Dated: February 01, 2024

The Manager	The Manager
BSE Limited	National Stock Exchange of India Ltd
Corporate Relationship Department	Listing Department
Phiroze Jeejeebhoy Towers	Exchange Plaza, 5th Floor, Plot No. C/1
Dalal Street	G Block, Bandra Kurla Complex
Mumbai- 400001	Bandra (E), Mumbai-400 051
Scrip Code: 540750	Symbol: IEX

Sub: Transcript of the Earnings Conference call with analysts and investors held on January 25, 2024.

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached transcript of the earnings conference call held with analysts and investors on January 25, 2024, to discuss the financial results of the Company for the quarter ended December 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
Date: 2024.02.01 16:31:19 +05'30'

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

Encl: as above

"Indian Energy Exchange
Q3 FY2024 Results Call"

January 25, 2024

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

MANAGEMENT: **MR. S. N. GOEL – CHAIRMAN & MANAGING DIRECTOR – INDIA ENERGY EXCHANGE**
MR. ROHIT BAJAJ – EXECUTIVE DIRECTOR – BUSINESS & DEVELOPMENT & STRATEGY – INDIA ENERGY EXCHANGE
MR. VINEET HARLALKA – CHIEF FINANCIAL OFFICER & COMPANY SECRETARY – INDIA ENERGY EXCHANGE
MR. AMIT KUMAR – HEAD OF OPERATIONS & TECHNOLOGY – INDIA ENERGY EXCHANGE
MS. APARNA GARG – HEAD – INVESTOR RELATIONS & COMMUNICATIONS – INDIA ENERGY EXCHANGE
MR. ADITYA WALI – INDIA ENERGY EXCHANGE

Moderator: Ladies and gentlemen, good day and welcome to the Indian Energy Exchange Q3 FY2024 Results Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sumit Kishore from Axis Capital Limited. Thank you and over to you Sir!

Sumit Kishore: Thank you Manoja. Good evening ladies and gentleman. On behalf of Axis Capital I am pleased to welcome you all for the IEX Q3 FY2024 earnings conference call. We have with us the management team of IEX led by Mr. S. N. Goel, Chairman and Managing Director. We will begin with the opening remarks from Mr. Goel followed by an interactive Q&A session. Over to you Sir.

S. N. Goel: Good evening friends. I welcome you all to the IEX earning call for Q3 FY2024. With me today on this call are Mr. Rohit Bajaj, Executive Director, Business Development and Strategy, Mr. Vineet Harlalka our CFO and Company Secretary, Mr. Amit Kumar, Head of Operations and Technology, Ms. Aparna Garg, Head of Investor Relations and Communications and Mr. Aditya Wali. Friends the Indian economy continues to be the world's fasting growing major economy with aspirations to become the third largest within this decade. According to the first advanced estimate released by the National Statistical Office the economy is expected to grow at 7.3% in the current fiscal year which is helped by government spending and a pickup in manufacturing. This is slightly faster than 7.2% growth which was recorded in the last year 2022 – 2023.

Coming to economic indicators, India's manufacturing PMI for Q3 FY24 came in at 55.5. Manufacturing has remained expansionary on the back of increased private consumption and capital expenditure. Services activity also continued to expand with the services PMI for Q3 FY24 coming at 56.8. The services index has remained above 50 for nearly 30 months at a stretch, the longest such trend since August 2011.

On the power sector front, peak power demand remained at high of 221 gigawatt in October before declining towards the end of the quarter. This was after a record high of 240 gigawatt in September recorded this year. Electricity consumption during Q3 FY24 recorded at around 380 billion units saw an increase of 10% on year-on-year basis. States like Uttar Pradesh, Maharashtra, Gujarat, Madhya Pradesh, Karnataka and Tamil Nadu remain drivers of the surge in demand in power. According to the CEA estimates, electricity consumption is expected to continue to increase at a CAGR of 6% to 7% over the next eight to 10 years.

