



**Dated: May 10, 2019**

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Corporate Relationship Department  
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**The Manager  
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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 and Year ended March 2019.**

Dear Sir / Madam,

Please find enclosed herewith transcript of conference call with analysts/investors held on Tuesday, 30<sup>th</sup> April 2019, at 2:30 pm (IST) for discussion the financial results of the Company for the quarter and financial year ended March 2019.

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For **Indian Energy Exchange Limited**

**Vineet Harlalka  
Company Secretary & Compliance Officer**



Encl: as above



“Indian Energy Exchange  
Q4 FY2019 Earnings Conference Call”

April 30, 2019



**ANALYST:**

**MS. PRANJAL JAIN - AXIS CAPITAL LIMITED**

**MANAGEMENT:**

**MR. S N GOEL - MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – INDIAN ENERGY EXCHANGE LIMITED**

**MR. VINEET HARLALKA - CHIEF FINANCIAL OFFICER - INDIAN ENERGY EXCHANGE LIMITED**

**MR. AKHILESH AWASTHY – DIRECTOR (MARKET OPERATIONS) - INDIAN ENERGY EXCHANGE LIMITED**

**MR. RAJESH KUMAR MEDIRATTA – DIRECTOR (BUSINESS DEVELOPMENT) - INDIAN ENERGY EXCHANGE LIMITED**



*Indian Energy Exchange  
April 30, 2019*

**Moderator:** Ladies and gentlemen, good day and welcome to the Indian Energy Exchange Q4 FY2019 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, 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. Pranjal Jain from Axis Capital. Thank you and over to you madam!

**Pranjal Jain:** Thank Raymond. On behalf of Axis Capital, we welcome all the participants for the Q4 FY2019 earnings conference call of Indian Energy Exchange. From the management we have Mr. S.N Goel, Managing Director and CEO, Mr. Vineet Harlalka, CFO and Mr. Rajesh Mediratta, Director (Business Development) and Mr. Akhilesh Awasthy, Director (Market Operations). The call will be initiated with a brief management discussion on the earnings performance followed by a Q&A session. We now open the floor for the opening remarks from the management and over to you Mr. Goel!

**S N Goel:** Thank you Pranjal and good afternoon to all of you. To begin with I would like to share highlights of the quarter and financial year ending March 31, 2019.

During FY2019 the increase in electricity demand in country was very well reflected on the exchange platform. All India generation increased by 5.3% from 1303 BU to 1372 BU and IEX electricity trade volume increased by 13% on year-to-year basis. Electricity volume traded on IEX platform was 52 BU with increase of 13%. In Q4, electricity volume traded was only about 10.88 BU with a decrease of 9% on year-to-year basis. Although during Q4, 2019 energy requirement of the country increased by 2%, but DISCOM procurement was less on exchange platform because of the increase in hydro and renewable generation by 18% and 19% respectively. Also, extended winter in the northern part of the country resulted in lower demand.

This Year, 23 solar generators comprising a capacity of over 1072 MW are registered and sold solar energy through DAM on the exchange.

During this financial year on 27 times, daily volume traded on DAM was more than 200 MUs and all time high DAM trade of 306 MU was achieved on September 28, 2018. On an average, 137 MUs per day was traded on DAM in FY19 with increase of about 12% on year-to-year basis. In the TAM market, volume traded in FY19 was 2105 Mus, 53% increase over 1373 MU traded in previous financial year.

In REC market, about 89.56 lakhs RECs were sold in comparison to 93.29 lakhs RECs in the previous FY with a decrease of 4%. REC volume could have been significantly higher, but inventory was not available in the market.

The buy bid on the exchange platform increased by 15% during this year in comparison to the last year. Almost all DISCOMs are active on exchange platform and have contributed almost about 78% of the IEX volume in FY2019. In FY19, DISCOMs buy have increased by 29% on year-to-year basis. We operated practically in congestion free market in FY2019. DAM realized one nation one price on 214 days and we lost only about 0.9% of the volume traded on IEX platform because of congestion in transmission system.

Our average, market clearing price during FY19 was Rs.3.85/unit with an increase of 18% w.r.t corresponding period last year of Rs.3.25. The major reason for increase in price was quantity of coal offered for e-auction was 27% less in comparison to last year, as a result e-auction coal price was 83% higher than coal index notified price on Y-o-Y basis. In FY18 the quantity of e-auction coal was 84 MT whereas in FY19 it was about 61 MT only. Also, imported coal price continued to be higher during this year.

