



**Dated: May 04, 2018**

**The Manager  
BSE Limited  
Corporate Relationship Department  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai- 400001**

**The Manager  
National Stock Exchange of India Ltd  
Listing Department  
Exchange Plaza, 5<sup>th</sup> 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/Year ended March 2018.**

Dear Sir / Madam,

Please find enclosed herewith transcript of conference call with analysts/investors held on Friday, 27<sup>th</sup> April 2018, at 2:00 pm (IST) to discuss the financial results of the Company for the quarter/year ended March 2018.

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**





# “Indian Energy Exchange Q4 & FY18 Results Conference Call”

**April 27, 2018**



**MANAGEMENT: MR. S. N. GOEL – MANAGING DIRECTOR & CEO,  
INDIAN ENERGY EXCHANGE**

**MR. VINEET HARLALKA – CFO, INDIAN ENERGY  
EXCHANGE**

**AKHILESH AWASTHY – DIRECTOR (MARKET  
OPERATIONS) INDIAN ENERGY EXCHANGE**

**MR. RAJESH KUMAR MEDIRATTA – DIRECTOR OF  
BUSINESS DEVELOPMENT – INDIAN ENERGY  
EXCHANGE**

**MODERATOR: MR. BHAVIN VITHLANI – AXIS CAPITAL LIMITED**



*India Energy Exchange  
April 27, 2018*

**Moderator:** Ladies and gentlemen good day and welcome to the India Energy Exchange Q4 and fiscal year 18 Results 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 an operator by pressing '\*' then '0' on your touchtone phone. I would now like to hand the conference to Mr. Bhavin Vithlani from Axis Capital Limited. Thank you and over to you sir.

**Bhavin Vithlani:** Thank you Stanford. Good afternoon everyone. On behalf of Axis Capital, I welcome you all for Fourth Quarter and Fiscal Year 18 Earnings Conference Call for IEX to discuss the results and share the performance outlook. Today we have with us the entire senior management of IEX which would be represented by Mr. S N Goel – Managing Director and CEO, Mr. Vineet Harlalka – CFO, Mr. Akhilesh Awasthy – Director, Market Operations, Mr. Rajesh Kumar Mediratta – Director of Business Development.

I would first like to congratulate the management of IEX for good performance in the fourth quarter and like to hand over the line of Mr. Goel ji for his opening remarks post which we will open the floor for Q&A. Over to you Goel ji.

**S N Goel:** Thank you Bhavin. Friends a very good afternoon to all of you. Before I talk about the financial performance of the company, I would like to discuss in brief about recent developments which took place in the power sector because these developments have a direct impact on our business.

This year country's power generation increased by 5.32%, total generation in the country was about 1305 billion units. The growth in conventional and renewable generation was approximately 4% and 23% respectively. Renewable generation has picked up in a big way this year and coal generation constituted almost about 73% of the total generation, so coal still continues to be the main source of power generation in the country. Transmission congestion was there for less than 10% of the time while volume curtailed on this account was only 0.43% of the total volume this financial year because of commissioning of interregional transmission lines for import of power to NR and SR. We had one nation, one grid and one price on 264 days during the year.

Government of India has also taken many initiatives such as rural electrification and ensuring 24X7 power supply to all households under the Saubhagya Scheme. States like Telangana, UP, Bihar have witnessed higher electricity supply during the year. The growth in these states have been much higher than 10%. These initiatives will further drive demand in the country in the coming year. In 2018-19, we have elections in four states and also this is a pre-election year for the general election coming early next year. Hence, we are expecting the demand growth of more than 6% during this year. During the financial year 2017-18 there was significant buy by the distribution company on the exchange platform. The buy bids on the exchange platform

increased by 20% whereas the sell bids reduced by 5% as compared to last financial year. Reduction in sell bids was mainly because of coal supply shortage from the month of August-17. Coal generation capacities were available with merchant generators for sale in the market but unfortunately coal supply shortage from the month of August-17 contributed to reduction in sell bids and increase in the clearing price on exchange platform. On average clearing price during 2017-18 was Rs.3.26/unit with an increase of about 35%. last year average MCP was about Rs. 2.41/ unit. Domestic coal production increased by 9% in the month of March and if the same trend continues this year, I'm sure the coal supply issues will be resolved. Further, imported coal prices have seen downward trend from the month of February-18, if it continues, we may see increase in sell bids from the month of May-18.

