



Dated: May 06, 2022

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

**Scrip Code: 540750**

The Manager  
National Stock Exchange of India Ltd  
Listing Department  
Exchange Plaza, 5<sup>th</sup> Floor, Plot no. C/1  
G Block, Bandra Kurla Complex  
Bandra (E), Mumbai-400 051

**Symbol: IEX**

**Sub: Transcript of the Earnings Conference call with analysts and investors relating to Financial Results of the Company for the quarter ended March 2022.**

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 **April 28, 2022, at 02:30 pm (IST) to discuss the financial results of the Company for the quarter ended March 2022.**

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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**“Indian Energy Exchange Limited  
Q4 FY22 Earnings Conference Call”  
April 28, 2022**



**MANAGEMENT:** **MR. SATYANARAYAN GOEL - CHAIRMAN & MANAGING, INDIAN ENERGY EXCHANGE LIMITED**  
**MR. VINEET HARLALKA - CHIEF FINANCIAL OFFICER, INDIAN ENERGY EXCHANGE LIMITED**  
**MR. ROHIT BAJAJ - HEAD BUSINESS DEVELOPMENT, INDIAN ENERGY EXCHANGE LIMITED**  
**MR. AMIT KUMAR - SENIOR VICE PRESIDENT (HEAD OF PRODUCT AND MARKET OPERATIONS), INDIAN ENERGY EXCHANGE LIMITED**  
**MR. SANGH GAUTAM - CHIEF TECHNOLOGY OFFICER, INDIAN ENERGY EXCHANGE LIMITED**  
**MR. SAMIR PRAKASH - SENIOR VICE PRESIDENT - HR & ADMINISTRATION, INDIAN ENERGY EXCHANGE LIMITED**  
**MS. SHRUTI BHATIA - HEAD CORPORATE COMMUNICATIONS, IR AND CSR, INDIAN ENERGY EXCHANGE LIMITED**  
**MR. ARCHIT GUPTA - INDIAN ENERGY EXCHANGE LIMITED**

**MODERATOR:** **MR. SUMIT KISHORE - AXIS CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY'22 Earnings Conference Call of Indian Energy Exchange 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. Thank you, and over to you, sir.

**Sumit Kishore:** Thank you, Margreth. Good afternoon, ladies and gentlemen. On behalf of Axis Capital, I'm pleased to welcome you all for the Indian Energy Exchange Q4 FY '22 Earnings Conference Call. We have with us the management team of IEX, which is represented by Mr. SN Goel, Chairman and Managing Director. We also have the senior management team. We will begin with the opening remarks from Mr. Goel, followed by an interactive question-and-answer session. Over to you, sir.

**SN Goel:** Good afternoon, everyone and welcome to the earnings call for quarter four and fiscal year 2022. I hope everyone continues to be 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 and Mr. Archit Gupta.

Friends, the COVID-19 pandemic induced slowdown is now behind us. The Indian economy is gradually regaining the growth momentum and is now poised as one of the most promising growth economies in the world.

For IEX, the fiscal year 2022 holds special significance since we achieved all-time high volume of 102 billion units, achieving a growth of 37% on a year-on-year basis.

As per recent government data, during the third quarter of fiscal year 2022, India's Index of Industrial Production edged up to 1.7% in February from 1.5% in January 2022. Cumulatively, for the fiscal year 2022, we expect India to achieve robust GDP growth of 8.9%. The increase in industrial and economic activity has direct correlation with demand for electricity.

In the fiscal year 2022, the national peak demand for electricity increased to 201 GW seeing a 6% YoY growth, while electricity consumption increased to 1,370 BU seeing about 7.8% YoY growth.

As on 31st March 2022, the total installed generation capacity reached 399 GW. The renewable capacity at 157 GW is approximately 39% of installed capacity. The growing contribution of renewal energy is aligned to India's voluntary commitment of 500 GW from renewables by 2030, made by our Honorable Prime Minister at COP26 Summit held in November '21 at Glasgow.

The power policy and regulatory paradigm has been undergoing significant transformations to align to the aspirations of building a sustainable and efficient energy future.

Several policies and regulations took place during the 4th quarter of fiscal year and most of these developments are conducive to further growth and development of the power market. The most significant policies and regulations initiatives in the quarter being:

1. The CERC Ancillary Services Regulations 2022 which includes the Secondary Reserve Ancillary Services along with the Exchange based Tertiary Reserve Ancillary Services aiming to maintain the grid frequency stability close to 50 Hz, besides increasing reliability.
2. CERC has now also issued draft REC Regulations redefining the process of issuance including accreditation, issuance, exchange, redemption. The draft regulation also proposes inclusion of other non-conventional technologies such as offshore wind, hydro, municipal solid waste, biomass and biofuel in the REC certificate market.

3. CERC has approved procedure related to implementation of National Open Access Registry which will enable automation, increase efficiency and transparency in market processes making them seamless, automate transmission allocation, thereby enabling greater efficiency in the power market. In fact, it is expected to be implemented from 30th April itself.
4. CERC has issued Draft Connectivity and General Network Access Regulations 2022 which will simplify as well as rationalize transmission allocation, transmission pricing and support strengthening and augmentation of transmission network. These regulations will further support growth of power market in the country.
5. The Ministry of Power recently introduced the Green Hydrogen policy and guidelines for setting up EV charging stations. Both these initiatives are aimed at facilitating the energy transition.

