Dated: October 29, 2021

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 relating to Financial Results of the Company for the quarter ended September 2021.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of earnings conference call held with analysts and investors on **October 22, 2021, at 02:30 pm (IST) to discuss the financial results of the Company for the quarter ended September 2021**.

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: 2021.10.29 16:13:19 +05'30'

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

Encl: as above

"Indian Energy Exchange
Q2 FY2022 Investors Conference Call"

October 22, 2021

ANALYST: **MR. JITEN RUSHI - AXIS CAPITAL LIMITED**

MANAGEMENT: **MR. SATYANARAYAN GOEL – CHAIRMAN AND MANAGING DIRECTOR –INDIAN ENERGY EXCHANGE**

MR. VINEET HARLALKA - CHIEF FINANCIAL OFFICER & COMPANY SECRETARY – INDIAN ENERGY EXCHANGE

MR. ROHIT BAJAJ - HEAD (BUSINESS DEVELOPMENT) - INDIAN ENERGY EXCHANGE

MS. APARNA GARG - LEAD (INVESTOR RELATIONS) - INDIAN ENERGY EXCHANGE

MR. JOGENDRA BEHERA – VICE PRESIDENT (REGULATORY AFFAIRS) - INDIAN ENERGY EXCHANGE

MR. AMIT KUMAR – HEAD (MARKET OPERATIONS & NEW PRODUCT INITIATIVES) - INDIAN ENERGY EXCHANGE

MR. SANGH GAUTAM – CHIEF TECHNOLOGY OFFICER - INDIAN ENERGY EXCHANGE

MR. SAMIR PRAKASH – HEAD (HUMAN RESOURCES & ADMINISTRATION) - INDIAN ENERGY EXCHANGE

MR. INDRANIL CHATTERJEE –HEAD (RISK, ALLIANCES & STRATEGIC DIVERSIFICATION) - INDIAN ENERGY EXCHANGE

MS. SHRUTI BHATIA – HEAD (CORPORATE COMMUNICATIONS & CSR) - INDIAN ENERGY EXCHANGE

Moderator: Ladies and gentlemen, good day, and welcome to the Indian Energy Exchange Q2 FY2022 Investors Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jiten Rushi from Axis Capital Limited. Thank you and over to you Sir!

Sumit Kishore: Thank you. Good afternoon, ladies, and gentlemen. On behalf of Axis Capital, I am pleased to welcome you all for the Indian Energy Exchange Q2 FY2022 earnings conference call. We have with us the management team of IEX, which is represented by Mr. Satyanarayan Goel – Chairman and Managing Director, Mr. Vineet Harlalka, Chief Financial Officer, Mr. Rohit Bajaj, Head - Business Development and Ms. Aparna Garg, Lead - Investor Relations. Now we will begin with the opening remarks from the management followed by an interactive Q&A session. Over to you Sir! Thank you.

Satyanarayan Goel: Good afternoon, dear friends! I welcome you all to the Q2 FY'22 earnings call. Present with me today are: Vineet Harlalka, Rohit Bajaj, Amit Kumar, Sangh Gautam, Shruti Bhatia and Aparna Garg.

We seem to have almost overcome the CoVID-19 pandemic. There has been a significant uptick in the pace of vaccination. The economy, industry, and retail activity are resuming fast. There has been a fair resurgence in economic activity leading to a rapid increase in demand for power. Recently, the Exchange power market had been seeing constraints on the supply side. We were reading about the media articles regarding the high prices and limitations on the sell-side liquidity on the Exchange. It is important to understand the fundamentals and the factors that are responsible. In H1 this year, there was a 14% increase in power consumption vis-a-vis the last year; monsoon affected the domestic coal production and supply, there is an increase in the prices of imported coal - the prevailing price of around $120/ton for 4200GCV coal which is 5X more than price of $25/ton in Oct 2020; there is a 10X increase in LNG price at $30/MMBTU from $3/MMBTU a year ago, and the wind generation dwindled at the same time with the wind season coming to an end. Countries across the globe have been experiencing a similar situation leading to an unparalleled increase in price of energy and power as well as rise in prices of other essential commodities. The Government has already undertaken several initiatives to ease the situation including an increase in domestic production of coal, increased coal supply to power units, blending of 10% imported coal with domestic coal, and restarting of several imported coal-based plants. More recently, with these initiatives by the Government, and the widespread rains which reduced electricity demand in the country, the prices on the Exchange have started to come down to nearly half of what it was a week back.

The Exchange market continues to work uninterrupted, facilitating the distribution utilities and industries in addressing the increased power demand in the most flexible, competitive, transparent, and efficient manner.

I will now talk about recent developments at IEX. On 17th October 2021, IEX received CERC approval to commence the Green Day Ahead Contract as a part of the Integrated Day-Ahead Market. Under the Integrated Day-ahead market, the Exchange will allow the market participants to submit bids together for both conventional and renewable energy through the separate bidding windows. The clearance will take place in a sequential manner - renewable energy bids will be cleared first in accordance with the must run status of the renewables, followed by conventional segment. IEX will also allow its market participants an option to transfer the unselected bids from the renewable to the conventional segment.

