



Dated: August 8, 2019

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BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
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**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**

Scrip Code: BSE- 540750; NSE- IEX

Subject: Transcript of the Conference call with analysts and investors relating to Financial Results of the Company for the quarter ended June 30, 2019.

Dear Sir / Madam,

Please find enclosed herewith transcript of conference call with analysts/investors held on Friday, 2nd August 2019, at 2:30 pm (IST) for discussion the financial results of the Company for the quarter ended June 30, 2019.

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**



Encl: as above



“Indian Energy Exchange Limited Q1 FY2020 Earnings Conference Call

August 02, 2019



ANALYST: MS. PRANJAL JAIN – AXIS CAPITAL LIMITED

MANAGEMENT: MR. RAJIV SRIVASTAVA - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
MR. VINEET HARLALKA –CHIEF FINANCIAL OFFICER
MS. SHRUTI - CORPORATE COMMUNICATIONS AND PR
MS. APARNA GARG– INVESTOR RELATIONS
MR. SAMIR PRAKASH – HR & ADMINISTRATION
MR. RAJESH MEDIRATTA –STRATEGY AND REGULATORY



*Indian Energy Exchange Limited
August 02, 2019*

Moderator: Ladies and gentlemen good day and welcome to the Indian Energy Exchange Limited Q1 FY2020 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. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Pranjal Jain from Axis Capital. Thank you and over to you!

Pranjal Jain: Thanks Steven. On behalf of Axis Capital we welcome all the analysts and investors for the Indian Energy Exchange conference call. The call will be initiated by a brief management discussion on the earnings performance followed by Q&A session. From the management, we have Mr. Rajiv Srivastava, Managing Director & CEO and Mr. Vineet Harlalka, the CFO. I will hand over to Mr. Rajiv for his opening comments. Over to you Sir!

Rajiv Srivastava: Thank you so much. Good afternoon everyone and many thanks for joining the call. Welcome to all of you for the first earnings call Q1 FY2020 of IEX. We have a few more people on the call along with me in the room and let me introduce all of them. We have Shruti who is our Corporate Communications and PR leader, Aparna who leads investor relations, Samir who leads HR & Administration practices, Rajesh who leads strategy and all regulatory functions. We also have Gautam who is our CTO and Amit who leads our market operations and new initiatives. So that is the quorum.

My speech is going to cover four broad topics. These topics are: highlights of the power sector, update on the short term power market, regulatory policy enablers, and the market expansion activities that are going on and then lead you into business and financial performance, post which we can open it up for Q&A.

Let me first give you a sense of power sector. On the industry front, the total generation in the country grew at 5.2% from 1,303 BUs in FY'18 to 1,372 BUs in FY'19 as per CEA. Consumption growth was pretty adjacent and generation and consumption balanced out at ~5%. You are aware that India is committed to increasing share of green in its energy mix and towards that objective Share of thermal generation declined from 79.6% to 78.2%, share of renewable energy increased from 7.8% to 9.2% during this period. Share of nuclear and hydro remained largely the same at 2.8% and 9.8% respectively. Government's focus on transmission and distribution is yielding results too and during Q1 FY20, One nation, One grid and One price was a reality for 75 days of the quarter. Only 1% of the cleared volume was curtailed due to inter-state transmission congestion. You would note that this is a significant step forward to increase predictability and stability in procurement and supply from the point of view of market participants.

Now we move on and give you a sense of what happened in the short term market within the overall power sector and as expected the share of short term market in the overall power market continues to increase and it grew by 1.1% between 18 and 19. During the same period exchanges

grew from 4.0% to 4.3%. Bilaterals and DSM are the other two growth opportunities and we will mention of a few other growth opportunities later during my read out. Our opportunity lies in expansion of the short term market as well as increasing share of exchange within that.

Let me give you a sense of market expansion, policy, regulatory enablers that are going on right now. India is on the cusp of energy transformation and moving rapidly towards greener, cleaner, affordable and sustainable form of renewable energy. MoP is in the process of finalizing a 5 year vision document for Power Sector. That is a roadmap for bringing growth, competition and efficiency in the power market as well as the larger uber objective of discom financial health repair and social objective of providing 24X7 power to all. A number of market friendly regulatory steps have also been conceived such as introduction of real time market on power exchanges, exchange based market for ancillary services, National Open Access Registry etc. The Union Budget 2019-20 reflects this thrust. Government mentioned that they are examining the performance of UDAY scheme & it will improve on it further. Also, barriers to open access like Cross Subsidy Surcharge and other artificial barriers like undesirable duties for Open Access Sales or Captive generation for Industrial and other bulk power consumers will be addressed. Besides, the impetus to electric mobility will lead to creation of charging infrastructure which in turn will lead to increase in electricity demand. All these measures will further accelerate the development of a vibrant exchange market. At IEX we are focused on maximizing these changes to our advantage as these support the exchange fundamentals of efficient and competitive price discovery with in-built ability to manage demand flexibility. To provide an update on our other regulatory enablers – business rules for Cross Border Trade are in the process of being finalized and we await the procedures from CEA. Long duration contracts on exchanges could become a reality soon with CERC and SEBI having initiated the process of withdrawal of the pending litigation in Supreme Court. The recommendations of High Level Empowered Committee on retirement of old & inefficient thermal units in next three years will help address present day inefficiencies on the generation side. All these policy and regulatory enablers will provide a backdrop to further sustainable growth in the power market.

