



Dated: January 30, 2023

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

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

Sub: Transcript of the Earnings Conference call with analysts and investors held on January 23, 2023.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached transcript of the earnings conference call held with analysts and investors on January 23, 2023, at 02:30 pm (IST) to discuss the financial results of the Company for the quarter ended December 31, 2022.

The above information will also be made available on the website of the Company:
www.iexindia.com

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For Indian Energy Exchange Limited

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

Encl: as above

Indian Energy Exchange Ltd

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“Indian Energy Exchange Limited
Q3 FY '23 Results Conference Call”
January 23, 2023



MANAGEMENT: **MR. SATYANARAYAN GOEL – CHAIRMAN AND
MANAGING DIRECTOR – INDIAN ENERGY EXCHANGE
LIMITED**
**MR. VINEET HARLALKA – CHIEF FINANCIAL OFFICER
& COMPANY SECRETARY– INDIAN ENERGY
EXCHANGE LIMITED**
**MR. ROHIT BAJAJ – HEAD, BUSINESS DEVELOPMENT –
INDIAN ENERGY EXCHANGE LIMITED**
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ENERGY EXCHANGE LIMITED**
**MR. AMIT KUMAR – HEAD OF MARKET OPERATIONS
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**MR. SANGH GAUTAM – CHIEF TECHNOLOGY OFFICER
– INDIAN ENERGY EXCHANGE LIMITED**
**MR. SAMIR PRAKASH – CHIEF HUMAN RESOURCES
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**MR. ADITYA WALI – INDIAN ENERGY EXCHANGE
LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to the Indian Energy Exchange Q3 FY '23 Results Conference Call, hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sumit Kishore from Axis Capital Limited. Thank you, and over to you, sir.

Sumit Kishore: Thank you, Darwin. Good afternoon, ladies and gentlemen. On behalf of Axis Capital, I'm pleased to welcome you all for the IEX Q3 FY '23 Earnings Conference Call. We have with us the management team of IEX, which is represented by Mr. S.N. Goel, Chairman and Managing Director, Mr. Vineet Harlalka, CFO, Mr. Rohit Bajaj, Head of Development, Ms. Aparna Garg, Head of Investor Relations and Corporate Communications.

We will begin with the opening remarks from Mr. Goel, followed by an interactive Q&A session. Over to you, sir.

Satyanarayan Goel: Good afternoon, friends, and welcome to the Earnings Call for Quarter Three of Financial Year 2023. Let me begin by wishing all of you a Happy New Year. With me today on this call are Mr. Rohit Bajaj, Head Business Development, Mr. Vineet Harlalka, our CFO and Company Secretary, Mr. Amit Kumar, Head of Market Operations and Product Development; Mr. Sangh Gautam, CTO; Mr. Samir Prakash, CHRO, Ms. Aparna Garg, Head of Investor Relations and Communications and Mr. Aditya Wali.

At the outset, India's commencement of the G-20 presidency on December 1 marks a significant milestone towards undertaking a leadership role on the global stage. It also brings an opportunity for India to showcase its sustainability roadmap.

On the economic front, India's post-covid economic recovery continued with a strong H1 2022-23. The country registered a broad-based economic expansion of 9.7% during this period and was placed among the fastest growing economies of the world. Recently, India's manufacturing Purchasing Manager's Index (PMI) rose to 57.8 in December 2022 from 55.7 in the previous month, the highest it has been since October 2020. Similarly, the services sector in India did better than it has in the last 6 months, with the Services PMI rising to 58.5 in December 2022 from 56.4 in November.

With increased economic activity within the country, electricity consumption in India for Q3 FY23 stood at 343 BU, which is a YoY growth of 6.8%. Key contributors to this demand increase were states like Rajasthan (16.4% YoY), Karnataka (12.5% YoY), Gujarat (8.1% YoY), Telangana (7.6% YoY), and Andhra Pradesh (6.9% YoY). Installed capacity in India achieved 410 GW as on 31st December 2022. In line with the country's commitments towards arresting climate change and evolving into a net-zero emitter by 2070, the installed capacity for renewables grew to 168 GW. This growth of green energy is expected to help India attain its vision of achieving 50% of its entire energy consumption from non-fossil fuel sources by 2030.

In the quarter ended December 2022, the price of e-auction coal continued to be high. While the quarterly average price premium declined from 293% in Q2 FY23 to 242% in Q3 FY 23, it was considerably higher as compared to 35% for the special forward e-auction price for the power sector in FY 22. As a result of this, input cost for Gencos continued to be high. Continuing high spot e-auction coal prices led to the average clearing price in the Day-ahead market at Rs 4.56 in Q3 FY23, while lower from Rs.5.40 in the previous quarter, but still high to provide optimization potential for Discoms and Open Access consumers. During the quarter, coal production increased by 8.7% YoY to 225mt, while coal dispatch to the power sector remained almost similar at 184 mt compared with the same period FY22. Inventories at power plants now stand 13 days. Improving coal inventory and further reduction in e-auction coal prices is expected to result in a decline in power prices on the Exchange and provide further cost optimisation opportunities to Discoms and Open Access consumers. This will result in higher volumes on the Exchange.