Continued thrust on distribution reforms amendments to the National Electricity Policy 2021, Green Open Access for consumers with contracted load of 100 KW and above, amendments to Deviation Settlement Mechanism regulations linking deviations to the price discovered at the Exchange platform are few of the significant policy and regulatory initiatives undertaken during the fiscal year 2022.

We are keeping a close watch on the policy and regulatory developments, assessing their impact as well as the new opportunities that these developments will unfold.

During the fourth quarter of the fiscal year 2022, IEX achieved 27.032 BU of volume, comprising of 23.659 BU in conventional power market, 1.123 BU in Green Markets and 22.49 lakh certificates in the REC segments, which is equivalent to 2.249 BU. We achieved 21% YoY volume growth across all market segments during the quarter. The growth in conventional power market was driven by increase in electricity consumption in states such as Maharashtra, Gujarat, Andhra Pradesh, Tamil Nadu and Punjab.

Cumulatively, in the fiscal year 2022, 102 BU volume comprising of 90.6 BU in conventional electricity market, about 5 BU in Green Market and about 6.4 BU in the certificate market. Further, the new segments such as RTM, GDAM, GTAM, played a pivotal role in accelerating volume growth and contributed 24% to the total volume.

1. The conventional electricity volume - the day-ahead, term-ahead, and real-time markets, achieved 90.618 BU volume and saw 24% YoY cumulative growth.
  - a. In the Cross Border Electricity Market, which is a part of conventional Day-Ahead power market, we achieved about 1.05 BU volume.
  - b. Both Nepal and Bhutan have been participating actively on the sell-side as well as the buy-side. We are consistently in touch with stakeholders in Bangladesh and are positive that they would also join the market shortly. We are thus working towards building an integrated South Asian power market.
2. The Green Market comprising of Green Day-Ahead and the Term-Ahead segments achieved 4.945 BU which is 5 times increase over the last year.
3. The Renewable Energy certificate market achieved a volume of 60.78 lakh certificates equivalent to 6.078 BU. The Energy Saving Certificates Market achieved a cumulative trade of 2.86 lakh ESCERTs, equivalent to 286 MU.

With customer centricity at the core, at IEX our endeavor always has been to advance and strengthen Exchange technology and introduce innovative products and services to provide the best-in-class experience to our customers. We launched the web platform to provide digital onboarding experience, anytime anywhere easy and secure access to the trading system, and also market data insights for our customers. To make the bidding experience seamless with zero manual effort, we launched automated bidding through Application Programming Interface

(API) for the Real-Time Market products. We soon plan to commence API-based automated bidding for DAM, GDAM and REC segments. API has also been launched for the market data to enable the market participants to automatically fetch data across the market segments.

We have also provided bid creation tool to our customers to make it very easy and fast to create bulk bid details to upload on our exchange platform. Further, the Value-Added Services have been introduced for the renewable generators to facilitate generation forecasting solutions from the best-in-class service providers empaneled with IEX.

Lastly, I am enthused to share with you that CNBC has recognized the outstanding leadership demonstrated by IEX during the challenging COVID times, as well as the positive and transformational effect we have been bringing to the power sector. Honorable Finance Minister, Smt. Nirmala Sitharamanji recently conferred the 'Most Promising Company of the Year' Award to IEX at the 17th Edition of India Business Leader Awards organized by the CNBC TV18 held on 1 April at Mumbai.

I will now briefly touch upon developments regarding the gas market and IGX. The gas market saw significant traction in the fiscal year 2022. IGX has been growing from strength to strength since its inception and has been solidifying its performance by creating new records on the business front almost every month while also accelerating development of the gas market.

IGX has achieved financial breakeven in the fiscal year with a profit after tax of almost about Rs 1.8 crore.

During the fourth quarter of the fiscal year 2022, IGX achieved a total volume of 7 million MMBtu (71,41,000) as compared to 0.12 million MMBtu (1,17,600) in Q4FY21

Cumulatively in the fiscal year 2022, IGX achieved a total volume of 12 million MMBtu (1,21,51,150) compared to 0.2 million MMBtu (1,93,700) in FY21.

During the year, prominent leaders in the petro-chemical sector, such as BPCL, IOCL, IGL, ONGC, Adani Gas Private Limited among others joined IGX as members.

I'm pleased to share with you that recently IGX also won the prestigious Diamond Award in the 'Smart Start-up of the Year' category at the 6th Edition of the India Smart Grid Forum 2022.

I will now come to the financial and business performance of the fourth quarter and the fiscal year 2022.

On a standalone basis, revenue for the fourth quarter of the fiscal year 2022 increased to Rs 128 crore witnessing a growth of 25% YoY. The PAT grew by 27% YoY with a margin of 63%.

Revenue for the fiscal year 2022 increased to Rs 478 crore witnessing a growth of 34% YoY. The PAT was Rs 2.5 crore, which grew by 42% YoY with a margin of 63%. The company declared a final dividend up Re 1 equivalent to 100% of the face value of equity shares, taking total dividend payout during the year to 200% of the face value of equity share.

The key highlights of the fiscal year 2022 included:

1. 90.618 BU volume in the conventional markets, achieving a growth of 24% YoY
2. 4.945 BU volume in the Green Markets achieving 530% volume growth YoY
3. 63.64 lakh certificates constituting, 60.78 lakh REC certificates and 2.86 lakh Energy Savings Certificates

We are working towards introducing long duration contracts in both electricity and renewable energy by the end of first quarter 2023. We are also working to commence other new market segments such as Ancillary Markets, Capacity Markets, Gross Bidding Contracts, National Open Access Registry etc. and remain optimistic about commencing this in this fiscal year itself. In February'22, CERC also approved introduction of hydro power contracts at IEX which will enable obligated entities to comply with their Hydropower Purchase Obligation.

