Dated: November 08, 2023

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

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

Sub: Transcript of the Earnings Conference call with analysts and investors held on November 03, 2023.

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 November 03, 2023, to discuss the financial results of the Company for the quarter ended September 30, 2023.

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: 2023.11.08 17:22:42 +05'30'

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

Encl: as above

"Indian Energy Exchange Limited Q2 FY2024 Earnings Conference Call"

November 03, 2023

ANALYST: **MR. SUMIT KISHORE - AXIS CAPITAL LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to the Indian Energy Exchange Q2 FY2024 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 any 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. Sumit Kishore. Thank you and over to you Sir!

Sumit Kishore: Good Afternoon everyone. On behalf of Axis Capital I am pleased to welcome you all for the IEX Q2 FY2024 earnings conference call. We have with us the management team of IEX represented by Mr. SN Goel, Chairman and Managing Director, Mr. Vineet Harlalka, Chief Financial Officer, Mr. Rohit Bajaj, Executive Director Business Development, Strategy and Regulatory Affairs; and Ms. Aparna Garg, Head, Investor Relations and Corporate Communication. We will begin with the opening remarks from Mr. Goel followed by an interactive Q&A session. Over to you Sir!

Satyanarayan Goel: Good Afternoon, friends. I welcome you all to the IEX earnings call for quarter two of FY2024. With me today on this call are Mr. Rohit Bajaj, our Executive Director, Business Development, Strategy and Regulatory Affairs; Mr. Vineet Harlalka, our CFO & Company Secretary, Mr. Amit Kumar, Head of Market Operations and New Product Development, Ms. Aparna Garg Head of Investor Relations and Communication and Mr. Aditya Wali.

Friends, the Indian economy continues to be the world's fastest growing major economy. The recent success of India's G20 presidency, and the G20 New Delhi leader's declaration has further raised India's standing as a global leader. Further, achievements during the India G20 presidency included the creation of a Global Biofuels Alliance, which aims to share knowledge, technology, and finance to develop and introduce cleaner fuels and the finalization of India, Middle East, Europe Economic Corridor Agreement. The summit demonstrated to the world that India is not only emerging as a world leader, but also becoming a voice of the global South to achieve the goal of inclusive development and tackle challenges of climate change through global cooperation.

Moving on, the Indian economy is sustaining its growth momentum over the past two years in the face of global headwinds. India's GDP for first quarter FY2024 grew at a rate of 7.8% the highest among major economies. This growth momentum has been on the back of an expanding service sector, private consumption, and increased capital expenditure. At 57.5 in September 2023, India's manufacturing PMI remained expansionary for the 27th straight month. The quarter two FY2024 print came in at 57.9 compared with 55.9 in quarter 2 of last fiscal reflecting the country's healthy demand environment. The service PMI pulled off slightly from a 13-year high of 62.3 in July to 61.0 in September, printing a quarter 2 FY2024 number of 61.1 compared with 55.7 same period last year. In this backdrop the World Bank estimate of India's economic activity for the current financial year is on track to grow at a rate of 6.3%.

Coming to power sector update: On the power sector front electricity consumption in India for quarter 2 FY2024 stood at 435.8 BU a growth of 13% on a year-on-year basis. Power demand was higher than anticipated for the monsoon months with peak power demand touching nearly 240 gigawatt in September first week. States like Maharashtra, Uttar Pradesh, Gujarat, Madhya Pradesh, Karnataka, and Tamil Nadu, witnessed soaring demand this quarter. In the previous quarter cooler ambient temperatures had kept demand for power sector lower than anticipated. By the end of quarter 2 of FY2024 India's total installed capacity stood at 425 gigawatt out of which 179 gigawatt was contributed by renewables. India remains on track to attain its target of achieving 50% of energy consumption from non-fossil fuel sources by 2030.

On the fuel side, India's coal production increased by a robust 16.2% on year-on-year basis to reach 205 million tons in quarter 2 of FY2024. For the period April to September coal production was up by 12% on year-on-year basis to 428 million tons. Coal dispatches to the power sector increased by nearly 11% on year-on-year basis during quarter 2 FY2024 to 181 million tons. E-auction coal premium has also continued to decline since the beginning of this financial year. The premium declined to about 100% in September 2023 from 276% in September 2022 and a peak of 425% in May 2022. The average imported coal price of 4200 GAR coal also continued to ease at $56 per ton lower by 35% over the same quarter of last fiscal.

Imported gas price has reduced by nearly 60% year-on-year basis to $16 per MMBTU. Average coal inventory stood at nearly 13 days during quarter 2 FY2024 higher than 11 days which was there in quarter two of last fiscal. The improved supply side scenario resulted in increased sell liquidity, but an unexpected surge in power demand has kept the prices higher on the exchange. The average market clearing price in the DAM market during quarter two of this year was Rs.5.88 per unit compared with 5.4 per unit in the same quarter last year, higher by nearly 9% over the first quarter of this year. With supply side volumes continuing to improve and robust power demand, volumes at the exchange are expected to grow going forward.

