



11th ANNUAL REPORT FINANCIAL YEAR 2016-17

INDIAN ENERGY EXCHANGE LIMITED
(CIN: U74999DL2007PLC277039)

Registered Office:

Unit No. 3-6, Fourth Floor, TDI Centre,
District Centre, Jasola, New Delhi-110 025
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PATRA**
Unlimited food for education

Akshaya Patra



Isha Vidhya Solar System



**Indian Society of Agribusiness
Professionals**



HelpAge India

CORPORATE INFORMATION

Board of Directors

Mr. Dinesh Kumar Mehrotra	Chairman, Independent Director
Mr. Satyanarayan Goel	Managing Director and Chief Executive Officer
Prof. Kayyalathu Thomas Chacko	Independent Director
Mr. VallabhRoopchandBhansali	Independent Director
Ms. Renuka Ramnath	Non-Executive Director
Mr. Bejul Somaia	Non-Executive Director
Mr. Ajeet Kumar Agarwal	Non-Executive Director
Mr. Gopal Srinivasan	Additional (Non-Executive) Director
Mr. MahendraSinghi	Additional (Non-Executive) Director(<i>appointed wef May 30, 2017</i>)
Mr. Puneet YaduDalmia	Non-Executive Director(<i>ceased to be director wef May 18, 2017</i>)

CFO & Company Secretary

Mr. Vineet Harlalka

Statutory Auditors

M/s. BSR & Associates LLP,
CharteredAccountants
(FRN: 116231W/W-100024)

Bankers (including clearing banks)

HDFC Bank,
State Bank of India,
ICICI Bank,
Yes Bank,
IndusInd Bank Limited

Registrar and Transfer Agent

Karvy Computershare Private Limited

Depository

National Securities Depository Limited
Central Depository Services (India) Limited

Registered Office

Indian Energy Exchange Limited
Unit No. 3, 4, 5 & 6, Fourth Floor,
TDI Centre Plot No. 7, District Centre,
Jasola, South Delhi-110025, India
Tel: ++91-11-4300 4000
Fax: +91-11-4300 4015
Website: www.iexindia.com

DIRECTOR'S PROFILE

- 1) **Mr. Dinesh Kumar Mehrotra (DIN: 00142711)**, is the Chairman of our Board and an Independent Director. He holds a bachelor's degree of science from the University of Patna. He joined Life Insurance Corporation of India ("LIC") as a direct recruit officer in 1977 and worked with LIC for over 35 years. He has worked as the chairman of LIC and prior to taking charge as chairman of LIC, he was associated with LIC as an executive director (international operations). He has served on the board of directors of ACC Limited, ITC Limited, IL&FS Limited, among others. He is also associated with the National Insurance Academy and the Insurance Institute of India. He was appointed as an Independent Director of our Company with effect from March 30, 2015 and as the Chairman of our Board with effect from April 23, 2015.
- 2) **Mr. Satyanarayan Goel (DIN: 02294069)**, was appointed as the Managing Director and Chief Executive Officer of our Company with effect from January 21, 2014. He holds a bachelor's degree of science in electrical engineering from the Sambalpur University, Burla and a master's degree of business administration from the University of Delhi, New Delhi. He has over 38 years of professional experience in power sector. Before joining our Company, he was the director of marketing and operations at PFS. Prior to working with PFS, he was associated with NTPC Limited for 29 years and retired as an executive director (fuel security). He has been associated with our Company since October 16, 2012 when he was appointed as a Nominee Director of our Company for PFS.
- 3) **Prof. Kayyalathu Thomas Chacko (DIN: 02446168)**, is an Independent Director of our Company. He is a retired Indian Administrative Services officer of the 1973 batch and has 33 years of experience in public administration. He worked for the Government of India, almost entirely in the Ministry of Commerce and Industry and closely involved in the trade and industry sectors. He holds a master's degree of economics from the University of Kerala and was awarded three gold medals for obtaining the first rank in Kerala. He also holds a master's degree of public administration from Harvard University, U.S.A. He held the post of director general of foreign trade during the year from 2004 to 2006. He was appointed as director of the Indian Institute of Foreign Trade for the period of 2007-2012. He was presented the Federation of Indian Exporters Organisation instituted life time achievement award by the Hon'ble President of India for invaluable contribution to the exports

sector. He has been associated with our Company since May 21, 2012 when he was appointed as an Additional Director on our Board in the independent category and was regularized as a Director on September 28, 2012. His appointment as an Independent Director for a term of five years pursuant to the provisions of the Companies Act, 2013 was approved by our shareholders pursuant to a resolution passed at their meeting held on March 30, 2015.

