Dated: June 01, 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 May 26, 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 May 26, 2023, at 02:30 P.M. (IST) to discuss the financial results of the Company for the quarter and year ended March 31, 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
DN: CN = VINEET HARLALKA C = IN O = Personal
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Vineet Harlalka
CFO, Company Secretary & Compliance Officer
Membership No. ACS-16264

Encl: as above

"Indian Energy Exchange Limited Q4 FY2023 Earnings Conference Call"

May 26, 2023

ANALYST/MODERATOR: MR. SUMIT KISHORE - AXIS CAPITAL LIMITED

MANAGEMENT – INDIAN ENERGY EXCHANGE:

MR. SATYANARAYAN GOEL – CHAIRMAN AND MANAGING DIRECTOR

MR. VINEET HARLALKA – CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

MR. ROHIT BAJAJ – HEAD, BUSINESS DEVELOPMENT

MS. APARNA GARG – HEAD, INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

MR. AMIT KUMAR – HEAD OF MARKET OPERATIONS AND PRODUCT DEVELOPMENT

MR. SANGH GAUTAM – CHIEF TECHNOLOGY OFFICER

MR. ADITYA WALI

Moderator: Ladies and gentlemen, Good afternoon, and welcome to the Indian Energy Exchange Q4 FY2023 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen only mode. 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 from Axis Capital Limited. Thank you and over to you Sir!

Sumit Kishore: Thank you Tanvi. Good afternoon, ladies and gentlemen, on behalf of Axis Capital I am pleased to welcome you all for the IEX Q4 FY2023 earnings conference call. We have with us the management team of IEX, which is represented by Mr. SN Goel, Chairman and Managing Director, Mr Vineet Harlalka, Chief Financial Officer, Mr. Rohit Bajaj Head Business Development, 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 Goel Sir!

Satyanarayan Goel: Good afternoon, friends. I welcome you all to our Q4 and annual earnings call for FY2023. With me today on this call are Mr. Rohit Bajaj, Head Business Development; Mr. Vineet Harlalka, our CFO & Company Secretary, Mr. Amit Kumar Head of Market Operations and Product Development, Mr. Sangh Gautam CTO, Ms. Aparna Garg Head of Investor Relations and Communication and Mr. Aditya Wali. Friends last year was a turbulent year and particularly for the global economy due to geopolitical disruptions and a forecast baseline global growth falling from 3.4% in 2022 to 2.8% in 2023. In comparison, the Indian economy has fared much better due to several proactive policy enablers by the Indian government. Economic growth sustained its momentum during the year led by a strong rebound in the industrial activities backed by strong private consumption, higher capital expenditure and a robust financial sector. India is expected to register a strong growth of 7% for fiscal 2023 as per the economic survey 2022-2023 and has been identified as the fastest growing major economy in the world. India's manufacturing PMI in Q4 2023 stood at 55.7 compared with 54.4 in Q4 of 2022. While the services PMI was higher for Q4 2023 at 58.1 compared with 52.3 in Q4 of 2022. The country's index of industrial production for 2023 grew 5.1% year-on-year basis. India's G20 presidency this year provides a significant opportunity for the country to lead the global narrative in sustainable energy transition. For the year 2023-2024, the Government of India has presented a ***Saptarishi*** budget with green growth being one of the seven focus areas thus clearly laying out the positive priorities for the energy sector in the country. During the year fuel supply constraints due to Russia Ukraine war led to several countries facing a severe liquidity crunch. Heat waves in various parts of the world increased power demand which coupled with rising input fuel costs and led to high electricity prices in almost all major economies. As per IEA during the second half of 2022, electricity prices increased fourfold in France to cross €320 per megawatt hour and reached almost €330 per megawatt hour in Germany. In the US average household electricity prices in the second half of 2022 were US$91 per megawatt hour which is 65% higher than the second half of 2021. In Australia, prices averaged A$170 per megawatt hour which is more than twice of the second half of 2021. A similar situation prevailed in India as electricity consumption in FY23 increased to 1,504 billion units, a 9.4% increase on a year-on-year basis. This was due to increased industrial activity, the hottest summer months in our 120 years which coupled with supply-side constraints led to high power prices being discovered on the power exchanges. While coal production increased by 14.7% on a year-on-year basis in FY23 to 892 million tonnes the coal dispatch to the power sector during FY23 increased by 9.1%, however, this coal was mainly supplied to PPA-based power plants to meet the increased demand. This led to a reduction in the availability of e-auction coal by over 50% to 53 million tonnes in FY23 in comparison to 108 million tonnes in FY22 leading to a higher premium of nearly 260% over notified price in fiscal year 2023. The average market clearing price for DAM for the fiscal increased by nearly 36% to Rs.5.96 per unit while the Q4 average price of the exchange was Rs.6.1 per unit nearly a 13% increase with respect to Q4 of FY22. However, recently the prices of e-auction coal have reduced to a premium of nearly 137% over the notified price in April 2023. The price of 5000 GCV imported coal has also reduced to about $95 per tonne a 33% drop over May 2022 price. For gas also the prices have reduced to almost about $10 per MMBTU in the month of May which is drop of more than 100% on a year-on-year basis. This year the country was prepared to meet the summer power surge on the back of several productive initiatives taken by the Government of India. The unexpected cooler weather conditions in April which continued till mid of May helped mitigate the expected demand surge. Measures were taken during the year to increase coal production and prioritize supply to the power sector. Coal blocks were auctioned to private companies, PSUs for commercial mining, and captive mines were allowed to sell up to 50% of the annual production after meeting end-use plant requirements. Coal allocation for the power sector was increased and its transportation prioritized through the railways. Further, the Power Ministry mandated states and Gencos to import at least 6% of their coal needed to blend with the domestic coal. Section 11 of the Electricity Act was invoked thereby all imported coal-based power plants were asked to operate at full capacity with the option of selling unsold power on the power exchange. Strict monitoring was done for plant maintenance to minimize downtime. NVVN was appointed as the nodal agency to facilitate the supply of 4000 megawatts of NTPC gas-based power and 1050 megawatt of Torrent gas-based power during peak months to be sold on the exchanges. Additionally, a decisive focus on renewable energy by the Government has helped the energy sector diversify its fuel sources. India has received a renewable capacity of 172 gigawatts as on March 31, 2023, which is 41% of the total capacity of 416 gigawatts. The country added about 15 gigawatts of RE capacity in the last fiscal, the fastest rate of growth among major economies. This makes the country well poised to meet its vision of achieving 500 gigawatts of non-fossil fuel-based electricity installed capacity by 2030. With the improving supply-side liquidity due to the above policy and regulatory enablers and cooler weather conditions, more competitive prices are being discovered on the exchange now. Going forward, we expect more competitive prices on the exchange in the coming months.

