

INDIAN ENERGY EXCHANGE (IEX) | Power Exchange

.....driven by customer centricity



Another strong quarter for IEX with volume growth of almost 44% mainly driven by competitive power prices, increasing consumption of electricity and strong performance of the new market segments. The company has traded 21,266 MUs of power in this quarter as compared to 14,847 MUs in same period last year. The growth was mainly led by incremental volumes from Real time Market (RTM) and Green Market (TAM) followed by Day Ahead Market (DAM). Launched a year back, the RTM market became the fastest growing segment for the company also registering highest ever volume of 1,726 MU in the month of June 2021. The consolidated revenue for the company grew by 34% to ₹91 crs along with expansion in the PAT margins by 621 bps at 68.2% on YoY basis. The margin expansion was on the back of favorable operating leverage and cost optimization measures. IEX has few more products in pipeline such as Green DAM and Long Duration Contracts (LDC) which the company can launch in the current fiscal post acquiring required approvals. Its wholly owned subsidiary, IGX, is currently working along with the regulators and government to develop a sustainable gas market in India. We expect the volumes to grow in double digits aided by incremental volumes from new products and shift in volumes from other power market segments. We recommend BUY with an updated target price of ₹519.

Segmental Updates

With only two product segments few years back, IEX has launched few more game changing products in the last one year. The DAM and TAM product segment of the company has grown by 7% and 54% respectively in this quarter despite the covid induced lockdowns across many locations. The company still enjoys near monopoly with around 96-98% of the market share in the DAM market.

The RTM market launched in June last year has been the fastest growing segment for the company contributing almost 22% of the total volumes traded on the IEX platform. RTM achieved the highest ever volumes of 1,726 MUs in June 21, which we believe can be a base volume for the company going forward.

Another product launched last year was the Green Market, which caters to the renewable power sector. Since the launch, the volumes in this segment have been growing manifold. Green Markets has achieved a volume of 955 MUs in this quarter and more than 1 BU within a year of launch. With greater push for renewable power and government aim to create a large renewable capacity, volumes in this segment will continue to grow at similar pace. Also, the company will soon launch Green DAM and Integrated DAM which will further facilitate renewable power trading on its platform.

Key Financials	2018	2019	2020	2021	2022E	2023E	2024E
Total sales (₹ Crs)	230.45	254.08	257.13	317.85	395.54	465.40	519.23
EBITDA Margins (%)	80.2%	79.8%	78.6%	78.9%	79.4%	80.2%	81.0%
PAT Margins (%)	57.1%	65.0%	68.3%	64.6%	66.6%	68.0%	69.0%
EPS (₹)	4.34	5.44	5.87	6.86	8.79	10.56	11.96
P/E (x)	102.17	81.52	75.62	64.69	50.44	42.02	37.09
P/BV (x)	47.42	36.34	34.25	25.26	21.58	18.59	16.10
EV/EBITDA (x)	72.15	66.00	65.60	52.60	41.70	34.63	30.33
ROE (%)	46.41%	44.57%	45.29%	39.05%	42.78%	44.24%	43.41%
ROCE (%)	66.20%	58.09%	52.60%	45.20%	50.09%	52.35%	51.92%

Rating	Buy
Current Market Price (₹)	445
12 M Price Target (₹)	519
Potential upside (%)	17

Stock Data

FV (₹) :	1
Market Cap Full (₹ bn) :	133
Market Cap Free Float (₹ bn) :	133
52-Week High / Low (₹) :	171 / 455
2-Year High / Low (₹) :	112 / 455
1 Year Avg. Dly Traded Volume (in lakh)	24
BSE Code / NSE Symbol	540750 / IEX
Bloomberg :	IEX IN

Shareholding Pattern (%)

	Jun-21	Mar-21	Dec-20	Sep-20
FPIs	36.66	36.81	29.62	30.23
MFs	15.63	15.12	20.00	18.22
AIF	2.61	4.15	5.12	5.46
Insurance	5.09	4.92	5.45	4.75
Dalmia Group	15.53	20.00	20.00	20.00
Others	24.48	19.00	19.81	21.34

