Dated: May 22, 2024

The Manager
BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001
Scrip Code: 540750

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

Sub: Transcript of the Earnings Conference call with analysts and investors held on May 16, 2024.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached transcript of the earnings conference call held with analysts and investors on May 16, 2024 to discuss the financial results of the Company for the quarter ended March 31, 2024.

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

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For Indian Energy Exchange Limited

VINEET HARLALKA
Digitally signed by VINEET HARLALKA
Date: 2024.05.22 17:40:32 +05'30'

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

Encl: as above

"Indian Energy Exchange Limited

Q4 FY '24 Results Conference Call"

May 16, 2024

MANAGEMENT: **MR. SATYANARAYAN GOEL – CHAIRMAN AND MANAGING DIRECTOR –INDIAN ENERGY EXCHANGE LIMITED**
MR. VINEET HARLALKA – CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY –INDIAN ENERGY EXCHANGE LIMITED
MR. ROHIT BAJAJ – EXECUTIVE DIRECTOR, NON-BOARD, BUSINESS DEVELOPMENT STRATEGY AND REGULATORY AFFAIRS –INDIAN ENERGY EXCHANGE LIMITED
MR. AMIT KUMAR – EXECUTIVE DIRECTOR, NON-BOARD, BUSINESS OPERATIONS AND TECHNOLOGY –INDIAN ENERGY EXCHANGE LIMITED
MS. APARNA GARG – HEAD OF INVESTOR RELATIONS AND COMMUNICATIONS –INDIAN ENERGY EXCHANGE LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to Indian Energy Exchange Q4 and FY '24 Results 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 an assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sumit Kishore from Axis Capital Limited. Thank you, and over to you, sir.

Sumit Kishore: Thank you, Manav. Good afternoon to all of you. On behalf of Axis Capital, I am pleased to welcome you all for the IEX Q4 '24 Earnings Conference Call. We have with us the management team of IEX represented by Mr. Satyanarayan Goel, Chairman and Managing Director; Mr. Vineet Harlalka, Chief Financial Officer; Mr. Rohit Bajaj, Executive Director Non-Board Business Development Strategy and Regulatory Affairs; and Ms. Aparna Garg Head, Investor Relations and Corporate Communications.

We'll begin with the opening remarks from Mr. Goel, followed by an interactive Q&A session. Over to you, sir.

Satyanarayan Goel: Thank you, Sumit. Good evening, friends. I welcome you all to the IEX earnings call for quarter 4 of FY '24. With me today on this call are Mr. Rohit Bajaj, our Executive Director of Business Development and Strategy; Mr. Vineet Harlalka, our CFO and Company Secretary; Mr. Amit Kumar, Executive Director, Business Operations and Technology; Mrs. Aparna Garg Head of Investor Relations and Communications; and Mr. Aditya Wali.

Friends, the Indian economy continues to be the world's fastest growing major economy with a robust quarter 3 GDP growth of 8.4% on a year-on-year basis. According to the World Bank's revised estimate, India is projected to grow at 7.5% in FY '24, driven by healthy service activity and industrial growth.

This estimate is definitely much higher than the 6.3% growth projected earlier. India's manufacturing PMI in quarter 4 FY '24 came in at 57.5 led by the March PMI of 59.1 which was the highest monthly average since 2008.

Manufacturing has remained expansionary on the back of increased private consumption and capital expenditure fueling new orders. Service activity also continued to expand. Services PMI for quarter 4 FY '24 printed at 61.2 was led by the January '24 PMI of 61.8. At 61.2, the PMI for March '24 was the strongest for the month for over 13 years.

The Services Index itself has remained above 50 for nearly 36 months at a stretch, the largest such stretch since 2011. On the power sector front, electricity consumption in quarter 4 FY '24 was nearly 400 billion units, an increase of 7% on year-on-year basis. States such as Uttar Pradesh, Maharashtra, Gujarat, Madhya Pradesh, Karnataka and Tamil Nadu remain drivers on the surge of demand in this quarter.

For the fiscal year 2024, according to the CEA, India's electricity consumption increased by 7.7% on a year-on-year basis to almost about 1,620 billion units. In preparation for the summer months, Ministry of Power recently announced steps to meet the expected surge in power demand in the country. Some of these measures include sale of unrequisitioned power, should happen on the power exchange platform. In fact, Ministry of Power has issued amended rules also to this effect. Planned maintenance of power plants to be shifted to monsoon season. Capacity addition in coal, hydro, nuclear, solar and wind to be monitored and to expedite their commissioning. Section 11 directives issued for optimization of gas-based power capacity during the month of at least May and June. Extension of Section 11 directives to imported coal-based power plants till 15th of October 2024 to enable supply from this imported coal-based power plant in the system.

The MoP has been working on thermal capacity addition. 27 gigawatt of capacity is under construction, out of this, it is expected that 20 gigawatts will be commissioned within this financial year and about 50 gigawatt of more thermal capacity will be added in the next 4, 5 years to meet India's growing electricity demand.

Additionally, 150 gigawatt of green energy is pending and under implementation. This is over and above the 50 gigawatt of RE capacity that the government plans to add every year to achieve 500 gigawatt RE capacity addition by 2030.

