

## New Business Prospects

### *Green day ahead market*

Green day-ahead market is proposed to be based on collective transactions, and will function on similar lines as existing DAM at exchanges. It would comprise solar and non-solar day-ahead contracts, applicable for merchant capacity. G-DAM contracts will enable obligated entities procure renewable power at competitive prices, when they actually need power, and also green attributes to meet RPOs. In this context, it would offer an alternative market-based mechanism and stimulate renewable energy generation in the country.

G-DAM will provide an alternative mechanism to new generators and distribution companies. Prices from the market will provide right signals to drive investments in the sector, and encourage merchant plants to set up without signing up PPAs. This is important to achieve Government of India's target of 175 GW RE by 2022. distribution companies' preference for green power over REC will be addressed, and small participants will be able to buy green power to meet their RPOs.

IEX has already filed a petition to CERC, seeking approval for introducing G-DAM exclusively for trading of renewable energy (power and green attributes) comprising both solar and non-solar contracts. Following the submission of the petition, CERC has conducted a hearing for the purpose for IEX and other stakeholders. The approval for introduction of G-DAM is awaited from CERC at present.

### *Forward and futures market*

The current product portfolio on power exchanges focuses on short-term demand of electricity in the country. Generating companies and distribution companies currently lack price visibility over one year and beyond, and are thus exposed to price risks in the absence of a forward price curve. Forward markets provide such visibility and an important hedging options for generators as well as distribution companies. Introduction of longer-duration forwards and future contracts on the exchange allows for risk mitigation for participants, and improves overall liquidity in the market, thereby making it more efficient. The introduction of such financial products has proved to be successful in developed markets.

A forward contract includes an obligation to buy or sell a specified quantity of an asset at a certain future time for a certain price. Forward contracts can be traded bilaterally, or over the counter, or as standardized contract on exchanges. Future contracts are standardised contracts which are traded on and cleared by an exchange; these are financially settled. Additionally, the seller of a futures contract of a commodity does not normally intend to deliver the actual commodity nor

## Shareholders who sold shares before 2 years of filing drhp

The top 10 Shareholders of our Company on a fully diluted basis two years prior to the date of filing of the Draft Red Herring Prospectus are as follows:

S. No.	Name of the Shareholder	No. of Equity Shares and/ or CCPS	Percentage (%)
1.	63 Moons Technologies Limited	7,775,515	25.6
2.	Lightspeed Venture Partners VIII Mauritius*	3,032,862	10.0
3.	Multiples Private Equity Fund	2,429,878	8.0
4.	Multiples Private Equity Fund I Limited	1,819,717	6.0
5.	Bessemer Venture Partners Trust**	1,516,431	5.0
6.	PTC India Financial Services Limited	1,516,431	5.0
7.	Pathfinder Mauritius Limited	1,516,431	5.0
8.	Golden Oak (Mauritius) Limited	1,364,787	4.5
9.	Rural Electrification Corporation Limited	1,250,000	4.1

## Top 10 Shareholders who sold share before 10 days of IPO

The top 10 Shareholders of our Company on a fully diluted basis 10 days prior to the date of filing of the Draft Red Herring Prospectus are as follows:

S. No.	Name of the Shareholder	No. of Equity Shares and/ or CCPS	Percentage (%)
1.	DCB Power Ventures Limited	4,549,294	15.0
2.	TVS Shriram Growth Fund 1B LLP	3,032,862	10.0
3.	Multiples Private Equity Fund	2,429,878	8.0
4.	Agri Power and Engineering Solutions Private Limited	1,655,557	5.5
5.	Aditya Birla Private Equity Trust A/c Aditya Birla Private Equity - Fund I	1,516,853	5.0
6.	Lightspeed Venture Partners VIII Mauritius*	1,516,431	5.0
7.	Westbridge Crossover Fund, LLC	1,440,609	4.8
8.	Multiples Private Equity Fund I Limited	1,440,607	4.8
9.	AFHoldings	1,402,856	4.6
10.	Golden Oak (Mauritius) Limited	1,364,787	4.5
<b>Total</b>		<b>20,349,734</b>	<b>67.2</b>