On the regulatory and policy front several developments took place. A few highlights were:

A) In early December the new REC regulations for RE generators were implemented. The new REC mechanism of no floor price and fungibility between REC is likely to increase liquidity in the market.

B) The trading of ESCerts is expected to start this month. Recently, CERC made amendments to define a Floor Price for trading Energy Savings Certificates, fixed at 10% of price of one metric tonne of oil equivalent of energy consumed as notified by Central Government.

C) The GNA regulations were notified in October 2022 and were partially implemented as the Grid Code is in the draft stage. The regulations are expected to be implemented before the end of FY23. Implementation of GNA will remove regulatory arbitrage which has led to the temporary shift in Volume from DAM to DAC and will be more conducive towards further market development within the country.

D) Further, CERC issued the Deviation Settlement Mechanism and Related Matters Regulations, 2022 linking the DSM charges to the time block wise price discovered on the Exchanges. This will discourage discoms to over-draw under DSM and will lead to increase in RTM volumes on the Exchange.

All these initiatives will help further deepen power markets in India.

Coming to IEX updates, during Q3 FY23, electricity volumes at 23 BU, grew 9% QoQ. However, electricity volumes declined 2% on YoY basis as compared to Q3 FY22. Volumes were impacted largely due to supply side constraints, led by high prices of e- auction coal. REC volumes at 1.2BU during Q3 FY23 witnessed a de-growth of 68% on YoY basis as compared to Q3 FY22 as Q3 FY22 had exceptionally high REC volumes of 38.3 lacs to fulfil the pent-up demand caused by a stay on REC trading by APTEL for almost a period of 16-months.

Overall volumes at 24.2 BU recorded 5% QoQ growth across all market segments. However, on a YoY basis, overall volumes declined by 12% because of power supply side constraints, high prices discovered during Q3 FY 23 and high REC traded volumes during Q3 FY22.

In November 2022, IEX filed a petition for introducing the High-Price Day Ahead (HP-DAM) market to enable generators which have high variable cost more than Rs. 12/ unit to participate in the market. We are expecting to start this market by February 2023.

We continue to sustainably transition India's energy market through efficient and asset-light businesses. In Q3 this year, we incorporated a wholly owned subsidiary - International Carbon Exchange (ICX). ICX is aimed to leverage opportunities that exist in the voluntary carbon market. The exchange mechanism will facilitate market participants to trade in voluntary carbon credits allowing for transparency and optimal price discovery. We are confident that ICX will go a long way in helping achieve India's target of reducing the emissions intensity of its GDP by 45 percent by 2030 to limit global warming to 1.5 degrees Celsius.

The quarter also saw IEX become India's first carbon-neutral Power Exchange, using market based tradable instruments to offset its carbon emissions. This will help IEX members and participants to reduce their Scope 3 emissions by building a greener value chain.

I shall now talk about developments at IGX. In Q3 FY23, there have been several noteworthy developments at IGX. IGX traded a total volume of 24.42 million MMBtu during Q3 FY23, which was a 568% YoY increase. This growth was largely on the back of participation from major domestic gas producers and an increase in the number of participants. During this quarter, 7 members including RIL, BP Exploration (Alpha), and Vedanta Limited, joined IGX.

Recently, IGX launched GIXI – the first ever nation-wide price index to reflect benchmark natural gas price for India. The IGX Price Index is developed with the purpose to derive a single price for the country in line with international benchmarks such as JKM, HH, WIM, TTF, which are currently representative of the prices in their respective coverage regions.

Now, I will enumerate some of the IGX financials during Q3 FY23. During the quarter, profit after tax at Rs 12.76 Cr. witnessed a growth of 427% on QoQ basis and 1,437% on YoY basis.

Efforts undertaken by IGX in the country's Gas sector were also recognised at the Enertia Awards 2022 where IGX won the 'Best & Pioneering Gas Exchange initiative for Gas Economy' award.

It is now time for me to summarise the financial performance of the company in this quarter.

On a consolidated basis, revenue for Q3 FY23 increased 3.1% on QoQ basis, from Rs 113.8cr in Q2 FY23 to Rs 117.4 cr in this quarter. However, due to a decline in traded volumes, revenue for Q3 FY23 witnessed a de-growth of 10.3% on YoY basis. Consolidated PAT at Rs 77.2 Cr grew 8.4% on QoQ basis as compared to Rs 71.2 Cr in Q2 FY23.

With gradual improvement in domestic production of coal and an improvement in coal inventory, we expect a rationalization of power prices on the Exchange, and the volumes to improve.

Since its inception, IEX has grown with a focus on customer-centricity, innovation, and technology. We continue to work towards building a sustainable and efficient energy future for India. In addition to developing new products such as HP DAM and Ancillary markets, we are exploring business opportunities in voluntary carbon credits space with the launch of ICX, and also doing policy advocacy to create a framework for setting up a Coal Exchange. We believe in the government's vision for a sustainable future for India's energy sector and are committed to help the country achieve it.

With that, we shall commence the Q&A session now. Thank you.