Let me move on and give you a sense of our business performance and our financial performance specifically for Q1 of this fiscal year. During the quarter, unit volumes on exchange declined 10% YoY. The key reasons for decline in volumes were:

Ensuring availability of power during election period was a key priority which meant that a lot of bilaterals were signed for that period in states like Bihar, UP, West Bengal and Uttarakhand

Commencement of Adani Mundra & Essar power stations meant that the capacity in Gujarat came back on track and they did not need to procure from other sources

Last year India was fortunate to receive excessive snowfall and this led to an Increase in hydro generation by 25% in Northern states like J&K, HP & UK.

Most of these reasons were transient and temporary in nature and if we remove the impact of GUVNL on our business, underlying growth has been 9% YoY in Q1'20.

We have put growth steps in place and those are playing out well now - we are happy to state that since June last week volume in electricity market has picked up and has been growing consistently.

To give a sense of financial performance as well, while the units are down 10%, overall revenue for the quarter was down 6.1% YoY from Rs 74.19 Cr in Q1 FY'19 to Rs 69.66Cr in Q1 FY'20 - revenue from operations was down 9.6% YoY from Rs 66.97 Cr in Q1 FY'19 to Rs 60.55 Cr in Q1 FY'20 while other Income was up 26.2% YoY. Our focus on operational excellence and cost management led to a reduction of 10.7% in operating costs. As a result, EBITDA was down only 5.2% YoY from Rs 61.70 Cr in Q1 FY'19 to Rs 58.51 Cr in Q1 FY'20. The company reported PAT of Rs. 39.59 crores, down 5.5% YoY, with PAT margin of 57% in Q1 FY'20.

That in a way sums up our Q1. The transient issues are now behind us. We are totally aligned with the government's vision and upbeat about market prospects especially with all the sales efforts coupled with various policy and regulatory enablers being undertaken. Our focus on this part of the business continues to be market expansion and operational excellence.

Let me stop here and open up for any questions.

Moderator: Thank you very much. The first question is from the line of Apurva Bahadur from Jefferies. Please go ahead.

Apurva Bahadur: Thank you so much for taking my questions. Need some basic understanding on new LC mechanism that government has introduced. Have we begun to see any impact of this on the exchange market and do you foresee any impact going ahead?

Rajiv Srivastava: That is really a terrific question, it is right in the domain of what is happening as we speak right now and the LC situation started from yesterday as the government made it almost mandatory for all the states to come and open LCs for their products that they wanted to buy and our stance is that this is going to be in the near term and over a longer term hugely beneficial from an exchange perspective. All DISCOMs will be required to maintain LCs for procurement, what the DISCOMs did currently is avoid optimization because they did not have to pay money at the time of procurement of power before August 1, 2019. They would pay at a later date, but trade off that payment on a later date by buying or contracting power which was more expensive, so that was a pattern, which was a playing out, pay late, but pay high cost. Now that pattern changes significantly, what they need to do now is they need to pay now and hence their motivation to optimize because of the instant payment becomes that much higher and we hope to see over time a huge amount of cost optimization that takes place just because of this one single thing. So instead of delaying payments and paying higher cost, people will pay now and pay a lower cost and exchange allows you to discover prices, the lowest cost delivery of price happens to exchange and that has been the case for the last seven, eight years. As it plays out we feel it should be beneficial to the exchange over the mid to long term and as it is even now, we traded yesterday and we have traded today just to give you a real-time market view. On both these days there has been absolutely no impact.

