

Dated: November 22, 2018

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Scrip Code: BSE- 540750; NSE- IEX

**Sub: Transcript of the Conference call with analysts and investors relating to Financials
Results of the Company for the quarter ended September 30, 2018**

Dear Sir / Madam,

Please find enclosed herewith transcript of conference call with analyst/investors held on Monday November 12, 2018 at 02:00 p.m.(IST) to discuss the financial results of the Company for the quarter ended September 30, 2018.

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For Indian Energy Exchange Limited



Vineet Harlalka
Company Secretary & Compliance Officer



Encl: as above



“Indian Energy Exchange Q2 FY19 Earnings Conference Call”

November 12, 2018



MANAGEMENT: **MR. S. N. GOEL – MANAGING DIRECTOR & CEO,
INDIAN ENERGY EXCHANGE**
**MR. VINEET HARLALKA – CFO, INDIAN ENERGY
EXCHANGE**
**MR. RAJESH KUMAR MEDIRATTA – DIRECTOR OF
BUSINESS DEVELOPMENT – INDIAN ENERGY
EXCHANGE**

MODERATOR: **MR. PRANJAL JAIN—AXIS CAPITAL LIMITED**

Indian Energy Exchange
November 12, 2018

Moderator: Ladies and gentlemen good day and welcome to the India Energy Exchange Q2 FY19 Earnings Conference Call hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranjal Jain from Axis Capital Limited. Thank you and over to you ma'am.

Pranjal Jain: Thanks Aman. On behalf of Axis Capital, we welcome the management of India Energy Exchange and all the participants for the Q2 FY19 earnings conference call. The call will be initiated by a brief management discussion on the earnings performance followed by a Q&A. The management of IEX is represented by Mr. S. N. Goel – Managing Director and CEO, Mr. Vineet Harlalka – CFO, and Mr. Rajesh Mediratta – Director of Business Development. We will begin with the opening remarks from Mr. Goel. So over to you sir.

S. N. Goel: Thank you Pranjal and good afternoon to all of you. To begin with, I would like to share operational performance highlights of IEX for the quarter and half year ended 30th September 2018. During first half we did about 28.58 billion units of electricity trading with an increase of 19.4% on year-to-year basis. The purchase and sell bids of the exchange for the month of September 18 has been all time high and on an average with the final cleared volume hitting the highest ever of 306 MU on 29th of September 2018. In fact on this date, about 8% of the total generation in the country was transacted through the exchange. In September 2018, about 191 million units was traded on daily average basis which was almost about 40% higher than September 2017.

Some key power sector developments during H1 which had both direct and indirect impact on the exchange business were:

All India generation increased by 6.2%, from 664 billion units to 705 billion units, whereas thermal generation increased only by 4%. Major increase in generation was because of the renewable, it increased by almost 23% during this year. Under Saubhagya Scheme the country has achieved 95% electrification which is one of the major contributors to increase in power demand in the country. The country's power demand increased by 6.2% during the first half of 2019. The peak demand in first half increased by almost about 8%. We registered a highest peak demand of 175.6 gigawatt on 18th of September 2018.

During H1, domestic coal offtake in the country has increased by 7.7% on year-to-year basis, but availability of coal under e-auction for merchant generator reduced over

50%, from 44 million tons in last year to 21 million tons during this year. Also the prices of domestic e-auction coal as well as imported coal were higher leading to higher IEX clearing price. During H1 the increase in country's demand was very well reflected on the exchange. The buy bid on IEX registered an increase off 19% during H1 as compared to same period last year.

Also, since new long-term PPAs are not being signed from the last five years, a good part of incremental demand is coming on the exchange platform. During H1, purchase of power was dominated by Discom and about 80% of the electricity was procured by Discoms and 20% by the open access consumers. Major buyers were Gujarat, Maharashtra, Bihar, West Bengal, Telangana, Tamil Nadu and J&K. The average market clearing price for H1 was Rs.3.98 an increase of about 33% with respect to corresponding period of last year. Improved transmission network resulted in virtually congestion free market and IEX had "One Nation, One Grid and One Price" on 129 days during first half of the year. During H1, the volume curtailment on exchange platform because of the congestion was only about 0.5% which used to be 15% about four years back. We sold about 51.2 lakhs RECs during first half of the year which is 325% more than what we did last year. And the buy bid for REC was almost about 80 lakhs whereas the cleared volume was 51 lakhs because of reduction in REC inventory.