IEX commenced the recent proposal of the Group constituted by the Ministry of Power for the Development of the Electricity market in India. The country's electricity market is undergoing transformational changes led by the Government's decision to focus on sustainable energy transition and energy security. Power markets will have an instrumental role to play in accelerating India's energy transition by enabling the smooth integration of renewables into the grid. Some key recommendations of the group such as mandating renewable energy sources to participate in the market and additional RE capacity to be developed through the contract for difference mechanism will facilitate faster addition of RE capacity and spur investment in the sector thus helping attain India's 2030 RE targets. To increase RE target vision in the market a pilot mechanism has been proposed for implementation within a year and an initial capacity of 1000 megawatts will be generated by the nodal agency under the single price option with 15 years or 10 years. The significant benefit of the CfD model is that it deepens the market by providing certainty to both generators and buyers by guaranteeing a fixed price for the defined period. The mechanism ensures a stable revenue stream for the renewable generator. Countries such as UK, USA, Germany, etc., were able to increase their renewable generation capacity by more than 30% by implementing market-based reforms such as CfD to facilitate renewable energy integration into the grid. Now the Government of India has also decided to explore this option. Further, the proposal to introduce financial products for electricity to help against price volatility in the spot market will lead to capacity addition, increased private investment, and ultimately result in lower prices for consumers. The group has also recognized the inefficiency and inflexibility of long-term PPAs and a stronger role for power exchanges to deepen the market and enable efficiency in electricity procurement. Improving the efficacy of the day ahead market will lead to market-based merit order dispatch of electricity which will result in effective cost optimization. Higher renewable energy integration will necessitate detailed resource adequacy planning by the utilities to ensure optimum resource mix and introduce capacity contracting through power exchange. Similarly, a market-based mechanism through the exchange for secondary reserve will lead to RRAS at competitive prices. We are confident that the implementation of this roadmap will fast-track India’s energy transition goals through an efficient, optimal and reliable market framework.

Looking at the last fiscal we saw several important developments on the policy and regulatory front. A few highlights are the draft National Electricity Policy which aims to increase the share of the competitive power market to 25% of the total electricity supply by FY2030. The policy highlights resource adequacy for better planning of resources, it also allows fungibility among various buckets of renewal purchase obligations to provide flexibility to distribution licensees. The policy encourages market based RE development and execution of small capacity for RE development. General Network Access was notified during the year. The notification to implement all provisions of GNA will go a long way in streamlining network access and network user charges. GNA will strengthen the exchange-based power market in the country. Further, it will remove regulatory arbitrage which has led to a temporary shift of volume from DAM to DAC and will be more conducive towards further market development in the country. The Electricity Amendment Rules 2022 are expected to promote renewable energy through Green Energy Open Access. This will deepen the electricity markets and efficiently integrate RE resources into the grid. The Green Open Access 2022 has reduced the open access limit from 1 megawatt to 100 kilowatts while there is no limit for captive consumers. This will also allow smaller consumers to buy or sell RE power and increase access to renewable capacity. The Electricity Amendment Bill 2022 proposes several reforms to the distribution sector, promotes private participation, better services and improves financial health. Further the Energy Conservation Amendment Act 2022 allows for the development of the national carbon market in the country. Deviation Settlement Mechanism and Related Matters Regulations 2022 is likely to increase RTM volume in the exchange. CERC Ancillary Services Regulation 2022 for the development of Tertiary Reserve Ancillary Services will be effective June 1, 2023 and this will operationalize procurement of ancillary services through the exchange. Further, several enabling interventions were made toward increasing the generation and adoption of RE resources. A new trajectory of RPO mandates States to procure 27% of their electricity needs from renewable sources to be scaled up to 43% by the fiscal year 2030. Industry transmission charges have been waived off for RE to reduce the cost of integration of renewables while new transmission infrastructure is being set up to improve access to RE power. Renewable generation obligation mandates new coal or lignite-based thermal plants to establish RE capacity of a minimum 40% of the plant capacity. IEX will remain at the forefront of this transition by constantly innovating new products and segments to meet the evolving needs of the market.

