Operator: Ladies and gentlemen, good day and welcome to Indian Energy Exchange Ltd. Q2 FY27 earnings conference call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in 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 star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohan Ghewalla from Axis Capital. Please go ahead.

Rohan Ghewalla – Axis Capital: Thank you. Good afternoon, ladies and gentlemen. On behalf of Axis Capital, I am pleased to welcome you all to the IEX Q2 FY27 earnings conference call. We have with us the management team of IEX, represented by Mr. Rohit Bajaj, Joint Managing Director; Mr. Satyanarayan Goel, Chairman and Managing Director; Mr. Vineet Harlalka, Chief Financial Officer; Mr. Amit Kumar, Head of Operations, New Product Initiatives and Exchange Technology; and Ms. Aparna Garg, Head, Investor Relations and Corporate Communications. We will begin with the opening remarks from Mr. Rohit Bajaj, followed by an interactive Q&A session. Thank you, and over to you, sir.

Rohit Bajaj – Joint Managing Director: Thank you. Good afternoon, friends. I welcome you all to the IEX earnings call for Q2 FY27. With me today on this call are Mr. Satyanarayan Goel, CMD, IEX; Mr. Vineet Harlalka, CFO and Company Secretary; Mr. Amit Kumar, Head of Market Operations and Exchange Technology; Ms. Aparna Garg, Head of Investor Relations and Corporate Communications; and Mr. Aditya Dani.

Friends, amid global uncertainty and inflationary pressures driven by oil supply volatility, India continues to remain the fastest-growing major economy in the world, having recorded strong GDP growth of 7.8% in Q1 FY27. Reinforcing this outlook, the IMF recently revised its forecast upwards and projects India's GDP to grow by 7% in each of the next 2 years.

This growth trajectory is powered by strong domestic demand, robust services activity, and favorable demographic trends. Notably, this performance comes despite severe El Niño conditions, which led to the fourth-lowest-performing monsoon season this century, with rainfall at just 87% of the long-period average.

Looking at the bigger picture, India is steadily progressing toward a $5 trillion economy by FY30, driven by reforms like GST rationalization, new labour codes, and FTAs with the UK, Switzerland, New Zealand, and the forthcoming one with the EU and some other countries. Together, they are advancing the vision of a Developed India by 2047. This growth story will be fueled by electricity at its core.

The power sector witnessed sustained demand growth during the first half of the year, supported by strong industrial activity and higher irrigation demand amid the weak monsoon. In the first half of FY27, power demand grew 10.2% year-on-year to touch 897 billion units. Elevated temperatures due to El Niño and deficient monsoon rainfall drove Q2 electricity demand to 502 billion units, marking a record 11.5% year-on-year increase.

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While peak demand during the summer reached 271 GW, it remained elevated at 269 GW in September. The demand and supply scenario remained volatile during the quarter. The weak monsoon increased buy bids in the IEX day-ahead market by nearly 120% year-on-year in Q2, pushing up average DAM prices nearly 46% year-on-year to Rs.5.72 per unit, and average RTM prices by 49% year-on-year to Rs.5.24 per unit. With prices touching Rs.20 per unit in certain time blocks during the quarter, the High Price Day-Ahead Market, HP-DAM, played a critical role by enabling unmet demand bids to transition into the high-price segment, ensuring supply for buyers with urgent power requirements.

However, cyclones and unseasonal rains during the later part of the quarter moderated demand in several regions, providing ample supply liquidity and driving RTM prices to near zero in multiple time blocks on a few days.

In the first half of the fiscal year, prices during solar hours touched an average of Rs.2.3 per unit, pushing up the arbitrage opportunity to over Rs.6.5 per unit for both 2-hour, 2-cycle-per-day and 4-hour, 1-cycle-per-day battery storage systems, and providing further opportunity for the addition of BESS capacity.

On the fuel side, domestic coal production was largely flat at 445 million tons in H1 FY27, compared with H1 FY26. Summer demand strained plant inventories, and weather disruption tightened availability further. As of October 22, 2026, coal inventory stood at nearly 8 days, with stock at about 100 plants at a critical 3-day level. The Ministry of Power has been closely monitoring coal stocks and has taken various measures to improve coal availability. Some of these measures can be seen on the ground. Further, MoP has invoked Section 11 of the Electricity Act to direct over 100 captive coal-fired plants, as well as Coastal Gujarat Power Limited, CGPL, an imported coal-based plant, to maximize generation till December 31, 2026.

Let us now talk about a few important regulatory updates and policy initiatives during the quarter. Earlier this May, CERC issued a discussion paper on strengthening and scheduling timelines for the real-time market. The paper proposes reducing the RTM auction window from 15 minutes to 5 minutes, and thereby reducing gate closure time from 75 minutes to 50 minutes. The objective is to enable better forecasting, more efficient management of renewable energy, and enhanced liquidity on the exchange platform. The same has now been proposed in the draft Grid Code, IEGC, and public comments on the proposal were invited and closed last week.