## AT&C

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### *Improvement in Transmission Infrastructure*

Adequate and reliable transmission capacity is a key enabler for power transactions in India. While generation capacity has been added at a faster pace over the last five years, the growth in transmission has not been commensurate enough to ensure congestion free transmission within the country, resulting in situations where a certain demand in a market could not be met even as supply is available elsewhere. Inter-regional transmission capacity has more than doubled in the five years leading up to the financial year 2017 to approximately 75,050 MW for the financial year 2017 from 27,750 MW for the financial year 2012. Augmentation of transmission capacity is expected to reduce transmission congestion, which is currently restricting short term transactions through exchanges. Further, implementation of open access and removal of procedural barriers will make open access transactions more lucrative for consumers, which in turn will benefit the exchanges.

### *Improving Health of Distribution companies: UDAY Scheme*

The Ujwal Distribution Companies Assurance Yojana (“UDAY”) is a scheme initiated by the Government of India with intention of improving the financial health of distribution companies. UDAY allows states opting for it to take over 75% of total debt outstanding in the books of their respective distribution companies as of September 30, 2015, and pay back lenders by selling bonds. Distribution companies are expected to issue bonds for the remaining 25% of their debt. With states issuing UDAY bonds worth approximately ₹ 1.7 trillion as of October 2016, it is expected that distribution companies’ financial health has improved owing to a reduced interest burden after transfer of debt to their respective state governments.

UDAY envisages Distribution companies to reduce their AT&C (Aggregate Technical & Commercial) losses to less than 15% by the financial year 2019. If the financial losses of the Distribution companies are not reduced, the future losses of the Distribution companies are to be taken over by the respective States in a graded manner, which will be a financial burden on the States. The Scheme is expected to push the Distribution companies and States to ensure loss reduction. Moreover, under UDAY, States and the Centre are expected to take steps to reduce cost of power for distribution companies.

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## Highly scalable and proven technology infrastructure

Our energy trading platform, which we have used since 2012 for our business operations, provides a rapid, accurate and efficient trade execution mechanism and caters to the requirements of pre and post-trade functionalities. We believe our platform is a flexible, reliable and secure system for trading of energy contracts. We use a trading software, developed by 63 Moons Technologies Limited (“63 Moons”), which is critical to maintain the anonymity of bids, the integrity of the price discovery mechanism, implementation of risk management procedures and catering to the requirements of all pre and post trade functionalities on our Exchange. Our trading software is capable of handling complex order types and is also capable of deriving results under the grid condition of power transmission congestion. Our trading software is capable of handling 30 price areas across the country, out of which we are currently using only 13 price areas. On May 16, 2017, we acquired exclusive rights to the source code (together with modification rights) for the trading software from 63 Moons along with the transfer of 22 employees of 63 Moons to our Company for an aggregate consideration of ₹1,306.80 million (including applicable taxes). See “– Description of Our Business – Technology” on pages 117 to 118.

Our platform is accessible online and is designed to be highly scalable, such that we can expand capacity and add new products and functionality efficiently and at relatively low cost without disruption to our markets. At the same time, we also expect the highly scalable and adaptable nature of our platform to allow us to quickly expand into existing and new geographic markets, in particular states with significant consumption of power and those neighboring countries which are electrically connected to power grids in India, such as Bhutan, Bangladesh and Nepal. See “– Strategy – Expand into new geographic markets” on page 109. We have regularly allocated substantial resources towards upgrading our information technology systems and infrastructure, in order to improve market efficiency and transparency, enhancing user experience and providing flexibility for future business growth and market needs. We believe that our commitment to using and investing in technology to enhance our platform will continue to contribute to the growth and development of our business.

### **Professionally managed company with a highly qualified and experienced management team**

We are a professionally managed company. We believe that our governance structure promotes shareholder value and the operation of fair and efficient markets. In addition, in accordance with applicable regulations, we do not participate as a principal in any power trading activities and our members are not allowed to own over 5% of our share capital individually and 49% of our share capital in aggregate, which we believe allows us to avoid potential conflicts of interest.