Coming back to the financial numbers:

Total trade on IEX was 56.8 BU with the growth of 26% consisting of 46 billion units electricity trade with the growth of 14%, 93.28 lakh REC volume with the growth of 102%. We also did ESCerts trading this financial year and sold about 12.99 lakhs of ESCerts.

Operating revenue during the year was 230.45 crores with an increase of 16%. Other income which mainly constitutes of interest income was 25.62 crores, there was reduction of 25% in the other income because of the capital investment in acquisition of technology, payout of large dividends during last year and lower interest rates during the year. Total revenue was 256.07 crores with the growth of 10%. Total operating expenses decreased by 17% y-o-y, from 55.19 crores to 45.58 crores because of acquisition of technology by the company and reduction in other operating expenses. Profit before tax was 199.99 crores with an increase of 15% y-o-y and after deducting the income tax expenses of 68.31 crores profit after tax was 131.68 crores with an increase of 16% with respect to last year, with this profit our EPS works out to 44.05 per share.

While talking with reference to 68.31 crores income tax which we paid, I would like to mention that as per the this year budget, the companies whose turnover was less than 250 crores in the year 2016-17, for them the income tax for 18-19 is going to be 25%. In case of IEX our turnover for 2016-17 was less than 250 Crore, hence 25% tax rate would be applicable which will result in tax rate reduction from 35% to 29%. So we might be saving almost about Rs. 12 to 13 crores in the income tax so that will have a positive impact on the PAT of this year. Our profit from the electricity trading business excluding treasury business, was more than 25%. So with this now we are open to questions.

**Moderator:**

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

- Mohit Kumar:** My first question is regarding this open access volume and average clearing volume ratio how it panned out during FY18 and how it was in this particular quarter? And can you just comment something on the FY19 trend which you see going forward?
- S N Goel:** Open access volume this year reduced by 38% in comparison to last year. As I told you last year our average market clearing price was Rs. 2.45 /unit as compared to Rs. 3.25/unit this year. The open access volumes have gone down with increase in the clearing price, as in many of the states the breakeven price for the open access consumers because of the cross subsidy surcharge, additional surcharge and other transmission billing charges is less than Rs. 3/unit. But there was substantial increase in the buy by the distribution companies. We saw this year most of the distribution companies like Maharashtra, Gujarat, Bihar, West Bengal, UP, Telangana even Tamil Nadu, Karnataka all of them are active on the exchange platform.,
- Mohit Kumar:** Is it possible to quantify the volume numbers for FY18 open access and the volume?
- S N Goel:** Volume number for the distribution company and open access?
- Mohit Kumar:** Yeah.
- S N Goel:** I will give you the numbers but in case of distribution company the growth was almost about more than 90%.
- Mohit Kumar:** And we should expect this trend to continue for FY19, the same ratio ACV and open access will getting the same ratio for FY19 is it right way to think about it?
- S N Goel:** In case of open access last year our volume was 24 BU and this year it was about 14.8 BU, reduction of 38%. But in case of distribution companies, our last year volume was 15.78 BU and this year 30.14 BU, increase of 91%.
- Mohit Kumar:** Should we expect the similar ratio going forward for FY19 and FY 20?
- S N Goel:** This year again it depends on the demand by the distribution company and also availability of coal with the merchant generator. If coal is available at a reasonable rate and clearing price is around Rs. 2.7-3/ unit then we can expect the increase in the open access volume. Today we have more than 4000 industrial consumers registered with us out of which approximately 700-800 are active at present as compared to - 1600-1700 in past. Active industrial consumer numbers have decreased because of the high clearing prices. Clearing prices have increased mainly because of high demand by distribution companies. what we are finding these days there is large demand by distribution companies and there is increase in the buy bid quantum. There are no issues on the buy side.