CERC issued amendments to the Sharing of Inter-State Transmission Charges and Losses Regulations, 2020, providing an ISTS charges waiver for up to 25 years for battery energy storage systems integrated with renewable or hybrid generating stations. This should reduce the cost of power trading for such players and increase liquidity on exchanges.

In another development, CERC has identified the Green Day-Ahead Market as a source of green power for energy storage systems such as BESS and PSP to procure power and meet eligibility criteria to qualify as green storage. This classification should increase trading in the G-DAM segment at exchanges.

The CEA made a draft amendment to the Technical Standards for Construction of Electrical Plants and Electric Lines, Second Amendment 2026. The draft proposes that solar and onshore wind

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projects commissioned after July 1, 2027, would have to be equipped with co-located energy storage systems with a minimum 2-hour storage duration and capacity equivalent to at least 10% of the plant's installed capacity. It further proposes an increase in storage duration for projects commissioned after July 1, 2029, and up to July 30, 2031. These solar and onshore wind projects would be required to install co-located ESS with a minimum 4-hour storage duration and storage capacity equal to at least 10% of the plant's installed capacity. These measures would help with grid stability going forward as country-wide renewable capacity increases, and provide liquidity on the exchanges.

With regard to the carbon market, wherein carbon credit certificates are to be traded on power exchanges, the Bureau of Energy Efficiency, or BEE, in consultation with Grid-India, has issued draft procedures for trading these certificates under the compliance mechanism. In conjunction, IEX has filed a petition with CERC for approval of Carbon Credit Certificate trading on the exchange.

On market coupling, in July 2025, CERC issued an order proposing implementation of market coupling in the Day-Ahead Market, pursuant to which IEX filed an appeal before APTEL and subsequently in the Supreme Court. Both forums observed that market coupling cannot be implemented by this order, and that it can only be implemented after the regulations are issued. Hence, IEX is not an aggrieved party yet, and they do not wish to interfere at this stage. If IEX is aggrieved by the final regulation, it can approach the appropriate forum, including on the grounds raised in the appeal.

Meanwhile, CERC issued draft regulations for market coupling in the month of April, and proposed Grid-India as the market coupling operator. Submission of comments by stakeholders and the public hearing on the draft regulations were completed in the month of June. There has been no further development on this during this particular quarter.

CERC, in its order of July 2025, had also mentioned that in the case of the real-time market, since the timelines are very tight for bidding and the auction process, this would be considered subsequently. In light of the CERC discussion paper for shortening the scheduling in the real-time market—that is, reducing the gate closure time from 75 to 50 minutes, while RTM bidding will be reduced from 15 to 5 minutes—coupling is likely to become more challenging.

Further, over the last 3 years, we have undertaken several initiatives to strengthen our customer relationships and technology capabilities, including extensive customer interactions and feedback, providing API-based bidding tools, back-office integration through APIs, data analytics, an enhanced web portal, customer-centric digital solutions, and reinforced cybersecurity safeguards. With our customer-centric initiatives, track record of trust, and deep customer engagement, we shall be able to retain and strengthen our market position post-coupling.

Moving on to IEX performance in this quarter. During Q2 FY27, IEX recorded electricity trading volume of 39.7 billion units, a year-on-year growth of 12.7%. For H1 FY27, electricity trading volume reached 77 billion units, a growth of 14.2% over the first half of FY26. Revenue for the company grew by 10.7% year-on-year, increasing from Rs.183.3 crore in Q2 FY26 to Rs.203 crore in Q2 FY27. Profit after tax increased by 12.9%, rising from Rs.123 crore in Q2 FY26 to Rs.139 crore in Q2 FY27. In Q2 FY27, 15.3 lakh Renewable Energy Certificates were traded, considerably lower than the 44 lakh certificates traded over the same quarter in FY26.

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The RTM segment continued to demonstrate strong growth, with nearly 42% share in electricity volume at IEX, surpassing the share of the DAM segment for the second quarter in succession. The segment witnessed its highest-ever single-day volume of 315 million units during the month of September. For Q2 FY27, RTM volumes at nearly 16.5 billion units were higher by 10.5% on a year-on-year basis, highlighting the segment's critical role in helping distribution companies and open-access consumers efficiently manage their short-term requirements. RTM's ability to offer flexibility and immediate responsiveness underlines the opportunity to efficiently integrate renewables with the grid and manage weather-related volatility.

With regard to our product pipeline, we continue to await [trails off]

Management: ...get approval from CERC on our petition to extend the term-ahead market contract from 3 months to 11 months, to introduce the Green RTM contract, and, third, with regard to the introduction of the peak DAM and peak RTM segments.