Moderator: The first question is from the line of Mohit Kumar from DAM Capital.

Mohit Kumar: My first question is how has been the traction in long term duration market? I think we have started two contracts monthly and any day single sided. Can you please comment on that?

Satyanarayan Goel: Yes, we introduced long duration contracts in the month of July. And there is very good response from the market. I think by now we have conducted more than 50 auctions. But since the price discovery in this auction is on the higher side because of supply side constraints as you are aware, many of these auctions have not resulted into a contract. Still, we have done more than 1-billion-unit transaction during the six months in this segment.

Mohit Kumar: Are we seeing any green shoots in this particular segment? Given that we are entering into the summer season?

Satyanarayan Goel: See, invariably in the long duration contracts transactions happen when the prices are competitive and then distribution companies, they get into a contract for three months, six months to meet the seasonal power requirement. But, at the moment, because of the uncertainty in the availability of coal and very high e-auction price, since the prices are higher it is difficult to say about the volume growth in this. But I can give you a broad picture about this market. Almost 50 billion unit of transactions are happening in less than one year contract for the trading companies. And this is the potential for this market.

And with the kind of flexibility which we have provided for the Long Duration Contract, I am sure we should be able to get a good large share out of that. So going forward, we will see how the growth happens in this market. And next year particularly, Government of India has fixed a very high target for coal production which is 1 billion ton for the country as a whole and if that happens, I'm sure e-auction coal prices also will cool down and our clearing price will also come down and then you will see good traction in this market.

Mohit Kumar: Secondly on IGX, how much was the revenue, EBITDA and PAT for nine months? For Q3 you mentioned INR 12 crores, is that number right?

- Satyanarayan Goel:** Yes.
- Vineet Harlalka:** During Q3, the total operating revenue was around INR 18.5 crores for IGX, in comparison to around INR 5 crores revenues in Q2.
- Mohit Kumar:** And the nine-month number, sir?
- Vineet Harlalka:** Yes, for nine months the operating revenue was INR 27 crores versus INR 5 crores for the previous year.
- Mohit Kumar:** Is that profit number, Sir, for the nine months?
- Vineet Harlalka:** Number for nine months is INR 16 crores.
- Mohit Kumar:** So most of the profit has come in this quarter?
- Vineet Harlalka:** Yes.
- Moderator:** The next question is from the line of Mr. Sumit Kishore from Axis Capital Limited.
- Sumit Kishore:** My first question is, there has been a slight easing of supply-side constraints, but we have not seen a meaningful improvement in liquidity on the exchanges so far. October was better in that respect, but then November and December sequentially saw a worsening of liquidity and high exchange prices. January also the exchange prices so far are north of INR 6.0. So, what do you expect over the next few months on the liquidity aspect and how do you expect exchange prices to pan out over the next six months?
- Satyanarayan Goel:** Yes. There has been significant improvement in coal production in the country. But you know, when a crisis happens, always rationing is done. And this time, Government of India, what they have done is, they have increased supply of coal under the PPA. So those states are able to get coal for running their own power plants. So, a good part of the demand is met by PPAs. PLF of the coal-based power plants increased almost by 6%-7% as a result of that.
- Availability of coal in the market, which is the e-auction market, is still low and the e-auction price is still very high. It is still about 240%-250% of the administered price and at these prices the variable cost is INR 5-plus, so generators cannot sell power at a rate lower than INR 5.25, INR 5.50 and that is why our clearing price is still high. But I'm sure going forward, when coal production improves, availability in the e-auction market where e-auction price was only 35% premium in FY '22, it should come down to that level. And when that happens, you will see our clearing price coming down to INR 3.5 to 4.0 and the volume should also increase with that.
- Sumit Kishore:** So would that be a reasonable expectation to have over the next three, four months or based on how things are going right now, you expect that liquidity will be tight for some more time?
- Satyanarayan Goel:** Maybe after August, September, this will come down because March, April, May are high demand periods. And during this time even hydro and wind support is also not available. So

there is going to be a lot of pressure on the coal-based power plants. But after that, I think the situation should improve.

Sumit Kishore:

And would it be reasonable to say that when exchange prices are high, State DISCOM requirement to optimize their power procurement or C&I customers wanting to buy cheaper power gets impacted and that could weigh on volume growth on exchanges like we have seen over the last fiscal and so far?

Satyanarayan Goel:

Yes. Whenever clearing price is high, definitely it impacts our business, because our cleared volume normally consists of three components. One is purchase by DISCOMs to meet the demand. Second is the States which are located far away from the coal mines, their variable costs are high and they used to back down those costly stations and purchase power from the market. And third is purchase of power by the open access consumers, i.e industrial consumers to optimize their cost.

Now with high clearing price, it is only the demand of the distribution company which is coming to the market. And optimization opportunities reduced to significant extent. And that is why there is slight dip in the volume. But I'm telling you, in spite of that our volumes are still very high. And on quarter-on-quarter basis, we have seen growth with respect to Q2. Q3, volume growth is almost about 8.6% in electricity. So with that, I'm sure Q4 should be better than Q3.