Furthering our customer centric initiatives, we launched Value-Added Services (VAS) for the Renewable Energy generators. The Renewable Generators keen to avail the services such as Generation Forecasting, Qualified Co-ordinating Agency (QCA) and Analytics solutions etc. can reach out to the best-in-class service providers empaneled by the IEX, at the competitive prices. We have already onboarded Climate Connect as our first empaneled service provider. We look forward to welcoming other service providers who are keen to associate with us in this journey.

Let me now share with you an overall economic and industry update.

After reaching a Manufacturing PMI of 48.1 in June 2021, India's manufacturing activity expanded for the third straight month in September to 53.7, highlighting a strong expansion in overall business conditions. Even on the services side, we witnessed an increase in activities leading to expansion of Services PMI to 55.2 in September 2021 as compared to 41.2 in June 2021. On power sector front, the rise in economic activities led to an increase in overall power demand. The all-India electricity consumption increased 10% YoY from 334 BU in Q2 FY'21 to 366 BU in Q2 FY'22. In this quarter highest ever peak demand of 200.5GW was registered. The industrial states such as Gujarat, Maharashtra, Andhra Pradesh, and Tamil Nadu were the key contributors of this growth. As of September 2021, the installed power capacity at 389 GW saw 4.2% YoY growth. The renewable energy capacity reached 101.5 GW from an earlier 89.2 GW in the fiscal year 2020 seeing about 13.8% YoY growth. The fast-paced growth in renewable capacity underlines the energy shift that has been underway and an increased impetus on building a decarbonized and sustainable energy economy.

On the policy and regulatory front:

The 10 year long pending jurisdictional conflict related to power market between CERC and SEBI has been resolved by Hon'ble Supreme Court, paving way for the introduction of the much awaited long duration contracts in power on the Power Exchanges. This will also enable launch of electricity derivatives on Commodity Exchanges.

CERC issued the draft Deviation Settlement Mechanism and Related Matters Regulations, 2021 linking the DSM charges to the time block wise price discovered on the Exchanges. This will help further expand and deepen the real time market.

MBED is expected to go live through Exchanges from 1 April 2022 with NTPC generation capacity as per the Press Release issued by Ministry of Power.

The Ministry of Power (MoP) issued the draft rules for Promoting Renewable Energy through Open Access, allowing consumers with contracted demand load of 100 kW and above as eligible for green energy Open Access.

All these initiatives will lead to further deepening of the power markets.

The Indian Gas Exchange has been seeing an uptick in volumes as well as participation. During the quarter, IGX traded almost 10lakh MMBTU of gas volumes. Cumulatively, IGX has traded more than 15lakh MMBTU since inception. As a part of our customer centric initiatives, during the quarter, we launched the Day Ahead contract on the IGX platform. Ministry of Petroleum & Natural Gas (MOPNG) vide its Office Memorandum dated 19th August 2021 has provided an additional mechanism to the domestic gas producers who have been granted pricing and marketing freedom to trade on Gas Exchanges. Accordingly, the domestic gas producers may sell quantity of Gas, up to 500 MMSCM or 10% of annual production, whichever is higher, per year through Gas Exchanges. This will provide cheaper gas and induce market liquidity and depth.

On a standalone basis, revenue for the quarter increased by 52.6%, from Rs. 79.4 Cr. in Q2FY'21 to Rs. 121 Cr. in Q2FY'22. The PAT grew by 67.3% YoY, with a margin of 64.5%. The Board of Directors have considered issuing two bonus shares for each equity share. During the quarter, electricity volumes on the Exchange grew by 58% YoY with 25.9 BU volumes traded versus 16.5BU in Q2 FY'21. During the first half of FY'22, IEX traded a total of 47.2BU of electricity as against 31.4BU in 1H FY'21, implying a robust growth of 50.6% YoY. The growth in volumes was driven by substantial increase in electricity consumption as well as the preference by the distribution utilities to meet their short-term supply requirements in a competitive and flexible manner through IEX. The real time market continued to be one of the fastest growing market segments on the Exchange witnessing a growth of 125% YoY during the quarter with 5.3 BU of volumes traded. During the quarter, RTM contributed 20% to the overall volumes. The consistent growth of real-time electricity market is an indication of growing reliance of the distribution utilities and industries to achieve power demand-supply balancing in real time in the most efficient manner. The green term ahead market marked its one-year anniversary on 21 August achieving a cumulative volume of 3.4 BU since its commencement. For the second quarter, the market registered a cumulative trade of 1.7 BU. The market has seen a considerable increase in the participant base as more and more utilities and C&I consumers participate in the market to meet their energy and RPO requirements in an integrated, flexible, and competitive manner.

We are gearing towards the launch of ESCERTs, Integrated Day Ahead Markets, and Longer Duration Contracts in both electricity and renewables. REC hearing was last held on 21st October and the order is expected to come in month of November. Later this year we may also see introduction of Exchange based Ancillary Markets. In the backdrop of several initiatives that I have touched upon today, combined with several policy and regulatory enablers, the power markets will have a much greater role to play. Besides, there is a huge opportunity on Gas front. Coupled with diversification initiatives which we are assessing, we are very bullish on the growth prospects of the company.

With India's power consumption expected to grow at 8-9% during FY 2022, we expect a significant growth for the Exchange Markets. We are continuously innovating, strengthening, and advancing our technology initiatives. We believe that energy markets have a pivotal role to play in transforming India's energy economy and we are committed to play a proactive role in facilitating the much-needed efficiency, competitiveness, and sustainability in the energy ecosystem.

