Dated: **October 30, 2019**

The Manager
BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001

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: BSE- 540750; NSE- IEX

Subject: Transcript of the Conference call with analysts and investors relating to Financial Results of the Company for the quarter ended September 2019.

Dear Sir / Madam,

Please find enclosed herewith transcript of conference call with analysts and investors held on Friday, 25th October, 2019, at 12:30 pm (IST) for discussion the financial results of the Company for the quarter ended September, 2019.

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For **Indian Energy Exchange Limited**

Indian Energy Exchange Limited

Vineet Harlalka
Company Secretary & Compliance Officer

Encl: as above

"Indian Energy Exchange Limited
Q2 FY2020 Earnings Conference Call"

October 25, 2019

ANALYST:	**MS. PRANJAL JAIN – AXIS CAPITAL**
MANAGEMENT:	**MR. RAJIV SRIVASTAVA – MD & CEO – IEX**
	MR. VINEET HARLALKA – CFO – IEX
	MR. RAJESH MEDIRATTA – DIRECTOR - STRATEGY– IEX
	MR. ROHIT BAJAJ – HEAD - BUSINESS DEVELOPMENT - IEX
	MR. SAMIR PRAKASH – HEAD - HR & ADMINISTRATION - IEX
	MR. INDRANIL CHATERJEE – CRO - IEX
	MR. AMIT KUMAR – HEAD - MARKET OPERATIONS – IEX
	MR. GAUTAM SANGH, CHIEF TECHNOLOGY OFFICER – IEX
	MS. SHRUTI, HEAD CORPORATE COMMUNICATIONS - IEX
	MS. APARNA GARG – LEAD INVESTOR RELATIONS - IEX

Moderator: Ladies and gentlemen, good day and welcome to the Indian Energy Exchange Limited Q2 FY2020 Earnings 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 Ms. Pranjal Jain from Axis Capital. Thank you, and over to you Madam!

Pranjal Jain: Thanks Ali. On behalf of Axis Capital, we welcome all the participants for the Q2 FY2020 earnings call of IEX. From the management, we have Mr. Rajiv Srivastava, Managing Director and CEO, Mr. Vineet Harlalka, Chief Financial Officer. So we will start with the opening comments from the management. Over to you Mr. Rajiv!

Rajiv Srivastava: Thanks so much. Good afternoon. Welcome to the earnings call of Q2 FY2020. Pranjal introduced Vineet as our CFO. We also have other management team leaders with me over here. Rajesh Mediratta who is the Director and also a Leader for Strategy and Business Diversifications, Rohit Bajaj who is our Business Development Leader, Samir who heads our HR and Administration and Indranil who is our CRO, Amit Kumar who heads our Market Operations, Gautam Sangh who is our Chief Technology Officer, Shruti who heads Corporate Communications and Aparna who leads Investor Relations Practice. On the call we will today cover a general industry update, IEX business and financial performance, and then open it up for interactions with you all.

Let met begin by reinforcing that our unique proposition of bringing electricity to India on a 24/7 basis in a most competitive transparent, flexible and reliable way is what we have been aspiring towards and we have done this by ensuring availability of competitively priced power to distribution companies and also to commercial and industrial consumers through the technology platform that we use for electricity trading.

We have stayed on course with respect to this uber objective of ours. The average market cleared price discovered in Q2 2020 is Rs.3.16 per unit which is 18% below the price in the same period last year, so that is a significant move forward in providing a very competitively priced power to every consumer across the country.

We are also pleased to announce that in line with our objectives of business expansion, our Board of Directors approved the incorporation of a wholly owned subsidiary of IEX to undertake the business of developing a gas exchange in India and we will share more details on that as we go forward but is just starting to take shape.

Let me give you an industry update as well. On the industry front, the energy consumption growth and the growth in peak demand during the quarter was subdued at 1.6% and 1.1% respectively. Now this is on account of a few things that are taking place in the market. One clearly is the larger macroeconomic scenario in the country specifically manufacturing and you are all aware that the index of industrial production growth at negative 1.1% in August 2019 has been the lowest since November 2012. RBI also made a downward revision to the GDP and depending upon different analysts and different agencies, the GDP growth will be in the range of 6% give or take a few percentage points here and there. Then also there has been a change to the weather pattern in the country. Climate change is clearly disrupting rainfall patterns and increasing the frequency of extreme weather events. You would know India witnessed the wettest September in more than 100 years, which led to a huge amount of hydro-generation and the hydro-generation in last quarter Q2 went up by 9% during the quarter.