We have a qualified and experienced management team led by our Managing Director and Chief Executive Officer, Satyanarayan Goel, who has over 38 years of experience in the power industry. He is ably supported by an 11 member senior management team, having experience ranging from 14 to 31 years, in their respective areas of operation. We believe that our management team has been able to take advantage of market opportunities, formulate sound business strategies and execute them in an effective manner. Our management team has successfully grown our Company.

S. No.	Name of the Shareholder	No. of Equity Shares and/ or CCPS	Percentage (%)
	Reliance Infrastructure Limited	1,250,000	4.1
	Jindal Power Limited	1,250,000	4.1
	Adani Enterprises Limited	1,250,000	4.1
	The Tata Power Company Limited	1,250,000	4.1
	Aditya Birla Private Equity Trust A/c Aditya Birla Private Equity - Fund I	1,250,000	4.1
	Ecap Equities Limited	1,250,000	4.1

### **Business**

As of March 31 2017, we had over 5,800 participants registered on our Exchange of which over 3,500 participants were active. Over 4,200 registered participants were eligible to trade electricity contracts and over 3,900 registered participants were eligible to trade RECs, as of March 31, 2017. Our participants registered to trade electricity contracts are located across 29 states and five union territories in India, and include 50 distribution companies, over 400 electricity generators and over 3,800 open access consumers. In the financial year 2017, such participants traded and cleared 40,528 million kWh of power on our Exchange. The volumes for the financial year 2017 represent a growth of 77.5% from 22,827 million kWh of power traded on our Exchange in the financial year 2013. As of March 31, 2017, in addition to the participants registered to trade electricity contracts, participants registered to trade RECs on our Exchange included over 1,000 renewable energy generators and over 2,900 industry and corporate customers. In the financial year 2017, such participants traded and cleared 4.62 million RECs on our Exchange. The volumes for the financial year 2017 represent growth of 132.0% from 1.99 million RECs traded and cleared on our Exchange in the financial year 2013. In the financial year 2017, we generated total revenues of ₹2,374.23 million and our profit after tax was ₹1,135.65 million. Our total revenues and profit after tax have grown at CAGR of 14.45% and 14.40%, respectively, between the financial year 2013 and the financial year 2017.

## **-Products**

**-DAM electricity contracts.** Trading in the DAM commenced on our Exchange in June 2008. The DAM provides for trading of 96 separate electricity contracts, of 15 minutes time blocks each, for the subsequent day, commencing at midnight. Our participants are able to participate in a uniform price double-sided closed auction process. Buyers and sellers electronically submit bids during the market session and the matching of bids is done on double sided closed auction mechanism with uniform market clearing price. The minimum allowable quantity to be bought and sold is 0.1 MW, with a minimum increment size of 0.1 MW of electricity. Correspondingly, the minimum price increment is ₹1.0 per MWh. Trading in the DAM is carried out in accordance with the CERC Power Market Regulations, CERC Open Access Regulations, as amended from time to time, the 'Procedure for scheduling of collective transactions' issued by the Power Grid Corporation of India Limited and the bye-laws, rules and business rules of our Exchange approved by CERC.

**-TAM electricity contracts.** Trading in the TAM commenced on our Exchange in September 2009. Our participants are able to participate in trading of contracts for the delivery of electricity for the time frame other than for the DAM electricity contracts, and for periods up to the subsequent week. Buyers and sellers electronically submit their bids during the market session. The TAM contracts cover range of options for electricity for the duration of up to 11 days. It enables participants to trade electricity for the same day through intra-day contracts, for the next day through day-ahead contingency contracts, on a daily basis for rolling seven days through daily contracts and on weekly basis through weekly contracts, to manage their electricity portfolios for different durations. These contracts are region specific and can be further differentiated on time of day basis, for example, for all 24 hours, peak times and off-peak times. Our Exchange enables trading in day-ahead contingency contracts, intra-day contracts, daily contracts through the continuous trade methodology, i.e., on a real time basis with price and time priority as the matching criteria. Our Exchange enables trading in weekly contracts through a uniform price auction methodology. Day-Ahead Contingency Contracts: These are hourly contracts available for trading on day-ahead basis for 00:00 hours to 24:00 hours of the next day. Intra-Day Contracts: These are hourly contracts available for trading for the same day as the day of the trade. The intra-day contracts are one hour based rolling contracts and are available for trading three hours prior to the start of delivery. 20 hourly contracts are available for trading for delivery starting from 04:00 hours to 24:00 hours in a day. Daily Contracts: Contracts available for trading on a rolling basis, i.e. for every trading day, seven daily contracts starting from the fifth day onwards are available. The duration of the contract can be for a specific time period, including for the entire day, peak time and off-peak times. Weekly Contracts: These contracts are traded for the subsequent week. Trading in weekly contracts is conducted for contracts of seven days at a stretch, commencing Monday to Sunday of every week.