Thank you everyone. We can start the question-and-answer session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line Mohit Kumar from Dam Capital. Please go ahead.

Mohit Kumar: Good afternoon, Sir and congratulations on a very, very excellent quarter. Sir two questions. The first is market based economic dispatch which the government wants to implement from April 1, 2022. The related question is whether it is feasible given the timeline to adhere to April 1, 2022, and secondly how does it change business for us? Do you think this long-term volume will increase at the expense of short-term volume? The second question is, where are we in the process of launching long-duration contract and what kind of products you are likely to begin with? Thank you.

Satyanarayan Goel: First on the MBED, Government of India has already issued a press release which indicates that the MBED should be implemented from April 1. It also indicates that before this CERC will align the regulations and mock drill will be carried out to ensure that the system runs smoothly. So CERC will first have to align the regulations and that is the important thing to be done. As far as we are concerned, we are ready to launch it. We have done all necessary developments and we are working with CERC also to start as soon as possible. On long duration contracts we have already filed our petition with CERC. Now after resolution of this dispute I am sure CERC will take up their petition for approval and once the petition is approved then we will launch these contracts also. These contracts are basically for fortnightly, monthly, quarterly, and yearly contracts for duration less than one year.

Moderator: Thank you. The next question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Thanks for the opportunity. Sir, regarding MBED if you can help us understand what you believe are the challenges in terms of implementation because prima facie, lot of changes have to be made, right from the generator to discom and even for PFC and REC to fund the discom for this whole process. What is our overall view in terms of the bottlenecks which are currently there?

Satyanarayan Goel: As I have always said that implementation of MBED is as complicated to implement as GST. So, there are lots of things to be done, but once government directions are in place, I am sure everybody will act fast on this to ensure implementation by April 1, and I would not like to comment anything beyond that.

Devansh Nigotia: Okay and in case of long-duration contracts since you are saying that you are expecting the order in November after the order has come, how prepared are you in terms of launching the product?

Satyanarayan Goel: We have done all the technological developments. We are ready to launch the contracts. So, the day we get approval and based on the approval if there are some minor changes, we will do that, and I think within 15 days we will be able to launch the contracts after CERC approval.

Devansh Nigotia: In case of day-ahead market, in the last one-and-a-half years we have seen that prices on the Exchange have been very low but the shift from bilateral to day-ahead market seems to be consistent every quarter on a monthly basis. So structurally what has changed in the last one-and-a-half to two years over a year because if we look at previous 8 to 10 years that shift has not happened at this pace? So, what are the things that have really changed in the last one and a half years?

Satyanarayan Goel: The shift is a gradual process. It was happening earlier also. If you see sale of the bilateral transactions, they were slowly going down but in the last one-and-a-half years, the shift has happened at a much faster pace and one of the reason is that during the COVID time nobody was sure about what kind of demand will happen, what kind of demand increase will happen so they did not get into any bilateral contracts and as and when the demand increased, they started the participation on the Exchange platform and good thing is that we have lot of liquidity in the Exchange that led to the confidence building and now they are more comfortable in purchasing power for the Exchange . I will tell you, in couple of cases, like Telangana, the demand increases from July up to March and every year they used to buy power in the bilateral market. Some of the years because of the heavy rains, their demand used to back down and would take less power under bilateral contract. There used to be contractual complications in that and last year they did not buy anything under the bilateral market. They bought from the Exchange platform and that led to significant saving by them and now they are comfortable. They said again they are not getting into the bilateral contract. I think same is the case with many of the distribution companies. That is why the shift is accelerated now.

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

Rahul Modi: Thank you Sir for the opportunity. Can you explain how will the payment security mechanism be for the long duration contract, whether it will be LCs or how will it be on a revolving basis?

Satyanarayan Goel: For long duration contract, we will accept LCs also but then we will ensure the payments are made before the delivery, we get payments before delivery.

Rahul Modi: On a daily basis?

Satyanarayan Goel: Yes on a daily basis. Contract can be for a month or for a quarter but the payment should happen on daily basis because if we ask payment in advance for the full month it is going to be too large an amount, so we will ensure payments on a daily basis.

Rahul Modi: If in case there are missed out payments then do you have the power to regulate or who has the authority to regulate?

Satyanarayan Goel: We have the authority to regulate. It is a part of the contract.

Rahul Modi: Sir, who is the counterparty in this? Are we part of the counterparty?

Satyanarayan Goel: Yes, yes in all cases we are counterparty to all the transactions.

Rahul Modi: If in case there is a situation where party A is buying 100 megawatts and party B due to some issues not able to sell that 100 and is selling 90 that time whose liability will it be?

Satyanarayan Goel: There is a DSM for all agreements, party A is to sell 100 megawatts they are selling 90 megawatt they will have to pay DSM for 10 megawatts.

Rahul Modi: So, nothing comes on to us?

Satyanarayan Goel: No. We have designed contract in such a manner that there is no obligation on Exchange.

