



Dated: October 29, 2024

The Manager
BSE Limited
Corporate Relationship Department
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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 October 25, 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 October 25, 2024 to discuss the financial results of the Company for the quarter ended September 30, 2024.

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

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For Indian Energy Exchange Limited

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

Encl: as above

Indian Energy Exchange Ltd

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“Indian Energy Exchange Limited
Q2 FY '25 Results Conference Call”

October 25, 2024



MANAGEMENT: **MR. SATYANARAYAN GOEL – CHAIRMAN AND
MANAGING DIRECTOR**
MR. ROHIT BAJAJ – JOINT MANAGING DIRECTOR
**MR. VINEET HARLALKA – CHIEF FINANCIAL OFFICER
AND COMPANY SECRETARY**
MR. AMIT KUMAR – HEAD OF MARKET OPERATIONS
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MR. ADITYA WALI – INVESTOR RELATIONS

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

Moderator: Ladies and gentlemen, good day, and welcome to the Indian Energy Exchange Q2 FY '25 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 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, Neha. Good afternoon, ladies and gentlemen. On behalf of Axis Capital, I'm pleased to welcome you all for the IEX Q2 FY '25 Earnings Conference Call. We have with us the management team of IEX, which is represented by Mr. S.N. Goel, the Chairman and Managing Director; Mr. Rohit Bajaj, Joint Managing Director; Mr. Vineet Harlalka, Chief Financial Officer; and Ms. Aparna Garg, Head, Investor Relations and Corporate Communications. We will begin with the opening remarks from Mr. Rohit Bajaj, followed by an interactive Q&A session. Over to you, sir.

Rohit Bajaj:

Good afternoon, everyone. I welcome you all to the IEX Earnings Call for Q2 FY '25. With me today on this call are Mr. Satyanarayan Goel, CMD IEX; Mr. Vineet Harlalka, our CFO and Company Secretary; Mr. Amit Kumar, Head of Market Operations, New Product Initiatives & Exchange Technologies; Ms. Aparna Garg, Head of Investor Relations and Communications; and Mr. Aditya Wali.

Friends, Modi government 3.0 recently concluded 100 days, maintaining its thrust on infrastructure development, innovation push and economic growth. The Indian economy continues to be the world's fastest major economy with yet another reported quarter of robust GDP growth. The economy grew 6.7% Y-o-Y in Q1 FY '25, allowing the RBI to retain its GDP forecast for FY '25 at 7.2%. In the wake of Q1 GDP growth, the World Bank has also revised its GDP growth projections upwards for FY '25 to 7% from 6.6% projected earlier.

On the power sector front, electricity demand growth during the second quarter slowed on the back of better-than-expected monsoon. Monsoon was 8% higher than the long-term annual average. Power demand at 435 billion units in Q2 was largely flat at plus 0.5% Y-o-Y with a peak demand of 227 gigawatts. However, in the first six months of FY '25, power demand was higher by 5.6% over the previous year.

To meet India's growing energy demand, the Ministry of Power has maintained its focus on capacity addition and strengthening of overall power infrastructure. Almost 28 gigawatt of thermal capacity is under construction, out of which 15 gigawatt is expected to get commissioned in this fiscal and the balance 13 gigawatt in the next 2 years.

Further, 58 gigawatt of capacity is in various stages of planning, statutory clearances and bidding and this should come in the system over next six to seven years. Capacity addition is being regularly monitored by the Ministry of Power. In addition, 40 to 50 gigawatt of renewable capacity is to be added every year until 2030. The government also plans to add 39 gigawatt of pump storage project, PSP, by 2030, out of a total potential of 184 gigawatt.

Recently in September, MNRE issued guidelines for Viability Gap Funding scheme for offshore wind energy projects worth 1 gigawatt across the States of Gujarat and Tamil Nadu. It is

proposed in the scheme that any un-requisitioned power from these projects can also be sold on the exchanges. This is expected to increase sell-side liquidity on the exchanges.

At the recently concluded Global Energy Investors meet in Gujarat, our Honorable Prime Minister also underscored India's strategic growth to expand its renewable capacity to 500 gigawatt by 2030. Energy developers at the meet pledged substantial commitment to capacity creation under their Shapath Patra Agreement. At the event, the government also highlighted plans to develop 17 cities as a model solar cities.

