



Dated: August 03, 2021

The Manager  
BSE Limited  
Corporate Relationship Department  
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The Manager  
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Listing Department  
Exchange Plaza, 5<sup>th</sup> Floor, Plot no. C/1  
G Block, Bandra Kurla Complex  
Bandra (E), Mumbai-400 051

**Scrip Code: 540750**

**Symbol: IEX**

**Sub: Transcript of the Earnings Conference call with analysts and investors relating to Financial Results of the Company for the quarter ended June 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 **July 23, 2021, at 02:30 pm (IST) to discuss the financial results of the Company for the quarter ended June 2021.**

The above information will also be made available on the website of the Company:  
[www.iexindia.com](http://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

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**Indian Energy Exchange Ltd**

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## Transcript

### Conference Call of Indian Energy Exchange Limited

**Event Date / Time** : **23<sup>rd</sup> July 2021, 02:30 PM IST**

#### ***Presentation Session***

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**Moderator:** Good afternoon, ladies and gentlemen. I am Bharathi, moderator for the conference call. Welcome to the Q1 FY2022 earnings call of Indian Energy Exchange hosted by Axis Capital Limited. As a reminder, all participants 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 \* and then 0 on your touchstone telephone. Please note this conference is recorded. I would now like to handover the floor to Mr. Sumit Kishore of Axis Capital Limited. Thank you and over to you sir.

**Sumit Kishore:** Thank you Bharathi. Good afternoon, ladies and gentlemen. On behalf of Axis Capital, I am pleased to welcome you all for the Indian Energy Exchange Q1 FY22 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 and Ms. Aparna Garg, Investor Relations. We also have the entire management team. We will begin with the opening remarks from Mr. Goel, followed by an interactive Q&A session. Over to you sir.

**Satyanarayan Goel:** Good afternoon, dear friends!

I welcome you all to the Q1 FY'22 earnings call. Present with me today are: Vineet Harlalka, Rajesh Mediratta, Rohit Bajaj, Amit Kumar, Sangh Gautam, Shruti Bhatia and Aparna Garg.

I hope all of you, your teams and families continue to be safe and healthy.

The second wave of CoVID-19 is now almost behind us. April and May were harsh times for many of us. The second wave has also left a mark on India's macroeconomic indicators during the quarter. However, it is heartening to now see that things are getting better. There is a significant reduction in number of active cases and a considerable pickup in the pace of vaccination drive by the Government.

During these trying times, team IEX has been working at its best to ensure uninterrupted 24\*7 access to its platform and provide the industries and distribution utilities round the clock access through Power Exchange facilitating power procurement in the most flexible, transparent, and reliable manner.

As another significant achievement, IEX successfully commenced the much-awaited Cross Border Electricity Trade in its day-ahead market. Nepal is the first country to have commenced trade on our platform on 17 April 2021 and has been participating

regularly. We are in discussion with Bangladesh and Bhutan, and they are also expected to start transactions shortly.

In line with our customer-centric approach, we launched phase 1 of the web-based platform for the market participants providing anytime anywhere, secure and easy access to the platform besides benefits such as data insights, online client registration/update, as well as the operational and financial reports. We also implemented Mixed Integer Linear Programming (MILP) based price discovery algorithm in collaboration with N-Side – a European technology company, to provide the global best in class trading algorithm and to also support introduction of the complex bid order types to meet requirement of the dynamically changing sector.

The real time electricity market has been seeing a significant growth and making a meaningful contribution & has been able to establish a great value to the power market in just about a year of operations. The market requires very high technological expertise as it operates 48 half hourly auctions each day and follows a very stringent timeline of 15 minutes for bid collection, price discovery, and interaction with NLDC for corridor availability. I am pleased to update that we have significantly upgraded our systems allowing this market to operate with nearly 100% availability. With our efforts towards creating a reliable real time market, RTM has now become a key differentiator for the business, contributing more than 20% to the total electricity traded volumes in the quarter. Additionally, the Discoms and open access consumers have been pro-actively leveraging the RTM market to balance real-time demand supply variations, planned and unplanned outages and support during the extreme weather events. Recently, the coastal Discoms that were impacted by cyclonic disturbances - Tauktae and Yaas, could significantly rely on the real-time market to support their power supply to affected areas. It clearly underlines the growing significance of the market in enabling distribution utilities and industries in addressing power demand-supply uncertainties in the most competitive and reliable manner.

Similarly, the green market has recently seen a greater traction among the market participants. This market is now positioned as a key avenue for procuring renewable energy in a flexible manner and at the most competitive price. Very soon, we will also strengthen our green offering by launching the green day-ahead market in addition to the existing term-ahead market.

As per the recently published data on power markets for fiscal year 2021, with our efforts, the Exchange market grew 41% YoY in FY 2021, whereas the Bilateral Market declined 25% YoY in the same period.

Further, the Indian Gas Exchange has also been seeing great enthusiasm and uptake in volumes as well as participation. In fact, the volumes that were achieved last year at IGX, we are now trading in one month, and we are seeing an increasing trend every month. With growing momentum, appreciation among market participants, and several key policy & regulatory initiatives such as the discussion on the constitution of an independent Transmission System Operator, we are geared towards developing a vibrant gas Market in India.

At IEX, we are also working to develop other new market segments such as Long Duration Delivery Contracts (LDC), the integrated Green Day-ahead Market as well as

the Ancillary Market to expand and develop India's power market in an integrated and holistic way.

I will now share with you an overall economic and industry update and how it played out for our business. While the industrial and economic activities showed growth momentum in the early part of April 2021, overall, the quarter remained challenging due to the second wave of CoVID-19 pandemic. In April 2021, while Manufacturing PMI stood at 55.5, in June it declined to 48.1. The impact of pandemic was also seen on the services side as the Services PMI declined from 54 in April 2021 to 41.2 in June 2021.