Rahul Modi: That is great. Sir secondly, obviously with your experience in the power market what exactly has happened in the last two months that we have seen unprecedented hike in terms of pricing? We saw obviously government is also changing stance, first, they encouraged people to move out of older contract but then suddenly you know prices at 20 and disruption in the generation market they advised that we should again come back to old PPAs and revisit. So from an outsider standpoint how do we look at it because now that you rightfully mentioned that there was big cost, maybe in the last two years when a state like Telangana purchased x-amount of units through the market to meet the long-term demands. The suppliers are obviously limited in the system and they know that a particular demand is coming then obviously there can be a big play in the market, that can happen which may not reflect truly on the demand supply dynamics, which happened in the last two months where we saw prices going up to 20 bucks where a lot of discoms also played into the market and sold power on the Exchange at more than 15 bucks. How do we balance that Sir as a system is my question to you?

Satyanarayan Goel: See, let us not go to the knee jerk reaction to the situation. This kind of price increase, this time, it is quite high mainly because of the very high increase in the imported coal price and very high increase in the LNG price. So because of that, almost about 15000 to 20000 megawatt of capacity is not available. So, there is lot of pressure on the domestic coal and domestic coal ramp up cannot happen. I mean at a rate of 10% to 15% and particularly during the monsoon season we have open cast mines, and these mines are also flooded and coal production also gets affected and this has not been first time. If you see 2018, also in the month of October there was slight increase, so after monsoon in the month of September and October when the weather is also hot and humid, agricultural load is there. Actually price increase happens but then price from the month of November you will see every year the prices go down and you will see now also the price, early part, the prices are down in the last 6 to 7 days, the price is hovering around Rs. 5, Rs. 6 around this number. In November I am sure the prices will be down to less than 14. It does not mean that if the prices have increased for a month, then you will start getting into long-term contracts.

Rahul Modi: Sir I take your point. My only question was that what has happened is that a lot of capacities have become redundant in the system. If you are not buying capacities and contracts then you are not incentivized enough to run this. If you are not running them then obviously there will be a supply crunch in the medium to long term and if that is the case, then obviously the prices may sustainably be high then, what we have seen today.

Satyanarayan Goel: I think the kind of demand increase which is happening in the country, all the capacities which are stranded today I am sure that will be put to use and market prices will give a signal for the new capacity any time.

Rahul Modi: Thank you very much.

Moderator: Thank you. The next question is from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

Kunal Thanvi: Thanks for the opportunity and congratulations on good set of numbers. I only have two things, first again on the MBED, when will the Minister of Power come out with final and also they have come out with a deadline of April 1, 2022. I wanted to understand in the draft they did talk about possible reduction in the charges that an Exchange can charge. If there is a comparison between the global markets, there is a lower charge compared to the high charge, I just wanted to understand in the global market is that, are there some other charges apart from the transaction charges that they charge? Question number 2 was on long duration contract like first the expectation has been that in the bilateral market, large part of bilateral market would come on long duration contract and do we also feel that some part of long-term power demand can also come on the Exchanges and any color on the fee arrangement with MCX, if you can give.

Satyanarayan Goel: As far as MBED is concerned, charges etc., what you are referring, this is under the domain of CERC. They will have to decide about the detailed procedure and if issues if any regarding the transaction charge. So as and when CERC takes up this matter we will take up, we will discuss with them and it would be as per the CERC order, implementation of MBED that also will be dependent on realigning of regulations by CERC, lot of work has to be done in that area. As far as we are concerned, we are ready and we are working with CERC to ensure that it is implemented from April 1, because as far as we are concerned we see lot of opportunities if MBED gets implemented from April 1. Long duration contracts as I told you we have already filed our petition with CERC. We are waiting approval from CERC, as and when we get the approval, we will launch these long duration contracts. Initially we are looking for diverting bilateral transactions on the Exchange platform though the shift may happen gradually but it is going to happen. With MCX, MCX is going to launch derivatives and for settlement of the derivatives you need a reference price and they intend to use our price, so for using our price we have agreement with them.

Kunal Thanvi: Can you throw some light on the fee arrangement that we would have with them?

Satyanarayan Goel: We already have agreement with them. They will be using our reference price and we will be getting some revenue share out of that, revenue which they get from the electricity derivatives.

Kunal Thanvi: Sir just one followup on the pricing globally have you seen Exchanges, they charge for other value-added services also apart from the transaction charges, is there any scope that we can also going ahead three to five years down the line charge for the value-added services that we give to the participants?

Satyanarayan Goel: There is no standard system of charging fees and different Exchange charge is depending on the conditions prevailing in their country and we also started charging based on the conditions which are favoring in India. I do not think there is any international benchmark for these charges.

Kunal Thanvi: Sure, got this. Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

Swarnim Maheshwari: Congratulations on a very good set of numbers. Just two questions, I wanted to understand your thoughts over here, so first is, is it possible to implement MBED without price coupling and does it defeat the purpose of single pricing versus multiple prices on the Exchanges?

Satyanarayan Goel: It is possible to implement MBED without price coupling and that is what government release says, even the discussion paper which was released by government that also says that phase 1 of MBED will be implemented without price coupling. Today if you see 99% of the transactions in the market are happening on the IEX platform. In case of MBED also the same phenomenon will take place.

Swarnim Maheshwari: I think the whole point when you go for MBED, you are going from 100 to 400 billion units, I think your ROE will be like about 4x from here and we do not see any entity making those supernormal profits with highly regulated framework, so that was the reason to ask that question really.

Satyanarayan Goel: Regulator is there, they will take care of all these things. What is the profit you are making? It is the value which we are providing. You should be more concerned about that.