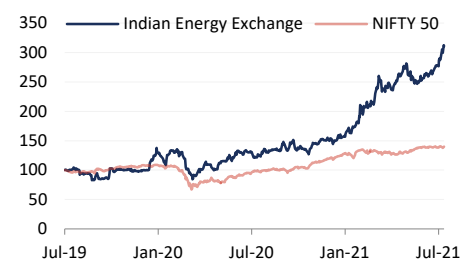
Dalmia Group: Dalmia Cement, Dalmia Power & DPVL Ventures LLP
Source: BSE

Price Performance (%)

(%)	1M	3M	6M	1YR
IEX	20%	24%	90%	156%
Nifty 50	1%	11%	10%	41%

* To date / current date : July 23, 2021

IEX vs Nifty 50



Earlier Report

06 April 2021

[Company Update](#)

During this quarter, the company also received the approvals for launching the Cross Border Trade where Nepal was the first country to trade on this platform. Other countries like Bangladesh and Bhutan will also join the list shortly.

Other Segment Updates - The launch of Long Duration contract is still awaiting the order from the Supreme Court. Due to lockdowns, the SC is only taking up urgent issues. However, the management of IEX expects the segment to launch in last quarter of this fiscal. The resumption in the trading of RECs is also delayed due to pending hearing in the appellate. There is no particular timeline for the resumption in RECs.

Positive Industry Updates

1. The electricity consumption grew significantly this quarter registering a growth of 17% YoY to 340BU with the revival of economic activities. The country saw its highest ever peak demand at 191.5 GW in June 2021. The power consumption growth has soared further in July, with peak demand reaching 200 GW+, the highest ever in India's history.
2. The renewable energy capacity witnessed a growth of 10.4% YoY to reach 97 GW in FY21 from an earlier 88 GW in FY20.
3. The Electricity (Amendment) Bill, 2021 is being introduced in this Monsoon session of Parliament which will promote competition among the Distribution Companies by allowing multiple distributors in the same area and giving consumers the option to switch power suppliers leading to competitive purchase of power from the Exchanges.
4. The Cabinet recently approved a five-year-long reform-based result-linked power distribution scheme worth ₹3.03 lakh crore. A significant part of this outlay is earmarked for replacement of existing 25 crore meters by smart prepaid meters.
5. The Government has also issued the draft National Electricity Policy 2021 which stipulates intention of the Government to increase the share of spot markets to 25% by the year 2023-24.
6. The Ministry of Power issued an order on PPA Relinquishment allowing DISCOMs to relinquish their PPAs on completion of 25 years or the period specified in the PPA. This will lead to the demand which was served by PPA to be met by the Exchange. Even the generation companies will sell their power post PPA at the market and further deepen the markets.