Also, on a macro level, the power sector in India has been witnessing huge transformation. Many progressive initiatives towards achieving the vision of power for all on a 24/7 basis in the most affordable ways and delivering as a country on our commitment to the Paris agreement of 2016 of increasing the share of green energy mix, and now towards that objective of increasing the share of green in energy mix, our renewable capacity increased by 13% YoY in September 2019 up from 72GW to 81GW this year.

The total installed capacity of the industry increased by 4.6% YoY to reach 362 GW. You will also know that the government has been extremely emphatic in trying to focus and address the challenges surrounding the ecosystem, which are the financial rejigging and the Discom distress. The Power Ministry has setup an expert group headed by a special secretary to chart a course for deepening the power markets in India and appointed a very strong consultant to suggest ways to bring alive the power market by identifying voids in the current system, so that is a very, very positive move forward.

Then there have also been regulatory measures, such as issuance of draft methodology for allocation of coal to merchant thermal plants by the Ministry of Power in August 2019, a framework for real time market, which is expected to come into force soon. Proposed long duration contracts, which again should become a reality within this financial year, and all of these should accelerate the development of exchange market in our view. These are just a few and there are many other measures that the government is taking along with us to make sure that the power market deepens just the way should.

Let me move on and give you a synopsis of our financial and business performance. Our overall revenue for the quarter, Q2 2020 is up 4.7 points YoY to Rs.78.7 Crores versus Rs.75.2 in Q2 2019. Our EBITDA stayed at a healthy 64.5 Crores with an EBITDA margin of 82% and that is up from 60 Crores last year. Our PAT shows a very healthy figure as well and it is up 14.4% YoY at Rs.48.8 Crores and the PAT margin is at 62%. Overall a robust financial performance.

Let me also give you a bit of color on the business performance. The total electricity volumes traded on the exchange went up by three points YoY in Q2 2020. The company has really had a very robust TAM performance and the volumes in the TAM space have gone up. TAM is a term ahead market. These volumes have gone up by 425% during the quarter and really, the increase has been led by an increase in weekly contracts, daily contracts and weekly contracts initiated by a few states - the southern states, which have seen a very strong support of requirement to trade on TAM basis. REC volumes, which are the renewable energy certificate volumes, have been severely impacted due to lack of inventory and just to give you a little statistic from that, Q2 2020 was 1.3 billion units of REC versus Q2 of 2019, which was 3.1 BU so there is a fairly significant, very sharp drop in the REC space and that is how the overall volumes get impacted.

I also want to give you an update on our new product launches. I had mentioned a few earlier. We are working towards launching new products, which will help us address new market segments and also new opportunity areas with the same customers so that is a positive thing that is happening right now and we are working towards launching cross border trade, launching long duration contracts, and real time products within the fiscal year and also working with the ministry very strongly to think of how to bring alive a green market in the country.

Let me sum it up. The competitively discovered prices on our platform enable the distribution companies and other consumers to optimize the cost of procurement and also bring in a much needed, and a very strong competitive position for our commercial and industrial consumers because any amount of money saved on procurement of power flows directly to the bottom line, so it is a, very positive and a powerful statement when you can discover the prices to be as aggressive as they have been in the recent times and translate that to industrial and commercial consumers for them to benefit from this to the bottomline, which then gets utilized for capacity expansion and much more jobs to the labor market.

With prices remaining subdued in this fiscal year there has been ample liquidity from the sell side as well and we are optimistic about improved open access volumes in the second half of 2020. We are intensifying our efforts on marketing and sales - physical expansion of our business development capabilities and capacities and undertaking some serious campaigns to make sure the messaging outreach is very strong and intense, and the sales campaign gives us the volume growth that we think is possible in the market.

That in a way sums up our Q2 FY2020. We will continue to focus towards growth like I said earlier through the expeditious launch of new market segments and products and also making sure that as we work on that, the short term market continues to expand and we continually work towards the vision of 24/7 power for all, making that a reality and making sure that our discovery continues to be as aggressive so that everybody can benefit from the transparent and competitive pricing that happens through our platform.

Let me stop here and that is what we wanted to cover with you from a summary perspective and let me open for questions. Like I said earlier, I have got my entire management team so we can take on any questions please.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sujit Jain from ASK Investment Management. Please go ahead.