Despite the partial lockdown during the quarter, the electricity consumption showcased significant growth through the quarter registering a growth of 17% YoY to 340BU with the revival of economic activities. The industrial states such as Gujarat, Maharashtra, Punjab, Telangana, and Tamil Nadu were the key contributors of this growth. The country saw its highest ever peak demand at 191.5 GW in June 2021. The power consumption growth has soared further in July, with peak demand reaching 200 GW+, the highest ever in India's history.

As of June 2021, installed power capacity at 384 GW saw 3.5% YoY growth. The renewable energy capacity reached 97 GW from an earlier 88 GW in the fiscal year 2020 seeing about 10.4% YoY growth. The fast-paced growth in renewable capacity underlines the gradual energy shift that has been underway and an increased impetus on building a decarbonized and sustainable energy economy.

On the policy and regulatory front:

1. The Electricity (Amendment) Bill, 2021, that aims to de-license power supply, allowing multiple distributors in the same area and giving consumers the option to switch power suppliers is expected to be introduced in the Monsoon session of Parliament that began on 19th July 2021. The bill will promote competition and efficiency in Distribution sector and in turn lead to financial viability of Discoms.
2. Recently, the Cabinet approved a reform-based result-linked power distribution scheme of Rs 3.03 lakh crore outlay for 5 years. A significant part of this outlay is earmarked for replacement of existing 25 crore meters by smart prepaid meters. Smart metering system will ensure proper energy accounting, billing, and collection leading to improvement in Discom financial health. Further upgradation of distribution infrastructure will reduce the AT&C losses in the sector.
3. The Government has also issued the draft National Electricity Policy 2021 which stipulates intention of the Government to increase the share of spot markets to 25% by the year 2023-24. The draft NEP underlines the most pertinent issues of the power sector with key focus on areas such as promotion of clean and sustainable generation of electricity, development of adequate and efficient transmission system, revitalization of the distribution utilities, as well as the development of efficient power markets through an increased role of markets.
4. Additionally, the Government continued to focus on initiatives to further deepen the power markets. In its draft regulation, CERC has proposed a mechanism which allows load dispatch centres to procure a part of power to be used for 'ancillary services' through electricity exchanges for overall grid stability.

5. The Ministry of Power (MoP) issued a discussion paper on MBED with a proposal to go live through Exchanges from 1 April 2022 with NTPC generation capacity.

6. MoP also issued the Waiver of ISTS Charges for Green Market for trading through the Exchange in GTAM/GDAM till 30th June 2023. This will make trading of Green Power more competitive and further deepen Green Markets.

7. MoP also issued an order on PPA Relinquishment allowing Discoms to exit their PPAs on completion of 25 years. This will lead to the demand which was served by PPA to be met at Exchange. Even the generation companies will sell their power post PPA at the market and further deepen the markets.

These initiatives will create an efficient power sector in the country, improve financial health of the Distribution Utilities, and further deepen the power markets.

On a standalone basis revenue for the quarter grew by 27.1% YoY from Rs 80.54 Cr. in Q1FY'21 to Rs. 102.38 Cr. in Q1 FY'22. The PAT grew by 48.4% with PAT margin at 62.1%. During the quarter, electricity volumes on the Exchange grew by 42.9% YoY with 21,266 MU volumes traded. The significant growth in volumes was driven by substantial increase in electricity consumption as well as the competitive power prices discovered on the Exchanges besides other factors such as availability of adequate domestic coal and vibrant performance of new market segments – RTM, and GTAM.

The real time market completed one year of its launch on June 01, 2021. It has been one of the fastest growing market segments on the Exchange. The market saw an exceptional performance throughout the quarter and traded the highest ever volume of 1726 MU in the month of June 2021. Cumulatively RTM traded 4635 MU at an average price of Rs 3.01 per unit in Q1 FY'22. It is very heartening to see that in a very short span of time, the market has become most dependable platform for the distribution utilities and the industries in managing close to real-time demand-supply variations.

The quarter also saw the green term-ahead market recording the highest ever monthly volume of 414 MU in June 2021. Cumulatively, the market traded 937 MU, and has already surpassed green volume achieved in FY'21 which stood at 785 MU. An operational green term-ahead market at IEX has allowed solar and wind rich states to sell excess energy in the market for the other States to meet their RPO. Industrial consumers are also increasingly buying green power from Exchange. The market has been successfully enabling the participants to procure delivery based solar and non-solar renewable power in a flexible way and at competitive prices, thus greatly contributing towards the nation's renewable energy aspirations.

The Cross Border Electricity Trade has generated increased interest from the market participants from the neighboring South Asian countries. Nepal commenced cross-border electricity trade on IEX platform on 17 April 2021, and since then the market has cumulatively recorded a trade of 178 MU. We expect other South Asian countries such as Bangladesh and Bhutan to join in soon. This Exchange will help in developing an integrated South Asian regional power market and supporting efficient and sustainable growth of the energy sector in the entire region.

Fiscal 2022 started on a challenging note with surge of Covid-19 across the country. However, the spirit has been resilient, and the economic fundamentals are strong. India's GDP is projected to grow at 9.5% growth in FY 22, and electricity consumption is also expected to see good growth during the fiscal.