- Mohit Kumar:** My second question pertains to REC trading, has the solar REC trading started and can I expect the similar kind of number which will be post FY18, FY18 was 9.4 BU, so do you expect the numbers to be same for FY19 going forward?
- S N Goel:** Solar trading has started. Day before yesterday on Wednesday we did solar and non-solar REC trading session for the month of April,. In fact, REC trade for the solar was much higher than non-solar for the session. Number wise whatever we did last year we are quite sure that we should be able to achieve the same kind of number this year also. Growth wise last year we did 100% growth and similar growth may not be possible because REC inventory itself is not there now. In fact, non-solar REC the opening inventory is just about 15-16 lakhs which used to be 1.5 crore earlier.
- Moderator:** The next question is from the line of Rahul Murkya from Jefferies. Please go ahead.
- Rahul Murkya:** Just follow up on the previous question, so the share of distribution remains at 67% for the total volumes?
- S N Goel:** Yeah share of the distribution company was almost about 67%.
- Rahul Murkya:** The number which you have reported in the quarterly results for the other expenses, it is 16.28 crores and in the DRHP this number was approximately 21.6 crores. But just wanted to understand is there any reclassification that has happened.
- Vineet Harlalka:** The above is because of reclassification done due to IndAS, otherwise there has been no change in the expenses
- Rahul Murkya:** I mean like the revenue has also changed, so is there some classification specifically happened?
- Vineet Harlalka:** Above variation is due to regrouping of numbers, as the earlier financials were in as per IGAAP accounting standard, whereas now the said numbers are reclassified as per IndAS,
- Vineet Harlalka** The incentive paid on the RECs under IGAAP was shown as a separate line item in the expense side and whereas now because the company has moved from the IGAAP to the IndAS, the incentive paid is netted with transaction fees revenue, **Rahul Murkya:** Yes. Another thing is like can you just tell me the top 10 buyers how much they accounted for the volumes?
- S N Goel:** Top 10 buyers in case of Discoms, it's almost about 86% this year that is quite high concentration because there are few Discoms where the demand increase was quite significant. Gujarat was one of the largest buyer.

- Rajesh Mediratta:** Total buy by distribution company was 67% and top ten distribution companies constituted 86% of this. Hence purchases of top 10 discom as a percentage of total volume was 58%.
- Rahul Murkya:** And our top 10 buyers would be distribution companies only, right?
- Vineet Harlalka:** Yeah top 10 buyers were distribution companies.
- Rahul Murkya:** This number 86% was last year would have been how much?
- S N Goel:** Last year was 77%.
- Rajesh Mediratta:** 77% of the 40%.
- S N Goel:** There is lot of difference between the two. The last year top 10 buyers substituted only about 28% of the total sell on the exchange platform, total buy on the exchange platform and this year top 10 buyers constitute almost about, 50% to 55% of the total buy from the exchange.
- Rahul Murkya:** And this was majorly made by Gujarat because of the power not being supplied.
- S N Goel:** No, there was significant increase in case of Gujarat, West Bengal, Maharashtra, Bihar, Uttar Pradesh, Telangana, Andhra Pradesh. All across the country.
- Rahul Murkya:** Approximately all the states we have it; all the states have been trading at our exchange?
- S N Goel:** Yes
- Rahul Murkya:** There are few states that missing?
- S N Goel:** All distribution companies are registered with us and based on their demand and supply they participate on the exchange platform regularly.
- Moderator:** The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Any buy-back on card, buy-back of shares?
- S N Goel:** This option was discussed and buy-back is definitely more tax efficient. But the point is today almost about 62% of the shareholders are under lock-in, so we may consider this after October 23<sup>rd</sup>.
- Ravi Naredi:** After October?
- S N Goel:** Yes, it will be after October, because by that time one year period will be over and there will be no lock in for any share holder.