In our quest to consistently advance customer-centricity, we will be shortly launching web-based bidding platform to enable our market participants experience Anytime Anywhere Easy and Secure bidding on our platform. Further, we also aim to provide advanced data analytics as well as new technologies such as Robotic Process Automation to eliminate human dependency in our processes. These initiatives would allow us to focus on introduction of new products and services we should build to enable our market participants derive greater value through Exchange platform.

Besides strengthening the core business through new products, we are continuously assessing adjacent business opportunities to further diversify our business.

With that, I shall conclude by thanking all of you. We will now commence with the question-and-answer session.

**Moderator:** Thank you very much. We will now begin the question-and-answer session, The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Yes. Good afternoon, sir. Congratulations on a very, very good quarter and a fantastic year. So, my first question is, sir, it has been a story of contrast, especially the April month you see strong demand in India, in the country. But at the same time, our volume is suffering because of price cap. Also, the shift to TAM and GTAM is causing loss to volume for us. How do you see it going forward?

**SN Goel:** Yes, Mohit. Thank you for congratulating us on the performance. And as far as the demand scenario is concerned, in fact, increase in demand in the month of April is as high as 11% to 12%, mainly because of increase in the level of economic activity and early onset of summer. We did not expect summer to be so severe in the first week or second week of April. And the demand has increased by 11 - 12%. At the same time the imported coal prices along with imported gas and LNG price are very high. From what I understand that the cost of generation on the imported coal is about Rs 9 - 10. On the gas, it is + Rs 25. So, generation on this imported fuel is less by almost about 9,000 - 10,000 MW.

Because of this, I think there is a gap between supply and demand, and this resulted in an increase in the price on the exchange platform. Prices increased to almost about Rs 18 - 19, in many of the time blocks the price was Rs 20. When the regulator and the government analyzed that even when the price is Rs 20, gas-based generation is not increasing, and generators are not selling on the exchange platform. It is only the imported coal with the variable cost of Rs 9 - 10. Because of this increase in demand the prices increased. To avoid that high price in the market, they capped the price. The capping of the price in the efficient market led to no price discovery on the exchange platform. And this has led to buyers shifting on the alternate platforms. This is something which has happened now, but I believe this is a phenomenon, for a short period. In the month of May, particularly after 10th of May, the wind generation starts increasing and we are expecting almost about 150 - 200 MU additional generation from wind. The hydro generation will also start increasing, and I'm sure in the month of May, you will see the situation improving and price discovery happening again on the exchange platform.

**Mohit Kumar:** Thanks for the detailed answer. Sir, my second question is on the Gas Exchange revenue which you have booked in the quarter. That number is Rs 28 lakhs, that number seems to be slightly on the lower side, can you confirm the transaction fees which you have earned from the Gas Exchange during the quarter?

**Vineet Harlalka:** Yes. Just a minute, Mohit. Yes, for the quarter, the transaction fees was Rs 5.6 crore.

**Mohit Kumar:** Okay. Because the segmental source of Rs 28 lakh, that's the reason I am asking.

**Vineet Harlalka:** Yes, the reason being because IGX ceased to be a subsidiary company effective from the mid of January. So, the consolidation number is of till date and post that being an associate company, the numbers are not consolidated. And the majority of the volume started picking up from then, so that's why the number doesn't match.

**Mohit Kumar:** Understood, sir. Thank you, sir, and all the best. Thank you.

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

**Bharanidhar Vijayakumar:** Yes, good afternoon, sir.

**SN Goel:** Yes. Good afternoon.

**Bharanidhar Vijayakumar:** Yes. So, of the new products that we are planning to initiate in this FY'23 like National Open Access Registry Product, Ancillary Markets, Gross Bidding Contracts, etc. Could you individually highlight the potential in say BU overall? And also color on what is the purpose these products will solve for the buyer, like what is the need that it will serve?

**SN Goel:** Yes. One is the long duration contracts. Today on exchange platform, we can launch only products for delivery up to 11 days. It was because of the reason, that in the earlier SEBI regulation there was a provision that our contracts cannot be launched on the spot exchanges. But that issue has been resolved now by the order of the Supreme Court and now delivery contracts will be regulated by CERC and derivatives by the SEBI. We have applied to CERC for approval of long duration contracts for delivery up to 365 days. Hearing was held, public consultation was done and now order is reserved. We are expecting order shortly from the regulator approving this long duration contract.

Now we will be able to offer to the market participants delivery contracts up to 365 days. With this, we will be able to get a good share out of the bilateral market and volume happening in the bilateral market is about 50 - 60 BU. So that is the market size, and we want to get into this market. On Ancillary Market, regulator has notified the Tertiary Ancillary Services under the Ancillary Services through the exchange. The Exchange will be inviting bids from the market participants who wants to participate in this market and then we will give this detail to the system operator for inviting the generation from them based on their merit order. So that market will be structured by the regulator as and when they notify the date of adjudication of that. As per regulations the date of starting is yet to be notified.

