very warm welcome to all of you for our Q1 fiscal 2021 earnings call. Present with me today on the call is the entire leadership team of IEX, Vineet Harlalka, the CFO, Rajesh Mediratta, our Strategy and Regulatory Leader, Director on the company, Rohit Bajaj, Head Business Development, Samir Prakash, our CHRO, Indranil Chatterjee, our Chief Risk Officer, Amit Kumar, our Market Operations & New Products Leader, Gautam Sangh, our CTO, Deepak Mehta, our Business Head for Indian Gas Exchange, Shruti Bhatia, the Head for MARCOM, and Aparna Garg, she is the Investor Relations Leader.

I hope you and your teams, and your families continue to be safe and healthy. We clearly are living in unprecedented times right now. The first quarter of this fiscal has been pretty tough for the industry and economy and for all of us in many ways. From a business perspective, we continue to support the distribution utilities, industries, critical healthcare facilities, communication infrastructure of the country, millions and millions of employees working from home today, consumers at large, by facilitating an uninterrupted 24 x 7 power supply. I also want to let you know on June 27, 2020 during the last quarter we celebrated our 12th anniversary and the complete unstinted support, belief and partnership with our members, our clients, stakeholders, employees over these years has played a key role in building IEX as well as building a very vibrant power market in the country. I express my gratitude to everyone for partnering with us in this journey and I really look forward to an even closer collaboration going forward.

In line with our vision to architect the next generation solutions for sustainable energy economy ensuring a competitive, transparent, reliable access, we are committed to leveraging technology and innovation and lead the energy sector transformation towards energy as a service, which we see as a real paradigm shift in its true sense. I would also like to thank all our members, clients, employees and the entire energy ecosystem for a real very solid quarter gone by and I must tell you it has been a little busy period for us. We launched few new products and markets and we have also launched a new company Indian Gas Exchange during the quarter. Because of the nature of the times we are living in we had to revamp our customer engagement and business development and it completely is in its virtual form.

During the quarter we took several significant initiatives to reach out to our customers proactively through webinars, through events, through e-meetings, it was almost like a communication overdrive for us during the quarter and then on top of that we made significant investments in technology and process innovations leading to a better user experience for our participants, so all in all a very fulfilling quarter and I will talk more about it as we go forward, but let me give you an economic and industry update as well. The overall economic and industry update played out in a very different way for different industries. The quarter began with a serious slump in the first month of the quarter which is April, the IIP contracted by almost 58%, manufacturing and services sector continued to struggle during the period in April and May and gradually opening up as the economy opened up in the later part of the quarter in the month of June, so there was a significant improvement in manufacturing and services PMI in June at 47.2% for the manufacturing PMI and 33.7% for the services PMI, both still in the contraction zone, but much better than the way the quarter started in the month of April for both services and manufacturing PMI.

On electricity front, all India consumption of energy fell by 16% during the quarter. With the easing of lockdown restrictions in most parts of the country and also the fact that summer is peak in the month of June across the country, the peak demand did return to 90% of pre-COVID levels, but all in all over the quarter the electricity demand fell by 16% over the previous year.

I would also give you statistics on installed capacity. India's total installed capacity of power is 371 gigawatts as of June 30, 2020. In line with India's commitment to really increase the share of green energy in the overall energy mix, the renewable capacity grew faster, it grew by 10% points during the period and reached 88 gigawatts during the period. Thermal generation was a drastic drop from last year, it dropped by 23% in the same period versus same period last year.

The regulatory development during the quarter included amendments to the CERC interstate transmission charges and losses, which are likely to be implemented by September 2020 as well as the REC regulations on floor and forbearance prices implemented on July 1, 2020. We believe both these regulatory developments will benefit the exchange market trading on the power markets. Specifically the amendments of transmission charges regulations will place transactions which are done on the exchange at par with intrastate transactions and will incentivize distribution companies to further optimize their power purchase through exchange just because the cost will go down to that extent and increase the viability for the sellers. To create a market framework that is robust, efficient, transparent, on July 18, 2020 the CERC issued draft power market regulations for 2020 and we are optimistic that these developments will over time lead to enlarging the role of markets in the Indian power sector.

On the policy front just to give you an update, the Power Ministry also amended the methodology of coal allocation under the SHAKTI scheme, which allows generators to participate in the coal linkage auction even if they sell power on the day ahead market on the power exchanges as well as on the DEEP platform. Now this scheme should really boost sell side on the exchange because the independent power producers will get coal and the auctions will be as competitive as you can get and so they will get coal to generate and they can then come and sell on the exchange and they will be eligible to participate in the coal auction leading to the full supply chain and they will keep a check on the prices in the spot market just because the liquidity will increase and they will be able to sell more power.