Now I will come to the IEX update. During the year IEX launched the much-awaited Term-Ahead market contracts with delivery up to 90 days. This contract enables customers to help risk against volatility in the spot market. We also launched green monthly contracts and introduced green hydro contracts. Last year due to the surge of electricity prices in the spot market, CERC imposed a price cap of Rs.12 per unit across market segments. While this move rationalized prices for buyers, high-cost generators were left with standard capacity. To bridge the demand-supply gap during the high demand period the Ministry proposed a High Price Day-Ahead market and following a petition by IEX CERC has granted approval to this product. This segment enables high variable cost generators such as gas-based power plants, imported coal-based power plants, and battery energy storage systems to participate in the market in the price range of 0 to Rs.20 per unit. IEX commenced trade of High Price Day-Ahead market after it was launched by the Honorable Minister Shri RK Singh Ji on March 9, 2023. This segment will bring more capacity to the spot market during high-demand period. We have made a humble beginning in this segment with the first trade executed on April 15, 2023. During the year IEX maintained a near 100% market share in collective transactions, that is, DAM and RTM, together these two markets constitute about 80% of the power exchange business.

Moving on to IEX updates, an overall volume of 26 billion units was achieved across all segments during Q4 FY23, a 7.9% quarter-on-quarter growth. Total certificates traded during Q4 amounted to 1.8 billion units, an impressive 50% quarter-on-quarter growth. However, the total volume declined by 3.3% in Q4FY23 as compared to Q4FY22 due to supply-side constraints. The average Day-Ahead market price during Q4 was Rs.6.07 higher by 13% on year-on-year basis. For the fiscal year 2023, IEX traded 96.8 BUs, a decline of 5% year-on-year due to sell-side liquidity constraints. For the fiscal year, the day-ahead market price was Rs.5.96 per unit which was higher by 36% on a year-on-year basis. Liquidity was affected due to supply constraints that led to higher prices of e-auction coal, imported coal and LNG gas. The average day-ahead market price for April 2023 came down to Rs.5.41 per unit which is a decline of 46% on a year-on-year basis with respect to April 2022. Going forward with gradual improvement in domestic production of coal and improvement in coal inventory which is at 14 days compared to 11 days of last year and reduction in imported coal and gas prices, we expect rationalization of power prices on the exchange platform. This will enable cost optimization by DISCOMs and Open Access consumers and should result in higher volume on the exchange platform. In line with its commitment to facilitate India's decarbonization target IEX has been certified as India's first carbon-neutral power exchange by using market-based tradable instruments to offset its carbon emissions. This certification will also help our members and participants to reduce their Scope 3 emissions. An employee focus approach built on the foundation of trust and respect has made IEX the first power exchange in India to be certified as a Great Place to Work. IEX continued to leverage technology to launch market friendly products and increase efficiency for our customers. We launched web-based bidding for G-DAM, DAM, monthly and any-day single-sided reverse auction products to provide anytime, anywhere easy and secure bidding access to our customers. Web-based financial reconciliation to enable easy reconciliation of the bidding transactions done through our platform. Web-based data insights to enable effective bidding decision making, automated financial limit allocation across product segments, utility for easy integration with RTM market, API, market data API to enable automated access to price and volume, market data across product segments. Further, we undertaken process automation which is leading to benefits such as better system availability and ease of operations. We continue to invest to create a robust and secure IT infrastructure at IEX. During the year we also integrated with the National Open Access Registry (NOAR) of GRID India.

I shall now talk about developments at IGX. In April 2023 there have been several notable achievements at our Indian Gas Exchange. IGX generated a total volume of 50.9 million MMBTU during FY23, a 319% year-on-year increase. This growth was largely on the back of the participation of major domestic gas producers and an increased number of participants. A total of 2,355 trades were executed during this year, an increase of 400% on a year-on-year basis. The profitability of IGX for FY23 has increased to Rs.28 Crores from 1.75 Crores in FY22.

