



Dated: January 31, 2022

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: 540750

Symbol: IEX

Sub: Transcript of the Earnings Conference call with analysts and investors relating to Financial Results of the Company for the quarter ended December 2021.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of earnings conference call held with analysts and investors on **January 25, 2022, at 02:30 pm (IST) to discuss the financial results of the Company for the quarter ended December 2021.**

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

You are requested to take the above information on record.

Thanking You.

Yours faithfully,

For **Indian Energy Exchange Limited**

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

Encl: as above

Indian Energy Exchange Ltd

Registered Office: C/o Avanta Business Centre, First Floor, Unit No. 1.14(a), D2, Southern Park, District Centre, Saket, New Delhi-110017, India

Corporate Office: 9th Floor, Max Towers, Sector 16B, Noida, Uttar Pradesh-201301, India

Tel: +91-011-3044 6511 | Tel: +91-120-4648 100 | Fax No.: +91-120-4648 115

CIN: L74999DL2007PLC277039 | Website: www.iexindia.com



**“Indian Energy Exchange
Q3 FY2022 Investors Conference Call”**

January 25, 2022



ANALYST:

MR. SUMIT KISHORE - AXIS CAPITAL LIMITED

MANAGEMENT:

MR. SATYANARAYAN GOEL - CHAIRMAN AND MANAGING DIRECTOR - INDIAN ENERGY EXCHANGE

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

MR. ROHIT BAJAJ - HEAD - BUSINESS DEVELOPMENT - INDIAN ENERGY EXCHANGE

MS. APARNA GARG - LEAD – INVESTOR RELATIONS - INDIAN ENERGY EXCHANGE

MR. AMIT KUMAR – HEAD (MARKET OPERATIONS & NEW PRODUCT INITIATIVES) - INDIAN ENERGY EXCHANGE

MR. SANGH GAUTAM – CHIEF TECHNOLOGY OFFICER - INDIAN ENERGY EXCHANGE

MR. SAMIR PRAKASH – CHRO - INDIAN ENERGY EXCHANGE

MS. SHRUTI BHATIA – HEAD (CORPORATE COMMUNICATIONS & CSR) - INDIAN ENERGY EXCHANGE

MR. ARCHIT GUPTA - INDIAN ENERGY EXCHANGE



Indian Energy Exchange
January 25, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Indian Energy Exchange Q3 FY2022 Investors Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sumit Kishore from Axis Capital Limited. Thank you and over to you, Sir!

Sumit Kishore: Thank you Rutuja. Good afternoon, ladies, and gentlemen. On behalf of Axis Capital, I am pleased to welcome you all for the Indian Energy Exchange Q3 FY2022 earnings conference call. We have with us the management team of IEX, which is represented by Mr. Satyanarayan Goel, Chairman and Managing Director, Mr. Vineet Harlalka, Chief Financial Officer, Mr. Rohit Bajaj, Head - Business Development and Ms. Aparna Garg, Lead – Investor Relations. We also have the entire management team. We will begin with the opening remarks from Mr. Goel followed by an interactive question and answer session. Over to you Sir!

Satyanarayan Goel: Good afternoon, friends and welcome to the IEX earnings call for Q3 FY2022. Happy New Year to you all and I hope everyone is safe and healthy. Joining me today are Mr. Vineet Harlalka, Mr. Rohit Bajaj, Mr. Amit Kumar, Mr. Sangh Gautam, Mr. Samir Prakash, Ms. Shruti Bhatia, Ms. Aparna Garg and Mr. Archit Gupta.

Friends, the impact from the third wave of COVID caused by the Omicron variant appears to be mild and short lived and there is no major lockdown and no significant impact. In India we expect the economic and industrial growth to continue on a vibrant track. A mild correction has been seen recently due to COVID-19 and restrictions in certain parts of the country. During the quarter both services and manufacturing PMI saw good momentum. Manufacturing PMI in November 2021 recorded a 10 month high of 57.6 led by demand and improving market conditions as against 55.9 in October. The PMI, however, eased to 55.5 in December 2021.

Even on the services side, we witnessed an increase in activities leading to services PMI rising to a decade high of 58.4 in October and then 58.1 in November 2021. The services PMI in December stood at 55.5. In the second quarter of the fiscal 2022, India’s GDP grew at 8.4% on year-on-year basis as per National Statistical Office. Growth was driven by strong exports and domestic private investment as businesses ramped up production to meet festive demand. India is likely to close this fiscal on similar note. For the full fiscal year 2022, the GDP is expected to be 8.3% year-on-year basis as per World Bank.

On the power sector front, at the end of December 2021, India's renewable installed capacity was 151 gigawatt. The share of the renewable in India's total capacity base has increased to 38%. This is inline with the recently held COP-26 summit in Glasgow, where India announced an ambitious target of achieving 500 gigawatt of renewable energy by 2030.