Now moving towards the financial highlights:

Operating revenue for Q2 FY19 is 66.86 crores and for H1 it is 133.83 crores, an increase of 20% and 21% respectively on year-to-year basis. Other income which mainly includes treasury income was 8.36 crores for Q2 FY19 and 15.57 crores for H1FY19. Total revenue was 75.22 crores for Q2 and with an increase of 23% with respect to Q2 of last year and for H1FY19 it was Rs.149.4 crore with increase of 21% with respect to H1 of FY18. Total expenses for Q2 FY19 were 14.88 crore for H1 it was Rs.30 crores with an increase of 22% on quarter to quarter basis and 15% on year-to-year basis. Profit before tax for Q2 FY19 was 60.34 crores an increase of 23% on year-to-year basis and for H1 it was 119.4 crore with increase of 23% on year-to-year basis. EBITDA margin during Q-2 was 84% and for H1 was 83%. H1 profit after tax was 84.56 crores up by 32% on year-to-year basis and Q-2 PAT was 42.67 crores up by 31% on year-to-year basis. We could achieve this robust profit growth on account of strong business growth of the company. Company registered robust PAT margin of 57% during this year. Now we can have questions.

Moderator:

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. First question is from the line of Apoorva Bahadur from ICICI Securities. Please go ahead.

Apoorva Bahadur: Sir, I was going through your balance sheet and wanted to understand couple of items have increased significantly versus March 18, so if you could throw some light say for example why investments are up quite strongly and the other financial assets and similarly on the liability side the trade payables and other financial liabilities are also up significantly, so what is the reason behind these.

S. N. Goel: I will request Mr. Vineet Harlalka CFO to respond to this question.

Vineet Harlalka: Good afternoon. There was significant increase in the volume and price during September so there was a significant float on account of money received from buyers which was available with the company. We had invested this float into the liquid fund schemes, which has increased the investment side and the corresponding liability side for payment to sellers on subsequent days.

Apoorva Bahadur: Okay. Sir on the payable side as well that has also been impacted by float.

Vineet Harlalka: Yes, definitely.

S. N. Goel: We get two days float. Whatever money we get from the buyers today we pay to the sellers day after tomorrow. So whatever transactions happen on 30th September that money was available with the company and payment for 1st and 2nd were appearing as trade payable. In fact, because of the high prices and increase in volume the traders are also required to maintain higher margin with the company. Hence, settlement guarantee fund was higher, as a result of that the total investment available with the company end of September was significantly higher.

Vineet Harlalka: If you look at the trade payable number it has increased from 84 crores to 330 crores and this major increase was on account of financial liabilities which are basically towards trade payable and the margin.

Moderator: Thank you. The next question is from the line of Anshul Mittal from Care PMS. Please go ahead.

Anshul Mittal:

Sir I just want to ask two questions. One is, how does the Supreme Court regulation of PPA renegotiation going to affect company's like IEX and sir the other question is, we have heard that PTC India has filed for another power exchange so how is it going to affect us?

S. N. Goel:

On your first question, how is that Supreme Court order going to affect the exchange volume. If you look at Adani and Mundra projects they are already in operations and supplying power to the beneficiaries of those projects. It is only the commercial dispute which was raised before the Supreme Court and for which it has been directed to CERC. So, I do not think it will have an impact on the generation, that generation was already happening and in spite of that our volume growth in the month of June, July, August and September was high quite significantly. So, going forward also we do not see any adverse impact of that. Second is petition by PTC with CERC for new exchange. Yes, what we understand is that they have filled a petition for in-principal approval and once they get the in-principal approval they will arrange investors to have the shareholding as per CERC regulations, get the technology and create other infrastructure facilities. They have indicated a time frame of about one year for doing all these things. So then they will again approach CERC for the consent to operate the exchange. I think all these activities are going to take time and we do not know what will be the response of CERC on this in principal approval petition itself. So let's see, there is enough space for two, three exchanges in the market because volumes are going to increase now, with the Saubhagya Scheme the demand in the country is going to increase at a much faster rate because of the electrification of the villages, households. Further sure and as you may be seeing no long term PPA are happening. Hence, the incremental demand is going to come to the market. So, I do not think there is a cause of concern, because of new BSE PTC exchange.

Moderator:

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

Ravi Srikant:

Sir, I just wanted to ask, as you had mentioned in the initial presentation that the volumes for September, October is very high wherein the growth also was very high. So, if the price also remains at these levels which I think are higher than the last year so do you see that some of the Discoms would want to go in for long term PPA.