For the Gross Bidding, we have applied to the regulator for approval. This is a very innovative product, I'm sure you have heard about MBED, a concept which Government of India introduced to have the entire generation of the country sold through the exchange platform. And since it was mandatory, there was lot of observations, lot of resistance by many of the market participants, many of the state distribution company and states. So, we introduced Gross Bidding, which is a sort of voluntary MBED. It is up to the state to participate in this market. And if they participate in this, they will be able to make some significant gain out of it by efficiently selling and purchasing their power.

We have, these kinds of products operational in couple of exchanges in other parts of the world, Nordpool and Japan Power Exchange based Gross Bidding concept is working very efficiently. We are also talking to the states during the policy advocacy, explaining them how they can benefit out of it, so that when this product gets approved by CERC, we can launch this, and we can get good participation. CERC is yet to approve this. I think they are looking for more public discussions and comments on this.

And fourth one was the National Open Access Registry. National Open Access Registry is not a new product, it is basically optimization of the entire Open Access process. Today for the Open Access, application has to be made in the SLDC, RLDC and NLDC, we have to do the process manually and give Open Access. And particularly at the state level, there are lot of problems in this. Now with the National Open Access Registry everything will be automated. This will streamline the process, so I'm sure this will also further give a boost to the spot market.

It is difficult to identify the potential opportunity through this NOAR, but then this will smoothen the process. Not only these new products, but whatever products we launched in the year 2021, I think lot needs to be done in this year to get participation in these markets, like Green Market which we started last year, in this market, we have done a volume of almost about 5 BU. But I think there is a large opportunity, we are interacting with many IPPs, many many public sector companies who are in the green generation space and discussing with them that there is good opportunity for them to set up renewable energy through the market-based instruments. And we are also getting favorable response from them. In fact, the policy makers and regulators are also quite open to this idea. So, I'm sure with all these initiatives it will be possible to maintain the growth momentum.

**Bharanidhar Vijayakumar:** Yes. Thanks for that. My second question is on the MBED, can you give us update on when is this likely to, say commence, when CERC is likely to come up with final guidelines on this. How much of volumes we can expect this year and what could be the transaction fee on these volumes?

**SN Goel:** MBED, you said?

**Bharanidhar Vijayakumar:** yes. MBED, yes.

**SN Goel:** I think we should stop discussing about MBED now. Nothing is happening in MBED. That's the only thing I can say. Ministry of Power has issued a small document to CERC for further taking action and CERC is not taking any action on that.

**Bharanidhar Vijayakumar:** Understood, sir. Loud and clear. Thank you so much, yes.

**SN Goel:** Yes.

**Moderator:** Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please, go ahead.

**Sumit Kishore:** Thanks. My first question is, could you comment on the CERC, order dated 25 April and the potential implications for transaction fee across contracts. Also, we understand that your competition might already be offering rebates and incentives on transaction fee, what is your business strategy in this regard?

**SN Goel:** Yes. First, when we filed our petition with CERC in the month of January, that petition had many items in that, and there were many compliances with respect to the PMR, we wanted to inform them to CERC and another set of approvals in the rules and business laws and also approval of the transaction fees. For other activities, no public consultation was required and CERC has approved all of them. And on the transaction fees CERC said that you file a separate application, and we will deal with that. Same thing we have done for the other exchanges also, so they will deal with this transaction fees for all the three exchanges, I mean, for the two operating exchanges and the third exchange who wants to start their business, they have also applied for the transaction fees. So, they will deal with the connection fees for all the three exchanges together and I'm reasonably sure to get approval of the fees as specified by CERC in the regulation, which is 2 paise on either side, they themselves expect the regulation and that has been the industry practice from the last 11 years. So, I don't see any challenge in that. In fact, CERC has approved a trading margin of 7 paise for the traders. So, value provided by the exchange and that process is much higher than what a trader is doing. If 7 paise is approved for the traders I'm sure for the power exchanges 2 paise on either side is reasonable.

**Sumit Kishore:** Sure. My second question is, could you also speak about the likely volumes expected in REC and Energy Saving Certificate in FY'23 and could you comment on your market share in the last fiscal and even data for it might have come?

**SN Goel:** This year we did up almost about 60 lakh certificates, and I am sure in '23, the number should be higher than this. But again, very difficult to say because transactions in REC market is dependent on participation of the states because of their financial condition. We don't know to what extent it would happen, but despite of these difficult conditions, still we are reasonably confident that almost about 80 lakhs to 90 lakh of REC Certificate transactions should happen.