Sumit Kishore:

Also, it was expected that the volume would shift back to DAM from DAC with the bringing out of GNA regulations, the issue around double charging of transmission charges. Why has it still not been addressed? Can you please explain that?

Satyanarayan Goel:

No. Issue has been appreciated by the regulators. They have already issued the GNA regulations where they have addressed this issue and there will be no double charging. Only thing is that GNA regulations will be implemented after finalization of the grid code and transmission charge sharing regulations.

Hearing has been held for all these regulations. So they are under finalization of the documents. And once these regulations are issued, then this will be implemented together. Because all these three regulations are interlinked. So we are expecting maybe from 1st of April this will get implemented.

Sumit Kishore:

My last question is on ICX. In your presentation you mentioned that by 2030 India will sell almost 200 million carbon credits. But over the next two, three years, how do you see the opportunity shaping? What are the investments that you will do in ICX? And could you give us a more detailed view on the next couple of years what will be the development here?

Satyanarayan Goel:

See, the carbon market is a different kind of market. And we have just incorporated this company. What we understand is that the opportunity size is quite big. But first one or two years could be difficult for us. We are in the process of developing the technology platform for this and understanding the market, approaching the buyers and sellers, getting them registered. So maybe by middle of this year, we intend to launch this exchange.

And thereafter, because many corporates, many industrial houses, they have made their commitment under ESG to be carbon neutral. And these targets are quite challenging. So all of them to achieve these targets will have to buy carbon credits. India is a large producer of carbon also. And since it's an international exchange, we intend to interact with the international participants also. So opportunity is good, but let us see how much share we are able to get out of that.

Moderator: We have the next question from the line of Sandeep Agarwal from Naredi Investments Private Limited.

Sandeep Agarwal: Sir, my question is currently 85.9% is our long-term PPA. And after 25 years of completion, there will be no renewal. So what is the other option for a company to buy power other than exchanges?

Satyanarayan Goel: The present companies who have long-term PPAs, after 25 years, they are free to sell their power in the market. And then they have the option to sell the power under the bilateral contracts, maybe on a medium-term basis or short-term basis, but the Exchange is the most flexible option where they can depend -- because after 25 years, the plant also gets aged and their performance also deteriorate slightly.

So, depending on the availability of the plant, they can utilize the capacity on the exchange platform because we have both the Day Ahead market and RTM market, and we also have long-duration contracts. So I'm sure this participation would be more through the exchanges.

Sandeep Agarwal: And sir, do you have any data that after 3 to 5 years, what will be the percentage reduction from 85.9% to what percentage?

Satyanarayan Goel: See, as of now, from the last 5, 6 years, long-term contracts are not happening and demand is increasing every year at a rate of 5% to 6%. So definitely, the share of the long-term contracts in due course of time will decrease and purchase from the market will increase.

Sandeep Agarwal: My next question is regarding the gas exchange, about 50% of gas is imported via short-term. So, what is our exact market size in this? And what is the main trigger you think, other than the price to increase the volume?

Satyanarayan Goel: See, in any market platform, the volume increases when the prices are competitive. And same thing holds true for the gas exchange also. This year, the volumes in the gas exchange increased because for the first time, Government of India allowed trading of domestic gas with the ceiling price also on the exchange. And that brought us good volume, but LNG trading was hardly any quantity because LNG rate is very, very high in the international market. So, import was less and the trading to the exchange was very less.

It was mostly domestic gas with the ceiling price and domestic gas from other sources. Going forward, as and when the LNG prices moderate, they come down to the level of \$5, \$6, which used to be the price earlier also, I'm sure when that price comes, the LNG purchase will increase, and we will see larger volumes through IGX.

- Moderator:** The next question is from the line of Yash Nerurkar from PPFAS Asset Management.
- Yash Nerurkar:** So I had two questions. One is from a business perspective. You have introduced many new products in the past, say, few quarters. So going forward, what would be the revenue composition like, say, from a year or two from now?
- Satyanarayan Goel:** There was a time when DAM constituted almost about 90% of our volume -- 90% of our revenue. Today, DAM is only about 50% of our volume and RTM has become 26%. So taken together is about 78% DAM plus RTM. And in fact, DAM plus RTM is the most competitive market as far as the Exchange is concerned. So volume in these two segments will continue to lead other market segments. But we also expect long-duration contract volume to pick up in future.
- As I told you, whenever the coal price will come down in the international market and in our domestic e-auction market, in the LDC market also, there will be significant volume growth. So, it will be very difficult to say how will be the distribution of volume under the different segments. That depends on the clearing price, where the clearing price comes down, then you will see large volume in the energy market also.
- Yash Nerurkar:** Okay.
- Satyanarayan Goel:** Green market is another area with large renewable capacity addition which we'll see good volume growth.
- Yash Nerurkar:** So, would renewables also be like a major component going forward in the DAM segment, the green DAM segment?
- Satyanarayan Goel:** Yes, just green market, it was only 2%, 3% 2 years back. Now last year, it was 5%, and this year, it is already 6%. So I'm sure next year you will see the green market going to be almost about 10% of the total volume.
- Yash Nerurkar:** And secondly, I wanted to know about the transaction charges which were under review. You had submitted your proposal about the transaction charges, and it was under regulatory approval. So does that risk still remain that the transaction charges would drop or would be half?
- Satyanarayan Goel:** See, hearing was held in the month of December. And order is reserved by the Commission. Order has not been issued. So, until order is issued, it is very difficult to say what is going to be the final order. But looking at what happened during the hearing, we made our case and we convinced the Commission that INR 2 paisa is the right number which they have also fixed in the regulations. And probably that should happen.
- Yash Nerurkar:** So basically, from your point of view, you think that it would work in your favour?
- Satyanarayan Goel:** Yes.