S. N. Goel:

The price trend for the month of September and October is same in fact every year. This is a typical phenomenon, in the month of September the monsoon starts receding, temperature is high, humidity is high, and the demand increase continues as the agriculture load continues. In the month of July and August because of the rains the

coal mines also get flooded and the coal production goes down. As a result of that, there is also coal shortage in month of September and October. Hence, the prices going high in the month of September and October is a typical phenomenon. This year also it happened, since the demand was quite high the prices increased more than last year. Last year the prices for the month of September was almost about Rs.4 this year it was Rs.4.69. But prices have again come down now, these days prevailing prices about Rs.3 rs. 3.25/ unit- Discoms also know about it that this is a typical phenomenon only for one or two months in the year .The average price for last year was still Rs.3.25 and this year also I am sure it will remain around Rs.3.50 only. So, I do not think this will be a deciding factor for the Discoms to sign long-term PPA.

Ravi Srikant: Sir till what price level would be Discoms be comfortable buying on this power exchange.

S. N. Goel: The point is, it is not only the price, it is also the flexibility in meeting the demand because of which distribution companies are buying power from the exchange. They buy only when they need power and this large variation in demand is due to seasonal variations mostly. They have flexibility of buying power during the day also, like I will give you example of Bihar, who is buying power for 365 days but then power purchase quantum differs on and during all the days. Their buy bids vary from 5 Mus to 30 Mus depending on the holiday Saturday, Sunday or the peak season demand. This flexibility of buying power is available only on the exchange platform. Distribution companies also know one thing that under the long-term PPA whatever quantity they contract they will have to pay the capacity charge for the entire capacity. And even if demand is less say during three, four or five months in a year, they will still have to pay the capacity charge but on exchange platform they will have to pay only for what they buy. So, I think from DISCOM point of view, it is not only the price on the exchange but also the flexibility which is important criteria So, the decision is dependent on these two parameter, and coming to your question on what kind of price it will give a signal in the market for the long-term PPA. I think these days long-term PPAs are happening at about Rs.4.50 kind of number. So only when the exchange average price for year increase to that level maybe it may give some signal to the distribution companies to contract some base load capacity on long-term basis.

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

Bharanidhar

Vijayakumar:

Sir my question is on the growth rate of the traded volumes. So in a normal scenario if the demand is growing at say 8% if there is no market share that we are getting from the PPA volumes which are of course are down because there is a coal shortage, then we would also be typically growing a 8% right. So, in your view what would have been the growth shift in the PPA volume due to coal shortage had not come to us, what would have been our growth for the first half.

S. N. Goel:

If you look at the total generation in the country last year it was about 1300 billion units and if the demand increases by 6% then the incremental demand is going to be 78 billion units. Existing PPAs may be good for that 1300 billion unit's kind of demand which was there. Since no new PPAs are being signed from the last 4-5 years, good part of the incremental demand is coming to the market. Volume growth in the exchange platform which is happening because of this incremental demand. Not that if the demand is increasing at a rate of 6% than only 6% extra is coming to the exchange, a good part of the entire 6% is coming on the exchange platform.

Bharanidhar**Vijayakumar:**

Right. So there are two factors, one the volumes without PPAs are coming to the exchange, plus this year and in fact even last year the volumes are also higher because of shortage of coal right. So, without the shortage of coal what would have been the growth sir any idea.

S. N. Goel:

When there is a shortage of coal, in fact, the worst affected is the short-term market, because whatever coal is available first supplied to the power plants which have PPA, and then only left over quantity is given under the e-auction to the merchant plants. What we have seen in the past, the volume growth at exchange is higher i when the coal supply is better. You are taking a typical case of the month of September when the coal shortage was there and suddenly the prices increased and volume also increased, but if you look at the whole year, the volume growth will be much better if the coal supply is adequate.

Bharanidhar**Vijayakumar:**

Understood. So, it's driven by the demand growth

S. N. Goel:

Yes, purely by the demand growth.

Bharanidhar**Vijayakumar:**

Okay, understood. And second question on the Discoms. So we are reading reports as to receivable situation with many IPPs have increased over the last six months and of

course Uday has been helping the balance sheets of the Discoms but at least my view is that, because structural changes on the ground will take some time, the financial situation might get into a bad shape say few years down the line so which will affect the participants in the value chain typically the brokers like PTC and IEX, not IEX but at least others in the value chain.

