



Dated: May 25, 2020

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

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

Scrip Code: 540750

Symbol: IEX

Sub: Transcript of the Earnings Conference call with analysts and investors relating to Financial Results of the Company for the quarter ended March 2020

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 Friday, May 15, 2020, at 2:30 pm (IST) to discuss the financial results of the Company for the quarter ended March, 2020.

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

You are requested to take the above information on record.

Thanking You.

Yours faithfully,

For Indian Energy Exchange Limited

VINEET
HARLAL
KA
Digitally signed by:
VINEET HARLALKA
DN: CN = VINEET
HARLALKA C = IN
O = Personal
Date: 2020.05.25 11:
53:12 +05'30'

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

Encl: as above



“Indian Energy Exchange Limited
Q4 FY2020 Earnings Conference Call”
May 15, 2020



ANALYST:

MR. ABHISHEK PURI – AXIS CAPITAL LIMITED

MANAGEMENT:

MR. RAJIV SRIVASTAVA – MD & CEO
MR. VINEET HARLALKAR - CHIEF FINANCIAL OFFICER
MR. RAJESH MEDIRATTA- DIRECTOR STRATEGY & REGULATORY AFFAIRS
MR. ROHIT BAJAJ- HEAD BUSINESS DEVELOPMENT
MR. AMIT KUMAR – HEAD MARKET OPERATIONS
MR. INDRANIL CHATTERJEE - HEAD-RISK, ALLIANCES & STRATEGIC DIVERSIFICATION
MS. SHRUTI BHATIA – HEAD CORPORATE COMMUNICATIONS
MR. SAMIR PRAKASH – HEAD -HR & ADMINISTRATION
MR. GAUTAM SANGH - CHIEF TECHNOLOGY OFFICER
MS. APARNA GARG – LEAD INVESTOR RELATIONS



*Indian Energy Exchange Limited
May 15, 2020*

MODERATOR: Ladies and gentlemen, good day and welcome to the Indian Energy Exchange Q4 FY2020 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 would now like to hand the conference over to Mr. Abhishek Puri from Axis Capital Limited. Thank you, and over to you Sir!

Abhishek Puri: Thank you Janice. Good afternoon ladies and gentlemen, I hope everyone is safe working from home. On behalf of Axis Capital, I am pleased to welcome you all for the Indian Energy Exchange Q4 FY2020 earnings conference call. We have with us the top management team of IEX represented by Mr. Rajiv Srivastava, Managing Director and Chief Executive Officer, Mr. Vineet Harlalka, Chief Financial Officer and the entire top management team of the company. We will begin with the opening remarks from Mr. Rajiv Srivastava, followed by an interactive question and answer session. Over to you, Mr. Rajiv.

Rajiv Srivastava: Thanks Abhishek and I hope everybody can hear me clearly. Good afternoon ladies and gentlemen. I know these are unprecedented times, people are working from home and so I really want to thank you all for joining this call. I welcome you all to the Q4 and FY2020 earnings call. Abhishek mentioned Vineet with me on the call, but there are few other colleagues of mine, which I would like to introduce. We have Rajesh Mediratta who is the Director in the company and he runs the strategy function, Rohit Bajaj who heads business development, Samir Prakash, chief Human Resource Officer, Indranil Chatterjee, our New Initiatives head and CRO, Amit Kumar who runs our market operations and new products, Gautam Sangh who is our CTO, Shruti who is the marcom head and Aparna who is Investor Relations Lead and all of them are on the call.

I hope everybody in your family and your parents, your children and in your extended family, everybody is safe and healthy. We express our gratitude to the front-line workers and others who are providing selfless service, working tirelessly to provide relief and care to the people and all the utilities.

Let me move on and give you a bit of preamble and we all understand power is the lifeline of our country, at IEX we clearly recognize this more than anything else. We also have a huge responsibility to support and enable power on demand to facilitate completely uninterrupted seamless 24/7 power supply to remote corners of the country especially to the stressed healthcare ecosystem, to the communication infrastructure to all

the public utilities and related businesses and millions of employees who are working from home today. During the lockdown the robust business continued planning of IEX allowed us to make sure we are proactive in ensuring round the clock operations, completely seamless connectivity and with very high levels of security. The information technology infrastructure is completely secured and that allows you to deliver a seamless 24/7 experience to all the utilities and all the buying and selling agencies on both sides.

The end to end automation allowed us the flexibility and capability to manage our operations remotely and by virtue of our very high level of technologically secured infrastructure that we have created in the company, we could pivot on employee safety as first principal. We have continued to work completely remotely even though we are under the essential services because our technology allows us to do that.

During the lockdown period, power procurement by distribution utilities is some southern, western, northern states such as Andhra Pradesh, Telengana, Tamil Nadu, Maharashtra, Gujarat, UP, Bihar, Punjab, and few others has increased because there is ample power availability on the exchange with extremely attractive prices, which is helping the utilities make significant savings in the procurement cost and several utilities have shared their success stories on how much they have been able to optimize on cost through exchange led procurements in the media, so that has been a good story so far. People are trying to optimize in these distress times. Recognizing our responsibility to support the COVID-19 relief efforts, we made a very small, very humble contribution of 5 Crores to the PM's Care Fund and we as a public entity are obligated to announce otherwise there is no reason for mentioning this point at all.