Let me just give you a financial and business performance update as well. Our revenue for the quarter has been up 13.6% on a standalone basis year-on-year. This is primarily on account of increase in the overall volume traded on the exchange. On standalone basis our Q1 profit after tax was 42.88 Crores, which is up 8.3% points as compared to 39.59 Crores in Q1 2019. Now I just want to caution you there are two nonrecurring items over here, we did make a contribution of 5 Crore towards PM care and we also had a 2.6 Crore of tax liability, which was essentially for last year. Now because of this if we take these into account without these two nonrecurring elements our profit after tax would have been 47.89 Crores, which would be a growth of 18% YoY and 6% Q-on-Q, so coupled this with revenue growth of 15.6% and a nonrecurring itemized profit growth of 18% YoY or 6% Q-on-Q these are really strong numbers at any moment and those were during these times, so the company continues to be very strongly placed with a robust business model and absolutely zero debt.

Just to give a sense of electricity volumes, our volumes increased from 12.9 billion units in Q1 FY2020 to 14.9 billion units in Q1 FY2021, this was a 14.5% growth in volumes. With an increase in economic activity, which started towards the end of the quarter our open

access volumes did jump up in the month of June and witnessed around a 30% month-on-month increase, which means from May to June there was a 30% increase in our open access volumes. Including REC, which did not do as much just because of the new regulation on the floor pricing and forbearance pricing the total volumes grew 9.8%. I am pleased to inform you that on July 10, 2020 earlier this month the Ministry of Power also released an office memorandum, which indicates a resolution of the decade old jurisdictional conflict between CERC and SEBI ably led by the government in order to facilitate introduction of yet another new product in the market, the long duration power contracts, this will include forwards and derivatives. It is a much needed, much awaited step, which has been in the work for a long time and it will facilitate power markets to the next level of growth. The longer duration delivery based forward contracts and derivative contracts will potentially alter the way power is procured in our country because you get to hedge over the longer period of time. The order will pave way for introduction of these contracts, delivery based contracts on the power exchanges under the jurisdiction of CERC, the derivatives in power would be under the jurisdiction of SEBI and we at IEX will be able to design long duration contracts, move forward with the approval process in CERC, the contracts from us has already been done so we will move forward with the approval process and we hope to launch long duration contracts pretty soon surely in Q3 this year. This should be another step towards our commitment of development of the power markets in achieving our business aspirations.

Let me just give you a sense of few more initiatives and like I said it has been a really busy quarter, a few very significant Q1 initiatives. At a technology level for the year the company committed to invest 15 Crores in technology and process innovation and this should lead to a better user experience, ease of trade for our partners and all our stakeholders, we are launching new functionalities for all our participants, a faster time to market for our new products and a better engine overall for trading, so that is on the tech front. On the business front like I mentioned we conducted more than 50 events with our participants as part of customer outreach efforts. Regarding new market segments you know we introduced the real time electricity market recently, which has received an absolutely excellent and fabulous response from our customers, it did a volume of 515 million units in the first month, which is in the month of June itself as the market was launched on June 1, 2020 and in 30 days we got more than 0.5 billion units of trade, which is absolutely excellent and it comprise 10% of total volumes on IEX.

Additionally the Indian Gas Exchange, which is India's first automated natural gas trading platform, it commenced operations on June 15, 2020, quite a few of you would have attended our virtual launch event when the Honourable Minister of Petroleum and Natural Gas and Minister of Steel, Shri. Dharmendra Pradhan Ji inaugurated the IGX and the first trade was executed in his presence on the same day. Now IGX has traded 9600 MMBTU of

gas during the first 15 days of launch and also very positive development is that in early part of July the regulator PNGRB which is the gas regulator has issued gas exchange regulations inviting comments from all stakeholders and IGX is in the process of compiling its comments to share with the regulators, so it will give a huge amount of structure to the whole gas trading market.