We believe that energy markets are pivotal in transforming India's energy economy and IEX is committed to play a proactive role in facilitating the much-needed efficiency, competitiveness, and sustainability in the energy ecosystem. As the Government is working towards creating a favorable policy and regulatory environment to transform the energy sector, we will continue to collaborate with the Government and other industry stakeholders to realize this vision. Recently on our 13th Anniversary, on 28th June 2021 we launched 'IGNITE – INDIA'S ENERGY DIALOGUE' on Vibrant Power Markets which convened key leaders such as Secretary-Power, Principal Secretary-AP, Chief Regulatory Affairs from CERC besides several leaders from industry and overseas to discuss the way forward on developing India's power market.

As a technology led company, we will continue to make investments to strengthen and advance our technology infrastructure. As mentioned earlier, we will continue to build upon our recently introduced initiatives such as the member APIs for all market segments, upgrading the web-based interface to also provide online trading, availability of analytics and data insights to the market participants, and introduce a new mobile app. These measures will enable us to make the overall trading experience seamless and intuitive besides positioning Exchange as the best-in-class technology platform.

With better availability of domestic coal, conducive policy and regulatory framework in place, growth momentum in the existing market as well as the upcoming new market segments such as Longer Duration Contracts and Derivatives, Green Day Ahead Market, Ancillary Markets, and Integrated Day Ahead Markets will make the power market much more dynamic than before. Further, there are also discussions to introduce capacity markets to ensure resource adequacy in sector. Along with these, with increasing volumes on Gas Exchange, we are very positive about the growth potential of the company.

**Moderator:** Thank you sir.

#### **Question and Answer Session**

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**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again.

Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad.

The first question comes from Mr. Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Good afternoon sir. Congratulations on a very, very good quarter. Sir, my first question is, what are the kind of opportunities that will arise from ancillary services? In the sense, is it possible to put some number to it?

**Satyanarayan Goel:** Ancillary services will be through the exchange. It is expected that this could be about 3000-4000 MW but will depend on the real time condition. Role of exchange will be only to collect the bid, track the bid and pass it on to the NLDC. It is the NLDC who will have to, depending on the requirement, use this capacity.

**Mohit Kumar:** Okay. Secondly sir, what would be the open access volumes in RTM market? And when can we expect the GDAM to be launched?

**Satyanarayan Goel:** Open access volume in the RTM market is very less. It is mostly the distribution companies who do the transaction. But it is about 5% to 10% only in case of open access. And GDAM we have already filed our petition with the regulator. In fact, there was a hearing in the CERC today only. And we are expecting that by the end of August, this will have the approval from CERC, and we should be able to launch it by the end of August.

**Mohit Kumar:** The last question is, has there been any incremental discussion on MBED in last few months apart from the discussion paper floated by the Ministry of Power?

**Satyanarayan Goel:** Ministry of Power issued the paper, along that they have invited comments from the different stakeholders. But what we understand from the different stakeholders is that distribution companies and generators in particular, they are not very comfortable with this discussion paper and have expressed their apprehensions and their concerns to the Ministry of Power.

**Mohit Kumar:** Understood sir. Thank you, sir, and best of luck. Thank you.

**Satyanarayan Goel:** Thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Bharani from Spark Capital. Please go ahead.

**Bharani:** Good afternoon sir. Sir, you just mentioned that there have been some concerns raised about the MBED. Could you highlight what these concerns are?

**Satyanarayan Goel:** Some of the concerns these States have raised are basically about the right to recall power, right to reschedule the power during the day, depending on the demand-supply variation. That is one big flexibility which today the States have. And that will not be there. And further, many States have contracted PPAs, paying capacity charges and they will have to continue to pay capacity charges, whereas the States who have not signed PPA will enjoy that power without paying capacity charges. So, there are concerns that have been raised that we should first look at resource adequacy and maybe introduce capacity kind of market concept and then talk about MBED, because MBED is something that can be introduced only when we have all other enabling provisions in place. The settlement mechanism itself is a very, very complex process, how the disputes between the Generator and Discoms will be resolved. There are few things which we understand, and they have raised, but only when these things again come for discussions, we will come to know about that.

**Bharani:** Sure sir. So, you are mentioning that we need the capacity market, instead of this MBED mechanism. Can you highlight that?

**Satyanarayan Goel:** Before the MBED, there should be a capacity market and I am sure that each State has contracted adequate capacity to meet their demand.

**Bharani:** Correct. So, that is what I am saying. So, could you elaborate little more on how this capacity market will be structured, so there will be only capacity contracted and the price will be discovered in the exchanges? So, how exactly does that work sir?

**Satyanarayan Goel:** Normally capacity market is the mandatory market. The regulatory commissions in each State, they are supposed to assess the demand for the next five years. And then see what kind of capacity is contracted and what kind of capacity is required. And then they will ask the distribution companies to contract capacity for the next five years accordingly. And normally these kinds of contracting of capacity is done through the exchanges. But then this also can be done through the bidding route.

**Bharani:** Right. So, this, if at all happens, will be for the incremental capacities' requirement?

**Satyanarayan Goel:** Right.

**Bharani:** My next question is on the integrated DAM market. So, I am just trying to understand what will be the need that this market will solve, which the existing GTAM market is not addressing?

**Satyanarayan Goel:** As you have seen in the electricity market, TAM market is not price discovery. It is the price matching.

**Bharani:** No, I meant the DAM, integrated DAM, so what is the need that it is going to solve, which the existing DAM market is not solving? So, who will be interested to buy?

**Satyanarayan Goel:** In the TAM market, it is the price matching what takes place. In the day ahead market it is the price discovery what takes place. Both are comfortable with the price discovery process because price discovery process is the more transparent process. Distribution companies, from the regulatory point of view prefer DAM market and that is why in the conventional electricity also, the volumes are more in the DAM market than in the TAM market. And in the DAM market, these are collective transactions. You are basically acting as the aggregator, both from the sell side and the buy side. So, this is the more efficient market and that is why the Government is also saying that we should introduce DAM market, so that green generators, they have a comfort that, yes, there is a transparent market available.