Further, the CEA has finalized a plan for thermal plants to bring their technical minimum operation to 40%, which is currently 55%. This move will help in adding more RE capacity and efficient integration with the grid.

To enable renewable power integration with the grid, MoP recently finalized viability gap funding mechanism to develop battery energy storage system (BESS). And to begin with BESS capacity of 4,000 megawatt hour will be developed on this proposed model in RE rich states. Under this proposed model, BESS would be able to store surplus power during daytime and deliver electricity during hours of peak demand and also for ancillary service. One of the options considered for charging and discharging of BESS is through power exchange. This is expected to increase liquidity on the exchange platform.

Additionally, the government is also pushing the green hydrogen mission with 125 gigawatt of green energy requirement for green hydrogen. I mean, almost about 5 million ton of green hydrogen will require 125 gigawatt of green energy by 2030.

On the fuel side, we are now witnessing a scenario where there is no shortage. India's coal production increased 10% on a year-on-year basis in quarter 4 of FY '24. And on a full year basis, coal production increased by 11.7%. And today, we have a good amount of inventory available at the power stations.

Premium on coal also in the e-auction market has considerably declined. The coal premium under the Shakti B8 scheme has come down to almost about 20%. Coal inventory for power plant as on 31st March stood at nearly 20 days, the highest since 2021. For FY '24, imported coal price for 4,200 GAR coal came down to almost about 55 dollars per ton, which is a decline of 24% on year-on-year basis. Imported gas price reduced by almost 40% on year-on-year basis, and is today around $10 per MMBtu. And with this, the variable cost will be about INR8 to INR9.

Overall, fuel crisis witnessed in FY '23 has now subsided. On the exchange, the improved supply side scenario has resulted in increased sell liquidity since November. The average market clearing price in the DAM segment during quarter 4 FY '24 period was INR4.80 per unit compared to INR5.83 in quarter 4 of FY '23, a decline of almost about 18%.

During FY '24, sell liquidity on the exchange platform increased by 17% on a year-on-year basis, which led to a decline in the DAM clearing price from INR5.94 to INR5.24 a decline of almost 12%.

Regulatory and Policy Initiatives

Let us now talk about the noteworthy regulatory updates and policy initiatives that continue to be conducive for the power market development.

In quarter 4, Ministry of Power amended the rules which mandate generators having PPA to offer URS power in the market. These rules also provide for penalty in terms of reduced fixed charges to gencos if they fail to offer URS power in the market. This will improve sell-side liquidity in the market. Already, we have seen almost about 50, 60 MUs of URS power being offered on the exchange on everyday basis.

The Ministry of Power amended the electricity rules paving way for rationalization of billing charges and additional surcharge for green open access consumers.

The most important regulatory development of FY '24 were implementation of Indian electricity Grid Code, Sharing of Interstate Transmission Charges, and implementation of GNA.

And since the implementation of GNA regulations in October 2023, volume in Day-Ahead Contingency market has declined and while volume in the Day-Ahead market has increased. Volume in DAC market in second half of FY '24 was only 690 million units in comparison to nearly 4.2 billion units in the first half of FY '24, a decline of 84%.

The Ministry of Coal amended the Shakti policy in November to allow power plants, including private generators without PPA to sell power in all market segments of power exchanges. This fiscal, the CEA also amended the procedure for cross-border trade in electricity allowing for trade through real-time markets operated by power exchanges. This has been operational since quarter 3 of FY '24 leading to increased cross-border volume and in FY '24 we traded almost 4 billion units of volume in cross-border transactions, an increase of 52% on a year-on-year basis.

REC trading on power exchange has been increased to twice in a month for the different type of RECs. There is a fungibility and consequently liquidity has increased in the REC market.

Also because of the removal of REC-base price, REC prices have now come down. At nearly 32.5 lakh certificates, REC volume in quarter 4 of FY '24 was twice that of same quarter last year and at 75 lakh certificates in the whole year, the volume was higher by almost 27% with respect to FY '23.

Since the new REC regulations, prices have continuously become more competitive and were traded at the lowest ever price of INR185 against INR1,000 in April '23. This will incentivize obligated entities to buy RECs to meet their renewable purchase obligations. Many distribution companies and industries having captive generation, are purchasing RECs now to meet their obligations, because the prices are at all time low now.

All these regulatory measures improved sell-side liquidity on the exchange and helped soften power prices. As prices continue to remain competitive due to regulatory and policy measures, it is expected to present an opportunity for discoms and commercial & industrial users to optimize their power procurement costs.

With regard to our core business. In FY '24, we launched the ancillary market, high price term ahead market and also are currently awaiting approval from CERC on our petition to extend the term ahead market from 90 days to 11 months. The trader market which is presently about 40 billion units is the total addressable market for these contracts. Already, long-duration contracts in FY '24 on the exchange platform recorded 10 billion units which is much higher than 1.6 billion which we did in FY '23.

Friends, the overall short-term volume in India is increasing. According to data from CERC up till February 24, the short-term market has grown to almost about 15% of the country's generation, up from 13% in FY '23. And within the short-term market, exchanges have grown to 8% of overall generation from 7% in FY '23.