**-Renewable Energy Certificates.** The trading of RECs on our Exchange commenced in February 2011. RECs are market based instruments, classified into solar RECs and non-solar RECs, that represent the environmental attributes of electricity generated from renewable resources, and enable sale of such environmental attributes, separately from the electricity generated from renewable resources, in accordance with the regulations issued by the CERC. RECs are traded on the last Wednesday of a month. RECs seek to address the mismatch between the availability of electricity generated through renewable resources and the requirement for certain entities to ensure that a proportion of their annual electricity consumption is met from renewable resources. The renewable energy generators sell electricity to distribution companies at their average power purchase cost, or utilize the same for captive consumption, or sell it to third parties, while selling the green attribute of the renewable electricity through RECs. See "Industry Overview – Market mechanism for renewable energy" on, As

per the regulations issued by the CERC, RECs are only permitted to be traded through power exchanges, such as our Exchange. The floor and ceiling price of solar and non-solar RECs is periodically revised by the CERC and the price discovered for RECs remains in between such floor and ceiling prices

**Energy Saving Certificates.** We have received necessary regulatory and procedural approval for commencement of trading in ESCerts. We expect to commence the trading of ESCerts on our Exchange upon availability of infrastructure, in the first half of the financial year 2018. The ESCert is a market based instrument created under the Perform Achieve Trade (“PAT”) scheme of the Ministry of Power, Government of India. Under the PAT scheme, consumers in energy intensive industries and sectors are identified and are required to reduce their specific energy consumption for every compliance period, in accordance with specified targets. Consumers achieving reductions above their targets will be issued ESCerts, which will be traded on our Exchange. Consumers who are unable to meet their targets in accordance with the PAT scheme, will have to buy the ESCerts to offset their shortfall. Consumers achieving reductions above their targets will also be able to bank their ESCerts for the next compliance period. The Bureau of Energy Efficiency (“BEE”) is empowered as administrator to notify the different compliance periods and designate consumers covered under that period, together with their respective targets. As per the regulations issued by the CERC, ESCerts are only permitted to be traded through power exchanges, such as our Exchange.

## Operations:-

### DAM



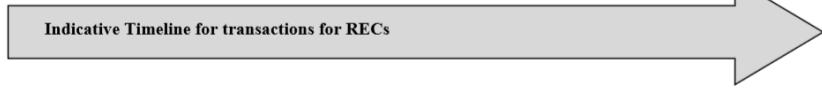
Process:	Bid accumulation	Bid matching	Review availability of funds and grid capacity	Finalization of electricity contract terms	Confirmation	Scheduling
Timing:	10:00 hours to 12:00 hours	12:00 hours to 13:00 hours	13:00 hours to 14:00 hours	14:00 hours to 15:00 hours	15:00 hours to 17:30 hours	By 18:00 hours
Description:	Participants submit their bid on our Exchange to purchase or sell electricity for the day ahead.	Bids are matched on our Exchange and our electronic platform determines the provisional price and volume of each contract.  A requisition for capacity allocation is sent to the National Load Despatch Center ("NLDC") to ensure the relevant grid has the capacity for the planned electricity transmission.	The settlement accounts of successful bidders to purchase electricity are checked to ensure that funds for the contract are available.  Exchange receives confirmation of available transmission capacity from the NLDC.	Final price and volume for each contract is determined considering transmission capacity availability.	Final requisition file is sent to NLDC  Payment instructions are sent to clearing banks for debiting members account towards their pay-in.  The NLDC confirms the accepted electricity despatch scheduled with us.	The RLDCs incorporate the schedule of collective transactions in the respective regional entity's and inter-regional schedules on their websites.  On the next day of delivery, funds payment of are sent to clearing banks for crediting members account towards their pay-out.  On the next day of trade, payment of transmission charges are also made to the transmission operators.