Moving on to IGX numbers, IGX traded gas volumes of 42 million MMBtu in Q2 FY '24, a growth of 160% over Q2 FY '23, led by volumes from domestic gas producers and heightened power demand being met by gas power plants during the months of August and September.

In Q2 FY '24, nearly 30% of the traded gas volume was from the power sector.

For the first half of the year, traded gas volume reached around 70 million MMBtu, higher by nearly 71% over H1 FY '23.

For Q2 FY '24, IGX recorded a profit after tax of Rs.23.4 crore, which was higher by 144% compared with Rs.9.6 crore in Q2 FY '23.

PAT in H1 FY '24 stood at Rs.39.7 crore, an increase of 67.4% over H1 FY '23.

As you may be aware, we had filed a DRHP, or draft red herring prospectus, for an IPO of IGX earlier in July this financial year. As per PNGRB regulations, Petroleum and Natural Gas Regulatory Board regulations, we have to lower our existing holding from 47.3% to 25% by the end of December 2024, and the IPO process remains on track.

Our other diversification initiatives are also steadily gathering momentum. For Q2 FY '24, ICX Private Limited issued nearly 52 lakh I-RECs, a growth of 38.4% year-on-year. Issuance in the first half of FY '24 reached 94 lakh, a growth of 15% over H1 FY '23. Revenue for ICX in Q2 FY '24 stood at Rs.2.3 crore, higher by 20.8% on a year-on-year basis. I-REC is a globally recognized digital certificate that serves as transferable proof of the generation of 1 megawatt-hour of energy from renewable sources.

With regard to our initiative to build a coal exchange in India, IEX has incorporated Indian Coal Exchange Limited as a wholly owned subsidiary for this purpose. Recently, in September, Indian Coal Exchange Limited applied for a license with the Coal Controller Organization, CCO, the regulatory body for coal exchanges. Indian Coal Exchange aims to be a physically delivered, delivery-based coal trading exchange, providing an organized, transparent, and technology-enabled marketplace for coal trading in accordance with the Coal Exchange Rules, 2024. The exchange will facilitate trade at a designated delivery point, enabling efficient price

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discovery and wider market access.

Further, in line with the government's vision of bringing transparency to the trade of all commodities, the Ministry of Mines has also notified final regulations for a mineral exchange. This development is being explored and should provide us with another diversification opportunity.

With power consumption forecast to hit nearly 2,700 billion units going forward, and peak demand of 388 GW by 2031-32, we believe power demand growth will continue to drive exchange volume growth in the coming few years. In response to this expected demand growth, the MoP has been regularly monitoring the roadmap for thermal capacity addition, which has now been revised from an earlier 80 GW by 2031-32 to 115 GW by 2031-32. In addition, the government and regulators continue to take policy measures to ease supply-side liquidity and rationalize power prices on the exchange.

India's power sector continues to experience fast-paced transitions. The government's focus on green hydrogen, data centers, the AI economy, electric vehicles, pumped storage, and battery energy storage will lead to the innovation of new products and market segments on the exchanges. Battery energy storage systems and FDRE, round-the-clock tenders are gaining traction. To further deepen the green market, we have continued to advocate market-based options like CFDs, virtual PPAs, and merchant models for RE capacity addition. Going forward, with large-scale rooftop solar, we see the emergence of local energy markets and an ecosystem where exchanges will play a central role. These developments are poised to become key enablers in expanding and deepening the country's power market to support a successful energy transition.

As envisaged by the Honorable Prime Minister, India aims to achieve energy independence by 2047, and as India marches towards its net-zero target of 2070, power exchanges will have a significant role to play in shaping the country's energy ecosystem.

Thank you, and now we can move to the question-and-answer session.

Operator: Thank you, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Barani B from Avendus. Please go ahead.

Barani B – Avendus: Yes, am I audible?

Management: Yes, you are audible.

Barani B – Avendus: Good afternoon, sir. This is Barani. My first question is on the draft regulations by CERC. In your opinion, why do you think there has been no decision or movement so far? And when do you think the final regulations will be issued, sir?

Management: We are in no hurry, so we are waiting. We do not know when it will happen.

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Barani B – Avendus: Related to that, regarding the stakeholder comments that were sought, and in which Grid-India had given its comments, in your opinion, regarding its readiness and ability to implement what CERC is asking it to implement by being the sole market coupling operator, is it feasible? Is Grid-India ready? Will there be any delays in implementation because Grid-India seems not to be ready to implement it in the way CERC wants it to?

