



Indian Energy Exchange Limited

Incorporated in 26 march, 2007, Indian Energy Exchange Limited is the largest exchange for the trading of a range of electricity products in India (“Exchange”), in terms of traded contract volumes in the financial year 2016 and for the eleven months ended February 28, 2017 according to the Central Electricity Regulatory Commission (the “CERC”). Electricity products traded over electronic trading platform comprise::

- (i) Electricity contracts in blocks of 15 minutes in the day-ahead-market (the “DAM”),
- (ii) Electricity contracts for fixed terms in the future, such as intra-day contracts, day ahead contingency contracts and contracts up to 11 days ahead, known as the term-ahead-market (the “TAM”) and
- (iii) Renewable energy certificates (“RECs”). We expect to commence the trading of energy saving certificates (“ESCerts”) on Exchange upon availability of infrastructure, in the first half of the financial year 2018.

There is one of two exchanges in India that offer an electronic platform for the trading of electricity products and have a substantial majority market share among the power exchanges in India. The DAM constitutes the substantial majority of the energy contracts that are traded on the Exchange. In the financial year 2016 and for the eleven months ended February 28, 2017, they commanded a 99.6% and 99.5% market share, respectively, of electricity contracts in the DAM, in terms of volume, according to the CERC. According to the CERC, in the financial year 2016 and for the eleven months ended February 28, 2017, 93.7% and 94.9% of the traded contract volumes of electricity contracts in the DAM, TAM and RECs combined, were conducted over Exchange

Exchange is an online platform which is accessible to registered participants throughout India. It promotes efficient price discovery and offers participants on the Exchange the opportunity to trade in a variety of electricity products. The Exchange increases the accessibility and transparency of the power market in India and enhances the speed and efficiency of trade execution. In addition to trade execution, Exchange offers settlement services, including electronic trade confirmation, access to clearing services and risk management functionality.

They are the professionally managed company. In August 2016, they received three ISO Certifications: ISO 9001:2008 for quality management, ISO 27001:2013 for information security management and ISO 14001:2004 for environment management. they were recognized as the ‘Leader in Power Market Development’ by Council of Power Utilities in 2015 and awarded the ‘Exchange of the Year’ Award by Power Business View in 2014.

As of March 31 2017, Company had over 5,800 participants registered on 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. The 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 the Exchange. The volumes for the financial year 2017 represent a growth of 77.5% from 22,827 million kWh of power traded on the 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 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 Exchange. The volumes for the financial year 2017 represent growth of 132.0% from 1.99 million RECs traded and cleared on the Exchange in the financial year 2013. In the financial year 2017, they generated total revenues of Rs. 2,374.23 million and the profit after tax was Rs.1135.65 million. the 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.

Price Band	Rs. 1645-1650 per Equity Share
Issues Open	Monday, Oct 09, 2017
Issue Close	Wednesday, Oct 11, 2017
Issue Type	100% Book Built Issue IPO
Bid Lot	10 Equity share and multiple thereafter
Maximum Bid amount for Retail	Rs, 2 Lacs
Offer for sale	6,065,009 Equity Shares of Rs. 10 each
Total Issue size	6,065,009 Equity Shares of Rs. 10 aggregating up to Rs. 1000.73Cr.
QIB*	50% of the offer comprising 3,032,503 Equity Shares
Anchor Investor Portion	Up to 60% of the QIB Portion of up to 1,819,501 Equity Shares
Retail Portion	Not less than 35% of the offer consisting of 2,122,754 Equity Shares
NIB*	15% of the offer comprising 909,752 Equity shares
Mutual Fund Portion	5% of QIB Portion or 60,651 Equity Shares
Mode of Payment	ASBA Mandatory (No cheque will be accepted)
Book Running Lead Managers	Axis Capital Limited, kotak Mahindra Capital Company, IIFL Holding Limited
Face Value	Rs. 10 per Equity Share
Listing At	NSE, BSE
Registrar	Karvy Computershare Private Limited

Company Strategies:

- Market development to encourage trading of power over exchanges
- Attract new participants and increase trading activity on Exchange
- Expand into new geographic markets
- Develop new products and services
- Focus on technology including increasing connectivity to our trading platform

Company Strength:

- Efficient price discovery and flexibility on our Exchange
- First and largest energy exchange in India with strong brand recognition
- Fast growing domestic market with conducive Government policies and regulations
- Diverse participant base ensuring liquidity on our Exchange
- Highly scalable and proven technology infrastructure
- Professionally managed company with a highly qualified and experienced management team

Company Promoters:

FTIL and PFS are the Promoters of the Company.