IEX have dominant market share of about 98% of traded volume in electricity and diverse registered participant base of more than 6400.

The country has achieved almost 100% electrification under Saubhagya scheme, which will further contribute to growth of electricity demand and volume growth on exchange platform.

Further government and regulator have taken up many initiatives to deepen electricity market.

All India coal based power generation increased by 3.6% whereas domestic coal production increased by 6.6% on year-to-year basis. If this trend continues, improved coal availability will result in increase in thermal generation and availability of power for sell in the market.

GoI approved the recommendations of the high level committee constituted for revival of stressed power assets in the country. One of the recommendation is coal linkage to power plants without PPA for selling power on Day Ahead Market of the exchange.

Ministry of Power issued cross border trade guidelines allowing transactions through power exchanges and CERC has also issued regulations for the same. CEA is expected to issue shortly procedure for facilitating cross border transactions on exchange platform.

More stringent penalty under DSM. CERC linked deviation penalty for unscheduled interchange to IEX price. Earlier at 50 Hertz base price was Rs.1.78 but now the price at 50 Hertz frequency has been linked to the exchange price. At lower frequency, the price is much higher. This will be a deterrent for the distribution companies and they will now plan their power procurement more efficiently. A part of the over-drawl should shift on the exchange platform.

CERC had issued guidelines for National Open Access Registry which will act as a single point interface for all stakeholders and help to streamline open access applications and clearance

process. It will significantly reduce the processing time of contracts traded on exchange by facilitating gate closer time reduction from three hours to one hour.

CERC has also issued staff paper proposing real time market by introducing hourly auction contracts and for delivery in the next hour. This will help DISCOMs manage their deviations particularly due to high renewable generations more efficiently.

These policy and regulatory updates are expected to have a far reaching impact on power exchange market in India.

Now moving to financial highlights.

During Q4 2019, total revenue was 67.84 Crores with an increase of 8% with respect to Q4 of 2018, which was 62.86 Crores. Total expenses during Q4 FY19 was 14.80 Crores with increase of 1% with respect to last year expenses of 14.63 Crores. EBITDA margin during Q4 FY19 was 83% with respect to 81% of Q4 FY18. PAT during Q4 FY19 was 37.85 Crores with an increase of 20% with respect to 31.45 Crores of Q4 FY18.

For FY19 total revenue was 294.16 Crores with increase of 15% with respect to 256.07 Crores in FY2018. Total expenses in FY19 is Rs.62.41 Crores with increase of 11% with respect to 56.08 Crores in FY18. EBITDA margin during FY19 is 83% in comparison to 82% during FY2018. PAT for FY2019 was 165.04 Crores with increase of 25% with respect to 131.69 Crores in FY2018.

Now we can have questions please.

**Moderator:** Sure, thank you very much. We will now begin with the question and answer session. The first question is from the line of Shaleen Kumar from UBS Securities. Please go ahead.

**Shaleen Kumar:** I was looking at CERC data for January and February, but one thing I noticed that the trader volume has grown and DSM there is a big jump, which is a little counter intuitive considering the penalty has increased from January 1, 2019. I just wanted to pick your mind over here it is something that state DISCOM did not realize it what was the reason and if there is something some anomaly in that and also if you can get some update on April how is the April month for you?

**S N Goel:** On the first point, there has been increase in the bilateral transactions mainly because of the election time, as many of the distribution company had done bilateral contract to procure power much in advance. As far as UI transactions are concerned, under DSM regulation, one provision is that the price at 50 Hertz frequency has been linked to the exchange price and secondly if there is continuous over-drawl for six blocks then distribution company will have to reverse the over-drawl to under-drawl for next six blocks otherwise there is a high penalty. We understand many of the distribution companies have taken measures to reduce the over drawl but because of high

penalty rates, DSM penalty amount is higher. CERC has now issued a discussion paper to revise this clause of change in over-drawl and under drawl every six time block as DISCOMs have approached them for revision in clause. I am sure distribution companies will be able to do the better power procurement planning.

**Shaleen Kumar:** What would be the impact of that revised paper is it positive or negative of the CERC I have not seen the paper?

