Dated: August 01, 2022

The Manager
BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001
Scrip Code: 540750

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
Symbol: IEX

Sub: Transcript of the Earnings Conference call with analysts and investors held on July 26, 2022.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached transcript of the earnings conference call held with analysts and investors on July 26, 2022, at 02:30 pm (IST) to discuss the financial results of the Company for the quarter ended June 2022.

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
Digitally signed by: VINEET HARLALKA
DN: CN = VINEET HARLALKA C = IN O = Personal
Date: 2022.08.01 17:50:09 +05'30'

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

Encl: as above

"Indian Energy Exchange Limited
Q1 FY 23 Earnings Conference Call"

July 26, 2022

MANAGEMENT:	**MR. S.N. GOEL - CHAIRMAN AND MANAGING DIRECTOR, INDIAN ENERGY EXCHANGE LIMITED** **MR. VINEET HARLALKA - CHIEF FINANCIAL OFFICER, INDIAN ENERGY EXCHANGE LIMITED** **MR. ROHIT BAJAJ - HEAD BUSINESS DEVELOPMENT, INDIAN ENERGY EXCHANGE LIMITED** **MS. APARNA GARG - LEAD INVESTOR RELATIONS, INDIAN ENERGY EXCHANGE LIMITED**
MODERATOR:	**MR. SUMIT KISHORE - AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Indian Energy Exchange Limited Q1 FY '23 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. Sumit Kishore from Axis Capital Limited. Thank you, and over to you Mr. Kishore.

Sumit Kishore: Thank you, Michelle. Good afternoon, ladies, and gentlemen. On behalf of Axis Capital, I am pleased to welcome you all for the IEX Q1 FY '23 earnings conference call. We have with us the management team of IEX which is represented by Mr. S.N. Goel, Chairman and Managing Director; Mr. Vineet Harlalka, Chief Financial Officer; Mr. Rohit Bajaj, Head Business Development; and Ms. Aparna Garg, Lead Investor Relations. We will begin with opening remarks of Mr. Goel, followed by an interactive Q&A session.

Over to you, sir. Thank you.

Satyanarayan Goel: Hello, good afternoon, everyone, and welcome to the earnings call for Q1 FY '23. Joining me today are Mr. Vineet Harlalka, our CFO and Company Secretary; Mr Rohit Bajaj, Head of the Business Development; Mr. Amit Kumar, Head of Market Operation and New Product Development; Mr. Sangh Gautam, CTO; Mr. Samir Prakash, CHRO; Mr. Indranil Chaterjee: Ms. Aparna Garg; and Mr. Archit Gupta.

The pace of Indian economic activity continues to remain robust. India witnessed a strong start to the year with the Index of Industrial Production growth at 6.7% YoY in Apr'22 which further increased to 19.6% in May'22, highest since Aug'21.

During Q1'FY23, the Manufacturing PMI increased to 54.7 in Apr'22 as compared to 54.0 in Mar'22 driven by faster expansions in both new orders and output. However, it eased down to 53.9 in Jun'22. The Services PMI increased to 57.9 in Apr'22 as compared to 53.6 in Mar'22 and further increased to 59.2 in Jun'22.

The energy markets during the quarter faced crisis globally. The heat wave in various parts of the world and the war upended the global energy markets. The increase in demand coupled with rising input costs led to high electricity prices. For example: in Australia, wholesale prices rose 2.5 times in the first half of 2022, similarly, in Nord Pool, average wholesale prices for the first half of 2022 were 2.7 times than those of a year earlier, and in Japan average prices doubled year on year in Q2, 2022, caused by increase in prices of imported coal by about 2.5 times and LNG by 2 times.

A similar situation prevailed in India. Electricity consumption in Q1FY23 surged to 401 BU, translating into a 18% YoY growth on account of increased industrial activity and heatwave across the country. However, there were supply side constraints on Exchange Platform. Domestic coal was mainly supplied to PPA based plants to meet demand, availability of e-auction coal reduced increasing e-auction price by 400%. There was a significant increase in both imported coal and gas price. As a result of this generation from imported coal-based plants and gas-based plants also reduced.

The increase in electricity consumption and skyrocketing input costs, led to an increase in the prices on the exchange. The average Day Ahead Market prices increased to Rs 7.7 per unit during the quarter.

As on 30th June 2022, the total installed capacity of power generation in India stood at 404 GW. The renewable capacity at 161 GW, contributes approximately 40% to the installed capacity. The growing contribution of renewable energy is aligned to India's commitment of 500 GW from renewables by 2030 made by Honorable Prime Minister at COP26 Summit held in November'21 at Glasgow.

On the regulatory and policy front, several developments have taken place. A few highlights are: CERC issued order on 7th June 2022, approving the much-awaited Longer Duration Contracts for trading up to a period of 3 months. These contracts are called as Term Ahead Contracts. This will facilitate the DISCOMS to cater their demand for longer duration within the short-term market and optimize their procurement cost. This will increase market share of Exchanges in the overall power market.

CERC issued Connectivity and General Network Access to the inter-State Transmission System Regulations, 2022 on 7th June 2022. This will Streamline transmission charges being paid by the market participants and simplify obtaining transmission access for carrying out transactions. GNA will rationalize transmission charges for exchange transactions and will further promote deepening of markets.

Subsequently on 11th June 2022, CERC issued draft sharing of ISTS charges and losses regulations to ensure avoidance of duplication of transmission charges in collective transactions.

On 6th June 2022, MoP issued Final Electricity Rules 2022 for promoting renewable energy through Green Energy Open Access. As per the rules, consumers with contracted demand of 100 kW and above shall be eligible for green energy open access except for captive consumers. Certain relaxation on open access related charges have been also provided to the consumers. For green open access consumers, there is no additional surcharge and CSS has been capped at 50% for the year in which OA is granted, for a period of 12 years from Commencement of Operation Date. This move will not only incentivize the consumers to go green but also improve participation of these consumers in the Exchange market.