Looking at trends in demand and its expectation in the coming years, recently in November Honorable Minister of Power Shri. R. K. Singhji spoke about the need for thermal capacity addition to meet the increasing peak load in the country. The minister was of the view that due to increasing electricity demand in the country and the prevailing demand supply situation, the required thermal capacity required will be about 283 gigawatt by 2032 and against this today we have installed capacity of 214 gigawatt. Already 27 gigawatt of thermal capacity is under construction and Government has decided to add another 50 gigawatt of new thermal capacity that will help in meeting the growing demand of power. It has been also proposed to add good part of this capacity for sale to the market as seller will be able to get adequate return by selling to the exchanges and capacity addition can be done faster without the need of PPA. The minister also mentioned that huge amount of funds will be necessary to create such capacity and it is believed that REC and PFC will finance a large part of this. Additionally, the minister noted that country's requirement for 24x7 availability of power requires a double engine that is renewable as well as thermal capacity. With 180 gigawatt of renewable installed capacity India remains on track at its target to achieve 50% of the capacity from non fossil fuel sources by 2030. In addition to this, 140 gigawatt of green energy capacity is under tendering and implementation and this is all above the Government target of 50 gigawatt of capacity that government is planning to add every year till 2030. To enable power integration the NEP has projected a storage capacity requirement of 74 gigawatt by 2032 consisting of pump storage of 27gigawatt capacity and batterybased storage of 47 gigawatt. Recently under the government's viability gap funding plan, the SECI has awarded India's first pilot project of 500 megawatt battery storage system wherein 40% capacity is open capacity for sale to the market through the exchange to meet the peak hour demand. Additionally, there is a government push towards green hydrogen emission. The push for green hydrogen of 5 million tonnes per annum by 2030 alone would require 125 gigawatt of green energy.

On the fuel side during the quarter India's coal production increased by a robust 13.1% on year-on-year basis and the production level was almost about 256 million tonnes. Coal dispatch to the power sector increased by 11.7% on year-on-year basis to 203.5 million tonnes. E-auction coal premium has continued to decline since the beginning of this financial year. The coal premium under Shakti B8 auction has come down to almost about 40% now. Coal inventory as on December 31, 2023, stood at 13 days. The imported coal prices have also come down for 4200 GR coal. Last year the prices were almost about $90. It has come down to $58 per tonne. Another good thing is imported gas prices have also reduced significantly. Last year imported gas prices were in the range of $20 per MMBTU. Now they have come down to almost about $9 per MMBTU and if the prices come down to $7 to $8 per MMBTU, the variable cost using gas will be only about Rs.6 to Rs.7 and I am sure almost 11,000 to megawatt to 12,000 megawatt of the gas capacity which is available in the country that can be put to burn for meeting the peak demand. We are now witnessing a scenario wherein there is no fuel shortage. On the exchange, the improved supply side scenario has resulted in increased sell liquidity since November. Sell bids in collective auctions increased by 25% on year-on-year basis in November and 18% in December. This led to easing of prices on the exchange. The average market clearing price in the DAM market was Rs.5 per unit compared to Rs.5.88 per unit in Q2 of this year.

On the regulatory and policy front, the regulatory and policy environment continues to be conducive for power market development. Let us now talk about the noteworthy regulatory updates and policy initiatives for the sector.

CERC has implemented the Indian Electricity Grid Code, the Sharing of Interstate Transmission Charges Regulations and long awaited GNA Regulations from October 1, 2023. The salient features of these regulations, which, are market friendly.

i. The long-standing anomaly in transmission charge between collective and bilateral transactions has been corrected now. With this during the quarter we witnessed a reduction in volume in our Day-Ahead Contingency market and consequently witnessed an increase in volume in the Day-Ahead Market. Volume in the DAC market in Q1 was 2 billion units. In Q2 it was 2.6 billion units. It has now reduced, to nearly 0.4 billion units and transactions have now shifted to the DAM segment. At nearly 15 billion units in Q3 volume for DAM this was higher by 17.5% as compared to Q1 and 30% as compared to Q2 of this year. This trend is expected to continue in the future also.