Sujit Jain: Good afternoon gentlemen and a Happy Diwali to you all. Sir earlier the narrative of this company was that we will shift towards real time opportunities in the market and offer real time products. If I read the annual report now you are talking about long duration contracts. We had also spoken in the past about DSM mechanism and some of those units coming to us so where exactly is the strategy headed and how much of the DSM, which got traded, about 25 billion units in FY2019, in FY2020 first half how much of the DSM units we have been able to grab?

Rajiv Srivastava: I will give you the answer to the first part of your question and I will ask Rohit to answer the second part of the question. I did mention that the real time market regulations are out. The government has mentioned the date of January 1, 2020 as a launch date to start trading on the real time basis, so there is absolutely no change to that strategy. In fact, it is a continuation and is getting real now because there are specific time lines for the ministry to start launching. We are ready. From our development of the product perceptive and I am sure you understand this that once the regulations are done you have got to make sure that you create an appropriate contract to facilitate ease of trade on the exchange technology platform. Our work is totally ready. The work with the government is almost done and the government has a date of January 1, 2020 to start this, so on the real time market there is absolute consistency and continuity in the strategy and let me hand it over to Rohit for the second part of your question.

Rohit Bajaj: Sujit, you are right in saying that. In fact our focus was always on the spot market and anything, which is near to the real term, so as Rajiv said we are going to launch real time market and that focus has not changed. Only one thing we have realized is apart from this spot market there is a sizeable amount of opportunity available, which is 30 to 40 BU, which is being traded in bilateral also. By longer term we mean this is longer term within the short term, which is about two, three to four months contracts. What we are planning is till the time this market is there and we believe that this slowly will shift towards the spot market, but till the time this market is there we want to be present in that segment also. We are working on longer term market and we are hopeful that next two, three to four months we will have something in place. We will be also trading in that segment. Your other question was about DSM. What we have seen in the DSM - most part of the year, H1 I am talking about, demand was not there so when demand is not there over drawl is also very, very minimal. Because over drawl is less, DSM volume is also less, but yes we have seen in the month of July and August when we saw demand increase, our volume also increased by 20%, there was a lot of conversion, which happened from DSM to spot market. Those numbers are not readily available with me, but yes in the month of September or some other month where there is no demand then there is high hydro available the conversion has not happened. I think I have answered your first question.

Sujit Jain: Just to continue on DSM, how much of the percentage roughly would have come to us if we can have any idea?

Rohit Bajaj: Sujit, so what is happening is DSM price has been linked to exchange price and now people do not have any benefit from over drawl from grid, so this is what we have been discussing in the past also and this was one reason that we have been telling that shifting will happen. The government is also working on it and they realized that there is some DSM, which is coming at a very late moment, which is very close to real time. Suddenly demand has increased and since the overall renewable is increasing this uncertainty is increasing and it is coming to close to real time. Some shifting is happening. If you ask me I will put only 10% to 15% number there, but more shifting will happen when we will have real time market in place. If you draw from DSM, then there are various slabs available when you are penalized for overdrawing. If you are overdrawing more then you are charged up to 100% premium on the DSM prices. So that conversion will happen and real time would be the market, which would be able to capture major part of the DSM volume.

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

Mohit Kumar: Good afternoon Sir. My question is on the status of the new products across categories and when you say that, I would like to know the timelines, which are possible in the near term especially in the six months?

Rajiv Srivastava: The three products real time, long duration and cross border all of these should become a reality by the end of this fiscal year. We have been extremely diligent and working very hard in making sure that there is a readiness from the regulator side but also more readiness from the side of our technology infrastructure to be able to launch these products. The volume of these three markets is a fairly significant number. It is bigger than what we do today from an overall volume perspective. It is a huge market out there for the three products. The reason I did not mention green TAM is because we are not sure that the green TAM will happen in this fiscal year or not because there is lot more work to be done in the green TAM, but those three products that you spoke of they should become a reality in this fiscal year.

Mohit Kumar: How does the margin profile we should think about in all the three products? It will be similar, or it will change?

Rajiv Srivastava: When you do long duration contracts there could be some other way of looking at the margins and we will see how that evolves because there is an opportunity and there are many ways of trading. The contract types of long duration are very different from the contract types you do in the other ones, which is real time market and the cross border because cross border is like the way you are trading right now, so their margin profile should not change at all. Real time market should not change at all as well. It is only in the long duration contracts because it is between two determined parties and then you will have to make sure that you are absolutely aligned with the market is. As the contract types evolves, we will have to deal with that, but otherwise we do not see margin profile changing at all.

Mohit Kumar: Sir the last question, how has the open access behaved for you in the last H1 FY2020 and do we expect it to pick up going forward given that the prices have come down significantly at the exchanges?