On 3rd June 2022, MoP notified Late Payment Surcharge and Related Matters Rules 2022. The key highlights include: all distribution licenses to intimate the schedule for power drawls on day head basis from the generating company with whom they have the PPAs by 10am and thereafter, the generating company will have the option to sell the un-requisitioned power in the Power Exchange. Same has been captured by CERC in the draft grid code.

If the discoms doesn't establish payment security mechanism or continues to default for a period of 30 days from expiry of the notice, then GENCO's can sell 100% of the power through the Power Exchange. These regulations will help increase sell side liquidity on the power exchange and will be hugely beneficial for market development.

On 9th of May 2022, CERC issued terms and conditions for trade of renewable energy certificates. This will create fungibility of RECs issued irrespective of type of renewable technology and will provide flexibility to the RE generators to sell the power in the green markets or in DAM market and get REC.

These initiatives are aimed at creating an efficient power market and will lead to further deepening of the exchange market in the country.

The quarter begun on a challenging note for IEX, and we witnessed high input cost and capacity outages across the country due to shortage of coal. This led to a reduction in sell side liquidity on IEX. In day ahead market we witnessed purchase bids of almost 25.9 BUs while the sell bids were only 17.3 BUs, leading to an increased clearing price of Rs. 7.7 per unit during the quarter and reduction in clearing volume to 11.3 BU in day ahead market.

Despite these challenges, in Q1 of FY '23 the total volume at IEX stood at 23.4 BUs, a 10% year-on-year increase from 21.3 BU a year ago. The conventional power market contributed 20.6 BU consisting of DAM volume of 11.3 BU, which reduced by 21% whereas the RTM market, the volume was 6.2 BU which increased by 34.5% year-on-year basis and the TAM market volume was 3.1 BU, which increased by 127%. Increase in volume was primarily driven by increase in electricity consumption in states like Uttar Pradesh, Andhra Pradesh, Punjab, Haryana, and Telangana.

The green market segments contributed 1.5 BU and our REC market contributed 11.97 lakh certificates, which is equivalent to 1.2 BU.

I'm delighted to share that on 27th June 2022, we have successfully launched the much-awaited longer duration contracts on the exchange platform. We have introduced any day single-sided contracts, daily and monthly contracts up to 90 days. This will help us augment our presence in the short-term market.

With customer centricity at the core, at IEX, our endeavor has always been to advance and strengthen Exchange technology and introduce innovative products and services to provide the best-in-class experience to our customers.

In this regard during the quarter, we launched the web-based bidding platform to provide our customers anytime, anywhere, easy, and secure access to the trading system. Web-based financial reconciliation for our customer, enabling online and easy way of reconciliation for the exchange-based transactions, and Application Programming Interface (API) facilitating automated bidding in the integrated day ahead markets, and renewable energy certificates market.

I will now briefly touch upon development regarding the gas market and IGX. In Q1 FY’23, IGX traded 4.7 million MMBtu in volumes with record number of trades. This is despite a massive increase in gas prices. On an average, during the quarter, the Platts WIM prices per MMBtu Ex Dahej terminal increased to $32.6 from $9.40 a year ago. Also, we added 4 new members into IGX including OPAL, HPCL, SHELL, GSPC taking the total number of registered members to 30. IGX achieved a profit of Rs 1.15 Cr during the quarter as compared to a loss of Rs 1.52 Cr in Q1 FY’22.

During the quarter, IGX received PNGRB approval to commence domestic gas trading. This approval will lead to new opportunity for sale of domestic gas and price discovery through exchange market besides increasing the sell side liquidity.

It gives me immense pleasure to announce that recently IGX was conferred with the ‘Best Energy Startup of the Year’ award in the non-renewable category at the ET Energy Leadership Awards 2022.

I will now come to the financial and business performance for Q1 FY'23. On a consolidated basis, revenue for Q1 FY '23 increased to Rs. 113.4 crore from Rs. 102.9 crore in the first quarter of the last year, witnessing a growth of 10%. The PAT grew from Rs. 62.1 crore to Rs. 69.1 crore with a growth of 11% on year-on-year basis. The key highlights of Q1 FY‘23 included: IEX achieved 10% year-on-year volume growth across all segments. The conventional electricity market achieved 2% year-on-year growth with a total volume of 20.6 BUs out of which day ahead market constituted 11.3 BU, term ahead market 3.1 BU and real-time market 6.2 BU.

The green market achieved 62% year-on-year growth with a total volume of 1.5 BU, of which the green term ahead market constituted 0.4 BU and the green day-ahead market constituted 1.1 BU. And we traded 11.97 lakh RECs during the year, which is equivalent to 1.2 BUs.

The quarter gone by has witnessed an unprecedented energy crisis. Going forward, we expect the energy crisis to ease with the initiatives taken by the Government and Regulators, an increase in the coal production by CIL and softening of input costs.

At IEX we are now working to commence other market segment such as ancillary market, capacity market, gross bidding contracts and are optimistic about commencing them shortly. In Q1 FY'23, we witnessed a significant 18% year-on-year growth in the overall electricity consumption in the country. If the growth in the electricity consumption continues at a similar pace, we expect IEX to maintain the growth momentum we have seen in the past.

Our endeavor is to continuously innovate, strengthen technology and introduce new market segments and products to help the market participants meet their dynamic requirements. We are also continuously assessing new opportunities to diversify.

With that, I shall conclude by thanking all of you and we will commence with the Q&A session now. Thank you.