Let me also give you a sense of way forward because like I said these are unprecedented times. COVID-19 has clearly unfolded a multitude of challenges and in our opinion has a huge number of opportunities for our sector. Like I mentioned earlier to you I think it is pretty much the most opportune time you can think of to really rethink the electricity sector design, to rethink the complete value chain, rethink the financial models, which are operating in the electricity sector, the regulatory framework and all of these towards building a more efficient and sustainable energy economy. At IEX we really stand at the forefront to deliver the solutions necessary to enable a transformation of the sector. The good thing really is that the transformation will be technology led and enabled by technology and if you think of it that is really who we are at the core of what we do as a business. We are focused towards a very high increase in our engagement with the regulator, with the Ministry to lead the market transformation and the initiatives, which are in the working right now and work with pretty much every stakeholder across the country to draw a new energy order to lead this transformation to the new normal, which will be in our opinion underpinned by efficiency, competitiveness, flexibility and a serious game for every consumer across the country like I said energy as the service and a true consumerization of the power sector is on the anvil right now and we seem to be in a very good position to be thinking and leading that transformation. With this, let me stop here and open it up for question and answers. I have got my whole team with me so I will make sure that your questions are given the right level of expertise to the answer.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Varun Goenka from Nippon Mutual Fund. Please go ahead.

Varun Goenka:

First of all, congratulations for 12 years and I think a very good growth for a great quarter and your RTM launch has been till date very successful so my compliments for that. I have two broad questions, one around our stance on the derivatives side, if you could help us understand, are we really looking to launch electricity derivatives when allowed and having derivatives on the same platform? What are the advantages and disadvantages of that? Can we have it in separate companies, or within the IEX company and my second question is regarding IGX or any such initiative, the equity ownership in the company as we understand now will not be 100% and has to be gradually brought down, if we could understand that part clearly please?

Rajiv Srivastava: Varun thank you so much for asking, thanks for your compliments. Let me hand over for the first question on derivatives and how we envisage that product to Rohit who is our Business Head to answer that question and for the second question on IGX equity and how we see that progressing over the foreseeable future I will have Rajesh Mediratta handle that.

Rohit Bajaj: Thanks Rajiv. Thanks Varun. The first one is about derivatives and let me quickly tell you a few things about that because we are clearly seeing need of derivatives at this stage because the dependence of DISCOMs on such market is increasing and then they are exploring all the options and they are looking for products where they can hedge their purchase. As you are aware the financial market would be there which would be participating in such derivative market. So going forward we do have plan and as mentioned by Rajiv, the OM, which has been issued by the Ministry of Power that clearly paves way for launch of derivatives and also power markets. So we are working on both the things, the first part of it is power market where we are going to launch in the present IEX only because there is no issue as far as regulatory framework is concerned because that would be delivery based contract and will fall under the purview of CERC. On the second part which is purely financial product we are exploring various options, you rightly said we have to create a new company for that and those things are being explored by us, not yet finalized but we are actively working on that front as well.

Varun Goenka: Any particular disadvantage in case we do not land up having derivatives?

Rohit Bajaj: See in all the mature markets if you see they play a very, very important role so derivatives is something, which gives signals to the market and it has got its own role, then the dependence on spot will increase so you need some financial product to support that because when you are transacting more and more volume in spot you cannot keep all your positions open. So there are industrial consumers, there are distribution companies they look for one support price or reference price I would say for the year and that will be decided when we have derivatives in place, so there are definitely advantages of derivatives and in all the global markets the derivatives volume is 10x or even more in certain cases of the spot delivery volume that we see, so it has got its own place and as we will progress as the volume will increase it will have even more significant role to play in times to come.

Varun Goenka: Any bifurcation between forwards and futures on the size of the market, any assessment of that?

Rohit Bajaj: Forward sizing we have already done and in past such interactions we have shared so there is a existing market in place which is about 20 billion unit in a year presently being done by some on different platforms, and then there are intrastate transactions going on which are

also forward in nature, which is not part of this 20BU, so 20BU is something which is potential size that we are eyeing as of now.

Varun Goenka: About IGX?

Rajesh Mediratta: Yes, Varun I will answer the second part of your query. We are now 100% owned by IEX but we definitely are interested that more strategic investors should join so that we can develop the market working along with them. So you may be aware that GAIL has issued expression of interest for them to invest 26% equity and we have sent our proposal, we are waiting for their final outcome of that proposal and also there are many big gas players who have shown interest in taking equity and those proposals are already there with us so we are talking to them and we are doing some formalities and some part of formalities are being done with the other players so we will shortly maybe in a month or two probably will be able to share more details on who are the final investors on Board on IGX.

Varun Goenka: So, my question is how do we retain maximum equity in this company given the size of the opportunity or given how attractive it is for us rather than remain a minority controller?

