

Indian Energy Exchange

Estimate change	↔
TP change	↓
Rating change	↔

CMP: INR169 TP: INR193 (+14%) Neutral

Strong 3Q; slower volume growth and high base to be key challenges in FY26

Bloomberg	IEX IN
Equity Shares (m)	892
M.Cap.(INRb)/(USDb)	151 / 1.8
52-Week Range (INR)	244 / 129
1, 6, 12 Rel. Per (%)	-2/2/16
12M Avg Val (INR M)	2321

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	5.4	6.3	7.3
EBITDA	4.5	5.5	6.4
Adj. PAT	4.0	4.8	5.6
EPS (INR)	4.4	5.4	6.3
EPS Gr.%	16.0	20.4	17.2
BV/Sh. (INR)	12.9	15.5	18.7

Ratios

Net D:E	(0.3)	(0.5)	(0.6)
RoE (%)	37.8	37.7	36.7
RoCE (%)	37.0	37.0	36.1
Payout (%)	50.0	50.0	50.0

Valuation

P/E (x)	38.1	31.7	27.0
P/B (x)	13.2	10.9	9.1
EV/EBITDA (x)	32.5	26.5	22.2
Div. yield (%)	1.3	1.6	1.9

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	0.0	0.0	0.0
DII	32.8	31.5	26.3
FII	16.5	15.9	13.7
Others	50.7	52.6	60.0

FII includes depository receipts

- Indian Energy Exchange (IEX) reported standalone revenue for 3QFY25 at INR1,313m (+14% YoY), surpassing our estimate by 7%. Reported standalone PAT was 16% above our est. at INR1,031m (+28% YoY), primarily due to a 15.9% YoY rise in electricity volumes and other income.
- IEX's overall volumes rose ~17% YoY in 3QFY25, with electricity volumes rising 15.9% YoY and renewable (RE) volumes surging 31% YoY.
- IEX holds a dominant market position, with a combined market share of 85% in 9MFY25. Pending approvals for an 11-month contract and the Green RTM market are expected to enhance volume growth opportunities.
- We believe FY26 volume growth could fall short of expectations, given the high base in 9MFY25 and the recent deceleration in power demand growth. Clarity on long-dated contracts, a key catalyst, has been pending for some time. While concerns around market coupling have subsided somewhat, it remains a risk. We reiterate our Neutral rating on the stock with a TP of INR193.

Robust 3Q; outperforming expectations

- IEX reported standalone revenue for 3QFY25 at INR1,313m (+14% YoY), surpassing our estimate by 7%.
- Reported standalone PAT was 16% above our est. at INR1,031m (+16% YoY), driven by higher revenue from increased electricity volumes and other income.
- For 9MFY25, India's electricity demand stood at 1,279 BUs, a 5% increase YoY.
- Operational performance:**
 - In 3QFY25, electricity volumes were up 15.9% at 30.5 BUs. This was supported by robust coal availability, with inventories standing at 19 days.
 - Within the electricity volume segment, Day Ahead Market (DAM) was up 14% YoY. DAM prices declined 26% YoY to INR3.71/unit, offering Distribution Companies (Discoms) and Commercial & Industrial (C&I) consumers a cost-effective alternative to meet demand and replace more expensive power sources.
 - Term Ahead Market (TAM) volumes were down 49% YoY in 3QFY25.
 - Renewable Energy Certificates (RECs) traded in 3QFY25 stood at 2.65m (+31% YoY).
 - Within the Green Market segment, G-DAM delivered a strong performance, with volumes up 319%.
- In the Gas market, the Indian Gas Exchange (IGX) witnessed a 93% increase in traded volumes in 3QFY25, reaching 16.2m MMBtu. Reported PAT for 3QFY25 grew 13% YoY INR83m.
- The board declared an interim dividend of INR1.50/share for FY25 (record date: 31st Jan'25).

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Highlights of 3QFY25 performance**Performance highlights and market developments**

- Standalone profit increased 15.5% YoY to INR1,030m; consolidated profit grew 17% to INR1,070m.
- Electricity volumes grew 16% YoY in 3QFY25; 9MFY25 volumes rose 19% to 89BUs. RECs traded grew 31% YoY in 3QFY25 to 2.65m; RTM volumes rose 30% YoY to 9.3BUs.
- IGX trading volumes almost doubled YoY to 16.2m MMBTU in 3QFY25; cumulative 9MFY25 volumes reached 39.8m MMBTU (+24%).