**S N Goel:** As far as exchange is concerned, we are neutral to the revised draft. Only thing is that DISCOMs will not have to do drawl changeover from over-drawl to under-drawl and under-drawl to over-drawl after every six time blocks to avoid huge penalty

**Shaleen Kumar:** And any update on this current month how this has been for you April?

**S N Goel:** Current month is just okay. In April-19, there was no significant increase in volume because of extended winter. The temperature in the first 20 days of April was not high. Also, there was no significant increase in demand due to election.

**Shaleen Kumar:** Fine sir, great. That is it from my side. Thank you so much.

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

**Mohit Kumar:** I understand that you have increased the margin on REC from 2 paisa to 4 paisa, I understand you are charging both sides now, but the revenue for the transaction fees for the quarter was 52 Crores while the volume is around 125 Crores, so the FY margin for the quarter comes to around 4.2 paisa per unit. Is there something, which I am missing in the revenue?

**S N Goel:** Revenue calculation has three components, one is the transaction fees, second is the annual fees, third is the treasury income. In this quarter, treasury income was significantly higher. In order to calculate transaction fees, first take out treasury income and then annual fees and then calculate on balance. Transaction fees is continuing to be 2 plus 2, i.e 4 paisa on electricity. Earlier for REC our transaction fee was Rs.20 per REC from buyer and Rs. 20 per REC from seller. To promote participation of buyers we were giving incentive to the buyers. Now the inventory is less, so incentive is no more required. We have started charging the full amount from the buyers also.

**Mohit Kumar:** Sir my question is that the revenue with transaction fees for the quarter is 52 Crores right?

**Vineet Harlalka:** there were some provisions for the discount on the REC fees, which were provided in earlier quarter which has been reversed during this quarter, that maybe impacting the numbers when you are calculating.

- Mohit Kumar:** What is the reversal amount?
- S N Goel:** Reversal amount is approx. Rs.1.88 Crores.
- Mohit Kumar:** During the quarter I think the investment has gone up Y-o-Y from 2.68billion to 4.7 billion, I believe it is entirely is like cash am I right?
- Vineet harlalka:** Yes, it is all the cash.
- Mohit Kumar:** Is it possible for you to give some sense of the timeline on cross border trading and what is the kind of volume you see in FY2020 and FY2021?
- S N Goel:** CERC has issued regulation for cross border trade and CEA has to issue procedure for the same. We understand that CEA has already finalized it and maybe it will be issued in this month itself, post which cross border transactions will happen. In fact, some of the neighboring countries have already appointed the nodal agency on their behalf in India to do transactions on that behalf on the exchange platform. we expect that there can be transactions on the exchange platform in the month of May itself. The transactions will happen with Bangladesh, Nepal and Bhutan because with them we already have transmission connectivity. On the existing system they have contracted power on long-term and short-term contracts, so good part of the transmission capacity is already booked, but then we still expect about 1 billion units under the cross border in this year and going forward when they see value in exchange transactions maybe they will stop getting into bilateral contracts and do more transactions on the exchange platform. So the opportunity in future should be higher.
- Mohit Kumar:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.
- Dhruv Muchhal:** Sir just following on the earlier question you mentioned there is a provision reversal of 1.88 Crores in the transaction fee section for the line item. Now even if I adjust that your transaction fee Y-o-Y is growing by about 3% versus your volumes, which have declined by 9% so what is driving this increase?
- S N Goel:** As I told you earlier in Q4 FY18 we were only charging Rs.20 per REC only from the sellers and not from buyer. we are further giving an incentive of about Rs.4 to promote buyer's participation on the exchange platform in the REC market. Effective rate per REC was about Rs. 16/REC. Since Q4, FY19 we started charging Rs.20 from the buyers also, henceRs.40 per REC is being charged as REC transaction fees by IEX; However, incentive of about Rs.2 to Rs.3 is still given to the trading company who are facilitating this transaction Hence, revenue from REC has increased significantly and that is why on revenue side you are getting increase.

