

27<sup>th</sup> January 2021

CMP – ₹232/-

View – **Add on Decline****Q3FY21 Update – Strong Quarter – Robust Volumes****Important Statistics**

- IEX delivers the most robust quarterly performance till date.
- Q3FY21 sees 61.8% YoY growth in electricity volumes.
- PAT grows 39.5% YoY with PAT margin at 60.5%; revenues grow 38.4% YoY
- Indian Gas Exchange secures PNGRB authorisation to become India's first delivery-based exchange.
- Company announces interim dividend of 250%.

<b>M.CAP (₹ bn)</b>	₹70
<b>52 Week H/L (₹)</b>	253.25/116
<b>NSE Code</b>	IEX
<b>BSE Code</b>	540750

**Key takeaways from Q3FY21 result**

- **Volumes**
  - Owing to the significant uptick in electricity demand, the quarter registered highest ever volumes on the exchange platform.
  - The electricity volumes came in at 20,175 MU in Q3FY21 as compared to 12,472 MU in Q3FY20, growth of 61.8% YoY.
  - Despite 43% growth in Day Ahead Market, the prices on the exchange remained subdued at ₹2.76 per unit, seeing a decline of 2% YoY.
  - The Real-time electricity registered an all time high monthly volume of 1129 MU in December since its commencement on June 1, 2020.
- **Renewable Energy Certificates (REC)**
  - Due to delays in resolution of impending matter in Appellate Tribunal for Electricity regarding REC, the trade in REC did not take place even during Q3FY21.
  - Under normal circumstances, 80-90 lac of REC transaction takes place for the year- down to 10 lac REC trades for YTD FY21.
  - The management believes that the pent up demand wont go away as renewable purchase obligations would continue and obligated entities will have to buy REC as and when the trading commences as there has been no waiver for the same till now.
- **Long Duration Contracts**
  - The Exchange has filed a petition for the launch of Long Duration Contracts (LDC) in CERC and is awaiting commencement of proceedings and approval in the matter from regulator.
  - MCX has entered into a licensing agreement with IEX to launch Electricity derivatives. The derivatives will be linked to IEX spot electricity prices on MCX trading platform.
  - The agreement is subject to necessary approvals from the central government and concerned regulators.
- **Gas Exchange**
  - Adani Total Gas & Torrent Gas became the first strategic investor in Indian Gas Exchange (IGX) by acquiring 5% stake each at par.
  - With respect to future divestment, the company mentioned it will want to hold atleast 51% and retain major shareholding.
  - The company has identified 5-6 strategic partners for divesting stake in IGX.

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- The Exchange now has 16 members and more than 500 registered clients.
- With three physical hubs at Hazira and Dahej in Gujarat and KG Basin in Andhra Pradesh, IEX has already traded 75000 MMBTU since its launch in June 2020.
- It also has plans to introduce two new hubs - one in Dhabol, Maharashtra and other in West Bengal, subject to regulatory approvals.

➤ **Opportunity**

- Ministry of Power introduced a draft proposal on December 04, 2020 enabling the distribution utilities to exit from the Power Purchase Agreement after completion of the term.
- This initiative will enable more buying by the utilities and sale of power by generators on the exchange.
- Incremental demand in power being met via exchanges because of lower prices on exchanges.
- Phasing of old power plants would result in shift in volumes to exchanges

➤ **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**

The company has seen robust volume growth for the quarter led by the rebound in industrial activities and electricity consumption. With increase in industrial activities, the company expects strong volume growth for the ongoing quarter as it has seen good exchange volumes for the first three weeks of the current quarter.

IEX has a long runway for growth with the introduction of long duration contracts, initiatives like entry into cross border trading and scaling up of gas trading.

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)				
	Q3FY21	Q2FY21	QoQ%	Q3FY20	YoY%
Electricity Volume (MU)	20,175	16,486	22%	12,472	62%
REC Volume (in '000)				1,138	
<b>Revenue</b>	<b>85</b>	<b>71</b>	<b>20%</b>	<b>60</b>	<b>42%</b>
Other Income	11	8	37%	10	10%
Total Revenue	96	79	22%	69	38%
Operating Expenses	13	15	-17%	12	7%
<b>EBITDA</b>	<b>83</b>	<b>63</b>	<b>31%</b>	<b>57</b>	<b>44%</b>
<b>EBITDA Margin %</b>	<b>87%</b>	<b>80%</b>	<b>8%</b>	<b>83%</b>	<b>5%</b>
Dep	4	4	-7%	4	-2%
Fin Cost	1	1	2%		#DIV/0!
PBT	78	58	34%	53	47%
Tax	18	14	29%	11	66%
<b>PAT</b>	<b>60</b>	<b>44</b>	<b>36%</b>	<b>42</b>	<b>42%</b>
EPS	2.01	1.49	35%	1.42	42%

Source: Company Filing, Way2wealth Research

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**Disclosure of Interest Statement Indian Energy Exchange Ltd. (IEX) as on January 27, 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
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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