This is an encouraging trend and points towards the deepening of power market. However, there is still a need to increase the share of exchanges in the country. At 8% we are still a distant number compared with European countries which trade more than 50% of the generation through the power exchange.

In terms of business performance, IEX achieved 30.1 billion units of electricity volume across all segments during quarter 4 of FY '24, recording a growth of 15.7% on year-on-year basis. For FY '24, IEX traded 110 billion units, a growth of 13.8% over FY '23. Electricity volume at nearly 102 billion units crossed 100 billion unit mark for the first time since inception and were higher by 12% on a year-on-year basis.

A total of nearly 84 lakh certificates including REC and EScerts were traded in this year which was almost 37% higher. Recently, in the month of April we achieved 9 BU overall volume marking 14.1% year-on-year increase. With the measures undertaken by the government and regulators the sell bids on the exchanges in the Day Ahead and RTM market during this month have increased by almost about 21% on a year-on-year basis.

Due to wide variation in demand and supply of gas, IGX traded volume for FY '24 was 40.8 million MMBtu. The profit after tax for IGX for FY '24 is INR23 crores, about 18% lower with respect to FY '23. As gas prices continued their downward trend, volume at IGX is expected to increase in the coming year.

Let me now summarize the financial performance of the company in this quarter. On a consolidated basis revenue for quarter 4 FY '24 was higher by 15% at INR149.3 crores on a year-on-year basis. For FY '24 consolidated revenue stood at INR550.8 crores, an increase of 16% year-on-year basis. Consolidated PAT during the quarter came to INR96.7 crores higher by 9.5% on a year-on-year basis from INR88.3 crores in the quarter 4 of FY '23.

For FY '24, our consolidated PAT recorded INR350.8 crores, higher by 15% over the previous financial year. Also, the Board of Directors of the company announced a final dividend of INR1.5 equivalent to 150% of the face value of equity share.

Friends, for the financial year 2025, Indian power sector demand is expected to grow. In the first 45 days of this year, that demand has grown by almost 12%. And during this year it is expected to grow by almost about 8%. And to meet this demand, many initiatives are being taken by the government. India expects domestic coal output to grow by almost about 11% to 1,100 billion tons and this is going to be driven by mainly increased production by the coal companies and also by the private coal mines.

While this year, IMD warned of heat wave spells which we are already experiencing. However, we are expecting above average monsoon rainfall in 2024 as well, estimated at almost about 106% of the long-term average, which will lead to substantial increase in hydro power availability.

Further, around 20 gigawatt of thermal capacity addition is expected during the year, which will increase thermal generation by almost about 10%. A combination of measures undertaken by the government and regulator to ease the supply crunch, increase fuel supply, and increase in hydro and thermal generation are expected to further rationalize power prices on the exchange.

We concluded this year with an almost 15% year-on-year growth in volume. We are very optimistic for what lies ahead and with that we will be able to increase this growth further in the coming years.

The power sector is undergoing rapid visible shift. We are witnessing many technological, regulatory and government initiatives for the power sector aimed at providing adequate power to sustain India's economic growth, and help the country continue on the path of energy transition.

As India marches towards achieving its net zero targets, there is bound to be a much larger role for the power exchanges in the country's energy landscape. Thank you very much. And now we can have question-and-answers.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Abhi Jain from AJ Associates.

Abhi Jain: Sir, I just wanted to ask one thing that the management in the presentation depicts the total installed capacity by various sources - renewable energy, coal, etc and there the current installed capacity of renewable power is 43% which is estimated to go up to almost 60% by 2030 as per the CEA estimate.

But if you look at the recent release of the Ministry of Power, the press release which has recently released, they have guided the increase in thermal capacity addition from almost 27 gigawatts which the CEA was projecting by FY '30 to almost 93 gigawatts by FY2032. And also therein lies the challenge or a problem like despite renewable energy having an installed capacity of almost 43% of the total capacity, the contribution in power consumption of renewable is still at 26%.

So my question is that if this delta between installed capacity and the contribution to total power consumption still remains in the next 7 years, 8 years, and despite renewable installed capacity going up to the 55%, 60% odd, but the contribution to the power generation being at a suboptimal level of 30%, 35% odd in the conservative scenario, will there be any business implication for IEX?

I mean do you see any financial impact or otherwise on your business if the power generation by renewable is not able to match up to the installed capacity going forward?

Satyanarayan Goel: Renewable capacity addition is not commensurate with the generation from that. The output from renewable is almost about 23%, 24%, whereas in case of thermal, the utilization level is almost about 70%, so thermal generation is much higher. But if you look at the overall planning by 2030 based on the projected demand growth, whatever is the energy requirement, the present capacity plus the capacity which is under construction which is 27 gigawatts, which will be commissioned within 1 or 2 years, plus almost about 60 to 70 gigawatts of additional coal based capacity which is planned which will come in the next 4 years, 5 years, 6 years and plus the renewable capacity,all these things taken together will be able to meet the energy demand of the country. And as long as that happens, we don't see any challenge.

And in fact, with the large capacity addition happening in the renewable sector, where there is large volatility, we have seen exchanges have a larger role to play and along with renewable now government is also working on the energy storage system. Many pump storage plants are under construction, many battery storage systems are also going to come up now to meet the peak demand and most of these systems are going to be through the exchanges. So we, in fact, see a large opportunity for the exchange in this emerging scenario.