Objects of the Issue:

The objects of the public issue are:

1. To achieve the benefits of listing the Equity Shares on the Stock Exchanges and
2. To carry out the sale of up to 6,065,009 Equity Shares by the Selling Shareholders.

Offer for Sale:

Except the listing fees, which shall be borne by the Company, the Offer Expenses will be shared among the Selling Shareholders in proportion to the number of Offered Shares sold by each Selling Shareholder in the Offer. Payments, if any, made by the Company in relation to the Offer shall be on behalf of the Selling Shareholders and such payments will be reimbursed by the Selling Shareholders to the Company.

Risks Relating to Business:

Internal Risk Factor

- Their business and results of operations may be adversely affected if they are unable to maintain or grow the volume of the electricity contracts traded on Exchange and retain their current participants or attract new participants to the Exchange.
- Information technology (“IT”) system limitations or failures, including their IT maintenance may harm the business, financial condition, results of operations and prospects.
- Any adverse finding by the NCLT in relation to the Perpetual License Agreement could result in an adverse effect on the reputation, business, financial condition and results of operations.

- They operate in a highly regulated industry and may be subject to censures, fines and enforcement proceedings if fail to comply with regulatory obligations.
- Regulatory restrictions, and changes in regulations, applicable to them, may restrict their ability to conduct business and may have an adverse effect on the business.
- They may be required to file a compounding application with RBI pursuant to the directions given by FIPB and it may have an adverse effect on the reputation and financial condition.
- They are subject to certain risks relating to the operation of an electronic trading platform. Any failure to meet or respond to technological changes or changes in participant preferences may cause the volume of trades on Exchange to decline, which may have an adverse effect on business, financial condition, results of operations and prospects.
- They may incur damages in the event of any breach of the terms and conditions of the Perpetual License Agreement.
- The compliance and risk management methods may be ineffective and may result in outcomes that may adversely affect the reputation, financial condition and results of operations
- Their business operations could be affected if the recommendations under the report of the Standing Committee on Energy, Ministry of Power, Government of India result in amendments to the CERC Power Market Regulations.
- They are dependent on certain material contracts with third-party vendors relating to the technology and software that they use and for services that are important to the business. Any interruption in, or cessation of an important supply or service by any third party may have an adverse effect on the business and operations.
- Declines in interest rates and performance of mutual funds they have invested in may adversely affect the results of operations and financial condition.
- Damage to their reputation or brand name may have an adverse effect on the business, financial condition, results of operations and prospects.
- Any failure by the participants to make payment or any systemic failure to deliver electricity may adversely affect on reputation, business, financial condition, results of operations and prospects.
- They may face competition from existing players and new entrants in the industry.
- They have applied for, but have not yet obtained, a trademark registration for corporate logo. Any failure to protect intellectual property may adversely affect on reputation, goodwill, business and results of operations.

External Risk Factor

- There is uncertainty on the impact of currency demonetization in India on their business.
- Recent global political and economic conditions have been challenging and continue to affect the Indian market, which may adversely affect on business, financial condition, results of operations and prospects.
- Political, economic or other factors that are beyond in their control may have an adverse effect on the business and results of operations.
- Changes in tax laws or regulations or their interpretations may significantly affect on financial statements and may adversely affect the business, financial condition, results of operations and prospects
- Investors may not be able to enforce a judgment of a foreign court against them.
- Under Indian law, foreign investors are subject to investment restrictions that limit their ability to attract foreign investors, which may adversely affect the trading price of the Equity Shares
- Their ability to raise foreign capital may be constrained by Indian law.

Industry

The Indian Power Sector Even as India is the third-largest electricity producer in the world, the country's need for energy is increasing as a result of economic growth and modernization over the past several years. India's per capita electricity consumption has grown from 631.4 kilowatt-hour ("kWh") in the financial year 2006 to 1075 kWh in the financial year 2016, an increase of 70.2% in 10 years.

Between 2006 and 2017, India's peak demand increased at a CAGR of 5.0% to reach 159.5 gigawatts ("GW"); the installed power generation increased from 124 GW to 327 GW at a CAGR of 9.2% during the period. Further, the latest draft National Electricity Plan 2016 projects peak demand of 235 GW at the end of the financial year 2022.