Let me give you an economic and industry update and I will share with you how it plays out for our business right now and what the prognosis looks like over the near term. The industrial activity as captured by the index of industrial production registered a serious degrowth of 3% during the Q4 gone by, breakout of the COVID pandemic led to deterioration of the overall economic activity, which started to display moderate green shoots in the month of Jan and Feb but obviously the COVID pushed it back. The economy in our estimates should grow around 4.0% for the year FY2020.

Similarly, on the electricity front, Q4 registered a muted electricity demand, the demand growth was only 1.6%. Now the first two months were very good. The January and February months saw average demand growth of 7.7%. March began very promising with a very positive growth, but in the second half of March when the lockdown was implemented, the whole of March shrunk by 9.2 points Y-O-Y. From a full year perspective, power sector was categorized by electricity demand growth of only 1.3% Y-

o-Y and for the first time since FY2014 we did face considerable headwinds on account of severe several unprecedented developments related to economic growth, industrial growth and recovery and slowdown and few weather related changes as well. So all of them both industrial and commercial demand and the agricultural demand and the weather related patterns contributed to the energy situation being the way it was. The total installed capacity during the year increased by 4% and reached 370 gigawatts and in line with India's commitment to increase the share of green energy in the overall mix, renewable grew faster while the overall grew 4%. Renewable energy grew at 12% and the thermal increased only by 2%. This is how the whole energy shift is going to take care in the future as you will see move towards more green, more sustainable mix.

On the much awaited DISCOM relief package, the finance minister announced 90,000 Crores liquidity injection on 13th May 2020. We believe this is a welcome step for financially stressed DISCOMs. The DISCOMs will be in a position to pay back to the GENCOs and TRANSCOs, which are stressed and the measures like PFC and REC loans rebate, the new reforms announced by central government should create the much needed short term financial liquidity in the power sector value chain. Our belief is that there will have to be further structural reforms undertaken to make it more holistic and long term sustainable, but clearly in the short run, it is an absolutely fantastic measure because it increases liquidity in the system.

Additionally, on the policy and regulatory front, the Ministry of Power recently issued the Draft Electricity Bill, 2020 with a focus on (a) abolishing of cross subsidy charges & cost reflective tariffs (b) sub-licensing/franchise of distribution areas (c) a separate authority to adjudicate PPA obligations to augment capacity of the Appellate Tribunal (d) promotion of renewable energy (e) allowance of cross border trade of electricity (f) payment security mechanism. We believe that these measures make good reforms and once implemented they will help to address several challenges being faced by the stakeholders and also bring in the much-needed efficiency in the sector.

Having said that let me move on and give you a sense of financial and business performance. Our business performance for the quarter, Q4, IEX reported a robust 40% Y-O-Y electricity volume growth. From a 9.9 BUs in Q4 2019 to 13.84 BUs in FY2020 Q4. Now on the price front, an overall decline in the prices by 14% in Q4 FY2020 helped the commercial and industrial customers to increase procurement and our open access buying went up by 41% in the same quarter. Including REC, the total volumes increased by 29%. The volume growth did contribute to a very robust set of financials. On a standalone basis in Q4, for Q4 2020, our PAT at 47.2 Crores was up 25% as compared to 37.8 Crores in Q4 2019. So PAT up 25% and revenue for the quarter was up 17%. PAT



Indian Energy Exchange Limited
May 15, 2020

margin at 59% was up 3 points from 56% a year ago. Starting Q3 2020, the company started consolidating the results of its wholly owned subsidiary the Indian Gas Exchange and PAT with the inclusion of Indian Gas Exchange is 45.62 Crores during the quarter versus 47.2 which is standalone.

Let me also give you a full year picture for fiscal full year FY2020, the electricity demand like I said was a muted 1.3% growth only. IEX reported 3.2% growth in electricity volumes. The volumes increased from 52.2 BUs to 53.9 BUs during the year. REC volumes were impacted because there was lack of sell side inventory in the RECs. For the full year FY2020, on a consolidated basis, the company recorded a revenue growth of 1% but PAT went up by 6% and the PAT margins stood at 59%.

During the year, we continued to aggressively pursue technology related innovations and made very significant investments in revamping our backend infrastructure, our trading platform, adding new products, cyber security, and a whole range of the automation of the internal processes, so very significant investment went into technology and automation including getting additional resources on the technology front. So, our CTO has been a really busy man over the last one year! Further we undertook various capacity building initiatives and invested in creating very robust practices and processes because we want to make sure that we are robust, and our processes are absolutely automated.