On the fuel side, this fiscal has not seen any shortage so far. Coal is available through the e-auction route at a very nominal premium of 10% to 20% with respect to the administered price and coal inventory today stands at about 14 days. Imported coal prices in Q2 have also been competitive at \$52 per ton. Similarly, gas prices at \$12 per MMBtu have remained largely stable in the first half of FY '25.

With favorable monsoon this year, high hydro and wind generation and ample availability of fuel has led to higher liquidity on the exchange platform with sell liquidity increasing by 41% over H1 FY '24. With these strengths in liquidity, volume growth is expected to continue going forward.

Let us now talk about important regulatory updates and policy initiatives that helped deepen power markets.

Recently in a draft, the CERC has proposed various changes in term ahead market design, which will align TAM products across exchanges and also help in improving liquidity.

The Deviation Settlement Mechanism Regulation 2024 has made deviation management more stringent. This is likely to promote further discipline leading to better grid stability. Under the proposed amendments, deviation charges are again linked to grid frequency. With regards solar and wind generators, deviation percentage allowed for levy has been narrowed to 10%. This is expected to further increase RTM volumes at exchanges.

With regards to cross border electricity market, the CEA has allowed generating stations selling cross border power through a dedicated transmission line to facilitate sale of power within India in case of sustained non-scheduling of capacity or default notice issued by a generator for debt delayed payment under their respective PPA. This has the potential to increase liquidity on the exchanges.

To meet high power demand, the MoP recently extended Section 11 directive to imported coal-based plants to operate up to 31st December 2024. These assets will be utilized to meet country demand and support liquidity on the exchanges.

To address challenges posed by seasonal variations in electricity demand, which led to sharp surge in power consumption during crunch periods, the CERC recently issued an order to ensure adequacy of resources, identify generation, demand response capacity and generation flexibility requirements.

Under the amendment to Late Payment Surcharge (LPSC) rules, the government has directed all generating stations, which have long-term PPAs to offer un-requisitioned power on the exchange platform. As a result, about 100 million units of URS power from central generating stations is coming to the exchange platform, out of which 15 million to 20 million unit is getting cleared on daily business. Soon generating stations which are within the States will start to offer URS power on the exchange, which will further increase liquidity on the exchanges.

Under provisions of Energy Conservation Act 2001, the Gujarat Electricity Regulatory Commission has introduced stringent compliance norms for obligated entities. In the event an obligated entity does not fulfill its renewal purchase obligation and also does not purchase the certificates, the Commission has introduced payment of traditional penalty up to INR3.72 per unit for shortfall in the specified renewable energy consumption targets. This should promote compliances and help maintain a vibrant REC market.

These changes are expectedly positive for exchanges and are bound to improve sell-side liquidity and soften power prices. As prices continue to remain competitive, it is expected to present an opportunity for DISCOMS and Commercial & Industrial consumers to optimize their power procurement costs.

IEX business performance during Q2 FY '25 has been strong. We recorded a total trading volume of 36.7 billion units in this quarter with a growth of 38.2% on year-on-year basis. For the first half of FY '25, IEX traded volume of 67 billion units, a growth of 30% over the same period in FY '24.

Consequent to reduction in REC prices, we revised our transaction fee on RECs from INR20 per certificate to INR10 per certificate on either side of transaction with effect from 12th August, 2024. In Q2, a total of 63 lakhs certificates were traded, a jump of 277% over the same quarter last fiscal.

RTM segment has seen strong growth this fiscal. For Q2 FY '25, RTM volumes were higher by 31% Y-o-Y at nearly 11 billion units, showcasing its critical role in developing Discoms and open access consumer efficiently manage short-term electricity needs. In September 2024, RTM recorded the highest single day trade volume of 173 million units. And RTM also achieved its highest ever monthly volume of nearly 3.5 billion units. . The share of RTM in our overall product mix has also increased to nearly 30% over the last two quarters from 27% at the end FY '24. RTM's ability to offer flexibility and immediate responsiveness highlights the opportunity to efficiently integrate renewables with the grid. Similarly, for the quarter, Green market volumes rose to 246% to nearly 2.6 billion units as compared with Q2 FY '25.

In terms of new products, we continue to await approval from CRC for our long duration contracts. We have already filed a petition with them for approval of 11-month contract on which the hearing has happened and order is reserved. Further, we have filed petition with CERC for approval of Green RTM segment. Green RTM would provide opportunity for RE sellers to avail price premium over conventional power and also buyers to avail Green attribute of electricity. This segment shall also help reduction in variation exposure due to weather events by providing an avenue to trade Green power just one hour in advance.