Rajesh Mediratta: We will definitely like to remain a majority holding so 51% at least we would like to hold and balance only we will seek for disinvestment. We also do not want to see us as a minority shareholder. One is that IEX is a neutral platform so I think that should not be a problem for anyone, but we would like to remain identified as a neutral player in the sector so though we may have this player coming on board, but their interest will not be really high, so our interest is that we should remain neutral in the market and the only thing is that we want to have some strategic investors on board that will help us to create a better market place.

Varun Goenka: The new regulations may not allow you to own majority stake in the company so are you in dialogue with the regulator towards that?

Rajesh Mediratta: Yes. We have operated IEX for 12 years. We understand what the right mix of investment should be for any delivery based market, so we are in touch with the regulator, we are in the process of finalizing our comments on that draft regulation. We are still firming up our comments over that and of course there is a guideline available in the sense that we have a fair market regulation, which allows you to hold 26% if you are a player in the market and if you are a member then you are not allowed to go beyond 5%, but we will again review it with respect to whatever we have done so far in 12 years with our experience, if there is some modification required that we are finalizing our comments and we are sharing with the regulator.

- Varun Goenka:** Thanks so much. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Congratulations on a good set of numbers and completing 12 years and successful launch of RTM market. I have two questions. The first is on the new power market regulation, the enabling provision of price coupling any thoughts on that and secondly on the transaction margin do you need to take approval and what is the kind of dialogue you are having with regulators, any clarity on those two?
- Rajiv Srivastava:** Alright thanks Mohit, let me answer both the questions and let me also give you a broad thing on PMR. The PMR has just come out and we are all expected to be responding to the PMR shortly. CERC is now in the process of creating along with the Ministry of Power a very robust and a very sort of transparent and regulated power market. Now what should be regulated, what should not be regulated, how should the new product introduction work, what is the new market and certain operational topics like on clearing & settlement all of that and the OTC platform, the governance structure, all of that is being discussed right now with a view to streamlining operations in preparation, in our opinion, for an exponential markets growth. If you were to have an exponential growth today I think the market could have challenges because certain operational structures need to be put in place to get closed and PMR is a very significant step in the direction of trying to get all of that. The regulation draft which will allow for introductions of new product enhancements without the approval of the regulator are all in the direction of trying to set up a very nicely streamlined market. To answer your question on the market coupling, it is a provision, which will be included in the draft PMR 2020 as an enabling provision to support future growth of the power market exactly the same sort of a logic I think there is a discussion going on between the regulator and the Ministry and a huge amount of other people involved with this consulting and will take views of all of them on what should be the right and the most effective designs of the power market look like, which is best for the country from a long-term perspective, all the right ingredients. There is actually vision to it, what should be the right technology for it, what is the right innovation or products to come across, the processes, all of that is required to be done and we are very closely engaged and involved in a lot of these discussions and we are absolutely confident that the regulator and the Ministry will come out with a most right, most correct enabling regulation from different perspectives, like I said as the growth happens they need to give some streamlining. The other point about the point you mentioned about transaction margin, look, in October 2018 the CERC approved our transaction fee by way of an order. If we have to increase the margin or decrease the margin you need to still go to CERC so I think there is no change, they are just regularizing what the practice has been and what they have already said earlier by way of a regulatory order in

October 2018 so there is no change in the practice. Look at it this way, I think what the market is going to have now is a plethora of many, many, many new products, so far we had only two, we had DAM and TAM and then we got an RTM and then now over the next couple of months you would find that the long duration contracts, cross broader products will happen, the green market which is green TAM and green DAM will happen, they are all due to be introduced in this fiscal year or in the near-term, now all these market segments are very different from an operational perspective, from a technology perspective, just the intensity is very different, some product stays at a very short period of time, which is a DAM trade for instance but RTM trades throughout the day, so the operational intensity of each one of them, the technology requirement, the people requirement, everything is different and I think it is only fair for the regulator to evolve a framework, which is fair, which recognizes the fact that all of these are different and they need to be treated differently. We are very deeply engaged and involved, with the Ministry so that they come up with the best regulation.

Mohit Kumar: In case of derivatives contract, under the SEBI regulation for launching the future exchanges, I do not think that you can hold more than 15% am I right?