- Apurva Bahadur:** Basically what my understanding is that since the state gencos have been kept out of this mechanism and not necessarily all of them are the most efficient ones, will it not lead to further inefficiency as state DISCOMs will be more likely to procure power from these inefficient gencos and thus reducing the bandwidth, which is available for purchase over exchange?
- Rajiv Srivastava:** A clarification which the Ministry is going to provide shortly is whether state gencos should be out of it or not because there was a confusion, only one or two states created a confusion about being out of this or not, but largely as it plays out you will find and look what is India wanting to do. India wants to make sure there is a DISCOM health repair. India is wanting to make sure that the 24x7 power situation for everyone becomes an absolutely great play and if the efficiencies are being brought out into the system by virtue of payments and you get the benefit of lower cost of buying, which allows you to reduce your stress on the asset, that is a brilliant thing because then both your objectives of financial stress repair as well as 24x7 power starts to play out extremely well, so this is the way we will have to see as we go forward in the course of next couple of weeks. I do not think it will take longer than that to see how the whole purchase optimization will take place and my personal sense is that DISCOMs will start to go into many different varieties and types of buying now as we go forward because once they have to pay out they will get more efficient in buying, the bigger and smarter in procurement so I think a variety of solution types will start to roll out and all of them will be good surely for the industry as a whole. We hope them to be good for IEX as well and great for the country.
- Apurva Bahadur:** Great, hopefully it plays out that way. Also wanted to understand you spoke on the CERC and SEBI withdrawing litigations on the derivative contract side, so what is the premise of this agreement and how should we see this panning out going ahead?
- Rajiv Srivastava:** What happens once this process rolls out and gets completed, and the litigation gets withdrawn then CERC will issue the guidelines for doing business on the long term contracts, which would be derivative based and then we can start to trade in derivatives as we go forward. It is just a matter of time when this starts to happen, we see a significant amount of volumes starting to come just by virtue of the derivatives being traded because right now the element that people are looking for is a certainty on price, a certainty on delivery. A derivative trade, hedging for the future and a delivery to spot exchange exactly plays to that dynamic so all the issues and all the points that customers have been wanting us to answer will get answered through that, that should be a significant jump and growth in a way in which this specific lever will play out here.
- Apurva Bahadur:** Just for the understanding, has the domain been decided that CERC will be heading this completely and SEBI is totally out?
- Rajiv Srivastava:** No, CERC does not do deliberation in future that is within the domain of SEBI. CERC is only on the spot side.
- Rajesh Mediratta:** I will just add on. The agreement between the two is that CERC will have jurisdiction over long-term forwards so basically delivery based markets which is one week or one month or up to anytime so that will be under CERC. Financial markets of electricity will be under the

jurisdiction of SEBI. This is going to be the final picture and after resolution there will be proper directions issued by CERC and SEBI and based on that they will be able to file our request for allowing us to do forward contracts beyond 11 days, which is the current limit.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Couple of questions, first is, you enumerated a number of market enablers for us. Is there something which we can expect in FY2020 and what is the kind of volumes we are targeting and my second question is that open access volumes have declined considerably. Despite the price being low, the volumes are not picking up. Given the fact that the Q1 was a bad quarter for us and given that Q2 in September where the volumes were way, way high on the exchanges, how do you see Q2 and Q3 panning out and what kind of volume numbers you are looking at for FY2020?

Rajiv Srivastava: Let me answer both those questions without giving you any forward-looking numbers please. I will give you a directional sense so that you can really read out. Now there are a lot of initiatives that are at play right now and a lot of those initiatives happened to be in the core part of the business and as an operationally strong and intense company, we right now organize ourselves to maximize those core initiatives and let me tell you about a few of those core initiatives. One core initiative is the initiative of how we make sure we are maximized, we expect long duration contracts to become a reality in the real near-term, it is difficult to put a finger if this is one week or two weeks, but it is really in the near-term that the long duration contracts should start to come and play out. The second thing, which will start to play out over the near-term again is cross border, you are familiar that those regulations have already been made and given from one body of the government to the next body and is in a very high stage of finalization and those will facilitate exchange trading for the cross border of Bangladesh, Bhutan, Nepal on the exchange that is second one. You mentioned the point and we are also very focused on creating market for renewable energy on exchange on the term ahead market that is the other one, which we are in very, very advanced stage of trying to make sure that we get those numbers. All of this is a question of making sure that through our efforts, which is organizational efforts of sales and advocacy we are able to deliver very quickly, so I think we are in good position right now. The other point, which is less understood, but it is really relevant about the company is we have two dimensional sort of organization right now, we are clearly in the power sector, but we also have a very strong platform and technology to trade. We are working with government on how we use the technology from managing data, analytics, forecasting modules, which will then allow state DISCOM as well as other buying agencies to optimize the way they need to buy power that is the full dimension of our market expansion market growth. Your point about open access, the open access played out extremely well in Q1 this year, in Q1 our open access growth was 24 points, which is far in excess of the growth of the DISCOMs so it really helped us to hedge ourselves against the DISCOMs. Now as you go forward and if you see the budget 2019-2020, the government says they are working very hard and they are very committed to removing all the charges on open access. Now whether these are direct charges or the non-direct charges, all open

access charges will have to be reduced and if you see this at one level is in line with the ease of doing business for the government, as how expensive just the trading in India becomes and electricity is such a huge component of the manufacturing and all with your industries, if you can remove open access charges and reduce the cost of power, our industry inherently becomes that much more competitive and that is the decision of the government so you are seeing that, that is also going to play out, it played out extremely well in Q1 for us, 24 points have grown in the open access, we hope that with that growth and the reduction in open access charges, more consumers will come to exchange, so we see real good thing happening in the open access.