Moderator: Thank you very much. The first question is from the line of Mr. Sumit Kishore from Axis Capital Limited. Please go ahead.

Sumit Kishore: Sir, my first question is that month-to-date electricity volumes on IEX in July are down over 10% YoY. HPX started with TAM volumes on 6th July and PXIL has gained some market share compared to previous years in Q1 FY '23. Could you please speak about the competitive landscape, the likely impact of RTM and DAM launch by HPX in coming days? That's my first question.

Satyanarayan Goel: Yes, HPX has started operation from 6th of July with only one segment which is Day Ahead Contingency (DAC) market, a place where you have continuous price matching. In this market, the volumes transacted are lower. If you see, DAC market volume is hardly about 15-16% of the total electricity volume.

Out of that 15-16% they have been able to get almost about 17% of the volume. During the quarter the prices discovered on the exchange platform were very high in the day ahead market, and even with the price cap of at Rs. 12, many of the distribution companies were not able to get power. To avoid that many distribution companies started doing transactions in the TAM market so that they have assurance of getting power on weekly and daily basis, and day ahead basis.

And in the TAM market, as you know, that it is not a price discovery, it is a price matching process, all exchanges are at par and as some of the exchanges had given some promotional scheme, they could get some volume.

But I can tell you one thing that in the first quarter our market share has been almost about 85% and in the month of July, we are maintaining a market share of almost about 89%.

Sumit Kishore: Okay. Just a follow-up on this point, we understand that HPX is also going to launch products equivalent to day-ahead market or real-time market in the coming days and they count among their shareholders entities like Haryana, West Bengal, Manikaran etc Does that mean that, although, you have a dominant market share in DAM and RTM, is it possible that competition can chip away on market share?

Satyanarayan Goel: Let them first launch these products only then we can say anything. PXIL also has both of these products including important market players as their shareholders. Despite that we have been maintaining our market share in these market segments. I would not like to comment anything till we see their performance in this segment. As an exchange platform we must do something that will provide value to our customers, like, innovation, add new products, provide a robust technology platform. And that is what we have been doing. I think in the last two years, the kind of new developments, new products, and new customer centric activities which we have carried out, we should be able to retain our market share.

Sumit Kishore: Fair point. My second question is, what is the pricing discipline that you are seeing by competition? We understand that PXIL has been offering incentives on the RS. 0.04 in term ahead market and REC. Is HPX doing the same? And if at all, is IEX planning to follow suit or are you already providing incentives in RECs?

Satyanarayan Goel: We have no such plan in the electricity market.

Sumit Kishore: Okay. Last question, there has been launch of the longer duration contracts, finally. So what is the initial experience and what is the expectation for the balance fiscal in terms of adoption of the LDCs? Is the financial health of discoms going to be sort of a roadblock in getting them onboard for contracts where they are in the habit of not paying up in the normal payment period? How would working capital work out?

Satyanarayan Goel: See, we launched this long duration contract from 27th June'22, and we are seeing a lot of interest in this market segment. We have done couple of reverse auctions also. But the only problem is today in the market coal availability in the auction space is very less. Last year coal auction was about 28 million tonne whereas this year, it was only about 9 million tonne leading to price in the e-auction market increase by 400 times. The rate which is being quoted by the generator in this long duration contract segment is pretty high at the order of Rs. 6-8. And distribution companies are not willing to enter into a purchase agreement for 2-3 months at this high price because they have apprehensions about the prices coming down.

The day ahead market is the last opportunity for them to buy power at this rate but in the term ahead market, they are not willing to get into contracts at higher rates. Therefore, no transactions have materialized, but we are getting interest.

And as far as the payment is concerned, I don't see any issue. In 2008 when we started our day ahead market at that time also, the financial health of the distribution companies was infact worse than what it is today and at that time also nobody was comfortable that distribution companies will make advance payment, but they did it because they found value in the exchange transactions. So here also in the long duration contracts if they find competitive price discovery happening, I'm sure payment will not be an issue.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good afternoon, sir, and congratulation on a decent set of numbers. My first question is, in your opinion, the late payment surcharge rule to schedule distribution companies by 10am, is this likely to be a very material event in medium-term for our volumes?

Satyanarayan Goel: Yes, I can tell you one thing that this can be a big booster for the day ahead market because if you look at the power capacity of central generating companies, it is almost about 80,000 MW and out of that, the power which is unrequisitioned, even if it is 2-3% then also it can be almost about 20 BU. That's a rough estimate which I made. And if that kind of power comes to Day-ahead market, it can provide a lot of liquidity.

Mohit Kumar: Understood, sir. Secondly on the ancillary market, gross bidding contracts, capacity market, is there any timeline, which you can share with us, when do you think all these three can be implemented? And I understand there is no regulation of capacity market as of now, is that understanding correct?

Satyanarayan Goel: Yes, for ancillary markets CERC has already issued regulations, but that will be implemented after finalization of the grid code, which may take another 2-3 months' time. Gross bidding, we have already filed our petition with CERC and CERC hearing has happened. They wanted us to do the stakeholder consultation which we did, filed our submissions with CERC. So the order is reserved. We are working with CERC for the approval, and we should get approval, I think, in the next couple of months.

And third is capacity market. Capacity market is there in the European market but is a new concept for India. We are working with the Government and the Regulator. As I understand the new electricity policy which is under approval, talks about this capacity market concept and is being discussed to have adequate resource planning in the country. If you want to deepen the short-term market, you need capacity market also in the country. So, this is, you can say, at the concept stage, and it may take some time.

Mohit Kumar: What is the revenue of IGX in Q1 FY '23? Only revenue number?

Satyanarayan Goel: Vineet?

Vineet Harlalka: IGX operating revenue was almost Rs. 4 crore - Rs. 3.9 crore.