With the PAT of 175.7 Crores on a consolidated basis for FY2020, the company continues to be very strongly placed with a very robust business model, but more importantly with the absolute zero debt, which in times like these you would understand that is such a huge boon. I am pleased to announce that in March 2020, we paid out an interim dividend of 250% to our shareholders. We continue to progress and get close to launching new products and you have been hearing a talk about new products working with the regulatory authorities and the Ministry of Power and obviously there has been some procedural delays because of the situation and times that we are in right now.

CERC has approved the introduction of real time markets effective 1st June 2020. So you will see that first product getting launched, getting off the blocks in 1st June and I want to ensure you that operationally and technologically we are completely ready to launch on the same date. We are absolutely prepared and our state of readiness is very high. We are also ready to launch the Indian Gas Exchange, IGX commenced its membership drive in February 2020. Manikaran Power Limited which is already a trading member on IEX, become the first member for Gas Exchange and subsequently we have had many other member additions, we have had six more member additions and more importantly more than members we have more than 75 clients who have registered on IGX. So we have a

ready pipeline of people who can offtake the volumes that we can put on the Gas Exchange. The company has been practically developing the gas market including doing a whole range of reach out activities to customers including webinars, doing mock trading sessions to make sure our state of readiness is absolutely high and understanding about the role of markets and building a gas based economy.

Having said that let me also give you a bit of a way forward and how things are going to evolve and change. We know that COVID-19 has thrown up a huge range of challenges, but more than that we see ourselves as steering on the range of opportunities for the power sector. Clearly life is not easy. We will need to assess every single element of the electricity value chain, generation, transmission, distribution, the structure around that and networks, we will have to assess which business models delivered in the electricity business. Clearly an overemphasis on a 25-year long term rigid contracts may or may not be the most useful way forward and there has to be a certain amount of work done on that topic as well. Strategic involvement of financial institutions, how does the whole funding mechanism work between the financing institutions, the generating companies, the distribution companies and the transmission companies and regulatory environment, which is working right now or trying to make sure that things become streamlined. Operational efficiencies which is reducing the losses in transmission and distribution are just few steps which will help us to accomplish the objective of power for all on a 24/7 basis in a very sustainable way and in a very cost effective way. Collectively, we would need to find out a way out of these issues and we are working very strongly with all the stakeholders and the Ministry of Power and the Regulatory Commissions to play our part, very strong part. We need to bring in more efficiency and flexibility in terms of structure, operations, financials into the system and that is a key priority. Cost of power needs to be optimized for industry as well as at homes. With the Make in India program, that needs to really take shape for both getting self-reliant and also for generating a huge amount of employment into the country, will happen and will be facilitated on the back of power being optimized for the industry as well as at homes and then we need huge amount of efficiency in the whole network and the value chain because India has set itself on a path of rapid growth for the foreseeable future. In my opinion, this is a perfect time to make some very fundamental progressive shifts and also because most of the world has already solved for these issues, there is no reason for us to not solve them for ourselves in a very nice and a very progressive way. We believe the sector will require a lot more automation and solutions that enable all of these elements of transformation and that we are standing at the forefront to deliver around the solutions that the industry requires right now. The technology driven energy markets will have a very key role to play to enable this transformation.



Indian Energy Exchange Limited
May 15, 2020

Our business growth will be further aided by a proactive and collaborative efforts with various stakeholders and partners, whether they are in the ministry or in the regulatory framework or the partners that help us or associates, who help us in going and meeting and managing our customers or our advisory efforts. Also our business development initiatives, capacity building efforts and new product launches, and we also continue to rigorously pursue tech led initiatives like I said, tech led innovations, to ensure a best in class customer experience, so bunch of well defined practices and processes.

I look forward to working with all the stakeholders to draw a new energy order in this new normal, and new energy order which is built around the pillars of sustainability, efficiency, affordability and led by technology in all ways. Let me stop here and then open it up for questions or anything that is on your minds.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Sujit Jain from ASK Investment. Please go ahead.

Sujit Jain: Good afternoon Rajiv and team. Hope everybody is safe on your side. I wanted to quickly check the volume quarter till date that is from April 1, 2020 till date, overall total volume including REC Y-O-Y, what is the growth or decline in this situation?

Rajiv Srivastava: Okay. The volumes YTD which is till May 12, 2020 8.1% growth Y-O-Y for the same period including REC. The month of April when it started it was slow start, we expected because everything was absolutely shutdown, the lockdown was very intense when it started and the lockdown started to get a little easier as you progressed towards the end of the month. So all of April, I am sure you are following these numbers, the peak electricity demand in the month of April fell by 25%. The volumes on exchange in the month of April fell only by 6.6%. But in the first 12 days of May the peak electricity demand had recovery a bit from a negative 25%, it has now negative 15% and the volumes and exchange have gone up by more than 50%. So YTD we are at plus around 8%.

Sujit Jain: When you introduce the real time market contract in June, and eventually long term contract as well, what kind of growth over a three to five year period you expect?

Rajiv Srivastava: Let me pass this question to my business leader, Rohit to answer that. Rohit, can you take that on please?