Mohit Kumar: Okay one more question, what are the kind of products you are looking to launch in the longer duration market and how ready are we and what is the margin one can expect on these trades?

Rajiv Srivastava: The products that we are launching are all in line with what our consumers want. Our customers are demanding more flexibility from us, they are wanting a variety of trade types to be facilitated so that they can suit their buying patterns. Our industry is hugely cyclical and our customers are telling us to help them optimize from a cyclic perspective. So suppose that the demand goes up in the first half an hour and the next half an hour demand comes down, can we continue to make sure that we are able to provide that sort of flexibility, the moment you can provide that flexibility we can contract for almost real time and by virtue of that their cost optimization is really, really facilitated, so those are the kind of demands that are being put on the company right now and we are in tune to that. We are very, very focused on getting a huge range of products, which are flexible, which will suit their requirements. We are working on new bid types, these are block bids - minimum fill, profile, single bids - which are flexi, load gradient, minimum income condition and once implemented, will allow all our customers to pick and choose and optimize their internal operating environment so I think those are the things that we are trying to do apart from the fact that there is bound to be a real time market, which again then facilitates a different kind of bid type, there is going to be a national open registry, which is going to come in, which again allows different bid types and then green TAM market, which is what we are working on very strongly, which then allow us to get into the right sort of getting green power on the exchange so those are kind of things we talked about that we are working on.

Mohit Kumar: Thanks for the opportunity.

Rajiv Srivastava: Just to round it up, it is all in line. We have to behave like a responsive company; it is all in line with what the market is going to demand of us.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: One question from my side, we saw a decline in volumes in the first quarter, which looks like a trend change from a multi-year view, what reasons do you attribute to drop in the volumes and in your view which of these are like structural and what are cyclical reasons?

Rajiv Srivastava:

I think I did a bit of coverage of reasons and they are just simplistically about two or three main reasons because of which this demand or the volumes went down and let me just enumerate. The first reason was the way the political situation was in the country in Q1, it was election quarter and ensuring availability of power during election was a key priority for the government, which meant that a lot of bilaterals got done in Q1 irrespective of the price and so specifically in states like Bihar, Uttar Pradesh, West Bengal, Uttarakhand, a lot of bilateral got done because of which obviously it took the volumes away from us so it was unnatural and it is not that we have an election in the country every year and the second was in this winter, which went by, there has been a very good snowfall in the country in the upper reaches and that snowfall leads to melting of snow and creation of high flow volume on the river, in this time of the year in Q1 and hydro generation in Q1 went up by whopping 25 points from 32% to 40% so that is a huge increase in hydro generation in that area and then in Gujarat, Adani owns a plant and Essar Power Stations came back to capacity and so that took away further volumes. So in our opinion the point we are making, if we take away Gujarat our growth has been 9 points year-on-year, most of the reasons are transient and we would not have election every year, we would not have hydro one more time just because snow has gone and so we will see and we are seeing the way it is playing out in the month of July. Our July revenues or July numbers are a serious growth over the last year of same time and this started to happen in the last week of June and now the volumes have started to come back very strongly and we see no rest to our long-term plans.

Bhavin Vithlani:

Second followup and you mentioned a bit on it. Last conference call it was mentioned that the cross border was expected to commence from second quarter and which could add about 10% points to the growth for the fiscal year 2020, I understand it is not yet started could you give us more color on it or an update on this would be helpful?

Rajiv Srivastava:

Yes it is not started as yet that is the statement of reality and fact, but it is about to start because the regulation which was supposed to be done have to get done now, there has been a huge amount of work, which we have done between ourselves and CERC and CEA to make sure that the regulations come out and there is expected to be bit of back and forth and we have managed all of that back and forth, so you will see the regulations coming out very soon. We have had meetings with the Ministry of Power besides CERC and CEA and we have had meetings with the regulatory authorities of some of these countries as well because the state of readiness that is required is on two sides over here, clearly there is state of readiness that is required on the Indian side and there is state of readiness required on the foreign side as well and what we have done is we are getting ready on the Indian side, which like I said we are very close to closing the whole framework. We have also gone ahead and done our due diligence and sales efforts and created the contracts with some of the countries to make sure that once we have the complete clearance over here there is absolute no delay in starting the trades. We have gone to a very high level of readiness right now and we feel good about where we are.