Let us now talk about the noteworthy regulatory updates and policy initiatives introduced by the government in quarter 2 FY2024. The CERC has notified the Indian Electricity Grid

Code, the Sharing of Interstate Transmission Charges Regulations and the long awaited GNA Regulations. The salient feature of these regulations are:

i. The long-standing anomaly in transmission charge between collective and bilateral transactions has been corrected, which will facilitate movement of volume from DAC market back to DAM market since sellers will no longer be required to pay interstate transmission charges.

ii. Under IGC, generators with long-term PPAs would also be able to sell their surplus power which is not requisition by the DISCOMS in the day-ahead market without consent of buyers. To improve availability of sell in the market, on 5th September 2023, Government has directed generators with PPAs to offer on exchange the URS power on day ahead market also.

iii. Generators would now be allowed to meet their commitment in case of unit shut down or forced outage by purchasing power through the exchanges.

iv. Buyers will be able to use their GNA optimally as transmission charges in collective transactions will be applicable only for the buy quantum in excess of their GNA, which will facilitate buy on the exchange, as the working capital requirement will be reduced for participation in DAM and DAC.

v. Interstate transmission charges and losses will only be applicable on buyers. This will provide level playing field for all generators irrespective of their locations and will facilitate competition on the exchange platform.

vi. The overall philosophy of transmission planning has changed. Efforts are made to enable adequate transmission capacity addition, which will secure a congestion free transmission system and reduce volume loss due to congestions.

vii. These regulations will also facilitate energy transition in a big way by providing flexibility to thermal generators to replace their brown power with green power, introduction of RE aggregators, and connectivity to aggregate 50 megawatt RE capacity. All this will deepen green market on the exchange platform in future.

In other updates, CEA has issued the first amendment to the procedure for cross border trade in electricity. The amendment allows for cross border trade of power through the real-time market operated by the power exchanges. This is expected to increase cross border volume from the exchange.

In addition, final guidelines for Resource Adequacy Planning were issued by Ministry of Power in consultation with Central Electricity Authority to enable adequate generation capacity to meet projected demand in the country. Resource adequacy creates the basis for capacity contracting and can lead to opportunity for IEX to introduce capacity contracts. Such a market will also help in increasing sell side liquidity.

The Ministry of Power issued guidelines for Tariff Based Competitive Bidding Process for procurement of RE power wherein developers have been provided flexibility to supply up to 5% of the contracted power by purchasing from the exchange.

Guidelines on dispatchable RE power through energy storage, these guidelines now allow generators to supply excess power from the RE plant to any third party or a power exchange without requirement of NOC from the buyer.

In June this financial year the Ministry of Power shared a letter with CERC directing it to look into market coupling for the Indian power sector. The CERC subsequently released a staff paper on market coupling in August. A detailed reading of the staff paper explains the advantages, disadvantages and execution challenges of market coupling. The Commission is yet to take any view on implementation of market coupling. We have also submitted our suggestions explaining why market coupling should not be implemented. We do believe that current market operations of IEX will continue undisrupted.

In a strategic move to promote a circular economy and one that aligns with IEX commitment to sustainability and decarbonization and in harmony with India's Net Zero commitments, IEX acquired a 10% stake in Enviro Enablers India Private Limited. This deal will augment the value offerings of EEIPL’s material waste platform (MWP), which brings together all stakeholders in the waste sector. Material waste platform holds significant potential to enhance the scientific processing of waste across India and establish a circular economy for a wide range of waste materials.

I am happy to inform that we had launched the IEX Academy this year in June to create a pool of skilled professionals for capacity building in the power market. In a span of less than three months we have seen nearly 250 enrollments across programs.

In line with our aim to provide seamless experience to our customers, the last quarter witnessed onboarding of members to the web-based bidding platform and to the automated bidding API for DAM and RTM. Recently, we also launched the high price Term-Ahead market. With this we will be able to facilitate imported coal based and gas-based power plants to be able to offer high-cost power for up to 90 days. This will ensure there is enough sell side liquidity available during crisis period. The product would also provide sell avenues to battery energy storage system power plants on the exchange.

In terms of business performance, IEX achieved 26.5 billion units of traded volume across all segments during quarter 2 of FY2024 registering 15% year-on-year basis growth. In the electricity segment particularly, the growth was about 17%. IGX generated a total volume of 195 lakh MMBTU during quarter 2 of FY2024, a jump of 262% over the same quarter last fiscal. The volume jump was largely on the back of increased domestic gas volume and decreased gas prices compared with spot prices. The profitability of IGX for quarter 2 FY2024 increased to Rs.7.85 Crores from 2.42 Crores in the same period last fiscal, an increase of about 224%.