Rajiv Srivastava: Look I think Rohit answered that question about whether we are looking for a new company or we look for a partnership and all that, there are different ways of addressing the derivatives market and the derivatives contracts will be under the guidance of SEBI so you will continue to work with that and there are many other exchanges in the country with whom you can partner so there will be different mechanisms which we will have to evolve over the course of the next two or three weeks to make sure that we do the right thing from our end. In that perspective we are not constrained from a holding company perspective or neither we are constrained from doing the right sort of a level of partnership to make sure we maximize, so there are different routes to go to the market for the derivatives and then whenever these are to be delivered the delivery happens on IEX so there is a very, very good framework that we are evolving right now, which can make sure that we maximize the delivery based contracts, we maximize the derivatives, we maximize the future, so we maximize the delivery around all those products as well, so I think we will be in a good place, wait for over a couple of weeks for us to come back to you on that particularly.

Moderator: Thank you. The next question is from the line of Sudhir Jain from ASK Investments. Please go ahead.

Sudhir Jain: The electricity future, will it be in an index form, or will it be cash settled when it happens, what your understanding would be? And for the gas exchange the PNGRB draft regulations, are they looking at capping of equity holding at 26%? MCX has tied up with M junction for a coal exchange which is a spot exchange so spot exchanges has been the area where we

have been frontrunner and they have taken the space actually in future derivative transactions, in fact they already have a natural gas future contract trading. What is our game plan if another energy segment like coal exchange opens up and MCX has also spoken about taking quotes from you on launching electricity futures when it is ready from SEBI side, you are kind of dealing with the end user and they are dealing with the financial investors as well so how do you ensure that electricity futures remain in your turf?

Rajiv Srivastava: To give you a sense on the coal and what is our line to diversifications, our aspirations are to play in the energy basket and electricity was our only play till now then mid of June we started a gas exchange so we added one portfolio to our company and started a new company called Indian Gas Exchange to launch our gas product and there could be many such similar lines of businesses going forward which I cannot disclose to you and on this call right now, but there could be many other lines like this. The energy basket of the country is very robust and probably widespread. Nothing stops us from expanding our portfolio in the energy basket. With that let me hand it to Rohit, Rohit if you answer the question on derivatives.

Rohit Bajaj: Yes Rajiv, so Sudhir you are talking about futures and as I said earlier also we are going to play a very big role there because as you know all these financial transactions which are converted into delivery will come to our platform because we are the ones who are doing, we are doing almost 100% of the spot transactions in the country. Coming to your question about index side so these are little early days, we are exploring all these options how the settlement would be done and yes in all such cases index play a very, very important role and we are exploring whether it should be a day index, peak index in fact we have different categories in our spot market that we do have at time of transaction, so we are exploring on those fronts. As I said little early days, do not want to comment on it at this stage, but yes in future we will surely help much on these two accounts.

Sudhir Jain: But those will be cash settled right, electricity future?

Rohit Bajaj: Absolutely, yes, those will be cash settled and then we will also have those that will come to spot those were converted into delivery those options which is there.

Sudhir Jain: How do you fend off the competition because they are ahead in terms of the derivatives game, we have a spot exchange, broadly they will also launch electricity future, we will also launch?

Rohit Bajaj: As Rajiv said we are exploring all the options, there is a limitation on holding also as you are aware so there are some players who are doing very good in that particular segment, we

are doing excellent in this segment, so there could be some partnerships in future. Again, I would repeat a little early to comment on that we are still working on it.

Sudhir Jain: About the gas exchange?

Rajesh Mediratta: Yes, we have almost answered the gas part so actually the cap proposed by PNGRB is 15% not 26%, and we are making our final comments on that. As we have seen in case of electricity 26% is good for anyone who is not member of the exchange so that is I think to do for nonmembers, but we also see that the exchanges should be allowed beyond even 26% because exchanges are very neutral entity so this can be allowed more than 26% and those who are participating on the exchange as members they can be allowed maybe say 5% or maybe if they are also promoters then we can have a different limit so we are just analyzing different scenarios and we will be finalizing our comments and share with the regulator.

Sudhir Jain: So, diluting at this stage, would it not lead to lesser realization for the dilution in the gas exchange?

Rajesh Mediratta: No, one is that we are making our own comments that our suggestions would be not limited to 26% for the exchanges so that is one and then it can allow sometime for coming to 26% so still there is a final regulation to come out, so we do not see this as a final thing so we are just giving comments and see that what is final decision of PNGRB.

Sudhir Jain: Thank you.

Moderator: Thank you. The next question is from the line of Bharani Srikumar from Spark Capital. Please go ahead.

Bharani Srikumar: What I want to find out is the potential 20 billion units in the forward delivery based market that you spoke about right now is it being traded in the bilateral market if I am not wrong?

Rohit Bajaj: Yes.