Bhavin Vithlani:

The last question if I may, you mentioned July was up strongly. What are the reasons you would attribute and do you see this turnaround sustaining in the balance part of the year?

- Rajiv Srivastava:** Really I do and the reason I said I do is because the short-term PPAs, which people have done with elections in mind is over and once those PPAs get over, people have to come back to some viable mechanisms of buying power in a nice sustained way at a cheaper cost, which is what the exchange is, but that is one dimension to it and the other dimension is we have said all the other dimensions that we are working on. We believe that LC will start to play out very strongly in favor of smart power procurement in favor of procuring power in a cost optimized way, which again is an exchange led phenomena so the fact that the drivers of drop no longer exist and the fact that a few more drivers of growth have started to kick in is something that we think is going to play out to the advantage of the exchanges.
- Bhavin Vithlani:** Any changes that CERC has made with respect to these short-term, medium-term contracts, which were done on the DEEP platform, which has resulted in a benefit for exchanges?
- Rajiv Srivastava:** I think the long-term contracts that have been thought of and talked of and spoken of right now and just the whole conversation we had about CERC and SEBI is a big step forward because it is like doing a DEEP kind of transaction while DEEP does not do delivery just discovers price and gives it back to people to go and choose their own mechanisms after that whereas the long-term contracts that we are planning to do right now with derivatives thrown in and the financial parameters thrown in would be discovering price and then trading in derivatives somewhere else but coming back for deliveries to exchange so that is a significant step forward in my opinion.
- Rajesh:** Bhavin as I understand you wanted to know about 1900 megawatt of medium term contract that has gone through, but other contract which Ministry wanted has not gone through so one way that is good that when you discover a price, which is much higher than what you expect on the exchange so we are not losing anything on that, but of course 1900 megawatt which we lost will have some impact over the market, but we understand there will be sufficient growth overall in the sector so more demand will continue to come on exchange.
- Rajiv Srivastava:** I think it is a great point and thanks Rajesh for bringing it in because what are we basing our judgments on from growth point of view and really besides just sectoral plays that are taking place right now, there are few very, very interesting things that are happening in the market. India is the third of the world average in power consumption and we are third just because we are still measuring ourselves on a suppressed demand basis, is not a full fledged demand on which we are third of the world global average in power consumption and as you read mega trends as much as I do, 20 fastest growing cities of the world happen to be in India and that again is going to be a significant lead towards the electricity generation and then a very small fraction of energy is traded right now on the exchange and that has got to grow because of all the measures that we said and then as you provide power on 24x7 those are elements that will facilitate the larger objective of increasing energy consumption. Now when energy consumption in the country goes up there is got to be a fulfillment mechanism and one of them has changed, which is in our opinion when the long-term PPAs are not getting done anymore you will find that starts to shift towards this as we go forward over time, those are the larger broader industry or the broader trend perspectives, but clearly there is a lot going on here and now on initiatives that will help to grow this.

- Bhavin Vithlani:** Sure. Thank you so much for taking my questions.
- Moderator:** Thank you. The next question is from the line of Shaleen Kumar from UBS Securities. Please go ahead.
- Shaleen Kumar:** Just one bit on the DSM, we are not seeing any shift from DSM despite government measures so what is your thought on that?
- Rajesh Mediratta:** Actually in DSM the first change was done on January 1, 2019 but that got revised because there were lots of issues on sign change. The sign change really was done in May; we are still waiting for CERC report to check how much DSM has really happened after May so there is still some time. We hope that it will have more positive effect. In fact because in the first change, which was done in January there was more issue on the sign change and so we could not really see the real impact, and because one more thing why it has not been reflected from January to May whatever reports are available from CERC, which is up to April, there we are not able to see any impact on DSM volume itself, the reason may be because if you are asking people to change the sign of overdrawal and underdrawal in fixed time they will continue to do some kind of overdrawal and underdrawal all the time so this is actually not reflected in the reduced DSM volume, but after May 2019 new formula, which has been mandated by CERC is that you have to change the sign after 12 time blocks so we are waiting for CERC reports to come so that we can assess really how much impact has come on the DSM volume.
- Shaleen Kumar:** Okay right and coming back to the short-term contract so what is your feel when you talk to DISCOMs. Now we believe that because of the election reason they have gone into short-term contracts, but then these are very convenient for them as well and profitability might not be the top criteria or the optimization might not be the top criteria to trade every day, look every day and instead of that go for a three-month contract. So when you discuss with these DISCOMs the names you mentioned like Bihar, UP, do you think that they can come back on exchange?
- Rajiv Srivastava:** That is great question, how will in the revised or in the changed scenario would the DISCOMs start to behave and in my opinion, history is not a good benchmark for what is going to happen in the future. Because one fundamental change has taken place, and they are forced to pay money upfront right now, which was not the case earlier and believe me that is a significant shift and we have been talking to DISCOMs how the money has been provided for creating LCs and opening LCs it is a significantly different game, very huge shift from the traditional way of the behavior. If they were not worried or bothered about buying at any cost, that behavior is going to change right now because you cannot be paying money upfront and also buying at a far higher cost than you would otherwise do, so that equation is bound to change and in my opinion all DISCOMs are tuned to this idea because that placed the fundamental reasoning for which the government has taken this objective. Why the government has done this is to really reduce the DISCOM stress, the equation of the past is going to be significantly different from the equation of the present and the future now and we feel that that is a way it will play out and so the DISCOM buying behavior, the buying mix, the buying pattern and our facilitation like I said earlier, our technologies are allowing us to enable facilitation of smart procurement and give them a huge