Rajiv Srivastava: Let me give you a broad answer and then I will request Rohit to chip in here. One of the big changes between last year and this year have been the traction in open access and one of the things you would have probably anticipated or expected with the kind of price discovery that is taking place now, instantly feeds into a growth for open access because the power price becomes favorable towards the exchange for them to buy and hence it starts to feed into open access. We have seen our open access volumes grow significantly in this year over the last year and we expect that to continue with the liquidity on the exchange becoming better. Liquidity has a direct context to the price discovery, so as liquidity increases, and price discovery goes down and it becomes so much more favorable for consumers and customers to start to buy more of open access so that is the logic or the rationale for why we are seeing a pickup in open access volumes. Rohit you want to comment on exact numbers?

Rohit Bajaj: Mohit, within open access we have two segments, one is CPP where their own generation is their first preference. Now the second set of consumers are these industries where they do not have captive generation and even if they have captive generation that is costlier. If we see overall open access in H1, overall open access grew by 9%. If I remove this captive power plant those who were buying last year on account of coal shortage, which was not sustainable, then in H1 open access volumes grew by 25%. If I talk about Q2 where our prices have corrected by close to 18% this number is more than 50% so in Q2 we saw a growth of over 50% as far as the core open access industrial commercial consumers are concerned so we are seeing this is as very sustainable and we are very hopeful that this number is going to grow and today open access is contributing more than 30%, which was less than 25% or close to 20% last year, so significant growth and sustainable that we are seeing and this should continue in a very good way going forward.

Mohit Kumar: Thank you Sir. That is good news. Thank you.

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

Shaleen Kumar: Good afternoon gentlemen. Thank you so much for the opportunity. My first question - if you can discuss a bit more about real time market, so what exactly is required now and where we stand and what is required from CERC? This is my first question?

Rajesh Mediratta: See, in real time already the draft regulations were issued by CERC and the public comments have been received, and they will be finalizing the comments after considering all the comments, so only that part is pending. Otherwise on the readiness from our side we will be ready by the end of this calendar year, so we will be ready to launch this market from January 1, 2020.

Shaleen Kumar: Please correct me if my understanding is not right, is it not that we are supposed to have a common technology platform for this to happen and that is one thing we needed for that?

Rajesh Mediratta: You may be confusing with NOAR that is National Open Access Registry for which it may take a bit of time because the RFP has been floated by POSOCO and they are finalizing the vendor for developing this registry and maybe it will take six months time post award of the contract. That will go in to may be next financial year. RTM will not be held up for NOAR and that is what CERC has agreed that we will launch real time market without waiting for NOAR because for the capacity booking part that can be managed by POSOCO without having NOAR in place.

Shaleen Kumar: In real time market what would be the time lag between closing of the window to the actual dispatch?

Rajesh Mediratta: It is one hour. Like our trading window will have to close one hour before the delivery starts and we will have a trading window of 15 minutes and post that we will share our results with POSOCO and our market participants and they will be able to broadcast it may be 15 minutes before, but we will able to convey about you can say 45 minutes before the delivery, the information will flow from us to participants so they will be able to make themselves ready to dispatch or take power as per the schedule. We will close the window one hour before. We will take 15 minutes. So in 45 minutes before the delivery starts we will share this information that whose transaction has been successful that will flow through all the participants and also to NLDC and RLDC and SLDC and NLDC will finalize their schedules, but may be they will be able to send it 15 minutes before, but from our side the message or information will flow to all the participants 45 minutes before the delivery.

Shaleen Kumar: How about the money transfer in this case? It will be instant, or participant must deposit up front for it because it will take 45 minutes for receiving the information and transfer the money and then final dispatch of the delivery?

Rajesh Mediratta: All this will happen through a very sophisticated system of settlement accounts and we will see that enough money is available in their settlement accounts and the transfers from their account to our account will happen post transaction is cleared by POSOCO, so we will need upfront margins from the market participants at the time of trade. If they are able to trade say some quantum for one particular hour or half an hour the total requirement will change for the next half an hour so whatever margins they have provided to the exchange based on that we will clear their bids.

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

Apurva Bahadur: Thank you so much for the opportunity. Sir just curious about this increase in preference for TAM what has changed?