Bharani Srikumar: So this would be traded by the trading licensees and also it would be part of the direct bilateral contracts between our DISCOMs it will be part of that?

Rohit Bajaj: Yes, so far all these transactions as I mentioned is being done through the DEEP platform and some of these trading licensees are participating on behalf of distribution companies and IPPs so they are representing both buy as well as sell in most of the occasions, but going forward when we are going to launch this it would be done on our longer duration contract platform, which would be extension of the present TAM market, the present TAM

market is about weekly contract, this year we will have monthly contract, quarterly contract and annual contract also and you rightly said 20BU is the transactions that are happening today in the bilateral forward contracts.

Bharani Srikumar: So maybe just an extension of the current TAM market so these trades would be on a continuous basis not on a closed double-sided collective basis?

Rohit Bajaj: So it would not be on the closed double-sided collective basis because that is more to do with spot and RTM, it would be either continuous or there could be open auction sort of arrangements, which would be there, we are also exploring option of introducing reverse auction for forward contracts, so for sure it would not be close double-sided auction it would not be that.

Bharani Srikumar: Because why I am asking is in the double-sided closed auction where the price discovery is better because of the liquidity, so in this case do you still think the price would still be attractive?

Rohit Bajaj: Yes, so what happens is double-sided closed auction is used when the liquidity is very high, when number of participants are very high, but in case of longer duration contracts there would be two, three buyers and 10, 12, 15 sellers, so if you adopt similar thing in those contracts there would be many occasions where there would not be any price discovery at all, so this particular thing will not work, but open auction is something where you have option of revising your price, you can see other party bids as well those are the more efficient way of price discovery in this particular thing and those are also real efficient way. Similarly, the present system that is being followed by the platform, it is about reverse auction so we are also exploring those things so there would be combination of all these things and we would be using all of them.

Bharani Srikumar: My second question is on the real time market and its impact on the current DAM market so if I see the buy bids in the month of June and July in the TAM market of course it is year-on-year down in the same period, we have seen a good response in the real time market so is the real time market in anyway impacting the DAM market?

Rohit Bajaj: Yes, so you are saying TAM right?

Bharani Srikumar: DAM.

Rohit Bajaj: Okay so as you are aware RTM is one market where trading happens just one hour in advance and the nearest market that we had earlier was intraday market where trading happens 2.5 hours in advance so there is immediate impact on our intraday market, our intraday market volume has gone down 80%, 90% of that volume has been cannibalized

into real time market that is a very clear thing, which has happened, but that similar thing we have not observed in DAM in fact DAM we are not ruling out any cannibalization, if some cannibalization is there, it is because when you are trying to buy 100%, sometimes you feel that last 5% may not be required so since now you have more vibrant market, more liquid market so you are shifting some of your quantum in the real time market. So 5% to 10% here and there in a very few states is what we have observed so far, so little early days to comment on that, but intraday market cannibalization is very evident, it has come out very clearly in last two months that is for sure happening.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.

Apoorva Bahadur: Sir wanted to understand on the derivatives side. Have you decided on any margin structure for this contract or it is too early to say?

Rohit Bajaj: It is I would say too early so those things are not yet finalized.

Apoorva Bahadur: Okay, fine Sir. Just couple of bookkeeping questions if you could just help us with the annual fee, which was earned during the quarter and also the breakup between DAM and TAM volume for the quarter?

Rohit Bajaj: So, you are talking about annual fee, the client fee or transaction amount?

Apoorva Bahadur: The client fee.

Rohit Bajaj: So, client fee there is no differentiation between DAM and TAM so if you are registered as a client you are free to participate in any market including RTM.

Apoorva Bahadur: Now the amount of that fee earned during the quarter, total amount.

Vineet Harlalka: During this quarter we had around 4.35 Crores of annual fee.

Apoorva Bahadur: Okay got it and the volume breakup between DAM and TAM?

Rohit Bajaj: So, TAM is normally very less in fact so if I add all TAM volume put together it is little it is about 1 billion unit so less than 5% of our total volume.

Apoorva Bahadur: Total includes RTM as well for one month?

Rohit Bajaj: No, so when I am talking about TAM it is only intraday, day ahead contingency, daily and weekly so which is about exactly 900 million units that we have done in Q1 in the month of

June when we introduced real time market we did 550 million units in one month itself, which is the RTM volume and then the day ahead volume, which you are aware, so put together TAM volume is less than 5% of the total volume.

Moderator: Thank you. The next question is from the line of Bharti Sawant from Mirae Asset. Please go ahead.