Let me now summarize the financial performance of the company. In this quarter on a consolidated basis revenue for quarter two of FY2024 increased 16.9% on year-on-year basis to Rs.133 Crores from Rs.113.8 Crores in last year. Consolidated PAT during the quarter came at 86.5 Crores higher by 21.5% on year-on-year basis from Rs.71.2 Crores in quarter 2 of FY2023. With improving coal production, inventory and easing coal prices we expect rationalization of our prices on the exchange and volumes to improve in the coming months. Based on CEA's draft plan, power consumption in the country should increase by more than 100 billion units annually till 2030 and this presents an opportunity for IEX to tap into incremental volume. IEX will continue to introduce innovative products and market segments to strengthen its existing product portfolio. We have been exploring options to extend the Term-Ahead market contracts from 90 days to one year to provide better optimization opportunities for DISCOMS. We will continue to work with the ministry, regulator, system operators and our partners and clients and all of the stakeholders to accelerate India's sustainable energy transition. Thank-you friends, and now we can have question-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Damodaran from Acuitas Capital Advisors. Please go ahead.

Damodaran: Thank you for the opportunity. Three questions from my side. So one is you spoke about, GNA getting implemented in October, but if I look at the share of the Day-Ahead Contingency market, that has already come down sharply in September. So what is the reason for that, I mean, given that GNA is being implemented now, where do you see the share stabilizing on a sustainable basis. So that was one, then if you look at the mix of volumes, Term-Ahead market has seen a very sharp growth, so what is the reason for that in the last quarter. That was one question, and if you look at CERC, I think given a deadline for October 16th to give all the comments and suggestions by all market participants. So now what are the next steps that the CERC will take to arrive at a decision on market coupling. That is one question and the last one was, if I look at the share of bilateral trades in overall volumes, that has also gone up over the last three or four months. I mean, the data is there through July on the CERC website. So if you can throw some light as to what is the reason behind that. These are my questions. Thanks.

Satyanarayan Goel: Yes, first thing you asked about GNA. Yes, GNA has been implemented from 1st of October and in the first two, three days we saw very positive development after implementation of GNA. The DAC volume had reduced but subsequently in the month of October you can say right from 5th of October to 15th of October the demand was very high in the country and exchange clearing price was almost Rs.10 throughout the day. And when you have this kind of price, then buyers they try to get into bilateral market to ensure availability of power, so they contract in the bilateral market or DAC market. So that shifting of, I mean, the impact of GNA was not really positive during those days. But then subsequently when the prices started going down the supply side scenario improved, we are again now seeing that good volume is happening in the Day-Ahead market of exchange and our overall volume growth for the month of October because of GNA implications in electricity has been almost about 20% now. So that is a positive development and I am sure in the coming months the growth will be better. Your second question was that our market share in the second quarter was lower. See the reason was basically the second quarter, as I told you, the demand increased by almost 13% and because of the high demand increase many of the distribution companies they contracted power through the bilateral contracts and in fact bilateral contracts volume increased by almost about 25% during this quarter. So substantial volume shifted to the bilateral contracts because of which the DAM volumes reduced and our market share was lower. But I am sure in the coming quarter you will see good increase in the market share. Coupling, yes CERC had issued a discussion paper, it was issued on 21st of August and I am sure you must have gone through the discussion paper and the reading of the discussion paper indicates that CERC has not taken any view, they are neutral in the paper, they have listed out the advantages whatever they can achieve, but the disadvantages and the challenges in implementation of coupling are more and they have highlighted all those things. What we understand is that participants have submitted the comments on that and CERC is just compiling the comments. They have not taken any view on that. Bilateral volumes, yes, they have increased as I told you because demand for power was very high and many distribution companies got into bilateral contracts. So, now I think demand has reduced slightly. It is not 5,200 million units per day. Now it has come down to almost about 4,300/4,400 million units per day. So our clearing price is also down to almost about Rs.5/unit. So we should see good volume in Day-Ahead and RTM market.

Damodaran: Any update on how long will it take, I mean, this process of CERC compiling comments.

Satyanarayan Goel: See I can tell you the process part of it. They will have to compile the comments, take a decision, Commission will have to take a decision based on the comments. They also do consultations. There is a Central Advisory Committee of the Commission, they do consultation in that also, and based on all the inputs Commission will take a view on that. If the view of the Commission is that, we should go ahead with the coupling then draft regulations will have to be prepared, and when they prepare the draft regulations they will also indicate why they intend to go ahead with coupling. The statement of reasons also will be there, and then they will invite comment for that. After receipt of comment from that they will then again see whether they want to go ahead with the coupling or not, if they want to go ahead with the coupling, they will issue the final regulations and then the activity for implementation of coupling will start. So, this process of finalization of regulation itself may take one year time and after that implementation of coupling is getting a software, customizing the software for Indian conditions, and putting in place the clearing and settlement mechanism. So all those things, I mean, it may take anything between one and a half to two years' time for implementing coupling after that.

Damodaran: Sure, but that is very helpful. Thanks, that is all from my side.

Moderator: Thank you so much. The next question is from the line of Mr. Sumit Kishore from Axis Capital Limited. Please go ahead, sir.