ii. Under GNA regulations, transmission charges in collective transactions will be applicable only for the buy quantum in excess of their GNA. Buyers will be able to utilize GNA optimally by buying power in the DAM and RTA market.

iii. Under IEGC, generators with long-term PPA would be able to sell the URS power not requisitioned by the beneficiaries in the Day-Ahead market without the consent of the buyers. Similarly in efforts to bring surplus power in the market, the Ministry of Power has proposed amendment of late payment surcharge rules which mandates generators to offer URS power in the market. These rules also provide for penalty in terms of reduced fixed charges to GENCOS if they fail to offer URS power in the market. This will improve sell side liquidity on exchange platform.

iv. Generators are now allowed to purchase in the DAM and RTM market to meet their supply obligations in case of shutdown or the forced outage.

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

vi. 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 RE generating capacity of 50 megawatt and above. This will deepen green market at the exchange in the future.

Additionally, Ministry of Power extended the time period for Section 11 directive to imported coal-based power plants up to June 30, 2024, to enable supply from imported coal based power plants in the system and to counter anticipated surge in demand in the upcoming summer months.

The Ministry of Coal has amended the Shakti Policy in November to allow power plants including power generators without PPA to sell power in all segments of the power exchange. Earlier it was only limited to the DAM market. Now they can sell power in all segments - in DAM, RTM and the TAM market.

The CERC issued its order for increasing the frequency of REC trading on power exchanges to twice a month. Earlier it was once in a month only and has allowed fungibility of different types of RECs. Consequently with added flexibility and increased frequency of trading, liquidity has increased in the REC market and because of removal of REC base price, REC prices have come down. Earlier the base price was Rs.1,000, so transactions were happening at Rs.1000. Now with the removal of the base price, the last transactions were at Rs.360 per REC, a significant reduction and as a result of that REC volumes also increased on the exchange platform. It was 65% higher in Q3 in comparison to last year.

CEA has finalized the phasing plan for thermal plants to bring the technical minimum operations up to 40% which is currently at 55%. This move will help in adding more RE capacity and efficient integration with the grid.

Ministry of Power has provided repowering and life extension for wind power projects allowing such generators to supply excess power on power exchange.

All these measures will lead to a further improvement in sell liquidity on the exchange leading to a decline in power prices. This is expected to present an opportunity for DISCOMS and commercial & industrial consumers to optimize their power procurement cost.

Friends during the quarter, IEX undertook significant initiatives. We are honored to be a part of the groundbreaking green credit program launched by The Honorable Prime Minister during the recently concluded COP 28. Our wholly owned subsidiary International Carbon Exchange was engaged for the development of green credit program registry, trading platform and web portal.

On our core business we are awaiting approval from CERC on our petition for extending the term add contract from 90 days to 11 months to provide better opportunity for our DISCOMS. In terms of business performance, IEX achieved 28.3 billion units of traded volume across all segments during Q3 of FY24 growing 16.8% on year-on-year basis. This volume includes 25.9 billion units of conventional power and 0.4 billion units from the green market segment. The exchange also traded 20.3 lakh certificate during the quarter.

Our gas exchange IGX has celebrated its third anniversary in December and has since inception cumulatively traded more than 900 lakhs MMBTU in gas volumes. During the quarter due to wide variation in demand and supply of gas IGX share volume declined 65% on year-on-year basis to 84 lakh MMBTU; however, on nine-month basis IGX volume was down only by 7% from April to December. The profit after tax for IGX for nine-month period increased by 14% from Rs.16.3 Crores in nine months of FY23 to Rs.18.6 Crores in nine months of the FY24. As gas prices continue the downward trend volume at IGX will pick up going forward and I am sure in the summer months with operation of gas based plants, our gas exchange will have better opportunity.