Electricity Act, 2003 and regulations relating to power market The Central Government enacted the Electricity Act 2003 (the "Electricity Act") to promote competition and efficiency in the power sector against a backdrop of ongoing economic reforms in other key sector of the economy. The Electricity Act replaced the three existing legislations governing the power sector, namely Electricity Act, 1910; Electricity (Supply) Act, 1948; and the Electricity Regulatory Commissions Act, 1998 (ERC, 1998). Prior to Electricity Act, 2003, the electricity supply industry recognized generation, transmission and supply as principal activities under 'electricity supply.'

Generation, transmission and distribution

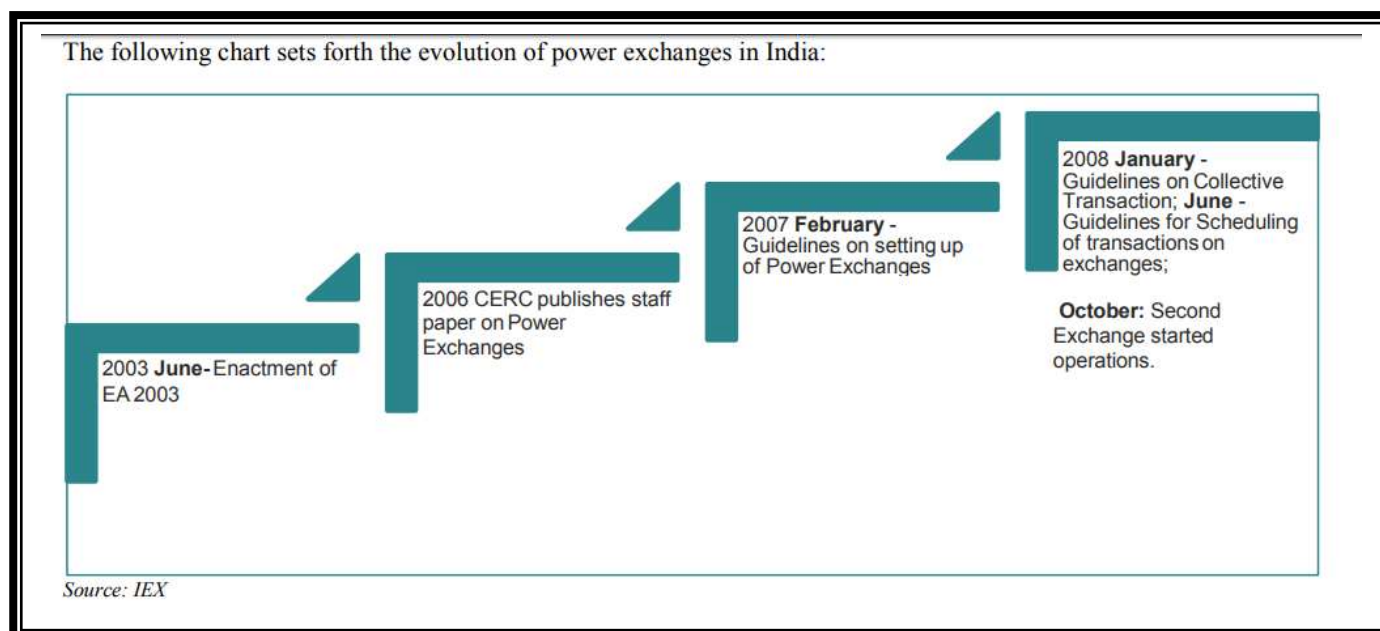
Generation Electricity is among India's core sectors, with an installed capacity of 327 GW as of March 31, 2017. Thermal power plants constitute around 67% of the installed capacity, followed by renewable, hydro and nuclear at around 18%, 14% and 2%, respectively. During the Twelfth Five-Year Plan ending March 2017, about 92 GW of thermal generation capacity has been added against a target of 72 GW. While capacity addition has peaked, the peak demand has grown at a moderate CAGR of 4.1% during the past five years ending March 2017, on account of sluggish demand from the industrial and commercial segments. In this context, the country has witnessed a gradual decline in peak deficit from 9.0% in the financial year 2013 to 1.6% in the financial year 2017.

Transmission 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. This has led to some unsold capacity in some regions impacting plant load factors for thermal generation plants. The concerns over transmission corridor availability would remain an important consideration for inter-state power sale as going forward the country envisages aggressive ramp up of capacity from renewable energy projects.

Distribution The power distribution system, that is the last leg of the electricity sector value chain, provides power to individual consumer premises. Until recently, SEBs would own all distributions networks across the country. This has changed in the last two decades with entry of private players in the distribution segment across a few large cities in the country. Private distribution companies are operating in Delhi, Kolkata (West Bengal), Mumbai (Maharashtra), Ahmedabad (Gujarat) and Surat (Gujarat).