Management: First of all, the regulations need to be notified. Depending on what is notified in the regulations, the necessary preparation will start thereafter. This is a major change, so I think all this will require a lot of preparation, a lot of activities to be completed, software to be developed, hardware to be ensured for uniformity across all 3 exchanges, and a settlement system to be developed. Mock trials will also have to be conducted. All these things will take time. It is difficult to state any definite timeline for this, but definitely not in this calendar year. My own estimate is that it may take another 1.5 to 2 years as well. But it all depends on the regulations and how the regulations are framed, and the manner in which they want to implement them.

Barani B – Avendus: Understood. My second question is on the quarter that has gone by. We have seen the country's base power demand growth at around 13%, and our electricity volumes have also grown at the same rate. Here, we have seen somewhat slow or sluggish growth in DAM volumes, while TAM volumes and real-time market volumes have been much higher. In your opinion, what is driving this particular behavior of buyers and sellers in this quarter, where TAM volumes are growing more and DAM volumes are sluggish? How do you think this will play out for the remaining part of the year?

Management: Whenever demand is higher than supply, there is a shortage and there is an increase in prices. The availability of power, particularly during the evening hours, is slightly uncertain. That is why many distribution companies enter into bilateral contracts, and that leads to the shifting of volumes from DAM to TAM and to bilateral contracts. This phenomenon typically happens for 3-4 months in a year during the monsoon season. If there is a good monsoon, like last year when we had a good monsoon, bilateral contracts are much lower. This year, right at the beginning of April and May, it was clear that the El Niño impact was going to occur and that we were going to have less rainfall, so right from the months of July and August, we started seeing these bilateral contracts. But now, at the end of October, prices have corrected again. They are down to almost Rs.4 per unit, and there is sufficient availability of power in both DAM and RTM, so volumes have started increasing in DAM and RTM now.

Barani B – Avendus: Understood. A related question: of the TAM volumes, is it possible to provide a split of how much is intraday, how much is 1 month, and how much is 3-month volumes?

Management: [pause] TAM split? [pause] In TAM, the majority of the volume is traded under daily and monthly contracts. DAC and ITD are also there, which together account for about 20%-25% of the total volume in the bilateral segments. There are monthly and weekly contracts, which account for about 70% of the total volume. Yes, they account for about 70%, slightly over 70%, and then there are volumes in DAC and ITD, the intraday segment, which account for less than 30%.

Barani B – Avendus: Sure. One more question, if I may, on the RECs. We have seen a decline in volumes because of the recent RPO regulations. My first question is: of the REC volumes we saw in FY '23, that is, last year, how much was contributed by designated consumers who now need not

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come and buy in the market and are buying directly?

Management: Almost 80% of the volume was contributed by the larger participants, which are major distribution companies that are buying, and some of the large C&I consumers, those who are [trails off]. Now, with the new policy in place, it is impacting the volume, and precisely for this reason, we have seen the volume going down drastically. But many of these generators and buyers are sitting on the sidelines. They are watching the market and observing the prices. If there is further correction in prices, we expect some of them to come to the market and start buying again.

Barani B – Avendus: Understood. So, out of the 80% of FY '23 volume contributed by designated consumers, they probably will not be buying in the market right now.

Management: I will not say that they are not buying, but yes, the buying has reduced a bit—reduced a lot. Some of them are sitting and waiting for the right prices. If there is a correction in prices by another 10%-15%, possibly some of them will start buying.

Barani B – Avendus: Sure. One last question. What is the status of the appeal or case that is sub judice in the Supreme Court, which we have filed?

Management: I think Mr. Rohit mentioned in his opening address that the Supreme Court has already said that this is premature now because coupling cannot be implemented through this CERC order. Coupling can be implemented only through the regulations. Therefore, IEX will be aggrieved only when the regulations are issued. They have said that if you are not satisfied with the regulations, you can approach the appropriate authority against the regulations, including on all the grounds that were raised in the appeal and the SLP.

Barani B – Avendus: Understood. Thank you so much.

Operator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the conference, please limit your questions to 2 per participant. Should you have follow-up questions, please rejoin the queue.

The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore – Axis Capital: Good afternoon. My first question is that, as the push for FDRE and storage continues, how much have energy transition and new market models contributed to your electricity traded volume?

Sumit Kishore – Axis Capital: In Q2 FY25 versus Q2 FY24, just to give us some sense, the idea is to understand how growth in volume into new market models will evolve over the next 2 years and how this impacts IEX. That is the first question.

Management: If you look at the increase in volume in the RTM market, it has continued over the last 2-3 years at a very high rate. This year also, our RTM volume has increased significantly. In the RTM segment, quite a good part of the volume is from renewable generators and renewable power suppliers. It is very difficult to segregate whether it is from FDRE contracts or from solar or wind contracts, but definitely a good part of the volume growth is happening because of renewables. As the energy transition takes place, I am sure exchanges will have a very important role to play

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because we have seen that whenever there is variability in power generation, exchanges play a very important role. This has happened in other countries, and in India also, we are sure exchanges will have an important role to play, and the volumes will keep increasing.