Quarterly Financial Snapshot

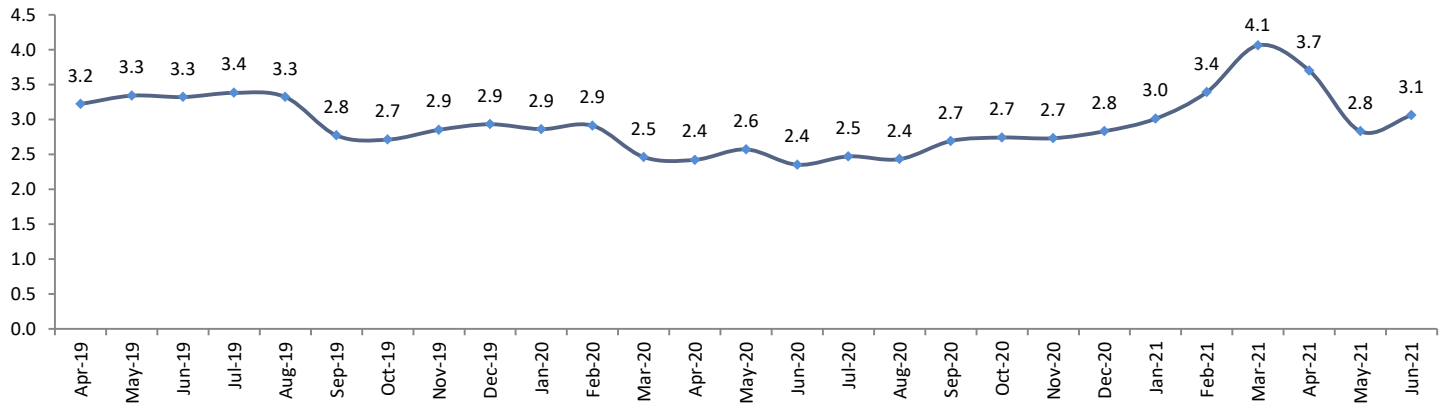
(₹ Crs)	Q1FY22	Q4FY21	% qoq	Q1FY21	%yoy
Revenue from Operations	91.0	93.8	-3.0%	67.9	34.1%
Employee Cost	9.5	11.9	-19.8%	10.5	-9.0%
Other Expenses	6.7	4.5	48.0%	9.3	-28.4%
EBIDTA	74.9	77.5	-3.4%	48.1	55.5%
EBIDTA Margin (%)	82.2%	82.6%	-32 Bps	70.9%	1133 Bps
Other Income	11.8	6.5	81.8%	13.2	-10.3%
Depreciation	4.3	3.6	18.0%	4.4	-3.8%
EBIT	82.4	80.4	2.6%	56.9	44.9%
EBIT Margin (%)	90.6%	85.6%	491 Bps	83.8%	673 Bps
Interest	0.5	0.5	13.8%	0.5	1.6%
EBT	81.9	79.9	2.5%	56.4	45.3%
Tax	19.8	19.0	4.1%	14.3	38.6%
PAT	62.1	60.9	2.0%	42.1	47.5%
PAT Margin (%)	68.2%	64.9%	336 Bps	62.0%	622 Bps
EPS	2.10	2.06	1.9%	1.41	48.9%

Source: Company, LKP Research

Story in Charts

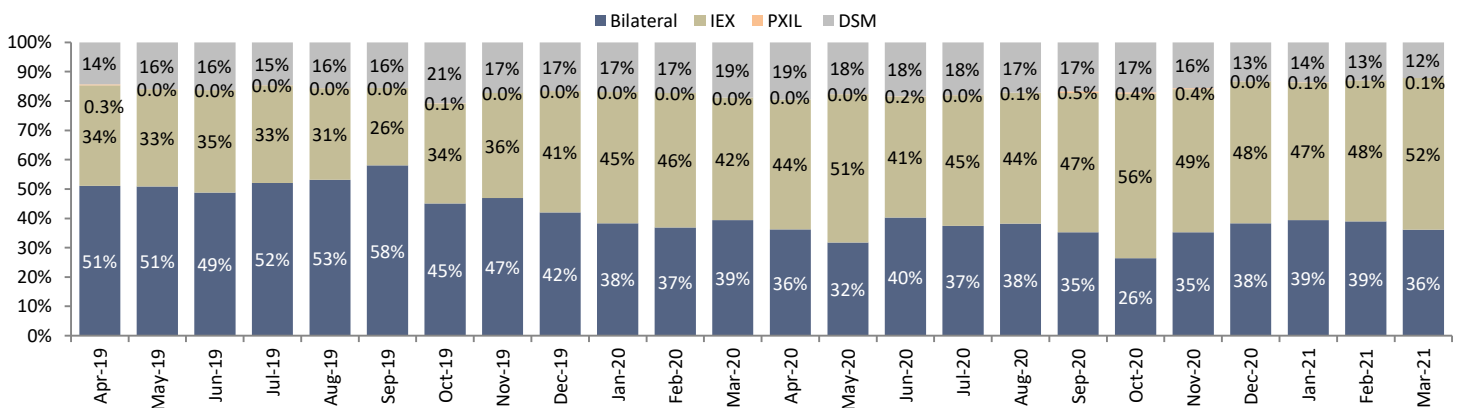
The average Market Clearing Price (MCP) in the DAM market witnessed a decline in the last three months on account of high sell bids leading to discovery of competitive prices and also providing optimization opportunities to the DISCOMs