The Indian Energy Exchange ("IEX"), the country's first power exchange, made an application for grant of permission to set up a power exchange in March 2007. In-principle approval was accorded by the CERC on August 31, 2007 and final approval was accorded on June 9, 2008. IEX commenced operations on June 27, 2008 after the rules and bye-laws were approved by the CERC and permission was granted to commence operations. The second power exchange, Power Exchange of India ("PXIL"), was granted in-principle approval on May 27, 2008. PXIL went through a process of regulatory approval similar to IEX and

commenced operations on October 22, 2008. Currently, trading of power is facilitated by inter-state and intra-state trading licensees and the two power exchanges.



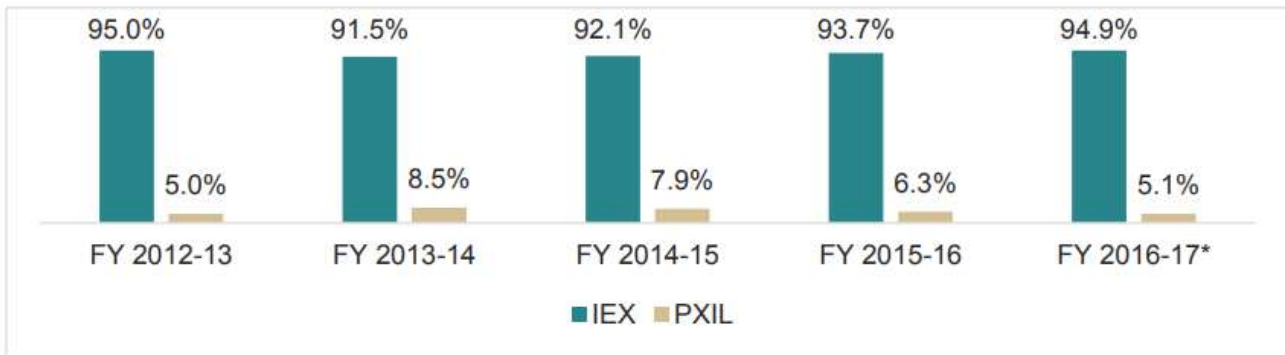
During the financial year 2017, total short-term sale of electricity through exchanges is estimated to be around 3.5% of the country's generation, and IEX constitutes approximately 98.6% of the total volumes, day ahead market ("DAM") and term ahead market ("TAM"), traded on both the exchanges. In the last decade, the market has witnessed a steep increase in power purchase costs under long-term power purchase agreements because of cost overruns incurred by new generation plants.

The average market clearing price discovered at IEX have slid to around ₹ 2.4/kwh during financial year 2017, below the breakeven needed for typical plants. However, the irony of the situation is that the generation capacities are being backed down and distribution companies are resorting to load shedding rather than procuring of cheaper power available at exchanges.

Market mechanism for renewable energy The Electricity Act, policies framed under the Electricity Act, and the National Action Plan on Climate Change provide a roadmap for increasing the share of renewable energy in total generation capacity, by stipulating purchase of a percentage of power by distribution utilities from renewable energy sources. Renewable Purchase Obligations ("RPOs"), put simply, is the minimum percentages of total power that electricity distribution companies and other obligated entities like captive and open access consumers need to purchase from renewable energy sources. RPOs create a market for renewables. RPOs have been the major driving force in India to promote the renewable energy sector. The ministry of power in its letter to all states, dated July 22, 2016, set an ambitious RPO target of 17.0% by 2019, 6.75% of which should come from solar and remaining 10.25% should come from non-solar renewable sources such as wind, biomass, bagasse, among others.

Market share of exchanges: IEX and PXIL IEX and PXIL are the two power exchanges facilitating short-term trade of power in India. IEX dominates the space, with its share in total volume traded through exchanges at an average of over 93.5% in last five years. The following chart sets forth market share of IEX and PXIL by DAM, TAM and REC:

The following chart sets forth market share of IEX and PXIL by DAM, TAM and REC:



Comparison of exchange vis-à-vis traders

In a market-driven economy, conflicting market forces determine the correct price of a commodity at any given point of time. An electronic power exchange serves this purpose by allowing buyers and sellers across the length and breadth of the country converge on a common platform and enable price discovery. The following table sets forth a comparative analysis of offerings of licensed trader’s vis-à-vis exchanges:

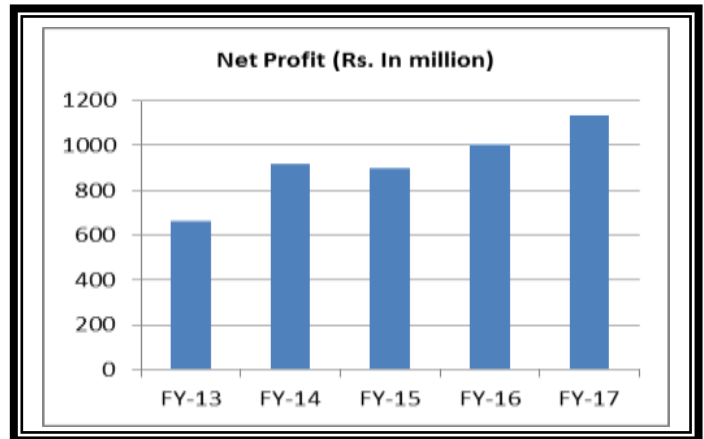
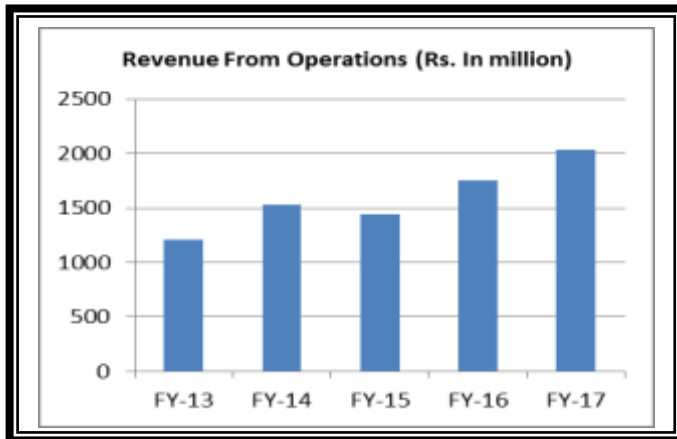
The following table sets forth a comparative analysis of offerings of licensed traders vis-à-vis exchanges:

Exchange	Traders
Non-discriminatory, accessible to all buyers/ sellers across geographies, transparent price discovery	Traders have flexibility to provide customised options to buyers
Exchange offers standard contracts	Traders’ contracts are subject to variations and there is no general one standard
Price discovered at the exchanges is transparent	Sellers have been able to realise better price through traders owing to term contracts
Counter-party guarantee for all trades, payments security undertaken by power exchange	Some counterparty risk passed on to sellers
Reliable platform for open access consumers and distribution companies	

Source: CRIS Analysis

Key Drivers for short term market

- Power procurement cost optimization by Distribution companies
- Cost optimization by large consumers
- Adequate Supply for Short Term Market
- Power for All, Rural Electrification and Make in India
- Phasing out of old plants
- Seasonality factors
- Improvement in Transmission Infrastructure

Graphical Representation of Performance**Management:**

<u>Name of board members</u>	<u>Designation</u>
Dinesh Kumar Mehrotra	Chairman and Independent Director
Satyanarayan Goel	Managing Director & Chief Executive Officer
Kayyalathu Thomas Chacko	Independent Director
Vallabh Roopchand Bhansali	Independent Director
Renuka Ramnath	Non-Executive Director
Mahendra Singh	Additional (Non-Executive Nominee Director)
Bejul Somaia	Non-Executive Director
Ajeet Kumar Aggarwal	Non-Executive Director
Gopla Srinivasan	Additional(Non-Executive Director)

Restated Summary statement of Balance Sheet*(All amounts in Rupees Millions, except share data and unless otherwise stated)*