- Ravi Naredi:** Then you will consider it because even we have to pay 20% dividend tax so that time if you buy it will be saved?
- S N Goel:** Yes. We're basically trying to maximize value to our shareholders.
- Moderator:** The next question is from the line of Abhijit Sinha from Pi Square Investments. Please go ahead.
- Abhijit Sinha:** I missed out your future expectations for FY19 so if you could please repeat that.
- S N Goel:** Guidance for FY19?
- Abhijit Sinha:** Yes.
- S N Goel:** We have not given any guidance on FY19.
- Abhijit Sinha:** I think you were talking about 25% growth somewhere.
- S N Goel:** No, not at all. What we are saying is there is going to be high demand during this year and demand may increase beyond 6% because of elections in four states and also pre-election year and government of India also has taken 24X7 power supply initiatives and there has been significant increase in the demand. So that should lead to good growth on the exchange. But then it's also dependent on the supply. So if the coal supply position improves, yes definitely good growth is possible but number it is very difficult to say.
- Abhijit Sinha:** And the pricing I think it was about Rs. 4, right average pricing?
- S N Goel:** Our pricing is transaction fee is, you are talking about transaction fee or clearing price?
- Abhijit Sinha:** Clearing price.
- S N Goel:** last year average market clearing price Rs. 3.26 /unit
- Abhijit Sinha:** Where do we think that might go, do we think that might go lower?
- S N Goel:** Again very difficult to say. It's a question of demand and supply. If the supply improves I'm sure it should come down to less than Rs. 3/ unit. It is difficult to say. If the supply doesn't improve, it can remain more than Rs. 4/ unit, it can even go upto to 4.5/ unit also.
- :** .
- Moderator:** The next question is from the line of Alekh Dalal from 130 Capital. Please go ahead.



**Alekh Dalal:** In terms of the admission fees and annual fees while it seems like for the financial year even clients are up by 8% but fees were down by about 6%, could you tell me what the client addition number was for the fourth quarter and why we are seeing 14% on average sort of price decline on admission fees?

**S N Goel:** There has been addition of open access consumers to our registered list but then depending on the breakeven price in the different states and our clearing price, the open access consumers participate on the exchange platform. When open access consumers find that the prices are increasing, they request deactivation to avoid payment of annual fees till the time prices and market situation become favorable for them. . We have given this flexibility to the participants.

**Alekh Dalal:** Number of clients added in the fourth quarter what was that growth?

**Rajesh Mediratta:** We added 225 clients in the quarter. In the financial year, out of 460 clients added in electricity, ESCert and REC portfolio , 225 clients were added in electricity portfolio only. Also, there were approximately 900 deactivations, hence we lost in terms of total new client's net addition if you see.

**S N Goel:** Active client number reduced because of that.

**Rajesh Mediratta:** So the annual income coming from annual fees of such clients, we have got fewer amounts of fees from such clients.

**Alekh Dalal:** And the employee expense has jumped fair amount this quarter, could you explain that a little bit.

**S N Goel:** In the month of May-17 we did the technology acquisition from 63 Moons. The employee expenses increase because along with the technology acquisition we also took 23-24 persons on our rolls who were dealing with this technology in the technology team of 63 Moons.. in order to use the technology, make some changes in the software and meet all the regulatory requirements and business requirements. We have also taken one CTO on the rolls now.

**Alekh Dalal:** Last question on whole PNRGB initiative in terms of the natural gas exchange, could you give us some color on how's that progressing, what the timing you expect to be, how do you foresee, whether GAIL will become an open-source platform and what are the next steps there and how quickly you can actually be generating revenues from that?