Bharti Sawant: Just a couple of clarifications, first of all on the MBED market, any update there? You mentioned that you do not see a risk to market because of market coupling on the existing volumes for IEX, so is it that market coupling and MBED will come together and that should result into overall volume expansion in the market?

Rajiv Srivastava: I think directionally if you ask us that probably is our route, which is probably going to be adopted and if MBED comes and market coupling comes with MBED then you can see that the volumes on the exchange will be just sky rocketing because the stated direction would be all the volumes get to the exchange to make sure what is the most efficient discovery and most efficient dispatch so that is the way it can be the most effective work, but like I said, I think what the Ministry is doing and what we are also helping is, is to make sure that we understand what is the best route for India, what is the best way in which you can make this happen, which country has done what kind of a mechanism and what have been the gains and the losses thereof, so the gives and gets, the updates, all of them is being done right now and on the basis of which they would come out with the most efficient sort of a mechanism, but whichever way you come out with the mechanism you would find that the position inherently supports a huge growth for this sort of a business model, which is the exchange driven business model. So coupling for just doing 4% of the trade, which is happening and has got little relevance because that is already coupled, so that is not the reason for coupling, you would see then the whole operations, we would launch new products, we would make the whole system far more robust and then on top of that we will get to a volume, which is unprecedented so I think that would be the way in which the Ministry would want to go for a plan, which is what I mentioned to you that there is a huge amount of work going in defining the contours of that.

Bharti Sawant: The second question was on the short-term market or the LDC market. So we are targeting currently 20BU market, which is currently addressed by the bilateral players, so what is the kind of product that we would have witnessed in the bilateral for the last five years and do we anticipate a significantly higher growth on the bilateral side or the less than one year market?

Rajiv Srivastava: Look we have not been doing bilateral so we do not know the growth of bilateral on the exchange at all because exchange was not doing bilaterals, we were not allowed to do

bilateral, we did not have a product, LDC is a product which will allow us to do bilaterals now.

Bharti Sawant: I am talking about the overall bilateral market over last five years, not on the exchanges the market that we are trying to address.

Rajiv Srivastava: Yes, maybe Rohit you might answer this, but I can only let you know about one thing that with so many products, which are coming in now and like I mentioned in my opening comment that there is a product of DAM and TAM and long duration contracts and then there is green market and there is RTM and there is DAM green markets coming in. There is a huge range of products which are coming in. Now to take the part as a reference for the future growth of these markets as a starting point, it does not give you enough analytics because over time every buyer would want to play in the whole basket to figure out what is the most optimum and most optimized procurement program for themselves, so each one of them will do that so that would be the way in which the whole buying partners will evolve across the market because right now we are also seeing the same thing happening in the movement of TAM where the RTM has been launched. You are seeing people making trade offs between DAM, TAM and RTM which is what is happening and so they will come to a optimized procurement model and same thing will happen in many, many, more ways and think of it there is a three, four more products getting launched, people will start to figure out what is the most optimized procurement. Let me do hand it over to Rohit to answer this first part of the question.

Rohit Bajaj: Yes Rajiv I will add just two points, so all these markets are required. So there is a requirement of real time market to balance your buy and sell surpluses and shortages, there is a requirement of the market to do forecasting on day ahead basis and then procure, similarly LDC is serving different purpose, which is more of a seasonal deficit so we know that there are different seasons and across these seasons because of the diversity that we have in the country somewhere demand is high and they do not have 100% long-term arrangement for that, so each and every such transition will have its own place and to your larger question of how this market is evolving or how it has fared in last five years so growth of longer duration contracts have been lower than exchanges. So within the short-term market, exchange is the one who has been growing at the fastest pace. After that we had short-term bilateral contracts and third one is deviation which is shrinking so that way it is not growing that fast, but we foresee that in the times to come there would be requirement of longer duration contract and it will stay the growth maybe little less but requirement will definitely be there, hope I answered your query.

Bharti Sawant: Yes, that was helpful. I just have one clarification on the IGX one.