Rohit Bajaj: Yes. Thanks Rajiv. So your question is about two new segments, one is real time market, second is longer duration contracts. So real time market we expect to start from June 1,

2020 and in this particular segment as we have maintained earlier also, we see immediate conversion happening from deviation settlement mechanism volume which is about 20 billion unit annual volume. So we expect that conversion will start to happen from this particular segment to begin with and within couple of years, large part of that DSM will get converted into real time market. So that is our estimate. Second thing that we see here is more distribution companies have become very cost sensitive, so we see them optimize, they will use real time market as well for the purpose of optimization. So DSM is not the only thing where we see volume coming into RTM, there would be some additional volumes which will come from optimization as well. So that is the sizing of RTM. On LDC we have more than 50 billion units of banking and bilateral transactions happening in the country today. So if you see the CERC report you will find that more than 20 billion units of direct bilateral happens in the country and about 30 billion units of banking transactions happen. So when we are going to launch this longer duration contracts, this will provide us ways and means to capture this market as well and of course it is going to happen in a gradual way, once we start to roll it out gradually this conversion will happen, and some part of it is the total potential we see. I think I have answered your question as you are talking about sizing only.

Sujit Jain: Yes. Sure. I will come back in the queue. Just one question, real time market, the charges will be 4 paisa?

Rohit Bajaj: Yes. It is expected to be 4 paisa because it is nothing but extension of our intra-day market. Today, we have intra-day market which is 2.5 hour in advance and real time market is going to be just 1 hour in advance. It is very similar to it and it will be 4 paisa only.

Sujit Jain: And same for LDC?

Rohit Bajaj: Should be similar for LDC, but since it is little far, little away, we have not yet finalized the transaction fee.

Sujit Jain: Sure. Thanks.

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

Mohit Kumar: Good afternoon Sir. My first question is at what stage is the long term trading we have been in discussion to withdraw the petition. I guess the next hearing is on July 8, 2020. What is holding back the resolution and what is the timeframe in which you see the withdrawal of the petition and a suitable resolution to all?

Rajiv Srivastava: This is in the Supreme Court. All litigants want the disposal of that petition as of yesterday. Everybody wants to get on with doing something more active and meaningful versus trying to chase a petition. Unfortunately, right now you understand it as much as I do, there are ton of very significant and very important litigations which Supreme Court is dealing with, the matters of great, great national importance Supreme Court is dealing with and also they are taking cases only which are extremely priority case. So the hearing which was meant to happen on May 7 2020 has been deferred to July 8, 2020. What the CERC, the regulator and the Ministry of Power have done, they have sort the opinion of the Solicitor General of India, day before yesterday whether they can move on this without Supreme Court disposing off the petitions. So you can just see the urgency in the ministry from all sides, to make this happen and our view is it will happen very very soon. So there is nothing which is holding it up, it is just inline, it is a procedural thing that is stuck with the Supreme Court otherwise every party engaged and involved wants to make it a reality because it will help not only the market, it will help a lot of customers as well just because it optimizes everyone.

Mohit Kumar: Understood. Second question, given the COVID situation do you think there are any challenges in uptake of real time markets in near term and do the states have built capacity or are they equipped enough to do the trading and to continue with the volumes?

Rajiv Srivastava: Yes. We will be working with all state governments, and also we did a webinar on the real time market, and saw very good participation and we have been working with NLDC which is at the central level and also with the states to make sure that they understand how to trade and we are providing the software links for them to be able to trade very effectively and easily. So all the user interfaces which allow people to trade on a very seamless and very easy user interface we are doing all of that. For any further information, let me also give it to Rohit to address this question that you are asking.

Rohit Bajaj: We have been regularly in touch with all these distribution companies and most of them are fully prepared, they are geared up for participation in real time market and we do not see any impact on account of COVID as of now. See what is happening is as Rajiv rightly said we conducted one webinar very recently and there was huge participation, most of the states participated, we did mock also sometime back and today all of them have installed our software on their platform and they are doing it, that is one part. Second is we are also helping them in creating capacity to ensure that they are in a position to optimally utilize this new platform. See there are two parts of it as I earlier explained, one is meeting your deficit, which is a very simple thing because you are so near to real time, you will immediately calculate what sort of deficit is there and you can place your bet. Large part of volume we are expecting from optimization as well. So we have

created a tool which we have shared with couple of Discoms now and in next one week time we are reaching out to all of them and there is so much excitement in distribution companies. This is one of the game changing market models that they are looking at and particularly all those states where there is high renewable, they are also very, very excited about it because this gives them another opportunity to address the variability in generation that they see, which is a great problem for them on account of high variable charges in their particular state. So I would not say everybody is ready but I think 85% of the states are directly dealing with us and creating capacity to participate on this platform immediately.

Mohit Kumar: Thank you. I will come back to the queue.

Moderator: Thank you. We take the next question from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Thank you for the opportunity. If you can just help us with how was the mix in terms of the sellers and the buyer's different if you take the fourth quarter or fiscal year 2020?