**Bharani:** Correct. But there is already a mechanism for them to do that through the GTAM market or the GDAM market, so just trying to understand how this product will be....



**Satyanarayan Goel:** Present mechanism is only through the GTAM market, term-ahead market so that somebody can sell power for the full day or maybe for full week. But, there is no DAM market at the moment; when it is DAM market where one can sell power for any particular time block on day ahead basis. And in the DAM market, generator will be able to sell the power as per the forecast of the generation. And similarly, distribution company will be able to buy power basically based on the demand. They don't have to buy constant power throughout the day. So, DAM market provides more flexibility.

**Bharani:** Okay sir, I will take this offline.

**Moderator:** The next question comes from Mr. Sumit Kishore from Axis Capital. Please go-ahead sir.

**Sumit Kishore:** Thank you sir. My first question is the peak demand of 200 GW in July was during the afternoon time. The entire commercial demand may not have come back; traction demand is lower than pre-COVID levels. How would you read this peak demand number and how would you see this, what would be your expectation for demand through the balance fiscal 22 sir?

**Satyanarayan Goel:** The peak demand in the month of July, which has crossed 200 GW was on a particular day. And what I am seeing is that the demand is remaining at a very high level regularly. So, the power consumption is increasing and the power consumption in the first quarter has increased in the country by 17%. Though it was with a low base. In fact, last year we had the lockdown, but we are seeing now also there is a good increase in the power. And as far as the peak demand is concerned, in the month of September when hydro recedes and it is a high humidity environment and the agriculture load demand is also there, it may cross even 200 GW. It may be something around 210-215 GW.

**Sumit Kishore:** Okay. Sir, what would be your update on the timeline for launch of LDC contract and the resumption of trading in REC?

**Satyanarayan Goel:** Long duration contracts, I am really unable to say any timeline, because the case is pending in the Supreme Court. There is nothing to be done in that case. It is only a one-day hearing, because the Government of India had already filed affidavit that Government of India had decided about the jurisdiction. The Supreme Court only has to basically adopt that and issue a clarification. But, unfortunately because of the COVID, only urgent issues are being taken up. This matter has not come up for hearing. I think it is almost about one and a half years now and nothing has happened on this. We were very hopeful last year only, but I am sorry, I am unable to give any timeline on this. And your second question is?

**Sumit Kishore:** Should we factor in LDC for the balance fiscal 22 of the last quarter or should we completely rule it out?

**Satyanarayan Goel:** I think last quarter would be a fair estimation.

**Sumit Kishore:** Okay. And on resumption of trading in REC sir?

**Satyanarayan Goel:** REC hearings in the first week of July were few, but then nothing concrete. Ministry of Power have been made a party, because there was a discussion paper issued by the Ministry of Power also on the REC floor and forbearance. So, I think next date of hearing is sometime in the month of August. So, only after we get an order, as of now it looks like it may be sometime only in September and not before that.

**Sumit Kishore:** The order will come in September, but trading can resume only after how many months from the order?

**Satyanarayan Goel:** Once the order comes, we will start resuming the trading from the next day itself. But the point is you can't really say anything about the order, the authorities, when they will issue the order. It is expected that the orders would come sometime in the month of September. But whether it will come or not, we can't really say that.

**Sumit Kishore:** Okay. Thank you so much sir.

**Moderator:** Thank you sir. Ladies and gentlemen, if you have a question, please press \* and 1 on your telephone keypad. And participants are kindly requested to restrict to two questions in the initial round and may join the queue for further questions.

The next question comes from Mr. Kunal Thanvi from Banyan Tree Advisors Private Limited. Please go ahead.

**Kunal Thanvi:** Thank you for the opportunity and congratulations on a good set of numbers. I hope the team IEX is doing well and safe. I had one question about the RTM market. When we look at the FY2021 numbers for the short-term market, what we see is that the bilateral volumes have fallen off and the DSM volumes have fell to the last year level itself, whereas we have seen a significant rise in the RTM volumes. How should one read into this? We have been asking this question for a while now, but we have not been able to get a grip over it. How should one read into the growth in the RTM market.

**Satyanarayan Goel:** RTM market was not for replacing the DSM alone. That was one intent. But, otherwise the intent was basically to meet demand variations on the real time basis. And this demand variation on the real time basis is happening because of the renewable generation. In the earlier system, after the day ahead market, there was no other opportunity for the distribution companies to purchase power. Now, they have another option available on the real time basis. And they are using this market very effectively to manage the demand supply variation. As far as DSM is concerned, on that front we also did some analysis and the regulatory commissions have also done some analysis. What we have concluded now is that since the DSM rate is the average rate of the day ahead market, there is no incentive for distribution companies to not withdraw from the grid and buy from the RTM, because DSM rate is almost same as the day ahead market rate. So, that is why, what we understand is Regulator is reviewing the DSM mechanism and there will be incentive to buy power in the RTM market than to overdraw from the grid. So, only when that happens, maybe the DSM volume will start shifting to the RTM market. In the DSM market, if the drawls is beyond a particular limit, then there is a penalty. So, at least that quantum has reduced significantly.

**Kunal Thanvi:** Okay, sure. So, is it right to assume in terms of the potential of RTM market it is just not restricted to 23 BU's, which is DSM? Is that understanding right?

**Satyanarayan Goel:** Yes. RTM market is not limited to the DSM volume. RTM market is going to meet the requirement of the distribution companies on the real time basis and also take care of the demand supply variations and renewable energy variations. So, I am sure volume in this market and the opportunity is much larger. Reduction of DSM is one component of the RTM market.