With a ramp up in manufacturing and industrial activities, the power consumption in the country in Q3 FY2022 at 321 BU increased 5% on a two years CAGR basis. Key contributors to demand increase were industrial states of Maharashtra where 18% increase happened, Gujarat (14%), Andhra Pradesh (12%), Telangana (12%) and Tamil Nadu (9%).

Coal is a dominant source of energy and we have been seeing that its availability has improved significantly compared to situation in October and the generation plants are now getting enough fuel to meet the growing demand of electricity. In the month of October due to high demand and supply constraints from the domestic coal and also because of the higher imported coal prices, the domestic coal inventory was only about 4 days which led to increase in the price of electricity and our prices increased to almost about Rs 8.01 per unit. However, with an increase in coal supply, the domestic coal inventory has now increased to 9 days in the month of December and our prices in the month of November were about Rs.3 and in December was Rs.3.54 paisa per unit.

On The regulatory and policy front also a number of developments took place. A few highlights were:

On 16th December 2021, CERC issued the draft CERC (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2021. This will simplify, ease, and clarify how transmission access will be available for participants on the Exchange. Post implementation of GNA, decision making by market participants, to participate on the Exchange, will not be contingent upon transmission access and charges. GNA will promote development of power market in the country.

On 6th October 2021, the 10 year long pending jurisdictional conflict related to power market between CERC and SEBI was resolved by Hon'ble Supreme Court, paving way for the introduction of the much-awaited long duration contracts in power and renewable energy on the Power Exchanges. This will also enable launch of electricity derivatives on Commodity Exchanges. Electricity derivatives will smoothen out the price volatility and also buyers will be able to hedge their positions and take delivery in spot markets. This will lead to an increase in the Exchange transactions. Following this resolution of conflict, IEX has applied to CERC for approval of our longer duration contracts.

Additionally, CERC issued the draft Deviation Settlement Mechanism and Related Matters Regulations, 2021 linking the DSM charges to the time block wise price discovered on the Exchanges. When implemented, this will help further expand and deepen the real time market.

The National Open Access Registry (NOAR) is likely to be implemented in Q4 FY'22. NOAR will automate processing of open access applications and will thus reduce its lead time. This will also make the transmission allocation more transparent and efficient.

All these initiatives are favorable for further development of the power market in the country.

I am pleased to share that there have been several positive updates on IEX front in Q3 of this fiscal year.

The Green Day-Ahead market was inaugurated by Shri R. K. Singh, Honorable Minister for Power and New and Renewable Energy, on 25th October 2021. It now complements the Term-Ahead contracts for solar and non-solar energy within the Green Market. The collective auction in the Green Day Ahead Market is helping with competitive and efficient price discovery of renewable energy. Also, the green day-ahead and term-ahead are together providing a spectrum of choices to the market participants. The Green Market is expected to see even greater momentum and newer products going forward, as penetration of renewable energy increases in India's energy mix.

Under the Perform, Achieve and Trade Cycle-II (PAT-II), IEX commenced the trade of Energy Saving Certificates (EScerts) on the 26th of October 2021. The Bureau of Energy Efficiency has issued an office memorandum, dated 29th December 2021, indicating a temporary pause in the ESCERTs trading, due to administrative issues. We are likely to resume ESCerts trading soon.

Trading in the Renewable Energy Certificates Market restarted on the 24th of November 2021 after a 16-month gap apropos supportive and facilitative orders from APTEL and CERC. We have been seeing a very strong momentum on REC trading.

Calendar year 2022 started on a very positive note for IEX. On the first day, Cross Border Trade with Bhutan commenced in the Day-Ahead market. Our Cross-Border Electricity trade initiatives began with Nepal in April'21 and now Bhutan is with us too. We are also closely working with key stakeholders in Bangladesh to garner their participation as well. These developments augur well for developing a large and well-integrated South Asian Regional Power market in future.

The Indian Gas Exchange has been achieving consistent growth in terms of volume as well as the ecosystem development. In Q3 2021 IGX recorded trade volume of 3.6 million MMBTU, Cumulatively 5 million MMBtu was traded through IGX during the year. I am delighted to announce that IGX has achieved breakeven in Q3 FY'22, i.e within one year of authorization. We are pleased to also share that IOCL has joined IGX as a new strategic partner.

With the increasing volume and participants, IGX is well on its way to contribute substantially towards the government's goal of achieving 15% share of the country's overall energy mix for natural gas by 2030.

On a standalone basis revenue for the quarter increased by 32.4% from 95.7 Crores in Q3 of FY2021 to 126.7 Crores in Q3 of FY2022. The PAT grew by 33% on year-on-year basis with a margin of 63.1%. The company has announced an interim dividend of 100% per equity share.