Rohit Bajaj: Q4 is a peculiar quarter when you do not have high demand in most part of the country. So if you are following demand pattern, normally you see high demand coming in Q2 particularly in the later part of Q2 and early part of Q3 and Q4 we see demand start to pickup only in the month of March. So the pattern that we observed in Q4 was we were, our volume growth in Q4 was about 40% and 34% of the total volume came from open access and there was tremendous growth in the open access buyer as well. So there are couple of things which happened on the sell side. There was participation from distribution companies as many states who were surplus during those three months, they were selling very aggressively, prices were low and since the prices were low, there was huge participation coming from open access side also. So I would say on the buyer side it is state participation and also open access, state participation was little limited because there are few states where they have good demand in Q4 and on the sell side mix was very healthy, there was IIP participation close to about 40% to 45% and states were also selling and their overall sell was little above 50%. So that is how mix was.

Bhavin Vithlani: And how would it be compared on a year on year basis because I assume given the low prices that you mentioned for the strong growth from the open access consumers?

Rohit Bajaj: So year on year basis, the open access when we started last year in the month of April, open access contribution was just 20% of the total buy, but gradually it started to build up, there were some favorable regulatory orders which came couple of them, particularly one from Gujarat, also there was so much consumer addition happened from Tamil Nadu.

So it started to change from start of Q2 and up to end of Q4, it was almost 35% of our total buy. Distribution company buyer pattern is dependent on their procurement cycle, their agriculture season largely. So we see participation coming from northern state in Q2 and Q3 and then in Q4 there were very few states where you had high demand like Telangana, AP, then some demand came from Rajasthan, MP also hds good demand during those times. So it keeps on changing. It varies from time to time, but on an average, this is for the last year 30% from open access and 70% from Distribution Company.

Bhavin Vithlani:

Just one followup, historically it has been observed that as share of open access arises, some of the states actually take actions to curb that because that is highest paying customers, incrementally and more, I mean and if you could answer more qualitatively, have there be any states who have actually changed their open access charges or maybe not giving permission or was it more or less constant and actually that resulted in the strong growth?

Rohit Bajaj:

So in fact throughout the last year we have seen many favorable orders and in fact as I said 20% increased to 34% and overall volume was also very good in Q4. So many orders came and most of them were favorable, but you are right, every year in the month of March and April we get to see new tariff orders and in new tariff order, you have new tariff, new cross subsidies are charged, new additions are charged. All these elements which are important for any open access consumer to source power from exchange, there is some change in that. So we are in middle of May, we have seen many of these orders and none of these order which came in the month of March and April except for one there has been any increase in the open access charges. So in fact before the lockdown, our mix was very healthy, the open access was, it is ever increasing. So what started from last year Q1, it attained very good high in Q4 and when we started this year it was low because of lockdown, but we have not seen any adverse order so far.

Bhavin Vithlani:

Thank you so much.

Moderator:

Thank you. We take the next question from the line of Varun Goenka from Nippon Mutual Fund. Please go ahead.

Varun Goenka:

My questions related to RTM and open access are answered. Thank you so much. May be if you can also address the gas side, I think we are starting it very soon, what could be the challenges in adoption and just like you explained in real time market, how do you with what intensity or what success you feel this adoption will be done over the next one to two years in terms of volumes coming to the exchange?

- Rajiv Srivastava:** Okay. Thanks for asking that question, let me give a bit of preamble about what the intent of the government is and where the country is headed. The country is very rapidly moving towards everything possible to do with the clean sources of energy, and gas falls in that bracket. So the stated objective of the government has been, shift the adoption of gas in the overall energy mix, from a 6% point of today to 15% points over the next couple of years and that is 2.5 times shift of today in a growing market because gas economy is growing. So gas is going to be finding a lot, lot more favor as part of shift of energy mix and clean energy desire of the government that is one and you know gas is produced in multiple location in the country, whether it is western India or it is south eastern India and southern India or in those zones, we would be trying to play in all of those areas. Just to get you a flavor of numbers, the spot market of gas already is about 30% today. So of all the gas that is getting it is about 30% today and we will aspire to be a couple of percentage points on that spot market.
- Varun Goenka:** Okay. Just another high level thing is are we also looking to move towards derivatives or any intent towards that or government policy towards that?
- Rajiv Srivastava:** Not on the gas side to begin with.
- Varun Goenka:** No. On the electricity side.
- Rajiv Srivastava:** Of course, I mean derivatives have become a reality. Somebody asked the question I think, Mohit asked the question about the long duration contract which we are waiting the clearances of Supreme Court will facilitate trading in power futures because the spot contract which is up to 11 days will get delivered on the exchange and the longer than that period will be under the purview of SEBI and so once the long duration contracts are allowed, they will make it possible to do future in forwards and derivatives contracts.
- Varun Goenka:** Right. Sure. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Avinash Chenna from Spark Capital. Please go ahead.
- Avinash Chenna:** Thank you for taking my questions. Sir my first question is on amendment of this electricity act recently announced, what will be the impact because we understand that this might reduce the industrial tariff in future, so are we looking at any drop?
- Rohit Bajaj:** See it is talking about direct subsidy transfer. So this is different from cross subsidy. So cross subsidy is something where you are increasing tariff of one category and then using this extra money for subsidizing it for some other category right. But when you are