- Sumit Kishore:** Okay. 80 lakhs to 90 lakh is for the market?
- SN Goel:** No, for IEX.
- Sumit Kishore:** For IEX. Okay. So just to understand this sector. I mean, in FY'22 for the period REC is traded, what was your market share. What is the market share of IEX?
- SN Goel:** It was 75% plus for IEX.
- Sumit Kishore:** 75%. Okay. And last question, is there any update on when HPX is likely planning to commence its operation as an exchange?
- SN Goel:** I think you should be in a better position in that.
- Sumit Kishore:** Okay. sir, we will leave that. Thank you.
- SN Goel:** Tell me if you have any comments on that.
- Sumit Kishore:** Sure.
- Moderator:** Thank you. The next question is from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.
- Kunal Thanvi:** All right. Thank you for the opportunity. So, I had two questions, one was on the dividend payout policy, looking at our balance sheet, we have got lot of cash now, but dividend payout continues to be the same, the way it was last year. Any thoughts on how dividend policy payout would be going ahead? And second was on, if you look at our volumes now, and that is, ex-REC given the higher base fees, we are de growing on the minimum basis, because of the high base. How do we look at volumes from here on, with of course you've talked about a lot of products that are expected to come, but those could be filled in next 2 to 3 years, like next 1.5 year, 2 year, how do we look at the volumes like, will it be a decline first and then you know a rise in the volume post new products are launched and they gain the scale?
- SN Goel:** Helped it, number one is, dividend. We paid this year Re 1 dividend which is 100% of the face value in the month of January. And now we have declared another Re 1 that makes it almost about the dividend outgo of Rs 180 crore, which is 60%.
- Kunal Thanvi:** No, what I meant was as a percentage of the net profit right, the payout ratio?
- SN Goel:** So, it is 60% of the net profit, that is one. As I mentioned in the past also, our dividend policy is that at least 50% of the profit will be distributed in the form of dividend. So, we have given this year 60% of the profit in the form of dividend.
- Second question is about the volume projection for this year. And particularly because of the high base, which because of the large growth, which we have achieved in the last two years. You know, our market share out of the total generation today is only about 7%. And Government of India vision is to take this short-term market to 25% in the next 3, 4 years. And there is a purpose behind this reason, if we are going to add large renewable generation capacity in the country, integration of that with the grid will require a very, very liquid market. So that if there is any variation the utility spends purchase power to the market to make good the variation. And real-time market was also introduced keeping all this in queue. But there are many policies and regulatory initiatives, which have been taken to deepen the market. So, I believe the opportunity size is much larger, base is definitely high, and to achieve growth of 35-40% is definitely going to be difficult, but I'm sure a reasonable growth of 20-25% should be possible to achieve. But that all depends on the market conditions, I mean our USP has been creating efficiency in the market and efficient competitive price discovery, so that market participants can get benefit out of that. The shortage scenario is not conducive for the market, so if your power supply shortage scenario continues for a long time, it may have adverse impact on our volumes.

- Kunal Thanvi:** Sure. Got your point. makes sense. Thank you so much and all the very best.
- Moderator:** Thank you. The next question is from the line of Ankush Agarwal from Surge Capital. Please go ahead.
- Ankush Agarwal:** Sir, again on this CERC order of limiting or restricting the prices. Sir, what kind of discussions did we have before this order was implemented and after this has been implemented in terms of, would it be a long-term solution that we're in for permanently the prices would be capped at Rs 12 or it's kind of a short-term tenor on something, some kind of communication that you have received from CRC?
- SN Goel:** No. We did not have any interaction for capping the price, we interacted with CERC, they wanted to understand what is happening in the market, why the prices have increased. But what I understand that there was a direction from Government of India under Section 107 to review the market situation and cap the price. And as per that direction, CERC has capped the price at Rs12. This capping is basically what we understand is just for this interim period when the deficit is there and as soon as situation this improves, the capping will be removed.
- Ankush Agarwal:** So, what you're saying basically you know, is that the exchanges are not consulted before this order came?
- SN Goel:** Yes.
- Ankush Agarwal:** So, sir, in the long-term, don't you think this is a detriment to your business model, because every time power generation increases, obviously the prices is going to go high, right? And then the prices are going to be artificially capped, which reduces the transition on the exchange. So practically the exchange won't benefit from growth in power demand as such if there is like in the short-term party want increases, it's actually not beneficial, it's actually detrimental to our business. So, you know any kind of conversation that you think you need to have with the regulator in terms of this?
- SN Goel:** Now, see the power demand increase is definitely good for the sector. It is a good economic indicator, but at the same time, we have to ensure commensurate increases in the supply of power. Unfortunately, in the month of April, the demand increase was at a very high level 11-12%, and supply commensurate play is not available. And I tell you this is a phenomenon, which is not only in India, but this is also a global phenomenon. In France, the prices of EUR30 per megawatt hour, which is about INR30 a unit is very common on the exchange platform, which they had never heard off. So, commodity prices have increased, input costs have increased, electricity cost has increased. I think this is a phenomenon, which is for a short period and pressing actions already are being taken, Government of India has already advised all the states and the Central PSUs to import coal. So that they can supplement the generation by another 4 - 5% and if we can have another 4 - 5% of generation, that's all, that is what is needed to bring enough liquidity in the market.
- Ankush Agarwal:** Okay, Good. Just another bookkeeping question. So, for the full quarter you said IGX achieved Rs 5.6 crore of revenue. Can you tell me the EBITDA as well for the quarter?
- SN Goel:** Yes, I will request Mr. Vineet Harlalka.
- Vineet Harlalka:** The EBITDA level, if you look at the absolute number, was approximately Rs 1.5 crore.
- Ankush Agarwal:** Rs 1.5 crore, this is against Rs 1.14 crore in Q3, is that right?
- Vineet Harlalka:** Yes, now it's Rs 1.8 crore.
- Ankush Agarwal:** Rs 1.8 crore. Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Nikhil from DAM Capital. Please go ahead.
- Nikhil:** Hello. Thank you for the opportunity, sir, are you able to hear me?