Swarnim Maheshwari: Secondly we will be moving to the mechanism of trade scheduling at the Exchange, this would incur some additional costs with respect to our brokerage. The overall saving cost that was envisaged on implementation of MBED is about 2% to 4% but should MBED get implemented on the Exchanges, about 1.5% to 2% might actually be the brokerage. So, do you think that there is a possibility that in future, the transactions might actually start coming down, otherwise this defeats the purpose of MBED?

Satyanarayan Goel: I told you, the regulator will have to take a view on this. They will have to say what kind of value customers will be able to get by implementing MBED. What kind of savings will happen? What is the job which will have to be done by the Exchanges. What kind of fees is to be charged? We have a Regulator and they will look into all these things. Purpose of MBED is not only 5% or 10% reduction in the cost, purpose of MBED is also to schedule the power in the most optimum manner, utilization of resources in most efficient manner and also going forward, integration of renewable with a conventional power in efficient manner. So objective function is quite large, let us not limit that to 5% cost savings.

Swarnim Maheshwari: Thank you so much Sir. I will get back in queue.

Moderator: Thank you. The next question is from the line of Ajegan from JK Capital Management Limited. Please go ahead.

Ajegan: My question is from one of the slides. I think it is slide #32. You are talking about total capacity likely to phase out by March 2027 which is 41 gigawatt, this gives you additional 100 BU of opportunity for the Exchange . Right now with 9000 MU per month your current volumes are around 100 BU per annum. So, this additional opportunity is doubling the market?

Satyanarayan Goel: Are you referring to the investor presentation?

Ajegan: In investor presentation slide #32 phasing out of PPAs, total capacity likely to phase out by March 2027 is 41 gigawatts, incremental 100 BU opportunity for the Exchange . So, your current volume is 100 BU per annum and this you are saying is additional 100 BU?

Satyanarayan Goel: Today we have power plants with generation capacities of 60 megawatt, 100 megawatt, 150 megawatt to 200 megawatt, these units are inefficient units consuming more coal for generating 1 unit of electricity and these units are also quite old. They are also not meeting the environmental standards in many of the cases. So, Government of India has decided to phase out these old units. The capacities around 35 gigawatts to 40 gigawatts at 80% utilization level these units should generate something about 300 billion units but since these units are old, these units presently are generating about 100 billion units to 150 billion units, so if these units are phased out then there is an opportunity, because they are today generating and supplying the power to distribution companies. If they are phased out then that power will come to the market. The demand should come to the market, so that is the opportunity size. Out of this how much we will be able to get on the Exchange platform, that we will work out.

Ajegan: Okay understood. One more question on the followup side. You have in slide #33, talking about second bullet that the government is going to deepen the power market by increasing the spot markets to 25% by the year 2023-2024. This 25% spot market, what exactly is this? Right now 87% is the PPA and remaining 13% you have bilateral, then you the Exchanges, then you have the deviation settlement mechanism so this 25% is the Exchange which is now like 6.5% to 7% which is your market share, or what are they trying to do? Because some of the numbers I want to understand from a bird's eye view, which one to add and how the long term PPA is going down from 87% to 1% something like that?

Satyanarayan Goel: This statement is from Draft National Electricity Policy which was issued by the Government of India recently. This draft policy says that the share of the spot market should be increased to 25% by the year 2023-2024. They have not defined the spot market in the draft, but spot market invariably is market of short duration. Exchange transactions, that is the spot market is today 6% to 7%, so the intent of the government what we see from this is to increase to 25% in the next three or four years. But even going by the short-term market which is today 12% increasing that to 25% in the next two, three, four years that also is big multiplier.

Ajegan: So that is what I am asking, the short-term market is 12% to 13% which is going to 25% itself is a great deal but as per this draft I am not saying that this is an achievable target or unachievable target, I am not commenting on that, but as per this graph 25% would be the spot market on top of which we have the bilateral and deviation settlement mechanism, etc., and bilateral also you will benefit hugely because of the long-duration contract so net to net if you assume the opportunity for the Exchange like three to four years down the line it is like nearly what 30% if you add everything?

Satyanarayan Goel: That is what it should be. If you want to have high renewable capacity in the country, it is necessary that Exchange transaction should increase, there should be deepening of market then only you will be able to address the variability in the renewable generation. If you look at European countries where you have high renewable generation capacities, Exchange transactions are almost about 50% of the total generation. So, India also if you want to go with 450 gigawatts of renewable capacity in the country, I think we need to have market size of 30% to 40% and I think this statement in the Draft National Electricity Policy also keeping that in India.

Ajegan: Thanks.

Moderator: Thank you. The next question is from the line of Aniket Mittal from SBI Mutual Fund. Please go ahead.

Aniket Mittal: First question is on the derivative market. Like you rightly said, there is a very clear emphasis on increasing the spot market in the country but with that there also needs to be some sort of mechanism placed to hedge the risk. I think it has been about a year now since we signed the licensing agreement with MCX and MCX has also gone in similar technology agreement. So, is it fair understanding from a feasibility perspective when do you think can you launch electricity derivative market in India?

Satyanarayan Goel: This electricity derivatives will be launched by the commodity Exchanges and what we understand is that MCX has already signed contract approval with SEBI. But if you have seen joint working group minutes based on which this litigation has been resolved, one of the recommendations is that there should be a joint working group, consisting of representative of SEBI, CERC, Ministry of Power and Ministry of Economic Affairs, these joint working groups will decide what kind of contracts should be allowed in the derivative market and what kind of contracts could be allowed by CERC. It should not have any adverse impact on the spot market of the country. So, I think joint working group meeting is expected shortly, and after they have decided and then thereafter SEBI will give the approval and then MCX will be able to start these derivative contracts. So, I will not be able to say anything about the timeline but then this is the process.