talking about direct subsidy, I can give you one example like in most of the states, we supply electricity to farmers at 50 paisa or Re.1 tariff. Now the real tariff for them is as per the government policy, you cannot have tariff less than 20% of your cost of procurement, which means that if your Rs.4 is cost of procurement, you cannot offer any tariff less than Rs.3.20 paisa, but we give a subsidy or supply to farmers and give them tariff of Re.1, which means that there is Rs.2.20 paisa being shelled out by government for giving subsidy to that particular segment. Now this is called direct subsidy. So when we say that it is the direct subsidy transfer, by that they meant that whatever subsidy government is giving that will be directly transferred to end consumer. We do not see any impact of this on industrial tariff because none of these industries are getting any subsidy from government. In fact they are cross subsidizing it, their tariff is more to facilitate the subsidy of some other category.

Avinash Chenna: We have other expenses on standalone of 20 Crores in FY2020, how much of this constitute for software development and maintenance?

Vineet Harlalka: Majority of the software team is in-house. So the majority of the cost is combination of various factors.

Avinash Chenna: Okay. Any one off in this?

Vineet Harlalka: One off charges are there. There is a reduction because last year we did buyback. Also due to the new accounting policy. So, the cost moved to depreciation. We are spending so that we build the in-house teams for more expansion.

Avinash Chenna: Understood and Sir my last question if I may, on DSM, can 25% of total DSM can be assumed on the conservative side from the real time?

Rohit Bajaj: I do not want to comment on a number, so what we shared is the total potential which is available. Now to answer your second question, which is about which all states can come initially. We are seeing major enquires coming from all the states who are rich in renewables. So, states like Tamil Nadu, Gujarat, and Maharashtra, AP, and Telangana. These are some of the states but yes there are some more states who are heavily overdrawing from grid where their DSM bill is very very high. These states are Odisha and then UP, Bihar also in some of the months the rate is very high. These are seven, eight big states and they also contribute to almost 60-70% of the total consumption in the country. So, all big states we expect them to come to our platform to make use of this new platform.

Moderator: Thank you. We take the next question from the line of Harshit Toshniwal from Premji Invest. Please go ahead.

Harshit Toshniwal: Couple of questions. One when we look at the open access business, can you throw some light on the blips in the purchase side. In the states of Maharashtra and Gujarat, is it more open access selling or are those DISCOMs? The second question is more on the outlook on the FY2021 volume, the reason I am asking is that the recent May month was a great number but obviously once demand again picks up then how do you see the FY2021 volumes to pan out?

Rajiv Srivastava: Let me give you the answer to the second question first Harshit and then Rohit will take on the first one. Is that all right with you?

Harshit Toshniwal: Sure Sir.

Rajiv Srivastava: Look it is really tough to provide guidance at the moment and we will continue to calibrate ourselves with the evolving situation, we have to really wait and watch when the industrial activity will get back to normal, May like I said, it will be better than April but has a long way to go. There is a 15% dip in the peak demand in May also, and you know that as much I do that unlocking the lockdown completely, requires the whole supply chain to become as oiled as before if not more and to my opinion that oiling of the supply chain across the industry tie-ups whether it is auto industry or it is consumer durables or it is FMCG, whichever one you want you take, that oiling of the entire end to end supply chain is quite some distance away, it is not happening soon, we have seen the migrant labors going back, everybody is saying that it will take a while for them to get back, even if they back get, then all the new norms that will be there, the manufacturing system will go through a huge amount of change management because manufacturing in a factory and I am sure you have been to many factories like I have, manufacturing in a factory, is a station by station activity and that is how the industry works. But with the new norms of social distancing and all the new norms of staying away from each other, we will have to wait for the industrial activity to get back to normal. That is why we are choosing to be little cautious and calibrating all the time on the volume, but I already told you if see April was good one to go by, and May is a good one to go by, our volumes in these 43 to 44 days are up by the amount that I mentioned to you. I think it is important for us to stay focused on doing what we do best which is, making sure that our exchange technology runs absolutely the best and making sure that we are reaching out very positively to all our customers, consumers, partners whoever to be of any kind of assistance to them. So that is what we are trying to do. Let me defer back to Rohit to answer your first question.