- SN Goel:** Yes, I can hear you.
- Moderator:** We can hear you.
- Nikhil:** Sir, I've got two questions. So how much was the Open Access volume as a percentage in FY'22, and how do we think it will go in FY'23?
- SN Goel:** See the Open Access this year our clearing price was Rs 4.40. It is a very high increase in the clearing price. And at this kind of price viability of Open Access is very lowering in most of the states. That is why our Open Access volume has reduced to almost about 8% of the total volume of what we have achieved. So, there is a fall in that and in FY'23, again, it depends on the clearing price, if our clearing price is in the range of Rs 3.2 to Rs 3.5 per unit. I'm sure that volume will increase, but it all depends on supply situation improvement.
- Nikhil:** Okay, understood. And the second question, there is a talk of unified carbon trading market. So, is there any chance our company will play any role in it? Have you heard of anything?
- SN Goel:** Yes, yes. We are fully aware about it. We are in fact interacting with BEE, Bureau of Energy Efficiency, along with the Ministry of Environment and Ministry of Power, we are working on this initiative. We want to launch this, and they want to merge this, EScerts and REC's and they will have some multiplication factor to convert them into carbon credits and do the trading of that and subsequently more products will get added into this base.
- Nikhil:** Understood, sir. And sir, just one last question. There was some increased in cash from Rs 46 odd crore to Rs 225 crore. So any specific reason for it?
- Vineet Harlalka:** Look basically it's the year-end and we need to have liquidity. If you look at the year-end, the banking holidays, so we need to maintain the surplus fund to meet our payout obligation. That's why surplus fund was kept, because of the higher prices and the volatility in the prices, so you need to have a liquidity to meet out your payout obligations, and considering the bank holiday, we need to keep that liquidity reserve.
- Nikhil:** Understood, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss Securities. Please go ahead.
- Swarnim Maheshwari:** Yes. Hello, sir. Thanks for the opportunity and congratulations for a good set of numbers. Sir, the first question is, what is really calling the delay in LDC, because I believe it was well established from the apex court almost about quarter-and-a-half back and the CERC was already studying it very closely. So, what is leading to the delay in the launch of LDC?
- SN Goel:** One is the regulatory process of admitting the petition inviting public comments during hearing. And in this case since it is a new product which they want to launch, they wanted to understand the implication of and understand the product detail. So, I think that process is over now, already reserved. So, we should get order in this month itself, maybe in this month or the month of May.
- Swarnim Maheshwari:** Okay, so what time will it take to officially launch it from the day of getting the order?
- SN Goel:** We're ready launch it, any time we get the order, we will launch it.
- Swarnim Maheshwari:** Okay. So, then I think it's a high chance that you may launch it in May or June it seems.
- SN Goel:** Yes. yes.
- Swarnim Maheshwari:** Okay. Sir, my second question is don't you think that there is a case that, you know it's established fact that in the month of October and again in the month of April or May, there always this demand-supply issues some sort of mismatch, the merchant prices go through roof and discoms, had to ultimately pay very high price to get the things and specifically when the

international coal prices are very high. Do you think that this can revise the medium-term PPA sentiment in the country?

**SN Goel:** The thought is if this kind of situation continues for a long time say may be 6 months, 1 year. Then yes, there will be tendency on the part of the buyers to secure some contracts, but I don't think, I mean, October was for 15 days after the second fortnight of October things were very normal there, price discovery was happening, prices also came down. I'm sure this time also it is for the month of April and maybe for 10 days of May after that the situation will be again normal. I mean market development can take place only when we have sufficient liquidity in the market. I don't think any market can develop under deficit. So if deficit continues for 2, 3 years, yes, there will be definitely tendency on the part of discoms to buy and that was the case prior to 2010- 2011, a lot many PPAs were signed because there was deficit of power in country and I'm sure, looking at the kind of capacity that we have, the situation, deficit in the business is not going to continue for a long time and we should have good liquidity on the sell side.

**Swarnim Maheshwari:** Okay. So, no threat to the merchant capacity as per you?

**SN Goel:** Pardon?

**Swarnim Maheshwari:** So as per you know threat to the merchant capacity that we have in the country?

**SN Goel:** No, I don't see that.

**Swarnim Maheshwari:** Okay, got it. Sir, one final question. Now with the new exchanges coming and the existing exchange getting more aggressive in terms of market share and all. How do you respond if they were to reduce their transaction fees, I mean, will you respond equally or you will let the market share actually go away, I mean if you can go 10% back, your thoughts on that?

**SN Goel:** See, we are operating in this market from the last 14 years, and from the last 14 years there are two exchanges. If reduction in the transaction fees can help in getting the market share, I'm sure exchanges would have tried that, but I don't think that can happen. Market share is dependent on the value which you provide to the market participants. The liquidity which you have on the platform, it is basically a function of that. For a generator who is selling power, it is important to sell that power, if the power is not sold, he loses the opportunity, and he loses the opportunity forever, for him getting that revenue for Rs 4 is more important than 2 paisa transaction fees. And same is the case with discoms. So, I think transaction fees is a very insignificant component in that whole process of sale and purchase of power. We don't see any challenge because of this, and we don't want to enter into this game.

**Swarnim Maheshwari:** Got it, sir. But sir, what if it is actually more regulatory induced say if CERC, you guys have to respond within 15 days, and if CERC takes a case that Rs 0.02, although PMR guidelines and all is there, but then you still have to respond to that transaction fees thing which came on 25<sup>th</sup> of April. So, if CERC was to induce it, then that will be for all the exchanges, but can it happen that you can be charged different transaction fees for different products, is that a possibility, sir?

**SN Goel:** First of all, different transaction fees for different exchanges means if you reduce my transaction fees then you were asking other exchanges to close down.