Avg Market Clearing Price/unit



Source: Company, LKP Research

Market Share in Short Term Power Market



Source: Company, LKP Research

Outlook & Valuation

Over the last few quarters, while the entire economy is going through turmoil, IEX has achieved highest every volumes and profitability. In this quarter, the company witnessed growth across its product segments led by incremental demand and gradual shift from other power markets. The country as a whole is going through an energy transformation with an aim of developing the power sector. IEX will be a key player in this transformation through its efforts on continuously launching new products, building capacities and providing greater consumer satisfaction. We expect the company to grow its revenues at a double digit CAGR for the next few years sustaining the current margin levels.

We maintain our BUY recommendation on IEX with an updated target price of ₹519 valued using DCF method.

Income Statement

Particulars (₹ in Cr)	2018	2019	2020	2021	2022E	2023E	2024E
Income							
Revenue From Operations(Gross)	230.4	254.1	257.1	317.9	395.5	465.4	519.2
Revenue From Operations(Net)	230.4	254.1	257.1	317.9	395.5	465.4	519.2
% Growth	10.5%	11.5%	-3.5%	8.7%	13.9%	15.0%	12.5%
Expenses							
Employee Benefit Expenses	24.1	24.8	33.2	44.4	50.6	59.6	62.3
Other Expenses	21.5	26.4	21.7	22.8	30.9	32.6	36.3
Total Expenses	45.6	51.3	55.0	67.2	81.5	92.1	98.7
EBITDA	184.9	202.8	202.2	250.6	314.1	373.3	420.6
EBITDA Margin	80.2%	79.8%	78.6%	78.9%	79.4%	80.2%	81.0%
Other Income	25.6	40.1	40.3	38.4	52.5	63.9	72.9
Depreciation and Amortization Expenses	10.3	10.4	15.2	16.5	17.2	17.8	18.5
EBIT	200.2	232.5	227.2	272.5	349.4	419.3	475.0
Finance Cost	0.2	0.7	1.6	2.1	2.6	3.0	3.4
Restated Profit / (Loss) before tax	200.0	231.7	225.6	270.4	346.8	416.3	471.6
Tax Expense	68.3	66.7	49.9	65.0	83.4	100.1	113.4
Profit / (Loss) for the year	131.7	165.0	175.7	205.4	263.4	316.2	358.2