Management: I will add something here. On the basis of our discussions with various developers, we have observed that when you sign a PPA for an FDRE contract, you have to create huge additional capacity. In some cases, this is 4x or 5x the energy that you want to deliver as per the profile given in the FDRE contract. Therefore, a lot of excess capacity is created, and this capacity is quite volatile. It is not a fixed quantum. There is no way you can enter into another PPA to sell this capacity. So, wherever there is surplus generation, you bring that onto the exchange platform.

Similarly, on the BESS side, if you look at the capacity that has been commissioned till now, about 4 GW of capacity exists in the country, and the majority of that capacity has been created under the merchant route. This is very different from what we have seen in the case of thermal capacity addition or, for that matter, renewable capacity addition. Developers are seeing value in the market. They are creating this capacity, bringing it onto the exchange, and trying to take this available arbitrage opportunity.

Sumit Kishore – Axis Capital: The exchanges can accommodate how much of this merchant trade? Will the arbitrage weaken, or will it remain strong over the next 2–3 years?

Management: The gap is huge. When you compare daytime prices and evening prices, there is a huge gap, and the shortage that we have seen, particularly this year, has been very high. The deficit has been very high. Therefore, there is a lot of room available for exchanges to absorb the arbitrage trade for BESS plants. One more thing is that today FDRE and merchant BESS have become possible because liquid markets are already in place. If you do not have this market available, you cannot think of having an FDRE contract or a merchant BESS contract.

Sumit Kishore – Axis Capital: Sure. My second question is on IGX and ICX. IGX's Q2 performance has been quite good—in fact, more than half of the profit of FY24 was earned in just 1 quarter. What is the outlook for volume growth for FY25, FY26, and FY27? Similarly, for ICX, you had a profit of Rs.4.7 crore in FY24. What was the profit in the first half of this year, and what is the outlook?

Management: IEX has been growing at a rate of almost 14%–15%, and I am sure that this year we should achieve a growth rate of 15%. IGX has also done well as far as volumes are concerned. I think volume growth was almost 70% in the first half of the year, and demand from the power sector was quite high. In the second half also, we expect reasonably good volume growth. Overall, I think IGX should be able to achieve 40%–50% volume growth on a year-on-year basis. For ICX, we are only doing the registry of I-RECs, and there I think revenue growth of almost 20%–25% should happen.

Sumit Kishore – Axis Capital: Is there any profit number for ICX for the first half of the year?

Management: ICX... [pause] Vineet, go ahead.

Vineet Harlalka: ICX first-half profit is {? 2.7 crore ?}.

Sumit Kishore – Axis Capital: Thank you, and I wish you all the best.

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Operator: Thank you. The next question is from the line of Saksham Tyagi from {? Destel Ardo Advisory ?}. Please go ahead.

Saksham Tyagi – {? Destel Ardo Advisory ?}: Hi, am I audible?

Management: Yes, we can hear you.

Saksham Tyagi – {? Destel Ardo Advisory ?}: Thanks for the opportunity. My first question is that, since we are expecting peak demand of 388 GW by 2032, how are we planning to fulfill that demand? How are we approaching this?

Management: There is a lot of capacity addition planned, and it is in the pipeline. I am sure we should be able to meet that because the government is already taking action on it. A lot of planning is underway. I think almost 80 GW of thermal capacity is under construction. Similarly, for batteries, under the viability gap funding scheme, BESS capacity of 43 GWh has already been awarded, and many states have also awarded battery energy storage systems. Under the merchant route also, many IPPs are awarding capacity. We expect that by 2032, battery capacity itself will be more than 100 GW. All these measures should be able to meet the demand.

Saksham Tyagi – {? Destel Ardo Advisory ?}: Understood. Thank you. My second question is on AI adoption. As you mentioned in the investor presentation, almost everything related to AI adoption is currently in progress. I wanted to get an insight into the progress so far. Where have we reached in building these AI bidding assistants or AI chatbots? Where do we currently stand, and what will be the impact once this AI adoption has been completed?

Management: This is one area where we have, in fact, been working for a couple of years now. Certain things have been delivered and certain things are in the pipeline. Our wish list, or the things we are working on, includes building and creating an AI bidding assistant for DISCOMs. The work is in progress. There would be agent-based forecasting that will help them place their bids, and it would be seamlessly connected with our systems. We already have APIs in place, and with the help of APIs and assistants on the other end, we would be able to bring them on board very smoothly.

Similarly, auto-bidder solutions are being created for customers, including industrial users, where they can take advantage of these solutions and integrate with us on the exchanges. Another important aspect here is that data has a major role to play. Through our web portal, many of these participants are already able to view the data, and they can use this data to make decisions regarding trades and the prices at which they place their bids. They are already using it, and there is no end to innovation on the data side. We are constantly working on this and ensuring that more and more analytics can be shared with customers, so that they can take advantage of these things.