Let me now summarize the financial performance of the company for this quarter. On standalone basis the company recorded PAT growth of 25.5% increasing from Rs.71.2 Crores in Q3 of FY23 to Rs.89.3 Crores in Q3 FY24. On a consolidated basis revenue for Q3 of FY24 increased by 20.3% on year-on-year basis to Rs.141.2 Crores from Rs.117.4 Crores in Q3 of FY23. Consolidated PAT during the quarter came to Rs.91.8 Crores higher by 18.9% on year-on-year basis. For Fiscal Year 2024, the board of directors of the company have announced an interim dividend of 1% equivalent to 100% of the face value of the equity shares. With improving coal production and inventory and easing coal and gas prices, we expect rationalization of power price on the exchange and volumes to further improve in the coming few months. As India looks forward to have 20 gigawatt thermal capacity in this financial year, thermal generation will increase by almost about 10%. This will lead to increased sell liquidity on the exchange. With the CEA expectation of power demand to soar above 256 gigawatt in FY2025 and improved sell side liquidity I am sure exchange volumes will continue to increase. 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 Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Good evening, Sir and Congratulations on a good quarter. Sir my first question is on the new GNA regulations that kicked in from October I guess, sir, have you gained any market share after the new GNA regulation kicking in and can you please quantify market share in Q3 FY24?

S. N. Goel: Yes, our market share for Q3 has definitely improved, if you were to compare with Q1 and Q2. As I told you that DAC volumes have reduced. If you take all the three exchanges together then also there is a significant reduction in the trading volume in the DAC and that quantum has entered DAM market and RTM market.

Mohit Kumar: Is it possible to quantify the market share?

Rohit Bajaj: So in the month of November and December, November our overall market share was 91%. December it further increased to 95%. If I talk about quarter as a whole, it is little below 90% about 87% to 88% so we have seen significant improvement. I am talking about total including certificates. So if I talk about electricity in December, it is 97% to 96% so that way, we have significant improvement in the market share with the correction of movement of DAC and movement from DAC to DAM markets.

Mohit Kumar: Sir the second question is on the surplus at power plants selling to exchange which you mentioned. Sir this has been in the talks for the last few years. Has there been any changes in this particular quarter, in the sense, has the government come out with a new regulation or new notification, which we should believe can increase the liquidity on the exchanges because of this particular …Can you please comment on that.?

S. N. Goel: Your question is not clear. Can you please repeat?

Mohit Kumar: Sir, un-requisitioned surplus which you mentioned, sir this has been in talks when the Government came out with the first regulations a couple of years back. What has changed in this particular quarter?

S. N. Goel: I got your point. See..earlier as per the earlier systems and processes the consent of beneficiary was required by a generator for offering the power on the exchange platform. Now under the GNA and the new electricity grid code the consent of beneficiary is not required. So a generating company if the URS power is there, they can bid that power on the exchange platform without obtaining the consent of the beneficiary, so this is a significant change in the electricity grid code itself. Further to this, Government of India also has now issued a draft rule wherein they have said that the generating company must offer that power on the exchange platform and if they fail to offer that power on the exchange and they fail to submit sell bid of that, that quantum will not be counted towards their fixed cost recovery. I mean their DC computation which will impact their fixed cost recovery. So because Government of India wants that liquidity in the market should improve, and I am sure these rules are going to be finalized maybe within this month and already we have started seeing volumes from the generating companies, the URS power getting bid in the exchange platform so liquidity has improved because of that.

Mohit Kumar: Understood Sir. Thank you and all the best Sir. Thank you.

Moderator: Thank you very much. The next question is from the line of Guy Spier from Aquamarine Capital. Please go ahead, sir.

Guy Spier: Thank you very much. I think the whole of India should be grateful for the extraordinary work the India Energy Exchange is doing in facilitating the provision of electricity to the whole of India and I think you are an amazing team. I wanted to get your update on the comments for the Central Electricity Regulatory Commission.If the Power Ministry eventually takes a decision on market coupling when will be your best estimate of when they will take it and I would imagine that if they decide to go there that is going to have to be a lot of discussions on exactly how to implement it and what the market procedures will be and even which contracts they might start working with first? I cannot imagine they would do it all at once so I would love to get your take on where that is, where your discussions are and how you see it unfolding from here. Thank you.