- 4) **Mr. Vallabh Roopchand Bhansali (DIN: 00184775)**, is an Independent Director of our Company. He holds a bachelor's degree of commerce and of law from the University of Mumbai, Mumbai and is also a member of the Institute of Chartered Accountants of India. He was the co-founder of Enam Financial Consultants Private Limited and has over 30 years of experience in investment banking and capital markets. He is also the founder member of DeshApnaye Sahayog Foundation. He has also been appointed by the Central Government as member on the Western Local Area Board of RBI. He was appointed as an Independent Director of our Company with effect from March 30, 2015.
- 5) **Ms. Renuka Ramnath (DIN: 00147182)**, is a Non-executive Director of our Company. She holds a bachelor's degree of textiles from V.J. Technological Institute, University of Mumbai and a master's degree of management studies from Chetna R.K. Institute of Management & Research, University of Mumbai. She has also completed the Advanced Management Program, the International Senior Managers Program from the Graduate School of Business Administration, Harvard University. She has over 30 years of experience in the Indian financial sector across private equity, investment banking and structured finance. She was associated with the ICICI Group for 23 years and also served as the managing director and chief executive officer of ICICI Venture Funds Management Company Limited. She is the managing director of Multiples Alternate Asset Management Private Limited, an investment advisory firm she founded in 2009. She was appointed as an Additional Director of our Company on March 29, 2012 and her appointment as a Non-Executive Director of our Company was regularized with effect from September 28, 2012.

- 6) **Mr. Bejul Somaia (DIN: 00059201)**, is a Non-executive Director of our Company. He holds a bachelor's degree of science (economics) from the London School of Economics, United Kingdom and a master's degree of business administration from the Graduate School of Business Administration, Harvard University. He is a the designated partner at Lightspeed India Partners Advisors LLP and the managing director of Lightspeed Advisory Services India Private Limited and has several years of investment banking, strategy, operations and venture capital experience in India and in U.S.A Prior to working with Lightspeed, he was the joint managing director of UP Twiga Fiberglass Limited, a manufacturer of thermal and acoustic insulation products in India. He has also worked as an investment professional at General Catalyst Partners, a U.S. based venture capital firm, as a strategy consultant with Bain & Company Inc. and with Salomon Brothers (subsequently SalomanSmity Barney). He was appointed as an Additional Director of our Company on September 30, 2010 and his appointment as a Non-executive Director of our Company was regularised with effect from September 28, 2011.
- 7) **Mr. Ajeet Kumar Agarwal (DIN: 02231613)**, is a Non-executive Director of our Company. He holds a bachelor's degree of commerce from the, University of Delhi, New Delhi and is also a fellow member of the Institute of Chartered Accountants of India. He is the director (finance) of Rural Electrification Corporation Limited and has several years of experience in finance and accounting. He has been a director on the board of Rural Electrification Corporation Limited since August 1, 2012. He was appointed as a Non-Executive Director on our Board as the nominee of Rural Electrification Corporation Limited with effect from August 22, 2012.
- 8) **Mr. Gopal Srinivasan (DIN: 00177699)**, Gopal Srinivasan is an Additional (Non-executive) Director of our Company. He holds a bachelor's degree of commerce from the University of Madras, Chennai and a master's degree of business administration from the Graduate School of Business Administration, University of Michigan U.S.A. He is the founder of TVS Capital Funds Limited with the visions of supporting and nurturing India's mid-cap businesses. TVS Capital Funds Limited manages assets of over Rs. 1,100 crores of domestic capital, which makes it amongst the largest rupee funds in India. Over an entrepreneurially oriented career spanning several years, he is associated with companies operating in diverse sectors including TVS Capital Funds Limited and TVS Electronics Limited, whose board of

directors he chairs. He is also the founder trustee of “The Chennai Angels”, an angel investor network in Chennai. He has also served on the board of directors of Great Lakes Institute of Management, Chennai, Coimbatore Innovation and Business Incubator. He was appointed as an Additional (Non-executive) Director on our Board with effect from April 18, 2017.