**Swarnim Maheshwari:** No, sir. Not different exchanges, different transaction fees for different products.

**SN Goel:** Yes, different, I mean all products are of similar nature, whether it is Day-Ahead market or TAM market or Green market, they're all same electricity transactions. So, I don't think that kind of a view will be taken. And as far as approval of transaction fees by CERC is concerned, as I explained earlier also, I don't see any challenge in that, because the regulators themselves very recently about a year back have approved trading margin Rs 0.07 for the trading companies and looking at the values the Exchange provides, they themselves have maintained the regulations Rs 0.02 on either side and I'm sure when regulatory maintaining the regulation Rs0.02 on either side, They must have applied their mind before maintaining that. So, I'm very comfortable in getting this approval.

- Swarnim Maheshwari:** Got it. Sir, thank you so much and wish you all the best.
- SN Goel:** Thank you.
- Moderator:** Thank you. The next question is from the line of Aditya Chedi from InCred Asset Management. Please go ahead.
- Aditya Chheda:** Hello.
- SN Goel:** Yes.
- Aditya Chheda:** Can you comment on the change in trade payables and trade receivables, which is payables of Rs 635 crore and this year this was at Rs 87 crore, what is the reason?
- Vineet Harlalka:** Higher volume and the higher prices. As you know, the higher the electricity has been trading at almost Rs 14 - 15. So, this has resulted in a significant increase in the payable amount. So, this is general temporary phenomena because of the market sentiments, nothing different. as and when the electricity prices get normalized it will again settle down at the lower rate.
- Aditya Chheda:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pavan Kumar from RatnaTraya Capital. Please go ahead.
- Pavan Kumar:** Sir, I wanted to understand, suppose in a situation like that happened in April, where certain discoms let's say Andhra Pradesh needed certain power and if any private player also wanted power and he was, I mean, bidding for the same power, so from the same state, is it like the discom has to purchase the power and then distribute it to the private player or the private player himself can directly access the exchange?
- SN Goel:** The question is not clear. Which private players you were talking about?
- Pavan Kumar:** Industrial players, because I am assuming discoms are directly dealing with both the commercial and industrial purposes, but if a private player directly wanted, and industry who was facing some sort of shortage of power and wanted access to the additional power, can it get it from the exchange directly without going to the discoms
- SN Goel:** Provision is like this. These industrial and commercial consumers are the consumers of distribution company, they have taken connection from distribution company, they are paying demand charge to distribution companies.
- Pavan Kumar:** Okay.
- SN Goel:** Now, if these industrial consumers wants to avail power from the outside, if they're able to avail power from the outside at a rate lower than what distribution company is charging them, through Open Access Regulations and Open Access Charges then they can do so, there is a lot for them under the act, and if they are not able to do that, then distribution company is obliged to supply them the power at that distribution tariff.
- Pavan Kumar:** Okay. But in the case distribution company is not able to supply the power, the other route for them to meet the demand, is it through the exchange or they have to get into bilateral contracts?
- SN Goel:** No. In that case, they can buy from the exchange. But the point is, if there is enough power available in the market then distribution company will be most happy to purchase power and supply power, because these industrial consumers are their paying customers, there'll be happy to supply them power. So that kind of a situation, when Distribution Company is not able to supply them will happen only when there is shortage of power in the country.
- Pavan Kumar:** Okay. And in that case, actually even exchanges face the same issue?

- SN Goel:** Yes, yes. You're right.
- Pavan Kumar:** Okay, thank you, sir. That was all.
- Moderator:** Thank you. The next question is from the line of Aditya Yadav from Transient Capital. Please, go ahead.
- Aditya Yadav:** yes. Hi, sir. Good afternoon to the management team. Sir, firstly, my question was regarding the long duration contracts. So, for the long duration contracts to be launched, is it necessary that the derivative should be launched before that? So that the players have more of a comfort entering into longer contract?
- SN Goel:** No. There is no such inter-work, both are independent activities and derivatives are to be approved by SEBI and long duration contracts are to be approved by CERC
- Aditya Yadav:** No, sir. I wasn't asking from the regulatory perspective. I was wondering from the participants perspective; do you feel that they will feel more comfortable if they have like the derivatives have also come online and they can hedge their position. So, they might be more comfortable with a longer duration contract and that might act as an impetus for you as well or do you feel confident, it's okay to go ahead with the longer duration contracts without the derivatives?
- SN Goel:** yes, I don't see any issue in that, I mean going ahead with long duration contracts with our launch of derivatives can happen, because already there is bilateral transactions happening in the market.
- Aditya Yadav:** True, true.
- SN Goel:** And it's also typically shifting those bilateral transactions on the exchange platform, so I don't see an issue in that.
- Aditya Yadav:** Okay.
- SN Goel:** Launch of derivatives will basically bring more liquidity in the market and reduce price volatility, and there are hedging options available to the market participants. So that will further deepen the market.
- Aditya Yadav:** Sure, sure, and as you had mentioned before that anyways is a large market where you said the bilateral long contracts are around 50 - 60 BU, if I got it right?
- SN Goel:** Yes, yes.
- Aditya Yadav:** Okay, okay. Sir, my next question was regarding the developments on the Gas Exchange Business, where you have discussed couple of quarters back, there were certain impediments in terminals, certain GST issues and a couple of other structural issues, which are there before the Gas Market can be in a fully-fledged mode. So, if you can give further updates on that, so how have we come forward in last 12 months, 15 months or so?
- SN Goel:** I mean, most of the impediments.
- Aditya Yadav:** And what are your expectations for the coming 12, 15, 18 months in the Gas business?
- SN Goel:** Yes. I mean most of the issues are persisting from GST perspective, there are different type of taxes which are being charged by the different states and we are not able to launch a uniform contract across the states that is one issue. Second is the system operator, yes, there is a positive development on that and Ministry has decided that they will create a system operator in the gas sector and that is going to start very soon. On rationalization of transporter tariff, the regulatory PNGRB has initiated process on that it will take some time. The biggest problem, what we are facing in the gas market today is very high gas price. And unfortunately, the prices are so high that they are unaffordable for the Indian consumers. And the gas price which used to be \$5-6 are today more than \$30. So because of that also, Gas Exchange volumes are

impacted, but I'm sure these gas prices which are very high today in the coming days, the prices should come down, and even if they come down to a range of \$10 - 12 also will lead to good transactions on the IGX platform.