Yash Nerurkar: And just one last question. I wanted to understand about the gross bidding mechanism, like what implementation stage it is or is that too under regulatory approvals, and it's under review?

Satyanarayan Goel: See, gross bidding is basically voluntary participation of the State to the market. States can sell their capacity, which is at the margin and if exchange trading price is INR 3, then they can sell power from the power plants, which are less than INR 3, I mean, maybe from INR 2.75 and above. They sell in the market and buy power, whatever is required from the market.

So you are selling in the market and buying from the market. In turn, you are optimizing. Because your demand during the day is not uniform, so you optimize your power procurement costs in the market. But these kinds of things happen normally when that clearing price is competitive. Since this year, the clearing price has been very high, There was no opportunity for distribution companies to utilize this gross bidding concept.

Moderator: The next question is from the line of Nikhil from Alliance Bernstein.

Nikhil: I have two questions. First question was regarding power derivatives. While we understand it's going to come on another exchange, but it has implications for IEX as well. So I wanted to understand if there are any updates on that front?

Satyanarayan Goel: Power derivatives have not been introduced yet, because this will be introduced in the SEBI regulated exchanges. I think NSE and MCX are working on this. There is a joint working group, the joint working group has to approve the contract for the derivatives because in electricity, we have a spot market also and the regulator wants to be sure that there is no adverse impact of those derivatives on the spot market. It is in an advanced phase and maybe in the next one or two months, we will have derivative contracts in the market.

Nikhil: The second question I had was regarding RECs. You mentioned the new regulations coming into play in December. I wanted to understand that the regulation allows power traders also to participate in RECs. Did that have an impact on December volumes? And could it have an impact on future volumes for RECs?

Satyanarayan Goel: I don't think because all distribution companies, particularly, they would like to do trading of RECs only through a competitive platform so that there are no questions asked. And exchanges have been well accepted over the last 12 years that this is the competitive platform for price discovery.

And RECs have been happening through this platform. So I'm sure distribution companies will continue to buy RECs through this exchange platform only. And other industrial consumers, their requirement is in very, very small quantities and they buy it on an as and when required basis.

So they will also like to prefer an exchange platform because there's no fixed day on when the transaction is going to happen. So I don't see allowing trading companies will have any adverse impact as far as REC volume is concerned. But let us see, so far, I don't think any transactions

have happened through the trading companies because it has almost been about 1.5 months and nothing has happened.

- Moderator:** The next question is from the line of Bevam Modi from Ardeko.
- Bevam Modi:** Yes. Sir, what would be the IGX share in the total gas volumes of the country?
- Satyanarayan Goel:** So as of now, IGX share is only about 1%, 1.5% only.
- Bevam Modi:** This would be based on the third quarter, 24 million MMBTU would be 1%, 1.5%?
- Satyanarayan Goel:** Yes.
- Bevam Modi:** And what would be the Q3 profit from IGX, would it be around INR 12 crores,
- Satyanarayan Goel:** Yes. You're right.
- Bevam Modi:** So would there be any one-offs in this current number? Also would we be posting this kind of numbers? And if the volumes expand further, what kind of profitability can be expected over a year? Are there any one-offs in this current number on the profitability side?
- Satyanarayan Goel:** No. This quarter, volume is mostly driven by domestic ceiling price gas sold by Reliance and ONGC and they have regular supply of gas. So I'm sure their requirement will be to sell-off this gas on a monthly basis. And they have seen that the exchange platform, again, is more flexible and efficient platform. Again, the transactions have been very smooth. So the transactions from these companies would continue and in addition, as and when the LNG prices come down, the volume will further increase.
- Bevam Modi:** So you are saying current base would remain around these levels and then volume increase will depend on further narrowing down of LNG prices? Would that be the right impression?
- Satyanarayan Goel:** See, in fact, in the gas market, there are many fields which have been given to the private sector and there are many fields in fact, presently, which were auctioned in the recent past. In those fields, there is no auction and there is no ceiling in their prices. So as and when gas production from those will start, I'm sure participation also will increase on the exchange platform. There are many marginal fields which are coming up now. So we may expect good participation.
- And this year, already gas exchange has done more than three times of what they did last year in nine months. So by the end of the year, it should be almost about four times of what we did last year. So for next year, it will be difficult to give a number, but certainly, it should be in the range of 50 million MMBTU.
- Bevam Modi:** What would be the quarterly overheads at IGX level?
- Vineet Harlalka:** Quarterly overhead is around INR 5.5 crores.
- Bevam Modi:** This would mean all admin expenses and salaries?