S. N. Goel: I got your point, the point is, it is the distribution companies which collect the money, and if they are not able to collect the money, they will not be able to purchase power. I do not think state governments are today in a position to support distribution company financially on regular basis. So if distribution companies performance don't improve it is definitely a cause of concern for everybody not only for IEX. So as far as exchange is concerned, for our transactions, we take payment on the date of trade and make payments only after the deliveries happen so there cannot be any default. But yes poor financial performance of DISCOMs affect the power purchase capacity of the distribution companies and if their performance do not improve it will impact generators, trader, and IEX. The state itself will be worst affected because they will not be able to supply power to the consumers of the state.

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

Mohit Kumar: Sir what is the impact of CERC approval of our bylaws on this settlement guarantee fund if there is any.

S. N. Goel: CERC order one is about the approvals of the amendments in the business rules and bylaws, I do not think it has any financial impact. Second point was about the transaction fees. Some of the stakeholders had raised the issue to regulate the transaction fees, CERC in the order has said that, any change in future shall be with the regulatory approval. Till now exchanges were free to change their transaction fees, now any change in transaction fees will have to be done only with the regulatory approval which also implies that the present fee structure remains as it is. Another point was in the settlement guarantee fund. Settlement guarantee fund has two components one is the initial fixed security deposit which is Rs.25 lakhs by each member and second is the additional margin based on the transactions they do, which is dependent on the rate of the power prevailing during that time. On the initial fixed deposit, we have to return 70% of the interest earned on that. We have about 78 members who are active and initial fix deposit is about Rs.19.5 crore and we will have to return back 70% interest which is earned by us to the traders. The net of tax impact of that will be less than a crore rupee. So, I do not think that is a very significant number.

Mohit Kumar: Okay. And sir what is the proportion open access followed in H1 FY19 and what is the volume in H1 FY18 and how do you think this will pan out in H2 FY19 if you can.

S. N. Goel: In FY19 since the average price on the exchange was about Rs.4 the open access volume was only about 20% whereas last year this volume was almost about 36%. So there has been significant reduction in the open access volume because of the high clearing price which was because of the high demand by the distribution companies. Distribution companies are not price sensitive and along with that high demand by the distribution company, the supply did not increase in proportion to increase in the buy bids. So that is why the open access volumes have gone down now.

Mohit Kumar: Sir last question, PTC India was one of our investors there. Now they are setting up a new exchange, was there any understanding that they cannot open the exchange when they exited.

S. N. Goel: No, there was no such understanding. It is an investment decision which they are taking, PTC as a member can hold only about 5% in the new exchange as per the CERC regulations.

Mohit Kumar: So what is the possible time line in which they can open and start exchange and what is the kind of volume they are contributing to IEX right now.

S. N. Goel: PTC as a trader is doing almost about 22-23% of the total volume on the exchange. Let me tell you one thing, PTC in this case is acting as a broker. The transaction is being done by the clients of the traders. It is the client who decide where they want to do the transaction. It is something like when we sell a share or buy a share, we decide whether we want to do the transactions for NSE or BSE, and not that trading platform. Similarly, here also it is the clients who will decide. Let me give you an example, a generator who wants to sell power, for him it is important that he sells power on exchange and he will like to sell where there are more number of buyers so that there is a good chance of his getting selected. If the power is not sold then the opportunity to sell the power is lost forever, as this is not a commodity which can be stored. Similarly, for buyer also, if they were to supply power, to meet the demand of the consumers it is important for them to go to exchange where there are more number of sellers. So it is the buyers and sellers who basically decide where they want to do the transaction. So, I do not think PTC or any trader will be able to influence the decision of the clients.

Moderator: Thank you. We will move for the next question that is from the line of Pawan Parakh from Renaissance Investments. Please go ahead.

Pawan Parakh: Sir just one question, one is that the revenue has grown by 28%, and if you look at the realization point unit it is down to about 3.87 paise per unit, versus 4.3-4.4 paise in the last year same quarter. So, is this because of higher REC volumes.

S. N. Goel: Yes. Our operating revenue consist of transaction fee from electricity, sell of REC and annual fees. Annual fees is more or less constant or going down because of the open access volumes are going down but in case of REC we were giving incentive to the buyers. As a result, the rates per REC is not Rs.40, but approximately Rs.20 this year, which was around Rs.16 last year, that is why if you look at the average number it is coming to be 3.87 paise. As far as electricity is concerned, it is 4 paise per unit.

Pawan Parakh: Okay. So you said because of open access your transaction fee is reduced.

S. N. Goel: No, not because of open access. In the case of electricity, it is same Rs.0.40 per unit it is only because of the REC the average is lower.

Pawan Parakh: Sorry, let me rephrase it. Essentially you said with increase in less number of open access consumer trading on the exchange that reduces your transaction fees.