During the quarter, traded volumes on the Exchange grew by 37% YoY with 27.6 BU volumes traded versus 20.1BU in Q3 FY'21. The growth in volumes was driven by an increase in

electricity consumption as well as resurgence of trading in REC's and ESCERT's. Gujarat, Andhra Pradesh, Punjab, Maharashtra, and Haryana contributed the highest to Exchange's electricity volumes.

The real time market continues to be one of the fastest growing market segments on the Exchange. With a contribution of 20% to the overall electricity volumes, RTM witnessed 4.8 BU of volumes, registering a growth of 70% YoY during Q3 FY'22. The consistent growth of real-time electricity market is an indication of growing reliance of the distribution utilities and industries to achieve power demand-supply balancing in real time in the most efficient manner.

The green market, including the day ahead and term ahead market, cumulatively traded 1.2 BU during the quarter, and contributed 5% to overall electricity volumes.

On the REC front, a total of 38.28 lakh certificates, and a total of 2.86 lakh Energy Saving Certificates traded during the quarter.

We are now gearing for the launch of the much-awaited Longer Duration Contracts in both electricity and renewable energy. We are also working on other new segments such as Exchange based Ancillary Markets, Capacity Markets as well as Gross Bidding Contracts.

The power sector is undergoing a significant change with greater focus on sustainability, and this has been redefining the industry outlook. The demand for electricity is expected to continue to grow. At IEX, our constant endeavor is to innovate, improve technology and introduce new market segments and products to help the market participants meet their fast-changing requirement. Besides Gas, we are continuously assessing new opportunities that are unfolding.

Thank you everyone. We can now take up the question-and-answer session.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good afternoon, Sir, and congratulations on a very, very good set of numbers. Sir, first question is on the gross bidding, how do you see this gross bidding changing your volume, the behavior of DISCOMs and incremental volume as you see from FY2023 onwards and secondly on the MBED, is there any update, which you can share? Has the CERC started implementing that? The last question is on ESCerts. Why was there no trading from ESCerts in December and do we maintain projection of 3.3 BU, which we are expecting in this particular financial year, these are the three questions. Thank you.

Satyanarayan Goel: Thank you. Let me first discuss about MBED. Government of India has sent a discussion paper to CERC because it is CERC who must frame those rules and regulation for implementation of MBED. So CERC has to now take up the activity for framing draft rules and regulations for implementing MBED and once they finalize that then only MBED will be included, so I will not be able to tell you on any timeline for that. Gross bidding, you know MBED is mandatory market but we have devised a product which is gross bidding, which is a voluntary market. See in case of MBED Power under PPA is sold through exchange and distribution companies could buy power from exchange. The same thing distribution companies can do on voluntary basis also. The exchange clearing price is Rs.3 per unit so what they can do is, for the power plants where the variable cost is below Rs.2 they know in any case they will need to fill in that power so they can directly fill that power. However, for plants with variable cost over Rs. 2, say Rs 2.5 or Rs.3 – Rs. 3.50 paisa, they can sell that power on the exchange platform and buy power from the exchange depending on the requirement. This is a voluntary mechanism and by gross bidding they can achieve whatever Government of India wants to achieve through the MBED process and I am sure through this gross bidding also they will be able to achieve that efficiency. So, we applied to the regulator for approval of this product, again stakeholder discussion is going on for this and we are expecting approval maybe in the next three four months from the CERC.

As far as ESCert is concerned, the trading was put on hold due to some administrative reasons. We expect that the trading will start from next month.

Mohit Kumar: Understood, Sir. Thank you.

Moderator: Thank you. The next question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Thanks for the opportunity and congratulations on good set of numbers. Sir, a couple of questions, one is in case of gas exchange after the recent stake sale, have you complied with the ownership norm. I think below 50% where we were supposed to comply, there was also a discussion regarding the same, so if you can just throw some light over there?

Satyanarayan Goel: After a sale of 4.93% stake to IOCL you know IEX Holding in IGX is reduced to 47% now and now IGX is not a subsidiary company of IEX, it is an associate company of IEX.

Devansh Nigotia: And will there be any further selling in stakes?

Satyanarayan Goel: No as of now we do not have any plan because we wanted the strategic stakeholders of the gas sector on board so that together we can develop the market and we have done that. We have today ONGC, GAIL, Indian Oil Corporation, Torrent and Adani with us. We have large stakeholders with us.

Devansh Nigotia: That is it from my side, thank you.