**S N Goel:** If you look at gas exchange and power exchange, there are lot many synergies between the two. I mean power is transmitted through the transmission line; gas is transmitted through the pipeline. As far as the quality is concerned it is the uniform quality when they are in the pipeline system, so you need basically, gas quantity and quality meter at the consumers and

supplier end and all these energy accounting is done by third-party. So business models are quite similar, so we find that we are in a good position to take up the gas exchange initiative. So we are in discussion with the different stakeholders, we have been meeting them and we are also trying to develop our own capabilities, talking to couple of technology providers also, what kind of products are good for the Indian market. We are working on all that, so that we are keeping ourselves ready whenever there is opportunity whenever the enablers are which have to be created by the government of India by the PNGRB whenever they are in position and regulations are issued be are in the position to start the exchange. So we are keeping ourselves ready for that.

- Alekh Dalal:** And this alliance with the Japanese?
- S N Goel:** Our MoU with the JPEX is basically for the knowledge sharing, so it has no financial implications.
- Moderator:** The next question is from the line of Rahul Ranade from Goldman Sachs Asset. Please go ahead.
- Rahul Ranade:** Just the dividend for the year which is Rs. 22 lower than last year's dividend, is it also part of the strategy of kind of looking at a buy-back after the one-year lock-in concludes and that's why lower dividend this time?
- S N Goel:** Rs. 22/ share dividend means there is a fund outflow of almost about Rs. 80 crores from the company which is more than 60% of the total PAT of this year, so we have given significant dividend. Secondly, we are trying to maximize value for the shareholders. We are looking at different options like setting up a gas exchange... It will also require some capital expenditure and we are looking at other opportunities also. Maybe at the appropriate time we can consider the buyback option also. The intention is basically to maximize the value for the shareholder.
- Rahul Ranade:** So the payout actually last year was higher, right. It was close to 80%, right?
- S N Goel:** Last year it was quite significantly higher. We had accumulated cash and we were going for the IPO so we gave good dividend. But then Rs.22/ share is also very good dividend number.
- Rahul Ranade:** I was just looking at it from a YOY perspective.
- Moderator:** The next question is from the line of Deepak Agarwal from Elara Capital. Please go ahead.
- Deepak Agarwal:** My first question is now that as you mentioned in the opening remark that the four states due for elections this year and of course that will be a precursor to the general elections next year. How do you see and what kind of volume addition that can happen like in your past experience that we can expect for FY19?

**S N Goel:** I told you this year the total demand in the country may increase by more than 6%. This year the increase was only 5.3%. A good part of this incremental demand is met by the short-term markets, so exchange should be of bigger beneficiary of this incremental demand. Number difficult to say but if the supply position improves demand is already there, it should lead to a good growth.

**Deepak Agarwal:** In fact a fair bit of incremental demand last year at 5.3 was met from renewables which are not coming in the exchange market, so that will also....

**S N Goel:** I also mentioned that out of this 5.32% the increase in generation from the conventional generation was only 4% and by renewable was 23%. So renewable has supported demand to a large extent.

**Deepak Agarwal:** That trend can continue in FY19 as well then how come the demand in the short to market will increase because of this disproportionate growth in the renewables?

**S N Goel:** When the renewable generation is increasing we have seen that there is also increase in demand from high renewable generation state on exchange platform. This is mainly because of variation in availability of power from renewable source throughout the day.. To meet shortage in demand, these states buy power at exchange platform. Further, these states also sell surplus renewable power generation on exchange. So renewable in a way helping the exchange.

**Rajesh Mediratta:** We are basically saying that there is the difference between supply coming from a coal-based plant which is flat and more predictable than renewable. In energy terms you will see that there has been support from renewable energy side but no certainty. Hence, you rely more on short-term market than on the long-term market. So they don't do tie-ups for or PPAs for the renewable capacity we have but many a times they have to come to the market because suddenly wind is not available or solar is not available. Solar is available only maybe part of the day but balance of the time you have to rely on the market. So things are then led to the short-term market more as compared if you have similar capacity in coal then you definitely lose that demand from the short-term market.