Rohit Bajaj: TAM, we have worked in two distinct phases. We have intraday market, we have weekly market, and we have contingency market. What we have seen is intraday and contingency is increasing because of more renewable energy in the system, because renewable energy has high variability and as and when distribution company realizes that they have some shortages, last minute shortages, they tend to participate and buy more. We have also seen lot of traction in the weekly market as well because sometimes what happens is distribution companies when they procure power through DEEP platform under bilateral, we try to convert them to the spot market, so some distribution companies get converted directly into the spot market. Some take time and in between they want to try weekly market also because this gives them an opportunity to buy power in fixed quantum for week as a whole so once or twice, they buy there, and they start comparing their prices with the spot market and then they try to shift to the spot market also. So, we have seen traction in all the segments and overall growth.

Apurva Bahadur: This is basically more from a bilateral to exchange conversion sort of in between steps?

Rajiv Srivastava: In some of the cases yes.

Apurva Bahadur: Sir apart from this also with the stress that the distribution companies are going through and lot of it being written in the LC mechanism and everything, are you seeing any increase in load shedding because in the government's portal URJA, in July there has been almost a doubling of the declared load shedding, so now from your viewpoint are you seeing an increase in load shedding incidence?

Rajiv Srivastava: This was implemented from August 1, so it is not related to it. Load shedding has not increased as far as we are concerned. It is not related to LC and the second thing is it has not impacted us also because there are handful one or two entities, which have been barred and they have been barred because they do not want to buy power. As and when they want to buy, they will make LC and then they start buying so we have also not seen any less participation on account of LC being in place.

Apurva Bahadur: Sir you are going to provide some update on the gas exchange, you have incorporated a subsidiary so how long should it take and what sort of products could we see?

Rajiv Srivastava: Let me answer that. Early days on gas exchange. Ground reality in gas is a very potential opportunity and if you go to the market sizing of gas in the way gas trading takes place in our country the quantum and size of the market, you will realize that it is as big a market as electricity if not bigger and as we speak now we are in a situation, which is similar to when we started electricity trading 10 to 12 years ago as long as that. Our view has been that the sector is right for a facilitation of a trading mechanism. So, the intervention of making sure that there is an efficient market, the bidding takes place just at that level you will find that 50% of the gas is indigenous, which is in India for India and the balance 50% is all imported. The readymade market for gas would be fertilizer, the city gas distribution system, some industry including power producers as well being the key consumers. Overall you will find that the conditions right now are conducive to making sure somebody facilitates this and I am glad we are the ones who are taking the market lead in this aspect and the market fundamentals are strong and the size of the opportunity is pretty large and that excites us.

Rajesh Mediratta: We are now in touch with the gas regulator. We are in discussion with pipeline operators and the market participants from the gas sector and we are trying to evolve the market models and also the products so as we see now similar product profile can be very useful for the gas sector, we can have a date, daily, weekly, fortnightly and monthly so we can go up to a month contract and we found that currently if we provide a delivery based contract for beyond 11 days that would also be possible for the gas exchange so that is what we are working on now.

Rajiv Srivastava: At a very fundamental level you will find that the drivers of the business are a little different. The trading modality are similar. The drivers of the business could be a little different and hence we would make sure that we will tune the contract types to what the drivers of the business are to maximize and that is what we are trying to do here.

Apurva Bahadur: Perfect. Sir if I may squeeze in one more, just wanted to understand, so a large chunk of our growth till now was driven by growth in overall electricity market and then long-term PPAs not being signed, but now over the past two to three months we are seeing that the overall growth has slowed down and in cases in the past two months there have been a decline so in that case how do you see your growth for this year and going?

Rajiv Srivastava: It is a very pertinent question and that is something that is extremely critical for the larger macroeconomic picture that is going on. We have had growth in the recent times. We have had growth over the last three years and the way we are structuring ourselves and the way we are trying to strategize our outreach right now and the way we are trying to configure our teams, the way we are trying to launch and think of new products and we are getting very aggressive about making sure that our new products reach. I see every reason for that. We have got to make sure that we are obviously calibrating ourselves to the larger macro picture or GDP, manufacturing, all those activities have a relevant impact on the rest of the market, but we are dealing with it at two levels. One we are obviously aligning with calibrating ourselves, but we are also in the process like I said earlier of launching many new products. These new products do two things to us. They expand our addressable market, which means we are finding new customers to sell to, completely new segment of market, which is opening up to sell to and the second because of these new products they find space in the portfolio of existing customers. So the same customers will have a propensity or a desirability to procure more from us, so we are addressing. There is a larger picture through which we are addressing and that is one, which is happening and the second is something, which we are controlling ourselves, which is completely through new products, signing new market segments, finding new customers, finding new consumers and these products are all like I said have potential. They are a size of company right now.