Abhi Jain: So just to follow up, so in case of renewables despite having a higher installed base according to the Ministry of Power, even if the contribution to the overall energy generation is say sub-40-ish level still, and the rest is still contributed by coal, apart from any financial impact, apart from sustainability impact, on business per se you are seeing no financial impact of that, right?

Satyanarayan Goel: No, no. We don't see. We are not seeing any adverse impact. In fact, we are expecting a positive impact of that because the share of renewables will increase, and that should be positive for the market.

Abhi Jain: Okay. Sir, my second question was that if you look at the share of short-term market. And if you look at short-term markets overall share in your power consumption. Now short-term market share in power consumption has gone up from 11.6% to almost 15% in the last 3 financial years as per your presentation.

But if you look at our, the exchanges' share in the short-term market, it has sort of plateaued with a 52% to 53-odd-percent. It was 6.4% out of 11% in FY '21. And this year, it is about 8% out of 15%. So it has plateaued at about 53%, 54-odd percent.

So, I wanted to understand, going forward, given that now the exchanges are the dominant share in the short-term market of 55-odd-percent, will the volume growth happen just by short-term market increase in the overall consumption? Or do you still think that there is still a multiplier left in which the exchanges can further increase their market share in the short-term market from 55% to 70-odd percent or 75-odd percent. So if you can share your thoughts on that?

Satyanarayan Goel: Yes, definitely. Exchange volume will increase with the increase in the short-term market share, that is one driver. And second is, within the short-term market exchange share, if you see, it has been increasing.

I mean about 5 years back, the exchange share was only about 30%, 35%, now it has become 55%. There's long duration contracts on the exchange platform. They were introduced 1.5 years back and the volumes have started increasing in these long-duration contracts. So, the bilateral market volume now has started shifting to the exchange platform. You will gradually see exchange share in the short term also increasing.

I mean these kind of increases cannot happen overnight. But over the years, you will see that exchange volumes and exchange share in the short-term market will increase. And overall, as a percentage of generation, the exchange volumes have been definitely increasing. I remember in 2017-18, it was only about 3% and today it is about 8% of the total generation. There is a significant increase.

Abhi Jain: Sorry, just a follow-up. So, is there any possible target that you have. Or any time line that you have set in the next 3 to 5 years, what sort of share or are you tracking any parameter in terms of what sort of share of the exchanges do you see in the overall market from 8%? What are you projecting it to be at because that would help us understand if there is a multiplier effect .

Satyanarayan Goel: See, Government of India, in fact, has been working on this. And in the draft National Electricity Plan, they have projected a number of 25% for the spot market, of the total generation by 2030. So this 15% should increase to almost about 25% in the next 5 years' time. And exchange share out of this, even if you take on a conservative basis about 65%, 70%, it should be about, you can say, 16%, 17% of the total generation by 2030.

Moderator: We have our next question from the line of Sumit Kishore from Axis Capital. Go Ahead.

Sumit Kishore: My first question is regarding any update that you have on how the shadow coupling direction from CERC has played out so far? And any developments incrementally on proposal to implement market coupling?

Satyanarayan Goel: Yeah. I mean, I would like to first clarify one thing about that order of CERC dated 6th of February. In that order, CERC has made one thing very clear that they did simulation studies for 3 months for January, February, March data of '23, and based on those simulation studies, they have found that there is practically no merit in doing coupling of plain vanilla DAM market or RTM market. Because one of the leading exchanges has large market share, so coupling of 3 exchanges does not yield any benefits.

So one part of that issue is addressed in that order itself, that there is no advantage. Now they have slightly gone ahead with another alternative that let's explore if there is any advantage of coupling RTM market with the SCED market. SCED is Security Constrained Economic Dispatch which is operated by Grid India.

So I mean, since they thought that this is another option which can be explored, they have issued an order and directed NLDC to develop the software and do simulation studies for 4 months. The software was to be developed in 2 months' time. I think already 3 and a half months have passed. And to the best of our knowledge, it is still work in progress. So thereafter, they will start taking data from the exchange, and they will have to have some process for the simulation study every day, put the data on the website so that the market participants can analyze that.

So I think that process has not yet begun. Development of software takes a lot of time. It has to be developed, it has to be tested and then the simulation has to start. And then after the simulation, depending on whether there is any benefit in that kind of coupling or not, CERC will take its view, whether that should be done or not.

Benefit is one part of it. The road map to implement is the second part of the problem. Because, the complications involved in that itself are many. See, one is, that you know SCED which is being implemented by NLDC, this is done among power generators who have power purchase agreements between them.

All those generators are getting coal from the allocation route at the administered price. Their fixed charges are already assured by the beneficiaries. RTM market is the market where the generators, merchant generators participate. They don't have any PPA, they don't get any fixed charge. They have to recover everything from the market, and they buy coal from the daily e-auction.