We are happy to inform that our wholly-owned subsidiary, International Carbon Exchange has been accredited as India's first renewal energy certificate issuer. I-REC is globally recognized digital certificate that serves as a transferable proof of generation of 1 megawatt hour of energy from renewable sources.

Further, the Honorable Minister of Coal, Shri G. Kishan Reddy Ji earlier this week announced that India's first coal exchange would be set up soon and that the exchange would work under the supervision of Coal Controller Organization. IEX has been working with stakeholders to explore this diversification opportunity.

On another front, in August, the draft guidelines for Authorization and Functioning of Extended Producers Responsibility, EPR Trading and Settlement Platform for Plastic Packaging has been issued by the Central Pollution Control Board. This will help in the transparent and competitive price discovery for EPR certificates through an online platform. EPR certification ensures proper recycling, reuse, end-of-life disposal of waste generated from electronic and plastic products.

It is expected that this would be extended to other types of waste, such as e-waste, battery waste, tire waste, used oil waste, etcetera. We are working with stakeholders to evaluate business diversification opportunity in this segment.

Let us now summarize the financial performance of the company in this quarter. On a consolidated basis, revenue for the company grew 26.2% on year-on-year basis in Q2 FY '25, increasing to INR167.8 crores from INR133 crores in Q2 FY '24. Consolidated PAT increased by 25.2%, rising to INR108.3 crores in quarter 2 of FY '25 compared with INR86.5 crores in quarter 2 of FY '24.

IGX traded volume of 118 lakh MMBtu for Q2 FY '25 compared with 195 lakh MMBtu traded in Q2 last fiscal. Profit after tax for IGX for Q2 FY '25 came in at INR6.1 crores compared with INR7.8 crores in Q2 FY '24. For the first half of FY '25, IGX recorded a PAT of INR13.6 crores, higher by 20.7% compared to the same period last fiscal. Gas prices have remained stable over the last two quarters, and volumes are expected to pick up as we approach the winter months.

Way forward -- Friend, the power sector is undergoing rapid visible shift. A year ago, battery storage rates were almost about INR10 lakh per megawatt per month. But rates in the recent tender of NVVN have come down to about INR2.37 lakh per megawatt per month under the VGF scheme. The competitive rates in BESS make a promising case for market development. Prices on the exchange provide enough arbitrage to make BESS commercially viable at the current prices. This will improve liquidity during non-solar hours and will help in meeting peak hour demand.

With the CEA forecast of peak power demand of 458 gigawatt by 2032, power consumption growth will continue to drive exchange volume growth. On the liquidity side, MoPs initiative on renewables and thermal capacity addition will keep power procurement cost stable. The regulatory environment and government initiative to facilitate the path of energy transition shall continue to support market development. IEX shall also continue with the diversification initiative within the sector to grow them to significant value.

As India marches towards achieving its net zero target, there is bound to be a growing role of power exchanges in the country's energy landscape and IEX shall continue to be part of this journey.

Thank you. And now we can have questions and answers.

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

Mohit Kumar: Good Afternoon Sir! Congratulations on a very good set of numbers. My first question will be, what is your market share in this quarter vis-à-vis other exchanges?

SN Goel: Our market share has been almost about 83% now.

Mohit Kumar: Understood, sir. My second question, sir, is on the transaction fees. When we take the revenues and divide by number of units, it seems like the transaction fees for the quarter is INR3.7 per unit. Are we giving a discount?

SN Goel: In case of REC market, the rates have come down. REC rates are now almost about INR120, INR110. So, we have reduced the transaction fees from the REC. And this is because of that.

Mohit Kumar: Right. My third question is, we're looking to start the new product, which is more than 3 months. Where it is right now? When do expect to launch the product?

SN Goel: CERC hearings are complete, order is reserved. So, we are waiting for the CERC order.

Mohit Kumar: Understood, Sir. And last question Sir, has Grid started the pilot study for market coupling? Where is it right now?

SN Goel: They are yet to submit the report.

Mohit Kumar: Have they started the pilot or is it still awaited?

Rohit Bajaj: We are really not aware about it.

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

Rohit Bajaj: What we understand is that they were in the process of developing the software, they were taking the data from us to validate the software. But what has happened in the simulation, we are not aware about that.

Moderator: The next question is from the line of Sumit Kishore from Axis Capital Limited. Please go ahead.