- 9) **Mr. Mahendra Singhi (DIN: 00243835)**, Mr. Singhi is an Additional (Non-executive) Director of our Company. He holds a bachelor’s degree of science from the University of Jodhpur and a bachelor’s degree of law from the Rajasthan University. He is also a member of the Institute of Chartered Accountants of India. He is the chief executive officer – cement and a whole-time director of Dalmia Cement (Bharat) Limited and also the chief executive officer and a whole-time director of OCL India Limited. He has over 35 years of experience in the cement industry. He has previously worked with Maiher Cement (a unit of Century Spinning & Engineering Company Limited), Shree Digvijay Cement Company Limited, Rajashree Cement and Shree Cement Limited. Prior to working with Dalmia Cement (Bharat) Limited, he has worked with Shree Cement Limited as its president from January 17, 1995 to April 2002 and later as an executive director from April 2002 to December 6, 2013. During his association with Shree Cement Limited, he was associated with various institutions in the field of sustainable development. Shree Cement Limited was among the three companies from India to be recognized as a ‘world sustainability champion’ by the World Economic Forum during his tenure at Shree Cement Limited. In recognition of his leadership in combating climate change and for his contribution to the successful adoption of the Paris Agreement at the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in Paris, France on December 12, 2015, he was invited by the Secretary General of the United Nations to attend the high-level signature ceremony for the Paris Agreement at the United Nations Headquarters in New York on April 22, 2016. He was appointed as an Additional (Non-executive) Director on our Board with effect from May 30, 2017.

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors is pleased to present the Eleventh Annual Report on the business and operations of your Company along with the audited financial statements and the Auditors' Report for the financial year ended March 31, 2017. The highlights of the financial results for the year under review are given below:

1. FINANCIAL RESULTS

The Company's financial and operational performance for the year ended March 31, 2017 is summarized below:

(Amount in million)

Particulars	2016-17	2015-16
Operating Income	2,039.13	1,750.28
Other Income	335.63	251.12
Total Income	2,374.76	2,001.40
<i>Less: Total Expenditure</i>	642.18	535.17
Profit before tax	1,732.58	1,466.23
<i>Less: Provision for Tax</i>	599.42	464.91
Profit after tax	1,133.16	1,001.32
Add: Brought forward P&L balance from prev. year	1,056.95	1,041.20
Profit available for Appropriation	2,190.11	2,042.52
<i>Less: Proposed Dividend on Preference Shares (CCPS)</i>	-	30.33
<i>Less: Interim Dividend on Preference Shares (CCPS)</i>	15.16	14.97
<i>Less: Dividend Distribution Tax on Preference Shares</i>	3.09	9.22
Profit available for Appropriation	2,171.86	1,988.00
<i>Less: Proposed Dividend on Equity Shares</i>	-	576.24
<i>Less: Interim Dividend on Equity Shares</i>	288.12	197.33
<i>Less: Dividend Distribution Tax on Equity Shares</i>	58.65	157.48
<i>Less: Transfer to General Reserve</i>	Nil	Nil
<i>Less: Adjustment due to revision in depreciation rates</i>	Nil	Nil
Balance carried forward to Balance Sheet	1,825.09	1,056.95

Your Company has sustained and maintained its leadership position in the power Exchange industry in India during the year.

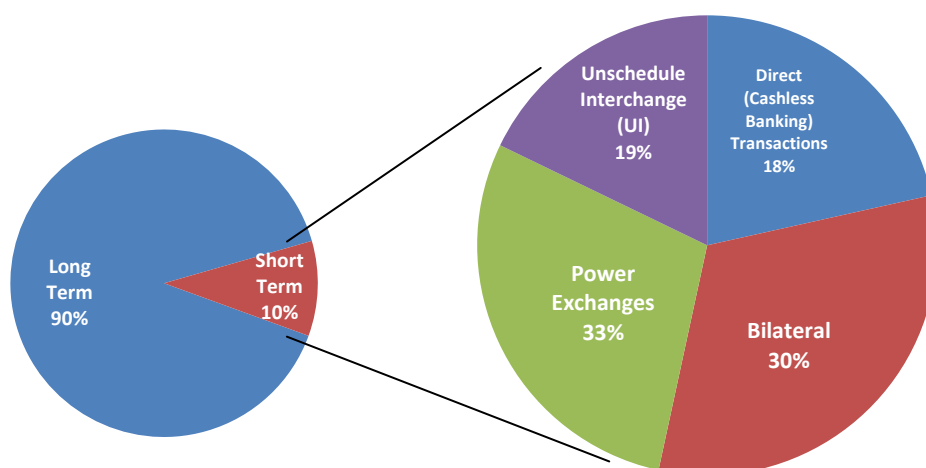
RESULTS OF OPERATIONS AND STATE OF COMPANY'S AFFAIRS

Overview:

The Indian power sector is undergoing a slow and steady turn around with the government placing greater thrust on aspects such as: renewable energy generation especially solar energy; distribution reforms through UDAY to enhance operational efficiency and restore financial viability of the distribution companies; electricity supply on 24x7 basis; development of transmission infrastructure and last but not the least increased availability of domestic coal to thermal power plants leading to reduced reliance on imported coal. As per statistics from the Central Electricity Authority (CEA), during the last five years, installed capacity has increased at CAGR of 13% from 199 GW to 327 GW, while the peak demand met has increased only at 4.1% and energy availability has grown at 7%. Our present installed capacity could have possibly generated more than 1700 BUs while actual generation this fiscal, according to CEA, was only 1160 BUs. These statistics imply that we are now having surplus power scenario.

From short-term power market perspective, as per CERC MMC Reports, FY 2017 witnessed a total trade of 110 BUs till February 2017, constituting about 10.4% of total generation. The power exchanges continued to be at the bright spot, witnessing annual growth of about 20 % year on year basis. Overall in this fiscal, as of February'17, the share of power exchanges in total generation increased to 3.5% from 3.1 % in the previous fiscal (as of February'16), while the share of long-term and medium term market remained same at around 89.6%.

Graph on Share of Power Market in fiscal 2016-17 (till Feb'17)



With fast paced increase in generation capacity and low pace of growth on demand side, the energy deficit reduced from 2.1% to 0.7% and peak deficit from 3.2% to 1.6%. With ample availability of generation, the exchange platform saw good liquidity on the sell side and low Market Clearing Price (MCP) of Rs 2.41 per unit, about 12% lower than Rs 2.73 per unit in the previous fiscal. The low and competitive price discovery resulted in

increased cleared volume on your Company's platform from 34,286 MUs in fiscal 16 to 40,528 MUs to this fiscal, an increase of about 18%.

To facilitate coal based thermal power generators, the government placed considerable emphasis on increasing domestic coal production. With persistent efforts the domestic coal production increased by almost 92 MT over the last three years, taking the coal production to 554 MT in this fiscal. This helped the thermal power generators to generate at lower variable cost. Your Company saw 36% increase in sell bids from 56,514 MUs in fiscal 16 to 77,141 in fiscal 17. With greater liquidity on the sell side at your Company's platform, the market clearing price this fiscal was 12% lower at Rs 2.41 per unit from Rs 2.73 per unit in the previous fiscal.

One Nation, One Grid and One Price, remained to be a key priority of the Government and thus significant emphasis was placed on augmentation and reinforcement of transmission to address the transmission congestion in import of power to southern region as well as northern region. With the commissioning of 800 KV Pole 1 of HVDC Champa-Kurukshetra WR-NR bipole inter-connector, several independent power producers in Chhattisgarh are enabled to transfer power from Raigarh, Champa in Chhattisgarh to demand centers of Northern region viz. Haryana, Punjab, UP, Rajasthan and adjoining areas. Similarly, the Southern Region saw more than 85% increase in ability to import power from the rest of the country with addition of 9000 MW of transmission capacity in last one year owing to commissioning of Kudgi - Kohlapur, Chikodi - Kohlapur, Angul - Srikakulam and Wardha - Nizamabad transmission lines. In addition, there were many other intra-regional lines which were commissioned during the fiscal which resulted in reduction in transmission congestion. In this backdrop, the volume lost by your Company due to transmission congestion reduced by about 32% to 1527 MUs compared to 2253 MUs lost in fiscal 2016. Further, single price discovery in the day-ahead market on your Company's platform on 23 different days in this this fiscal was another remarkable development towards realizing One Nation, One Grid and One Price. Due to increased availability of transmission system, import of power to Southern Region increased resulting in lower clearing price and increased Open Access volume in states like Karnataka, Andhra Pradesh and Telangana.

In June 2016, the CERC notified extension of operation of 24x7 round-the-clock Intraday and Contingency Contracts (Extended Market Session) on the Power Exchanges. The extended market sessions greatly enabled the Discoms to schedule power closer to real time basis and replace unscheduled interchanges with scheduled drawal thereby reducing their real time deviations. Your Company saw considerable improvement in Term-Ahead Market (TAM) with volume growing from 330 MUs in fiscal 16 to 744 MUs in this fiscal, an increase by 125%.