S. N. Goel: Yes, first of all thank you very much for complimenting and with regard to market coupling, let me first tell you the events which have happened. I think in the first week of June there was a letter from Ministry of Power for implementing power market coupling to CERC. CERC issued their discussion paper in the month of August, and they invited suggestions on that and almost about 127 persons submitted their suggestions and comments. And in that also what we find that more than 70% persons they were not in favor of coupling. If you look at all these comments are hosted on the CERC website, you can have a look at yourself. All eminent persons of the sector and experts of the sector they have opined that market coupling will not bring any value in the market and the need of the hour is basically to improve more liquidity in the market. At the present arrangement the three exchanges are competing with each other so if you do the coupling it will stiffle the competition and innovation. And so based on the comment received I am sure there are few comments where the alternate options were suggested. So what we understand is that CERC is now also exploring and analyzing the alternate options given in some of the suggestions and maybe at appropriate time they will take a view on that whether there is any merit in implementing market coupling or not. So I will not be able to give you any time frame when CERC will take a view on that. After CERC takes a view on that then also the process is quite long because they will come out with the draft. They will discuss on paper again on the new concept and then take comments on that. They may come out with the draft regulations, finalization of the regulations, development of software and laying down the settlement mechanism. I mean doing the mock drill for that, so it is a long-drawn process.

Guy Spier: Thank you so much and I would also just to confirm, I would imagine that developing that new system if it ever comes about would be with the involvement of the existing market players to ensure that energy continues to be traded smoothly so you would be closely involved in the development of that system?

S. N. Goel: Yes, yes I mean whatever is done by CERC that is in a transparent manner and with the involvement of all participants.

Guy Spier: Thank you so much and thank you for your great work. You are a great Indian institution, and I am proud to be associated with you as you know. Thank you.

S. N. Goel: Thank You. Thanks a lot.

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

Ankit Kanodia: Thank you for taking my question. My question is again related to market coupling but just slightly on a different note. So in our call we have been very clear that if market coupling comes in, it would lead to death of innovation in the market right in the exchange market. But we see some of our competitors celebrating market coupling. So can you throw some light as to how can market coupling be beneficial for one player and not beneficial for others?

S. N. Goel: See the point is I will always tell the side of the story which suits me, and same thing is true for the other exchanges also, that is why there is a regulator. Regulator is an independent body. They will take a view considering what is good for the sector and that is why they showed the staff paper and in the staff paper if you see the suggestions received are not only from the three exchanges. The suggestions received are 124. There are other 124 participants who have made comments on that and these include sector experts. You can say they are members of the CERC, ex-members of the CERC, ex-Chairpersons of CERC and Central Electricity Authority, ex members of the Appellate Tribunal, ex Secretaries of the Government of India. I mean ex-State Regulatory Commission Chairman and maybe from IIT and IIM and NGOs. So all those persons have made comments on that. Please have a look at those comments. You'll yourself be convinced that market coupling probably will not add any value but anyhow we have to leave it to the regulator. They have to decide about it. It is their prerogative to decide what is to be done in the market but I can only tell you that implementation of market coupling is a major change in the market design so I am sure regulator will take a view considering all aspects and then implementation of that also is a long-drawn process.

Ankit Kanodia: Got it. Thank you so much for that detailed answer. My second and last question would be related to the International Carbon Exchange which we are planning? Can you give us some color as to where we are in that and how do we see that shaping up in the next couple of years. Any qualitative and quantitative details you would like to throw?

S. N. Goel: Yes in the international carbon exchange,we are still working on that because the transactions are basically mainly with the Indian sellers and international buyers. So these are going to be I mean dollar and rupee transactions and it is difficult to facilitate this kind of a transactions on exchange platform so we are now exploring the option with the Gift City to launch this exchange from the Gift City so that we can do dollar to dollar transaction. And we had a couple of interactions with the Gift City officials and they are also very supportive of this. Let us see if it materializes in the next couple of months.