- Rohit Bajaj:** Yes Rajiv, thanks. So to answer first one, which was essentially around two big states, Maharashtra and Gujarat, so as we know Maharashtra is the biggest consumer in the country today and Gujarat is also number three or number four, so what we are seeing is Gujarat, your question was about balance between open access and discom buy. So this is undoubtedly a state where there is an absolutely no deficit so in fact if I recall correctly Gujarat was one state which declared it as a surplus state about five to six years back and if you see their participation at exchange, in terms of distribution company buy they are in top three most of the years and in terms of open access buy also they are in top three. So this is one state where industries as well as distribution company themselves, they are super-commercially sensitive, they do not want to leave any opportunity of doing optimization on any cost. They are making money by selling surplus power which is not the case with most of the distribution companies in the country. So, in terms of overall balance, open access and discom, on both sides their participation is very high. On the other hand, Maharashtra, their participation at exchange is extremely high in fact if you ask me in the last two months, they were most proactive and they in fact did a lot of replacement and saved Rs.100 Crores by doing that. But open access buy, they are not so active. The charges in the state, open access charges, which is additional surcharge and other surcharge are on the higher side and then they are giving subsidies also in some parts of the state, so we do not see participation coming from there as well. So open access that is little limited but as a state they have been very proactive in doing replacement and coming to exchange as and when there is an opportunity to save on the cost.
- Harshit Toshniwal:** Okay and broad mix of open access and discom for FY2020?
- Rohit Bajaj:** You are asking about share is the total buy?
- Harshit Toshniwal:** Yes.
- Rohit Bajaj:** On the total buyer side, above 30% was done by open access consumers and 70% was done by Distribution Company.
- Lavina:** Hi. I wanted to check what is your annual fees that you have booked in the quarter?
- Vineet Harlalka:** For the clients?
- Lavina:** Yes, please.
- Vineet Harlalka:** So total annual fee for the quarter is almost 5.5 Crores.

Lavina: 5.5 Crores okay got it. Last thing just in terms of your investment plans with your cash on book, I understand that gas exchange that is being done, any other plans over the next 12 to 18 months that you foresee, any other areas that you might think of?

Rajiv Srivastava: As a company, we will continue to obviously assess opportunities in the market, there is nothing right now, but we will continue to be on the lookout for things that align with the approach, which is in the energy field or in the field of technology.

Lavina: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Shaleen Kumar from UBS. Please go ahead.

Shaleen Kumar: My first question is on gas exchange, possible for you to share, where you are using the technology from, and what kind of commercial terms are there? Also, most of the cost related to the employees as well as other development cost is reflected in fourth quarter or should we expect to increase gradually?

Rajiv Srivastava: I missed something in between..

Shaleen Kumar: I am talking about the technology, like is it in house or we have taken licensed it from some other gas exchange, and if you can share commercial terms like a percentage of revenue and also related to cost, your cost and I am assuming that some of the cost is being reflected in Q4 because you will be doing a lot of business development exercise, what kind of cost should be expected to come in the subsequent quarters?

Rajiv Srivastava: The gas exchange technology comes from a company in UK called as GMEX Technologies, they are one of the leading pioneers in gas technology business across the world and they are helping us to develop. It is not revenue share. We are buying it out right. So, it will have not an impact in the subsequent years. On the manpower cost, we are building the business. So, we will obviously keep adding head count to the gas business as we go forward. Right now the head count was very small, we have to get rest of the operational infrastructure in place, which is what we have got now and we have got a few business, and that is the place where we will hire the most to make sure we get more business, we are getting more strategic people and we are getting more operational people in the business.

Abhishek Puri: Wanted to check in terms of renewables. It is great that you are talking about green market, and also on the cross border, what are the uptakes on those plans. Secondly, any change in strategy post COVID crisis? We have seen obviously that open access volumes

will take a hit and some of the products that we are launching, may take more time to stabilize or reach the target from what we had estimated, so any change in strategy?

Rajiv Srivastava: For the green market, we expect the launch to happen sometime in Q2. We are awaiting for issue of the regulations from CERC and we are getting extremely positive feedback on the whole requirement of the green market, very keen interest from participants who have surplus high energy available say like Tamil Nadu for instance and also the recent change in the transmission regulation, which puts exchange and power with the intrastate transmissions on equal footing, so that is one thing which is helping us. From a sizing perspective, we won't provide the guidance, but the whole green trading should become a reality over the course. This is a very positive thing from green perspective. On cross border we are awaiting final regulations from the Ministry of Power. There is a huge amount of work required, the regulations are drafted and there is a bit of back and forth because they wanted some clarification and because it is cross border, Abhishek, it needs a bit of a vetting by the Ministry of Commerce as well. So, between Ministry of Power and Ministry of Commerce in my opinion they are working together, it is almost at the last leg and we should hear of it very very soon.

Abhishek Puri: Any change in strategy due to the COVID disruption?

Rajiv Srivastava: A lot, COVID is just going to force us to change. A lot of companies have changed, you will see us also getting a huge amount of change on account of COVID. The manner in which you engage and interact with the customers is going to change. So the customers who used to come in to your office and dealing with you or you used to be going to their office and dealing with the customers and showing them a few things, I think that needs to change and that has a very profound impact on what we do. If the customers are not going to be engaging with you physically in your premises or our premises, then our tech has to step-up to make sure that you are able to handle customers remotely in an extremely seamless way and in a very user friendly manner. So that is one big change and I talked to you about how IEX is taking this whole point up so we are getting whatever is possible, doing whatever is possible to make sure that our infrastructure is absolutely pretty much the best in class in the world and from a tech perspective and counting because tech has no boundaries and we want to make sure that that our infrastructure or technology is the best in the world. That is one thing that we are very very keen in terms of doing. So that is external aspect.