Satyanarayan Goel: RS. 3.9 crore.

Moderator: Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

Swarnim Maheshwari: Sir, my first question is, on your Rs. 0.02 transaction fees, CERC had asked you to justify on the transaction fees, so where are we in terms of that?

Satyanarayan Goel: We have submitted our petition with CERC and hearing was held. We are expecting that order should come in another one month's time.

Swarnim Maheshwari: Okay. So the order is reserved.

Satyanarayan Goel: Order is not reserved. One of the parties had requested time for making their submissions and CERC allowed them to make submissions within the next 15 days. They have made the submission so we must now respond to their submissions and after that CERC may hold one more hearing and then they will issue the order.

Swarnim Maheshwari: All right. And sir, where are we in terms of gross bidding contract. You had launched that new product, which is more of the individual level. So how we are progressing on the gross bidding mechanism?

Satyanarayan Goel: See, for any new product, there are many ifs and buts. We filed with the regulator, regulator is also analyzing all aspects of it and asked us to do stakeholder consultation. We discussed with the stakeholders, and they understand that yes, they can get some value out of it.

But looking at the distribution companies, I think only when we implement this product, we'll get some overall response from them. Otherwise they are quite positive about this product. We have filed our submissions with CERC and let's see when we get the approval. Since it's a new concept, it will take some time.

Swarnim Maheshwari: Okay. Can we expect that in FY '23, sir?

Satyanarayan Goel: Yes. We are ready to launch it.

Swarnim Maheshwari: Okay. Sir, in terms of financial question, we have seen there is a sharp increase in other expenses in this quarter. So any one-off over there?

Vineet Harlalka: Mainly there are two factors. If we look at the consolidated number on a year-on-year basis, the increase is around Rs. 2.7 crore. This is mainly because of CSR. As the CSR expenses increased to almost Rs. 2.5 crore. This is our statutory obligation. Last year, it was spread over 2-3 quarters and this time because we incurred these expenses, all were booked.

And secondly if you can recall during the Q1 FY’22, because of COVID second wave, no activities were being taken like traveling, business development and other activities which are now fully functional. These two are the major impact. CSR was the major impact on the increase in cost this quarter.

Swarnim Maheshwari: Okay, sir then my last question, if you look at your cash and cash equivalents including the liquid investments. It's almost up 80%, almost about Rs. 1,250 crore and that's kind of a drag on the ROE as well. I'm pretty sure that there are some security deposits included in that. Even if you were to adjust that's a very significant amount of your balance sheet size now, how do we plan to deploy this? I mean, are we just going to sit on cash or is there some plan over there?

Vineet Harlalka: These are basically the deposit amount or the float which we received for the payin and payout obligation. Because of the sudden increase in the payin, driven by higher prices, this is the float we have to maintain for the payout obligation.

Whatever surplus amount we have is already invested into the FDs and other things. We are looking and taking care of all the investments.

Satyanarayan Goel: We have almost Rs. 670 crore of shareholders' money and out of that we are going to pay dividend which will be about Rs. 90 crore. That will leave almost about Rs. 570 crore with us for which we can look for investment options.

We are working on few opportunities, and diversification initiatives. As and when that materializes, we'll use the money for that. We also need, maybe Rs. 150-200 crore for our day-to-day operations.

Moderator: Thank you. The next question is from the line of Nikhil Nigania from Alliance Bernstein. Please go ahead.

Nikhil Nigania: My first question is regarding power supply. As you mentioned, supply has been less than the demand in the exchange in the first quarter, and going forward, if you see most of the power plants coming up are either on the thermal side, - either NTPC state government plants or in the private side, they are renewable power plants, which are typically locked in PPAs. Given that, how do you see the exchange sustaining strong volume growth going forward, given the future supplies being locked in PPAs?

Satyanarayan Goel: On exchange platform there are two types of sellers. One is distribution company themselves selling power because they have surplus on real-time basis depending on the demand and supply position, and there are cases when they have PPA, capacities, in excess of their demand. If the exchange clearing price is reasonable, they sell power on the exchange platform. In fact, last year the sales by distribution company was more than 50%.

And then we have generating companies which sells power. On the generation side also, we have almost about 10,000 MW capacity available through the merchant route.

Earlier, even imported coal-based power plants were participating because the imported coal prices were lower. That is another 10,000 MW capacity. So, capacity wise I don't see any challenge. Only problem is, now e-auction rates and imported coal prices have increased that is why generating companies are selling power at higher price leading to higher clearing prices on the Exchange and the clearing volume is also slightly lower.

Nikhil Nigania: Got it. My second question is on the competitive landscape, this question came up earlier regarding transaction charges on the exchange from the competition. On this there was one filing by the Hindustan Power Exchange to CERC requesting for permission to give volume linked discounts in transaction charges. And please excuse my understanding, what I could see is even IEX had filed the request for liberty to charge anything up to Rs. 0.02 on the platform. So how do you see this evolving and going forward if PTC were to give volume linked discount to its customers?

Satyanarayan Goel: You said the PTC starts giving volume discount?

Nikhil Nigania: PTC's exchange, Hindustan Power Exchange, yes.

Satyanarayan Goel: Okay, that is Hindustan Power Exchange. I think you should correct that. That is not PTC Exchange that is an exchange which is promoted by BSE, PTC and ICICI.

Nikhil Nigania: Correct.

Satyanarayan Goel: And PTC is not trading there because PTC cannot trade there as per the regulations. Anyhow, so coming back to your question, see they are a new exchange, they are giving promotional discounts. I don't know how long that will continue. As per the market reports I understand they intend to give for the first 21 days and after that for the three months maybe some further discount. We don't want to get into this. We will continue to maintain our transaction fees, what we have been charging. And I think the values, which we provide to the participants, we will continue to work on that and I'm sure that will help us in retaining our market share.