**Aditya Yadav:** But the end usage of the gas continues no sir, the city gas distribution and other end usage continues although the high prices are there, so I mean yes, we are in a nascent stage and the business is developing, but the ecosystem is running apart from the power part, I agree where you said the cost was too high for the power generators from the gas fuel.

**SN Goel:** The gas distribution is getting gas out of the government produced gas, which is the administered price gas. The gas which was given to the power sector is now getting diverted to the city gas distribution system. And industries, they are forced to buy gas at high price, but many of the industries are now switching over to other fuel options, there was a time when using NAFTA was almost 30% costlier than using gas. Today, using gas is 30% costlier than NAFTA.

**Aditya Yadav:** Okay.

**SN Goel:** So, I think economics has changed, but gas price coming down to \$10 - 12 will again change the whole economics and industries will shift to the gas and gas will become affordable at that price.

**Aditya Yadav:** Okay. So, and the other issues also you mentioned like in coming quarters, let's say, we should expect more rationalization

**SN Goel:** Yes, I mean government is also committed to increase consumption of gas in the country. Today, gas consumption is 6% of the energy bucket and in the developed countries that share of gas is almost about 25 - 30%. Government has decided to increase gas share to almost about 15% by 2030. If government wants to do that, government will have to create a vibrant market in the country. And that can happen only when all these issues which we discussed are removed, I mean, GST is something which is necessary. If you don't have a uniform price across the country, then how buyer and seller will know what kind of costing they're going to have.

**Aditya Yadav:** Sure. Okay. Sir, my last question is regarding the pricing we charged on the transactions. Can you help us understand the regulator's rationale behind traders getting a Rs 0.07 price and whereas exchanges are capped at a much lower price per unit?

**SN Goel:** No. If you look at that 2010 regulations for trading margin, there was a provision of Rs0.07 if the rate is more than Rs 3 and Rs 0.04 if the rate is less than Rs 3. Since the power rate has increased to more than Rs 3 rupees regulators feel that the second option is redundant now. So, they have made it Rs 0.07, very simple. In case of exchanges, they feel that this is a technology platform driven process, and exchanges are charging Rs 0.02 on either side since last 11 years, so this a market accepted practice and specified to Rs 0.02 on either side.

**Aditya Yadav:** And although there have been questions regarding the competition and the pricing and everything, and you provide much more value to the ecosystem. Are there possibilities that we could have an upward revision in exchange fees or is that very remote?

**SN Goel:** Upward revision will take place only if we ask for it. We don't intend to.

**Aditya Yadav:** You don't intend.

**SN Goel:** Yes.

**Aditya Yadav:** Okay, okay. Understood, sir. Thank you.

**SN Goel:** Thank you.

- Moderator:** Thank you. The next question is from the line of Lokesh Setty, an Individual Investor. Please go ahead.
- Lokesh Setty:** Hello, sir. Thank you for this opportunity and this happens to be my first question. So, thank you for the opportunity. I read sometime back in one of the interviews that there is a plan to launch an IPO for IGX. Do you think now is the right time or do you think that we should, I mean, the plan is to wait for things to get regularized in terms of GST and the other bottlenecks that we are facing with the Gas Exchange?
- SN Goel:** I think you haven't read the fine print in that. What I said was that as per the PNGRB regulations, we will have to bring down our stake in IGX to 25% within 5 years of the issue of regulations. Our exchange got the PNGRB approval in the first week of December 2020 and by December 2025, we will have to bring it down to 25% and divest 25% equity. I mentioned that the best option to divest this equity is through the IPO process.
- Lokesh Setty:** All right.
- SN Goel:** So that means, we would like to hold the equity if we are allowed and whenever we have to divest it, we will explore this option of IPO.
- Lokesh Setty:** All right sir. So, there is a possibility that you can explore the other routes also
- SN Goel:** Depends on the market conditions, 3.5 years down the line, how can I say today what will be the best option, but as of now what we understand, what we see that the IPO is probably the best option.
- Lokesh Setty:** Right sir. Yes, that was my only question.
- SN Goel:** Yes. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Sumit Kishore for closing comments.
- Sumit Kishore:** Thanks a lot for your time and for giving Axis Capital the opportunity to host this call. Mr. Goel, would you have any closing comments?
- SN Goel:** Yes. I would like to thank each one of you for being part of today's con call. There have been many significant developments in the fourth quarter and fiscal year 2022. However, there are few challenges too, especially the increasing energy prices, including the commodity prices driven by various factors including the global factors. We are working proactively to further develop and strengthen the recently launched market segments which have immense potential for growth. At IEX, we remain committed in doing our bit towards facilitating India building a sustainable and efficient energy future. Thank you. I look forward to our next interaction with you, till then take care and stay safe. Thank you very much.
- Sumit Kishore:** Thank you.
- 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.