Source: Company, LKP Research

Balance Sheet

Particulars (₹ in Cr)	2018	2019	2020	2021	2022E	2023E	2024E
Equities And Liabilities							
Shareholders' funds							
Share capital	30.16	30.19	29.83	29.85	29.85	29.85	29.85
Reserves and surplus	253.56	340.08	358.12	496.26	585.91	685.02	795.48
	283.72	370.27	387.95	526.11	615.76	714.87	825.33
Non-Controlling Interest	-	-	-	29.69	29.69	29.69	29.69
	283.72	370.27	387.95	555.80	645.45	744.56	855.02
Non-current liabilities							
Other Financial Liabilities	1.28	1.72	13.61	11.47	14.28	16.80	18.74
Long term Provisions	2.63	3.65	5.71	7.50	9.33	10.98	12.25
Deffered Tax Liabilities (Net)	14.68	24.41	24.43	26.98	26.98	26.98	26.98
Other Longterm Liabilities	0.14	0.17	0.18	1.16	1.44	1.69	1.89
	18.73	29.95	43.93	47.11	52.02	56.45	59.86
Current liabilities							
Trade payables	84.63	133.83	76.57	165.90	108.37	127.51	142.25
Other Financial Liabilities	165.60	153.56	139.42	192.31	239.32	281.58	314.15
Short term Provisions	0.17	0.36	0.09	0.11	0.14	0.16	0.18
Current Tax Laibilities (Net)	5.23	2.73	2.65	4.23	4.23	4.23	4.23
Other current liabilities	16.19	14.88	16.66	19.70	24.51	28.84	32.18
	271.81	305.34	235.38	382.25	376.56	442.32	492.99
Total	574.27	705.56	667.26	985.16	1,074.04	1,243.34	1,407.87
ASSETS							
Non-current assets							
Fixed assets							
Tangible assets	7.23	7.16	21.80	14.30	6.67	(1.08)	(8.95)
Capital work-in-progress	0.29	0.35	0.03	0.17	0.17	0.17	0.17
Right of use assets	-	-	-	10.37	10.37	10.37	10.37
Intangible assets	111.76	104.21	97.18	96.80	95.88	94.42	92.42
Intangible assets under development	0.24	0.90	3.81	6.48	6.48	6.48	6.48
Financial Assets:							
Non-current investments	77.56	202.22	196.75	112.16	112.16	112.16	112.16
Long-term loans and advances	1.38	1.71	0.46	1.19	1.19	1.19	1.19
Other fiancical assets	-	-	2.03	2.02	2.51	2.96	3.30
Deffered Tax Assets (Net)	-	-	-	3.40	3.40	3.40	3.40
Non-current tax assets (net)	1.02	0.99	0.21	0.76	0.76	0.76	0.76
Other non-current assets	1.27	0.64	0.39	0.63	0.78	0.92	1.02
	200.74	318.18	322.65	248.27	240.38	231.75	222.33
Current assets							
Inventories					-	-	-
Investment	190.91	272.44	311.82	600.65	600.65	600.65	600.65
Financial Assets:							
Trade receivables	0.22	45.89	0.19	3.20	3.98	4.68	5.22
Cash and Bank balances	53.10	50.82	12.86	46.05	35.37	16.58	35.36
Other Balances with Banks	61.26	16.80	14.78	57.82	157.82	347.82	497.82
Short-term loans and advances	0.03	0.03	2.08	1.84	1.84	1.84	1.84
Other financial assets	67.01	0.13	0.30	0.23	0.28	0.33	0.37
Other current assets	0.99	1.29	2.58	27.10	33.73	39.69	44.27
	373.52	387.39	344.60	736.88	833.67	1,011.59	1,185.54
Total	574.27	705.56	667.26	985.16	1,074.04	1,243.34	1,407.87

Cash Flow

Particulars (₹ in Cr)	2018	2019	2020	2021	2022E	2023E	2024E
CASH FLOW FROM OPERATING ACTIVITIES							
Profit / (Loss) before Tax	200.0	231.7	225.6	270.4	346.8	416.3	471.6
Depreciation and Amortization	10.3	10.4	15.2	16.5	17.2	17.8	18.5
Interest (net)	(4.6)	(2.6)	(0.0)	(0.9)	(7.2)	(18.1)	(26.8)
Other Operating Activities	(20.1)	(36.3)	(37.6)	(34.4)	-	-	-
Working capital changes	(2.5)	(5.4)	(28.2)	119.6	(8.9)	62.9	48.5
Income tax paid	(51.8)	(59.6)	(49.1)	(64.9)	(83.4)	(100.1)	(113.4)
NET CASH GENERATED BY OPERATING ACTIVITIES (A)	131.2	138.3	126.0	306.4	264.6	378.8	398.4
CASH FLOWS FROM INVESTING ACTIVITIES							
Capital Expenditure	(120.4)	(3.6)	(7.8)	(21.0)	(8.6)	(8.6)	(8.6)
Change in Investments	83.2	(66.2)	3.7	(176.6)	(100.0)	(190.0)	(150.0)
Other Investing Activities	3.7	7.6	1.6	1.5	9.7	21.2	30.1
NET CASH GENERATED / (USED) IN INVESTING ACTIVITIES (B)	(33.4)	(62.1)	(2.5)	(196.1)	(98.9)	(177.5)	(128.5)
CASH FLOW FROM FINANCING ACTIVITIES							
Interest paid	(0.0)	(0.0)	(0.8)	(0.6)	(2.6)	(3.0)	(3.4)
Dividend paid including DDT	(127.1)	(80.1)	(90.0)	(74.7)	(173.8)	(217.1)	(247.8)
Other Financial Activities	0.9	1.7	(70.6)	(1.8)	(0.0)	-	-
NET CASH GENERATED / (USED) IN FINANCING ACTIVITIES (C)	(126.3)	(78.4)	(161.4)	(77.1)	(176.3)	(220.1)	(251.1)
Net Change in Cash (A+B+C)	(28.5)	(2.3)	(38.0)	33.2	(10.7)	(18.8)	18.8
Cash & cash equivalents at the end of the year	53.1	50.8	12.9	46.0	35.4	16.6	35.4

