

26th October 2021

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Q2FY22 Update – Strong Quarter – Robust Volumes

Important Statistics

Q2FY22 Result Snapshot

- IEX delivers the robust quarterly performance till date.
- Q2FY22 sees 58% YoY growth in electricity volumes-highest ever quarterly volume at 25,976 MU.
- PAT grows 74.5% YoY with PAT margin at ~63%; total revenues grew 55% YoY.
- Volume momentum to sustain with launch of new products in quarters ahead.
- The Board of Directors considered two bonus shares for each equity share.

M.CAP (₹ bn)	~₹230bn
52 Week H/L (₹)	956 / 181
NSE Code	IEX
BSE Code	540750

Key takeaways from Q2FY22 result

- **Volumes**
 - The electricity volumes came in at 25,976 MU in Q2FY22 as compared to 16,487 MU in Q2FY21, growth of 58% YoY.
 - **The growth was driven by :**
 - Competitive power prices creating traction with the distribution utilities as well as the industrial consumers
 - Growing consumption of electricity
 - Strong traction in market segments such as real time market and green market.
- **Real Time Electricity Markets (RTM)**
 - RTM has received an incredible response from the market participants since its commenced operations on June 1, 2020.
 - The market clocked on an average of 1.75 BU for four consecutive months i.e. from June'21 to Sep'21 vs 1 BU average for Dec'20 to March'21 period.
 - RTM on consistent basis contributing on an average ~20% in total volume in H1FY22.
- **New Products to sustain volume growth**

IEX is planning to launch new products during H2FY22.

 - **Long Duration Contracts (LDC)**
 - The decade old jurisdiction battle between SEBI and CERC is settled in respect of jurisdiction of long duration forwards and futures,paving the way to launch LDC.
 - The company is well prepared in terms of technology to launch the product once CERC approval on the same is received.
 - Market size of LDC is ~44 BU- This will help IEX to capture good share from bilateral category.
 - **Green-DAM (G-DAM)**
 - The CERC in a recent order, approved the introduction of the G-DAM in a restricted manner.
 - Post approval, it is expecting to launch sometime in Q3FY22.

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➤ **Market based economic despatch(MBED)**

- The Ministry of Power (MoP) issued a Press Release stating that MBED is expected to be operational through Exchanges on April 1, 2022.
- Launch of MBED will spurt volumes with all inter state generating capacity hitting on the exchange platform.
- The management mentioned that it is possible to launch MBED without market coupling.
- CERC will decide on transaction charges as it has the domain.

➤ **Other**

○ **IGX**

- During the quarter, IGX traded approximately 10 lakh MMBTU in terms of volume as against cumulative volume of 15 lakh MMBTU since inception.
- The company expects IGX to breakeven in H1FY23 as against in H2FY22 due to decline in imported volumes due to spurt in gas prices.

○ **Guidance**

- The management mentioned that going forward it will be able to sustain volume growth.
- There will be variance in MoM volumes but on quarterly basis volume growth should sustain.

Risks

The company operates in the power trading sector, where decline in demand could impact growth. The volatility could also impact margins and profitability.

View

While the growing electricity consumption has been one of the key factors behind the consistent performance of IEX, its robust value proposition in terms of competitive prices, flexibility and efficient procurement positions IEX as the most preferred destination for power procurement.

The stock has gained ~100% in last six months on the back of robust volume growth of ~50% in H1FY22 and exciting market proposals like MBED which will spurt volume growth on exchange platform.

We feel IEX is a good long term play considering its monopoly position, compelling business model and opportunities in the power trading sector.

We recommend investors to Add on Decline.

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Quarterly Performance

(₹ Cr)

	Q2FY22	Q2FY21	YoY%	Q1FY22	QoQ%	FY21	FY20	YoY
Electricity Volume (MU)	25,976	16,487	58%	21,340	22%	73,965	53,861	37%
REC Volume (in '000)						696.7	6027	-88%
Revenue	110.4	70.9	56%	91.0	21%	317.1	257.0	23%
Other Income	11.9	7.8	53%	11.8	1%	40.3	40.1	0%
Total Revenue	122.3	78.7	55%	102.9	19%	357.4	297.2	20%
Operating Expenses	15.3	15.5	-1%	16.2	-5%	57.7	52.6	10%
EBITDA	107.0	63.2	69%	86.7	23%	299.7	244.6	23%
EBITDA Margin %	87%	80%	9%	84%	4%	84%	82%	2%
Dep	4.4	4.3	3%	4.3	3%	15.9	15.9	0%
Fin Cost	0.5	0.5	-8%	0.5	-6%	2.1	1.6	31%
PBT	102.1	58.5	75%	81.9	25%	281.8	227.2	24%
Tax	24.7	14.1	75%	19.8	25%	68.3	49.9	37%
PAT	77.4	44.3	75%	62.2	24%	213.5	177.3	20%
EPS	2.60	1.49	74%	2.10	24%	7.15	5.96	20%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Indian Energy Exchange Ltd. (IEX) as on October 26, 2021

Name of the Security	Indian Energy Exchange Ltd. (IEX)
Name of the analyst	Harshil Gandhi
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	Yes
Date of Investment	2 nd November 2020 and 4 th November 2020
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
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