The second is internal aspect is about our own employees, we are going to make sure that safety and health of our employees are managed but you also realized that when you do a huge amount work from home, there is a need to engage with your employees in a very

different manner. The social aspect is missing right now, but we want to make sure that whatever we can do, to engage with the employees is then absolutely in a good way. We are carrying out many such activities including training of people including fun and games with them including all kinds of regular webinar and engagement outreach so that our employees are motivated and employees are taken care of and we continue to do regular engagement with them.

The third thing which is beyond employee engagement is a huge range of new products that we need to have because post COVID world will make it almost imperative for customers to start to come back and demand different kinds of features and functionalities, which you believe will be absolutely a right thing to do from their perspective, but it make sense for us to make sure that we are providing that. So that would be the other thing that our investment and product development people, new product initiatives has to do that much notch higher. So there has got to be a very strong pillar in the company now on innovation and innovation around creating new products, developing new products which makes sense for the customers. Earlier we did a broad based release of new products, sort of releases which really makes sense for our range of customers, but for a whole range of customers that strategy has got to change, instead of trying to sell yourself across the broad range of customers, only one or a few require a new feature, functionality or product, we have to be agile enough and sharp enough to make sure we are providing them. So, there is a bit of innovation angle which is coming in. There is an external angle of customer user interface and customer sensitivity or making sure that you can deal with them remotely in a secure manner, very user friendly manner, there is an element of internal technology, there is an element of new product innovation and new product development and the fourth element is element of employee engagement. We are very focused across each four dimensions to make sure that our company is reorienting itself to make the best of this scenario. In the other way, I mean we know in the industry, there will be liquidity challenge and there will be a liquidity crunch and so how can we help to step up that, that is part of my regular business because what we do is we provide energy at the cheapest cost in the most flexible manner. So people want to buy through us at the shortest duration of time, today, tomorrow whenever they want over the course of next 11 days. So, their financial distress can be relieved right now, through exchange because a lot of customers or a lot of states are doing replacement buying right now. They are putting to sleep their costly generation and they are coming to the exchange and by virtue of that they are saving money and I can tell you one discom in south, saved 60 Crores by doing such a thing with the exchange for the month of April. That is a great story. So those are the things in which the financial liquidity that we are helping with. And our communication had also stepped up. We are engaging a lot more from a communication perspective, written communication with our

customers and our partners to let them know what is happening with exchange on a daily basis. So exposing them to liquidity availability, exposing them to saving that they can get through buying on exchange and the price trend because it is at all time low and I am just assuring this that do not worry, whatever and whenever you require, IEX is standing behind you absolutely solidly to give you anything that you need. Okay so long answer but there are about five or six dimensions on which we believe post COVID will happen.

Abhishek Puri:

Thank you that is a detailed answer in terms of understanding. I was trying to understand as a finance professional would your budget have gone up or gone down in terms of internal assessment of how the market will shape up?

Rajiv Srivastava:

Providing a guidance has stopped right now at the moment because the situation is evolving, if the things have gone the way first 12 days of May have gone surely most certainly there will be an absolutely huge increment in what we will take as a task for the year, but we are not certain. This is uncertain situation and so we need to calibrate ourselves almost weekly if not daily, May better than April, the industrial activity has to start to show up and like I said the falling in place of supply chain in my opinion is some distance away. So we got to calibrate ourselves from many dimensions before we come back and let you know how it goes, but we are very closely working. We cannot really control the way the external situation will continue to evolve, how the industry will come back on track from a completely well-oiled supply chain. But we can do what we can do, and what we can do is exactly what I told you, focus on technology, focus on new product development, focus on employee engagement, focus of customer user experience, all of those elements if we can do, we will be maximizing the situation more than anybody else and that is our state of readiness and that is where we want to place ourselves.

Abhishek Puri:

Thank you and all the very best. I think we overshot on the time. Thanks for taking time for this call and apologies there are few questions, which are pending in the pipeline but due to time paucity I think we have to cut this short.

Rajiv Srivastava:

Thank you so much and I really want to appreciate everybody, there are a huge number of people joined on this call. My apologies that we will make some of you dissatisfied because we were not able to answer and handle all the questions. We can go on forever, but if you have specific questions, Aparna is our investor relations lead. You can reach out to us, send your questions to us, and we will make sure that you will get all the answers that you want so nothing will be left unanswered whatever the question might be. Thanks so much for taking the time to join on this call. Thank you so much and have a great time. Stay safe and stay healthy.



Indian Energy Exchange Limited
May 15, 2020

Moderator: Thank you very much. On behalf of Axis Capital we conclude this conference. Thank you for joining us. You may now disconnect your lines.