So can you really couple these 2 different sets of generators? This is a much bigger issue, which needs to be debated. So I'm sure all these questions will come subsequently. So this is just a simulation. This is a theoretical exercise, which is being done. And once the results are out of the simulation study, then all these issues also will have to be addressed. And financial settlement, that is another big challenge. Today, exchanges are doing the financial settlement of their buyer and seller. Tomorrow, it will be all 3 exchanges and all these buyers and sellers under the PPA. You can imagine how complex that financial settlement is going to be. So I think there are many more issues which will have to be addressed. And then what is the advantage out of that. So, I think that as of now, I don't see in the near future, anything happening. But it will depend on the first activity, simulation. So let the simulation start and let us see what the results are.

Sumit Kishore: This is very clear. The second question is, could you give us a sense of how in FY '24, your market share has panned out in segments other than Day-Ahead Market and the RTM market, also including REC segment as well? And what was the LDC volume in FY '24 for the market and the market share that IEX had?

Satyanarayan Goel: So I'll request Mr. Rohit Bajaj to respond to this question.

Rohit Bajaj: Yes. So Day-Ahead and RTM as you are aware, it is 99.9% market share. Then there are other segments, which includes Term-Ahead Market and DAC. So in Term-Ahead Market, our market share was about 55% and in DAC market, it is close to 50%.

So overall, if I leave aside DAM and RTM on other electricity segment, it is above 50%, which is around 55%, put together for DAC and Term-Ahead Market. And for certificate market, this is close to 70%. And overall, if I talk about comprehensive market share, it is 84% for electricity and 83% overall, which includes certificates.

Sumit Kishore: And for LDC, what were the volumes in your market share?

Rohit Bajaj: LDC, we did 10 billion units for complete year.

Sumit Kishore: And what was the total volume for the market in case?

Rohit Bajaj: I think it was almost about 20 billion units.

Sumit Kishore: Okay. So roughly half. It has become quite big in the first full year. The next question is, if you look at the volume growth in Q4 versus the revenue growth that IEX has reported, there is a divergence. So concessions are being given in transaction fee, admission fee and annual fee. Can you give some color around this? And is this likely to intensify?

Satyanarayan Goel: No. I mean in the electricity market, in the term-ahead market, some incentives have been given as per industry practice and similarly it's the case in case of REC market also. That is why the revenue is slightly lower in respect to the volume. And the practice is continuing. So not that in this quarter, it has increased.

Sumit Kishore: Okay. Last question is IGX, even though gas prices have come off, but volumes have not really gone up on IGX in FY '24 relative to FY '23. Is there any specific reason?

Satyanarayan Goel: In FY '24, gas volumes were almost about 20% lower with respect to FY '23. Number one, the gas prices have come down in the last 2, 3 months. Earlier, though the gas price came down from USD25 to USD15, but it was still high. And domestic gas production has increased. And most of the domestic gas is sold through the auction routes, significant quantity of that doesn't come on the exchange platform.

So because of that, our volume share was slightly down. But this year in the month of April, the volumes are picking up now. And we are seeing that gas price has further come down to almost about USD9 to USD10. So, if this trend continues, gas will be affordable for the power sector also. And if that starts happening, I'm sure exchange will be able to get better volume.

Moderator: We have our next question from the line of Senthil Kumar from Joindre Capital.

Senthil Kumar: Sir, this year, I could see that there is a strong jump in trade receivables, INR86 crores against the INR7 crores last year. What is the reason for that, sir?

Satyanarayan Goel: Mr. Vineet, our CFO, will respond to this question.

Vineet Harlalka: 29th March was a Good Friday and 30th, 31st March banking operations were not there. So, all the credit was settled on the next working day, mainly because of banking holiday.

Satyanarayan Goel: Is that clear? Is that okay?

Senthil Kumar: Yes, sir. That's it from me.

Moderator: We have our next question from the line of Devesh Agarwal from IIFL Securities.

Devesh Agarwal: Sir, my first question is, I wanted to understand what is the expected volume growth that you are looking for FY '25, FY '26. You did mention that for the market, you expect an 8% growth. So we continue to see a much faster growth for IEX in the next 2 years?

Satyanarayan Goel: Yes. I mean, '24, '25 we definitely expect better than what we did last year on the volume growth, volume side also and the profit side also. It is very difficult to give a number. But I mean, if the demand in the country increases by 8%, we should be able to grow more than 15%.

Devesh Agarwal: Sir, the reason I asked at least for FY '25, we still have the tailwind of GNA implementation being done only in October last year. So the full year benefit should accrue in FY '25, but generally, what has been driving the market share has been the shift from long term to short term. And that was largely on account of lower power prices that we used to see before FY '22 when the power prices used to be under INR3.5.

But now on a consistent basis over the last 2 years, you have seen that the power prices are hovering around INR5. So I would assume that a replacement of power would not be taken now. And that was the reason I was trying to understand, can the volume grow at 15% despite industry volume growing at 7%, 8%?

Satyanarayan Goel: Yes. Replacement is, of course, not to the extent what was happening earlier. But still, there are opportunities during the daytime. Our rate is almost about INR3, INR3.25 paisa for 7, 8 hours. So during that time, replacement opportunity is there. And there are few months in a year where the night hour rates are also lower. But overall, the demand is growing and what we are seeing is that our volume growth is driven by the demand. And that is why I said if the demand increases by 7% to 8%, we expect volume growth of more than 15% on the exchange platform.