S. N. Goel: That reduces my annual membership fees. Clients don't become active on the exchange platform do not pay the annual fees when exchange rates are higher than breakeven rates.

Pawan Parakh: Okay. And even if they want to take do a trade like four, five times a year they have to see the entire, so they won't trade for the entire year then.

S. N. Goel: The point is, fees are nominal Rs.1 lakh per year. So, whenever somebody sees opportunity that the prices have gone down, and it make sense for them to buy power they make payment and start trading.

Rajesh Mediratta: I will just add one more thing, we do not charge annual fees on the financial year basis. We charge it from the day when he reactivates with us and his fees is applicable for 12 months. So whenever he is due for renewal, suppose he does not want to renew then from that month he does not pay anything.

S. N. Goel: So though his due was from April, he has not paid the fees, he became inactive and in October he becomes active so whatever amount he has paid in October it will be valid to up to next October.

Pawan Parakh: Okay. And sir secondly, we have seen lot of 15, 20 days or one-month kind of short-term PPAs, isn't that a risk for growth of volume.

S. N. Goel: Yes, these are basically the short-term contracts which are happening in the bilateral market through the DEEP platform. If you look at the price discovered in the DEEP platform, in last two to three months the prices quoted are quite high and not many contracts have materialized, but then yes there are still few transactions happening under that and our aim is to basically shift all those transactions on the exchange platform, because exchange provides a competitive price discovery and flexibility in purchase and sell of power. We interact with the customers, we interact with the distribution companies, tell them what kind of value we provide and how can they really optimize their power procurement cost by purchasing through the exchange and I have seen lot of shift happening.

Pawan Parakh: Okay. So essentially the percentage of volume increase on exchange can be continuously increasing to 8 – 10% in next four, five years

S. N. Goel: It is difficult to say what kind of growth we can achieve, but I can only tell you one thing that in the last 4-5 years we have achieved a growth of about 17 to 20%. inspite of transmission congestions and supply side constraints. Now if the coal production improves there will be no supply side constraint. Further, there is negligible transmission congestion in the country now, virtually we are operating in a congestion free market. Due to initiatives of the government regarding rural electrification, 24x7 supply and upcoming elections, I think the demand is further going to increase. So the growth numbers should be better than what we have achieved in the last 4-5 years.

Moderator: Thank you. The next question is from the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

Rahul Ranade: Sorry to up on this point about PTC, so I take a point that there are number of people who are coming through PTC and the underline nature of clients is very granular so just wanted to get an idea of if you could give the number of clients who come through PTC to you versus the overall number of clients that we have.

S. N. Goel: I will not like to give you the details about who are the clients coming through PTC, but through PTC we have both distribution companies and open access consumers who

are buying power, Similarly on the sell side, there are couple of generators and one or two state distribution companies are also selling through PTC. Total transaction by PTC is about 22-23% of the exchange volume. So from that point of view it is a significant number, PTC is the largest trader on the exchange platform. PTC is only a facilitator and it is the buyer and seller who decides basically where to buy at what rate to buy and how much to buy.

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

Rahul Murkya: Sir you used to give this number how much of the volume is from the state and how much is from the open access.

S. N. Goel: From this year for distribution companies the volume is about 80% and 20% from the open access consumers.

Rahul Murkya: Sir could you tell me what was last year.

S. N. Goel: Last year was 64% from Discoms and 36% from the open access consumers. Because of the increase in the clearing price on the exchange platform which was more than the breakeven rate for many of the open access consumers, there volume has gone down.

Rahul Murkya: Okay. And sir how has the open access charges changed for private sector if there is any change in the prices.

S. N. Goel: This year there has not been major change in the open access charges excepting for the state of Karnataka where they have given some incentives to the industries for buying power though the distribution company, otherwise buy and large open access charges are same.

Moderator: Thank you. The next question is from the line of Jinal Fofalia from Turtle Star Portfolio Managers. Please go ahead.

Jinal Fofalia: Sir coming back to PTC India, then if PTC India has 20 to 23% contribution in your volume. So how do we plan to offset those volumes, are we sure that we are going to get that loss part of business in matter of time, that is what I want to know.