Moderator: Thank you. The next question is from the line of Ankush Agarwal from Surge Capital. Please go ahead.

Ankush Agarwal: Sir firstly, can you talk about the derivative segments like when should we expect that? Would it be once we get substantial volume on long duration contracts or will it begin without that?

Satyanarayan Goel: Derivative contracts will be launched by the commodity exchanges.

Ankush Agarwal: Yes, but since we have partners, we would have some expectation as to when it would be launched.

Satyanarayan Goel: There is a joint working group, and they have to approve that contract because we have a spot market in electricity so that contract should not have any adverse impact on the spot market and particularly during this kind of turbulent conditions. I think it will be approved in the next 2-3 months and we may see derivatives in electricity market. That should also help increase volume in the long duration contracts as that will provide some visibility to the market participants.

Ankush Agarwal: Sir secondly, on the overall pricing thing, would it be possible for you to share what kind of transaction fees Hindustan Power Exchange is charging currently?

Satyanarayan Goel: For what?

Ankush Agarwal: My question was, would it be possible for you to share what kind of lower transaction fees Hindustan Power Exchange is charging currently?

Satyanarayan Goel: I understand they have issued a circular and my colleague, Mr. Rohit Balaj will respond to this.

Rohit Bajaj: So their transaction fee is the same. They have approval to charge Rs. 0.02 on either side, but they have come out with promotional schemes, wherein for the first 21 days, they are giving complete waiver. It is going to end because they started on...

Ankush Agarwal: Complete waiver?

Rohit Bajaj: Yes, 21 days it is complete waiver. And then for next 1-2 months, they are giving some 10-20% sort of a discount on the transaction fees. This is what we understand.

Ankush Agarwal: Okay. So for first 21 days there is no transaction fee and then for next 1-2 months, there will be 20% discount?

Rohit Bajaj: Something like that. 10-20% discount over transaction fees.

Ankush Agarwal: Okay. So, sir, historically based on PXIL, what kind of effect we have seen this play out? Does that attract volumes like historically based on the PXIL would have given such kind of discount, have you seen that attracting volumes?

Rohit Bajaj: No. Other exchange has also adopted this practice in the past and they have restarted their day ahead market multiple times but we have been maintaining very decent market share and we hope that the kind of value that we are providing to our customers, the kind of liquidity we have, kind of participant base we have, kind of robust pricing that we have, these are the elements which are more important than these small discounts that other exchanges are considering.

In the past also, they could not succeed because of this and going forward also we are hopeful that we would be able to maintain our market share and won't have to cut down on the transaction fee.

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

Bharani Vijayakumar: My first question is on the market share you had mentioned, 85% in the first quarter and 89% in the month of July. I presume it is in the TAM market. Am I right, sir?

Satyanarayan Goel: Our share is almost about 85% in the first quarter for all products taken together. We have electricity market consisting of DAM, GDAM, RTM, TAM, GTAM, everything to consider.

Bharani Vijayakumar: Okay. And in TAM you had mentioned the new entrant had garnered around 17%.

Satyanarayan Goel: Yes, that is on the DAC. In TAM also there are multiple products like intraday, day ahead contingency, daily contracts, weekly contracts but they have only launched day ahead contingency market and in that they have 17% market share.

Bharani Vijayakumar: Okay. Coming to our sell bids in Q1 FY'23, can you share the proportion of sell bids from discoms and gencos separately for this quarter and the same quarter last year?

Satyanarayan Goel: Yes, the sell bid from discoms were about 56% and from generator about 44%.

Rohit Bajaj: This was last year.

Satyanarayan Goel: Okay. This year, from discoms it is 46% and from generator it is 54% because there was a high demand with discoms.

Bharani Vijayakumar: Yes, obviously the supply situation was tight so discoms did not have surplus power. Okay. And on the buy side what is the percentage of open access, sir?

Satyanarayan Goel: Open access volumes have reduced significantly and is just about 4% now which is the industrial consumers and then another 6% by the captive industries like Vedanta, Arcelor Mittal, and Balco like that. So you can say total about 10%.

Bharani Vijayakumar: Okay. This obviously because the prices have increased so.

Satyanarayan Goel: Yes.

Moderator: The next question is from the line of Ankur Agarwal from Phillip Capital. Please go ahead.

Ankur Agarwal: Thank you for the opportunity. Just wanted to check, about the sell side liquidity issues that you mentioned during the quarter, if you can share some developments compared to the previous quarters and what was the situation during this quarter and how do we see it evolving? Because coal availability issues were there also earlier and now probably going forward, we could probably see continued availability issues there. So how do you see the situation over the next couple of quarters panning out?

Satyanarayan Goel: This situation is continuing, only thing is because of monsoon, the demand has reduced due to which the clearing price has come down. But on sell side, the price being quoted by the generators is high as the purchase cost for the coal is quite high. So when they buy coal at e-auction price, the variable cost is itself about Rs. 5 plus for them. And that is why on the sell side, we are still seeing challenges.

Ankur Agarwal: And sir these are mostly the imported coal-based plants?

Satyanarayan Goel: No, these are all domestic coal-based plants. Imported coal-based plants, variable cost is Rs. 8 plus side.

Ankur Agarwal: Okay. And over the next quarters we do see some volume impact coming because of…

Satyanarayan Goel: See, the production of coal has increased. So coal stock position also has improved now. Maybe most of the states and generating companies are keeping coal to meet the demand of the month of September, October the two critical months. But thereafter I'm 100% sure that the supply situation will improve, and you will see good liquidity on exchange platform.