Sumit Kishore: During the September quarter, the REC volumes kept coming off from July, which was a very good month, followed by a lower number in August and further decline in September. What was the dynamic here, although REC in each of these months were much higher than the prior period on a year-on-year basis? And what is the likely road map going forward now that REC prices have come off so substantially?

SN Goel: Volumes were significantly higher in the month of July because Bihar is one state where there was a lot of deficit and they purchased good amount of RECs. And since they completed their RPO compliance in the month of July by buying significantly higher number of RECs, so in August, September, they were not there, DVC was not there. And because of that, the numbers have reduced.

But I'm sure that trend with respect to last year, increasing trend, that will definitely continue because REC rates have come down, and there are many interested parties who are going to do their RPO compliance and purchase the REC.

Sumit Kishore: Very clear. The second question is that in a quarter where India's power demand growth was barely up 0.5%, IEX electricity volume growth was up 23%. So aside from the factors of better fuel availability, lower cost, better liquidity, were there any other factors or anything structural, which would imply that the momentum of growth would continue going forward as possibly power demand actually may pick up at the all-India level? Your thoughts there, please.

SN Goel: Yes, demand is definitely expected to increase. I mean, India is a growing economy. Our GDP is increasing at a rate of 7%. If GDP is increasing, power demand is also going to increase. And government also has taken many initiatives to increase the electricity consumption. And I'm sure the projections are, the demand for electricity is going to increase at a rate of almost about 7% for the next seven, eight years. And if that is the case, then definitely exchange transactions also will increase, because 7% of increase, that is almost about 130 billion units increase. And I'm sure a good part of this incremental demand will come to the market.

Sumit Kishore: Sure. How is the month of October panning out so far in terms of electricity volume growth?

SN Goel: It is a growth, but October demand is slightly lower because of the temperature dip in the Northern region and also rains in the South and East. But there is an almost about 8% kind of volume growth.

Sumit Kishore: Thank you so much Sir.

Moderator: The next question is from the line of Bharani from Avendus Spark.

Bharani: Yes. So, my first question is on the transaction fees. Now in April 2023, when the transaction fee was approved by CERC for IEX, the document talked about the regulator asking the commission to come out with a discussion paper outlining global best practices on transaction fee and after that you can take a call on the transaction fee if needed. So just wanted to get your sense on, one, where is this process? And second, in your opinion, whether the transaction fee for all the electricity products will be changed in the future, especially given now even we ourselves have decreased transaction fee in REC products where prices have come down?

SN Goel: April '23 order did not specify any timeline for the discussion paper. So as of now, to our knowledge, nothing has happened and nothing is happening on that. But as far as transaction fees is concerned, I think this issue has been deliberated multiple times in CERC. In 2018, also CERC order came. And there also, they had allowed 2 paise as transaction fees. It was again allowed in the 2021 regulation and then again, in 2023 orders.

And you rightly said, that in case of REC since the rate has reduced, we reduced the transaction fee. But in case of electricity, our transaction fees is continuing at two-paise on either -side right from 2011 when the electricity rates were almost about 2.5, 3 rupees. Today, electricity clearing price is almost in the range of INR5. In spite of that, we have not increased the transaction fees.

And even if you look, the trading activities, what is happening in the sector, there regulator has allowed transaction fees up to seven paisa per unit. Government of India company SECI, when they are buying power from the renewable generators and selling it to distribution company, they are also allowed a trading margin of seven paise. So, if that is the case, I don't see any reason why this four paise transaction fees will not be allowed or will be considered as high.

Bharani:

Sure, I think that is good to know. Second question is on market coupling. Now in February 2024, when the result of the initial pilot study was given by CERC, the document talked about doing further pilot study, especially focusing on whether coupling RTM market with SCED market is any beneficial. Now my question is, in layman terms, why should coupling in RTM and SCED be considered. If you can conceptually explain rather than coupling in the overall market?

SN Goel:

See, CERC in the order which was issued in the month of February, they have very clearly mentioned that they did simulation for 3 months. And based on the data, they did not find any merit in coupling only RTM market or only DAM market of the three exchanges. So one of the suggestions which they received was to couple the RTM and the SCED, and just to explore it further, they have given the order to Grid-India to do the simulations and see if there is a merit in that.

But let me tell you, SCED and RTM are 2 different kind of markets. SCED is basically among the generating stations who have long-term power purchase agreements where the fixed cost is assured under the PPA. They sell power on the basis of the variable cost, regulated variable cost.