Rohit Bajaj: I will just add one line here. What we are seeing in the recent months like August and September there was drop and this was more due to agriculture low demand. Agricultural demand had taken a beating because of heavy monsoon. This has happened after a long time. We still believe that this growth will continue. If not five and a half to five numbers would definitely be there. The government is taking a lot of initiatives. We are trying for 24/7. We have done Saubhagya. We are also eying industrial growth. Industrial input will also grow. Considering all those things in place this is sustainable. Growth will happen. We can leave aside these few months where we have seen some beating on account of some external factors.

Rajesh Mediratta: For the next five months we were negative and that is what this year we are very hopeful that there will be a good growth in the next five months November onwards.

Apurva Bahadur: On your competitor exchange there was some media reports that they are almost about to launch anytime now so do you have any visibility on them, by when you could expect some competition?

Rajiv Srivastava: We need competition clearly. I wish we were living in a noncompetitive world but let me answer that question and I think this was a similar question raised in our first quarter analyst call as well. We want more players to come into the exchange industry and there is a very strong fundamental underlying reason to why we think this space deserves more competition. We are the only ones today who seem to be on the bandwagon of fighting the battle, trying to expand the market segments, trying to expand trading to the exchange and doing this when the benefits are so intensely visible to everyone. From a transparency, from a competitiveness perspective, cost of power and flexibility, everything in the system and when you get a little more player into the market and when you get a little more competition into the market, all of us will work towards expansion of the trading market. Now the trading market today is four points and if the short-term market is 11 points, if two or three or four people come in and that 11 becomes 15 or 20 or whatever goes up, everybody is going to benefit and we will benefit as well. I think I am very comfortable with the competition coming in, I really want that so our entire effort is one, we are mindful of the competition and so are going to do things right from our company perspective, which you can be sure we are at multiple levels, but we also got to make sure that we are doing everything to expand the industry as a whole, which is a big effort right now. Our effort is expanding the industry and build in the competitive differentiators, which allow you to always stay ahead of the course. That in a sense is a two pronged strategy here.

Moderator: Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: Good afternoon. Thank you for the opportunity. I just needed a clarification whether the long duration contracts that you mentioned would be similar to the volumes of the bilateral market that is taking place in the short term market ?

Rajiv Srivastava: It is just the same here.

Lokesh Manik: Effectively with the two new products the real time and long duration you would be effectively competing with DSM and the bilateral if I am correct on that front?

Rajiv Srivastava: Yes. DSM is not going to compete. It is just trying to take through you and so it is a good situation. The competitors are the bilateral volume.

Lokesh Manik: That is, it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Drashti Shah from Investec. Please go ahead.

Drashti Shah: Thanks for taking my question. I have three questions. First is how do you guarantee delivery of electricity to the buyers in case the seller does not full commitments especially from an open access perspective? The second is you spoke about open access could you please elaborate the progress with regards to various states and the third what are the sort of balance sheets risk that we monitor?

Rajiv Srivastava: Rohit, will you take the first and then I will have Vineet the last one the balance sheet risk?

Rohit Bajaj: Your first question was about how we guarantee, what we are doing is as you know market is open at 10 in the morning and then the published final schedules are filed in by evening. Once the final schedules are published our job is over. Now all these regional load dispatch centre and state load dispatch centers will publish these results and the consumer is aware how much unit he has to draw from the grid. So open access consumer typically have supply from their own distribution company and parallelly they are also buying from exchange to take advantage of the lower prices. What they do is, some part they are buying from exchange and some other part they are drawing from grid, so the quantity that has been scheduled they will draw and they will pay to exchange and for the remaining part they pay to the distribution company. Whatever decisions are there on account of distribution companies, they will settle it with the distribution company. So there is no risk on that front. Whatever final schedules are there they have to abide with and they have to follow that schedule. They have to meet those schedules.

Rajesh Mediratta: I think we should clarify the part like if sellers are defaulting electricity system, is a bit different from others. I do not know whether you are taking reference from gas. Here in this case if the seller is defaulting it means that he is not able to deliver, then he pays his deviation charge to the system operator, so we will connect with the state, then he handles then the system operator in the state like SLDC, settles with him the penalty for the deviation or the imbalance created by him. If he is connected to the interstate grid then the RLDC comes in, it is totally independent. In case SLDC schedules are issued to seller is to be maintained by seller and scheduled issued to the buyer needs to be maintained by buyer and if the seller is defaulting there is no impact on the buyer. I hope I am clear and the next part of the question Rohit.