**Kunal Thanvi:** Sure. So, that was my first question, thanks for it. My second question is in terms of new products and new avenues. LDC and REC is something that has been stressed on from the regulatory perspective. Apart from that, do we have any plans for new products in the coming fiscal, apart from the GDAM which we have already discussed, any color on that?

**Satyanarayan Goel:** New product - one is long duration contract that I told you, last quarter of this year it may happen. GDAM should happen in the month of August or last week of August. And REC trading that should resume from September and ECERTs trading should also start from August. This trading happens once in three years time. So, it is due this year. So, on that also discussions are in the advanced stage now. And we are expecting trading to start in the month of August. And in addition to this, we are continuously working on our existing two new products, which are the RTM and the GDAM market and the cross-border trade. So, I am sure in these markets also, there should be significant increase in the volumes.

**Kunal Thanvi:** Sure. A follow up on that, on the cross-border market can you throw some light on the kind of opportunities we can see in the next three to five years, because what we understand is that only day ahead market product is what needs to be traded for that category. So, how should one look at that market from a three to five years perspective?

**Satyanarayan Goel:** In Cross border market, we are expecting in the next five years, the volume in this market should be something about 8 billion to 10 billion units. It also depends on the transmission capacity between the countries and between India and Bangladesh, India and Nepal and India and Bhutan. India and Bhutan, of course, there are no issues. But, in India and Bangladesh, India and Nepal, we have limited capacity, whereas the demand in these countries is more. So, since the capacity building is happening in the transmission sectors, I think in the next five years this market size should be about 8 to 10 BU.

**Kunal Thanvi:** Sure. Thanks. I will get back in the queue. Thanks a lot for answering my questions.

**Moderator:** Thank you sir. The next question comes from Mr. Devansh Nigotia from Securities Investment Management. Please go ahead.

**Devansh Nigotia:** In case of PPAs which are completing twenty-five years and are expiring, do we have any quantum on the volume, which will be without PPAs? Let us say over the next one or two years, do we have any kind of numbers?

**Satyanarayan Goel:** What we have seen from the newspapers and from our discussions, many States are willing to exit from the gas-based power plants, because these gas based plants are more than twenty-five years old. The quantum of domestic gas availability is very low. Imported LNG gas is very costly. So, these plants are operating at PLF of hardly about 20%-25%. And the States have to pay capacity charge for the full 100% capacity. That is why, since twenty-five years period is over, they want to exit from those plants. There are one or two thermal plants also where the variable cost is high, and twenty-five years is over. So, our estimate is that it could be about 4000 to 5000 MW capacity.

**Devansh Nigotia:** Okay, 4000 to 5000 MW. And in case of ECERTs what would be our expectation, in terms of volumes? 1300 MU was done three years back.

**Satyanarayan Goel:** ECERTs volume this year should be about 3.5 BU, 35 lakhs units.

**Devansh Nigotia:** 35 lakhs units.

**Devansh Nigotia:** Okay. And sir, in case of green term ahead market, the volume has been really robust over the last one month. Some soft points if you can give, both on the demand side and the supply side. What are the things that are happening that have changed the scale of volume and how should one look at this number going forward?

**Satyanarayan Goel:** Green market is active because, during this time, wind generation is very high. That is one reason. And the power which is being sold in the green market is sold by the distribution company. The States who have contracted green power more than their RPO obligation, earlier they were backing down those plants and now they are selling that power. So, it is good for the generator, they are not being asked to back down and it is good for the States, because they are now able to get additional revenue by selling the power in the market. So, this trend should continue for the next four-five months, till wind generation is high. And from October, it will be mainly solar.

**Devansh Nigotia:** Okay. So, April to September would be the main season for wind and solar would be throughout the year?

**Satyanarayan Goel:** Yes.

**Devansh Nigotia:** Okay. Thanks a lot sir for addressing all questions. I will join back in the queue.

**Moderator:** Thank you sir. The next question comes from Mr. Prithivi Raj from Unifi Capital. Please go ahead.

**Prithivi Raj:** Sir, my question is, for the long duration contract, how are we planning the margin mechanism?

**Satyanarayan Goel:** We have designed a margin mechanism, where we will take margins for the open access charges and then two days or three days of margins for the transaction and then they will have to pay every day depending on the quantum of power delivered. There is a margin mechanism which has been developed and has been put up to the regulator also for approval.

**Prithivi Raj:** Okay. So, you will collect margin on a rolling basis for every three days.

**Satyanarayan Goel:** Yes, on rolling basis. You can't ask one month in advance.

**Prithivi Raj:** And second on the GDAM, so what can be the volume potential here?

**Satyanarayan Goel:** Very difficult to say, because in the green market, it is only the States who are selling. There are couple of generators also, but the renewable merchant capacity is very, very low at the moment. But, looking at the rate of the last one year, the rate is around Rs.3.20 for the solar generation and it is around Rs 3.90 for the wind generation. So, looking at these rates, maybe generators will now also go ahead for setting up merchant capacity. So, I think this market will need some time to develop.

**Prithivi Raj:** Okay. Thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Bharat Seth from Quest Investment. Please go ahead.

**Bharat Seth:** Hi sir. Thanks for the opportunity. Recently one more player has been allowed to open the exchange. Can you throw some light on the competitive scenario that may emerge post that player starts operating?

**Satyanarayan Goel:** First of all, let me correct you. There is already one more player who is there in the market.

**Bharat Seth:** One more is there. One more is allowed.

**Satyanarayan Goel:** Yes. One more is allowed now. Don't worry. From the last thirteen years, we were leading the market and we have more than 95% market share. As an exchange, our job is to create value for the participants. Our job is to innovate, provide new products, interact with the customers, understand their needs, and provide new products to meet their requirement, and provide an efficient technology platform. This is something we have been doing in the last twelve years and because of that we have ensured customer loyalty. I am sure this will continue in the future also and we will be able to maintain customer loyalty.

**Bharat Seth:** Okay. Sir, on this inter country, that is Nepal, Bangladesh and Bhutan, so this market, are we expecting to operate both the side? So, India selling

as well as buying or it will be one sided? And what will be the payment mechanism to ensure that this business continues for a longer term?

**Satyanarayan Goel:** This payment mechanism is in rupees because they must appoint an Indian agency to do transactions on their behalf. And second is, in case of Bangladesh and Nepal, since these countries have deficit of power, mostly it is buying by them. And in case of Bhutan, since they have surplus grid power, maybe it is going to be sell by them.

**Bharat Seth:** Okay. And our rate will be the same, charging 2 paisa both the side?

**Satyanarayan Goel:** Yes, yes.

**Bharat Seth:** Okay. Thank you very much.

**Moderator:** Thank you sir. The next question comes from Mr. Swarnim Maheshwari from Edelweiss. Please go ahead.

**Swarnim Maheshwari:** Good afternoon and congratulations on a good set of numbers. Two questions - first on the REC side. Assuming that this year also no trading happens, and we actually fast forward to FY23, do you think that the bunching up of trade will happen for FY21 as well as for FY22 and you can see something like a 12 billion to 15 billion units of volume in FY23? Or is there a case that for participants to actually go for their RPO obligations, they have already started sourcing through GTAM product and going forward GDAM also?

**Satyanarayan Goel:** First of all, I am not willing to assume that the trading will not happen in this year. I told you, Generators have filed up dozen applications and they are going to share the matter and I am sure the orders would come in the month of September. So, we will have good six, seven months for trading of REC market and we should see good volume growth in this market. But, in case by any chance, the product won't come, then yes, this RPO obligation will get carry forward and obligated entities are supposed to meet that requirement. A part of that requirement is also met through the GTAM market. But what we are seeing, in the GTAM market it is different set of buyers. Maybe the utilities who were buying RECs, some of them are also participating in the GTAM, but then we also have new participants in the GTAM market.

**Swarnim Maheshwari:** Okay, so you mean that in GTAM or GDAM, the set of buyers is not the ones really looking for their RPO obligations?

**Satyanarayan Goel:** Not the same. A part of the buyers are also to meet the RPO obligations but there are new buyers also.

**Swarnim Maheshwari:** Okay, got it. And sir, just a very small observation, we have given the segmental reporting and I was just looking at the gas exchange revenues. I was just wondering that why first of all there will be revenues from gas exchange in 30<sup>th</sup> June 2020, which is Q1 FY21, because we have not commenced the business at that point in time and second, why were the gas exchange revenues negative in Q4 FY21?

**Satyanarayan Goel:** Can I ask my colleague Mr. Vineet Harlalka to respond to this question?

**Vineet Harlalka:** First of all, the exchange was launched in June 2020, so 1-2 trades took place during that initial phase; so, that is why some revenue was booked for the gas exchange during Q1 of financial year 2020. During the Q4 of financial year 2021, a rectification entry was made, because what happened, the company was recognizing the admission fee of the member upfront i.e at the time of admission of the member. But later in discussion with the auditors, revenue recognition was deferred to 3.5 years. So, that entry was done and the impact from one-time adjustment was there of 1½ crores.

**Swarnim Maheshwari:** Okay. So, that day the entry got rectified in Q4.

**Vineet Harlalka:** Yeah, because the income earned by the exchange at the admission of the member got deferred to 3½ years.

**Swarnim Maheshwari:** Alright. got it sir. Thank you so much. I will get back in the queue.

**Moderator:** Thank you, sir. The next question comes from Mr. Sujit Jain from ASK Group. Please go ahead.

**Sujit Jain:** Good afternoon team. Congratulations on a good set of numbers. Sir, my question is similar to what one previous participant earlier had asked you, which is what would be the difference between GDAM and integrated GDAM?

**Satyanarayan Goel:** It is integrated market. Integrated market consists of a renewable Generator who can sell power in the GDAM market. If the power is not cleared in the GDAM market, then he has option to transfer it within the DAM market. That is why it is known as integrated market. And GDAM is same. There is no separate GDAM market. GDAM is part of the integrated market.

**Sujit Jain:** Got that. And what is the traction of our policy advocacy effort, where, in solar power auction, a certain percentage can be allowed as merchant power, because that will completely open up a new area for the exchanges and for the short-term markets?

**Satyanarayan Goel:** We have been doing this policy advocacy. If you see SECI tenders, there they are already writing that Generators can keep up to 15% capacity for sale through the market. There is a different story that the Generators at the moment are not keeping any capacity for sale in the market. Looking at the clearing price which has taken place in the GTAM market, what we now understand is that there are Generators who are willing to keep some capacity for sale in the market also as merchant capacity. We are also working with the Government of India to bring new products to deepen this green market in the country. One of the products which is popular in the Western countries, with industries or the MNCs or the data centers, the ESG companies, who want to go green, and their demand pattern is uniform, but, the solar power is available only during particular hours of the day. And it is very difficult for these companies to go through the process of scheduling this power. What they do is,

they get into a contract with the renewable generator that I am committing you the rate under the PPA, you sell this power in the market, in the conventional market, that is the day ahead market or RTM market if the rate is lower than the PPA rate, I will pay the difference and you will give me the green attribute of that so, that they can comply with the ESG requirement. These are the kinds of products on which we are talking to MNRE and the Ministry of Power and they are very receptive of this idea. We are working on these kinds of products. I am sure in the times to come, maybe in the next one or two years, you will find good liquidity in this market also. The market takes some time to develop. So, we will have to work on these kinds of new products, first do policy advocacy, then talk to the Generators. I am quite hopeful that this market will be a big opportunity for us and should provide reasonably good volume.

**Sujit Jain:** And one last question is on other streams of revenue which globally exchanges pursue, which is basically, you internally have a division, which creates software and products for the exchange itself. That can be put in an entity, a separate entity and can be monetized and also analytics products.

**Satyanarayan Goel:** As of now, my software team is occupied in developing products for my exchange business only. In the last one year we have developed new products for the RTM market, GTAM market, now cross border and we are working on developing integrated market, where we will have GTAM and GDAM together. We are also working on web-based platform, mobile apps, etc. I don't think for the next two-three years, they will have time to do work on others. This is a very, very specialized area. We would like them to continue exchange development activities. You said about analytics. Today we are doing lot of analytics. But then we are providing these analytics to our sector participants free of cost, basically to create awareness for the market and it is a marketing activity. Maybe in the future when we find that, there is a potential to earn some revenue out of it, we can explore that. But today we are doing it free of cost, providing the analytics to the market participants telling them how they can optimize their power procurement cost and how they can take advantage of the market.

**Sujit Jain:** Thank you so much.

**Moderator:** Thank you sir. The next question comes from Mr. Ronak Chheda from Oregon Capital. Please go ahead.

**Ronak Chheda:** Thanks for the opportunity. I just have one question, it is partly answered, I will just repeat myself. Share of renewables is going up in the whole power generation sector going forward. How does this shift to a higher share of renewables impact IEX business? You briefly touched upon this point. But, if you could elaborate more, is it positive, negative, or neutral at par? Thank you.

**Satyanarayan Goel:** Every change provides an opportunity. I believe in that. So, shift to high renewable is also a big opportunity and we are working on that, how to make best of that. As I told you, renewable itself is going to provide opportunity. We have introduced GTAM market. We are going to introduce GDAM market. We are working to develop new products in this market. Because of the high renewable, the pressure on the coal has reduced now. The coal availability has improved and auction rate for the coal has reduced. As a result of that, the rate in the DAM market has reduced. From that point of view also, renewable is positive for the exchange. Anything else you want?



**Ronak Chheda:** No sir, thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Alok Ranjan from India Infoline Asset Management Company. Please go ahead.

**Alok Ranjan:** Good afternoon sir. One clarification on the RTM thing, that you were mentioning that the open access is 5% to 10% and most of the volume comes from the distribution. You mentioned that it is not coming majorly from the DSM. I want to understand, is it coming within the short-term volume or it was outside the short-term volume earlier and new volume has been created in the short-term volume overall?

**Satyanarayan Goel:** Based on the analysis what we have done, what I find is that this is the additional volume, where either the load shedding was happening or backing down was happening. So, I think now there is a real time market, where this optimum utilization of these things are happening. Earlier it was 200 MW, or 500 MW units breached, distribution company has no option to purchase the power to meet the demand. Now, they have the option available.

**Alok Ranjan:** Got it sir. One opportunity for us is that of DSM which is 1.8% and within the bilateral 3.4%, some opportunity is there for us in the near term. Then either the long term is there, from where you are saying that 4 to 5 GW can come out of the PPA or, is it the new capacity addition that is happening or major part is coming into the short-term market?

**Satyanarayan Goel:** Opportunity for the exchange is coming from, one is that shift is happening from the bilateral to exchange. Over the years, if you see the volume which was happening in the bilateral is going down and exchange volume is increasing. Then the second opportunity is shift from the DSM in the real time market. I am sure after the revision of DSM mechanism rates, that will also happen. Third is, the incremental demand, that is the biggest opportunity. If the demand in the country is increasing at the rate of 5%, which means that 70 billion to 75 billion units is additional demand. Good part of this demand will come to the short-term market. Fourth is, exiting the long term PPA after the useful life. So, looking at all these things, I personally feel that every year there is opportunity in the market.

**Alok Ranjan:** Got it. Last clarification from my side, in our total volume, what is the direct industrial share and how the trend is on that side?

**Satyanarayan Goel:** This year, industrial share is about 20%.

**Alok Ranjan:** 20% of the volume is directly purchased by industries?

**Satyanarayan Goel:** Yes.

**Alok Ranjan:** And how the trend has been sir, over the last two-three years?

**Satyanarayan Goel:** Trend is, share of industry is going down. It is mainly because of the barriers which are created by the State regulatory commissions. To be

precise the share of open access consumers in this quarter was 15% and last year it was 20%.

**Alok Ranjan:** Got it sir. That is all from my side. Thank you, sir.

**Moderator:** Thank you sir. The next question comes from Mr. S Ramesh from Nirmal Bang Equities. Please go ahead.

**S Ramesh:** Good afternoon and thank you very much. On the Gas exchange, can you share with us the volumes you are doing, eventually what is the kind of market share you expect to get from volume share traded in your gas exchange? How is the overall gas consumption in the Indian market?

**Satyanarayan Goel:** As far as the gas exchange is concerned, time has not come to talk about the volume in the exchange platforms, because volume what is happening is very, very small. What is more important is to create a framework for gas market. We are working with the Government and Regulator to create that framework. I am happy to share with you that lot of work is now happening for creating these enablers. One of the biggest enabler required is, there is no system operator in the gas market, like we have in the power sector, the SLDC or RLDC and NLDC. Now Government of India has issued a discussion paper to create gas transportation system operator. Second is, bringing gas under GST, so that you can have a standard contract across the country. On that also work is happening. The matter has been referred to the GST council. Third is, rationalization of pipeline tariff. On that also regulatory commission is working. Fourth is, infrastructure, on lot of LNG terminals work is happening and what I understand, RLNG, regasification capacity is going to be doubled from 40 million tons to about 70 million tons in the next two years. There are terminals which are under construction on the East coast and the South coast. These terminals will get commissioned and the pipeline also, in the Eastern side and the Southern India, is under construction. We will have an integrated gas grid in the country and with enablers and the infrastructure in place, I think we will see meaningful volume growth on the exchange platform.

**S Ramesh:** Sir, to achieve such amount of critical mass in terms of volumes and revenues, if you look at the current asset for your power business, would capital investment be comparable for similar revenue, or would it be different for the gas exchange?

**Satyanarayan Goel:** As far as the investment is concerned, it is going to be the same kind of investment what we have made in the power exchange. Only thing is in the power exchange, over the years, because of the development of new products, there has been additional CAPEX on the technology side. The team size is also much bigger, because our interaction is with all the States now. So, in the gas exchange we have started the activity. Business development team is working on the business side and then we have a policy advocacy and regulatory team, which is working with the regulatory and the Government for creating these enablers.

**S Ramesh:** Any thoughts on developing products similar to emission trading products you have in Europe?

**Satyanarayan Goel:** Emission trading products is something we are again talking about. We have analyzed the different markets which are operating in the European countries. This is something again, we are discussing with Bureau of Energy Efficiency to create this market. Let us see if there is an opportunity for this market. We are working on it.

**S Ramesh:** Thank you very much. Thanks a lot, it was very helpful. Thank you very much and have a good day.

**Satyanarayan Goel:** Thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Praveen Kumar from Actis. Please go ahead.

**Praveen Kumar:** Good afternoon. Thanks for the opportunity. My question is, cash investment that is lying on the books. Could you throw some light on what is the plan to utilize that cash?

**Satyanarayan Goel:** Last year we started the gas exchange. There was good investment made in gas exchange. We are also looking at other opportunities. We have the policy of giving high dividend. We have also declared yesterday final dividend. Earlier we gave Rs. 2.5 and now it is Rs. 1.5, so totally about Rs.4 on Rs.1 share.

**Praveen Kumar:** Okay. Thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Abhishek Puri from Axis Capital. Please go ahead.

**Abhishek Puri:** Good afternoon sir. Sir, two questions. One, just to understand the GTAM opportunities better, you have explained some part of it, but you used to lose out in high wind season and whenever there is higher solar production, because that excess electricity used to go waste and there was curtailment. Can that be traded back on GTAM and is that opportunity pretty large, if you can spell out that amount, that can come in here through GTAM? Second is, you are getting a lot of levers and lot of new products over the next one to two years, including derivative, long term, GDAM. So, if you can spell out the opportunities and the size that you are looking for, in the exchanges in the next say, three to five years period?

**Satyanarayan Goel:** Abhishek, I would not like to make any estimate for the future, but I can only tell you one thing. Any new product which we have introduced has given a significant volume. RTM market, we introduced last year. In one year, we got something about 12 billion units out of that. And this year, it is 1.5 billion units every month and more than that. This market should give us something about 18 billion to 20 billion units in this year. When we started in August, GTAM market, we were doing just about 2 million-3 million units in a day. In this month, we are doing almost about 15 million units a day. In the month of July, on a single day, we did trading of 150 million units. Our job is to introduce products, interact with the participants, tell them what this product is, how can they gain benefit out of. I believe one thing, in this sector the opportunity size is very, very large. Our job is to tell the market participants and I am sure, the kind of growth that is happening is 40% growth and if you look at our third-fourth quarter and this quarter, continuously it is 40% growth. This is all happening

because of the new products. I am sure the new products which we are talking about, long duration contracts or the GDAM, in these contracts also, there will be good volume growth. It is difficult to make any estimate on that but, we are working on the products, and with the participants.

**Abhishek Puri:** Sir, why I asked this question is, because last to last year, when we had the analyst meet and we discussed about the opportunity in the RTM market, I think it was explained that 15 billion to 18 billion units. You have already crossed that within one year of the launch. And that is why just trying to understand if you have the same estimate for the other products that are coming in, approximate number, we will not hold you up for that. As an opportunity size, what market you can address with those opportunities over, let us say next three years period will help us model and understand the company's growth path better.

**Satyanarayan Goel:** In case of long duration contracts, the market is, the volume that is happening in the bilateral market. That is the addressable market size, which is something about 40 billion units. It depends on how much out of that we are able to get. In case of GDAM market, GDAM market size is very high. The Government of India is talking about creating 175 GW by 2022 and 450 GW by 2030. I think the renewable generation is going to be, very high in the country and we should get good share out of that, because now distribution companies are not preferring PPA for the entire requirement. They are only getting into the PPA for the base load and rest is to the market, they prefer that.

**Abhishek Puri:** Thank you so much sir. All the best.

**Satyanarayan Goel:** We will work on GDAM market to make estimate for the next five years.

**Abhishek Puri:** That will be great sir. Thank you and all the best.

**Satyanarayan Goel:** Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, that would be the last question for the day. Now, I hand over the floor to the management for closing comments.

**Satyanarayan Goel:** It was a great opportunity for us to explain to the market the recent developments and it was a good interaction. We look forward to a similar interaction even in the next quarter. Thank you very much.

**Moderator:** Thank you sir. Thank you everyone. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.