In case of RTM market, the generators are merchant generators and they have to recover the fixed and variable cost to the market. And even the coal, which is given to the PPA generators is through the FSA route at the administered price, whereas merchant generators buy coal from the e-auction route. So I think these two are two different sets of generators.

So theoretically speaking, coupling between these two set of generators is something not desirable. But then some simulation studies are going on and we also know about, what kind of benefits they're getting in the SCED and how much of volume is getting cleared in the SCED, all this data is available in the public domain. And if you couple these two markets, significant benefit is not going to happen.

The incremental benefit is going to be very very low. And I don't think for that kind of a small benefit, CERC will go ahead. I mean implementing this kind of a coupling is very, very cumbersome activity, and it also involves cumbersome financial and physical settlement process. So, I don't think it is worth taking all that pain, but then again we are waiting for that study report and then CERC order thereafter.

Bharani:

That is very clear. Thanks for answering.

- Moderator:** The next question is from the line of Chirag from Keynote Capital. Please go ahead.
- Chirag Maroo:** Thank you for the opportunity. Would it be possible for you to give market share product-wise?
- Rohit Bajaj:** Yes. So in day-ahead market and real time market, which are collective segment, our market share is 99.5%. In the term-ahead market, our market share is about 40%, which overall, on a total basis, it makes it 82.7% or 83% in electricity. In certificates, it is 60%. And overall market share in H1, first six months is 79%. Electricity it is 83% and certificates it is 60% and total is around 79%.
- Chirag Maroo:** Right. Sir, second, I wanted to understand one thing as the earlier participant also asked, there was one simulation taking place related to RTM and DAM which didn't make it through because majority of the volumes were used to come from the IEX itself. So even if there is market coupling...if this RTM and SCED based market coupling goes forward also, does that mean all the products will be coupled or it will be just two of these products in the market?
- SN Goel:** We don't want to comment on that. Let CERC decide about it first. And thereafter, we will talk about this. As of now, the simulation is basically for RTM and SCED.
- Chirag:** Sir, third question I just wanted to have a view. Is there any internal discussion in the management team going on related to change in dividend policy? As we don't require this much amount of cash for bringing new products itself, has there been any talks related to slab-based dividend model taking place and changing from the current 65 percentage of it?
- SN Goel:** As of now, there is no such thinking about it. We are giving 65%-70% kind of profit in the form of dividend and that's a good dividend payout. We are also working on other initiatives as I told you in the past. Gas exchange is doing well. We are also working on coal exchange, which is Government of India, Ministry of Coal is talking about that. And there are EPR trading, discussions going around. Carbon exchange is another opportunity. So I think for all these things, money will be required, so we are keeping that money for that purpose.
- Chirag:** Will it be possible for you to give a broad ballpark number wherein -- what kind of money would be required for bringing these ...?
- SN Goel:** See, even in case of power exchange also since we are counterparty to both the sides, we have to make payment to the sellers even if we are not getting payment from a buyer. And there have been some instances where there was one or two days delay in making the payment by the buyer. So we have to have enough surplus fund with the company to take care of this kind of eventuality.
- So I think the present surplus is about INR900 crores which includes the investors' money, which is available in the company. It is not very high. But then yes, in future, we can think about a special dividend if there is a need.
- Chirag:** Fair enough. Thank you so much sir.

- Moderator:** Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.
- Viraj Mithani:** Congratulations Sir, for the good set of numbers. My question is again on coupling. In case the coupling goes through, so how are we going to be affected. Like, I mean, because we are the leading exchange in the -- we have first-mover advantage too. Can you give some color on that? I know it's too early to comment, but if you can give?
- SN Goel:** I'm very sure coupling is not going to happen. So let us not worry about that. And in case coupling happens, we have ways and means to ensure that we are able to retain our market share. And we will talk about the details when we come to that.
- Viraj Mithani:** Thank you sir. All other questions are answered.
- Moderator:** Thank you. The next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.
- Devesh Agarwal:** Good afternoon sir and thank you for the opportunity. Firstly, again on continuing on market coupling, if you could help us understand whether this URS power that has been coming into the RTM market, in any way does that kind of bring down the benefit that could have possibly come out by coupling the SCED with RTM market or it doesn't impact?
- SN Goel:** See, number one, SCED volume itself is very less. It was earlier about 30, 35 million units per day whereas the RTM market volume is about 100 million units. And after this government new rule of sale of URS power on the exchange platform, we are seeing that in the RTM market, on an average daily about 20 million units of this URS power is being sold through the market itself.
- So that means that opportunity available for further optimization in the SCED market is further reduced. So today, the SCED market is less than 28 million units per day. So I think the optimization opportunity is definitely further reduced. And if all generators, they participate in the DAM and RTM market, the URS power is sold, there will be practically no optimization opportunity by coupling SCED and RTM.
- Devesh Agarwal:** Understood, sir. And secondly, sir, if we see the numbers for October, you said there is some growth. But if we see for our numbers in the month of October, we are seeing that there is a month-on-month decline. And the decline is largely in the RTM segment where volumes have come down by 20 to 25 MUs on a daily basis. So any particular reason for this, sir?
- SN Goel:** Yes, month-on-month, there is a decline. But if you look at year-on-year, there is a positive number. And month-on-month, month of September is slightly hotter and humid month. Agriculture demand is also there because of that, the demand was high in the country. Now demand also has reduced. And fortunately, availability of generating units is high. So that is why I think volume is on a month-on-month basis reduced.
- Our comparison is mainly on a year-on-year basis. Because you will see on every month, I mean next year, November is going to be further colder month and the demand may further go down. But if you compare with respect to last year, that is the basic comparison what we do.