**Deepak Agarwal:** My last question is on this trend of this Discom saving much larger share resorting to the exchange market versus the open access customer in FY18. So this trend is likely to continue in FY19 because if the exchange price, the clearing price were to remain fairly in the visibility of around Rs. 3.75/ unit to 4/unit then it will be fair enough to say that more of Discom participation will be continued versus the open access it was not the case in FY17 or 16?

**S N Goel:** Purchase by Distribution Company is definitely going to be more.

**Deepak Agarwal:** But significantly more?

**S N Goel:** Significantly more, it is also because that in most of the state's demand increase is happening and good part of the incremental demand they are meeting by purchasing power from the market.

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

**Dhruv Muchhal:** In the other current assets portion in the other financial assets and similarly in the current liabilities other financial liabilities there is a significant increase YOY. I think there is some IndAS related thing, so just wanted to understand. The last year the amount was about 81 crores, this year it is about 160 crores in other financial liabilities.

**Vineet Harlalka:** Other financial liabilities is basically the trade payable and basically there is a significant increase in the amount of the deposit what we have from our members because the prices of electricity have actually gone up so the margin amount has gone up quite significantly. This is one of the portion which is subsequently increased because the pay-in pay-out option has also increased and secondly the deposits amount has also increased.

**Dhruv Muchhal:** So this relates to the margin amount which we get from our participants?

**S N Goel:** Yes.

**Dhruv Muchhal:** So what explains the other receivables, so other financial assets other receivables, other recoverable there is also an increase there?

**Vineet Harlalka:** We had some redemption on some investments, we have a significant investment of Rs. 60 crores to Rs. 70 crores which we took on the 27<sup>th</sup> of March and because of the bank holidays we received that amount on 2<sup>nd</sup> April so that was appearing as a receivable.

**Moderator:** The next question is from the line of Drashti Shah from Investec Capital. Please go ahead.

**Drashti Shah:** I wanted to know that vice a volume growth weak in Quarter 4, so is this a cyclical thing that like every Quarter 4 of volumes are going for the low because compared to it the whole year volume has grown at a good pace of 26%?

**S N Goel:** In Quarter 4 again as I told you because of the coal shortage the sell side volumes were not there. If you look at the actual number, you will find that the sell volume was more than buy volume. It was because in the month of January-18 and February-18, which were winter months, more sell bids and less buy bids were available during night and vice – versa rest of the day..

**Drashti Shah:** So this is more of a cyclical thing like every Quarter 4 we can expect the volume to be a little weaker than the remaining...

**S N Goel:** No, if the coal supply position is better and if there is enough supply to meet the demand then yes, the volume growth will happen.

**Drashti Shah:** Can I get the break-up of DAM and TAM?

**S N Goel:** The DAM number is 44.84 billion units and TAM number is 1.372 billion units.

**Drashti Shah:** Because of our MCP increasing to Rs. 4/ unit can we see a pressure on the short-term volumes because the gap is narrowing between the long-term and the short-term price, could that be a reason for pressure on the short-term volumes and can we see volumes moved to long term again?

**S N Goel:** Firstly, the average market clearing price was not Rs. 4/ unit, it was Rs. 3.25/ unit. The clearing price was Rs. 4/ unit only in the month of March, September and October. So if you take the average price for the whole year it was only Rs. 3.25/ unit. In the last 5-6 months many states have gone to the DEEP platform for purchasing power under the bilateral contracts and the price discovered under those bilateral contracts is more than Rs. 5 in most of the cases and most of the states have not awarded those bilateral contracts. Reason for high price on DEEP platform is that generators are not sure whether they will be able to get coal or not. I don't think this kind of a short-term phenomenon will lead to shift in the market design or market going from the exchange to the short-term or the long-term.