S. N. Goel: As I told you, it is the buyers and sellers of PTC who make the decision where they want to sell power, at what price and in what quantity. It is not PTC who decides, PTC only facilitates that. If buyer wants to buy power and supply to the consumers he will

like to go to exchange where there are more number of seller. Similar a seller will like to go to the exchange where there are more number of buyers so that the chances of getting volume cleared is more. Otherwise, if the bid is not cleared then he will lose the opportunity to sell power and in case of electricity if the opportunity is ones lost it is lost forever. You cannot store electricity. So the point is, it is the buyer and seller who decide where to do transactions based on liquidity on the exchange platform. So, I do not think PTC will be in a position to influence the buyers and sellers but in any case exchange market is expanding like anything, if you are tracking the sector there are many regulatory developments which are taking place now. CERC recently came out with discussion paper for linking the DSM UI price with the exchange clearing price. Today the DSM price is only about Rs.1.88 at 50 hertz, now they want to make daily exchange clearing price as a base price at 50 hertz, so that it acts as a panel rate for the distribution companies to over draw undere UI from the grid. Today, transactions itself are almost about 17-18 billion units. So if this new regulation is issued which is expected very shortly then it will amount to shifting of large part of this DSM transaction on exchange platform. CERC also has come out with a discussion paper on the real time market. Today after the day ahead market there is no opportunity for the distribution companies to meet their demand variations. If there is a unit tripping, then they will have to resort to the overdraw from the grid or to the load shedding. CERC has now come out with a discussion paper to start real time market that to run, every hour market for delivery in the next hour. They have also come out with a discussion paper for ancillary market through the exchanges. So point is, regulator and government both have now realized one thing that there is a need to improve liquidity on the exchange platform basically for better integration of renewable system and also achieving efficiency in the power business. I am sure with this kind of regulatory developments the volume in the exchange is going to grow and there will be enough space for second or third exchange also. Mr. Rajesh would like to add something.

Rajesh Mediratta:

I just wanted to add one more thing because this question is coming up again and again regarding PTC, see in India when somebody operates on exchange as a trader actually he is not operating as a trader, he does not have that ownership or title of electricity what he is selling or buying. So that is big difference, when a trader also comes on the exchange basically, he is acting like a broker so he is simply a broker which is selling somebody else's power or buying somebody on behalf of somebody else and its ownership is still with the buyer or the grid connected client. So that is a big difference between trader which is operating on exchange and how the trader operates on the OTC market, so that difference we have to understand. So out of 20-25% volume or maybe part of volume may go because that are connected client or will continue to stay with

you, but it will be still the choice of the buyer or seller or the grid connected client who will decide whether to trade on the new exchange or he can continue with IEX. Thank you.

Moderator: Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Sir just a quick question no any development on the gas exchange and derivatives also for power.

S. N. Goel: First on the gas exchange. PNGRB is definitely working on the different regulations and rules which they have to come out for starting a gas exchange and we are also reading from the newspaper that yes government is serious about gas exchange, but gas exchange can start only when the regulations are issued by the PNGRB. We are closely working with them and we are definitely an interested party, we would like to be the first to start gas exchange. Since there is lot of synergy between the gas and power exchange, we have done all preparatory work. We are waiting for the regulations to be issued so that we can apply to the regulator for starting a gas exchange.

Rahul Modi: Sure. And sir anything on the futures for electricity trading.

S. N. Goel: On futures and options of electricity, I understand discussions have started now, in fact today only there is a meeting in Ministry of Power along with Ministry of Finance and the other stakeholders of the sector to discuss about the scope of SEBI and CERC with respect to the spot market of electricity and future market of electricity. So, as discussions have started now, I am expecting decision on this soon.

Moderator: Thank you. The next question is from the line of Vishal Biraia from Aviva India. Please go ahead.

Vishal Biraia: Sir can the new exchange offer a transaction fee other than Rs.0.04.

S. N. Goel: They can, it is up to them to decide about it. I don't think in case of power exchange transaction fees is the driving thing behind the volume, because today also there are two exchanges and other exchange could have lowered the transaction fees to get the volume. But they know one thing that transaction fees is not the driving factor. For a generator if power is not sold, he loses the entire opportunity. For example, if clearing price is Rs.4 and out of that Rs.4 if you take out Rs.2 on account of the variable cost i.e. coal cost, still the Rs.2 margin is a loss. So, against Rs.0.02 which is payment on

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account of transaction on exchange platform Rs.2 is very big number. So, I think it is the value which exchangers provide which is more important than the transaction fees.

Vishal Biraia: Sure sir. Sir CERC off late said that there will be regulatory approval for the transaction fees and all. So what will be the timelines for these approvals will this be decided every year, every two years.

S. N. Goel: No, what they have said is any change in the transaction fees shall be done with the regulatory approval. That means if I want to increase the transaction fees then only I need to go to the regulator, otherwise not.