Devesh Agarwal: Understood, sir. And sir, I think you touched upon in your introductory remarks, this CERC regulation, which came at the start of the month around TAM pricing. Could you just explain a bit better what does the draft paper talks about? And how would this impact the TAM market? And does this benefit or impact us in any ways if this were to be implemented?

SN Goel: See, first, it is basically to streamline the transactions in the TAM market. Today, there are multiple products and exchanges were given the flexibility to introduce whatever product they feel like. And as a result of that, different exchanges have introduced different kind of products. So there is no standardization in that. And that is why the liquidity in this market is getting fragmented across these different products.

So CERC has now decided to streamline this activity, and there will be standard products available in the market so that buyers and sellers can see what is available for the sell and what is what they want to buy. And I think this is a very good initiative of the CERC and it is good for the market.

Devesh Agarwal: But does it impact any of our segment volumes or no, not really?

SN Goel: It doesn't impact that and I'm sure we'll be a larger beneficiary of this.

Devesh Agarwal: Understood. And lastly, sir, you talked about diversification and you spoke about EPR trading and coal exchange. So among this one, which one do you think has the largest potential in terms of becoming sizable? And secondly, which is the one that you think will be started first or will commence operation soon?

SN Goel: Your both questions are difficult to answer because both these initiatives are dependent on the Government decision. Coal exchange, I mean, I've been hearing about it from the last 1 year and Honorable Minister of Coal also had made statement earlier that it is a part of the 100 days agenda and the 100 days are over. In the last week also, he said that, yes, we are going ahead with the coal exchange.

So I think only after a decision is taken by the Government in this regard, then only we will be able to start work on that. And then after that, we will have to approach the regulator whoever is the party identified for this purpose and take approval and thereafter launch this. I think it will need some time. It will be dependent on the Government approvals, but once approval is there, after that, we will need maybe about 6 months to 8 months' time to start.

Similar case in the EPR trading. EPR trading also draft regulations have been issued and we have received the public comments. They are in the process of finalizing the regulations. Once the regulations are finalized, then they will appoint the agency for the purpose of EPR trading. And multiple parties may apply and then it depends whom they select. So we have good chances to get selected, but then there this opportunity is available to everybody.

Devesh Agarwal: Understood sir. That's all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Vishal Periwal from Antique Stock Broking. Please go ahead.