Source: Company, LKP Research

Financial Ratios

Particulars (₹ in Cr)	2018	2019	2020	2021	2022E	2023E	2024E
Per Share Data (INR)							
EPS	4.34	5.44	5.87	6.86	8.79	10.56	11.96
Cash EPS	4.68	5.79	6.37	7.41	9.37	11.15	12.58
BV/Share	9.35	12.21	12.95	17.56	20.56	23.86	27.55
DPS	2.20	-	2.50	2.50	4.40	5.28	5.98
Payout (%)	51%	0%	43%	36%	50%	50%	50%
Growth Ratios (%)							
Sales Growth	16.01%	10.25%	1.20%	23.61%	24.44%	17.66%	11.57%
EBIDTA Growth	28.87%	9.71%	-0.33%	23.98%	25.31%	18.85%	12.68%
EBIT Growth	14.89%	16.11%	-2.28%	19.95%	28.21%	20.03%	13.27%
EBT Growth	15.04%	15.88%	-2.64%	19.87%	28.23%	20.05%	13.28%
PAT Growth	15.94%	25.32%	6.48%	16.91%	28.23%	20.05%	13.28%
Valuation Ratios (x)							
P/E	102.17	81.52	75.62	64.69	50.44	42.02	37.09
Cash P/E	94.77	76.68	69.59	59.87	47.36	39.78	35.27
EV/Sales	57.88	52.69	51.57	41.48	33.11	27.77	24.57
EV/EBITDA	72.15	66.00	65.60	52.60	41.70	34.63	30.33
P/B	47.42	36.34	34.25	25.26	21.58	18.59	16.10
Mcap/Sales	58.38	52.95	51.68	41.81	33.60	28.55	25.59
Operating Ratios							
Fixed Asset Turnover Ratio (x)	1.93	2.27	2.16	2.86	3.85	4.98	6.21
Asset Turnover Ratio (x)	0.40	0.36	0.39	0.32	0.37	0.37	0.37
Trade Receivables Days	0.34	65.92	0.26	3.67	3.67	3.67	3.67
Trade Payables Days	134.04	192.25	108.70	190.51	100.00	100.00	100.00
Profitability Ratios							
EBITDA Margin (%)	80.2%	79.8%	78.6%	78.9%	79.4%	80.2%	81.0%
EBIT Margin (%)	86.9%	91.5%	88.4%	85.7%	88.3%	90.1%	91.5%
EBT Margin (%)	86.8%	91.2%	87.7%	85.1%	87.7%	89.5%	90.8%
PAT Margin (%)	57.1%	65.0%	68.3%	64.6%	66.6%	68.0%	69.0%
Return Ratios							
ROE (%)	46.41%	44.57%	45.29%	39.05%	42.78%	44.24%	43.41%
ROCE (%)	66.20%	58.09%	52.60%	45.20%	50.09%	52.35%	51.92%
ROA (%)	22.93%	23.39%	26.33%	20.85%	24.53%	25.44%	25.45%
Liquidity & Leverage Ratios							
Current Ratio (x)	1.37	1.27	1.46	1.93	2.21	2.29	2.40
Interest Coverage Ratio (x)	883.59	316.64	145.11	132.62	136.63	139.38	141.51
Net Debt/Equity Ratio (x)	(0.40)	(0.18)	(0.07)	(0.20)	(0.31)	(0.51)	(0.65)
Financial Leverage	2.02	1.91	1.72	1.87	1.74	1.74	1.71

Source: Company, LKP Research

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