Sumit Kishore: Thank you, Sir. My first question is in relation to the long duration contracts. What is the total volume handled by IEX in LDC in the second quarter, in the first half of the year and what is the market share composition in LDC and how much does IEX have?

Rohit Bajaj: In the first half, total volume done in LDC is 3.6 billion units, but if we talk about specific months it was more in September where we did more than 1 billion units and October it is about 1.7 billion unit. So, it started on a smaller note and if you look back last year, total volume done in LDC was 1.4. So as compared to 1.4 we have done in the first half itself 3.6 and a lot of traction is there, distribution companies are finding it very attractive to source power through LDC contract and we are seeing a lot of transactions are happening. There we have organized more than 300 reverse auctions in this particular segment, and wherever rates were suitable, distribution company went ahead and sourced this power. So started on a little slower note, but now picking up very fast.

Sumit Kishore: So, what would be the IEX share? So in first half you have done 3.6 billion units how much was the total LDC traded?

Rohit Bajaj: Total number is not readily handy with me, but our share was close to 60% in case of LDC contract. We can say close to 7 billion units was all done in the LDC contract.

Sumit Kishore: My next question is that we have been seeing high demand environment although there has been easing of supply side constraints, exchange price discovery has been in the vicinity of Rs.6 and exchanges have not been able to gain market share. Market share has moved towards bilateral. So would you like to comment on how the medium-term situation will evolve because India seems to be headed into a situation where we could have tight liquidity or is that a wrong assessment?

Rohit Bajaj: See our reading is this situation that we are seeing where there is a huge supply side constraint, this is temporary. What we have seen is, in last three, four months there is lot of softening in the prices particularly coal as well as gas and because of that there is some improvement in the liquidity. Demand increase in some parts was more than expected. So that has taken away whatever additional supply was brought in the market, but going forward we expect that some more capacity is going to get commissioned. There are projections which say that 9,000 megawatt capacity will come in next five to six months. So this will give us lot of support and renewable capacity as we all know is continuously getting added in the system. So, whatever shortages we are seeing now, deficit we are seeing now will get covered eventually in coming months and with that situation will only improve and we expect prices to be in a decent level. So this is our reading of the situation and as this will happen we expect more liquidity or more buy will start to come on Day-Ahead and RTM market which is the most preferred option for any State because there, the price discovery is more efficient. These are the most competitive market segments that are available, and we have seen historically prices are lowest in these particular segments.

Sumit Kishore: Finally, how do you see the share of overall short-term markets moving over the past couple of years and has it been as per your original assessment? Exchanges within the mix have been falling short because of bilateral markets growing faster, how do you think that the next couple of years are likely to evolve? So the short-term markets overall and exchanges within the short-term market.

Rohit Bajaj: If you see last five years data, you will find that short-term market is growing very fast, exchanges are the ones which are growing at the fastest pace. So, this has been the historical trend. There are some aberrations. The point Mr. Goel explained, the point that I was sharing because of some uncertainty in availability, some sudden increase in the prices, there was a small shift that happened within, from exchange to bilateral market. We have seen that in quarter one this shift was there, but as the stability will come, as the situation will stabilize which it has already started with increase in coal production, with increase in more generation getting on board, we expect again the things would be aligned and exchanges would be the fastest growing segment within the short-term market. But one more point here is, since no long-term PPAs are being signed today, earlier distribution companies were not taking, now many generators are also not interested to lock their power under long-term PPAs. So, which means that going forward there would be this merchant capacity which is present, will not go away and more capacity will come in terms of distribution companies getting more power under the long-term PPAs, the plants which are going to get commissioned. Together, this will create more liquidity on the sell side which will help exchange market to grow.

Sumit Kishore: Thank you. Those were my questions.

Moderator: Thank you so much. The next question is from the line of Vikas Jain from Financial Quotient. Please go ahead.

Vikas Jain: Hi, Good Afternoon everyone on the call and many thanks for the detailed summarization of what we have done at IEX. My first question was on market coupling, but I think that has been answered very fairly by the management team. So, just wanted to know about the PAT level figures for IGX and ICX for Q2 if any.

Satyanarayan Goel: Yes, for IGX our profit has been about Rs.7.8 Crore in second quarter. The volume growth in case of IGX in the second quarter was significant. ICX, we have not launched yet. So ICX we are only doing the development activities at the moment. As of now there is no revenue except for the treasury income, which is very small.

Vikas Jain: When ICX operations might be expected to get commenced.

Satyanarayan Goel: ICX, I think will need some more time because Government is also coming out with their CCTS which is the Carbon Credit Trading Scheme and there are some changes, what we are expecting with respect to the mandatory and compliance market. So, we are analyzing all that and then we will launch it after analyzing all these things.

Vikas Jain: Just one more clarification Sir, so this ICX would have voluntary and involuntary both the credit markets right.