- Moderator:** Please go ahead.
- Bharti Sawant:** Just wanted to check as per the current draft on the gas regulation, no party is allowed to hold more than 15% right?
- Rajesh Mediratta:** Current draft says that, no one can hold more than 15%, right.
- Bharti Sawant:** But when we tell that we will be looking to hold more than controlling stake so we are in discussions with the gas regulator to change on the holding stand otherwise the existing draft gets approved then we cannot hold more than 15% in the gas exchange if the existing draft gets approved?
- Rajesh Mediratta:** You are very right as we have told earlier also that we are very much in contact with regulator so we will make our final comments before that. We will appraise our comments to them, so we are in touch with them.
- Bharti Sawant:** Okay fine, thank you so much Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Puri from Axis Capital Limited. Please go ahead.
- Abhishek Puri:** Dwelling on your previous comments on this price coupling thing, which is already existing in the market how do you protect your turf now given that some of the feedback that we received, they did mention that price discovery has been tough given the liquidity is entirely with IEX especially in the DAM and RTM market so can the other players now enter if the uniform pricing mechanism comes in going forward, so that is question number one and secondly on the transaction margins again the draft regulation speak about separating the three functions which is price coupling operator, the exchanges and then clearing and settlement mechanism, so these three functions are being separated out, so can we still continue to defend a 2 paisa margin and the other functions will get hived off like the European exchanges have, just wanted to check your thoughts on the same?
- Rajiv Srivastava:** Let me take the second question first then I come to the first one. On the separation of the clearing settlement functions from the exchange, look first of all it is done that way across many exchanges in India as well as globally and the unbundling will be linked to facilitating this sort of a growth and from an IEX perspective we clearly see this as a very strong great business opportunity, we run a perfect clearing and settlement process right now, it is flawless, if we were to settle it down as a 100% own subsidiary of IEX we will do that, it is just the functional separation and then what it does Abhishek is and that is a great point. What it does is it allows you to do many other things with the clearing and settlement function including the OTC provider there is a provision which is coming in the PMR it

allows me to explore pretty much other potential business opportunities to set up a clearing and settlement function for anybody else who is setting up an exchange and there would be many such opportunities possible because the commodity trade business in India is at an early nascent stage and it is only going to grow. I think we see that as a tremendous opportunity for IEX to step up and capitalize on such a brilliant provision that the regulator is trying to think of and create so we see that as like it is an absolute progress. On the market coupling front now the reason I said that it is a coupled market right now because the electricity market is currently 4%, we are pretty much all of it give and take a percentage point here and there, so your objectives of coupling in terms of getting an accommodative price that will make sense because you cannot make more than that or your element of getting any more social maximization done again it is all of us so you are getting a complete social welfare maximization that we can get in this. Going forward if the design and the way we are trying to work on the design, it is a design that allows a huge amount of volume to be flushed through the exchanges, which is what the overall design of that I think it will reach the underlying current business in the PMRs and the fact that overtime there would be a talk in the business, if you get all that risk then there is bound to be a tremendous escalation in the volume that have to flow through this mechanism of business model and in that sense there will be more exchanges, there should be more exchanges, there should be more places because you are wanting more efficiency to come into the whole segment, then you are wanting people to go down and do much more work at a business development level, sell more different kinds of products even though innovation might be comprised, but we sell more different kinds of products, you go and sell on the fundamental element of your user experiences all as well so there is a tonne of innovation, which is possible in this whole thing and there will be a huge amount of growth like I said, which is being envisaged and in which case it is a tremendous benefit for everyone all across in the new model, which is going to come in, but like I said I think there is a huge amount of work to be done to get the capacities and come up with a most right sort of a business model a framework which will really deliver for a country like India. There are no models across the world right now where price coupling has been done and volume coupling that I can get. Price coupling is a completely different thing, so we have to make sure that we arrived at the best exchange model.

Abhishek Puri:

Thanks a lot, and all the best.

Moderator:

Thank you. Ladies and gentlemen, due to time constraint we will take that as a last question. I would now like to hand the conference over to the management for closing comments.

Rajiv Srivastava:

Thank you so much. Very engaging sort of questions clearly on the way derivatives, future and forward will come up with the long duration contract coming up second thing based on



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the way the gas exchange will evolve, the ownership pattern, we are aware of that and we know exactly what to do to make sure that we stay in command and control and then the third is about the way in which the PMR is coming out as a precursor to a really huge amount of growth that we can foresee in the market now for this sort of a business model, which is really efficient, which is transparent, which allows so much more money to be retained by the DISCOMs and itself than spending money on costlier generation and costlier power, so I think across all of these and there were other questions too, I am not counting each one of them, but I think all of them are very, very exciting questions, very helpful and I hope you got the answer we wanted to share, and I hope if you have any further questions please reach out to us, we will make sure that every single thing is answered and any other questions taken care of and every query of yours addressed well, but thank you so much for joining us today and stay healthy, stay safe and have a great time.

Moderator:

Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.