Ankit Kanodia: Okay so maybe in FY2025 we can expect some transactions here, some notable transaction?

S. N. Goel: We are desperately working on that, and we intend to launch that as soon as possible.

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

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

Nikhil Abhyankar: Thank you. Thanks for the opportunity. Sir, in your initial remarks you mentioned about the fungibility of REC so can you please explain what exactly you mean by that?

S. N. Goel: Yes. Earlier in case of REC, the RP obligation was separate for the solar, separate for the wind, and separate for the hydro, all those things were separately specified. And as a result of that some states, I mean the inventory for the solar was higher, wind was lower so there were problems in that. But now after creating fungibility, all REC are in one category and there is a multiplier effect based on the technology. So now the obligated entities can buy that REC to meet the requirement. All the obligations are again combined together. So, I mean that has basically increased liquidity in the sell side and also made it simpler for the distribution companies to meet their obligation.

Nikhil Abhyankar: Understood and Sir would you be able to also mention what will be the industry wide like the system wide inventory level for REC as of say on December?

S. N. Goel: Pardon.

Nikhil Abhyankar: The system wide inventory level of REC?

S. N. Goel: Yes, inventory is very, very high in the market now. It is almost about more than 2.5 Crores REC are there in the market. See now there is a mechanism that even distribution companies if they have renewable power at their disposal which is more than their RPO obligation they also can get REC. So as a result of that there are distribution companies like Karnataka, Telangana, Andhra Pradesh, and Himachal Pradesh they also have REC and then the generators REC renewable generators. So the combined REC volume is quite significantly high.

Nikhil Abhyankar: Okay and the last question what were the long-term volumes in Q3?

Rohit Bajaj: So, in Q3 this volume is about 3 billion units. Now a days every month we are doing close to 1 billion unit trade in longer duration contract so total in nine months we have done close to 7 billion units which have picked up in the later months. But if I compare it with the last year, last year total in complete year itself we did about 2 billion units so there is a massive increase in LDC volume.

Nikhil Abhyankar: Okay Sir and should we expect that in Q4 ahead of the summer season, this volume can really spike because most of the DISCOMS would like to have requisition power for the summer season?

Rohit Bajaj: Yes. So there is lot of interest now as you rightly said, because for the summer season there is a visibility that probably there is going to be deficit again. So many of these distribution companies they want to come to the market at this point in time and lock their procurement for the coming months. So we are working towards achieving even better number in months to come.

Nikhil Abhyankar: Okay sure Sir. Thank you and all the best.

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

Sumit Kishore: Thank you. My question is in relation to the flurry of firm dispatchable RE tenders that we have been seeing over the past few months. Basically as the electricity storage solutions evolve and this becomes more and more prominent, what implications does it have for the volumes that come to the short-term market and particularly to the exchanges. And also if you could combine this answer with the opportunity that you see with the RE capacities that would be set up for green hydrogen over the medium term. Again what could be the quantum of associated generation that if possible could come to exchanges?

S. N. Goel: See first of all let me tell you the basic principle. The renewable energy generation capacities there are lot of variation in that. There is lot of volatility in that. Whereas demand is practically fixed. So buyer will have to have other sources of power also to meet the demand and it is seen that the countries where renewable generation capacity has increased, the exchange transactions have also increased because on the exchange platform you can do integration of different resources in a more efficient manner. Like for the storage capacities. The battery storage system or the pump storage system there the cost of generation is going to be higher, and exchange can provide that high price during the peak hours. So I am sure with higher renewable energy capacity and the storage systems, the exchange will be definitely a preferred option. Even the Government of India is talking about the storage capacities under the viability gap funding system and there also the mechanism being explored is that the sale of power is at least on the exchange platform during the peak hour so that the maximum realization of revenue can happen on that.

