

Q2FY23 Update – Subdued Quarter

Important Statistics

Q2FY23 Result Snapshot

- IEX achieves – 11% YoY volume de-growth in Q2FY23.
- High prices on the exchange platform will impact volumes in near term
- Gas exchange picking up but not contributing meaningfully
- Easing of supply side constraint will bring back volumes on the exchange platform
- Approved the proposal for buy back at 200/share via open market

M.CAP (₹ bn)

~₹130bn

52 Week H/L (₹)

303.80 / 133.85

NSE Code

IEX

BSE Code

540750

Key takeaways from Q2FY23 result

Volumes

- The electricity volumes came in at 23.1 BU in Q2FY23 as compared to 26 BU in Q2FY22, de-growth of 11 % YoY. However, during H1FY23 the volumes declined marginally by 2%.
- **The volumes got impacted due to:**
 - There was supply side constraint on the exchange platform as imported coal and gas prices were at record high levels and domestic coal e-auction prices were also on the higher side.
 - E-auction coal prices were 293% up on YoY basis as compared to 376% in Q1FY23 leading to higher cost of power and eventually the price discovered on the exchange platform was higher.
 - To manage the power crisis- supply of coal was reduced to e-auction and priority was given to PPA. The same is reflected in the reduction in availability of coal to e-auction by 63% on yoy basis in first five months of FY23.
- **To put it simply: Reduction in availability of coal – Higher input cost-Leading to higher power price on the exchange platform.**

New Initiatives

- The Ministry of Power issued proposal for High Price-Day Ahead Market (HP-DAM) which will facilitate generators with a high variable cost exceeding ₹12 to participate in this exchange. This will ensure availability of power during high demand period even at slightly higher cost. It is expected to be launched within next one month.
- General Network Access (GNA) is expected to be implemented from 1st January,2023 and implementation of GNA will be more conducive towards market development as it will remove the anomalies of transmission charges which are currently being paid by both buyer and seller in certain segments.
- With the primary intervention of the Indian government to raise the domestic production of coal has drastically improved the coal inventory. With the rationalisation of power prices on the exchange the volumes are expected to improve further.
- The average Day Ahead Market prices increased to ₹5.40 per unit during Q2 FY23, as against ₹4.14 in Q2 FY22. However, the average Day Ahead Market price was ₹7.76 per unit during Q1 FY23.

Shareholding Pattern(%)

Sep'22

Promoter Holding

-

FII

15.79

DII

22.4

Public

61.53

Others

0.28

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CMP – ₹148.05/-

View – **Hold**

- Going forth, easing supply-side constraints and lower demand in the impending winter season, the company expects an increase in liquidity on the exchange platform leading to reduction in prices, which will provide opportunity to discoms to optimize their power procurement and commercial and industrial consumers to buy cheaper power.
- During the quarter, IEX added new products to the existing Longer Duration Contracts portfolio such as Daily contracts upto 90 days, Weekly contracts for up to 12 weeks and Monthly contracts for a period of upto 3 months.

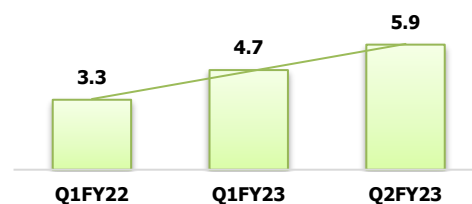
➤ **IGX**

- IGX has been achieving consistent growth in terms of volumes as well as eco-system development, reflected in below charts.
- IGX clocked PAT of ₹2.42Cr vs PAT of ₹~1.5Cr in the previous quarter year, witnessing a growth of 111% on QoQ basis.

➤ **Open Market BuyBack**

- The company approved the proposal for buyback at a price not exceeding ₹200/share and for an aggregate amount not exceeding ₹98Cr via Open Market route.
- At the maximum buyback size and maximum buyback price, the indicative maximum number of equity shares to be bought back would be 49 lac representing 0.55% of equity share capital.

Gas Volumes (MMBTU)



Risks

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

View

The fiscal began on a challenging note at IEX with increase in demand coupled with high input cost leading to high energy prices on the exchange platform resulting in loss of volumes. Despite the challenges, the volumes de-grew marginally by 2%.

The management mentioned that the supply side challenges have eased as compared to H1FY23 reflected in improving coal stock position.

Having said that, IEX is optimistic on the volume growth front in medium to long term due to various policy and regulatory interventions along with new product launches, although the near term outlook appears to be subdued owing to price capping and power supply shortage.

Hence, we recommend investors to Hold the stock.

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View – Hold

Quarterly Performance

(₹ Cr)

	Q2FY23	Q2FY22	YoY%	Q1FY23	QoQ%	FY22	FY21	YoY
Electricity Volume (BU)	21.2	26.0	-18%	22.2	-5%	95.6	74	29%
REC + ESCERT Volume (BU)	1.9			1.2	58%	6.4	0.7	814%
Total Volume (BU)	23.1	26.0	-11%	23.4	-1%	102	74.7	37%
Revenue	95.2	110.4	-14%	98.0	-3%	431.0	317.1	36%
Other Income	18.6	11.9	56%	15.0	24%	53.4	40.3	33%
Total Revenue	113.8	122.3	-7%	113.0	1%	484.4	357.4	36%
Operating Expenses	16.2	15.3	6%	17.0	-5%	67.4	57.7	17%
EBITDA	97.6	107.0	-9%	96.0	2%	417.0	299.7	39%
EBITDA Margin %	86%	87%	-2%	85%	1%	86%	84%	3%
Dep	4.6	4.4	4%	4.0	14%	17.2	15.9	9%
Fin Cost	1.0	1.0	0%	1.0	0%	2.0	2.1	-4%
Share in profit of associate	1.1		-	1.0	14%	1.4		
PBT	93.1	101.6	-8%	92.0	1%	399.2	281.8	42%
Exceptional Item						6.0		
Tax	22.4	24.7	-10%	23.0	-3%	96.6	68.3	41%
PAT	70.8	76.9	-8%	69.0	3%	308.6	213.5	45%
EPS	0.79	0.87	-9%	0.77	3%	3.45	2.30	50%

Source: Company Filing, Way2wealth Research

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View – Hold

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Disclosure of Interest Statement Indian Energy Exchange Ltd. (IEX) as on November 29, 2022

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	
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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