### TAM

Type of Contract	Trading	Bid Matching	Scheduling	Settlement
Daily contracts	Trading takes place for a delivery day five to eleven days from the day of the trade.	For daily contracts, intra-day contracts and day-ahead contingency contracts, bid matching happens in continuous trading sessions which involve the matching of buy and sell bids based on price time priority.	For matched bids, a requisition for capacity allocation is sent to the nodal RLDC, after clearance from the relevant state load despatch centers, to ensure the relevant grid has the capacity for the planned electricity transmission.	100% margin is ensured before start of delivery of electricity. Funds pay-in is collected from buyer one day prior to start of delivery and funds paid-out are made on the next day from delivery.
Intra-day contracts	Trading takes place on day of electricity delivery three hours before intended delivery of electricity.			100% margin is ensured before start of delivery of electricity. Funds pay-in is adjusted against the margins provided by the member and pay-out is made on the next day of trade.
Day-ahead contingency contracts	Trading takes place up to a day before intended delivery of electricity (after DAM auction).			100% margin is ensured before start of delivery of electricity. Funds pay-in is collected from buyers one day prior to start of delivery and pay-out is made on the next day from the day of delivery.
Weekly contracts	Trading takes place for one week in advance.			Uniform price auction on every Wednesday and Thursday.

### REC:-

Indicative Timeline for transactions for RECs



Process:	Bid accumulation	Bid matching	Review availability of funds and sellers verification	Finalization of contract terms	Confirmation	Settlement
Timing:	13:00 hours to 15:00 hours	15:00 hours to 15:30 hours	15:30 hours to 16:00 hours	16:00 hours to 16:30 hours	16:30 hours to 17:00 hours	By 18:00 hours
Description:	Participants submit their bid to us to purchase or sell RECs.  The market is open on last Wednesday of every month.	Bids are matched on our Exchange and sent to a central agency appointed by CERC for verification of RECs tendered by sellers.	The settlement accounts of successful bidders are checked to ensure that funds for the contract are available.  The central agency authenticates RECs tendered by sellers.	Final price and volume determined after receiving confirmation of central agency.  Payment instructions are sent to clearing banks to debit the account of members towards their pay-in.(successful bidders to purchase RECs).	The central agency confirms the accepted RECs traded on our Exchange.	Invoice are raised by our Exchange to participants (serves as proof of REC trade)  Funds for payment of REC contracts are cleared through the clearing bank and paid to the sellers on the next day of trading.

### Participants:-

The following table illustrates the historical growth of participants on our Exchange and details of trading volumes for our electricity products.

	As of/ For the year ended March 31,				
	2017	2016	2015	2014	2013
Total number of registered members	115	114	113	108	101
Total number of active members	88	90	91	88	78
Total number of registered clients	5,753	5,059	4,407	3,918	2,893
Total number of active clients for TAM and DAM	2,104	1,910	1,909	2,392	1,956
Number of participants for TAM and DAM	4,297	3,819	3,425	3,098	2,285
Number of participants for RECs	3,981	3,501	2,817	2,503	1,694
Total traded and cleared volume for the DAM (in million kWh)	39,783	33,956	28,124	28,923	22,346
Total traded and cleared volume for the TAM (in million kWh)	744	330	222	345	481.0
Total traded and cleared RECs (in million)*	4.62	3.14	1.55	1.32	1.99

\* 1 REC= 1000 kWh of renewable energy attribute

## Revenue Model:-

The following table illustrates the current fees payable by our members and participants for trading in the DAM, TAM and REC market.

<i>In ₹s</i>	Proprietary Member (Full Payment Option)*	Proprietary Member (Light Payment Option)*	Professional and Trader Members
Admission Fee for Members	3,500,000	1,000,000	3,500,000
Interest Free Security Deposit	2,500,000	1,000,000	2,500,000
Processing Fee	10,000	10,000	10,000
Annual Members Subscription Fees	500,000	250,000	500,000
Annual Client or Portfolio Subscription Fees	100,000	NA	100,000
Transaction Fees (₹/MWh or per REC)	20	30	20

\* See “ – Our Participants – Proprietary Members” on page 115.