Because when the demand increases, demand growth increases in the country uniformly. So, we find that the demand increase in few states is to the order of 15%, 16% and those states are big buyers and then there is a surplus capacity available in other part of the country and distribution companies these days, you know since our rates are quite lucrative INR5, INR5.15 paisa INR5.25, they are able to make some additional gain by selling the power.

So earlier, they were scheduling less from the generator. Now they schedule full quantum and sell the power on the exchange platform. The sale by distribution companies also is almost about 50% of the exchange volumes. So, basically this difference in the demand and supply prevailing in different parts of the country is also a big driver of the volume growth.

Devesh Agarwal: Understood, sir. And sir, if you see the trend for the month of April and May, we see that the RTM market is seeing good growth in volumes, especially in the month of May. But on the same hand, we are seeing DAM is seeing some kind of a decline. So is it that RTM is gaining because of the URS that you were mentioning. All the additional power of the long-term PPA coming in the real-time market that is driving growth. But in the DAM market, is it the case because of the election, entities have signed short-term PPAs and that's the reason that had some impact on the DAM volume for this quarter?

Satyanarayan Goel: You are right. For the month of April and May, particularly, many bilateral transactions have happened. States wanted to ensure availability of power because of elections. And most of the generation capacity has been tied up in the bilateral contracts.

That is why the DAM volumes are lower. And in the RTM market, most of the URS power is coming. States also, on the real-time basis, whatever surplus is there they are selling power. Demand is there, in any case in the DAM also, in the RTM also. RTM since the sell volumes have increased, the clearance has increased.

Devesh Agarwal: Right, sir. And sir, if you can clarify this short-term bilateral markets contracts that are now being signed, are they signed up to May or is it June, July also being signed? any sense that you share?

Satyanarayan Goel: Most of them have been signed for these 2 months.

Devesh Agarwal: Okay. And finally, sir, on the certificates, what is your expected demand? And are we seeing some volume coming even on the energy certificate side?

Satyanarayan Goel: Energy Savings Certificates?

Devesh Agarwal: Yes.

Satyanarayan Goel: EScerts as per the data available with us, the opportunity is not very significant. But today, all the transactions are happening on the IEX platform only. So Amit, any number on the EScert market? Not a significant number, but REC side, we are very bullish because there is a significant volume available on the sell side.

Prices have come down to almost about 180, 190. And now many industries are looking towards meeting their RPO obligations and buying REC and even State distribution companies also. So, what I understand that MNRE is also looking at this to ensure that there is a compliance by the States and the industries having captive generation.

Devesh Agarwal: Understood, thank you so much.

Moderator: Thank you. We have our next question from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Thanks for the opportunity. My first question is on, Sir, can you please speak about the carbon credit market, which we're trying to launch? What is the status? When do you see it up and running?

Satyanarayan Goel: Yes. Carbon market, we wanted to start this market, but there are some uncertainties in this market at the moment. One is that, there is a mandatory market, which BEE is working on, and we thought of launching the voluntary market. But subsequently, we understand that even the offset market, they intend to run the offset market also.

So if that is the case, then there may not be significant volume in the voluntary carbon market because the offset market is a voluntary market. So I think there is no clarity at the moment. Which are the different industries which will be in the offset market, what is the scope for the voluntary market.

We are working with BEE also. And maybe in due course of time, if there is a clarity and we see there is still a good opportunity in the voluntary market, we will go ahead with that. But I think we will need another 5, 6 months' time for that clarity to come.

Mohit Kumar: Understood, sir. My second question is, you spoke about a number of new products in earlier calls. Do you think any new products can be introduced in the next 12 months, especially in the electricity market?

Satyanarayan Goel: Yeah, 11 months contract is something which we have filed with CERC. So we are today providing long-duration contracts up to 90 days. We have filed for delivery up to 11 months also and we are expecting CERC order very shortly because all hearings are complete. So once that happens, I think this is another good product and that will enable shifting of volume from bilateral market, from the DEEP platform to exchange platform.

Mohit Kumar: My last question is on the staff paper, which CERC published recently on rationalisation of bidding. What kind of impact do we see on the market because of this staff paper?

Satyanarayan Goel: See, we don't see any impact of that. In fact, if you analyze the price quoted by the generators, on the exchange platform, it is based on the marginal cost basis only. It is the because of the high demand, that prices are discovered in the range of INR9, INR10. And during day time when the supply is high, the prices are just about INR3, INR3.15. So during that time, generators are quoting based on the marginal cost. And we did this analysis for the past data, and we find that generators normally are quoting within the range, which has been given by CERC.

So that was a practice and that will continue to be the practice in future also. We don't see any impact of that. And in fact, see, in the discussion paper, this construct has been advocated for DAM and RTM market, but we feel that this concept is equally applicable for other segments of the market also.

And if it is extended to other segments of the market where the price today is very high in comparison to the DAM market. If it is extended there, then definitely, the volume will shift to the DAM market.

Mohit Kumar: Yes, sir. One more question, if I may ask, is that the open access market has been declining for us for a long time. Is there something which we can do to convince the stakeholders so that it could be slightly high. We think this market could see a growth in the future?

Satyanarayan Goel: See, open access market has reduced because of the increase in price i.e. increase in clearing price. So along with the cross subsidy and open access charges, the landed cost is becoming higher. And we are definitely working with the State regulatory commissions to cut down the cost of subsidies, surcharges so that industries can purchase power on competitive price. That activity our business development group is continuously working.

But today, there is enough demand coming from distribution companies itself. So I don't think that has an impact on the volume growth. Earlier, the volume growth was driven by the open-access consumers also. Today, the demand from distribution company itself is quite high.

Moderator: We have our next question from the line of Nikhil Nigania from Bernstein.

Nikhil Nigania: I just had one question. So as was being discussed earlier, the prices for REC certificates have fallen from 1,000 a year back to 180 now in a way, from 1 rupee to 18 paise now. So what impact does it have on the transaction charges? If you give us some sense on the transaction charges we are receiving for this 18 paisa buyer and seller combined?

Satyanarayan Goel: Nikhil, our transaction fees on electricity was 2 paise per unit on either side when the rate is 2 rupees or 20 rupees. Earlier the cap was 20 rupees, even when the price was 20 rupees, we used to charge the same thing. On REC side also, when the REC rates were INR3,500 at that time also we were charging only this fees. So this fees is per certificate. So as of now, let's see if that price continues in the range of 170, 180, 190 for a long time, we will review that. But otherwise, I don't think it needs any correction for this short-term issue.

Nikhil Nigania: Understood, sir. So it continues to be in the same range as it was earlier?

Satyanarayan Goel: Yeah. As of now, yes.

Moderator: We have our next question from the line of Santosh, a shareholder.

Santosh: Thank you for a good set of numbers last quarter. I have one question regarding how do you see in the medium term to long term breakup of revenue between IEX, IGX and ICX, if you can kind of give some color around that, that will clearly help us?

Satyanarayan Goel: Very difficult question. See, I can only tell you that the IEX volume will continue to increase because demand of the country, the power consumption in the country is increasing at a rate of 7%, 8%. We also expect to grow with almost about 15%, 20% kind of numbers. That is our expectation.

And we feel that, yes, the policy, regulatory environment is also very conducive for development of market and we will definitely get benefit of that. With high renewables happening, that is also good for the market.

As far as gas exchange is concerned, again, in the gas market, the vision of the government of India is to increase gas consumption that is a cleaner fuel. And today, our gas consumption in the country is almost about 6% of the total energy basket. They want to make it 15% by 2030. A lot many LNG terminals are coming now on the Western, Eastern, Southern coast.

Today, LNG terminal capacity is 45 million tons. It is going to be expanded to 75 million tons in the next two years' time. Pipeline network, a lot of investment is being done in the pipeline network. Southern and Eastern part of the country and North Eastern part of the country is getting connected now. So we are going to have a strong gas grid in the country.

And I'm sure a lot of investment is being done in setting up the terminals and the pipeline. And that is with the view that, yes, gas consumption in the country has to go up, it is going to go up, and gas prices are coming down. So I'm sure if the consumption in the country increases, volumes from the gas exchange also will increase. Very difficult to make an estimate of that as of now. But we feel gas exchange volumes definitely should increase at a rate of at least 30%, 40% because gas exchange is in a nascent stage now.

And carbon exchange, as I told you, I will not like to make any estimate on that because there is no clarity from the policy side, from the government side also whether the voluntary carbon market also will be treated under the mandatory market. So, once we get that, then we will be able to estimate and tell you about that.

Santosh: Sure. When is the ICX and GIFT City going to be operational, sir?

Satyanarayan Goel: Again, you know, see, this is, again, linked with that policy decision only. Because on GIFT City, carbon credit has to trade as a commodity and it is not there in the list of the commodities to be traded in the GIFT City. They have written to Ministry of Finance for the approval of carbon credits as a commodity to be traded there.

Ministry of Finance has sought their clarification from Ministry of Power that whether all these voluntary carbon credits are going to be traded by them under the scheme of the carbon credit trading scheme (CCTS) or this will be available for trading in GIFT City. I think they are yet to decide on that.

Moderator: We have our next question from the line of Rajesh Mangal Agrawal from Rajesh Agrawal & Co.

Rajesh Mangal Agrawal: My question was related to ICX only, and I think you have already discussed it. And I think we do not have any transaction in ICX up till now. Am I correct, sir?

Satyanarayan Goel: Yes. As of now, nothing.

Rajesh Mangal Agrawal: Okay. Sir, one small suggestion is like that. In our presentation, we should mention at least one line regarding this that we don't have any transaction till now in ICX.

Satyanarayan Goel: Okay. I mean we have not launched ICX so far. Since we have not launched it, so there is no mention about that.

Rajesh Mangal Agrawal: Actually, sir, from the presentation, a simple investor cannot understand this that we do not have any transaction in ICX up till now. We have already mentioned that we have owned one subsidiary ICX in December '22 and we are silent about this transaction here.

Satyanarayan Goel: I'll request my colleague, Mr. Vineet Harlalka to respond to this.

Vineet Harlalka: So ICX only revenue is consolidated because we mainly report on the IEX financials. Because consolidation wise it it's a very insignificant number, so segment reporting is not there, that's why we are not reporting it.

But just to mention it can be easily identified from the stand-alone and consolidated financials regarding the revenue if there is any. But as and when the situation arises, we will see how we can put up in the investor presentation. We take your suggestion, and we'll look at it. Thank you.

Moderator: We have our next question from the line of Viraj from Jupitr Financials.

Viraj: Sir, my question is, you talked about 15%, 20% growth because of so many things happening, EV, energy transition in the electricity market. So what average growth we will be clocking? 8% growth in energy market, so would we be clocking 20% growth in terms of top line from now on?

Satyanarayan Goel: Can you repeat the question, please?

Viraj: You talked about the 8% growth in the electricity market because of so many factors. At what rate our top line would be growing because of such a huge momentum, energy transition happening, EV cars, renewables, all this coming in. So just your general sense on how will we grow? That is question number one.

Satyanarayan Goel: Let me tell you one thing, that energy demand in the country is going to grow. And it is expected that it will grow at least by a number of 6%, 7%, optimistic is about 8%. But 6%, 7% is definitely, which will happen. And we have seen in the past our volumes grew by almost 2.5x to 3x of the demand increase. So my estimate is that the demand increases by 7% to 8%, our volume should increase by at least 20%. And a lot of transition, energy transition activities are happening, that should further add to the volume growth.

Viraj: And would that even imply increase in bettering our margins too with increase in volume or margins would be same or subdued?

Satyanarayan Goel: See, in case of exchange business, since other costs are fixed costs, practically, margins should improve. As it is, we are operating at a pretty high margin of almost about 86%, 87%.

Viraj: Okay. And sir, how are we placed against our competitors right now as we speak? And suppose if coupling comes, what will be the impact on our margins? Will margins become half? What will be the worst impact on the margins be?

Satyanarayan Goel: I think there is no point in talking about if coupling happens. I think it is a long way to go. Many more years for that to happen, because as I told you, it is only a theoretical exercise, a research work which is happening. And these kind of activities do happen in the sector. If you recall, in 2018 also a paper came about MBED, Market-Based Economic Dispatch. And there were so many discussions around that, consultants were appointed, detailing were done, directions were given to CERC to implement from 1st of April 2022. Nothing happened on that. So I think market development happens only after doing research and all these activities.

So this is also one such activity. Let them do this activity. Let them find out what is the benefit of this, how to implement this. Once all those things are done, then the regulations will have to be made. Software will have to be developed. So it is going to take a long time. And no point in thinking about that today and worrying about that. I'm very sure that nothing is going to happen in the next couple of years.

Moderator: We have our next question from the line of Ketan Jain from Avendus Spark. Please go ahead.

Ketan Jain: Sir, what is volume growth guidance for REC segment and Green segment for FY'25?

Satyanarayan Goel: Our projections? So we total achieved 110 BUs for the full year. Out of this, around 102 is from the electricity and around 8 is from REC and EScert certificates combined.

Ketan Jain: No, I'm asking for FY'25, what is your expectation of volume growth for REC segment and Green segment?

Satyanarayan Goel: REC segment, we are expecting almost about 25% to 30% growth.

Ketan Jain: And from Green segment, sir?

Satyanarayan Goel: Green segment separately, it is very difficult to make estimate, but still 50% kind of volume growth should happen in the green market because green market volume this year was slightly on the lower side. So in FY'24, '25, 50% growth should happen in the green market also, okay?

Ketan Jain: And long duration we'll be able to maintain 10 BU?

Satyanarayan Goel: There should be a significant increase in that. We did 1.2 BU, this year we did 10 BU, so we are definitely expecting a much higher number.

Ketan Jain: And how much higher, sir?

Satyanarayan Goel: Almost about 15 BU is our expectation.

Moderator: We have a next question from the line of Lavanya Tottala from UBS. Please go ahead.

Lavanya Tottala: Just 1 question from my side here. So on the long duration, just a follow-up to the earlier question. So you said 10 BU and the market is 20 BU, Is it like we've already reached 50% market share in that particular space? And 15 BU expectation for FY'25, we expect further gains in this space? Is that right understanding?

Satyanarayan Goel: See, in case of long-duration contract, these are mostly bilateral transactions. And bilateral transactions happen on all 3 exchanges and significant volume also happened on the DEEP platform. Our USP is the collective transaction, where we have a major market share close to 99%-plus. So we continue to work in the market to have more transactions in the DAM and RTM market. But we are also active in the LDC market.

Lavanya Tottala: **Got it.** So here, when we say this 20 BU, you were considering bilateral through discoms themselves and through traders, both are considered in this 20 BU, right?

Satyanarayan Goel: No, this 20 BU, what has happened last year is sell by generators and bought by the distribution companies through the exchanges.

Lavanya Tottala: Okay, it is through the exchanges.

Satyanarayan Goel: I'm not considering the DEEP volume here.

Moderator: That would be the last question for today. And I would now like to hand the conference over to the management for closing comments.

Satyanarayan Goel: Thank you, friends. I would like to thank each one of you for being part of today's call. Throughout this fiscal, we witnessed a number of efforts announced by the government and regulators to create a favorable policy and regulatory framework for development of our market in the country. We remain committed to contributing to the development of a sustainable and efficient energy future and have a wonderful evening. Thank you.

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