Satyanarayan Goel: Compliance market will be operated by IEX, basically that will be regulated market, regulated by CERC. So, all CERC regulated exchanges will be able to offer the compliance market of carbon credit. As far as voluntary market is concerned, there is no clarity about that. Our intention is to launch ICX, international carbon exchange, for the voluntary market, so that we are able to get the voluntary market share but whether that market also will be regulated or not, still the clarity is yet to come on that.

Vikas Jain: All right thank you so much I wish you all, all the best for the coming quarters. Thank you and have a good day.

Moderator: Thank you. The next question is from the line of Arul Selvan from Independent Advisor Private Limited. Please go ahead.

Arul Selvan: Hi, Good Afternoon. I just have a few questions. The first question here is regarding the market share of IEX in the different segments. I believe, the slide in the PowerPoint presentation which had all these market shares was not given this time. So, could you please help with that?

Satyanarayan Goel: Okay what else.

Arul Selvan: The next question here is just one question about this relationship between the high-priced power and bilateral trades. So could you please help me understand what is the incentive for the parties to transact in the bilateral markets when prices go to double digits on the exchange? Those are my two questions.

Satyanarayan Goel: Let me tell you about the market share. In the collective transactions which is our Day-Ahead market and the RTM market our market share continues to be almost about 99.9%. Long duration contracts which are daily, weekly and monthly contracts our market share is almost about 55% and in Day-Ahead Contingency market, the market share is close to 40%. And with the implementation of this GNA, the DAC volumes are expected to go down. So overall market share will improve.

Arul Selvan: Have they gone down in the month of October, the total volumes of electricity created on the DAC versus…

Satyanarayan Goel: You are right that volumes traded in the month of October have significantly gone down with respect to September. I believe in the month of September the average daily volume was close to 50 and it was close to 25 in the month of October. In the month of November, I am sure what is happening is hardly in the single digit DAC volumes are happening now. Your second question was about bilateral transactions at HP-DAM market.

Arul Selvan: Right.

Satyanarayan Goel: This HP-DAM market transactions will happen mainly when the crisis is there and the coal-based power plants are not able to meet the demand. So, if you have to get the power from the gas-based power plants where the cost of generation is something around Rs.13, Rs.14, Rs.15. So, we are not seeing much transactions in that market because distribution companies are not willing to buy power at that high price. But when there is a crisis, very high demand, there is a tendency on the part of distribution companies to purchase power in the bilateral market even by paying slightly more premium, so that they are assured of power supply, because on the exchange platform if they are purchasing power in the Day-Ahead, in the RTM market then they are not very sure whether on that particular day will they be get the power or not. So that is why we have seen in the past also, whenever the demand is very high, the bilateral transactions increase. And now for the month of November, December, January, February when the volumes of demand is slightly lower with respect to the summer months, the bilateral transactions will go down.

Arul Selvan: I am a little bit surprised you are saying that when the prices are high the DISCOMS are not willing to purchase on the exchange because there is no certainty that they will receive the electricity is that the case.

Satyanarayan Goel: Yes, see when the price is high, it means that the demand is high, and supply is not commensurate with the demand. That is a high demand period and during the high demand period some of the DISCOMS who want to ensure 24x7 power supply and who want to purchase power at any cost they pay premium over the market price and purchase power in the bilateral transaction.

Arul Selvan: No, the only question I am wondering here is, is there a material difference between the high price segment which we have launched recently and the bilateral market? Is there a difference in terms of the availability of power or the ease of convenience or on the transaction charges? I am just trying to understand in what way is the bilateral market better than the exchange market?

Satyanarayan Goel: See the point is, let me first clarify one thing that on the exchange platform we have also bilateral contracts. These contracts are for weekly, fortnightly, monthly basis for delivery of power up to three months. But in all these contracts the ceiling price is Rs.10. If somebody wants to buy power if he is not able to get power within that, if he wants to buy gas-based power then he will have to go to the HP-DAM market. Whereas in the bilateral transactions even the coal-based power plant, domestic coal-based power plants also supply power and the rate should be Rs.7, Rs.8, Rs.9. So bilateral transactions there is no segregation of HP-DAM market, high price market or the normal market.

Arul Selvan: Right, I understand. Ok. That is it for now. Thank you.

Moderator: Thank you. The next question is from the line of Viraj Mithani from Jupitar Financial. Please go ahead.

Viraj Mithani: Good Afternoon Sir. I have three questions. My first question is on carbon exchange. When you talk about this international trading on the carbon exchange, what would be the benchmark we would be using, would it be a Paris based benchmark or the US based any thoughts on that? And can you give more color in terms of the volumes we can attract in days to come since we have signed this 2030 Paris Accord and world is going green that is my first question? My second question, is suppose if the coupling is implemented then what are our plans to mitigate that and how are we getting prepared for that? And my third question is how are we placed against the competition? That is it from my side. Thank you and all the best.