Particulars	Annexure	As at 31 March 2017	As at 31 March 2016	As at 31 March 2015	As at 31 March 2014	As at 31 March 2013
Equity and Liabilities						
Shareholders' funds						
Share capital	VII	303.28	303.28	303.28	303.28	303.28
Reserves and surplus	VIII	2,446.65	2,406.07	2,096.21	2,225.56	1,412.57
		2,749.93	2,709.35	2,399.49	2,528.84	1,715.85
Non-current liabilities						
Deferred tax liabilities (net)	IX	-	1.18	11.82	17.21	14.69
Other long-term liabilities	X	359.10	351.12	350.04	291.02	249.60
Long-term provisions	XI	22.72	16.46	12.73	8.94	6.35
		381.82	368.76	374.59	317.17	270.64
Current liabilities						
Short-term borrowings	XIII	-	-	-	28.43	-
Trade / Customer payables	XIV					
- Due to micro enterprises and small enterprises		-	-	-	-	-
- Due to other than micro enterprises and small enterprises		1,719.39	589.66	344.80	286.47	350.52
Other current liabilities	XV	589.85	502.03	886.86	485.69	447.40
Short-term provisions	XII	76.15	67.75	51.63	42.07	37.75
		2,385.39	1,159.44	1,283.29	842.66	835.67
Total		5,517.14	4,237.55	4,057.37	3,688.67	2,822.16
Assets						
Non-current assets						
Fixed assets	XVI					
Tangible fixed assets		63.38	73.05	86.27	31.77	35.74
Intangible fixed assets		22.95	40.73	54.02	69.85	86.22
Capital work-in-progress		3.33	-	-	-	-
Intangible assets under development		6.27	4.02	-	0.79	-
		95.93	117.80	140.29	102.41	121.96
Non-current investments	XVII	91.97	91.97	-	-	-
Deferred tax assets (net)	IX	12.84	-	-	-	-
Long-term loans and advances	XVIII	28.80	31.45	34.53	29.30	19.49
Other non-current assets	XIX	266.94	270.51	404.31	619.22	357.90
		400.55	393.93	438.84	648.52	377.39
Current assets						
Current investments	XX	3,701.05	2,715.17	2,543.91	2,472.92	1,888.64
Trade receivables	XXI	2.09	7.71	3.60	2.68	3.30
Cash and bank balances	XXII	1,274.92	914.75	834.99	421.99	387.18
Short-term loans and advances	XVIII	15.73	19.04	15.56	24.45	32.04
Other current assets	XXIII	26.87	69.15	80.18	15.70	11.65
		5,020.66	3,725.82	3,478.24	2,937.74	2,322.81
Total		5,517.14	4,237.55	4,057.37	3,688.67	2,822.16

Restated Summary statement of Profit & Loss

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

Particulars	Annexure	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
Revenue						
Revenue from operations	XXIV	2,039.13	1,750.28	1,447.79	1,525.70	1,212.08
Other income	XXV	335.10	251.12	315.99	214.20	171.57
Total revenue		2,374.23	2,001.40	1,763.78	1,739.90	1,383.65
Expenses						
Employee benefits	XXVI	155.72	141.05	117.10	82.57	71.68
Technology expenses	XXVII	234.24	202.02	194.06	196.70	173.29
Finance costs	XXVIII	1.31	2.68	2.38	0.22	0.23
Depreciation and amortisation	XXIX	34.63	33.94	29.46	26.53	56.96
Other operating expenses	XXX	216.28	155.44	95.72	105.22	83.42
Total expenses		642.18	535.13	438.72	411.24	385.58
Profit before exceptional items and tax		1,732.05	1,466.27	1,325.06	1,328.66	998.07
Exceptional items	XXXII (Note 16)	-	-	-	-	69.37
Profit before tax		1,732.05	1,466.27	1,325.06	1,328.66	928.70
Tax expense / (benefit)						
Current tax	XXXV	610.42	473.51	429.99	406.69	280.57
Deferred tax charge / (credit)	IX	(14.02)	(10.64)	(5.11)	2.52	(14.83)
Profit for the year		1,135.65	1,003.40	900.18	919.45	662.96
Earnings per equity share (Rs.)						
(Par value of Rs. 10 per share)						
Basic (Rs.)	XXXII (Note 6)	37.78	34.01	29.47	33.67	24.45
Diluted (Rs.)	XXXII (Note 6)	37.44	33.08	29.21	30.32	21.86

Published on: - 07th October 2017. © Just Trade Securities Limited Just Trade Securities Limited (Formerly “Bajaj Capital Investor Services Limited), CIN No.: U67120DL2004PLC130803, Regd Office: Bajaj House 97, Nehru Place, New Delhi – 110019 Tel: (91-11) 41693000. Fax: (91-11) 66608888 E-mail: info@justtrade.in Website: www.justtrade.in; National Stock Exchange of India Ltd. SEBI Regn. No. : INB 231269334/ INB 231269334, Bombay Stock Exchange Ltd. SEBI Regn. No.:INB011269330/ INF011269330; SEBI RA Regn.:- INH000002862. For Research related queries, write to: Mr. Raj Bardhan Kumar Singh at research@rajbks@bajajcapital.com For Account related information, write to customer care: customer@justtrade.in or call on 1800-3000-9000