Ankur Agarwal: Okay. And Sir, second question was on the employee expenses on a sequential basis, we saw a significant decline. Is there any particular reason for that or is there any dynamic that you would like to share on that? Thank you.

Vineet Harlalka: If you look at it on a year-on-year basis, there are two factors which are declining. Last year numbers included IGX manpower. Now, IGX numbers are not consolidated on the balance sheet basis, being an associate company. So that impact is of around Rs. 1.5 crore.

And secondly, there are some structural changes into the CTC structure, some impact was there during the June quarter last year. And overall, this year because of few attritions, the cost was lower. These are the impacts on year-on-year basis. And if you look at the quarter-to-quarter comparison, the decline was because there's a onetime expense of the variable pay adjustment during last year which was booked during the March quarter.

Moderator: Thank you. The next question is from the line of Lavanya from UBS. Please go ahead.

Lavanya Tottala: Sir, I just wanted to know your opinion on implementation of market coupling and MBED. Do you see any potential implementation of market coupling without MBED happening?

Satyanarayan Goel: I haven't heard this topic in the market from the last 7-8 months. This story is over. Nobody is talking about it now.

Lavanya Tottala: Okay. Both MBED and market coupling, right?

Satyanarayan Goel: You see market coupling makes sense only when MBED is implemented. And that is how the discussion paper of the Government of India which was issued also mentioned that the first phase of MBED where the generating stations of the CPSUs were covered, that was without market coupling. And based on the experience of Phase I implementation if they want to extend it to the state also, then maybe market coupling can be considered. But even Phase 1 itself is difficult to implement. Under the kind of situation which took place in the month of March-May, world over energy markets are under review. Australia, they suspended the energy market operations for two weeks. UK, they are relooking at the market design now.

In India, our situation was much better, mainly because we had almost about 85% of the demand through the PPAs. So there was no abnormal increase in the cost. I think our market model from that point of view is working very well. We have to slowly increase the liquidity in the short-term market so that market participants also get used to that.

Lavanya Tottala: Got it. One more thing on long duration contracts, sir. There is a difference in price discovery of long duration contract. So can you just help me understand how is it different from our traditional previous term ahead price discovery?

Satyanarayan Goel: In the term ahead, we had matching contracts also and open auctions also. Now in the term ahead market, the matching option has been discontinued by CERC. So it is going to be only open auction. And another concept is now reverse auction. Reverse auction, the way the prices is discovered on the DEEP platform. The same mechanism is also now being approved for exchange transactions for longer duration contracts.

Lavanya Tottala: Okay. Thank you. If I may squeeze in last question, what is the open access users' volume contribution previously as now it is around 4% is what you highlighted. How was it before when situation was normal?

Satyanarayan Goel: I think it was about 12% last year during the first quarter.

Lavanya Tottala: Okay. And captive?

Satyanarayan Goel: Captive were around 4-5%. See, captive come to the market because if they are not getting coal, then they come to the market. Last year, the coal supply situation was not bad so captive contribution was less.

Moderator: Thank you. The next question is from the line of Sri Karthik V. from Investec. Please go ahead.

Sri Karthik V.: A question, can you tell us, our market share in the DAM and RTM segment for the quarter? Thank you.

Satyanarayan Goel: In the RTM segment, we practically have 100% market share, and in DAM it is 99%

Sri Karthik V.: Also sir, on the stakeholder stance on MBED, if you could help us understand where does NTPC, the Government of India and CERC stand with respect to how they're thinking about the implementation? That's all, thank you.

Satyanarayan Goel: I told you, from last one year I have not been hearing anything about MBED. There are many issues involved in implementation of MBED. And the first thing is the consent of the states. From what I understand, most of the states are not in favor of MBED because at present it is the state who has to arrange the supply of power to the consumers of the state. Under MBED, it becomes a central despatch system and states will have no control. Under this kind of situation there will be many states who have supplied power but under MBED maybe they will not be able to supply that kind of reliable power because their share will be taken by somebody else. As of now, there is no discussion on MBED, and I don't think it will get implemented.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Sir, on the Slide 35, you have mentioned about the late payment surcharge rules where before 10 a.m. we have to schedule power. So what's holding it back? I mean the rules are already notified. So what steps are required for this to get implemented now?

Satyanarayan Goel: See the scheduling of power happens as per the CERC regulations only. Rules issued by Government of India has been considered by CERC and in the draft grid code they have included this provision that distribution companies shall give their draft schedule by 9 o'clock.

Dhruv Muchhal: Okay. So once the draft code is confirmed only then these rules will be enforceable?

Satyanarayan Goel: Yes. You're right.

Dhruv Muchhal: Okay, got it. And sir this is in the draft stage right now. So after that is the public hearing and then the final regulations will come. Is that correct?

Satyanarayan Goel: Yes.

Dhruv Muchhal: Okay. And sir the second question is on the LDC market design, so you mentioned currently I believe for TAM market you're following the open auction mechanism. And you are also planning to implement a reverse auction as per CERC. And sir currently the DAM market is what design?

Satyanarayan Goel: For the TAM market, we have already implemented the reverse auction. And we have also carried out couple of reverse auctions. For the DAM market, it is a double-sided closed auction.

Dhruv Muchhal: Okay. But sir isn't the regulator allowing double-sided closed auction in LDC market?

Satyanarayan Goel: Double-sided closed auction is effective in a market where there is a very high liquidity. In case of DAM market, we have almost about 800 participants participating where you have more than 200 generator sell side participants and 600 buy side participant. So there is effective price discovery which can take place. If you adopt this kind of a model in a long duration contracts where the participant are 2-3, then price discovery will not happen. So that is why open auction is normally adapted for that kind of a situation. Open auction or reverse auction.