I will now talk about the financial performance of IEX. On a consolidated basis, revenue for Q4 FY23 increased 10.5% on a quarter-on-quarter basis from 107.4 Crores in Q3 FY23 to 129.6 Crores in this quarter. Total revenue of Q4 FY23 witnessed a growth of 1% on a year-on-year basis. Consolidated PAT at Rs.88.3 Crores grew 14% on quarter-on-quarter basis as compared to 77.2 Crores in Q3 of FY23. For the full fiscal year 2023 on a consolidated basis, the revenue declined by 2.1% on a year-on-year basis from 484.4 Crores in FY22 to 474.1 Crores in FY23. Consolidated PAT at 305.9 Crores was lower by 0.9% on a year-on-year basis as compared to 308.6 Crores in FY22. Please note that Indian Gas Exchange was a subsidiary of IEX till January 16, 2022 and IGX became an associate company with effect from January 17, 2022 and was consolidated based on the equity method in the above numbers. For fiscal year 2023, the Board of Directors of the company announced a final dividend of Rs.1 equivalent to 100% of the face value of equity shares. During the year the Board of Directors of the company also approved the buyback of the equity shares from the open market amounting to Rs.98 Crores and this was completed successfully from January to March. For the past 15 years, IEX has continuously pioneered the market with its keen focus on customer centricity, innovation and technology. IEX will remain at the forefront of accelerating India's energy transition towards net zero. We will continue to explore business opportunities in new products and markets such as ancillary market, capacity market and gross bidding. Through our diversification initiatives, IEX will continue to deepen the energy markets of the country. In addition, IEX will help build a vibrant gas market in India enabling the Government's aim of doubling their share of natural gas in the energy mix of the country. IEX will continue to work with the Ministry, regulators, our partners and clients and all our stakeholders to build a sustainable energy-efficient future for India. 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 Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: Thanks for the opportunity, Sir. My first question is when do we expect the GNA regulations to be effective which will remove basically the arbitrage between DAM and DAC?

Satyanarayan Goel: We understand that this will be effective from August 1, 2023. They will be issuing the Grid Code maybe this month itself and after that NLDC will need maybe two months to develop the procedure and do the necessary changes in the system to implement the grid code and the Transmission Charge Sharing Regulation.

Nikhil Abhyankar: Understood sir, by Q2 it will already be implemented and how do you expect all the volumes which were shifted to DAC will be transferred back to DAM?

Satyanarayan Goel: That should happen because if you look at the volume in the DAC market two years back there was nothing particularly happening in this and in fact, at that time even RTM market was not there. Now with the RTM market there is no place for the DAC market, without this arbitrage.

Nikhil Abhyankar: How do you expect the long-term duration volumes to pick up Sir, because till now it has not picked up substantially so what are the measures that we are taking towards it?

Satyanarayan Goel: Yes, I think in the long duration contracts also there is lot of interest which has been shown by the distribution companies and many auctions were conducted but since the price discovered in these auctions was quite high this year they have not resulted into contracts and now with improvement in the coal supply and reduction in the e-auction rate I am sure the price discovered in the long duration contracts will also be very competitive and the conversion should happen. We expect good volume growth in this market also. Last year we did 1.6 BU in 8 months so this year we are planning at least 5 BU in this segment. We have already done 1 BU in two months, so at this rate it should be more than 6 BU.

Nikhil Abhyankar: Understood and Sir final question what is the product launch pipeline for FY2024?

Satyanarayan Goel: Ancillary market is going to start from June 1, 2023. In the last two years we have launched so many products, so it is time that we bring liquidity to these products and bring awareness about these products so that participants do participate in these things.

Nikhil Abhyankar: That is all from my side. Thank you.

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

Sumit Kishore: Thanks, I have a few questions. The first one is that you seem to have exercised some cost control, your employee cost is down year-on-year, and even other expenses are down year-on-year because of which the Q4 EBITDA margin has improved so could you speak about the cost control and is the margin improvement sustainable?

Satyanarayan Goel: In case of employee I think the cost is almost same what it was last year.

Sumit Kishore: Sir it is down from…

Satyanarayan Goel: I will request my CFO, Mr. Vineet Harlalka to respond to this question.

Vineet Harlalka: On year-to-year basis if you look at the employee cost it came down almost from 41 Crores to 34.5Crores it was mainly because some portion of the IGX cost was in the IEX cost for the nine months for the last year that was one significant portion and secondly because of the higher profit last year so there was a provision there for the variable scheme so those two impact was there which is not there so that is why you see the gap in the cost.

Sumit Kishore: Got it and as far as other income is concerned, I see on your balance sheet that cash and bank balance and investments have reduced, there was a buyback also of 98 crores but the reduction is higher, but your other income has gone up on a year-on-year basis in Q4 quite substantially it has gone up even quarter-on-quarter. What is resulting in lower…

Vineet Harlalka: Can you repeat what you asked? Last line I didn't get it.

Sumit Kishore: I am saying basically the movement of cash and bank balance and investments there is a reduction year-on-year even after adjusting for the buyback but the other income in Q4 has gone up quite sharply on year-on-year basis?