Aniket Mittal: One question on how do you see the short-term market panning out in the next one year or so? 3 years back in 2018, market prices spooked off the discoms a bit. We had back then seen some amount of pilot schemes coming up and a lot of discoms started rushing up to tie up certain contracts because they cannot keep on buying more than Rs.5, more than Rs.6 power on a daily basis. If you go in the past one year, we gained around 1% to 1.5% share from bilateral. Do you think some of that can then go towards the bilateral in the coming months?

Satyanarayan Goel: So far only one pilot project has happened and that too for 2000 megawatt and the demand is increasing every year at the rate of 7% to 8% now. If economy has to grow at a rate of

9% to 10% our demand has to grow at a rate of 8% to 9%. If that has to happen the demand is growing to grow at a rate of 15000 to 16000 megawatts per year. I do not think pilot of 2000 megawatts should be really big concern for us.

Aniket Mittal: One last question, I wanted data point, so if I look at your second quarter volumes would you tell me who are top 3 buyers on the Exchange for this quarter and what is their cumulative contribution to your overall volumes?

Satyanarayan Goel: I can tell participation was there by most of the states and states where demand has increased like Gujarat, Maharashtra, Punjab, Haryana, Rajasthan, Tamil Nadu, Andhra Pradesh all these states were active, depending on their demand they are buying power.

Aniket Mittal: Sir would it be possible to quantify who are top three buyers and their contribution to overall volume?

Satyanarayan Goel: I can tell you that these seven to eight states which I told you have a significant demand increase and they were large buyers from the Exchange .

Aniket Mittal: Thank you and that is it from me.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.

Apoorva Bahadur: Sir thank you for the opportunity. Sir wanted to understand, you mentioned you are seeing capacity addition and there should be planning in the system, so two questions here. Firstly, where do you see this capacity increase happening? Mostly in renewables or thermal assets? Secondly in case we are currently reducing capacity on a net basis do you see the long-term prices on Exchanges going up subsequently?

Satyanarayan Goel: I understand what is already going down is about 40000 megawatts capacity, which is in the state sector and the center sector. Whatever capacity will be retired, almost same kind of capacity will be under construction and commissioning, so there is not going to be any shortfall in the installed capacity. In addition to this we are also working on the renewable capacity additions, so energy side I do not see any challenge.

Rohit Bajaj: These 20000 megawatts of capacity is also where the utilization is extremely low so we expect as the demand grows the utilization of this capacity will also grow and this is open capacity and they are free to sell anywhere in the market.

Apoorva Bahadur: Secondly Sir, on the MBED side, I understand and please correct me if I am wrong but under the MBED, price discovery would not happen on the Exchanges, especially scheduling function, so in such scenario I know you said the regulator will take a call but what could be remuneration for the Exchange?

Satyanarayan Goel: Phase one of MBED Exchanges will do what we are doing today. The entire function of bid collection, price discovery, scheduling, financial transaction settlement and physical settlement will be done by the Exchanges.

Apoorva Bahadur: The price is the way that will happen on Exchange for MBED?

Satyanarayan Goel: Yes. Implementation of phase one they will see what the implications are, what kind of benefits country is deriving out of that and what should be done for phase 2. Whether we should launch for phase 2 or not I think the call on that will be taken after implementation of phase 1.

Apoorva Bahadur: Sir, in that case say for example in case of phase 1 probably NTPC will become a market maker given that it is driving the bulk of the capacity, so what incentives is it there for NTPC to be on IEX because what I wanted to know since NTPC will be the market maker, probably it can drive price discovery in any of the Exchanges, Sir if you could just elaborate on this and throw some light?

Satyanarayan Goel: First, if you have seen the paper, it is not NTPC alone, it is talking about interstate generating stations, so when you say interstate generating stations this is NTPC NLC, DVC, NEEPCO, NSPC, all these companies plus the private sector companies also which are interstate generating companies like Adani, Tata, Sasan and then you have interstate generation stations in the private sector also, so GMR, all these companies, all these plants are interested.

Apoorva Bahadur: Same thing persists right, NTPC would obviously have the highest capacity among these?

Satyanarayan Goel: Any generator or any distribution company would like to participate on Exchange platform which has demonstrated its capability to run. I mean nobody can take risk with Exchange or a platform which has not been proven. In last 13 years at least we have demonstrated that that we are capable of having such a product.

Apoorva Bahadur: I get your point. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Noel from Ashika Group. Please go ahead.

Noel: Actually, most of my questions have been answered by now but just one last question. This is regarding the very high volumes that we have seen in August and September and so far we are also seeing higher volumes for the month of October, will it be fair to assume that these higher volumes would persist in terms of market share gain going forward?

Satyanarayan Goel: That is what we think and that is what we are aiming for.

Noel: But would some portion of it be seasonal in nature?

Satyanarayan Goel: If you look at our quarterly volumes invariably Q2 is the highest volume but then when Q3 and Q4 are also reasonably good volumes, very significant.

