

Q1-FY23 Result Update

- ❑ The company reported moderate set of numbers for the quarter under review as revenue from operations increased by 8.0% YoY to ₹9,835 million, however on QoQ basis revenue declined by 12.3%. During the quarter, electricity volume on the exchange grew by 9.8% on a YoY basis to 23.4 BU, however on QoQ basis the volume declined by 13.3%. The volume comprised 20.64 BU in the conventional power market, 1.52 BU in the Green Market segment and 11.97 lac Certificates in the Renewable Energy Certificates (REC) Market equivalent to 1.2 BU.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 8.2% year-on-year to ₹810 million with an operating margin of 82.4%. The company reported PAT of ₹691 million, increase by 10.0% year-on-year with a net margin of 70.3% translating into EPS of ₹0.77 per share for the quarter.
- ❑ In the month of June, central electricity regulatory commission (CERC) approved Longer Duration Contracts for trading up to a period of 3 months. These contracts are called as Term Ahead Contracts. This will facilitate the DISCOMS to cater their demand for longer duration within the short-term market and optimize their procurement cost. This will increase market share of Exchanges in the overall power market.
- ❑ On the gas market front, The total number of participants at the Gas Exchange has increased to 30 with the addition of four new members: OPAL, HPCL, SHELL and GSPC. IGX also received approval from PNGRB to commence domestic gas trading on its platform. This development will help IGX fulfill its commitment to increase the sell side liquidity, along with creating more opportunities for the sale of domestic gas and the discovery of a unique price.
- ❑ Various policy and regulatory interventions which are underway are conducive to further growth and development of the power market. IEX is pro-actively working towards commencing Longer Duration Contracts in both electricity and renewable energy, National Open Access Registry, Ancillary Markets, Gross Bidding Contracts, and Capacity Markets, and are optimistic about commencing these segments in FY23.
- ❑ Given the company's leadership in the growing industry, favorable regulatory tailwinds, high operating margins and long term growth prospects. We maintain our **BUY** rating on IEX, with a revised target price of **₹205 per share** due to slower revenue growth.

Financials:

(In ₹ mn)	Q1-FY23	Q1-FY22	Chg
Net Sales	984	910	8.0%
Operating Expense	173	162	7.2%
EBITDA	810	749	8.2%
Other Income	150	118	
Depreciation	42	43	
EBIT	919	824	11.4%
Interest	5	6	
PBT	913	819	11.5%
Tax	227	198	
Exceptional Items	-	-	
PAT	686	621	10.4%
Minority /Other Adj.	-	7	
Consolidated PAT	686	628	9.2%

Margins	Q1-FY23	Q1-FY22	Chg BPS
Operating Margin %	82.4%	82.2%	14
Net Margin %	69.7%	68.2%	151



Consolidated Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	3,179	4,310	4,957	5,948
Operating Expense	672	674	999	956
EBITDA	2,506	3,637	3,957	4,992
Other Income	384	534	614	736
Depreciation	165	172	196	235
EBIT	2,725	3,998	4,375	5,493
Interest	21	20	20	20
Misc. items	-	60	-	-
PBT	2,704	4,038	4,355	5,473
Tax	650	966	1,042	1,309
Minority Interest	7	21	-	-
PAT	2,061	3,093	3,313	4,164

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	23.6%	35.6%	15.0%	20.0%
Operating Margin %	78.9%	84.4%	79.8%	83.9%
Net Margin %	64.8%	71.7%	66.8%	70.0%

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Liabilities				
Equity Share Capital	413	1,041	1,041	1,041
Reserves & Surplus	4,848	5,993	9,306	13,470
Total Shareholder's Funds	5,261	7,034	10,347	14,511
Minority Interest	297	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	201	168	168	168
Deferred Tax Liability	236	223	223	223
Short-term Liabilities	3,823	9,537	10,968	13,161
Total	9,818	16,962	21,706	28,064
Assets				
Net Fixed Assets	1,281	1,148	1,194	1,357
Long-Term L&A	23	19	19	19
Non Current Investments	1,122	1,061	1,061	1,061
Other Non-Current Assets	23	2	2	2
Current Asset	7,369	14,732	19,430	25,625
Total	9,818	16,962	21,706	28,064

Key Ratios	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	2.3	3.4	3.7	4.6
P/E (x)	72.3	48.2	45.0	35.8
P/B (x)	28.3	21.2	14.4	10.3
ROE	39.2%	44.0%	32.0%	28.7%

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	153	126
29-Jul-2021	Buy	175	145
11-Sep-2021	Buy	242	200
09-Nov-2021	Buy	317	261
27-Jan-2022	Buy	317	230
07-Jun-2022	Buy	270	178
09-Aug-2022	Buy	205	166

Source: Bloomberg, Anand Rathi Research
NOTE: Prices are as on 9 August 2022 close.



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Ratings Guide (12 months)	Buy	Hold	Sell
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