Vineet Harlalka: If you look at the total investments, investments has not gone down significantly. Actually, there was shifting of the investment into the long-term products so if you look the investment reduced in the short term, the current investments to the long term from current to noncurrent so that is the case and secondly because of the few initiatives and the parking of the fund in to the good yielding products so that was the impact. So last year, if you see there is a significant increase in the interest rate and during the last quarter because quite liquidity crunch and also, we get the good opportunities in MLDsand other products so we take the advantage of that. That is why we got the better return on our overall investment portfolio.

Sumit Kishore: So, what is the nature of noncurrent investments which you are saying you have increased?

Vineet Harlalka: Noncurrent are basically we put the money on the target maturity funds or the long-term MLDs, FDs so that is why those are the noncurrent assets.

Sumit Kishore: On the business front a few questions one is we find that in May as you pointed out the imported coal prices have come off, e-auction coal prices have come off, availability has also seem to be improving, we had weak demand growth in March and April but May also seems to be soft on volume growth on a year-on-year basis so far so when is the acceleration going to happen?

Satyanarayan Goel: Volume growth for the first two months so far has been almost 6% in electricity. Growth has already started but I think in the coming months when we see better supply of coal in the market at lower e-auction price because e-auction conducted in the month of April quantum was also significantly higher and the price was also reasonable so the supply of this coal will start maybe in the month of June, July and we should see competitive price, further reduced price and higher volume on the exchange platform. Further wind generation also will improve, hydro generation will also improve, so all that should provide good liquidity on the sell side.

Sumit Kishore: Sure, and finally on the Contract for Differences seems to be a very promising move so what is possible in the next one year in terms of volumes coming to exchanges what is possible over a three year timeframe in terms of CfD leading to higher penetration of renewables in the merchant market?

Satyanarayan Goel: I would like to say one thing that we have been working on this product contract for differences from the last three years and I am very happy to say that Government has finally accepted this concept. So that is one thing which is a big achievement. One thing they have accepted is that they will tender out 1,000 megawatt of renewable capacity under the CfD which will be sold through the market. Second thing they did this year is that 4,000 megawatt of NTPC gas stations and 1,050 megawatt of Torrent gas stations will operate and sell power in the day-ahead market and the difference between the market clearing price and the cost of gas based generation will be paid by Government of India. Again, it is a contract for differences. They had also approved procurement of 1,500 megawatt of imported coal-based power under Contract for Differences for selling in the exchange platform to meet the demand during the crunch period, so of course in that particular contract there was no response from the generator so that did not materialize. So, what I am saying is that there is now acceptance of this concept and in the coming years I am sure the standard capacity, gas based capacity in particular will be utilized during the high demand period to meet the peak hour demand. And that should provide good liquidity on the exchange platform.

Sumit Kishore: What was the volume in HP-DAM since launch?

Satyanarayan Goel: HP-DAM the volume has not been significant because April and May months were comparatively much cooler months. The demand has not increased. In fact, the demand in these months was lower by 1% with respect to last year and our clearing price was 40% lower than last year, so that is why volume has not happened in the HP-DAM market.

Sumit Kishore: Those were my questions. Thank you.

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

Apoorva Bahadur: Hi Sir thank you for the opportunity. Sir, continuing on this Contract for Differences product now I understand it is a derivative product so will IEX be allowed to transact once the volume picks up and also for approvals will you need to approach CERC or SEBI?

Satyanarayan Goel: I think this product has been already approved by Government of India now. If you look at delivery transactions beyond 11 days that is also considered as a forward contract but now these contracts are allowed on the exchange platform. Similarly, this contract also, since it is going to result in actual delivery of power this will be allowed. This in fact Government of India has already contracted 1,050-megawatt gas-based capacity from Torrent and 4,000 from NTPC for selling through the market under this concept.

Apoorva Bahadur: Since it is delivery based there would not be any issue on the regulatory side.

Satyanarayan Goel: Yes

Apoorva Bahadur: Okay understood. Second is on one of the suggestions, recommendations which the Ministry panel had suggested for deepening the market and that is for 15 years renewable contracts so just wanted to know what sort of appetite the lenders have in funding this type of product?

Satyanarayan Goel: See, if you look at the contracts in most of the contracts the debt obligation is serviced within 10 to 12 years. So as far as lenders are concerned this will be comfortable with 15 years.

Apoorva Bahadur: With the short lending period will they be really be viable on a cost competitiveness basis?

Satyanarayan Goel: Today one of the big problems is integration of renewable with the conventional power and most of the renewable is happening through PPA and if it is PPA then it is a must run and it will operate as and when the power generation happens. I think to integrate with the market they need this kind of market instrument and that is why Government is now saying that we should have 15 years PPA so that after 15 years this power is sold through the market mechanism. And I am sure 15 years is a long period even from the funding point of view, this should be able to get funding at a reasonable cost even for this period.

Apoorva Bahadur: Understood, so essentially the new capacity might start coming in on our platform after 15 years?