**Drashti Shah:** Do we see the EBITDA margins at 80% range like is it a normalized range or we expect that to come down over the quarters?

**S N Goel:** In fact, it is likely to go up. I feel it should stabilize around 82%-83% kind of number.

**Moderator:** The next question is from the line of Akshay Ajmera from Mirae Assets. Please go ahead.

**Akshay Ajmera:** I just wanted clarification on one thing, you had mentioned some benefits on taxation so could you repeat that again?

**Vineet Harlalka:** In case if you look at the budget announcement the company's whose total operating revenue was less than Rs. 250 crores in 2016-17, for those companies' tax rate will be 25% for the year '18-19. And this year '17-18, our tax rate was 30% plus other taxes, it makes about 35%. So now it will be about 29% so there will be 6% saving in the tax.

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

**Mohit Kumar:** There is one question regarding the tax rate, given the fact that if this continues for FY20 given the fact that our FY18 revenue is also below 2.5 billion, so it should benefit ideally our FY20 numbers, is my understanding correct?

- S N Goel:** Announcement is for the year 2018-19, so we don't know what will be the provision for the year 2019-20. But going with the fast trend if you look at last year budget it was Rs. 50 crores total revenue for the year '15-16. Now the year has been changed from '15-16 to '16-17 and amount has been increased from Rs. 50crores to Rs. 250 crores. So maybe next year it could be Rs. 500 crores or Rs. 400 crores, we don't know but let's see.
- Mohit Kumar:** But number on which this will be measured for FY20, it will be FY18 revenue or FY17 revenue?
- S N Goel:** Again, it depends on the government announcements. But going by the past trend it will be '17-18.
- Mohit Kumar:** One question pertains to ESCert volumes, I believe this ESCert volumes will now be available for trading in FY19, am I correct?
- S N Goel:** ESCerts are done basically once in three years, so we did following this year, so next it is expected in 2020.
- Moderator:** Thank you. The next question is from the line of Rahul Murkya from Jefferies. Please go ahead.
- Rahul Murkya:** Just wanted to know anything on our margin side from the regulator I mean any incremental there?
- S N Goel:** No. We responded to regulator queries in Septembe-17 and subsequently again in December-17. We haven't heard anything after that from the regulators.
- Rahul Murkya:** What sense I mean just wanted to understand do you think that would this be a priority for the regulator to regulate the margins that we are making, or the priority is to increase the short-term volumes?
- S N Goel:** Eight months have passed, so I think this is not in the priority list and what is important for the sector is development of the market. I'm sure regulator is also concerned about development of the market.
- Moderator:** The next question is from the line of Drashti Shah from Investec Capital. Please go ahead.
- Drashti Shah:** I wanted to ask that do we expect the regulator to revise the commissions anytime soon.
- S N Goel:** Just now we discussed about this issue of that we have responded to all the queries raised by the regulator, but we haven't heard anything from the regulator.