Vishal Biraia: In half year defined any parameters or anything based on which they would approve or transaction fees or something?

S. N. Goel: The CERC has not defined that only when there is a need I mean if I go for the increase they will then look at it why increase is necessary.

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

Mohit Kumar: Sir, why the annual subscription fee has decline QoQ because I understand the last quarter Q1 FY19 or so as a subscription fees was around 5.5 crore and declined 4.8 crore sequentially?

S. N. Goel: As I told you that the good part of this fees is from the open access consumers. We charge Rs. 1 lakh per year from the open access consumers. So in the H1 our clearing price was higher and because of that in many states there was no breakeven coming. So those open access consumers did not pay the fees and became inactive and that is why there was less fees. When the clearing price starts decreasing they become active and make payment of the annual fees.

Mohit Kumar: My second question sir to gate closure I think when the definition of gate closure is tightening what kind of volume envisage that will hold that will come to us or to the exchanges in general?

S. N. Goel: See gate closure tightening will definitely help. Today the distribution company have the flexibility to reschedule power even four-time blocks prior to the actual delivery. Because of this generator are also not able to sell the surplus power. Transmission corridor which is booked under the long-term also remaining unutilized. Now regulator and government both are thinking for the optimum utilization of these generations and

transmission resources. There has to be a definite time for the gate closure after which distribution companies will not be given flexibility of rescheduling the transaction and then generators will be able to sell their powers through exchange. I think real time market is one step in that direction. There they have said one and half hour before the actual delivery of power the distribution company will not be able to revise the schedule and then generators can sell surplus power for the next one hour. And in fact our suggestion to the regulator has been that on day ahead basis whatever schedule is finalized for the generators and distribution company there should be no change after that which is also a practice in many of the developed countries, and after that whatever left out quantity the same is sold by generator in the market so that they can get an optimum dispatch schedule.

Mohit Kumar: Was there any development on the cross-border exchange during the quarter?

S. N. Goel: We can do cross-border transaction on IEX platform itself. There is no need to have a separate cross-border exchange for that purpose. In fact, we have been interacting with many of the neighboring countries such as Bangladesh, Bhutan, Nepal, they are all fully aware about exchange operations. Government of India had issued guidelines allowing the cross-border transactions, CERC had issued draft regulation but we are waiting for the final regulation from CERC and when those are issued then we will be able to do cross-border transaction also.

Mohit Kumar: Just to make it clear so the final handover which remaining CERC approval of the regulation am I correct?

S. N. Goel: Yes, CERC approval is awaited.

Moderator: The next question is from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.

Dhruv Muchhal: Sir a further carry forward on the gate closure thing currently just to understand more on this the DSM regulation which can help us currently the gate closure for a PPA capacity for a Discom if he is buying from PPA or buying from exchanges one hour, so how does the new regulation new DSM regulation help you get more volume from DSM which is currently going in DSM because anyway reschedule their PPA capacity which the earlier taking in DSM I hope you got my point.

S. N. Goel: There are two things. My first point was that CERC is increasing the DSM rate. Today the DSM rate is in fact lower than the exchange clearing price. So there is no

disincentive for the distribution companies to overdraw power from the grid. So if the DSM rates are increased then distribution companies will have to pay the panel rates and that will force them to plan their power purchase in advance through the exchange which is nearest best option available to them. So that will shift volume from the DSM to the exchange market. CERC is already in the process of issuing their final order for increasing their DSM price. .. Second point was the gate closure. The impact of gate closure will be when if you have a gate closure suppose 2 hours in advance then generators know that for the next two hours so much of quantum is remaining unsold with them and they will be able to sell that power on the exchange platform in the real time market. So that quantum itself can be significant. If you look at the URS power of the generating companies it is of the order of 20 to 30 billion units. So they can come on the exchange platform to sell that power and then distribution companies where some unit some generation unit tripping has happened or some deviation in the demand has happened they can come to the real time market for making good variation.

Dhruv Muchhal: So DSM regulation as they come that will be a smaller part of the overall thing versus when the real time regulation the real time trading of power comes that will be much bigger boost to us that understanding is right.

S. N. Goel: In the DSM market, last year the DSM volume was about 16 - 17 billion units and exchange volume was 46 billion units. Even if half of the DSM volume come on the exchange platform that itself can give a 20% increase in the volume. So DSM also is a significant number, but real time market will be definitely much higher than this. My only point is all these things are indicating one thing that regulator and government are now both aligned to increase more liquidity in the short-term market and that is a very important shift which is happening now.