Satyanarayan Goel: Yes, you are right.

Apoorva Bahadur: Got it. Sir I think last question is probably on the demand side so we are seeing that the prices have corrected sharply and that is something to do with the softness in demand maybe due to weather factor so do you think that structurally has the supply situation improved or going ahead if the demand picks up again, we will again be in a supply crunch?

Satyanarayan Goel: I think there is significant improvement in the supply side but it is definitely not as it was two years back. But I think in the next two to three months with the increased coal supply to the IPPs there should be further improvement in the supply side.

Apoorva Bahadur: Sure Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Damodaran from Acuitas Capital. Please go ahead.

Damodaran: Thank you Sir for the opportunity. Just two questions from my side on the day-head contingency market. The first one was while we have a day-ahead market, what purpose does the day-ahead contingency market serve and why is its market share in that so low at 45% odd?

Satyanarayan Goel: Yes. In fact, the day-ahead contingency market was introduced in the beginning because if somebody has not been able to purchase power, and if the volume bids are not cleared in the day-ahead market then there was another opportunity in the day-ahead contingency market for him to do the transaction. But in 2022 the RTM market was introduced and in this market there is a lot of liquidity available. So, I think the purpose of the day-ahead contingency market is over and that is why no significant volume is happening on this market. Volume started happening only in 2021 when the transmission pricing regulation was issued and there was an arbitrage available in the DAC market, volume started shifting in this market. In this market is a price matching it is not a price discovery so I think all three exchanges are in the same footing and it all depends on the interactions with the customers, connectivity with the customers so that is why we have a better share in this market in comparison to other two exchanges but I think all of them have the opportunity to get market share and I understand some of the other exchanges were also giving some incentives on the transaction fees.

Damodaran: Sure Sir. Got it thanks.

Moderator: Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Thank you for taking my question. I just wanted to understand in relation to this GNA regulation, if I remember correctly it was first supposed to be implemented from October 2022 from there the date changed to January then in the last concall we discussed about April 1, 2023 and now we are guiding for August 1, 2023 why this delay is happening for so long and do we have any sort of certainty that August 1, 2023 is a clarity or we can further have delay from August 1, 2023 as well? That is my first question.

Satyanarayan Goel: The point is, the implementation of this will depend on the regulatory orders and this is linked with issuance of grid code of regulation that has not been issued so far. After grid code is issued, thereafter NLDC will align its processes and systems in line with the new grid code and transmission charges regulations. They will also need some time to implement that. Based on the discussions and based on the developments which have taken place we expect that it should get implemented from August 1, 2023. But I cannot guarantee that. It all depends on issuance of order by CERC and thereafter revision of processes and systems by NLDC.

Ankit Kanodia: Thank you so much Sir that really helped, and my next question would be, if I understand correctly when the price of electricity in exchange is higher then probably the demand suffers. So that is what we witnessed last year. So what gives us an idea that this year sustainably the price will be lower or can we have any guidance in terms of how we look at the prices and do we have any forecast for the prices or it is completely demand supply driven and we have no control we for seeing that?

Satyanarayan Goel: Our price discovered is purely based on the demand and supply and we have seen years in which the supply is more the prices are competitive. Last year we had more demand than supply that is why the prices were higher. This year we are expecting a much better situation because coal production targets are very, very high targets. The target is for 1 billion tonne of coal production which is 12% more than last year. Whereas the electricity demand increase is expected to be only 5-6%, so increased coal availability in the market that should lead to better liquidity on the sell side and lower price on the exchange platform and what also happens if the imported coal prices are higher. Last year the 5000 GCV coal price was about $130. It has come down to about $90 now and it is expected to go down further. E-auction prices are invariably linked to the imported coal price, so e-auction prices also have started coming down now. Quantum of coal offered in the e-auction has also started increasing. So, all these things should result in availability of coal at a lower price and lower clearing price on the exchange platform.

Ankit Kanodia: Thank you so much Sir. If I can squeeze in one last question, as you rightly mentioned that the GNA regulation is not in your control, but it is all in the regulatory hand, do we see any threat or risk in terms of our market share getting further eroded if we are unable to get the market share from DAC back to DM? Do you see that as a long-term problem if this issue persists?

Satyanarayan Goel: One thing I want to make clear is that in the day-ahead market and RTM market, our share is practically 100% . We are quite confident we will be able to retain this market share. The transactions happening in the DAC market are mainly because of the arbitrage available in the DAC market. Once that arbitrage is over there is no reason for the transaction to happen in the DAC market.

Ankit Kanodia: My question is related to that only. If the arbitrage persists for a longer period of time, do you think that could be a threat to us or not?

Satyanarayan Goel: I mean this is a market distortion, shifting volume from the DAM market and in DAC market as I told you all three exchanges are equally active so that will definitely lead to loss of share. But looking at the developments which have taken place, and which are happening, I am sure within a day or two, we will see CERC issuing a grid code and implementation of GNA should happen on August 1, 2023 as discussed with the other stakeholders.