- Dhruv Muchhal:** So earlier the incentive was 4 now it is 2 and 3 about 2 to 3 that is the difference?
- S N Goel:** No, earlier we were not charging Rs.20 from the buyers.
- Dhruv Muchhal:** Got it. Okay sir sure, thank you. That is all.
- Moderator:** Thank you. The next question is from Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Thank you very much for nice result. Sir this 52 BU electricity traded in FY2019 this figure is how much of total electricity demand of India?
- S N Goel:** This is about 4% of the total generation in the country.
- Ravi Naredi:** And second sir total power installed capacity grew 3.5% for current year what is the prediction for current year this was for last year FY2019?
- S N Goel:** Capacity addition wise very difficult to say because it all depends on the condition of the units, which are under construction, but then generation increase forecast for this year is about 6%.
- Ravi Naredi:** 6% we can expect
- S N Goel:** Yes. Last year under Saubhagya scheme they have done 100% electrification so demand from the rural area is expected to significantly increase.
- Ravi Naredi:** And sir how much margin expansion is possible in current year?
- S N Goel:** Our transaction fee is going to be same. no change in the transaction fees it is only a volume gain so let us see what volume happen.
- Vineet Harlalka:** On REC also we had started charging full fee.
- Ravi Naredi:** So volume expansion how much is the volume growth we are predicting for the current year?
- S N Goel:** Difficult to say this is all depends on the, market factors, demand from the distribution companies, but if generation growth of 6% happen in the country, our expectation is that a growth of almost about 20% should happen on the exchange platform.
- Ravi Naredi:** 20% we are expecting thank you very much Sir. The debtor rise was to 46 Crores versus 22 lakhs last year any specific reason?
- Vineet Harlalkat:** Yes, because March 31, 2019 was bank holiday. Normally what happened when we take the pay-in on the same day there is no outstanding debtors as on that day, but this time what happened because of the bank holiday on March 31, 2019 pay-in was there so which was shown as a debtor and that total amount was recovered on the subsequent bank working day on April 2, 2019.

- Moderator:** Thank you. The next question is from the line of Mohit Kumar who is an individual investor. Please go ahead.
- Mohit Kumar:** Thanks for the opportunity. Could you please shed some light on the line item regarding other financial assets, other recoverable what exactly does it pertain to and we see a significant reduction in this line item on the balance sheet so if you could please shed some light?
- Vineet Harlalka:** Basically this was the last year we had some redemptions, which were due so recovery was and this year no such amount was recovered here because what happened is normally in the arbitrage fund it normally takes three days to receive the amount, so the 67 Crores was mainly pertaining to that amount only
- Mohit Kumar:** So redemptions under the current investment is what you mean?
- S N Goel:** Yes.
- Mohit Kumar:** Alright thanks.
- Moderator:** Thank you. Next we have Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Thanks for the opportunity once again. Sir my first question regarding the REC volume given that the inventory is quite low right now I think this was roughly around 2 to 3 BU and the expected annual generation of REC is 7 to 8 BU how do you expect the REC trading to pan out for us in FY2020 and FY2021?
- S N Goel:** See on the demand side there is a very high demand for the REC every month we are seeing demand far in excess of the supply. So we expect that entire REC which are issued during the year will be sold in the REC market also a competitive price discovery has started happening, further GST is applicable on REC so we have provided a GST portal for smooth settlement of the GST amount between the buyer and seller. Because of competitive price discovery and smooth GST settlement we have seen that there is a large participation of both buyers and sellers on the IEX platform, so we expect about 80% of the REC volume IEX platform. So that should give us a good volume in REC market also.
- Mohit Kumar:** Sir my second question pertains to energy saving certificate I believe that this is the year when the energy saving certificate trading will happen again on the exchanges am I right?
- S N Goel:** Should happen this year so we are working with them it is basically BEE to decide about it and if they decide, we are ready for ESCert trade.
- Mohit Kumar:** It should happen in the second half of FY2020?
- S N Goel:** Yes, second half or fourth quarter of FY2020.

**Mohit Kumar:** Yes sir, one last question sir, this Network Open Access Registry how does it help us in the overall scheme of things?

**S N Goel:** Open access registry is online platform to which all these State load dispatch centres, regional load dispatch centers, national load dispatch center, generators, DISCOM will be connected. The open access permission will be granted instantly online to open access permission seeker. At present, a buyer can buy power in intraday market only after 3 hours. This will help in reduction of gate closure time from 3 hours to 1 hour. If that happens then the real time transactions can also happen on the exchange platform. Particularly with a high renewable generation capacity there will be lot of variations, so distribution companies may like to purchase power to take care of these variations. Also, CERC has issued the discussion paper on real time market that also can be implemented only when this National Open Access Registry is implemented without that it is not possible to implement the real time market.