Sumit Kishore: Sure, and so basically if you look at the period FY22 to 1H FY24 I mean the share of exchanges has not really increased in the total power consumption? It has gone from 7.4% to 7.1%? The overall short-term market has also stagnated at around 13.6% to 14%? In the next four to five years based on how renewable penetration is going to increase, how do you see the share of short-term market going up? What is going to drive that and how is the share of exchanges within the mix going to increase? Maybe a three year time frame?

S. N. Goel: This is very difficult to say about what is going to happen in future, but I can tell you in the past if you look at the last five years our volumes have increased at a CAGR of I think more than 16% to 17%. And I am sure with the high renewable this number will be further better.

Sumit Kishore: Sure, so you had mentioned that in European markets already you have renewable capacities which are coming to the market under the…

S. N. Goel: Let me tell you one thing in case of the European markets. They have a market framework even at the retail level. So competitive framework at the retail level also, so I think their model is more competitive and exchange transactions are more in those countries. But the trend is that with the high renewable exchange transaction also improve. The share of exchanges increases significantly.

Sumit Kishore: So, are we seeing more renewable capacities being set up on a merchant basis now in the next couple of years?

S. N. Goel: Not necessarily. We have seen States having high renewable at their disposal under the PPA. They sell more power during high renewable generation capacity period and there are distribution companies who buy that power. What is required is we need to have capacity addition in the sector.

Sumit Kishore: Yes, so for time of the day requirement of meeting power especially during evening peak hour's exchanges could prove a very important tool to manage that situation?

S. N. Goel: If you look at our real time market, the real time market volumes have increased to almost about 30 billion units now. And the share of real time market is increasing. It is mainly because of these things that with the renewable capacity addition taking place there are participants who are selling power on the exchange platform whenever the renewable is high and there are other participants who are in need of power, they buy it.

Sumit Kishore: Thank you so much for answering my questions.

Moderator: Thank you very much. The next question is from the line of Sagar Vijaybhai Shah from Shah & Co. Please go ahead.

Sagar Vijaybhai Shah: Thank you for the brief insight on the quarterly update on the results. So I was just going through the replies which the members have commented on the Staff report which the CERC has asked for. So I was going through IEX reply also in that the company has mentioned that this may be unconstitutional as well and this because the objective of giving the license to IEX is also based on some sound principles, which if the market coupling is happening then it is violating and it may be unconstitutional. So if you can just throw the light on that?

S. N. Goel: I think our suggestions to CERC are very detailed and they are self-explanatory. I will request you to go through them and you can I am sure get more clarity from the filing. I do not think…those suggestions are I think in 30 pages, and I will be able to detail them out on this call. Thank you.

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

Bharani: Good evening Sir. This is Bharani from Avendus Spark. So my first question is on our GDAM and GTAM volumes like can you elaborate the reason why it is on a declining trend this year compared to last year?

S. N. Goel: Yes, in the Green market, see we do not have significant merchant generation capacity in the green area. Mostly that green power sale was coming from distribution companies who have green power beyond RP obligation and more of it from Karnataka. This year Karnataka demand, there was a significant increase in the demand (in Karnataka) almost about 30%, mainly because of shortfall in rain in Karnataka during that time when wind generation happens. Earlier they were selling that power. This year their own consumption was high, so the sell was less on the exchange platform because of that. Otherwise, as far as the demand is concerned there is a huge demand for green power and the premium over the conventional power in the green market is also almost about 40 paisa to 50 paisa per unit.

Bharani: The second question is on the recent developments on open access and on the revoking or receiving of any license requirement of transmission for renewable projects or any new projects to be set up by the developer. So how are all these things having a positive impact on our open access volumes if any or will it have any positive impact in the future?

S. N. Goel: All these things are basically for development of the market and development of green energy in the country. And as I told you anything which leads to capacity addition in the sector is going to be positive for the exchange also. So, these things will be positive but let us see about the implementation of this because these kind of things will take time for implementation and seeing the result of that. These are all futuristic issues.

Bharani: Okay got the point. Thank you so much and all the best.

Moderator: Thank you very much. The next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal: Good evening everyone and thank you for the opportunity. My first question is on the long duration contract. So if you see one of the benefit of exchanges was lower prices compared to the bilateral market and that has been driving the move from bilateral to exchanges? All your new contracts that you are seeing in the LDC can you give us a comparison in terms of prices that we are seeing in the LDC market versus the bilateral market?

S. N. Goel: I can only tell you one thing that the practice which distribution companies are adopting is they do a tender on DEEP platform and also for that they have some time available to give their consent. During that time they run the auction on the exchange platform also and invariably they find lower rate on the exchange and they get into a contract from exchange platform. So on a case to case basis it is very difficult to give you a comparison for each because these are different tenders coming out at different places, but definitely exchange prices are lower.

Devesh Agarwal: But can you say that 10% to 20% could be the difference or even that will be difficult to, see?

S. N. Goel: 10% to 20% is a very, very large number what you are talking about. This is normally you can say about 20 paisa to 25 paisa per unit.

Devesh Agarwal: 20 paisa to 25 paisa per unit

S. N. Goel: Yes, maybe which is about 3% to 4%. See a generator is giving a competitive rate on the exchange platform because he is getting payment on daily basis, so his working capital requirement is less, and he is basically saving cost there in that. And then he is assured of payment, so that is why a generator is offering competitive price on the exchange platform.

Devesh Agarwal: Right and Sir you did mention about the incremental supplies coming from the imported fuel projects but if we just want to understand better over the next two quarters when we will see the peak demand, what is your sense in terms of how much incremental supplies can come from which segment which can help us meet the demand and drive the exchange volumes based on your past experience?

S. N. Goel: See number one, last year also Government of India has given direction for the imported coal based power plant to run. But last year the coal prices were itself very high. The variable cost was something around during this time of the year March to April, I think it was about Rs.8 to Rs.9 per unit, but now the coal prices have come down so variable cost is only about Rs.4 to Rs.4.5 per unit. So I am expecting the imported coal based power plants to run at the full capacity, which is something about 10,000 to 12,000 megawatt, that capacity is going to be available and another thing is the gas based power plants. Gas rates also have come down. I was seeing today, the West India Marker (WIM) is about $9. the futures of the LNG are being traded for the month of March at $7 to $8. So if it comes down to $7, the variable cost with LNG will be only about Rs.6. So today we have 25,000 megawatt of gas based capacity. Out of that almost about 12,000 megawatt is on burn, so that can start generating power. So there is lot of capacity 12,000 megawatt of gas, 10,000 megawatt of imported coal and also the new generation capacities are under construction and commissioning. So we are expecting by March even almost about another 4,000 megawatt to 5,000 megawatt capacity will get added so taken together this summer things should be comfortable.

Devesh Agarwal: Understood. And Sir on REC we have been seeing that the prices have corrected significantly versus what they were earlier. Does this pose any risk to our exchange tariffs?

S. N. Goel: Yes, exchange volumes have significantly increased in the month of December. I think Q3 our volume was 65% with respect to Q3 of last year.

Devesh Agarwal: No Sir in terms of tariff I am asking. The tariff that we charge at Rs.40 per certificate given that the prices have come off significantly is there any risk to that Rs.40 or no risk to that Rs.40?

S. N. Goel: Let me tell you one thing, we were charging the same tariff when the REC rate for the solar was 2,500 also. So the exchange fee is same. It is not price sensitive because if it is kept price sensitive then we will always like to have higher price which is not in the interest of consumers. That is a fixed fee.

Devesh Agarwal: Right Sir perfect. Thank you so much.

Moderator: Thank you very much. As there are no further questions, I would now like to hand the conference over to management for closing comments.

S. N. Goel: Thank you friends. I would like to thank each one of you for being part of today's call. Throughout the quarter we witnessed a number of efforts announced by the government and regulators, aimed at establishing a favorable policy and regulatory climate to develop the energy sector. We remain committed to contributing to the development of a sustainable and efficient energy future. Have a wonderful evening. Thank you very much.

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