Ankit Kanodia: Thank you so much Sir and all the best.

Moderator: Thank you. The next question is from the line of Drashti from Thinqwise Wealth Managers. Please go ahead.

Drashti: Thanks for the opportunity, Sir. In a recent interview of one of the competitor exchanges' MD, he had mentioned that the initial steps towards market coupling is being implemented by CERC, which is introducing ancillary services market. So, if you could help us understand what exactly are these steps and how could it impact our existing products?

Satyanarayan Goel: Yes see ancillary market if you look at the market design, ancillary market is exchanges are only taking bids from the participants, these bids are forwarded to NLDC because NLDC is deciding how much of power they have to procure on real time basis and based on that requirement then they will stack these bids and purchase the power or take that power based on least cost option basis. So, in this case because the requirement is by NLDC it has to happen only in this manner. Each of the exchanges cannot do price discovery and disclose these prices and volumes to the NLDC. NLDC must decide how much power they want to buy and based on that they will exercise the least cost option and there is no price discovery in this case. The demand is fixed and based on the bid for the supply they will find out what is the least cost option.

Drashti: Sir, that is what I wanted to understand. Since these are the initial steps for market coupling, how can it impact us in the future and which all products would be impacted?

Satyanarayan Goel: This (Ancillary Services) is a different kind of product. This is a product which meets the requirement of NLDC. This is again not price coupling. This is just exchanges are inviting bids and forwarding the bids. It is NLDC who must basically then select how much power they want out of that which we supply to them. I do not think this will have any impact on the other products in the market. Line of other products exchanges will invite the bids they will do the price discovery and settle financial and physical settlement. In this case we are not even doing the physical and financial settlement, it is just we are collecting the bids and sending them to NLDC.

Drashti: Thank you Sir.

Moderator: Thank you. The next question is from the line of Lavanya from UBS. Please go ahead.

Lavanya: Thank you for the opportunity. Sir just going on with the earlier question of ancillary market. If I understand it you will be taking only supply side bids and forward to the NLDC who will take based on the merit order. Is that understanding right Sir?

Satyanarayan Goel: Yes, you are right.

Lavanya: So, what will the transaction fees be on this product?

Satyanarayan Goel: Based on the bids received by us selected by NLDC and scheduled for supply. The quantum which is scheduled for supply on that we can charge transaction fees. Let us see how much volume happens in this market and then we will decide about it.

Lavanya: The charges will be only Rs.0.02 only to the supply side then?

Satyanarayan Goel: We can charge up to Rs 0.02, but then in this case we do not intend to charge that because in this case the scope of work is much less for the exchanges. It is only collection of bids and sending them to NLDC.

Lavanya: So, on the overall market, I just wanted to understand in terms of the power market so last year whatever we have seen was just only because of coal availability or we are seeing any difficulties in terms of capacity as well like supply side it was largely due to only coal availability or in terms of capacity also?

Satyanarayan Goel: It was more because of the coal availability. We have capacity. Even now also when the demand of 221 gigawatt was met, I think in the month of May we still had surplus capacity available in the system and in any case for meeting this kind of demand, 25 gigawatt of gas capacity is also available. And based on the current gas prices which are likely to go down further I am sure even the cost of generation with the gas also will come down to less than Rs.10.

Lavanya: So, before 2019 the supply from gas stations was happening or was that not happening?

Satyanarayan Goel: In 2019 the demand in the country itself in comparison to what it is today was much lower so there was no need for gas-based generation to be in the market because that is a costly generation. But now since the demand has increased and if there is a shortage of capacity, maybe for 15 days, 1 month in a year, the gas-based generation can also be utilized.

Lavanya: Got it. Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Nikhil Nigania from Alliance Bernstein. Please go ahead.

Nikhil Nigania: Thanks for the opportunity. My first question is regarding a portal which the Government had launched PUSH portal any traction which has happened on that or not really till now?

Satyanarayan Goel: Not to my knowledge. I think after the *Muhurat* transaction nothing happened after that.

Nikhil Nigania: Understood. The second question I had was regarding the CfD, which was proposed. I think it is a great move from a renewable generator or even an exchange perspective, but I would think of it from a DISCOM perspective. What is the incentive for them to sign a CfD contract versus signing a PPA for example especially if renewable prices are falling every year?

Satyanarayan Goel: The Discoms have not signed the CfD contract, they may not sign the CfD contract but normally these kinds of contracts are signed by the nodal agency of the Government. In this case it might be SECI or any other public sector company that the Government can ask them to get into this kind of contract. But even in case distribution companies also, see what happens, you know the distribution company who has to meet the RPO obligation, if they get into a RE capacity through the PPA then they will have to purchase that power and they will have to manage the variability of that power with respect to their demand and supply. Other options for them is that they get into contract, pay the money contracted by you to the generator, take the green attribute for your RPO obligation and let the generator sell the power in the conventional market. And the difference between the conventional market rate and the strike price can be borne by the distribution company which is basically towards the green attribute. What we find is that for such kind of contracts also there is a very strong case because rate in the conventional market is definitely higher than the strike price. In fact, we got a study done from Deloitte doing the price forecast for the next 15 years based on the marginal cost basis and what we have come to note is that the price for the next 15 years if somebody gets into this CfD model, no funding will be required in fact there will be a surplus in the pool.