**Mohit Kumar:** There is issue as I see in this the end consumer is not directly connected or is not getting the open access in the real time am I right?

**S N Goel:** It is mainly the distribution companies and generators who will have to manage their generation and demand in real time basis and particularly the distribution companies who are buying all these renewable power. When there is a variation in renewable power or if there is a unit tripping under the long-term PPA they want to make good that shortage, so this opportunity in the real time market will be mainly for the distribution companies and generators.

**Akhilesh Awasthy:** Another thing with reference to open access, it will basically be more transparent process for application under open access by industrial consumers. All transmission capacity and allocation data will be available on this platform, which will empower open access consumers to a large extent once this open access registry is put in place.

**Mohit Kumar:** Is there any proposal to connect, to bring all the consumers or the open access to the platform?

**Akhilesh Awasthy:** So anybody who wants open access be it generator or distribution company or industrial consumer. Anybody who wants open access can register in this system and then make use of it.

**Mohit Kumar:** What was the open access volume in FY2019 versus FY2018 and how do you think it will pan out in FY2020?

**S N Goel:** This year open access volume was 11.2 billion unit; last year it was 14.7. Last year open access was almost like 23% more than this year. This happened because of high clearing price; second reason was maybe states have increased their open access charges so that is also impacting on the open access volumes.

**Mohit Kumar:** What are the steps we are taking to revise this important segment of our volume, which is to be pretty high until FY2016-FY2017?

**S N Goel:** See FY2016-2017 our average clearing price was Rs.2.40 and this open access consumer are very price sensitive. What we have seen is around Rs.3.10/unit, Rs.3.20/unit in many of the states the open access is not viable. So this year our price was about Rs.3.85/unit and the open access was viable in few states like Tamil Nadu, Karnataka, Andhra Pradesh, Telangana and also in other states maybe in the night hours, in the winter season. That is why the open access volumes have reduced. This year we expect prices to be lower than what it was last year mainly because of improved coal production. Our price in the recent past has reduced to a level of Rs.3.20 to Rs.3.30, open access volume should further increase.

**Mohit Kumar:** Understood Sir. Thank you.

**S N Goel:** There is no adverse regulatory development on the open access front so far.

**Mohit Kumar:** Understood Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Ravi Srikant from Muthoot Family Office. Please go ahead.

**Ravi Srikant:** Sir I was just looking at the volumes on the exchange specifically for your day ahead market so for the past six months from November there has actually been no growth year-on-year so April was flat I believe and before that still November to March the volumes has actually been falling on the day ahead market whereas for the term ahead market they are still rising and if I sort of see the CERC report as well so these exchange market share and short-term market share, it was around I think 33% is also slipped below 30% as per February, so is there any structural change and any purchase patterns of the DISCOMs and all especially we were in that we have the recent sort of auction for the three year power purchase agreements as well?

**S N Goel:** Yes, fourth quarter was not very good. During fourth quarter since it was going to be election time, many of the distribution companies contracted short-term PPAs to get power during this time. Further, we had extended winter, so demand did not increase. Further hydro and renewable generation was quite high in comparison to fourth quarter of last year. We had almost about 8 billion unit of extra generation because of high renewable and hydro. Whereas demand in the fourth quarter increased by only 4.6 billion units. So in fact incremental renewable and hydro generation, which is under long-term PPA generation was much more than the demand increase in this market. I think that is one of the reasons for low volume in the fourth quarter.

**Ravi Srikant:** Even for November and December even then the volumes were not very encouraging so is it just one-offs related to shifting weather patterns and demand or is there any trend?

**S N Goel:** It is also because of Gujarat, there Adani has started 2000 MW power supply power plant. So large part of their demand, which was earlier they were meeting from the exchange platform, now it is met by the Adani power plant so their volumes have reduced to some extent and that is why also in November, December the volumes was slightly lower.

**Ravi Srikant:** On the future outlook of the company I think couple of last quarter also you had mentioned about these derivatives and power future options and gas exchange market, so any update on that?