Rohit Bajaj: The second part was where we are increasing the volume. These states are Gujarat, Haryana, Tamil Nadu, AP, Telangana, and Rajasthan here regulations are favorable, charges are also not very high and we are seeing increase in participation coming from particularly these states. Over to the Vineet for the last part.

Vineet Harlalka: Regarding balance sheet risk - if you look at the exchange financial model, we do not have debtors default risk or any of the borrowings risks. The main risk from our balance sheet side is the investments because of the spread and the funds that we have put into the investment, looking at the NBFC structure and prices it is going on so we are monitoring very strictly all our investments and it will be quite careful in where we are parking out money. All are AAA, government funds, so we are ready to compromise on the return, but not on the quality of the portfolio what we carry, so other than that I do not see as on date any critical risk on the balance sheet of the company.

Drashti Shah: Thank you Sir.

Moderator: Thank you. The next question is from the line of Aniket Mital from Motilal Oswal. Please go ahead.

Aniket Mital: Thank you for the opportunity. Sir two questions from my side. Firstly, if I were to just have a look at your volumes last year, in October we actually saw a large support in volumes because of coal linking and other issues so post that lot of these Discoms have been trying to sign medium term contract and medium term PPAs and there is also a pilot scheme? Sir do you think there is shift in Discoms that they are trying to avoid a situation where they want to rely on the exchange market at the end and try and sign more longer-term contracts and how does the signing of such medium term PPAs affect you? That is my first question. Sir second question is you generally provide a breakup between the transaction fees and the admission fee for the quarter, so if you could provide that breakup for this quarter?

Rajesh Mediratta: On the first, this bidding was conducted somewhere in March 2019, so it is over seven months now and not even a signal contract has been signed. Price discovered in this bidding was about Rs.4.41 paisa and all the states are aware of our prices and they are constantly working on that and analyzing the difference so wherever we have gone, we have discussed with distribution companies. They are finding it extremely high and this is one reason nobody has signed it so far and we are not seeing that many states are going to defer this or going to sign this medium-term contract.

Vineet Harlalka: Out of the Rs.67 Crores of the total operating revenue, almost Rs.62.8 Crores is towards the transaction fee and Rs.4.5 Crores towards the annual and admission fee.

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

Mohit Kumar: Sir one question on the ES certificate volumes I think we are expecting in H2 am I correct and what kind of volume is possible in the next six months?

Rajesh Mediratta: We hope that the PAT cycle trade may start in the last quarter, so in Q4 this volume we are expecting, and we have budgeted something like 5 lakh ECERTs in this financial year.

Mohit Kumar: But we remember the number in the last fiscal and last PAT cycle was 11.5 right?

Rajesh Mediratta: It was 11.5 lakh ECERST were traded.

Mohit Kumar: Why is this number so low? Is it because of the inventory is so low?

Rajesh Mediratta: This is not the total cycle. We expect to start somewhere in the last quarter. We are not sure whether it will start in January or February because indications have not come from them. For that we are taking only part of the total ECERT volumes in this particular year.

Rajiv Srivastava: So overall number is expected to be much bigger than what we did last time, but since we are not sure whether it will happen in Q3 or Q4 or it might overflow to next year as well, so that is why some part of that we have considered in Q4.

Mohit Kumar: Sir one more question on the cross-border contract why it is held up till now? Is there regulatory issue or is it market making issue or why is it taking so much time?

Rajesh Mediratta: This is still regulatory issue because there is a procedure for approving the cross border entities who will be able to participate in the Indian market and that procedure is to come out from CEA that is Central Electricity Authority and that needs approval from the ministry and we are awaiting the approval from the ministry for final procedures, so that is the only part pending today. Otherwise on the exchange side we are fully geared up to handle this new segment.

Mohit Kumar: Thank you.

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

Dhruv Muchhal: Sir on the real time market earlier another issue was the gateway, so do you think that will handle or that will take some time?

Rajesh Mediratta: It is sort of handled. The market model which they prepared about a year back when it was 100% only a paper where they were talking about the model itself they have made certain corrections so initial model was this market would be one hour. It would be on hourly basis four time block, so now they have reduced it to 30 minutes, which is two time block to address some of the concerns, which are related to gate closure, but the entire thing is still not covered in that, but I think the initial feelers that states are more or less okay with this and since the correction from 60 minute to 30 minute has been done they are sort of accepting it and we are expecting it to start very soon. Because of the Discoms concerns on the gate closure, which they said that right to recall should be very close so that part for taking care of that part only they have made it now half hourly trading. Earlier they thought that will trade 24 times in a day and for each one hour and for each 15 minutes in one hour. Now they are reducing it to half an hour. The purpose was to take care of the concerns of the distribution company on right to recall period.