- Moderator:** Thank you. The next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.
- Ankush Agrawal:** Sir, thanks for taking my question. Firstly, again on the MBED which was supposed to get implemented from first of April of this year, right so even though like you are saying that CERC is yet to frame the rules but what is the progress like? Have there been any kind of discussion between the industry participants till now?
- Satyanarayan Goel:** To the best of my knowledge nothing like that. So, April appears to be difficult. Let us see, it all depends on the CERC.
- Ankush Agrawal:** But so given that do you think it is feasible that this 2 months pending from the date of implementation it would be possible to do that?
- Satyanarayan Goel:** No. There are a lot of things to be done because it amounts to amending couple of regulations, making the framework, and making a clearing and settlement arrangement for that. So, there is a lot of work to be done with that before being implemented.
- Ankush Agrawal:** So, in your expectation that it would not happen from April of this year?
- Satyanarayan Goel:** No.
- Ankush Agrawal:** Secondly on this stake sales in IGX, so selling stakes to say GAIL, IOCL, Adani that is understandable that these guys are strategic partners in the gas economy, but I want to understand the reason for selling such huge stake of 26% to NSE because NSE I am not able to understand what value they bring. I mean we have more experience than NSE in running a delivery based Power Exchange. I mean commodity exchange. So if you can highlight what was the reason behind selling stake to NSE?
- Satyanarayan Goel:** NSE is a large exchange in the country, not in the spot market, but then they are large in the market and we decided to take them as a strategic partner and we are definitely getting a lot of value in the process and also you know instead of having multiple exchanges, competing with each other, it is good to have one exchange and work together in the market.
- Ankush Agrawal:** So it was more on the competition scenario. Got it. That is all. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss Financial. Please go ahead.
- Swarnim Maheshwari:** Good afternoon. Thanks for the opportunity and congratulations for the set of numbers. First question. On general network access, do we mean that once implemented, we will get rid of the open access charges which are levied by the state?

- Satyanarayan Goel:** General network access is a very market-friendly regulation. Under this regulation distribution companies will have to take general network access on long-term basis and as long as the transactions are happening within the quantity, within the access, they have taken then they do not have to pay any charges. I mean suppose for the state of UP, they have taken general network access depending on their seasonal requirement and the peak demand for 10000 megawatts and they are getting power from under the long term contract is only about 8000 megawatts so they can buy 2000 megawatt power from the market, from the exchanges without paying any additional network charges. Earlier they were required to pay charges for the short-term also. Now they are not required to pay that so that will be one positive thing. Similarly, if they are selling power then also earlier they were required to pay charges for selling in the network now they are not required to pay any charges. So, it is only the buyers who are required to pay. Earlier, both buyer and seller were required to pay the charges, now only buyer will have to pay. So, it is making the process simpler. There is also a provision for short-term general network access, if anybody has seasonal demand for maybe two, three months time and he wants to take additional access depending on the availability that can be given to him.
- Swarnim Maheshwari:** Essentially these talks about the reduction or elimination of the access charges of the transmission access charges, not the open access charges, which are two different things, is that right?
- Satyanarayan Goel:** Transmission charges and open access charges, all these things, all these regulations will be now merged into this GNA.
- Swarnim Maheshwari:** But, we got this open access charges is now more a state prerogative, is not it, Sir?
- Satyanarayan Goel:** No, state prerogative is intrastate charges, GNA is interstate charge, so interstate charges are going to be rationalized, but intrastate as of now they will continue as it is and in future, states taking a lead from this GNA many of them will start rationalizing that.
- Swarnim Maheshwari:** Got it. Sir, secondly on the gross bidding, I just wanted to better understand, are you trying to say that this once implemented and of course it is a voluntary mechanism , but if it is implemented does this circumvent MBED by any chance?
- Satyanarayan Goel:** We are confident that gross bidding if implemented effectively and used by the state effectively there is no need of MBED.
- Swarnim Maheshwari:** There is no need of MBED at all?
- Satyanarayan Goel:** Yes, you can achieve the same kind of efficiency through this mechanism.
- Swarnim Maheshwari:** Sir, will we have any kind of draft or some sense of regulations that is likely to come or is already come on gross bidding?

- Satyanarayan Goel:** No, for gross bidding we applied to CERC for approval of this product. We are waiting for the CERC approval, CERC have heard the petition, they said that please get the stakeholder consultation and let us know the view of the stakeholders and we are working on that.
- Swarnim Maheshwari:** Alright, well, thank you so much, Sir. if i got more questions I will be back in queue, thank you.
- Moderator:** Thank you. The next question is from the line of Sumit Kishore from Axis Capital Limited. Please go ahead.
- Sumit Kishore:** Thanks for the opportunity. The first question is the total backlog of RECs yet to be revealed is about 65 million odd. So do you see a potential for a pickup in the pace of the quarterly run rate of REC trading that we are seeing because you know there has been a big backlog which has got accumulated over the last few months the trading got halted?
- Satyanarayan Goel:** Demand for the REC is definitely much higher because there is a backlog of two years and if you look at the RPO compliance also there is shortfall in that, but REC inventory is going to be a limitation now because new capacities are not getting added in this scheme, so whatever capacities were there under the REC scheme earlier they are continuing, so every year almost about 50 - 60 lakh RECs are issued and trading is happening for that number of RECs so since the selling had not happened, so this year we expect almost about 1 Crores REC.
- Sumit Kishore:** And IEX should be able to garner decent market share of this?
- Satyanarayan Goel:** Yes, definitely.
- Sumit Kishore:** Sir, can you also speak about timeline of launch of electricity derivative by MCX from here and also elaborate on the role of IEX, the revenue sharing arrangement that is likely to be between IEX and MCX and what quantum of derivative contracts will come up for physical settlement on exchange?
- Satyanarayan Goel:** Yes, first of all let me tell one thing, there was a dispute between SEBI and CERC about regulating the electricity contract, delivery contracts and the derivative contracts, the reason behind this was that electricity regulator was apprehensive of electricity derivative, you know electricity derivatives may have adverse impact on the spot market, so when this issue was discussed and the committee discussed about this, it was decided that let there be a joint working group of SEBI and CERC and this joint working group should look into the kind of derivatives, which are going to be launched and what kind of impact it will have in the spot market. So one working group has been already constituted. They had a couple of meetings and what I understand is that the commodity exchanges have already applied to SEBI for approval of the derivatives, so they are looking at what kind of derivative or which particular product can be approved to start with, so I think within this financial year the approval should come.
- Sumit Kishore:** In FY2022 itself?