The list is long, but these are some of the points that will give you an idea of the direction in which we are working on AI as well as on the data side.

Saksham Tyagi – {? Destel Ardo Advisory ?}: Wonderful. Thank you very much.

Operator: Thank you. The next question is from the line of Harsh. Please go ahead.

Harsh: Hello, am I audible?

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Management: Yes, loud and clear.

Harsh: I wanted to know: this quarter, we saw a lot of growth in our DAC and term-ahead market. What can this be attributed to?

Management: DAC and intraday volume growth happens basically in the second quarter. In the second quarter this year, the monsoon was weak. There was a lot of uncertainty, and people wanted to secure power, so they bought that power through intraday and DAC.

Harsh: In terms of the different markets that we have, what is the scope for one market cannibalizing volumes from another market? For example, if coupling happens in the day-ahead market, what is the scope for some of that volume to shift to the real-time market instead of going to other exchanges?

Management: If you look at the trend, we introduced the real-time market in June 2020. If you look at the growth of volume in the DAM market, DAM market volume growth is hardly about 4%-5% on a CAGR basis; at 2%, it is, in fact, the DAM market. In the RTM market, volume growth is almost 30%-35% on a CAGR basis. RTM market volumes are growing at a significant rate, and with high renewable capacity, I am very sure that RTM market volume will continue to increase.

As of now, in the first 7 months of the year, RTM volume is far higher than day-ahead market volume. I am sure that this will continue in the future as well. Today, RTM volume is about 41% of total volume, while DAM is only 35% of total volume.

Harsh: My question was more about whether this volume gain is happening organically or whether some component of RTM market growth is taking away day-ahead market volume.

Management: Yes, some shifting is definitely happening because before 2020, growth was only in the day-ahead market. Now growth is happening in the RTM market because many buyers are shifting to the RTM market. RTM market prices are always lower than day-ahead market prices. In the RTM market, the sellers are distressed sellers, so prices are lower, and you can make a better estimate of your demand and meet that demand. That trend is present in the market.

Harsh: If there were to be coupling in the day-ahead market hypothetically, is there a chance that buyers would simply shift from the day-ahead market to the RTM on our exchange instead of going to other exchanges? What are the chances of something like that happening?

Management: In the earlier call also, we explained that over the last 2-3 years we have undertaken a lot of activities in the company to retain buyers on the exchange. We have made extensive use of technology as well. We have undertaken a lot of software development, customer interactions, product development, and API integration. With all that, I am sure that we do not anticipate any shifting of buyers from IEX to other exchanges.

The shifting from DAM to RTM is basically based on the price and availability of power. Therefore, I do not think coupling has any role to play in this. But one thing I can tell you is that, in time to come, RTM will definitely have a greater role to play, and volume growth in RTM will be higher. Coupling in RTM is definitely going to be challenging.

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Earlier, when we had 15 minutes of bidding time and 15 minutes of market-clearing time, the timelines were tight. Now, as per the CERC staff paper, if bidding time is reduced to 5 minutes and clearing time to 10 minutes from April 1, I think the timelines will become even tighter. So,

Harsh: Understood. Thank you.

Operator: Thank you. The next question is from the line of Akshit Shetty, an individual investor. Please go ahead.

Akshit Shetty – Individual Investor: Good afternoon, sir, and thank you for taking my question. My first question is related to settlement funds and treasury income. I see that as of September 30, 2024, standalone investments stood at around Rs.2,170 crores, compared with shareholder equity of approximately Rs.1,388 crores, and current other financial liabilities were around Rs.1,051 crores, largely comprising settlement obligations and members' margin deposits.

With inter-exchange settlement under market coupling and the proposed separation of the clearing function also being discussed, could you clarify how much of this investment corpus and other income is linked to this member fund? Might this development affect treasury investments and interest income going forward?

Management: Mr. Vineet Harlalka will respond to this question, but one clarification I would like to give you is that there is no proposal to separate the clearing function from the exchange. The clearing function will continue, and clearing and settlement will continue to happen the way they have been happening. Vineet.

Vineet Harlalka: There are 2 components, as you rightly said. One is the shareholder fund, and the other is the float from the trading margin and the settlement obligation...

Management: Treasury returns are a composition of all these things. Second, it depends on how the money market is behaving, what the interest-rate cycles are, and the market sentiment. Predicting how much these numbers will be would be quite difficult. But looking at the way the volumes and everything are progressing, it is presently in the range of 15%-18%. Therefore, we think treasury income should remain in that range, and we are hopeful that we will maximize the value from the investments.