The following table illustrates the current fees payable by our members and participants for trading in the REC market alone.

<i>In ₹s</i>	Proprietary Member (Full Payment Option)*	Proprietary Member (Light Payment Option)*	Professional and Trader Members
Admission Fee for Members	1,000,000	500,000	1,000,000
Interest Free Security Deposit	500,000	250,000	500,000
Processing Fee	10,000	10,000	10,000
Annual Members Subscription Fees	200,000	100,000	200,000
Annual Client or Portfolio Subscription Fees	20,000	NA	20,000
Transaction Fees (per REC)	20	30	20

<i>In ₹s</i>	Proprietary Member (Full Payment Option)*	Proprietary Member (Light Payment Option)*	Professional and Trader Members
Admission Fee for Members	1,000,000	500,000	1,000,000
Interest Free Security Deposit	500,000	250,000	500,000
Processing Fee	10,000	10,000	10,000
Annual Members Subscription Fees	200,000	100,000	200,000
Annual Client or Portfolio Subscription Fees	20,000	NA	20,000
Transaction Fees (per REC)	20	30	20

\* See “ – Our Participants – Proprietary Members” on page 115.

The following table illustrates the current fees payable by our members and participants for trading of ESCerts on our Exchange:

<i>In ₹s</i>	Proprietary / Professional/ Trader Members
Admission Fee for Members	500,000
Interest Free Security Deposit	250,000
Processing Fee	10,000
Annual Members Subscription Fees	100,000
Annual Client or Portfolio	20,000

**Moreover, Company takes Rs.0.02 from buyer and seller for each unit traded.**

### Competition: -

Power Exchange of India Limited is the only other electronic energy trading platform in India and is our primary exchange competitor. **We also face competition from the DEEP Portal launched by the Ministry of Power, Government of India and licensed traders who effect over the counter bilateral trade electricity contracts.** The principal dimensions of competition include breadth and depth of product portfolio, product liquidity, sales and marketing tactics, operational efficiency and brand recognition.

**Management:** - DRHP mentioned bod’s qualification on page 132.

Remuneration paid to CEO and MD are 19.68Million in FY,2017.

Remuneration to non-executive director are 47,40,000.

**-Dividend:** - The Board has set dividend policy indicating payment of 50% standalone profit as dividend (interim if, and final put together) as dividend for the year subject to shareholder approval.



## Revenue Breakup: -

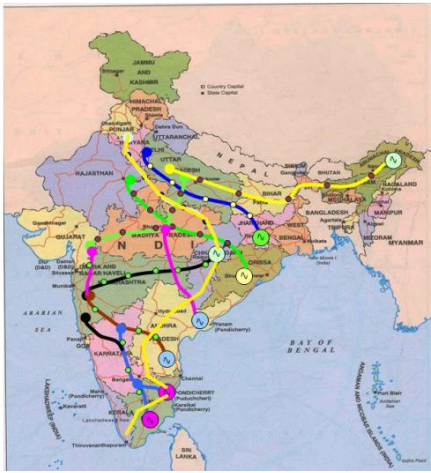
### Annexure XXIV: Restated Summary Statement of Revenue from operations

(All amounts in Rupees Millions, except share data and unless otherwise stated)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016	For the year ended 31 March 2015	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>Sale of services</b>					
Transaction fees	1,777.57	1,494.49	1,185.92	1,223.00	994.70
Annual subscription fees	252.04	247.63	252.69	273.60	193.28
Admission, processing and transfer fees	9.52	8.16	9.18	29.10	24.10
<b>Total</b>	<b>2,039.13</b>	<b>1,750.28</b>	<b>1,447.79</b>	<b>1,525.70</b>	<b>1,212.08</b>

Note: The above statement should be read with Annexure I to Annexure VI of the Restated Summary Financial Information.

## Power Grid Assets of Transmission:



## New Grid on which Implementation has begun:

