



Dated: February 08, 2018

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Bandra (E), Mumbai-400 051**

Scrip Code: BSE- 540750; NSE- IEX

Subject: Transcript of the Conference call with analysts and investors.

Dear Sir / Madam,

Please find enclosed herewith transcript of conference call with analysts and investors held on Friday, February 02, 2018, at 6:00 pm (IST) to discuss the financial results of the Company for the quarter ended December 31, 2017 (Q3 FY18 Results).

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For **Indian Energy Exchange Limited**


Vineet Harlalka
Company Secretary & Compliance Officer



“India Energy Exchange Q3 FY2018
Earnings Conference Call”

February 02, 2018



ANALYST: MR. BHAVIN VITHLANI – AXIS CAPITAL LIMITED

MANAGEMENT: MR. S N GOEL - MANAGING DIRECTOR AND CEO – INDIA ENERGY EXCHANGE
MR. VINEET HARLALKA - CHIEF FINANCIAL OFFICER - INDIA ENERGY EXCHANGE
MR. AKHILESH AWASTHY – DIRECTOR, MARKET OPERATIONS - INDIA ENERGY EXCHANGE
MR. RAJESH KUMAR MEDIRATTA – DIRECTOR OF BUSINESS DEVELOPMENT - INDIA ENERGY EXCHANGE

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- Moderator:** Ladies and gentlemen, good day and welcome to Q3 FY2018 IEX Earnings Conference Call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case 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. Bhavin Vithlani from Axis Capital Limited. Thank you and over to you Sir!
- Bhavin Vithlani:** Thank you. Good evening, ladies and gentlemen. On behalf of Axis Capital, but you would like to welcome everyone for the Q3 of fiscal year 2018 Earnings Conference Call for IEX. From the management, we have with us today, Mr. S.N Goel - Managing Director and CEO, Mr. Vineet Harlalka - Chief Financial Officer, Mr. Akhilesh Awasthy – Director (Market Operations), and Mr. Rajesh Kumar Mediratta – Director (Business Development). I would now like to hand over the call to Mr. S N Goel for his opening remarks, post which, we will open the floor for Q&A. Over to you Goel Ji!
- S N Goel:** Thank you. Good evening friends for joining this call. I welcome you all to the Q3 earning analysis.
- On the supply side, the total generation in the country has grown at a rate of 3.5% from 931 billion units in the last nine years to 964 billion units in this year nine months. The growth has been lower than what we achieved earlier. The overall trend in the short-term market is periodically published by CERC and CERC has published for the period April to October 2017 and as per the CERC report, the short-term market size is almost about 11% now and within the short-term market, the direct banking transactions have gone down by 30% and bilateral transactions through the traders have increased by 4% whereas exchange transactions have increased by 18%.
- This exchange has been the largest gainer and in exchange, it is IEX, which has largest market share, so we have been able to get good part of it, which is almost 99%. As we discussed in the last quarter about the development in the transmission sector. There has been significant reduction in the transmission congestions in the country and during Q3 out of the 92 days in fact or 91 days, there was no congestion.
- One nation, one grid and one price was a reality, last year, we lost almost about 4%, volume due to transmission congestion whereas this year it is only about 0.5%. In the last quarter, it was virtually nil and you know because of this less transmission congestion it has given lot of comfort to the distribution companies that they will be able to buy power when they want it and that is why, the purchase of power by the distribution companies have increased significantly through exchange.

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In fact last year, purchase of power Distribution Company last year was only 40% of the total sales whereas this year, it has increased to almost about 65% to 67%. In the quarter, our total volume grew by 62% from 11047 million units to 17943 million units and it was mainly contributed by REC where the growth was 806% and on nine-month basis the volume growth was 32%.

Top 10 buyers percentage shares improved drastically from 22% in nine months to 52% in nine months, which is the clear indication of developing trust in the consistent delivery of the exchange services. We have witnessed higher participation of the State Electricity Boards. Our focus is to work more towards green energy and in this year one of the solar generator participated in the exchange platform for sale of power in the month of October, November, and December. They sold about 50-megawatt of solar power and they could do forecasting and scheduling on the exchange platform with the accuracy level of more than 95% and they were able to realize a tariff which is substantially higher than the tariff, which is now being discovered under the bidding route, so I am sure this will promote sale of renewable power on the exchange platform also.

Our focus is on to work towards green energy and this year because of the better RPO compliance in sale of REC also has been significant increase. On the financial performance side, total revenue was 70.21 Crores, which has increased by 21.26% in this quarter. Transaction fee, increased by 35.57% from 42.99 Crores to 58.28 Crores. Admission fee and administration fee declined by 5.69% from 6.86 Crores to 6.47 Crores.

Other income declined by 32% from 8 Crores to 5.46 Crores. This was mainly because of capital expenditure made in buyout of the technology and also because of large dividend payout last year. Total expenditure increased by 12.54% from 13.56 Crores to 15.26 Crores. Profit after tax increased by 26.48% from 28.62 Crores to 36.2 Crores. EBITDA margin, there has been significant increase from 75% to 81% and this increase was due to fall in technology cost because of acquisition of Exchange Technology Software.

Depreciation and amortisation amount was Rs.2.97 Crores during Q3, which has increased to 43% because amortisation of technology software cost. Higher volume in REC that is 32.39 lakhs certificates in December and ESCerts of 4.5 lakhs was highest ever volume achieved by the Exchange ESCerts transaction started this year from September 27, 2017 and this normally happens once in three years, so first cycle is over and next transaction will happen after three years.

Yesterday in the budget, Honorable Finance Minister has also made a declaration that all companies whose revenues were less than 250 Crores in the year 2016-2017 will have a corporate tax of 25% and IEX falls in this category.

So we will have significant tax revenue in the subsequent years. So we are open to question answers, Mr. Bhavin!

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- Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Mohit Kumar from the IDFC securities. Please go head.
- Mohit Kumar:** Good evening Sir. This question pertains to the fact that in this quarter, we did 17.9 BU. So given that we are 4 paise margin. Our revenue should have been much higher.
- S N Goel:** You are counting electricity and REC together, but our margin in case of electricity is 4 paise per unit. In case of REC, we are not charging anything from the buyer and that is the industry practice so because of that effectively, we are getting only about Rs.16 in case of each REC. You will have to multiply REC at a rate of Rs. 16 and electricity with 4 paise then you will get the number. In case of ESCerts we are charging Rs. 20 both from buyer and seller so multiply this with Rs. 40 to get the revenue growth.
- Mohit Kumar:** So the ESCerts for this particular PAT cycle is over, so does not it mean that there will be no ESCerts trading anymore now.
- S N Goel:** No ESCerts trading may happen every month, but then, we do not expect significant volume in that because all buy obligation is almost over.
- Mohit Kumar:** Have you heard anything on the gas trading platform you know from Ministry?
- S N Goel:** Ministry of Petroleum and Natural Gas, has through Oil Industry Development Board, appointed KMPG as the consultant to advice government on the gas exchange regarding that what are the statutory provisions, which are required to be created, what are the regulatory enablement, which have to be done, what are the policy frameworks which has to be created. You must be hearing regarding the separation of gas transportation and trading business. All these things are being discussed now and once the KPMG gives a report to the government only after that a decision regarding gas exchange will be taken. We are closely working with the difference stakeholders and doing necessary preparation so that if there is an opportunity for us, we do not loose time to get into this.
- Mohit Kumar:** Sir how is the open access volume has been compared to last year as it come down and how to see it going forward?
- S N Goel:** The open access volume this year has come down by almost about 38% and one of reason is that our clearing price this year has increased significantly. The clearing price has increased by almost about 34%, Last year it was about Rs.2.40 paisa, this year it is about Rs.3.20 paisa, Open access transactions are very much price sensitive because of the high cross subsidy surcharge and additional surcharge and wheeling charges levied by the state regulators **Breakeven** rate for the open access consumer is less than Rs.3 in many of the cases so that is why because of the increase in the clearing price, the open access volumes have gone down this year significantly. For increase in the price there are two to three reasons. One is the imported coal rates have gone up significantly. They have increased by almost about 60% to 70%. I remember 5000 GCV was

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sold in 2016 at about \$36 per tonne and that is today around \$70 per tonne, so almost double. Second is e-auction coal rate that have already gone significantly up, so because of this variable cost of generation for the merchant generator is quite high, & clearing prices have gone up. So open access volume is down mainly because of that. On the other hand, there has been significant increase in the Discoms volume. Discoms volume had increased by almost about 90%.

Mohit Kumar: Thank you Sir.

Moderator: Thank you. Next question is from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.

Dhruv Muchhal: Thank you. Sir firstly on the broader thing on the cross subsidy surcharge and apparently for not delivering power, which the Ministry of Power has been talking about that they will bring it in the electricity act through the direct benefit transfer and all those things, so what the seriousness here you are part of the industry, what the seriousness here can it be implemented cross subsidy surcharge can it go. What is your thought there, because that can help significantly our open access volumes?

S N Goel: Very difficult to say. The government definitely has intension of improving the distribution sector and distribution sector reform can happen only when you know cross subsidies are removed. For direct to benefit transfer to happen we will have to create infrastructure for that. Subsidies are given mainly to the farmers and the low income category persons where unfortunately we do not have a metering. So even for doing this direct benefit transfer we will have to provide the metering there and government is thinking about that, but it may take time.

Dhruv Muchhal: Even if you did bring it in the act and if it is applied a few states go ahead with it, it should benefit us significantly is it right or do you think none of states will probably go ahead with it?

S N Goel: If direct benefit transfer is implemented the impact of that will be on the distribution company financial health. Distribution Company financial health will improve significantly, their power purchase capacity will improve, and I am sure then the load shedding will reduce and more supply of power will happen that should benefit us.

Dhruv Muchhal: Sir second question was in the tax saving, which we will get now. Currently, we are below this 250 Crores threshold right, but if say for example in the next two years, if we increased with currently my estimates as per my estimates probably you are increasing beyond this 250 in FY2019 or 2020. So we will still apply to us or we will go back to the 34% or 30% slab?

S N Goel: Let me accept my ignorance about tax laws, but I have heard that the company whose revenues were less than 250 Crores in the financial year 2016-2017, for those companies in 2018-2019 tax rate of 25% will apply. I have not read the budget provisions in detail, so maybe you can look into that.

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- Dhruv Muchhal:** Sir, if you can just give what was the share of open access volumes and the Discom volumes like we gave it last quarter if you have that number?
- S N Goel:** Open access was almost about 35% of the total volume.
- Dhruv Muchhal:** I think you said the Discoms have increased buying significantly, which was even trailing in the last quarter, so any major Discoms if you can highlight, which are turning towards IEX to buy power, not from the open access, pure Discoms which are buying power?
- S N Goel:** It is mainly Gujarat, Bihar, West Bengal, UP, Telangana, AP, Maharashtra, so these Discoms are buying power.
- Dhruv Muchhal:** Okay. So it is broad based, no particular.
- S N Goel:** Yes.
- Dhruv Muchhal:** Thank you so much. Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Murkya from Jefferies. Please go ahead.
- Rahul Murkya:** Just follow from the previous question, Sir just wanted to understand all your top 10 buyers are SEBs today right?
- S N Goel:** Yes.
- Rahul Murkya:** And within these top 10 buyers is there any state that has come up compared to last year, same quarter last year?
- S N Goel:** Yes. UP was not there last year in the top 10. So there is significant increase in the volume by UP, by West Bengal, by Maharashtra. Maharashtra last year, they did it only about 61 MUs and this year, they have done 1233 MUs.
- Rahul Murkya:** Excellent and Sir generally to understand, I mean is there any state that is not trading with you all at this stage, which could potentially be added onto the platform in the next six to 12 months, which are working with today?
- S N Goel:** I do not think there is a state, which is not trading, but there are few states where the volumes are very less. States like Jharkhand, Chhattisgarh, Odisha and couple of northeastern states where the volume is less. Otherwise, most of the states are selling or buying, MP is a big seller.
- Rahul Murkya:** Sir, these States could actually I mean I guessing you will focus on them to trying increase volumes at the exchange right?

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- S N Goel:** Yes and we are seeing good response from them, particularly after strengthening the transmission system, so we are seeing good response from the Discoms.
- Rahul Murkya:** Sir lastly, I know I mean is there any progress on I mean as CERC come up with anything else one pricing or are you all discussing anything with them or other industry players discussing anything with us on the pricing side or any discussion that have happened incrementally?
- S N Goel:** What pricing?
- Participant:** Sir on 4 paisa I mean as such. Is there any discussion at all that has been ongoing?
- S N Goel:** On margin and other issues CERC in the month of September had sent us queries & we responded to that, that was declared in the RHP. Subsequently in the month of December also we received a letter asking for few more clarifications & we are submitting clarifications to CERC.
- Rahul Murkya:** Currently that the stage which is?
- S N Goel:** Still no decision has been taken by CERC on that.
- Rahul Murkya:** Sir with the chairperson on board I mean it is probable that may be this goes I mean is this being discussed, so this on the top priority or may be something that they will address subtle rate of stage?
- S N Goel:** I think for CERC this is a very small issue. There are many more complicated issues pending there.
- Rahul Murkya:** Exactly. That is what I was thinking. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Chandra Prakash from Alchemy Capital. Please go ahead.
- Chandra Prakash:** Good evening Sir. This media report on government wanting to put all these stressed plant, private plants through a common PPA and then sell it to a SEBs does it impact I am assuming at what stage is the government put on that and I am assuming this will impact negatively your volumes from the selling side, your thoughts on this would be welcome?
- S N Goel:** As far as government is concerned, they are trying to basically resolve this NPA issue, so they are trying to get the best quote from the generators and trying to sell power of the distribution companies, but you know option to purchase under long term PPA is available with distribution company. From the last four years, unfortunately, distribution companies are not coming forward for signing the long-term PPA, so I do not know in this case also whether the distribution company will come forward for signing the PPA, under the long-term contract again, they will have to commit for the capacity charges and already in most of the cases, distribution companies have already tied up long-term PPAs beyond their base load demand. So what they are buying

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from the exchange is basically seasonal variation and for seasonal variations I do not think distribution companies will sign long-term PPA, but then I will not like to make any comment beyond this, so let us see. On sell side, I do not see any much challenge because today we have almost about 25000 megawatt capacity, which is merchant, so I do not see much issues on the sell side and then we have couple of distribution companies also who have surplus power depending on the season. So will not be a issue. These days yes during the daytime, we are facing some problem, but then once this coal issue is resolved, where production is now picking up I am sure sell side should not be issue.

Chandra Prakash: Okay. What is the nature of queries that you are receiving from CERC what you mentioned in December also you received some queries and you replied to that?

S N Goel: Whatever we had declared in the RHP on the same issues they have further asked a few clarification.

Chandra Prakash: I am sorry, I did not go through that RHP so if you could highlight to that?

S N Goel: It is there in the RHP and also in the prospectus.

Chandra Prakash: Okay. If you could detail one issue, a major what is on top of their mind?

S N Goel: They had basically written about how are you doing real-time curtailment, how are you going to inspect the professional members and trader member, where are you making the investment of the settlement guarantee fund, what are you doing with that investment and also in regard to the margin that in spite of the volume growth please justify the need for this margin, so on these clarifications were requested..

Chandra Prakash: More technical in nature. Thank you Sir.

Moderator: Thank you. The next question is from the line of Santosh Hiredesai from SBICAP Securities. Please go ahead.

Santosh Hiredesai: Thanks for the opportunity. Sir I was trying to understand the way the trades are settled because we have purchase bid, sell bids, I understand broad to specific mechanism by which we arrive at the market cleared volume, but beyond that I was just trying to understand we have cleared volume and there is some volume, which is lost in a real-time curtailment, finally the scheduled volume, so I was just trying to understand how to this you know where is the law says and is it because of transmission constraints that you know there is curtailment so just try to understand slightly better?