Moderator: Thank you. The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

Ramesh Subramanian: Can you share some thoughts on how your gas exchange is performing, and how you see the gas trading volumes pick up effectively given that gas prices have gone up sharply compared to last year, how do you see that impacting volumes and how do you see the prospects for the volumes here over the next, two, three years?

Satyanarayan Goel: See, under these difficult conditions, gas exchange I will say has done very well. Their volume during the last year has increased every quarter and they did almost about 1.20 crore MMBtu and we did a turnaround in the first year of operation itself. So that was a wonderful thing, I must say. And now also, you know the gas market conditions. Inspite of very high price of $30-35 inspite of the fact that LNG import is not happening in that big way, still they are doing decent volume and in the first quarter, have made a profit of Rs. 1.15 crore, after meeting all the expenses.

July month also, so far they have done good volume. I'm sure there is good opportunity in the gas exchange. And I personally believe that if the gas prices come down to $6-7 which used to remain earlier, then the opportunity for the gas exchange is as big as what we are doing in the electricity exchange.

Ramesh Subramanian: That's very interesting. So if you had to extend this to the energy saving certificate and India's progress towards green transition, how do you see your power exchange and gas exchange together playing an active role in terms of helping both the generator as well as the users of LNG use trading to meet their renewable energy requirement also develop and offset mechanism where they are falling short in terms of reducing the carbon emission objective. So is there any thought process on that? Can you give us some thoughts on that?

Satyanarayan Goel: Can you repeat your question and tell me what exactly you want to know about that?

Ramesh Subramanian: Yes, so in terms of your own perspective on the role Indian Energy Exchange can play both in the power trading as well as gas trading. As we move towards green transition, you're talking about energy saving certificates in one of your slide. In terms of the longer-term role you can play in the country's transition towards green energy.

Satyanarayan Goel: Okay. I'll tell you. Number one, Government of India has now a target of almost about adding 500 GW renewable energy by 2030. And lot of work is happening in that area. We are also interacting with many IPPs, many developers for setting up renewable generation capacities through the market mechanism and we are getting a very good response from them. So that is one area.

Second area is even the carbon market is also getting a lot of traction. And renewable energy certificates and the energy saving certificates, which are now being traded, Government is thinking of stopping transactions of RECs and ESCerts and then they will create a carbon market where these certificates will be converted into carbon credits. And there is going to be a mandatory carbon market for that. In fact, Bureau of Energy Efficiency is working on that and we are closely in discussion with BEE on these issues. So as and when opportunity is there to launch the carbon market, we will launch that. We will be the first to start that market.

Moderator: The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Yes, sir, one clarification. Do you think in carbon market, IEX or exchanges will have exclusive role to play, or do you think it will be open to the OTC markets also?

Satyanarayan Goel: Can't say. I mean it depends on what kind of market design is Government adopting. So it all depends on that.

Mohit Kumar: Okay. So when do you think the clarity will emerge on this carbon trading market?

Satyanarayan Goel: By this financial year end something should happen because Government is working on formulating rules of the game. And BEE also has appointed a consultant now to work on the market design.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: Sir, when will exchange have new MD or Chairman as both post held by same person.

Satyanarayan Goel: I couldn't get your question.

Ravi Naredi: Sir exchange has CMD, one person only. I would like to know when the Chairman or MD will be separate as new exchanges are coming and new aggression is needed in IEX?

Satyanarayan Goel: Your suggestion is that we should separate the Chairman and Managing Director position.

Ravi Naredi: Yes. Previously it was separate only. When the MD resigned, you have taken over the Chairman cum MD. That is my point.

Satyanarayan Goel: Yes, see, I'm sure you are aware why it happened because after my first term of the MD, I was continuing as the non-Executive Chairman of the company. And since the MD resigned suddenly, so to ensure continuity of the business I took over as the CMD of the company. We are working on the succession planning and company has a plan for the new MD also.

Ravi Naredi: Okay. Yes. And with this new exchange coming, what strategy we are making to compete with them?

Satyanarayan Goel: See, as I told you as an exchange, we have to provide value to our customers. We have to innovate, launch new products, understand the requirement of the customers and design the products to meet their requirement. We have to continuously interact with them, understand their problems, suggest them, tell them how exchange can provide benefit to them. And that is something which we are doing.

If you look at the developments which have taken place in the last two years, the kind of new products which we have launched on the exchange markets, our customer centric initiatives which we have done, technology platform the new developments which we have done on this platform. My colleague, Mr. Amit is here, and I'll request him to brief about some of the initiatives which we have taken.

Ravi Naredi: Okay.

Amit Kumar: Yes, thank you. So we have launched multiple initiatives to improve the experience that customers get from our platform. Some of the key ones have been automated bidding through application programing interface. Then, with this platform, financial reconciliation through web-based systems, auto carry forward of bids from one segment to another so that it reduces the manual effort to transfer bids from one segment to another. These are some of the important customer-centric initiatives that we have implemented, and many more we are working upon to ensure that customer experience with our platform continuously improves and they get best-in-class experience with our platform.

Moderator: Thank you. The next question is from the line of Ankush Agarwal from Surge Capital. Please go ahead.

Ankush Agarwal: Sir, can you talk little bit about in terms of the pricing that we're looking for the gross bidding contracts? Will we always maintain that there will be some discounts we will be offering? So can you talk a little bit about that? And also, with this discounted pricing that we will do in the gross bidding, do you think that will open up situations wherein the end clients of IEX would be looking for the same kind of pricing in the other segments as well?

Rohit Bajaj: Yes, we have mentioned in the past that when the gross bidding thing will be introduced we might have a different pricing for that. We have not yet decided because it is still little away from implementation. Approval is awaited from regulator. Once we have the approvals, we will do.