Other highlights:

- IEX holds an 83-84% market share in the electricity segment and 60-65% in RECs.
- Market share for TAM and DAM is 40%, whereas for RTM and the collective market, it is nearly 100%.
- India's first coal exchange is expected to launch by 2025 under a regulatory framework.
- CERC is finalizing orders on long-duration contracts and has sought public feedback for Green RTM.

Valuation and view

- Our TP of INR193 for IEX is based on the following:
- We value the business at Dec-26E EPS of 6.0 with a PE multiple of 32x. This compares with the mean one-year forward P/E of 28x.
- We have not assumed any value for IGX stake in our valuation.

Standalone Quarterly Performance

Y/E March	(INR m)													
	FY24				FY25				FY24	FY25E	FY25E	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	%	%	%	
Net Sales	1,040	1,085	1,153	1,213	1,236	1,392	1,313	1,417	4,492	5,358	1,230	7%	13.9	-5.7
YoY Change (%)	5.8	14.0	15.0	13.3	18.8	28.3	13.9	16.8	12.0	19.3	6.7			
EBITDA	816	922	999	1,049	1,000	1,203	1,128	1,198	3,785	4,529	1,034	9%	13.0	-6.2
Margin (%)	78.4	84.9	86.6	86.5	81.0	86.4	85.9	84.5	84.3	84.5	84.1			
Depreciation	50	51	52	52	52	53	54	49	204	208	51	5%	4.3	1.4
Interest	7	7	7	7	7	7	7	8	28	28	8	-11%	-6.0	1.7
Other Income	232	244	258	282	308	286	285	122	1,016	1,002	204	40%	10.5	-0.2
PBT before EO items	991	1,108	1,198	1,271	1,249	1,429	1,353	1,263	4,568	5,294	1,179			
Extraordinary Inc / (Exp)	0	0	0	0	0	0	0	0	0	0	0			
PBT	991	1,108	1,198	1,271	1,249	1,429	1,353	1,263	4,568	5,294	1,179	15%	12.9	-5.3
Tax	250	279	305	320	315	368	322	329	1,154	1,334	293	10%	5.4	-12.7
Rate (%)	25.2	25.2	25.5	25.2	25.2	25.8	23.8	26.1	25.3	25.2	24.9			
JV and Associates	0	0	0	0	0	0	0	0	0	0	0			
Reported PAT	741	829	893	951	934	1,061	1,031	933	3,414	3,960	886	16%	15.5	-2.8
Adj PAT	741	829	893	951	934	1,061	1,031	933	3,414	3,960	886	16%	15.5	-2.8
YoY Change (%)	8.1	18.3	25.5	14.8	26.0	28.0	15.5	-1.8	16.7	16.0	-0.9			
Margin (%)	71.3	76.4	77.5	78.4	75.6	76.2	78.6	65.9	76.0	73.9	72.0			

IEX Valuation Table

Particulars	Units	Amount
Dec-26 EPS	INR	6.0
Valuation multiple	(x)	32
Target Price	INR	193
CMP	INR	169
Upside / (Downside)	%	14%

Source: MOFSL

**Highlights from the management commentary**

- **Financial performance and market overview**

- Electricity volumes in 3QFY25 grew 16% YoY, while total volumes for 9MFY25 increased 19% to 89BUs.
- Standalone profit stood at INR1,030m, reflecting a 15.5% YoY growth; consolidated profit rose 17% to INR1,070m.
- Consolidated revenue increased 13.7% YoY in 3QFY25 to INR1,605m, with consolidated PAT rising 16.9% to INR1,073m.
- The company declared an interim dividend of INR1.50/share.

- **Trading volumes and market segments**

- RECs: 2.65m RECs were traded in 3QFY25, reflecting a 31% increase YoY.
- RTM: Volumes grew 30% YoY in Q3FY25 to 9.3b units; cumulative volumes for nine months reached 29.3b units, reflecting a 29% growth.
- Green Market: Volumes rose over 300% in 3QFY25 to 2.5Bus compared to the previous year.
- DAM: Average prices in 3QFY25 were INR3.71/unit, down 26% YoY.