Nikhil Nigania: Got it Mr. Goel. One more question not related point but regarding another notification from the Ministry on fair allocation of coal where they have said that if states are found using domestic coal to sell excess power on the exchanges their rates will be curtailed and given to other states. Has that been implanted in practice or any impact of that you are not seeing till now?

Satyanarayan Goel: I think that notification was applicable up to May 31, 2023, and nothing has happened in the last two months.

Nikhil Nigania: Got it Mr. Goel. Perfect. Those are the questions that I have.

Moderator: Thank you. The next question is from the line of Bharani Vijay Kumar from Spark Capital. Please go ahead.

Bharani Vijay Kumar: Good afternoon, Sir, so in this development of power market report by the government there is also a lot of mention on MBED. It looks like MBED is seriously being thought about by the Government at least in the long term so how is this positive or negative for IEX?

Satyanarayan Goel: First of all in the report they have very clearly mentioned that implementation of MBED is a complicated issue and will require a lot of consultation with the stakeholders. So having realized that the Government has already said that this is a part of the long-term plan and in future for renewable integration they may consider it at an appropriate time. I do not think they have mentioned any timeframe about that. It is in long term time frame.

Bharani Vijay Kumar: So, is it possible to expect that in the next 5 or 10 years any such anticipation from your side?

Satyanarayan Goel: Very difficult to say what is going to happen in the next 5, 10 years. I think things are changing very fast these days, but I am very sure that not in the next 5 years.

Bharani Vijay Kumar: Got it. So also, we had this clarity on our margins recently with the CERC order; however, even in that order there have been indications that in the future there could be margins that could come under the scanner of the regulator. Essentially say being lower even IEX has submitted lower margins for longer duration products so what is your view on long term nature of our margins. Is it likely to come down anytime in the next say 5 years?

Satyanarayan Goel: See, CERC had mentioned a cap of Rs.0.02 on the transaction fees in the regulation and based on the regulation requirement, we filed our application with CERC, which also they have given approval for charging transaction fees up to Rs.0.02. So, we do not see any further challenge in this though it is mentioned in the order that staff will work out details after studying the other exchanges. But looking at the market size, which is just about 6-7% of the total generation in the country, I think looking at what has happened in the last two to three years regulatory is more concerned about development of the market. And looking at the roadmap of the expert group also, the Government is concerned about deepening this market. So, more efforts are required for deepening the market than for regulating the transaction fees because if you do that then you are going to create entry barriers for the market, and I am sure other exchanges will not be financially viable if the transaction fees increases.

Bharani Vijay Kumar: What is the potential in million units where the GNA regulations are implemented there will be a shift from DAC to DAM market?

Satyanarayan Goel: Last year DAC volume was 40 BU and now this year we are expecting from August 1, 2023 so four months you can say two third of the 40 BU which is about 9, 10 BU should shift back to day-ahead market.

Bharani Vijay Kumar: 9 to 10 billion units should be incremental for us on an annual basis?

Satyanarayan Goel: No, for this year. Next year we are expecting that out of this 40 by at least 12 BU will shift to the day-ahead market.

Bharani Vijay Kumar: Second on the ancillary services you mentioned the demand is kind of fixed so in megawatt terms or in million-unit terms per year what is the overall demand in the country for this kind of power?

Satyanarayan Goel: Demand is very high, but again we are expecting, the sell side is going to be constraint.

Bharani Vijay Kumar: I am talking about ancillary market which is arranged by NLDC so any number per year for capacity that is met through an ancillary market?

Satyanarayan Goel: Requirement of the ancillary market ranges in the range of 2 to 3000 megawatt but then again that depends on the time of the date. It is not throughout the day and throughout the year.

Bharani Vijay Kumar: But it will be 2 to 3000 megawatt if it is on average for every day for the full year it will be 2 to 3000 megawatt?

Satyanarayan Goel: No, it is 2 to 3000 megawatt whenever they want it but if you look at average for a full year the quantum is going to be much, much lower.

Bharani Vijay Kumar: Understood. Those were my questions. All the best.

Moderator: Thank you. Due to time constraint, we will take one last question from the line of Ankit Kanodia from Smart Sync Services. Please go ahead. As there is no response, I will hand it over to the management for closing comments.

Satyanarayan Goel: I would like to thank all of you for being part of this call today.

While higher input costs impacted our volumes last year, going forward, with increased coal production and cooling down of input prices, we expect lower clearing prices on IEX, and increasing optimization potential for Discoms and Open Access consumers, thereby supporting better volumes on IEX. As always, we remain committed to positively contribute towards a sustainable Indian energy sector.

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