Amit Kumar: On the international carbon exchange, as you mentioned that we intend to operate it in the voluntary carbon market and the way in the voluntary carbon market the trade happens is that there are global registries which are available, like Verra, Gold Standard which basically register projects and they certify projects for issuance of carbon credits. And those carbon credits which get issued by these global registries Verra and Gold Standard and there are few other registries as well. They are basically then eligible for trading in the voluntary carbon market. So, basically once we commence our operations, we will have integration with these registries so that the project developers whose projects are registered for credit issuance they will be able to list those credits for sale on our platform and the buyers who want to buy these carbon credits to do offsets, they will come and buy these credits from our exchange platform. So that is how, basically the voluntary carbon market operates, and that is what we intend to tap in from an international perspective.

Viraj Mithani: What will be the benchmark like, would it be based on certain benchmark right, either by the Paris or the US or India or something?

Amit Kumar: The registries for different projects they have the methodologies defined. So, like for forest projects, Verra will have a methodology defined. The projects, let us say, there is a forestry project that meets the requirements of the methodologies that are defined within Verra, those projects once they apply for registration, Verra will approve those projects. So each registry for different types of project. Because carbon credit is a heterogeneous commodity, there are different types of like you have nature-based carbon credit, cook stove, then you have carbon credit from renewable. So for cook stove there is a set of methodologies that each registry will define. Now project, for it to be accepted for approval for credit issuers, they have to be aligned to the methodology that registry defines. So that is how basically the credit issuance, and the project approval works in the voluntary carbon market.

Viraj Mithani: The other two questions.

Satyanarayan Goel: Can you repeat the question please.

Viraj Mithani: My next question was if the coupling is implemented how are we prepared to mitigate that issue?

Satyanarayan Goel: First of all implementation of coupling itself is doubtful, no view has been taken by the CERC so far. And we do not think based on our interactions that coupling is going to get implemented. In any case, I mean, I respect your question, if coupling is implemented, we are already working on different strategies to create a strong customer connect and you must have seen that in the last two, three years we have done lot of development in our technology platform also. We have a strong integration with our customers to the API system and we are also providing value added services to our customers, the data analytics which we are providing. I think all these things are giving lot of value to the customers and the relationships which we have built with the customers over the last 15 years I am sure with all that we should be able to maintain our market share.

Viraj Mithani: How are we placed against the competition? I guess we are the largest exchange so far right.

Satyanarayan Goel: Yes.

Viraj Mithani: How are we placed? Are the competitor gaining more grounds against us. So, we are still performing better than them, if you can give some light on that, color on that.

Satyanarayan Goel: As far as the collective transactions are concerned, which are the flagship transactions in any exchange platform which is Day-Ahead market and Real Time market in these two segments our market share is 99.9%. And if you look at the volume in these two segments it is almost about 75% of the total volume happening on the exchange platforms. So, in this 75% volume our market share is 100% you can say. So rest of the 25% which is consisting of DAC market, TAM market, Certificate market, all these things our market share is close to 40%-45% so you can say as of now our market share is about 85%-86% but going forward it should improve further.

Viraj Mithani: Thank you sir and all the best to you.

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. My question is around the supply side. You did mention that supply is likely to improve going ahead, but I just wanted to understand better in terms of what is giving you that comfort? And secondly given that we would be entering into State elections and then Union election wouldn't SEBs be wanting to sign short-term bilateral contracts to ensure that the supply is intact during this election period?

Satyanarayan Goel: Yes, I mean, liquidity as of now in the market is very good. We are getting every day close to 300 plus MU on the sell side whereas demand is only for about 200 MU, 225 MU and so there is more sell available than the buy requirement and I am sure this situation is going to continue for the next 3-4 months. From March onwards when the election fever will catch up some of the DISCOMS may get into a bilateral mode because this is a very politically sensitive issue. So, it is very difficult to make any comment on that, but yes some of the DISCOMS may get into bilateral contracts also.

Rohit Bajaj: We have more offerings, they can tap them to buy power for up to three months now and going forward we will launch up to 11 months also since the GNA has been implemented and short-term contracts are allowed and can be done up to 11 months. So we will get approval and we will launch 11 month contract also. So we are also gearing up for this, we also understand there would be some tendency among some of the distribution company to source power under bilateral and since we have an offering now, earlier days we had only TAM which was up to 11 days so situation is a little different and we are gearing up to compete with other bilateral contracts.

Devesh Agarwal: Just to understand better you did mention that in the LDC market in the first half we did 3.6 billion units. So if you were to divide this in one month or 3 month contract where are we seeing most of the volumes coming, where is the concentration of volume? Is it in like 10 day, 15 day contracts or one month or three months?

Rohit Bajaj: So, today the concentration is up to one month, but recently or lately I would say we have started seeing some activity in the second month also. So, if I talk about H1 it was majorly first month, but now some transactions are happening for December, January also which means that it has extended to second also and going forward we will add some more months, it would be third, fourth and hence… .

Devesh Agarwal: By when do we intend to increase the tenure?