**S N Goel:** Yes, as I told you in the past, the committee was constituted under the chairmanship of Additional Secretary Ministry of Power and committee had representation from SEBI CERC, Ministry of Finance and Ministry of Power, MCX and IEX. So committee has recommended that all delivery contracts will be under the jurisdiction of CERC and all derivative contracts will be under the jurisdiction of SEBI and both regulators CERC and SEBI should withdraw the case from supreme court. Once that happens then these derivatives and long duration contracts can be introduced. What I understand is both regulators have asked their legal department to work on this and maybe in the month of May they should file the application with the Supreme Court for withdrawal of the case. For gas exchange PNGRB, which is the regulator for the gas market, is working on the regulations. They have not issued any regulation so far, but what we understand is they are aggressively working on that. In addition to the regulations there are few more enablers, which are to be created by the government. One of the enabler is, today the gas is not under GST so different states have their own different tax rates on this. We need a uniform tax arrangement if we want to have standardized contracts on the exchange platform. So gas will have to be brought under GST before gas market starts. So this is one action which government will have to take and second is a gas operator. Today we have in the power sector NLDC, RLDC's and SLDC's for the purpose of transmission capacity allocation, scheduling and energy accounting. In the gas market also we need an independent gas operator who will monitor the gas pipeline capacities, allocate this capacity on nondiscriminatory basis to the different participants, do the gas metering and energy accounting of the gas. So there is no single gas operator for the complete integrated pipeline network in the country. I think these are the two main things, which will have to be done. I think after the elections and new government formation these activities may start and only after these things are done then only we can think about that gas exchanges. It may take some time.

**Moderator:** Thank you. The next question is from Lavina Quadros from Jefferies. Please go ahead.

**Lavina Quadros:** Good set of numbers congratulations on that. Just wanted to check is there any update on the competing exchange that is planning to come into short-term volumes as well?

**S N Goel:** Thank you Lavina for the complement. Regarding competing exchange whenever they get permission everybody will know about that, they have not received any clearance from the CERC so far.

**Lavina Quadros:** And sir your open access, in case I missed this earlier your state DISCOMs was about 70% of volumes even in this quarter or higher?

**S N Goel:** State DISCOMs are almost about 70% in the fourth quarter for the year as a whole it is about 78%.

- Lavina Quadros:** Alright. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Couple of questions, one is do you believe that the change in the DSM regulation and some kind of confusion that you spoke about that the DISCOMs will have to match the under-drawl, over-drawl every six hour block that led to decline in the volumes in the fourth quarter that was one of the contributors?
- S N Goel:** No, I do not think so. I do not think that has any impact exchange volume
- Bhavin Vithlani:** Okay because we got feedback that the DISCOMs became much more conservative versus earlier and that kind of led to impact on the volumes?
- S N Goel:** DISCOMs should have been conservative in over-drawl from the grid and to do that they have to do a better planning for power purchase and do power purchase in advance. So in fact it is other way around the exchange volume should have increased by that.
- Bhavin Vithlani:** The second question is when we talk about the dividend payout. Last year we saw only buyback so how should we look at going forward and what should be the payout number that on a consistent basis we should be expecting given that you hardly need any capital expenditure?
- S N Goel:** We are working on few initiatives and if we find that there is investment required in these initiatives then company will retain money otherwise we will give dividend in the next year.
- Bhavin Vithlani:** So out of the total cash on the balance sheet what is the free cash that is distributable and not the cash, which is lying as deposits from the customer, which is not available for the shareholders?
- Vineet Harlalka:** On the free cash this I am telling after adjusting the buyback amount because buyback was completed in April so I am adjusting this cash because it was obligated for the buyback purpose so free cash flow is around 188 Crores on March 31, 2019.
- Bhavin Vithlani:** And last question is on the gate closure you mentioned about reducing it from 3 as to 1 hour what exactly is the bottleneck is it at the CERC and is it at the POSCO?
- S N Goel:** Today for the open access it is a manual process one has to make a request in writing, a mail has to be sent or letter has to be faxed to them. Then somebody in load dispatch center will have to act on that he will check his system whether transmission capacity is available or not then he will give the open access. It is a manual process of the SLDC and RLDC and so that is why it takes almost about three hours to process the case, but when everything is on nationalized open access registry (NOAR), including the transmission capacity availability then the system will be automatic for giving the open access.