Moderator: The next question is from the line of Rahul Murkya from Jefferies. Please go ahead.

Rahul Murkya: Sir, just book keeping question can you tell us how much was the volume by the top 10 buyer?

S. N. Goel: Top 10 buyer volume was about 67%.

Rahul Murkya: Last year?

S. N. Goel: Last year I think it was slightly lower than this because of the distribution in companies aggressive buying the top 10 buyer volume has been high.

Rahul Murkya: And the top 10 buyers would be majorly distribution companies?

S. N. Goel: Yes, all distribution companies. We have also one of the open access consumers which is a Vedanta. Vedanta is an aluminum plant in Orissa they have their own captive power plant. So when they do not get coal there they buy from the exchange so they are also not price sensitive.

Moderator: The next question is from the line of Rahul Ranade from Goldman Sachs. Please go ahead.

Rahul Ranade: Just wanted to get a sense if you could talk about the business opportunity which could kind of get opened up if the futures and options finally get a green flag at some point in time?

S. N. Goel: See with the future and options there will be more liquidity in the market and there will be less price volatility. So distribution companies who are today buying power in the short-term market through the traders and DEEP platform, they will be able to take a decision whether they should buy from the DEEP platform or through the exchange platform based on the forward rates. In fact, they can take position in the forward market and take delivery in the short-term market which is the practice in all developed countries. So with forward and future the exchange volumes can increase significantly. Today, distribution companies do not know what is going to be rate in next five years if they want to buy power, but if future and options are available they will be able to buy those options and then take delivery in the spot market.

Rahul Ranade: Right now, that is the issue and that is why people go to the DEEP platform to check the rates.

S. N. Goel: Yes.

Moderator: The next question is from the line of Abhishek Jain as an Individual Investor. Please go ahead.

Abhishek Jain: Sir, my question pertains to regulatory risk if you can throw some light on the trajectory of commission since the inception of exchange and any part regulatory action on the same?

S. N. Goel: See we started operation in June 2008 we have completed 10 years of operation. In this last 10 years of operations we have not come across any regulatory risk in fact what

we have come across is regulator coming up with a regulation more conducive to the market development. Today we are only doing 4% of the total generation through the exchange but if you look at developed countries, they are doing almost about 40%, 50% of the total generation through the exchange. If we are intending to have high renewable generation capacity in the country the need of the hour is to increase liquidity on the exchange platform that is why you must be seeing that there are more initiatives being taken by the regulator and the government to increase liquidity in the exchange platform. So we do not see any risks as far as the regulator is concerned we expect a very favorable response from the regulators.

Abhishek Jain: So the management does not believe that there is a probability that the regulator might cap or ask the exchanges to reduce the commission that they charge?

S. N. Goel: If you look at the order which was issued recently by the regulator it says that any change in the transaction fees shall be with the prior approval of the commission. The message is very clear, if we want to do any change in the transaction fees we can do it only with the regulatory approval. I do not want to read beyond that I think the order is very clear.

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

Ravi Srikant: I was just going through the regulation that you have quoted on your website which has been issued by CERC for setting up of power exchange and I think clause 35 is that power exchange is less than 20% market share to two consecutive years then that exchange has to merge with the existing exchange, but I think the NSC exchanged has not been merged with IEX is any reason for that or has the regulation been changed as such?

S. N. Goel: That provision is applicable when you have more than two exchange. Suppose there are three exchanges in that case if one of the exchanges is less than 20% share it will have to merge with any of the other two exchanges.

Ravi Srikant: So if the BSE exchange gets the approval then automatically would NSC merge with IEX or how will that work?

S. N. Goel: When the third exchange becomes operational and they start getting volume and their volume increase beyond 20% then only this provision will trigger, long way to go.

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Ravi Srikant: Last one book keeping questions which is the fee cash available on couple of quarter that you had mentioned that you would evaluating to do a buy back as well any update on that?

S. N. Goel: Cash available the shareholder fund is about Rs. 170 crores. Further for last year 60% of the profit in the form of dividend was distributed. Buy back is definitely one good option but looking at the net worth of the company the buyback amount is very small, but we are exploring all these options let us see.

Moderator: Ladies and gentlemen that was the last question. I would like to hand the conference over to the management for their closing comments. Thank you and over to you.

S. N. Goel: Thank you very much. We had a very interesting sessions and if there are more questions you can send mail to the company. We our website is ir@iexindia.com and my investor relationship manager will attend to those questions and respond to those.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Axis Capital Limited that concludes today's conference. Thank you all for joining us and you may now disconnect your lines.