S N Goel: In this quarter, the curtailment was much lower. I told you that in case of transmission congestions out of 92 days on 91 days there was no congestion and on one day also the congestion was out of 96 time blocks only on 8 time blocks, so virtually there was no loss because of that. In earlier quarters yes, there was some curtailment because of the congestion. If

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the transmission capacity is not available to complete the trade, which is clear on the provisional volume then we have to curtail that depending on the availability of transmission line. On the real-time basis also sometime because of the tripping of the transmission lines NLDC in view of the system security, advise us to curtail transactions. I think in this quarter also, there are few days on which the real time curtailment happened because of tripping of the transmission line, but not significant.

Santosh Hiredesai: So basically the difference between cleared volumes and finally scheduled volumes is what you are saying is because of the NLDC not able to schedule that volume for reason?

S N Goel: You are right.

Santosh Hiredesai: Whatever is lost because of transmission constraints explains the amount of volume between the market cleared volume unconstrained and the cleared volume.

S N Goel: Yes. You are right.

Santosh Hiredesai: Okay. All right. Thank you so much.

S N Goel: Thank you.

Moderator: The next question from the line of Dhruv Muchhal from Motilal Oswal Securities. Please go ahead.

Dhruv Muchhal: Thank you Sir. Thank you for taking again. In the opening remarks, who mentioned about increasing focus and green power, can you talk bit more about that how do you plan to I hoped I mean you had successful transaction about 50 megawatt trading on your platform, so was the plan there, can we encourage more such kind of things?

S N Goel: Earlier renewable generators, were hesitant in selling power through the power exchange. Earlier clearing price on the exchange was lower and what they were getting under the PPA route, as feed in tariff were much higher. In the last two years, the renewable energy rates discovered through the bidding routes, has gone down significantly, it is almost about Rs.2.50 per unit both in case solar and wind. Further they have concern about forecasting on day basis. But one of the generator assets were commissioned but had disputes in PPA, he utilized exchange platform for selling the power for three months and we did some analysis on that and we found that he was able to do the forecasting and scheduling with more than 95% accuracy level and also the realization Rs.3.28 paisa, which is much higher than the rate these generators are getting these days under the bidding route, so now what we are talking with the generator and also with the policy makers that you can ask this renewable generator to set up the capacity through the sale of power in the market also. In any case, market clearing price is definitely not going to be lower than 250-260 as you know the coal prices have increased in the past, so the variable cost itself is going to be significantly higher than 250-260. So for renewable generators there is no variable cost. This is what we are trying to tell the generators, discuss with them. One of the concern is

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whether banks will be willing to extend loan to these generators without PPA, but if this kind of analysis is made before the bank. I am sure they will also agree because in case of renewable generators there is no fuel cost or uncertainties about fuel availability. In case of the coal generation, the NPA become because the generators have not been able to get coal. If these generators are given coal by the government at the administered price, I am sure each of the generator will be able to service the loan, but in case of renewable generator, there is no issue of the input cost, it is a 0 input cost, so based on the investment made they can work out what is going to with the rate at which it is viable and if the rate is 250 paise per unit, I am sure bank will get comfort by selling power through exchange also.

Dhruv Muchhal: Sir I think one probable concern will be the certainty of price, so correct me if I am wrong, but once you have a future forward market, it will significantly help the participants in terms of you know taking long-term bet, so if any development there probably it can help overall volumes too. So I am not sure what stage are this forward in future discussion or it is still very early?

S N Goel: Mr. Dhruv first of all in case of sale of power to the distribution companies under the PPA, there is issue of payment whereas in case of exchange platform, there is no issue of payment that itself should give lot of comfort to the renewable generator and second is clearing price, average clearing price for the year, I am sure they should have the reasonable comfort that average clearing price will be definitely better than what price they are going to get under the bidding route. Coming to the point of forward & future contract yes, there are discussions going on, but no clarity as of now.

Moderator: Thank you. We have the next question from line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri: Good evening Sir. Thank you for the opportunity. Sir continuing on the previous question on the renewable energy side, just wanted to understand how big that market could be in terms of you know in terms of the forecasting if the company falls short by 5% of the times or 10% of the times what is the penalty that they have to pay?

S N Goel: Most of the states, have deviation settlement mechanism, i.e. UI mechanism is applicable. So they will get realization for that error based on the UI rate and what I told you in case of one of the generator who sold power on exchange platform in the last three months, even after this deviation, the realization was Rs3.28 per unit.

Abhishek Puri: This was for three-month period or is it for one full year?

S N Goel: This is for three-month period.

Abhishek Puri: Thanks. Secondly, banks are obviously not supporting new merchant power plants in the country, the transmission lines have been setup and you know the congestion has gone now to near 0 in the last few months of data that I see in your website as well as the obviously fuel availability is

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weak for the last three, four, or five months, but what better market conditions do need for the exchange volumes to go up 4% to 8%, 9%, 10% which is there in the global market, is it you know all boils down to the Discom health?

S N Goel: This is a slow process. I do not think you can get volume growth from 4% to 8% in one year. I think the growth is happening, earlier the growth was constrained because of the transmission issues also on supply side because of the coal, these are definitely concern, but once these issues are resolved, demand from the distribution company should not be a issue because demand is growing and further government is talking to improve the financial health of the distribution companies, I am sure their power purchase capacity will definitely increase and will result in better supply to meet increased demand. So I think whatever numbers you are talking about it is definitely possible to achieve in the next four to five years.

Abhishek Puri: Great. I will join back in the queue for further question Sir. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.

Deepak Agarwal: Good evening Sir and congrats for good set of numbers. Sir my first question is can you help us to understand how the REC market is responding and how do you see the growth in FY2019-20 and also the eCerts, which you have just started recently, so how do you think we should model for FY2019-20 from that line business?

S N Goel: As we told you this is one time activity in three years so this year the ESCerts transactions have happened, I think the bulk transactions will happen only after next three years, so next year I do not think significant volume of ESCerts will happen.

Deepak Agarwal: It is not a recurring line, it is not recurring revenue.

S N Goel: 2019-2020 yes it will come back again with the same kind of volume what we did. In case of REC, this year the total buy so far in the last nine month between both the exchanges has been more than one Crores and it is a significant increase with respect to last year, it is because of better compliance by the state distribution companies and the industries also so I am sure this trend should continue because if the RPO compliance do not happen then renewable capacity addition will also not happen. So there are stricter measures for RPO compliance, which have been taken by the government and the regulators in the state.

Deepak Agarwal: Okay and my second question is can you help us understand in terms of like several states are going for elections due next year and even our general elections are due in FY2019, if you see historically FY2014 or FY2009, we did not have much of history but there is a fair degree of buoyancy in the short term market at least few months preceding elections but now that our sizes what versus FY2014 we are reasonably sized, do you think that kind of buoyancy expected to come back again as we entered into FY2019?

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- S N Goel:** Yes. Definitely during election demand increases, but it is a distribution company they will have to take a call on that based on their payment capacity. Definitely during the election time the volume increases in case of Gujarat also we saw there was some increase in the buy by the state, so some buoyancy is definitely expected.
- Deepak Agarwal:** Okay. Thanks a lot and I will join back in the queue.
- Moderator:** Thank you. The next question is in the line of Veda Kaza from Investec. Please go ahead.
- Veda Kaza:** Thanks for the opportunity Sir. I had a few questions regarding our volume breakup. The day ahead market volume growth has been just 6% and you had mentioned the exchanges grew at 18% within the short-term market, could you explain this discrepancy?
- S N Goel:** See the CERC data is for the month of April to October, seven months, in seven months the volume growth was actually 18%, but in the third quarter, the volume growth was 6% that is why our yearly growth has been on 13% in the day ahead market. So you have to correlate with represent to the number of months also.
- Veda Kaza:** Sir and see then read into a 62% volume growth for the quarter, majority of that is coming outside day ahead market, do you think that is sustainable?
- S N Goel:** The volume growth is coming because of the REC market and ESCerts.
- Veda Kaza:** Yes, but do you think that trend will continue going forward also?
- S N Goel:** ESCerts is a onetime activity in 3 years so we do not expect significant volume in future before 2019-20. REC yes the trends should continue, in 2018-19 for whole year with respect to 2017-2018, monthly variation, quarterly variations can be different, but trends would continue.
- Veda Kaza:** Contribution of top line players to your volumes, do not see that as a concentration risk?
- S N Goel:** Yes, it is but that you know these are distribution companies and what we find is that the distribution companies are changing and this is for the first nine months and if you look 12 months end of the year maybe the mix may be different. What I am trying to tell you is the different distribution companies are participating during different time of the year, like Madhya Pradesh they purchase power during winter season and sell power during rainy season, so the purchase behavior is different for the different states.
- Veda Kaza:** And any particular reason why exchanges have gained market share this quarter? Why our exchanges gained market share over bilateral traders?
- S N Goel:** It is because of confidence which the participants are developing in the exchange platform and second because of the transmission congestions going down and that is giving lot of comfort to the distribution companies that yes we can now buy power when we want it. Why get into a

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bilateral contract I will give you one example, some of the states bought power for the month of January and February under the bilateral anticipating certain demand growth, unfortunately the demand growth has not happened, and those states are buying under bilateral at a higher price and selling on the exchange platform, the same power at a lower price. So they have done this mistake once but I am sure next and they will factor these things while deciding bilateral purchases. So these kinds of learning's are coming in the sector.

- Veda Kaza:** I understood and lastly Sir, just last question, if you could comment a little bit on the DEEP platform, is that going to be a incrementally your higher competition for us as a price recovery mechanism?
- S N Goel:** See this bilateral transactions are happening only through the DEEP platform and there has been an increase of only 4% in the bilateral transaction, so considering this I do not see this as big challenge. Further now we have robust transmission system which was not there earlier, so now distribution companies have more comfort, hence going forward our growth rates should be much higher than what has happened this year.
- Moderator:** Thank you. We have the next question from the line Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Thanks again for taking my questions Sir. First Sir what is the cash on the books as of December 31, 2017?
- Vineet Harlalka:** We have network of around Rs. 248 crores and cash about Rs.126 Crores as on December 31, 2017.
- Mohit Kumar:** Have you heard incrementally anything on the cross border exchanges, have you had any discussion?
- S N Goel:** Cross border transactions have not started so far, we are waiting for CERC regulations to be issued.
- Mohit Kumar:** Sir as the open access volume came back after post correction of prices in the last few months, how has it generally pan out this is if the open access volume is coming back or is coming large number or just still in a muted?
- S N Goel:** January prices were not lower. They were still higher than Rs.3 that is why open access volumes are still impacted.
- Mohit Kumar:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Saumil Zaveri from DMZ Partners. Please go ahead.

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- Saumil Zaveri:** Most of my questions are answered but maybe I will just squeeze in one I think one of the participants spoke about how this could not be a better kind of environment for more rapid reduction in kind of the exchange platform in the day ahead market with all the factors how they are playing out, so in your opinion what is the kind of apprehension, which is in terms of participants on the platform for more rapid adoption of the exchange?
- S N Goel:** I could not get the question. Can you repeat it?
- Saumil Zaveri:** In terms of a more rapid adoption in terms of growth in volume in the day ahead market, one of the participants was saying how this ecosystem is very, very conducive to that with all the issues that there are, so what in your opinion is leading to maybe some of the apprehensions for kind of the scale up from 3.5% of volume on the exchange platform to a larger percentage?
- S N Goel:** I do not think distribution companies have apprehension. Only point is when there is an increase in the demand the first attempt is to meet the demand through long term PPAs which they already have, they had many long-term PPAs where the capacity was not getting fully utilized, so they are trying to first utilize that capacity and then if they still have demand beyond that then they are buying from exchange platform. Further they are also replacing high variable cost power under long term PPAs as exchange rates are lower. So I think it is a demand growth, which will drive volume on exchange platform. If the demand increases by 5% maybe we will get a larger part of that incremental demand growth.
- Saumil Zaveri:** Fair enough and in terms of the expectations you must have the market forecasting in the prospectus from sometime ago do you have any change in your opinion in terms of the timeline over which you think the IEX volume can be closer to 8% to 9% of total volume or is your expectations more or less similar to what was highlighted about a year ago?
- S N Goel:** Those projections were not made by us those were made by CRISIL in the market report which they made for us, but I think their projections were as of now appears to be that reasonably okay.
- Saumil Zaveri:** Fair enough. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Bharani Vijaya Kumar from Spark Capital. Please go ahead.
- Bharani Vijaya Kumar:** Good evening Sir. Sir I missed the number of REC traded for the nine months, could you give me the number?
- S N Goel:** REC traded for nine months is about 66 lakhs.
- Bharani Vijaya Kumar:** I heard a number of like 1 Crores, so that is why I am just confirming.
- S N Goel:** 1 Crores is for both the exchanges taken together.

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Bharani Vijaya Kumar: Sir this is in comparison to about 46 lakhs for the entire year last year right?

S N Goel: Yes.

Bharani Vijaya Kumar: So I believe in the last year the REC volume mostly came in the fourth quarter, so is this all that we should expect in FY2018 or are there more expected in the fourth quarter?

S N Goel: Normally Discoms buy REC in fourth quarter but this time there was higher buy in third quarter. We are interacting with Discoms for REC transaction in fourth quarter also. Further trading of the solar REC is under stay, by the Supreme Court order. If there is a decision to start solar REC then in the last month significant volume can come from this segment.

Bharani Vijaya Kumar: Okay. I understood and the second question is on the TAM market, so between nine month volume that we have clocked been one of the highest what is the reason for this make it to the highest ever yearly volumes also.

S N Goel: But the TAM volume is still small in comparison for day ahead market volume and one of the reason for that market is that Discoms are not buying power for their intraday requirements.

Rajesh Kumar M: Also because of renewable there will be intermittency and then people will be first to use more of intraday market, so as we go along probably will see a better intraday transactions in market.

Bharani Vijaya Kumar: Okay. I understood Sir. Thank you and all the best Sir.

Moderator: Thank you. We have a followup question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Last question Sir. Sir what happens is solar REC have I heard what is the update is there any charge that solar REC will get bidded in the next three months.

S N Goel: The solar REC case is under hearing in APTEL and going to start on the February 9, 2018 and what I understand from the market is that many of the generators who have solar RECs they have requested APTEL to expedite the hearing and give the orders so that some transmission can happen within this financial year.

Mohit Kumar: Okay Sir. Thank you Sir.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani.

Bhavin Vithlani: I had one question Sir I missed that if you can help me how the revenue from ESCerts flows?

S N Goel: The revenue from ESCerts is Rs.40 per ESCerts, Rs.20 from buyer and Rs.20 from the seller.

Bhavin Vithlani: Okay. So 1075 was a volumes and you have to multiply that by 40.

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S N Goel: Yes.

Bhavin Vithlani: Okay fine. Sir one more question this is a followup of the question asked earlier and correct me if I am wrong, as the retirement of the old plants accelerate, this will kind of free up the Discoms from the PPA mandate which they have been holding on despite they have crossed more than 25 to 30 years, and has that retirement of the plant accelerates it will kind of increase the volumes on the exchanges as to discom liability gets over, is this analysis correct, if you can give some color on this?

S N Goel: Definitely this will happen when old plants are retired. Though old plants are operating at a low PLF but then still they are generating some power so that generation goes away from the distribution company they will have to meet demand from the market, and distribution companies I think by now have realized that long term PPAs are costly option so I am sure the demand will come to the market.

Bhavin Vithlani: Sure. That answers my questions. Moderator do you have any further questions please?

Moderator: No Sir. Would you like to have any closing remarks?

Bhavin Vithlani: On behalf Axis Capital I would like to thank the management of IEX for giving us an opportunity to host the conference call and before we close the conference call I would like to hand over the call to Mr. Goel and the management for closing remarks.

S N Goel: Thank you very much. Though this year was quite challenging from supply point of view, but then we still managed to get growth of almost about 32% in the volume and 22% in revenue. Profit has increased by 26% on a quarter-to-quarter basis and 16% on year-on-year. I am sure this trend will be maintained.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Axis Capital limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.