- Bhavin Vithlani:** What needs to change for the gate closure to be reduced to one hour?
- Akhilesh Awasthy:** So basically for this technology is to be put in place for which NLDC is working. They have appointed consultant to support them in procuring requisite technology. This process would take around maybe 12 to 15 months' time and thereafter it will be possible to introduce open access registry, apart from that all regulatory provisions are already in place. In addition, there is some procedural guidelines, are to be finalized, which is under discussion and should happen within 15 days to a month's time so the main bottleneck is basically setting up technology.
- Bhavin Vithlani:** Understood. My last question is you guided for 20% volume growth in fiscal 2020 and there is a new element of cross border transaction, which are expected during the course of this year. Is it fair to see that a bulk of the 20% volume increase will be is coming from the new element of cross border trading?
- S N Goel:** There is no guidance. I told you this is my expectation provided generation demand in the country increases by more than 6% provided the cross border transaction start in the month of May and distribution companies start optimizing their power procurements and they start reducing their over-drawls under the DSM. So if all these things happen, yes there is opportunity for the exchange to increase the volume. So do not take it as a guidance. I am not making any forward looking statement this is my expectation, if all these things happen we should be able to get this kind of growth.
- Bhavin Vithlani:** Understood. Thank you so much for taking my questions. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Samarth Singh from TPF Capital. Please go ahead.
- Samarth Singh:** Could you give me the size of the settlement in guarantee fund availability of this? Thank you.
- S N Goel:** Settlement guarantee fund size is Rs.134 Crores.
- Samarth Singh:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Jugal Arpalani from Value Research. Please go ahead.
- Jugal Arpalani:** You had mentioned that the total DSM market in the last year the units were about 16 to 17 billion units and you are expecting all over the possibility of at least half of that volume shifting towards the exchange, so are you still expecting or is that already happening?
- S N Goel:** What we are expecting is that a good part of that DSM is over-drawl by the distribution companies, because the rates in the DSM were lower. So when the rates are increased, DISCOMs will do a better planning and purchase power and exchange provides the next best option so this

volume shift should happen, but again it all depends how sensitive these distribution companies are and if they do that yes the shift should happen, quantum we will have to see during the year how much of shift happen. We are also working, which are the states, which are doing more over-drawal, why they are doing that, interacting with them telling them how they can reduce their over-drawals and optimize their cost so we are also working with them let us see the response and some part of this DSM should shift on the exchange platform during this year and it is a continuous process maybe next year the quantum will be more.

**Jugal Arpalani:** Thank you. That is it from my side.

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

**Shaleen Kumar:** Thanks for the follow-up sir. Sir a green day ahead market what is the visibility on that and once that introduced if my understanding is correct then the challenge we face this time that renewable was not present on our exchange will it get some way answered?

**S N Goel:** Yes, Shaleen we have applied to CERC for the approval of green TAM market contract and our petition is yet to be listed so we are working with CERC, CERC was overloaded with 2019-24 tariff regulations, I think this should get listed in this month. Now regulator may need another two, three months' time to basically go through the process and to approve this contract. Parallely we are also working with the renewable generators that there is an opportunity for you to get higher realization from the exchange platform. If you look at the average clearing price for the day time it was definitely more than Rs.2.70, Rs.2.80 the price quoted by the solar generators in the competitive bidding route and then they are facing the problem of getting the money in time from DISCOMs, whereas on exchange platform it is a daily payment. So we are working with the generators also, but then they have their own issues because many of the banks are not willing to fund them without the PPA that is why they have to go for PPA route, some of the generators who have deep pockets are willing to maybe set up 10%, 15%, 20% capacity under the merchant route. So this is the market which we will have to develop, we will have to extensively work with the generators to keep some open capacity so that they can participate on the exchange platform. Also in case of disputed PPAs generators can participate here. As far as buy side is concerned I find there is lot of demand from the distribution companies because many states do not have these renewable capacities particularly Eastern and North Eastern states they are not able to comply with the RPO obligation, so buy side yes there is demand, on sell side we will have to get some liquidity so it is a market which will have to be created and slowly I think this market has lot of potential but then it may take some time.

**Shaleen Kumar:** Any data if you have on how is the DEEP portal is performing is there increase in competition over there?

**S N Goel:** DEEP portal is mostly used by distribution companies for the price discovery and if the price discovery is competitive they enter into contract to get electricity. What I understand last year

whatever price discovery they did almost only about 37% of those quantum were awarded, so not all discoveries result into the contract, only 37% of the price discovery was resulted in contracts.