Rohit Bajaj: So, month on month is good variation but every quarter you will find some very good month and all in all if you see on an annual basis within the quarter's variation is not very high.

Noel: Okay that answered my question. Thank you very much.

Moderator: Thank you. The next question is from the line of Aman Madrecha from Augmenta Research Private Limited. Please go ahead.

Aman Madrecha: Sir I had one question. Currently on the balance sheet you have around 1000 Crores cash in investments so what are we planning to do with this, are we planning to invest in some other avenues or we looking to increase the dividend payout?

Satyanarayan Goel: I request my colleague Mr. Vineet Harlalka to respond to this question.

Vineet Harlalka: The company has surplus cash flow but it is mainly because of float which is a kind of liability. It is more of a cash surplus, but if you look at from shareholders point it will be in tune of around 450 Crores only. So, we are exploring diversification opportunities and company has been paying a good amount of dividend in the past also and the company will continue to reward the shareholders with good dividend also and the company will retain the requisite amount of cash as required for diversification and look for other growth opportunities.

Aman Madrecha: I also wanted to understand the MCX derivatives coming into picture. Will there be any effect on the volume on IEX or it will be just that MCX would be taking prices from IEX? I was asking if MCX entering into derivatives contracts for electric trading, so can we expect the volumes on IEX to deteriorate because as we have seen derivative often becomes a larger market in each and every segment so can we expect the volumes to deteriorate, or the volumes would remain same?

Satyanarayan Goel: Volumes will never increase because the derivative contracts are financially settled contracts and if delivery must happen under those contracts, as per the contract, the delivery will happen on the IEX platform. That is number one. Number two, when there are derivatives, there are a few market participants who are not participating on the Exchange platform because of the price volatility. Now those participants will have the option of placing their position in the derivative market and taking delivery in the spot market. The volume in the spot market increases and so that is why government was also concerned about introducing these derivatives in the market and government took the initiative of resolving this jurisdictional issue.

Aman Madrecha: So, in this derivative market the contracts will be settled there will be delivery of electricity they will not be just financially settled?

Satyanarayan Goel: That delivery will happen on the IEX platform, and they cannot do delivery of power because delivery of power is regulated by CERC. It must be done as per the CERC regulations. As per the contract any delivery resulting out of the derivative contract will happen on the IEX platform.

Aman Madrecha: So, like with the derivative can we expect more price fluctuation because given that there will be derivatives so there would be price fluctuations on the platform?

Satyanarayan Goel: I am not clear about your question.

Aman Madrecha: Sir, I am asking the derivative itself going forward can we expect the price volatility in the TAM or DAM markets would increase?

Satyanarayan Goel: In fact when you have derivatives there is more stability in the price.

Aman Madrecha: Sir I just wanted to understand more on the IGX, when can we expect IGX to materially start contributing to the revenue or profitability?

Satyanarayan Goel: As I told you IGX is doing volume increase every month. The traded volume is increasing but because of the high price of gas in the international market, unfortunately the import of gas has reduced, so availability of gas in the market has reduced. That has impacted our projections. We were expecting in the fourth quarter of this year we should achieve breakeven but may be like expected by one or two quarters.

Aman Madrecha: Can you give me some data like what is the transaction charge in the IGX?

Satyanarayan Goel: IGX transactional charges are Rs.4 per MMBTU.

Aman Madrecha: That is helpful. Thank you.

Moderator: Thank you. The next question is from the line of Devesh Agarwal from UTI AMC. Please go ahead.

Devesh Agarwal: Good afternoon gentlemen. My first question, when you look at renewable most of the capacities get build up with 25 years PPA, do you think the addressable market for renewable would be restricted largely for the load balancing or there would be more volumes coming about?

Satyanarayan Goel: In 2008 when we started IEX at that time almost 100% of the power generation capacity was tied up with the PPA but then slowly we started having merchant capacities in the market also and then, distribution companies when they had surplus power they started selling on the Exchange platform. Similarly in the renewable also, we just had GTAM markets, and on October 26 we will be starting the GDAM market too. I think when we start these products in the market, the generators should have another option of selling their renewable power. What we have seen in the last one year in the GTAM market, price discovered in the Exchange platform is much, much higher than the price which they are getting in the competitive bidding route. So, I am sure there are going to be generators who will set up merchant capacities and volume in this market will again slowly start increasing. I am not expecting the volume increase in the green market will happen immediately in the next one or two years it may take time but yes.

Devesh Agarwal: My second question is in continuation with an earlier participant's question. Sir on the price coupling where are we in terms of regulation? Can you help us understand, is there a clarity from the regulator side whether this will be implemented and if yes by when?

Satyanarayan Goel: From the regulator side, there is no mention of price coupling anywhere. They said in the regulations also, let it be considered as and when felt necessary. I do not think there is any discussion on this and even in the phase one press release given by the Ministry of Power for implementation of phase one of MBED, there also, they are not talking of price coupling. After implementation of phase 1 then they will see how effective this was, should they go ahead with the phase 2 or not, I think these are issues which will be subsequently dealt with.

Devesh Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Sir just one quick question, could you highlight what will be the reason for someone to trade on the Exchange through power traders like PTC and not directly? And what are we doing to bridge this gap? PTC they have 30% to 40% on the Exchange? So, what according to you are the reasons for these companies coming to Exchange from PTC and not directly to the Exchange?