Satyanarayan Goel: We will be filing our petition with CERC in the next 10-15 days for offering long duration contracts for delivery up to 11 months and CERC normally takes about 2 months' time to approve that. So hopefully by end of December we should have approval and from 1st of January we should be able to launch this contract for delivery up to 11 months.

Devesh Agarwal: Understood. Sir, any recent bilateral agreements that have been signed if you can give some sense of what is the price that is being discovered in the bilateral market versus the price that we see on the exchange platform?

Satyanarayan Goel: See one thing is prices in the bilateral contracts are definitely more than the prices on our DAM market, DAM or RTM market. So that is why people only go to the bilateral contracts when there is a crisis, and they want to just ensure availability of power at any cost. There are many instances where distribution company purchase power in the bilateral market at a higher price and on the real time basis. Because of seasonal variations demand in that particular case was lower and they ended up in selling power on the exchange platform at a lower price bought at a high price in the bilateral and sold at a lower price in the Day-Ahead market or RTM market. So distribution companies are also realizing it now, that too much of reliance on the bilateral market is not desirable and they are contracting maybe certain minimum contract based on their demand and supply projections.

Devesh Agarwal: The final question from my side. This Government has extended the Section 11 until June 2024. So does this scenario in any way help or hurt us in terms of volume?

Satyanarayan Goel: See Section 11 extension up to June 2024 will definitely ensure increased availability of power in the market and if there is increased availability of power in the market, then desperate situation will not be there.

Rohit Bajaj: It is good for the sector, it is good for exchanges because overall liquidity on the sell side will improve and we would be able to, or together all of us would be able to meet the demand.

Devesh Agarwal: Understood, thank you so much. Those are my questions.

Moderator: Thank you so much. The next question is from the line of Mr. Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: Good Afternoon Sir, thanks for the opportunity. Sir, can you just brief us on what product additions are we looking at in the next 6 to 12 months?

Satyanarayan Goel: See in the last two years we have added many products and we did RTM market then we launched green market, Green Term-Ahead, Green DAM, now HP-DAM, HP-TAM. HP-TAM also was introduced in the month of October. So and now we are going for the long duration contracts for delivery up to 11 months that is also expected in the next two, three months' time. So, I do not think you can add new products every two months. There is a limit to that. Only thing is whatever new products were introduced we have to bring more liquidity in those products. Green products, Green DAM and Green TAM market, there the volumes are still not significant. I mean, I think combined volume in a year is almost about 8 to 9 BU. So we have to bring more liquidity in the green market. Lot of activities are happening in that. So we are working with the generators, we are working with the States also, how to bring more liquidity in this. With Government also we are doing the policy advocacy with the Government. Government has allowed that you can purchase up to 5% of the power in a contract to meet commitment from the green market. All this and they are also working on the CFD contracts for the green market, virtual power purchase agreements are also now becoming popular. So all these initiatives are being taken to bring more liquidity in these markets.

Nikhil Abhyankar: Is there anything around power derivatives, electricity derivatives?

Satyanarayan Goel: Power derivatives should be launched on the exchanges which are regulated by SEBI that means MCX or NSE or BSE. So, there is a Committee which is working on this and I think they have still not come to a conclusion of launching derivatives at this stage because volatility in the market is too high at the moment.

Nikhil Abhyankar: You mentioned that LDC volumes are high in the past three, four months and once we get the approval of LDC for 11 months can we expect a large part of the bilateral contracts will shift to us.

Satyanarayan Goel: Should shift, yes, that is our effort. That is the intent with which we are going to offer this contract. And we will start interacting with the distribution companies and generating companies to ensure their participation in those contracts.

Nikhil Abhyankar: Final question we have around 1,400 Crores of cash on our balance sheet, investments and cash. So, can we expect more buybacks going ahead?

Satyanarayan Goel: We will take a call on that - whether buyback or dividend. We have a policy of rewarding our shareholders and we give almost more than 50% of the profit in the form of dividend or buyback. So, we will continue to do that.

Nikhil Abhyankar: Okay thank you that is all from me.

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

Jiten Rushi: Good Afternoon Sir, thank you for taking my question. My first question is on e-certificates. So the cycle two is over in October, we have seen volumes coming off significantly. So we expect the cycle over for this year and when can we expect the next cycle to begin?

Satyanarayan Goel: Yes, cycle 2 is over now and we have to now wait for cycle 3.

Jiten Rushi: That will be in next three years right.

Satyanarayan Goel: It depends on when BEE notifies that. Yes, we are expecting next year.

Jiten Rushi: On the LDC just want to reiterate you said volumes in LDC in October is almost 1.7 BU.

Satyanarayan Goel: Yes.

Jiten Rushi: Okay that is from my side sir. Thank you and all the best. Wish you happy Diwali. Thank you.

Moderator: Thank you so much. The next question is from the line of Amey Kulkarni from Candor Investing. Please go ahead.