- Vishal Periwal:** Yes sir. Thanks for the opportunity. Sir, on this REC transaction fee that we have revised, wanted to understand the rationale for it. When the volume for any product is going strong, what was the reason of introducing the fee that we charge?
- SN Goel:** No, since the rate for the REC, those got substantially reduced. And we felt that transaction fees should also be reduced because rates earlier were 1,000 rupees, it came down to almost about 120 rupees...
- Vishal Periwal:** Okay. So no, but we are not seeing a similar thing for even like power products that we have when maybe like the tariff moves to maybe to rupees 8, rupees 9.
- SN Goel:** Yes, I agree with you. In case of electricity, when the rates increased from INR2.5 to INR5, our transaction fees would have increased there, but we did not increase that. But this time, want to give benefit to the distribution companies, we decided to reduce the transaction fees for REC.
- Vishal Periwal:** Okay. So maybe I can ask it in another way. Are there other players that have done changes in the fees that need probably the industry to follow it, maybe one player started or how it works or the first one?
- SN Goel:** We wanted to be rational in charging our fees.
- Vishal Periwal:** And one last thing is on this -- the TAM product, the 3 months to 11 months. So I know, it has been pending from quite some time. So anything that you are hearing, which is probably delaying the whole process? And any color that you can provide will be helpful.
- SN Goel:** We were expecting that it will happen within 1 month of the order -- when the order was reserved. But now significant time has passed. So, I don't know what is the issue behind that. Maybe when they finalize this, I mean, they have also issued a draft order about the TAM market. So, once they get the comments on this and maybe along with this, they will finalize that also.
- Moderator:** The next question is from the line of Ruchita Ghadge from iWealth Management.
- Ruchita Ghadge:** Sir my question was on the REC segment. So just wanted to know, sir, what is the opportunity size in this segment in terms of volume...
- SN Goel:** Opportunity is very high because Government of India has specified RPO compliance norms and there are many States, many distribution companies, many industries who are not meeting that. Earlier, the inventory was not available. Now the inventory also is there, almost about 3.5 crores to 4 crores REC inventory is available. Rates also have come down. So it is the right time for these entities to meet their RPO obligation. So I'm sure it's a big opportunity.
- But again, depends on the market participants and also the enforcement, which is done by the State Regulators because State Regulators are the agencies who are monitoring these things and ensuring compliance.
- Moderator:** The next question is from the line of Nikhil Abhyankar from UTI Mutual Fund.

Nikhil Abhyankar: Just one question. Sir, you mentioned that we are an accredited to issue carbon certificates. So can you just brief us about that? What exactly is this about? Like all the carbon credits issued in India will be through us and do they have to trade only with us or?

SN Goel: No, no. It is not carbon credit. It is I-REC. It is International Renewable Energy Certificates. We have a REC market in India, which is a compliance market. There is another market, which is a voluntary market, which are operated by one of the international agencies. And earlier, they had one agency which was doing issuance of the I-RECs. And now they have given the job to ICX, our subsidiary company.

Nikhil Abhyankar: And sir, when should we expect any operations on ICX well?

SN Goel: Activities have started, but the opportunity is very small here.

Moderator: The next follow-up question is from the line of Chirag from Keynote Capitals.

Chirag: Sir, actually, I wanted to build some clarity on IGX. As the prices of spot prices of gas has come stable to \$12, what's the reaction on the volume trading taking place that's one, secondly, which type of gas is being traded? Is it the domestic gas or is it the international gas that is traded more on IGX?

SN Goel: See, we have basically three kinds of gas in the Indian market - RLNG, APM Gas ,and Non-APM gas. Non-APM gas is gas produced by Reliance, gas produced by Cairn, PMT, etcetera. So trading on Exchange platform is basically happening in other than APM gas, whether it is domestic or R-LNG, both kind of gases are traded here because for the domestic gas also, the field allocation document says that the gas can be sold through the competitive bidding route or through the exchange. So a good part of that gas is also sold through the Exchange.

And as far as the gas price is concerned, yes, prices are about 12,13 dollars. But very recently, I saw a report that there is going to be a significant increase in the LNG capacity in the world. And in 2025 and in '26, we are expecting gas prices to come down. It may come down to almost about 6, 7 dollars. And when that happens, I'm sure the gas consumption in India is going to increase and particularly in the power sector. So we see good opportunity, big opportunity in the gas exchange.

Moderator: The next question is from the line of Rushabh Shah from Buglerock PMS

Rushabh Shah: Sir how would you attract new customers so that more and more trading possible on our platform?

SN Goel: Yes. Number one is that customer side, one is seller and other is buyer. On sell side, we have almost all generating thermal generators who they are registered with us. On renewable side also, most of the renewable capacities are registered with us. On buy side, 100% of the distribution companies of the country are registered with us.

Industrial consumers, we have more than 4,500 large industries, they are all registered with us. And we continue to work with industries, tell them what kind of benefits they can take. So every

year, we find that there is an increase in number in that. So it's a continuous business development activity on which we are working.

Rushabh Shah: And sir, my next question is the open access volumes have only been contributed by a few states. So what necessary actions are we taking so that those volumes increase and all States are participating in these volumes?

SN Goel: Yes. Open access volume is basically purchased by the industry and purchase by the industry is dependent on the State open access regulations, particularly the cross-subsidy surcharge, additional surcharge and wheeling charges. And looking at the exchange clearing price, which is about 4 rupees these days, 4, four and a half rupees. With this on top of it, if you add these charges, the viability in many of the States is not there because in those States, the charges are higher.

