

- ❑ The company reported good set of numbers for the quarter under review with revenue from operations increased by 34.1% year-on-year to ₹910 million on consolidated basis. During the quarter, electricity volume on the exchange grew by 42.9% on a year-to-year basis and it was 21,266 MU. The significant growth in volume was driven by substantial increase in electricity consumption as well as the competitive price discount on the exchange platform, besides other factors such as the availability of adequate domestic coal and vibrant performance of the new market segments such as Term Ahead Markets (TAM) and Green TAM.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 55.5% year-on-year to ₹749 million with an operating margin of 82.2%. The company reported PAT of ₹628 million, increase by 49.2% year-on-year with a net margin of 69% translating into EPS of ₹2.10 per share for the quarter.
- ❑ As an significant achievement, IEX successfully commenced cross border electricity trades. Nepal is the first country to have joined the platform from 17 April, 2021, and is participating regularly. The company is in discussion with Bangladesh and Bhutan and is expecting that both the countries will also start installations shortly.
- ❑ The real-time markets completed one year of its launch on June '21. It has been one of the fastest growing market segments on the exchange. Recently, the costal distribution companies, who were impacted by the cyclonic disturbances, Tauktae and YaaS, could significant rely on the real-time market to support their power supply to affected areas.
- ❑ The Electricity Amendment Bill 2021 aims to de-license power supply, allowing multiple distributors in the same area and giving consumers the option to switch power supplier is expected to be introduced in the Monsoon Season of the Parliament. These initiatives are pro-power market and are expected to increase sale of power by the generators as well as increased procurement by the utilities through the Exchange Market.
- ❑ The company is planning new market segment launches such as Longer Duration, Derivatives , Green Day Ahead & Integrated Day-Ahead Market. Given the company's leadership in the growing industry, favorable regulatory tailwinds, high operating margins and growth prospects. We maintain our **BUY** rating on IEX with a revised target price of **₹525 per share**.

Financials:

(In ₹ mn)	Q1-FY22	Q1-FY21	Chg	3M-FY22	3M-FY21	Chg
Net Sales	910	679	34.1%	910	679	34.1%
Operating Expense	162	198	-18.1%	162	198	-18.1%
EBITDA	749	481	55.5%	749	481	55.5%
Other Income	118	132	-10.3%	118	132	-10.3%
Depreciation	43	44	-3.8%	43	44	-3.8%
EBIT	824	569	44.9%	824	569	44.9%
Interest	6	5	1.7%	6	5	1.7%
PBT	819	564	45.3%	819	564	45.3%
Tax	198	143	38.6%	198	143	38.6%
Exceptional Items	-	-		-	-	
PAT	621	421	47.5%	621	421	47.5%
Minority /Other Adj.	7	-		7	-	
Consolidated PAT	628	421	49.2%	628	421	49.2%

Margins	Q1-FY22	Q1-FY21	Chg BPS	3M-FY22	3M-FY21	Chg BPS
Operating Margin %	82.2%	70.9%	1133	82.2%	70.9%	1133
Net Margin %	68.2%	62.0%	622	68.2%	62.0%	622

Consolidated Financials:

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	2,571	3,179	4,005	4,606
Operating Expense	550	672	847	974
EBITDA	2,022	2,506	3,158	3,632
Other Income	403	384	484	556
Depreciation	152	165	251	288
EBIT	2,272	2,725	3,391	3,899
Interest	16	21	21	21
Misc. items	-	-	-	-
PBT	2,256	2,704	3,370	3,879
Tax	499	650	810	933
Minority Interest	-	7	-	-
PAT	1,757	2,061	2,560	2,946

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	1.2%	23.6%	26.0%	15.0%
Operating Margin %	78.6%	78.9%	78.9%	78.9%
Net Margin %	68.3%	64.8%	63.9%	64.0%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Liabilities				
Equity Share Capital	386	299	299	299
Reserves & Surplus	3,493	5,016	7,576	10,522
Total Shareholder's Funds	3,880	5,314	7,874	10,820
Minority Interest	-	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	195	183	183	183
Deferred Tax Liability	244	270	270	270
Short-term Liabilities	2,354	3,506	4,417	5,080
Total	6,673	9,272	12,744	16,352
Assets				
Net Fixed Assets	1,228	1,110	1,435	1,400
Long-Term L&A	7	12	12	12
Non Current Investments	1,967	1,513	1,513	1,513
Other Non-Current Assets	24	137	137	137
Current Asset	3,446	6,500	9,646	13,290
Total	6,673	9,272	12,744	16,352

Key Ratios	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	5.9	6.9	8.5	9.8
P/E (x)	74.0	63.1	50.8	44.1
P/B (x)	33.5	24.5	16.5	12.0
ROE	45.3%	38.8%	32.5%	27.2%

Source: Company, Anand Rathi Research

Key Risks:

- Regulatory Risks.
- Credit Risk.
- System Risk.
- Cyber Security Risk.
- Technology Risk.
- Liquidity Risk.



Rating and Target Price history:

IEX's rating history & price chart



IEX's rating details

Date	Rating	Target Price (₹)	Share Price (₹)
18-May-2021	Buy	460	377
29-Jul-2021	Buy	525	434

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 29 July 2021 close.

Source: Bloomberg, Anand Rathi Research

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