- Vineet Harlalka:** Yes.
- Bevam Modi:** And sir, what will be the volume share in the core business of IEX, that is the energy exchange? What would be the volume of SEBs on the buy side and the sell side in this quarter?
- Rohit Bajaj:** Buy side, it is about 88% to 90%, and on the sell side it is 65%. So distribution companies today are the major buyers and sellers. Mostly it is the distribution companies due to reasons explained by Mr. Goel. Sell side also, we are seeing very good participation from DISCOMs because they are the ones who are getting more coal under long-term supplies that they have and they are operating their plants at higher PLF. Wherever they have surplus, they come to the exchange market and sell that.
- Bevam Modi:** Correct. Sir, so I was just trying to understand what you were saying with regards to the fact that when the prices are higher, typically, you would expect the volumes to be slightly hit because of the lower SEB participation. So what would be the non-SEB component of the demand and supply will be much more inelastic to price movement, would that be the right understanding?
- Rohit Bajaj:** No, what we were trying to explain was from the DISCOM or SEB side, we get two types of buy. One buy is there to meet the deficit, which is price insensitive whatever is the price, they want to buy this power and supply to the end consumer. Now second part of buy is actually optimization buying. In first nine months, the growth in the overall electricity demand grew by 10%.
- Now growth was so robust that there was so much deficit buy, which led to prices being on the higher side coupled with the higher input costs and hence, optimization buy was not happening. So the number that we have registered till now, it is purely on deficit buy. The point we were trying to explain was as the supply will improve and as the input cost will go down, we expect more buy to come from same SEBs. Now this additional buy would be on account of optimization or replacement.
- Bevam Modi:** Sure, what I was trying to ask was the non-SEB volume that is the volume from industries and other private entities, would that be growing in a normal trend. I mean irrespective of the fluctuations in power cost?
- Rohit Bajaj:** No. That has gone down drastically. In fact, non-SEB volume today is only 10% because our prices are very high. As the prices will start to come down, you will see this number going up to as high as 30%, 35%. There is so much demand which is there, which is waiting on the side-lines, waiting for price to come down.
- Every day, these industries are placing their buy bids. But their bids remain uncleared because the prices are high. So, this is additional over and above SEB buy. It is highly price sensitive buy which we get from industries.
- Moderator:** We have the next question from Anshuman Ashit from ICICI Securities.

Anshuman Ashit: Sir, over the past few days, we have seen the INR 12 price cap being hit during the morning and evening hours during many time blocks. So, sir, what is generally the view on this price cap, will it continue? Will it be changed because it is hurting the DISCOMS a lot and hurting our volumes as well? And do you see the international coal price moderating a bit, do you see supplies from imported coal-based plants increasing and there being some near-term relief on prices?

Satyanarayan Goel: Yes. Price cap of INR 12 is expected to continue for some more time. CERC has already issued that this will continue till further orders. So which means that they they don't expect revision of this upward in the near future. But let me tell you one thing, with INR 12 price cap, we don't see any impact on the volume because whatever sale is available in the country, the marginal cost of that is much lower.

Even domestic coal-based power plants, there also the cost despite high e-auction price is about INR 5, INR 5.5. Imported coal plant, the cost is about INR 6.5, INR 7. So INR 12 is much higher than that. So all of them have incentive to participate in this market. So I don't see any impact on the volume because of the price gap.

Anshuman Ashit: Okay. Understood. And Sir, for the nine months, what has been the total exchange volumes? And how has been our market share? So could you give some details on that?

Satyanarayan Goel: Exchange volumes has been 70.7 billion units in the first nine months. And our market share is in this quarter, it is almost 92%. And if you take the full year, it is 89% in electricity.

Anshuman Ashit: Sir, is it fair to assume because the other two exchanges mostly have term ahead contracts and because volumes there have increased and for DAM, it has reduced. So once DAM volumes pick up, our market share may revert to the earlier levels?

Satyanarayan Goel: Let us first understand one thing why the TAM volume picked-up. If you analyze the volume trend on the exchange platform for the last 13, 14 years, the TAM volume used to be hardly 1% or 2% of total volume cleared on the exchange platform because there is enough liquidity in DAM and RTM, so they prefer to buy in DAM and because that provides a lot of flexibility. In this year, when there were supply side constraints, demand was more, many distribution companies preferred to get into the DAC market to ensure availability of power. So that is why the TAM volume increased.

In future with the increase in coal supplies, price moderating on exchange platform, I am 100% sure that TAM volume will rather go down. We have seen in these nine months or so, the month in which the clearing price was lower, the TAM volume were lower in that month. So I don't see any reason for TAM volumes to go up.

Anshuman Ashit: Okay. Understood, sir. And sir, for FY '24, what is the growth that you are looking forward to in terms of exchange volumes overall?

Satyanarayan Goel: Yes. Our growth is dependent on the market conditions. If GDP grows, electricity demand is going to grow. If electricity demand increases by 5%, 6%, which means that almost about 60

billion to 90 billion units of extra demand in the country. And I'm sure a good part of that will come to the market. But for bidding that demand, there should be enough supply also. And supply can happen only if there is adequate coal supply.