Dhruv Muchhal: Sir the gate closure will not be a hurdle for the entire market?

Rajiv Srivastava: No. It should not be.

Dhruv Muchhal: Sir on the longer duration contracts I believe less than one-year contracts so I was just wondering how does the settlement happen, does it happen on a daily basis once you launch it? Also how do you differentiate versus DEEP because I was just thinking DEEP gives the Discoms an option that you can pay after say 60 days or 30 days, but in your case they will have to pay upfront, so why would a Discom want to shift to you?

Rohit Bajaj: We have various contracts in fact. One would be like DEEP also. We are thinking and we are also working on contracts, which are like our weekly contracts, so these are more standard contracts where you can have a high participation coming from both buyer side and sell side. I will give you one example. Suppose you are aware that there is a contract available for procurement of power for the month of December and it is going to close on this particular day so you will have participation coming from various sellers as well as various generators as well as various distribution companies. This is not happening in the platform. It is more of a RF through sort of a thing where one distribution company is placing their bid and then multiple generators are coming and the price is being discovered and reverse option is done and then these are executed. So ours would be more of a standardized contract and standardized product similar to what we have in our weekly market and globally also if you see it is like this only. More standardized and more liquidity. This is how it happens. Now your second question was whether the settlement would be done on monthly basis, no. In our case, it would be done on daily basis. We will take an advance, but that would be one day in advance. We will not ask them to make payment for 30 days in advance. They will make payments for only day in advance and on daily basis settlement will be done and then the value would be because there will be no financing cost. There will be no risk because today you have seen that various distribution companies when they come to DEEP the price discovered for all these distribution companies are very different, where their credit worthiness is not good they get very high prices. Some other distribution companies like Gujarat they get low prices. When you are coming to exchange you are treated at par because the entire risk is being absorbed by exchange, so exchange is taking responsibility of paying to the seller and then the value would be reflected in the lower price that will be discovered at the exchange.

Dhruv Muchhal: For instance there is an overanxious customer and he pays some additional charges because of these additional surcharge and infrastructure and other things and so say for example gone for a long-term contract I mean less than one year contract and there is a change in the regulation so who bears that risk? Is it on the customer itself or that is on you for sure?

Rohit Bajaj:: Not really. What happens is in all those contracts the price discovered is at regional beneficiary and we are responsible for that price only. All those charges are to be borne by respective whether it is generator or Discom their side of charges will be borne by themselves.

Dhruv Muchhal: Got it and Sir lastly a small thing. Your employee cost has increased quite a bit, so should this be the rune rate I should assume about Rs.8 Crores a quarter broadly increasing about 5% to 10%, but broadly in this range?

Rajiv Srivastava: I think what we are going to do is and you will find that we are trying to launch a much more robust technology and we need to make technology investments, which have got a people context to it as well. As we are trying to launch these new bid types four new contracts coming in, we have to make sure our coverage is also that adequately covered. You will see a spike in our resources in the business development side as well and then to manage the contracts and the technology piece, we have to have operational people, so you will find there will be a spike in the employee cost just because of the new business lines that we are trying to get in to there.

Dhruv Muchhal: Over the year about 20% odd to 30%?

Rohit Bajaj: It will be in the range. What is the percentage Vineet?

Vineet Harlalka: Right now the employee cost is almost 50%.

Rohit Bajaj: From a growth perspective I think 30 is a higher level, but it will be probably lesser than that.

Dhruv Muchhal: Got it. Thank you so much.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for their closing comments.

Rajiv Srivastava: Thanks so much. This has been extremely, extremely nice, good questions, well rounded and you had all the right pointers to where our growth strategy looks like and I hope you did get a good sense of where we are headed, where we are thinking about growth and how we are trying to capitalize on the growth momentum as we go forward and how we are trying to engineer growth. One is the growth is available and you could take it. Secondly you could create growth for yourselves and I think you must have got a good sense of both of these dimensions. There is growth and we are trying to engineer ourselves through investments in our resources, through a huge amount of investment in technology side and that is a nutshell is how are trying to think about our business. Thank you so much. I know this is a festive week going ahead. A very, very Happy Diwali to everyone on this call and to your loved ones, I am sure you will have a wonderful celebration, nice, happy, healthy, prosperous and safe Diwali to all.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Axis Capital that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.