Amey Kulkarni: Hi, Good Afternoon. I had a couple of questions. We had this proposal for Gross Bidding and we had also submitted a petition to CERC sometime in 2021. Is there any rethinking/update on this issue and what is the progress with the Transmission System Operator for the gas sector? Just one or two more questions, is there any update on the renewable contract by using the strike price which we call a contract for difference? Thank you.

Satyanarayan Goel: First one is on the Gross Biding. See Gross Bidding is basically optimization by distribution company. And this concept is more relevant when the prices are competitive in the range of maybe Rs.3.5 to Rs.4 but since the last two years our prices have been around Rs.5, so there is not significant opportunity from Gross Bidding at the moment. In any case, the new GNA regulations and Sharing of Transmission Charges Regulations which have been issued by the CERC, under those regulations, now Gross Bidding it can be implemented. You do not need any separate approval for the Gross Bidding. It can be implemented by the distribution company very effectively and many of the distribution companies are already doing it. See there is no extra payment to be made by a distribution company for sale of power on the exchange platform now. Suppose, a distribution company has got a PPA with a generating company and under that PPA they have power available and they do not need that power, they can schedule that power in the morning hours, submit bid on the exchange platform based on the variable cost of that, if that power is cleared they can continue with the schedule and if the power is not cleared they can revise the schedule of the generator on the lower side. So, all these flexibilities are there, there are no transmission charges to be paid for sale of power and no losses are accounted for that. So that flexibility what we were looking for under the Gross Bidding petition that has been already provided by CERC in the GNA and Grid Code - all these new regulations which have been implemented now. And we find there are states like Punjab, MP, Haryana, Maharashtra, many of these states are submitting bids there for purchase of power and sale of power both and that is basically with the intent of doing optimization in their power procurement cost. So, we are working with the States now that how they can use the GNA provisions to effectively implement, I mean, not Gross Bidding, but you can optimize your cost now, which was the intent of the Gross Bidding. Second question was on the gas system operator, yes, I mean, Government in fact had mentioned in many of the forums that they are going to create gas system operator but as of now nothing has happened much on that and your third question was about?

Amey Kulkarni: CFD.

Satyanarayan Goel: Yes, CFD contracts. Yes I mean this issue is under discussion. What I will say that final stage of approval but only they are looking at taking a view that if at all there is a gap in the contracted price and the market clearing price, how to fund that, so once they decide about that they will approve that contract. Otherwise, all other modalities are already discussed and finalized.

Amey Kulkarni: So just one last point, the distribution companies when they buy under the LDC contract, the long duration contract. Suppose we extended to say 11 months, do the distribution company need approval from the regulator for the prices discovered in these contracts or because they are traded on the exchange regulatory approval is not required?

Satyanarayan Goel: Yes, for the LDC contracts they normally take approval from their respective State Regulatory Commissions.

Amey Kulkarni: Before bidding itself.

Satyanarayan Goel: In many of the States they have given certain limit up to this price they can i.e. distribution company can purchase the power, but if the price is more than that they can take the approval and such approvals do not take much time because the regulators are also aware about the market condition.

Amey Kulkarni: Okay thank you so much.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Asset Management Company. Please go ahead.

Dhruv Muchhal: Thank you so much. I had just one question. Somebody who is a buyer who is buying from the exchange, green products, does he have to pay transmission charges or that is also waived for the buyer?

Satyanarayan Goel: As per the new GNA regulations sellers whether they are from green plant or whether they are from the coal-based power plant, no seller is required to pay any transmission charges.

Dhruv Muchhal: And Sir, buyer?

Satyanarayan Goel: Transmission charges are to be paid by the buyer only. In case of green power, for the projects commission up to 2025 even the transmission for the buyer also is waived off.

Dhruv Muchhal: But the buyer is generally, say, for example some third party or somebody see if I am trying to understand if somebody selling in the merchant market then? So green market would be merchant market that way.

Satyanarayan Goel: No, I think it is for the projects which are under the PPA note.

Dhruv Muchhal: For the green products that we have, the buyer has to pay transmission for that? Is the transmission charge exempted for the volumes that you do on exchanges?

Rohit Bajaj: So for exchanges also it is exempted but the problem is it is not yet implemented we expect going forward very soon this will be implemented and then it will be waived off to begin with. It is easier to implement that for bilateral contracts, but through exchanges it is a little difficult for collective, but eventually in months to come it should get implemented.

Dhruv Muchhal: So it is a clarification which probably or some modification that we will be seeking and once that happens it will be helpful.

Rohit Bajaj: Absolutely. Yes.

Dhruv Muchhal: Thanks so much and all the best Sir.

Moderator: Thank you so much. We would take that as our last question, I would now like to hand the conference over to the management for closing comments.

Satyanarayan Goel: Thank you friends. I would like to thank each one of you for being part of today's call. During the quarter we have witnessed a lot of initiatives announced by the Government and the regulators towards creating a favorable policy and regulatory environment to transform the energy sector. We remain committed in doing our bit towards building a sustainable and efficient energy future. Have a great evening. Thank you very much and a Happy Diwali.

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.