So I mean, it is all dependent on these things. So it will be difficult to make any guess on that. But I can tell you one thing. If you take our average for the last five years, six years, our growth rate has been almost about 20% on CAGR basis. So it should be possible to achieve that kind of a number if market conditions are conducive.

Anshuman Ashit: And sir, one final question, you had mentioned in your initial remarks that ESCerts trading will start in this month, is it? So sir, what kind of volumes are you expecting in that?

Satyanarayan Goel: Total volume of ESCerts sale is about 50 lakhs. But then the purchase obligation is for only 35 lakhs. So the size is very less in this.

Anshuman Ashit: Okay. And similar for the REC for FY '23?

Satyanarayan Goel: We have already done INR 43 lakh REC trading, and we should close the year with, I think, almost about INR 60 lakh REC closing.

Rohit Bajaj: Yes. So we are expecting another INR 20 lakhs in the next three months because these are the closing months and majority of the buy is in these ending months only.

Moderator: The next question is from the line of Lavanya T from UBS.

Lavanya T: I wanted to understand if once we get approval order from CERC on the transaction charge, do we have any idea on the frequency of the approval, which is needed or is it only whenever a new product is launched?

Satyanarayan Goel: Invariably, these kinds of approvals are one time approvals. And thereafter, if conditions change, if regulator feels that there should be a re-examination of that then we can do. In fact, the next best example is the trading margin. CERC had notified trading margin in 2010. And in 2020, they reviewed that and issued an order wherein they revised the trading margin upwards after 10 years. So it is not on a yearly basis. Once this approval is there, I'm sure it is going to be there for a pretty long time.

Lavanya T: Okay. So I was checking because for trading, there was a cap and explicit approval for each of the trading licensee was not required. But here with exchanges, along with the cap, approval was required for each of the exchanges.

Satyanarayan Goel: Here also, they are going to approve the transaction fees as a cap, that exchanges cannot charge more than so much of paisa as transaction fees in the DAM market so much paisa in the RTM market. Because if you fix the number, then between the different exchanges, they will not be able to promote competition. Also, they're able to put the cap and they have already put that cap in the regulation, cap on INR 0.02. So, I'm sure that number is going to come.

Lavanya T: Got it. And I want to understand your view on the overall market. Usually, during winter, overall electricity demand comes down and supply is relatively better during this period. But despite that, exchange prices are quite high. So coal prices is the only reason or any other change in the market that you are seeing as to why there are so high market prices even in January?

Satyanarayan Goel: One is, the demand of power in the country has increased. It has increased by almost 10% this year, which is again unprecedented. In the last 20 years, this is the first year, where the electricity demand in the country has increased by 10%. Otherwise, it used to be at a rate of 4%, 5%, 6%. So that is one factor. And second factor coupled with this, the coal prices have increased in the international market. Because we have almost 20GW of imported coal-based capacity that coal-based capacity is operating hardly at 30%, 40% PLF. So the pressure is on the domestic coal-based power plants, and that is why all these problems are happening.

Lavanya T: Okay. So with some moderation in international coal prices, do you see this improving in the coming months or how do you see this moving?

Satyanarayan Goel: I'm sure because the prices have already started coming down. Every month, we are seeing 4%, 5% reduction in the imported coal prices and domestic e-auction price is also reducing every month. So in the near future that should come down to the normal range.

Lavanya T: Got it. So last question from my side. We have seen sell-side from State Boards, these are 65% now. So what this used to be earlier? Like what is their share on the sell side in the normal year like 2020?

Satyanarayan Goel: Distribution companies sell used to be 30%, 40%. And the generating company used to be 60%, 70%. But this year, since the State distribution companies got more coal under the PPA, they had more power at their disposal. And there are many states where the demand is in the morning and evening hours, but then they have very less demand in the night hours and daytime. So to keep the plant running, they sell power during the night time and the day time.

Then there are States where, they have contracted capacities keeping their demand growth for the next 10 years, and they have today surplus capacity at their disposal. So they sell power from those plants. And since the clearing price on the exchange platform is lucrative, these states also make some reasonable profit out of that.

Moderator: We have the next question from Ankush Agrawal from Surge Capital.

Ankush Agrawal: Sir, firstly, on IGX what will be the overall traded natural gas in India?

Satyanarayan Goel: So far, the natural gas traded is almost about 36 million MMBtu and a very large part of which is domestic.

Ankush Agrawal: What is the total Indian consumption, not what IGX is doing.

Satyanarayan Goel: Total gas consumption in India is almost about 160 MMSCMD, which is million cubic meter per day, 160 million cubic meter per day. And out of that, 50% is produced domestically.