- Drashti Shah:** Are you expecting to hear anything from them?
- S N Goel:** The regulator is going to review this. Regulator in the past has taken a position that exchanges are free to decide their margin and not once but in 2008 and again in 2015 they said the similar thing. Our margins are same from last 6 years.
- Drashti Shah:** In the volumes you explained for DAM and TAM that the coal unavailability has resulted in the volumes to be down but what about REC, so even the REC volumes are down by 6% what would be the reason for that?
- S N Goel:** REC volumes this quarter are down but if you look at the whole year then REC volume is up by 100% so whether the distribution companies bought the REC in the month of January-February-March or in the month of November and December that doesn't make a difference. It is RPO compliance on yearly basis; it is not daily power demand.
- Drashti Shah:** So once in a year they have to buy REC, and this will be renewed every year, right?
- S N Goel:** Yeah RPO compliance is on yearly basis.
- Drashti Shah:** Any update on the gas exchange?
- S N Goel:** I think we discussed this issue in detail earlier during the call. The government is considering to setup a gas exchange and in fact regulator also has issued an expression of interest to appoint a consultant who can advise them for drafting the regulations and suggesting about the gas exchange model. We are talking to different stakeholders, trying to understand the potential of the market, talking to couple of international gas exchange operators to understand what kind of products will be required for this market and also who are the technology providers for this, so that we are ready to launch the exchange as and when the opportunity arises.
- Moderator:** The next question is from the line of Akshay Ajmera from Mirae Asset. Please go ahead.
- Akshay Ajmera:** In your recent announcement there was some tie-up with Japan Power and Electricity Exchange, so could you highlight more on that?
- S N Goel:** This was a MoU signed with them, JPEX and this is basically for the knowledge sharing. As you know Japan has got a very robust market. It is a developed economy, so there are maybe good practices which they have and maybe there are few good practices which we have in the country, so it is basically for the purpose of knowledge sharing.
- Akshay Ajmera:** Are we exploring any other opportunities apart from India where we can have some tie up and do business overseas?

**S N Goel:** We are exploring these options. For electricity market you need some minimum size of the market may be about 15,000-20,000 MW of installed capacity. We are exploring different markets if there is opportunity yes, we will definitely try to explore that also.

**Moderator:** The next question is from the line of Noel Vaz from IIFL Securities. Please go ahead.

**Noel Vaz:** I just wanted to clarify one thing with you; you have mentioned that in Q4 that the trading volumes were slightly lower because of low coal availability. Now as we have seen in Q1 itself the coal availability issue has not really been resolved, so would we see Q1 trading volumes being affected?

**S N Goel:** One good thing what we saw in the month of March-18 that coal production increased by 9%. We are yet to have the number for April-18, but if the trend continues then it can lead to comfortable coal supply situation and more sell bid on exchange. Further, there has been reduction in imported coal prices by 22% in last 45 days which had reached more than 100\$ in the past. If the trend in reduction of imported coal prices continue, there will be more generators selling power on exchange platform. **Rajesh Mediratta:** And after May we will start getting wind so that also release the pressure on supply of coal.

**S N Goel:** After May wind starts, after June monsoon starts, so let's see.

**Moderator:** We take the next question from the line of Bhavin Vithlani from Axis Capital Limited. Please go ahead.

**Bhavin Vithlani:** Goel ji I have just one question. What is the sustainable payout ratio that we should be working with, a dividend payout ratio which could include dividends or buyback?

**S N Goel:** In the DRHP we had said that company will endeavor to pay 50% of the PAT in the form of dividend and we will continue to do that. Our effort will be to maximize value to the shareholders. We will keep on exploring different options by which we can maximize this. If there are good investment opportunities, gas exchange, any other investment opportunity we will try to explore that in fact that can give more return to the investors. Buyback is one option after October we can consider that. So, payout ratio it all depends on the opportunities available. But we definitely feel in the form of the buyout or the dividend payout, we will try to maintain that 50% figure at least.

**Bhavin Vithlani:** But assuming next year the gas exchange does not materialize then would it be fair to assume 100% payout for fiscal '19?

**S N Goel:** Let us be ready for launching the gas exchange. That will give more value to my shareholders. I'm holding money for that, I am sure my shareholders will appreciate that.





*India Energy Exchange  
April 27, 2018*

- Bhavin Vithlani:** That was the only question that I had. On behalf of Axis Capital, I'd like to thank the senior Vineet Harlalka of IEX for giving us an opportunity to host the call. Before we end the call, I'd like to hand over the call to Goel ji for concluding remarks.
- S N Goel:** Thank you Bhavin. It was a good interaction and good year for IEX. We are looking for a good vibrant market this year. I'm sure with the prevailing conditions the growth will be much better than what we have achieved last year. Thank you.
- Moderator:** Thank you very much sir. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.