Satyanarayan Goel: Number one, the share of PTC on power Exchange out of the total transactions what we do is almost about 20%. It is not 30%. It is about 20%. Number two, there are couple of state distribution companies, who participate through PTC and some of the industrial consumers also are participating through PTC. PTC also has long-term contract with some of the generators. They are filling the power for the Exchange platform. So, these participants have their own reason for participating with PTC. In addition to this we also have some of other trader members like Tata Power Trading Company, Manikaran, etc., who are doing transactions on behalf of some of the clients and then we have many distribution companies and who are directly doing transactions from the Exchange platform who are our proprietary members.

Ankush Agrawal: The reason for asking this question was PTC is trading plenty of volumes and PTC is coming for its own Exchange and PTC is selling its volumes and they are the decision maker with at least 20% by volume. So is it not a risk that someone like PTC will try to shift this volume to some other Exchange ?

Satyanarayan Goel: I will give you one example. When you purchase shares from Zerodha platform or ICICI Direct platform there is an option that you can purchase from BSE or NSE. Who decides about that, you decide or that platform decides about it?

Ankush Agrawal: Good analogy.

Satyanarayan Goel: Traders are only doing these transactions on behalf of the client. For a generator it is more important to sell that power because power that is not sold the opportunity is lost forever. Power is a perishable commodity. For a generator, it is important to sell the power. Similarly for a distribution company or industrial consumer it is important to get the power. If the power is not available, the distribution companies will have to the load shedding. So, these factories would like to do the trade on Exchange platform where they have the comfort that yes they will be able to sell or purchase the power. So, I think it is they who decide about it. That is why they purchase or sell on a particular Exchange based on the liquidity on the Exchange. It is a common phenomenon.

Ankush Agrawal: What you are saying is the discoms and the consumers, like the discoms and power purchasers would decide which Exchange to place order and it is not PTC who decides it?

Satyanarayan Goel: Yes definitely.

Ankush Agrawal: That was all. Thank you.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Thank you for taking my question. Sir I have got few bookkeeping questions. So, first question is on what was the share of open access volume in the quarter?

Satyanarayan Goel: This is about less than 20%.

Jiten Rushi: Sir two more questions on the other expenses, we have seen sequential decline in other expenses and also on the employee cost which went off sequentially, what was the reason for decrease in the other expense and increase in employee cost and what can be the run rate going forward?

Satyanarayan Goel: Cost optimization during COVID time. That is one reason as far as the cost deduction is concerned. I will request my colleague, Mr. Vineet Harlalka to respond in detail about it.

Vineet Harlalka: During the quarter, the other expenses were mainly because of the CSR because in quarter one it was around 200 Crores additional CSR expenses that the company incurred which was not there this time, otherwise all the other costs are more or less same so that was the only major significant difference in the Q1 and Q2. If you compare to the September quarter of the previous year, yes because of the COVID, lot of restrictions were there and all the work from home was there and that was the biggest factor. Manpower cost, the increase was mainly because if you can recall during the quarter one concall, we clarified there was some reversals of the variable proportions, amount was there during that quarter so some provisional difference was there so that was one time impact given on that number. If you look at the overall number, we are in this time only these are the number which are we going to continue.

Jiten Rushi: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead.

Gokul Maheshwari: Thank you for the opportunity. Sir in your opening comments you had mentioned about some changes in the DSM regulation in terms of price benchmarking. Can you help us in understanding in detail how these regulations will help the RTM gain share from DSM overtime?

Satyanarayan Goel: At present, DSM mechanism is that there is an average price for the day which is taken and that average price of the day is linked with the frequency and since frequency is almost constant hovering between 49.95 and 50.05, so the DSM price is also very close to the average clearing price of the day. Average clearing price is average price of the day. During evening hours, the price is higher, during morning hours the price is higher during the daytime the price is lower. So, what we have seen is that when the demand is more, the market clearing price is high, DSM price is lower and there is a tendency to overdraw. That is why now CERC is linking the DSM price to the block wise price. It is stored on the Exchange platform. So in the evening hours when the price discovered from 07:00 to 07:15 block if the price is Rs.8 then the DSM price also is going to be more than Rs.8, there is going to be a multiplier on this price. So in the draft they have indicated 110% of the DSM price but many of the participants have commented that this price should be higher than this because then only it will act as a deterrent so that is how DSM price is going to be linked with each block and it is going to be higher than the market clearing price, forcing distribution companies to plan and purchase in the RTM market.

Gokul Maheshwari: Is this implementation expected to happen soon with change in regulations?

Satyanarayan Goel: This is a draft discussion, they have issues. They have invited comments. I think comments are also submitted by all the parties. That date is over. So CERC may take up this issue in the month of November and then thereafter the order should come hopefully by the end of this year and in the month of January this should get implemented.

Gokul Maheshwari: Great Sir. Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Jiten Rushi for his closing comments.

Jiten Rushi: Thank you everyone for participating in the call. We thank the management for giving us this opportunity. I will now handover to the management for their closing remarks.

Satyanarayan Goel: Thank you very much for participating in this earning call. I must say that energy markets have a key role to play in building India as a sustainable energy economy. With the opportunities that lie ahead of us we are very excited about the prospects of the company, and we had good interaction today and I look forward to similar interaction in the next quarter also. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Axis Capital Limited that concludes this conference. We thank you for joining us. You may now disconnect your lines.