**Shaleen Kumar:** Got it. Alright Sir. Thank you so much.

**Moderator:** Thank you. Next question is from Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.

**Dhruv Muchhal:** Sir you shared this 37% bids on DEEP portal accepted is there a way to track this data how do you get through this?

**S N Goel:** I think all the price discoveries and which the particular distribution company had done, how much of quantity they have awarded, how much contract quantity was scheduled in the short-term transactions so you have to track all these things. All these data is available in the public domain but it is a very extensive exercise. We do that as part of our business development activity.

**Dhruv Muchhal:** There is no single source as such in multiple places?

**S N Goel:** Yes multiple places.

**Dhruv Muchhal:** Okay Sir. Thank you.

**S N Goel:** Thank You. Next question is from Ravi Srikant from Muthoot Family Office.

**Ravi Srikant:** Sir just wanted to understand it on a conceptual level if the exchange is able to offer derivatives as well is it similar to what DEEP portals or DEEP portals is separate from what a derivative does are we need the contract three months in advance?

**S N Goel:** Today IEX is not able to offer long duration contracts, today we have contracts for delivery up to 11 days once jurisdiction issue is resolved then we will be able to offer contracts for a long duration may be one month, three months maybe up to one-year delivery contract. Maybe with that we will be able to shift some of the bilateral transactions to the exchange transaction and as far as derivatives are concerned which are financially settled contracts those will be on the exchanges, with are regulated by SEBI.

**Ravi Srikant:** But it would be similar to what DEEP is offering right now I mean just from an understanding point of view?

**S N Goel:** For offering long duration contracts we will have to design those contracts, these contract maybe something like what we are doing in the weekly contracts or reverse auction like DEEP along with physical and financial settlement. We are working on the design of the contract.

- Akhilesh Awasthy:** So in addition to this basically DEEP is only for price discovery whereas whatever contracts we will offer that will have in addition to price discovery, delivery and settlement also. So these are the additional features of our contract vis-à-vis DEEP contract. DEEP contract this price discovery is not binding whereas whatever price discoveries will take place on exchanges there will be binding contracts.
- Ravi Srikant:** Okay very helpful Sir. Thank you.
- Moderator:** Thank you. The next question is from Mohit Gupta who is an individual investor. Please go ahead.
- Mohit Gupta:** Just probably more from an understanding perspective you have got 83% EBITDA margin, which is pretty strong, but just conceptually to understand is 17% cost pay how much of that would be fixed verses variable and where you are investing going forward and what happens the deleverage if there is no volume growth?
- S N Goel:** Out of the 17% almost around 50% is fixed because mainly if you look at the major component is the employee cost and secondly the rental and the infrastructure what we are carrying. The increase is mainly because of inflation, employee increments so on cost side increase will be about 10% on yearly basis on our fixed cost.
- Mohit Gupta:** If the volumes do not grow by 10% you should see deleverage so margin should start stepping down it could potentially have price rises?
- S N Goel:** You are right.
- Mohit Gupta:** Is there a way to get price increases and then you have to go to the regulator but under what scenario they would agree the price rise?
- S N Goel:** For any change in the transaction fees we have to go to the regulator. We are not contemplating any increase in the transaction fees, we want to continue to play volume game only and we have reasons to believe that the volumes will continue to grow.
- Mohit Gupta:** Able to share some understanding why those volumes should continue to grow for five years?
- S N Goel:** Power demand is growing every year. If the demand increase is about 6% the incremental volume is almost about 80 billion units per year. Today almost all PPAs, which were under long-term they are getting fully utilized, so good part of this incremental demand will come to the market and what we have seen that exchanges are getting the larger share of the short-term market volume. So there is good opportunity for the exchange volume to grow cross border transactions are going to start, under the DSM also we have opportunity to get some volume, real time market, maybe it may take another one year to start if that starts because of the high renewable there is going to be lot of variability and then that also should give us some volume.



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So these are all basically enabling provisions. Both regulator and government are now creating provisions for bringing more liquidity in the market because when you are having high renewable you need more liquidity in a market to manage these renewable variations.

**Mohit Gupta:** Thank you.

**Moderator:** Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

**S N Goel:** Yes, I think 2019 was a good year for the company, we achieved profit growth of almost about 25% and we wish the same kind of growth we are able to give in this year also. Thank you.

**Moderator:** Thank you very much. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.