- Ankush Agrawal:** Okay. So out of this, what would be the addressable opportunity for IGX in the short-term traded gas, which is traded from traders or, something like that?
- Satyanarayan Goel:** IGX this year is doing almost about 1.5% of the total gas consumed in the country.
- Ankush Agrawal:** Okay. But what would be the short-term market size?
- Satyanarayan Goel:** And looking at the plan of the Government of India, Government's plan is to increase consumption of gas from 6.3% to 15% of energy basket in the next seven, eight years. And they have created large infrastructure in the gas sector like LNG terminals, gas pipelines are being constructed. So, if gas growth happens like that, I'm sure opportunity for the gas exchange is very, very high and I always say that opportunity for the gas exchange is as big as what we are doing in the power sector.
- Ankush Agrawal:** What is the short term market for Gas like for electricity we have about 12-13% which is traded on the short term side, so on the gas side?
- Satyanarayan Goel:** In case of power sector long-term contracts are almost 88% of the demand. In the gas sector, long-term contracts are hardly for about 70%, 75% of the demand. Rest of the gas is under the short term, getting imported or in the short term market.
- Ankush Agrawal:** Right. Okay. Got it. On carbon exchange that we are looking to start, I believe this would be a global opportunity for IEX because for carbon credits the issuing agencies are global in nature, so this would be fungible globally? Are we targeting the global opportunity? Or no, we would be restricting to carbon credits that would be issued and domiciled largely in Indian markets?
- Satyanarayan Goel:** No, this is going to be a global opportunity. That is why the name of this company is International Carbon Exchange. Because as of now, many European and American companies to comply with their ESG commitment, are buying these carbon credits. So buyers are more active in the international market and we have in India on the sell side, we are also producing many carbon credits. In fact, there is a good opportunity for sale from India, Southeast Asia countries and African countries. So we intend to tap all these sources for carbon credits and buyers in the European and American markets.
- Ankush Agrawal:** The idea would be to firstly act as a supplier of Indian carbon credits to the global market?
- Satyanarayan Goel:** You are right. .
- Moderator:** The next question is from the line of Arul Selvan from Independent Advisors Private Limited.
- Arul Selvan** From a long duration perspective, you said that the current market it is about 50 billion units. Am I right in what I heard?
- Satyanarayan Goel:** You're right.

Arul Selvan So my basic question here is that how exactly the current market players are trading in this segment, if it's not really through the exchange platform. Is there some other platform or is it just a traditional bilateral contract way?

Satyanarayan Goel: Most of the trading in this market is happening through the DEEP platform. Where the reverse auction happens for price discovery and most of the trading happens through the trading companies or directly through generator companies.

Arul Selvan Okay. So now when long-duration contracts are introduced for, let's say, progressively longer duration than right now, we have if I'm not mistaken, six months, right? That's the longest duration that we have right now, right?

Satyanarayan Goel: Right now, we have contracts for delivery up to three months.

Arul Selvan Three months, sorry.

Satyanarayan Goel: Yes, we're talking to regulators for approving delivery of contracts up to 11 months.

Arul Selvan Yes. So now my question here is, suppose, let's say, in the future, we get the regulatory approval for launching contracts for, let's say, up to 6 months or 1 year or 2 years, do you expect players to automatically shift to our platform? or do you think that the existing DEEP platform provides certain other advantages that are not available on our platform?

Satyanarayan Goel: See, shifting of the participants on our platform will depend based on the value which we provide. If we are trying to create more value at the exchange, they will definitely change. So, we are trying to create value for them to the Exchange platform. Number one value is that these exchange platforms are flexible. You can give your requirement for doing the auction any day and also within two three days' time. And we have very efficient system of power scheduling, so we, in fact, ensure that there's a match to the scheduling of power also and also with the complete financial transaction.

We pay to the generators on a daily basis. So that is a big USP of the Exchange. Generators are willing to sell power on the Exchange at a price lower also because they are assured of the payment. In case of DEEP contracts, they are not assured of the payment. They in fact get payment one month after they have supplied power in many cases. So looking at these kind of values, I'm sure participants will be more active on the Exchange platform.

Arul Selvan Right. And just a couple of more questions. The first one is that, are there any competitors who are offering these long-duration contracts for up to three months as of now?

Satyanarayan Goel: All the three exchanges are offering this.

Arul Selvan Okay. And you said that the traction is lower. Is that also across the other exchanges -- or is it only on our platform?

Satyanarayan Goel: No. I mean, volumes are happening in other exchanges also, but I can definitely say that our share is more than their share.

Arul Selvan Would you have a number for that in terms of what our market share would be on just the longer contracts that have been recently introduced?

Satyanarayan Goel: No. Because as I told you that the volume in this segment at the moment is not significant because of the high clearing price. So this percentage market share will be meaningful when the volumes increase.

Moderator: Ladies and gentlemen, that was our last question for today. I would now like to hand the conference over to the management for closing comments. Over to you.

Satyanarayan Goel: I would like to thank all of you for being part of this call today. Friends, higher input costs continue to impact our volumes. Going forward, with the increased coal production target for which has been fixed at 1 billion tonne for the FY'24, we expect reduction in input price, lower clearing price on exchange and increasing optimization potential for DISCOMs and Open Access users. And I'm sure this will support better volumes on IEX platform. IEX has always remained committed to positively contribute towards a sustainable Indian energy sector. Thank you.

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