Regarding how much this float will remain, it will totally depend on the market because we do not control the float. It is entirely market-driven. The price setting, the volumes, and everything else will determine that structure. Returns will also be mainly market-driven because we invest in market securities and the money-market component. That is how the market behaves, and we will try to generate value from it.

Akshit Shetty – Individual Investor: We understand. I have another question related to DISCOMs. If DISCOMs account for around 80%-85% of purchases on IEX, and considering market coupling, could you share how many DISCOM buyers, or trading members bidding on their behalf, are already registered or active on other power exchanges? Also, in the term-ahead market, where IEX's market share is lower, what are the primary drivers of buyer choice on an exchange? Are they liquidity, transaction fees, or established relationships?

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Management: You are right in saying that DISCOMs, or distribution utilities, are the major buyers. They contribute about 80% of the total volume on the buy side. The majority of them participate directly. Except for a few DISCOMs, all of them are our members, and they themselves participate. They do not participate through any trading member as such. Did you also want to know who the large participants are?

Akshit Shetty – Individual Investor: Yes.

Management: It changes with the season. In Q2 particularly, when demand in the southern region was very high, all the southern-region participants were buying very heavily. Then all the large states such as Maharashtra, Gujarat, Uttar Pradesh, and Rajasthan are also regular buyers. The top 5 keep changing depending on the season, the month, and their requirements. But generally, the top 10 are the largest states in the country. They are generally the biggest buyers.

The second thing you wanted [trails off]

Akshit Shetty – Individual Investor: Yes.

Management: Yes, TAM.

Akshit Shetty – Individual Investor: Yes.

Management: The second thing you wanted to know was about TAM. Our market share in TAM is lower. It has hovered around 35% and has remained there for many years. The point is that it is not dependent on discounts as such. It is generally used by distribution companies, which have a tendency to place something on every exchange. As you know, this is not a highly liquid market. Wherever there is participation, the trade goes through. That is the reason it is spread across all the exchanges.

Management: In fact, the day-ahead market and real-time market are our flagship products. Therefore, we are concentrating more on these products than on the TAM market.

Akshit Shetty – Individual Investor: Got it. Thank you for answering my questions.

Management: Thank you.

Operator: Thank you. The next question is from the line of Abhishek Sinha from {? Bold Capital ?}. Please go ahead.

Abhishek Sinha – {? Bold Capital ?}: I hope I am audible.

Management: Yes.

Abhishek Sinha – {? Bold Capital ?}: My question is about capital allocation. In January 2023, the board bought back shares in the open market. I think the price was close to around Rs.200, and FY23 profit itself was around Rs.300 crores. This year, we should be doing double that profit, mostly close to that. The stock price is nearly half of that level. I wanted to understand the direction the board is taking in terms of distributing cash. Assuming that, excluding members' margin money, we should have more than Rs.1,000 crore of cash on hand, I would like some insight into that.

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Management: We have been regularly paying around 50%-55% of our profits as dividends. The float money is definitely something that is regulated as per the rules, by-laws, and CERC regulations, so it cannot be used for this purpose. Regarding the market, the board always looks at what is the best value we can create for our stakeholders. That is how we are distributing 55% of the profit, and going forward also we will look into it. Regarding surplus cash, we are looking at and exploring all the options, as the Chairman also said in the AGM speech. We will look at the best possible options to create value for the stakeholders.

Management: Buyback, yes, the price today is low, and we will definitely consider this option as well. We will evaluate all the options, and whatever is in the best interest of shareholders, we will undertake.

Abhishek Sinha – {? Bold Capital ?}: All right, sir. Thank you.

Operator: Thank you. The next question is from the line of Piyush Garodia from Smart Sync Services. Please go ahead.

The current participant seems to have disconnected. The next question is from the line of Ronak Sanghavi from NAFA Asset Managers. Please go ahead.

Ronak Sanghavi – NAFA Asset Managers: Hello. Am I audible?

Management: Yes.

Operator: Yes, sir. You are audible.

Ronak Sanghavi – NAFA Asset Managers: I wanted to have your comments on the CERC draft regulations on reducing the ceiling price from 2 paise per unit to a flat fixed rate of 1.5 paise on the term-ahead market. So...

Management: There is no draft regulation on this.

Ronak Sanghavi – NAFA Asset Managers: So, it is only a development being discussed?

Management: No, we have not heard anything about this.

Ronak Sanghavi – NAFA Asset Managers: What difference does it make if volume shifts from DAM to RTM? Considering IEX revenue, how does this differ for our revenue?

Management: DAM and RTM are both our flagship products, and we have a large market share in these products. Therefore, it does not really matter to us if volume shifts from DAM to RTM.

Ronak Sanghavi – NAFA Asset Managers: Per [cut off]

Management: Because [cut off]

Ronak Sanghavi – NAFA Asset Managers: Per unit of volume, our transaction charges are volume-based only, right?