amount of data analytics to predict and also end up buying smart. It is going to be very different in the future from what the past was and that seems like a good thing because that will then enable the government to accomplish the objective for which this has been done.

Shaleen Kumar: Alright.

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

Dhruv Muchhal: Sir if you can give me split of revenue - transaction fee and the admission and annual fee?

Vineet Harlalka: Total operating revenue of Rs.60.5 Crores, Rs.56 Crores pertain to the transaction fee and Rs.4.39 towards the admission and annual fee.

Dhruv Muchhal: Got it and secondly was the question on bilaterals from CERC's market monitoring report. The volumes for the last few months have been increasingly bilateral and the segment is significantly increasing about 20% average growth versus for IEX which has been declining. So is this reason purely because DISCOMs are buying more power from bilateral. If you go granular in the data, which you see are those the states, which you were buying from you and shifted to bilateral?

Rajiv Srivastava: Actually I do not think the shift has taken place from us to bilateral, the reason of DISCOM buying in this quarter is largely the same. There are no other reasons. The government did huge amount of bilateral transactions during the very sensitive time. Understand that power is a mode of issue during election period, it got done from that point of view, if it was to continue we would not have seen the revenues or the volumes rebound for us in July, which will happen and I am not going to share numbers with you because we leave it for the next quarter, but our July numbers happened to be far superior to our numbers last year, much, much ahead of the curve and much better than what we had anticipated. The phenomena played out in a particular fashion in Q1 and that act is over and so that is the reason why July comes back and hopefully we will continue to see that sort of a situation as we go forward and the fact that some dynamics are changing and huge amount of enablers are going to start to play out or the other ones, which will lead to a definite sort of outcome.

Rajesh Mediratta: It will also answer the last question, one is that since last year we had very high prices in September and October so people were worried that in summers there will be a lot of shortages and then they will have to buy power at Rs.18 per unit and that is something, which probably would have been very difficult to handle and for that reason only they actually did bilateral contracts which is very transient for summers and we have seen that and you must also be seeing the kind of options that are happening on DEEP platform. So not many options are being held currently, even for the next season, so we are sure that this is a very short-term thing which happened and because now the prices have reversed so today's prices are actually lower by 20% at least for the same quarter as compared to last year so everybody is comfortable that when they are going to get cheaper power from the market exchange, they are leaving it for their buying on the exchange and not on for the bilaterals.

Dhruv Muchhal: Perfect Sir.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Cost of per unit in thermal or solar, what is your view on the cost prevailing now?

Rajesh Mediratta: Cost of electricity generation - Thermal if you take coal so new power plant will cost at least Rs.4 plus and solar plant cost for each unit of generation is about Rs.2.50 so that is the current market prices, but it does not relate to anything on what happens on the exchange. On the exchange when you are generating through solar then you are keeping your bid at almost like zero because the marginal cost of solar generation is zero. When somebody is bidding its thermal generation on the exchange, it is bidding at the variable cost, which may be about Rs.2.50 paise to Rs.3.

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

Abhishek Puri: My questions are, one on the short-term basis next couple of months also has high base of volumes from Gujarat government, what will be your estimate of volume growth for the full year in the current year and second on the longer-term basis, the European market or European exchanges have very high level of volumes in the intraday market, which is not to be seen in India as yet. When do you think that will get developed and what can be the trigger so that one, I understand that the entire market in the renewable space in India is on the regulated basis and PPA basis so it does not flow through exchanges, but the balancing part of the market should flow through exchanges is what we understand?