- Satyanarayan Goel:** Yes, FY2022 itself this should start, so that is my estimate but then it depends on the joint working group. This will start definitely shortly. Government and regulators both want to start this activity and this will come to the market. As far as our role in this market is concerned, the number one let us say the derivatives have launched which will definitely even out the variability in the spot market and this will also provide an option to the buyers for hedging their position in the derivative market and take delivery in the spot market. What we understand from the international exchanges, whenever these derivatives are launched, there is increase in spot market, so we expect the same thing in the Indian market also and we have arrangement with MCX because we will be launching the contracts based on the IEX clearing price and as we have pointed out that we have revenue sharing arrangement with them so as and when these products are launched, they will start their trading of that and then we will see that kind of volumes happen.
- Sumit Kishore:** Thank you so much for answering my questions.
- Moderator:** Thank you. The next question is from the line of Suraj Nawandhar from Sampada Investments. Please go ahead.
- Suraj Nawandhar:** Sir, good afternoon. I want to understand our customer and supplier concentration, like how much of our volumes are contributed by top 5 buyers and how much of our sell side volume is provided by top seller or top 5 sellers?
- Satyanarayan Goel:** There is definitely some concentration because there are few states. If you add the power consumption of the states of Gujarat, Maharashtra, UP, Tamil Nadu these 4 - 5 states itself is contributing to 50% of the consumption of the whole country, so naturally on the buy side also there will be concentration. So top 10 buyers are constituting almost about 58% towards of the total buy and top 10 sellers are almost about 56% of the total sell.
- Suraj Nawandhar:** Sir, how much do we charge for renewable energy certificates like we charge 2 paisa each from buyer and seller for per unit so what are the charges for the green market and renewable energy certificates?
- Satyanarayan Goel:** On the certificate we charge Rs.20 on either side.
- Suraj Nawandhar:** Rs.20 per certificate?
- Satyanarayan Goel:** Rs.20 from buyer and Rs.20 from seller.
- Suraj Nawandhar:** And on the green TAM and DAM?
- Satyanarayan Goel:** It is as per the conventional market on either side which is 2 paisa on either side.
- Suraj Nawandhar:** Sir, what would be your volume growth of new products?

Satyanarayan Goel: Our Q3 electricity volume growth is 17% only in electricity and after taking REC and ESCerts it is 37% and out of this 17% growth, the growth was mainly because of the RTM. RTM we had significant volume increase and in DAM market our increase was 4% but in the RTM market the increase was 70%. So you can say the new products have given significant volume. GDAM and GTAM market also last year it was about 0.5 BU and this year it is about 1.2 BU so there also did a good jump. Green market I am sure in the future also we will continue to see a good growth in this market.

Suraj Nawandhar: All right. Thank you, Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Siddharth Gupta from Voyager Capital. Please go ahead.

Siddharth Gupta: Good afternoon, Sir. I had an opportunity to look through the investor presentation that was uploaded on the BSE website, which according to some analysts predicts about a four times topline growth by FY2024, but my question is pointedly about the fact that we have two power exchanges coming into operation in the next financial year. One of which is PTC India backed which is a market maker on our exchange. So could you please comment on what is the expected effect on our revenue projections or our margins over the next financial year due to these exchanges coming into play.

Satyanarayan Goel: So as of now there are already two exchanges IEX and PXIL and next financial year we may have third exchange which is Pranurja or HPX after the new name, promoted by BSE. I do not see any challenge in that, I mean, we are already working in a competitive market. Right from the beginning there are two exchanges and we are competing with each other. Despite that we have been able to maintain significant market leading position in the market. So even within the exchange also I am not really concerned, so the point is what we have to do is provide an efficient technology platform for the market participants, innovate, provide new products understand the requirement of the market and I am sure if we are able to provide that value, customers will stick. We are upgrading our technology platform also, going to go ahead with the web-based system to provide the ease of doing business for our participants. So all these things are going to provide a lot of value to our market participants. We are also working on data analytics to help our customers to do efficient bidding. A lot of initiatives we have taken. I am sure with this we will be able to deal with the competition.

Siddharth Gupta: I appreciate the effort you are taking to retain the market share. My question was about what is your internal projection or estimates with regard that, in the most conservative way as to what volume degrowth if at all, we see due to the existence of the new exchange or any fall in margin and secondly Sir I would like to know what share of PTC India's business growth we handle currently and do we see an outflow in the future because of their own exchange coming up.

- Satyanarayan Goel:** Well in the earlier con call also I had said the same thing, when we do trading of share sell through the zerodha platform who decides from which particular exchange you want to buy? BSE or NSE? Who decides? It is not the platform, it is the buyer of shares who decides or seller of shares who want to decide where they want to buy or sell. He has to give that offer, not Zerodha or icici.com or direct from other platform. Similarly in case of the trading company, the buyer or seller of electricity they have to decide whether they want to do the transaction. Electricity is a commodity which is a perishable commodity. For a generator if the electricity is not sold it is the opportunity lost forever you cannot store electricity and sell it tomorrow. So he will like to sell the electricity on exchange platform but there is liquidity where he knows that buyers are there and same thing is for the buyers also. So I am very sure that there is not going to be any impact and we will deal with the situation. As of now I do not see any challenge.
- Siddharth Gupta:** Thank you so much, Sir. Thank you for your comments.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Thank you so much for the opportunity. I wanted to understand on this gross bidding, now correct me if I am wrong, but what will be the incentive for states with low variable cost power to place their power on the exchange right because my understanding is that even in MBEDs this was the backbone of contention wherein states with excess or with coal reserves were not very keen on letting go of their ability to schedule power even just before it gets closure. So can you please help us with that?
- Satyanarayan Goel:** The states who have allocation from the low cost power plant and do not have demand to utilize the full allocation, they can sell that power on the exchange platform at the exchange clearing price and take advantage of the low variable cost power. Presently in most of the states power remains unscheduled. Under the gross bidding mechanism they will be able to sell the power and take advantage of the market clearing price. If the market clearing price is more than the variable cost of those plants they can make some gain out of that.
- Apoorva Bahadur:** Okay and Sir this will happen on day ahead basis or RTM.
- Satyanarayan Goel:** This will happen on mostly on day ahead basis.
- Apoorva Bahadur:** So in case there is a last minute demand increase for these plants they will not be able to reschedule that power, they will have to buy on exchange.
- Satyanarayan Goel:** Then they have the option of RTM market and you know when you participate in the market you can fine-tune your bidding strategy. You know what kind of variation takes place, how much of power I should take for the intraday variation and how the entire RTM market going to be, and to what extent I can depend on that. So I do not see any issue in that.

- Apoorva Bahadur:** Right, Sir. Fair enough. Sir one last question on this and this is something which we saw when there was a coal shortage in October. The central government started issuing directives that states should not sell power and try to gain from an opportunistic thing and rather conserve coal, so generally the idea is since more or less we have times of coal deficit do you think if this is not mandatory and it is voluntary the sanctity of exchange market will prevail even when there is a time of coal tightness for these low variable cost power plants.
- Satyanarayan Goel:** First of all this kind of situation happens maybe for 10, 15 days in a year. It does not happen throughout the year and second is I personally believe that we should not tamper the market, we should allow markets to operate freely. A state which has got less demand and more power availability if they have the option to sell they should be able to sell because they are also buying power when the rates are costly. So we should leave it to them and expose that power availability in the market because the market clearing price also will go down and it will help the market. That situation was for 15 days and first 15 days of October and in the second 15 days of October the rates came down and in the month of November the rate was only about Rs.2.
- Apoorva Bahadur:** Any idea by when we can expect the regulator to act on this or any timelines for this sir.
- Satyanarayan Goel:** They have asked us to do the stakeholder consultation and it will take I think three, four months. After consultation we will file and then they will have hearing and I think they will also have to think what kind of products to be approved.
- Apoorva Bahadur:** And this becomes redundant if MBED is implemented anyway.
- Satyanarayan Goel:** I will say if this is implemented MBED will become redundant.
- Apoorva Bahadur:** Okay, sure Sir I am looking forward to it. Thank you so much. Thank you for your time.
- Moderator:** Thank you. The next question is from the line of Prashant Rane from Exclusive Advisors. Please go ahead. As there is no response from the participant, we will move to the next participant. The next question is from the line of Uday an Individual Investor. Please go ahead.
- Uday:** First of all, good evening all and congratulations for the best results ever. From the results which I can see there is a significant expense increase in the other expenses which is approximately double of previous quarter as well as year on year. Can we have some light on that?
- Vineet Harlalka:** I would like to inform, because this quarter we've come out with a bonus issue. So mainly the increase of the expenses is on two accounts, one the CSR expenses and the bonus expenses. Lot of regulatory fees and everything we need to pay. These are the two reasons for the higher cost, otherwise costs are more or less in line with the previous quarter.
- Uday:** So, from next quarter can we stick with the same expense like previous quarter and previous year quarter.

- Vineet Harlalka:** Yes five, five and a half a year that is our trend.
- Uday:** Okay fine, Thank you, That is all from my end.
- Moderator:** Thank you. The next question is from the line of Vikas Shrivastav an Individual Investor. Please go ahead.
- Vikas Shrivastav:** Yes, my question was on the gas exchange if you could throw some light on the volumes, is it breaking even, how is it looking, that was one question and the other which was stake down below 50, does the profit of the gas exchange as and when it happens will it get consolidated with the Holdco.
- Satyanarayan Goel:** Yes consolidation depends on us, but as far as the numbers of gas exchange is concerned let me tell you one thing. First quarter of this year that exchange did a volume of about 3.3 lakh MMBTU. Second quarter we did about 10 lakhs MMBTU. Third quarter we did 36 lakhs MMBTU, every quarter they are almost multiplying their volume by three times, I mean, this is a lighter part of it, but the volumes are increasing and I am sure with the increased participation of the participants in the gas sector, the gas exchange is doing very well and the volumes are going to increase further. In the third quarter of this year for the first time IEX has done the breakeven and made a profit of 0.8 Crores.
- Vikas Shrivastav:** Thank you, that is very impressive, so you do expect the exponential growth in the gas volumes going forward too.
- Satyanarayan Goel:** Yes definitely.
- Vikas Shrivastav:** Thank you so much. That was all. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhilasha Satale from Dalal & Broacha. Please go ahead.
- Abhilasha Satale:** Thank you for taking my question. Sir the first question is on the DAM volume. We are seeing the RTM growth is substantially higher and DAM volume growth has slowed down from the highest we had. Is it that RTM is cannibalizing DAM or are those two products complementary to each other? How do you see this trend going forward, this is my first question and second is with the third exchange coming in, we are levying charges which are high? So do we have any intention to reduce that as the competitive intensity increases or how do we see the charges trend going ahead as volumes increase substantially.
- Satyanarayan Goel:** In the first nine months of this year, we have achieved the electricity volume growth of 37% and the electricity whether it is purchased in DAM, RTM, green TAM, green DAM whatever. It is the total electricity volume growth. Participants are trying to optimize different products and optimize the cost, the requirements, meeting the requirements for these different products. It was

expected that at the launch the RTM market, maybe some of the demand will shift to the RTM market because they will be able to more accurately forecast the demand during the day and purchase that power instead of buying it on day ahead basis. So, I mean, whether it is cannibalizing the day ahead market that is difficult to say but definitely RTM market participation has increased and going forward I think you will see further increase in the green market because green markets which were launched last year and GDAM this year. In these two markets presently, the volume is slightly lower but the participation is further going to increase in these markets. You may see that the DAM volume growth is further impacted, but to us volume must come from all these products. As far as Q2 is concerned we are working in the market based on the value which we are providing and this participation on the exchange platform is dependent on that. Our job is to continue to provide value to the customer and I believe that transaction fees which we are charging is much lower in comparison to the value which we are providing them. Having said this, we have no intention to compete based on the transaction fee.

Abhilasha Satale: Sure sir. Thank you.

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

Swarnim Maheshwari: My question is on gross bidding again. Suppose this gets implemented what about the transaction fees will it be similar to all the other products or how it will be regulated in a different manner?

Satyanarayan Goel: It will be difficult to answer that today because it depends on the quantum of volume which is coming. If a state is bringing significant part of the sell & buy volume on the exchange platform then maybe, we can think about different charges for the gross bidding. Because selling 100 MU and buying 60 MU. Effectively it is selling 40 MU. We may have to think something about that but as of now we have not decided anything on that so let the product be approved and participation happen only then we can think about that if required.

Swarnim Maheshwari: Is there a real case for it to get started in FY2023?

Satyanarayan Goel: That is our target we are working on that.

Swarnim Maheshwari: All right. Sir thank you so much and wish you all the very best.

Moderator: Thank you. The next question is from the line of Vikas Kasturi from Focus Capital. Please go ahead.

Vikas Kasturi: Sir recently you sold 4.93% stake in IGX to IOCL that was at a valuation of somewhere around 75 Crores if I am not wrong so my question is Sir in your own words you said that every quarter the volumes on IGX has been growing in fact it has been growing exponentially and in the future it could have the same kind of growth that we have seen in IEX. So, Sir don't you think just for 75 Crores valuation was little on the lower side.

- Satyanarayan Goel:** See last year when we started this gas exchange at that time itself, we decided to have some strategic partners with us and who those partners are going to be. It was not an offer made to everyone. We decided whom we want and because we felt that we have seen a lot of value with these investors, IOCL was within the same, we offered them at that time, only thing there was a slight delay from IOCL. We have sold this equity to all the participants whether this is GAIL, IOCL, Torrent and Adani, all at par. It is basically not sell, it is a strategic investment by all these participants. So that has been the view. I know very well that there were a couple of private equity investors who were willing to offer much higher valuation to us. But no, it is not a sell but a strategic investment.
- Vikas Kasturi:** Sure, Sir. Thank you. That is all, no more questions.
- Moderator:** Thank you. The next question is from the line of Aniket Mittal from Invest Research. Please go ahead. As there is no response, we will move to the next question which is from the line of Ankur Agarwal from Phillip Capital. Please go ahead.
- Ankur Agarwal:** Hello, Sir. Thank you for taking my question. Just coming back to gross bidding and please pardon my ignorance, I just basically wanted to understand what the difference is or rather what would be the benefit of gross bidding compared to the current mechanism that we have. If you can just explain that briefly that would be very helpful. Thank you.
- Satyanarayan Goel:** Presently we have allocation from different power plants, and they have PPAs, say, with different IPP. The total quantum available with them is 10000 megawatts and the demand during the day is not constant. So, sometime maybe during the peak hour the demand is 11000 megawatt, maybe during the night hours it is 8000 megawatt, daytime it was 9000 megawatt. So, what we are doing is giving schedule to the generators accordingly and whenever the demand is lower than the total allocation from this plant a part of that capacity remain unscheduled. It will remain unutilized, whereas the exchange clearing price at that time even in comparison to the power plants which are unscheduled may have been higher, so the state could have sold that power on the exchange platform instead of not giving schedule. So if you want to do this fine tuning by scheduling directly to the state and then partly selling on the Exchange platform it becomes slightly difficult. So what you can do, you know power plants having variable cost less than Rs.2.25 definitely the state will need 100% of that. So they can schedule that directly to the state. But the power plant where the variable cost is Rs.2.25 to maybe Rs.3, Rs.3.25 depending on the requirement the schedule will be varied. So instead of varying the schedule, they can sell that power on the exchange platform, and depending on the exchange clearing price, fulfill their requirements from the exchange utilizing day ahead market and RTM market. They can fine-tune their requirement to meet the demand. So they can utilize this platform for making money by selling undistributed power and also meet the demand efficiently.
- Ankur Agarwal:** Okay Sir, that is all from me. Thank you.

- Moderator:** Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Sir two questions, first one is clarification, does behavior of private DISCOMs utilizing these new innovations like gross bidding higher in your opinion versus DISCOMs owned by the state.
- Satyanarayan Goel:** I agree with you, but I find these days even state DISCOMs power purchase optimization also has improved significantly particularly in states like Gujarat, Telangana, Andhra Pradesh, and UP. There are many such states who are also optimizing their power purchasing cost and I am sure that can improve.
- Mohit Kumar:** So, we do not see any significant improvement in optimizing the power cost compared to let us say five years back and do we have any role to play in that in terms of consulting or something is it possible.
- Satyanarayan Goel:** Mohit I can tell you one thing, there is a lot of change if you compare in the last five years. States like UP were not participating on the exchange platform and were getting into only the long-term and the short-term contracts, doing high price. Today UP is buying power when they need it and they are selling power also whenever they have surplus. Yes, they are under the PPA where the variable cost is lower and they are selling on the exchange platform at higher cost and making money in the process and same is the case with other states like Telangana, Andhra Pradesh, Karnataka. There are many states and it is happening because my business development team they are continuously interacting with the states, their power procurement team telling them how they can utilize this exchange more efficiently, how they can do the bidding how can they improve upon their bidding strategy, so there are optimization tools also which have been developed, how can they use those optimization tools to optimize the cost, all those things are being done now.
- Mohit Kumar:** And Sir, lastly on the dividend policy given the fact there is no major capital expenditure lined up in the near future, can we expect the dividend to go up in the beginning of FY2023 and FY2024.
- Satyanarayan Goel:** See we have been giving more than 50% of our profit in the form of dividend and that has been the consistent policy of the company. We intend to maintain the same and maybe in future if we feel we can increase the dividend.
- Mohit Kumar:** Understood, Sir. Thank you and best of luck sir. Thank you.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to the management for closing comments. Sir would you like to give any closing remarks.
- Satyanarayan Goel:** Yes, thank you very much for participating in today's call. I must say that energy markets have been playing a pivotal role in building India's sustainable and efficient energy future. We are very



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excited about the prospects of the company and the new opportunities that will unfold. I look forward to a positive interaction with you all in the next quarter just like we did with this one. Thank you very much.

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