Management: The transaction fee is the same in both DAM and RTM.

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Ronak Sanghavi – NAFA Asset Managers: Got it. Thank you, sir.

Operator: Thank you. The next question is from the line of Sandeep {? Saleria ?}, an individual investor. Please go ahead.

Sandeep {? Saleria ?} – Individual Investor: Hello, am I audible?

Management: Yes, you are audible. Please speak slightly louder.

Sandeep {? Saleria ?} – Individual Investor: Thank you for the opportunity. My question is regarding capital allocation. I think this was asked earlier, but I want to put forward a couple of points. As an independent power exchange asset with a double-digit market position, robust cash generation, and a growth runway, if it were sitting in the open market today at compressed valuations, would you consider it a compelling acquisition target to deploy capital into? If the answer is yes, then I do not understand why management is hesitant to treat IEX's own stock as an opportunistic opportunity for a share buyback. That is my first question. What are the specific hurdles or capital requirements currently holding us back from this opportunity at these levels?

Management: As I told you, we are definitely evaluating a share buyback, and we will consider it. This option is open, and we are working on it.

Management: I would just like to add [cut off]

Sandeep {? Saleria ?} – Individual Investor: Second question [cut off]

Management: Yes, please.

Management: There were significant changes in the tax treatment of buybacks a couple of years ago, so it was not sufficiently incentivizing for stakeholders. That was the reason for the buyback... In the past, we had undertaken buybacks as well, so this has always been one of the options we have explored. Considering the changes, now all the things have been brought back, and we have considered that this could create value through a buyback. That is what we are considering, and we will definitely put it before the board when the board decides.

Sandeep {? Saleria ?} – Individual Investor: It is a depressed valuation, and I think it is a great opportunity because of the double-digit runway.

My second question is on API integration. I am also from a technological background, and I think—can you please explain how tightly integrated we are with DISCOMs? The market is not giving us the right valuation, and people think it is just like booking an Uber or Ola, where DISCOMs can simply migrate and start ordering from other exchanges. How tightly integrated are we? How does this work through APIs? Are DISCOMs using our APIs? Can you please explain this in more detail?

Management: We have 2 interfaces with our customers and members. One is for the purpose of bidding, and the second is back-office integration. Back-office integration is linked to their SAP system or any other system they have, and is used for reconciliation, reporting, and all other purposes.

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Over the last 2-3 years, we have integrated both the front end and the back office with all our major customers. The back-office integration has been completed. This means that when they have their own system for calculating, for every time block, how much surplus or deficit they have, every distribution utility or member will have its own system where it performs certain calculations and uses its own models. They then determine what quantity they want to buy and at what price they want to buy it.

API integration means that our system is linked to that system. We fetch the decision of their model directly into our system, convert it into bids, and fetch it directly into our systems. That is on the front end. As I mentioned, in the back-office integration, our system is linked to their system so that all the reconciliation, reporting, and settlement are completed cohesively. These are the 2 things we have done, and a large part of our volume is coming through and being handled through these APIs.

Sandeep {? Saleria ?} - Individual Investor: That is a comfort to me because I am from an IT background myself, and I know how difficult it is for an organization to move from one system to another because of user training and everything else. We are therefore quite tightly integrated, I can tell. Good to know that. I really appreciate it. Thank you.

Management: Absolutely.

Operator: Thank you. The next question is from the line of Rohan Ghewalla from Axis Capital. Please go ahead.

Rohan Ghewalla - Axis Capital: Thank you. Just 2 quick questions. First, could you please share the market share of IEX in the DAM and RTM segments in the second quarter?

Management: Our market share in DAM and RTM is always above 99%. It may be 99.2%, 99.3%, or another number on any given day.

Rohan Ghewalla - Axis Capital: Secondly, in the second half of this fiscal year, is REC volume likely to remain in the same band as H1, or how do you view it?

Management: It is very difficult to comment on REC volume because REC is no longer a significant revenue creator for IEX. REC volumes have also declined in the market and on other exchanges because of the buyback option that the government has now provided. If a utility has a shortage at the end of the year, it can say that it will deposit the money and comply with the requirement. That amount is also, I think, about 35 paise. REC prices are also around Rs.310, Rs.320, or Rs.330. Therefore, they do not see much value in buying RECs at the moment.

Rohan Ghewalla - Axis Capital: Thank you, sir.

Operator: Thank you. That was the last question for today. I now hand the conference over to the management for closing remarks.

Management: Thank you, friends. I would like to thank each one of you for being part of today's call. Throughout the first half of FY24, we witnessed efforts from the government and regulators to establish a favorable policy and regulatory climate to develop the energy sector. We at IEX remain

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committed to contributing to the development of a sustainable and energy-efficient future for India. Thank you so much. Have a wonderful evening.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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