Rajiv Srivastava: The fact that we have started to see a huge turnaround in July and we expect that to continue because of all the measures that seem to be getting in place and our interactions with all three kinds of players - with Gencos, with DISCOMs as well as open access customers tells us that our growth for the full year should be in double digits very easily and that seems like a number, which is really getting out from the trend that we are seeing right now so that is something, which is a very strong position. On the second question that you have and we do not want to give you an absolute guidance on absolute firm number, but suffice to say that we have added double digit growth in every year for the last many years, we will be in the range. The second point about the intraday trade just like the European markets and all and I will ask Rajesh to add, but I can tell you one thing that our growth on intraday right now is seemingly very, very strong of course 50% because the exchange facilitates that flexibility like I said earlier, allows you a shorter duration and allows you to trade flexibly for the requirements of the movement, we are seeing a huge amount of growth in the intraday market.

Rajesh: Actually when you said that European markets have very large intraday, if you see the ratio of what they do in intraday versus what they do in the day ahead the ratio is very similar, so they also have say one billion unit of transaction every month on intraday and they do about 25 to 26 billion unit in day market so ratio is about 4% to 5% and same thing happens in India so the ratio

is the same, only thing is volumes have been low in intraday so far, but this is the one segment, which we are seeing has witnessed continuous growth throughout the last three to four years and the growth has been in the range of 40% to 50% so we expect with renewables coming in and more stricter DSM, the intraday volume will definitely be more. Of course if we are able to reduce the gate closure, which is currently two-and-a-half hours to one hour, this will add much more volume to our market so we have also pursued with CERC and with ministry that we should be having gate closure, which is one hour less and they are working on that so hopefully if that also can happen this year then there will be better ramp up on the intraday market.

Abhishek Puri: And in three to five years from now which will be the product that you will be most excited about and how can the ratio change, we are largely a day ahead market and intraday is growing disproportionately high right now so in three to five years' time how do you look at the overall constitution?

Rajesh Mediratta: Whatever markets we have seen in developed markets in last 10-15 years the day ahead has remained as one of the premium market segments, intraday is also picking up, but it has not caught up in terms of overall ratio so of course now it is 4% to 5% we can expect it to be may be 15% to 20% of the day ahead market, but of course it will not cause whatever we had to do on in terms of day ahead.

Rajiv Srivastava: I think that is a fair point. If you take a look at the products, which find favor and currency across the world, you will find the DAM is the one which is a real flagship product for most countries right now, but also you are going to understand most of the advanced countries across the world outside of India and Europe or many other places the trade on exchange is 30 to 80 points, so we are small as we started to grow much faster and much bigger from where we are. Currently there will be a variety of product types, but hopefully DAM is the one because it is a flagship across the world and that will continue to be the flagship, but there will be a proportion of DAM with intraday.

Abhishek Puri: Thanks a lot. I will join back in the queue for further questions.

Moderator: Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: Just a couple of questions, one is with regards to amendments in the Electricity Act, do you believe that states would be available for separation of content and carriage as these would dilute their power they hold on the sector and second is on the capex in transmission and distribution segment. As per the government's five-year plans the center is almost completed with their part of the capex and going forward up till 22 states are going to play a major role and given the weak financial condition of DISCOMs would this have an impact on congestion in the transmission grid?

Rajiv Srivastava: Okay let me take both those questions - about separation of carriage and content and your point is will this play out will happen and how the DISCOMs get impacted is that right?

Lokesh Manik:

Yes, in your experience how do you see it and what is your outlook?

Rajiv Srivastava:

I think you should take a look at from the most fundamental point of view, power continues to be in the concurrent subject, which means it is between the state and the center, when the LC regulation came out it is just like a letter, got issued by the Ministry and got issued. Prior to LC, there was a huge amount of agitation within the whole power fraternity if that will ever get done, will it ever get concluded and really, really pleasant way of thought it got done is the right step forward. So rather than looking at whether it will play, how it will play out between the centre and state and within the state itself, within the different powers. I think anything, which has got a fundamental right reason for being done will get done and in our opinion I think this is fundamentally a secured reason of doing that, carriage and content separation happens in most countries and is the right way of going forward whether it is electricity or it is oil or it is gas or whichever way you look at it that is the way people move forward because once you separate one from the other then you provide the right level of accountability from an opportunity perspective and accountability from a management scale perspective to do the right thing and this is what is going to happen so I am very hopeful it will happen and I am very hopeful that it will get done in a very nice way just because it is in the interest of the country. Whatever gets done in the interest of the country always gets done that is one big thing. Second thing is about the capex on transmission and distribution and all that is happening. Let me give you a broader picture over here and probably you will relate to this because India has a commitment to shift and we are Paris climate agreement signatory, so we have a commitment to shift towards green to 40 points of green in our energy mix here, how much are we, 15 thereabout. When you shift 15 to 40, what it means is our renewable energy does not get done in the traditional way of generation at one central side and plug it into a grid and then transmission and distribution starts to happen there. Renewable energy generation gets done a lot more closely to transmission and distribution side, so it is far closer to consumers in that sense. Now we do not have such a wonderful balanced network of transmission and distribution all across the country where you can allow yourself to shift towards 40 points of green so there is bound to be a huge amount of capex coming in transmission capacity over the near to mid-term to just make sure we are in a good position to take advantage of the shift or to manage the shift very strongly and we are seeing the Government of India has come back and said that there will be \$5 billion of transmission requirements coming up over the near term so they are starting up with that so there will be a huge amount of capex that will be coming in transmission and distribution network. There will be a huge amount of focus on automation as well so there will be investments coming up in this very strong area of infrastructure from setting up of distribution and transmission towers and the rest of the distribution such as for setting up IT infrastructure to make sure you are managing this in a good way because you are putting the same power in the grid and then you can make sure that the green and non-green everything is charging in a good way, people will demand what they demand so I think huge amount of work, which is required to be done, but all in a good direction, all in a very, very positive frame that part of infrastructure development is got to take place.

Lokesh Manik:

Okay but these would not be done by the states right these would be by center?

Rajiv Srivastava: Yes that is right.

Lokesh Manik: Alright. Thank you.

Moderator: Thank you. The next question is from the line of Ketan Shah from Comgest. Please go ahead.

Ketan Shah: Sir going forward we will see a lot of renewables coming over the next two to three years so in that context how do you expect short-term electricity market, which is currently I would say 11% to grow over the next let us say four or five years and that will be my main question?

Rajiv Srivastava: What did you say? What do we see coming up?

Ketan Shah: Renewables Yes 100 gigawatt of renewables, which we are talking of, so in that context how do we expect because renewables will have long-term PPA.

Rajiv Srivastava: Yes incremental renewable energy is locked up in PPAs, we are working on a green term ahead market as an integrated solution for both energy and RPO requirement of the distribution utilities. With the green term ahead market we call it GTAM, DISCOMs would be able to buy and sell renewable energy power as well as dispose off surplus renewable energy power. Once the green energy market is operational, our renewable energy capacity will also get set up so all of that is something that we are working very strongly on to make sure that RE is done through the GTAM market. We are working on introducing new bid types to provide additional flexibility to market participants, create specialized profile bids, supporting the grid operator. At one level you will probably think that exchange is the most suitable platform for grid integration of the renewable and nonrenewable types, providing opportunity to distribution utilities to balance the variations, buying electricity when they require and selling it when they have surplus because this kind of green energy is hugely transient, available in some part of the day, not available in the rest of the day so how do you manage all of that is something that only an exchange can provide, otherwise nobody really has a capability of managing these kind of fluctuations on both demand, generation as well as transmission and distribution. There has been a higher participation from eight states today, which are renewable energy rich, Telangana is just one of them, high in solar power, they buy power during the night, they sell power during the day and look at that when the same day you got to manage many cycles from Telangana itself and so on and so forth. I think we are comfortable and the fact that we will launch a green term ahead market, will allow us to make use of this green phenomena shift and transformation that has taken place.

Vineet Harlalka: I will add one more dynamic for better understanding that even with renewables there will be sufficient demand on the market. In India we have eight states, which are rich in wind and solar, but balance 21 states will have to rely on whatever demand growth will happen there, they have to buy it from somewhere either they generate themselves or buy it from somewhere, so this market framework what we have can actually help transfer the power from these RE rich states, this is already happening in case of Telangana that they already produce a lot of solar power during the day and they are selling during the day to different states who need that and during the night and evening they are buying more from the market.



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Ketan Shah: Alright.

Pranjal Jain: This was the last question, we would end the earnings call now and we would speak to you in the next quarter.

Moderator: Sure. Any closing comments Madam before we disconnect?

Rajiv Srivastava: Look first of all fantastic. Thank you so much. Your questions always are insightful and your questions are always something that ensure that we are doing all right things and your questions also given a sense of the market and thinking of what is going on in the external world because you are extremely connected and we would love the opportunity to interact with you more, keep getting feedback, if you have any more questions please forward back to us and we would make sure that we provide you the opportunity to answer every single time that is on your mind because we gave you a sense of where we are and always helps to get your feedback as well.

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