But in a few States where the cross-subsidy surcharge and additional surcharge is lower, there is still viability and they participate on the exchange platform. We regularly interact with the State Regulatory Commissions. We submit our comments also suggestions also in the AR hearings. And our endeavour has been to ensure that there is a rationalization of cross subsidy surcharge so that open access is promoted. And that is the objective of the Government of India also, and the basic spirit of the Act also.

Rushabh Shah: And my next question is, if I remember clearly, in FY '22, you had a market share of 94%. In FY '23, we came down to 88.4% something. In FY '24, we were 84%. And now on a consol basis, like all the products which are on 83% something, am I correct? My question is what is happening? Why are we losing the market share? Is it because of more competitors are coming into our market? Or what is it?

SN Goel: No. In 2022, these long duration contracts for delivery beyond 11 days were not there. So these products were introduced in July 2022. And thereafter, in these products also significant volume transactions have started happening. The DAM market and RTM market, which are our key market segments where our market share is practically 100%, there is a volume increase in these two segments also...that some volume shift has happened from the trading companies to the long duration contracts on the exchange platform. And in those contracts, all three exchanges have reasonable market share. So market share has reduced because of that. But if you look at our volumes, our volumes are increasing. Our volumes increased in 2023, '23, '24 was also there and '24, '25 is also there.

Rushabh Shah: Okay. And sir, how is the market share distributed among the three exchanges in totality and in the TAM market?

SN Goel: I told you in totality, it is 83% in electricity, whereas it is in DAM, RTM and GDAM, it is 100%, practically 100%, 99.5%, you can say.

Rushabh Shah: Okay. And what would be your top 3 priorities going ahead for the next 4 to 5 years?

- SN Goel:** Yes. One is electricity exchange, continue to introduce more products on this and do business development activities, policy advocacy so that we are able to deepen this market. Second is our gas exchange, there also, we are working to ensure that there is volume increase because the opportunity size is much bigger there. Third is, I told you diversification initiatives, coal exchange, EPR trading, these are the new initiatives on which we are working.
- Rushabh Shah:** And you said new products. So any new products are in pipeline? What kind of thinking is going into those new products?
- SN Goel:** 11-month contract is under approval. We have also filed petition for green RTM market. So these are the two new things.
- Rushabh Shah:** Okay. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.
- Lokesh Manik:** My question is just a clarification, what is the volume you would be doing in long-duration contracts today, which are beyond 1 month?
- SN Goel:** The question is not clear.
- Lokesh Manik:** Volume in long duration contracts, how much would we have done this quarter?
- SN Goel:** Just a minute
- Lokesh Manik:** Sure.
- SN Goel:** 5.2 billion units for the 6 months' time.
- Lokesh Manik:** 6 months, we've done 5.2. And we have, just clarification, we have 40% market share in this segment. Am I clear on that?
- SN Goel:** Yes, you're right.
- Lokesh Manik:** Okay. So 40% at 5.2 which ends at about 20 billion is the total industry. So trading would be 50 billion, 60 billion, the power trading market, long duration?
- SN Goel:** Long duration is about 13 billion units in all 3 exchanges taken together. And if you look at that trading companies also, they do long duration. So accounting for that also, it becomes 50 billion, 60 billion for a year.
- Lokesh Manik:** We have more products in the pipeline to capture more market share from there? Or do you think we are reasonably positioned to grow from here?
- SN Goel:** Yeah. I mean 11-month contract is the next item because up to 3 months, we have all kind of contracts available. 11-month contract, we have already applied to CERC for approval. With that, we will be able to offer the complete range of products.

- Lokesh Manik:** Understood. So when is that expected, sir?
- SN Goel:** Difficult to say. It is under regulatory approval.
- Lokesh Manik:** Okay.
- SN Goel:** Okay. Thank you. That's good.
- Moderator:** Thank you. Ladies and Gentlemen, we'll take this as the last question. I would now like to hand over the conference to the management for closing comments.
- Rohit Bajaj:** Thank you, friends. I would like to thank each one of you for being part of today's call. We have had a good first half of this fiscal on the business front. We have witnessed several efforts announced by the Government and regulators to further develop the market. We remain committed to contribute to the development of a sustainable and efficient energy future for India.
- Thank you. Have a wonderful evening.
- SN Goel:** And happy Diwali to all of 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. Thank you.

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