Just to answer your second question where you have raised concern if you are going to give discounting price in gross bidding then in the real electricity segment also there could be pressure on the pricing. I don't think that will happen, because when we are asking anybody, in fact, when we are convincing any distribution company to go for gross bidding, we are asking him to put buy as well as sell on our platform. Today, what they're doing is they're placing their bid on net basis. So how much deficit they have or how much surplus they have, they place bid only for that.

When we are requesting them for gross bidding, then they are placing their sell also and corresponding buy also they are placing at our platform. So we cannot treat both the things at the same level. We have to differentiate, and we don't think that it can cause any impact on our regular pricing on the different electricity segments where we are trading now.

Ankush Agarwal: Yes. Sir, the thought over here is that I had overheard that this gross bidding is basically volume-based discount. Someone who is taking much more volume and liquidity, so we'll be providing discount. So the thought over here is in the regular market if there is some clients, so something like NTPC or all that, who might have a very large volumes, something like PTC, who brings very decent volumes to our exchange. In that case, maybe they might also be of the thought, since we are also bringing a lot of volume, shouldn't we also qualify for some kind of discount?

Satyanarayan Goel: We are not talking about anything volume-based discount. To give you an example, if today a state has 25,000 MW PPAs. And the demand is 20,000 MW, and out of the 25,000 MW, maybe the 22,000 MW capacity is available, what we are saying is, if your baseload demand is 18,000 MW, for the rest of the 4,000 MW sell you put on the exchange platform and 2,000 MW buy from the exchange platform. Exchange will do the optimization for you.

And out of that in the particular time blocks, so if he has sold 3,000 MW and bought 2,000 MW, that means on net basis, he has sold 1,000 MW. So for this 2,000 MW which has been sold by him and bought by him, the price will be different. But for this 1,000 MW which has been sold by him, the price will be normal price, which we are charging. So it will be basically based on this concept. I don't think this has any linkage with the volume-based discounts.

Moderator: Thank you. The next question is from the line of Ankur Agarwal from Phillip Capital. Please go ahead.

Ankur Agarwal: I just wanted to come back to the sell liquidity issue, I mean, right now we are seeing some structural increase in the electricity demand in India in terms of the peak demand that we have seen jumping over 210 GW. There is no new thermal capacity going to come online, I mean limited thermal capacity going to come online over the next 5-10 years and we are focusing more on renewable. So, are you seeing any structural issues with the sell side liquidity that we foresee going into the future? And how do you see that panning out, I mean, with limited thermal capacity getting installed?

Satyanarayan Goel: Yes, this year, there were a few challenges, partly because of non-availability of coal and very high price of imported coal. But it was felt that whatever coal-based capacity we have, that may not be enough to make the peak load demand going forward. What I understand that some of the new projects are being taken up now. Very recently, I read in the newspaper NTPC has awarded 1,320 MW new plants and they are working on couple of more plants.

Rohit Bajaj: See, the PLF that we have recorded in the first quarter is about 59% and this is 10-years high PLF. We have never seen this kind of PLF in the past. And last year this number was only 54%. So still a lot of capacity which is available, which will be utilized going forward as the demand will increase. And if you refer to any of the system operator report, NLDC report, you will find that any given day more than 50,000 MW capacity is non-operational. It is not available because of various reasons.

We feel that there is some capacity still available, there is a lot more capacity, which is going to come, more than 30,000 MW capacity will get commissioned. More than 10,000 MW is merchant capacity, which is available in the country where the utilization level is very, very low. These plants are not operating because the prices most of the time are not conducive.

So what we feel that as price pressure will be there, prices will start to rise, more and more of this capacity utilization will start and it will increase. Yes, going forward, 2-3 years down the line, we might see some short fall depending on how our demand will increase. But in the near to medium term we really do not see any major shortfall in the demand. We have sufficient capacity available.

The present crisis that we have seen, it is mostly because of coal. The coal prices were high, imported coal prices were high, many of them were not able to buy at that price. And second thing was, certainty is also not there because when you import coal, it takes about one month by the time you start getting coal and you are not very sure whether after one month also the same price would continue. I think these are some of the factors which has caused this disruption. And with the Government measures, the coal production has increased now, the supply to the IPPs have also increased. We are hopeful that in times to come, the situation would be much better and supply side constraints will be eased out.

Ankush Agarwal: Yes, sir. You're absolutely right about the supply side constraints. But the demand side also we have seen a structural shift, I mean, because earlier there used to be a peak demand of somewhere 180-185 GW and now that has jumped to over 200 GW. Of course, I mean, the summer heat wave had something to do with that, but we are also seeing some increase in the peak demand. Is that fair way to look at it also?

Satyanarayan Goel: So when the demand was 211 GW, even at that time also, we had some capacity which was not operating.

Ankush Agarwal: Right.

Satyanarayan Goel: So as of now for the next couple of years, I don't see any challenge in that. And as Mr. Rohit mentioned that there is already some capacity, which is under construction, which will get commissioned and maybe some new capacity will be taken up. So government and CEA they're all working on all these things.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Sumit Kishore from Axis Capital Limited for closing comments.

Sumit Kishore: Yes, thanks a lot to Goel sir and the whole management team at IEX for patiently answering all questions. Sir, if you have any closing remarks at this point?

Satyanarayan Goel: I would like to thank each one of you for being part of today's call. During the quarter we have witnessed a lot of initiatives announced by the Government and the Regulator towards creating a favorable policy and regulatory environment to transform the energy sector. We remain committed in doing our bit towards facilitating India towards building a sustainable and efficient energy future.

Thank you, friends, and I look forward to our next interaction with you. Till then, wish you all good health and thank you.

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

Sumit Kishore: Thank you.