- **IGX performance**

- IGX traded 16.2m MMBTU in 3QFY25, up from 8.4m MMBTU in 3QFY24.
- Cumulative trading volumes for 9MFY25 stood at 39.8m MMBTU, reflecting a 24% growth YoY.
- Standalone profit for IGX was INR83m, a 13% YoY growth.
- Gas prices increased to USD14/MMBTU in 3QFY25 but are projected to decline to USD8-9/MMBTU by 2026-27, enhancing affordability and consumption.

- **Indian Coal Exchange (ICX) performance**

- ICX posted a profit of INR2m in 3QFY25 compared to an INR10m loss in the same period last year.
- Coal trading has yet to commence, pending government approval.

- **Regulatory updates and policy initiatives**

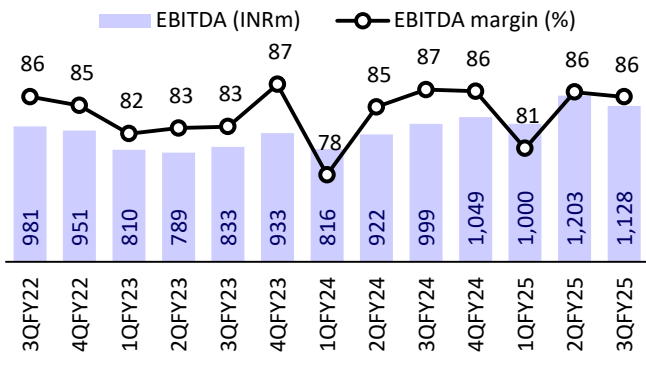
- Late Payment Surcharge (LPSC) Rules: Generating stations with long-term PPAs can now offer un-requisitioned power in the day-ahead and real-time markets.
- Deviation Settlement Mechanism (DSM) Regulation 2024: The regulation links deviation charges to grid frequency and narrows the permissible deviation levels for solar and wind generators to 10%.
- Carbon Market Framework: Carbon credit certificates will soon be traded on power exchanges.
- CERC is finalizing orders on long-duration contracts and has sought public feedback for Green RTM.

- **Market share and market coupling**

- IEX's market share for the collective segment, i.e. DAM and RTM, is ~100% and for TAM, it is ~40%, which translates into an overall market share of 83-84% in the electricity trading segment.
- In RECs, IEX holds a 60-65% market share.
- In light of potential market coupling, IEX has emphasized its focus on enhancing customer service.
- **Future outlook and market drivers**
- Emerging models, such as battery storage arbitrage and Virtual Power Purchase Agreements (VPPAs), are expected to drive market evolution.
- Competitive pricing in SECI's recent solar-plus-storage tender (INR3.52/kWh) signals future opportunities.
- Battery storage is expected to improve liquidity during non-solar hours and address peak demand.
- Plans are underway to establish India's first coal exchange by 2025 under a regulatory framework.
- Peak power demand is projected to reach 458GW by 2032, creating growth opportunities.
- Increasing renewable energy supply is anticipated to lower clearing prices and boost trading volumes.
- Amendments to LPSC rules and DSM Regulation 2024 will enhance liquidity in renewable markets.

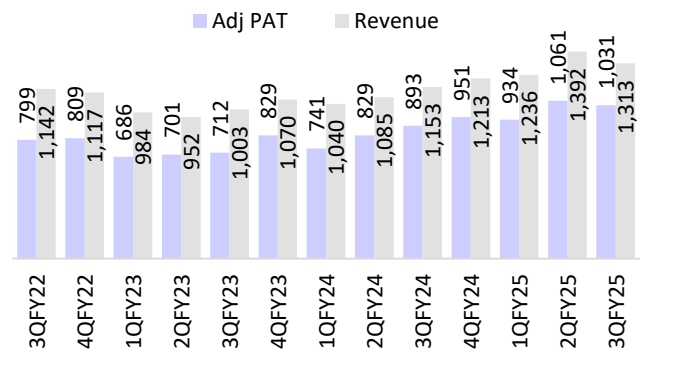
Story in charts – 3QFY25

Exhibit 1: Standalone EBITDA & EBITDA margin



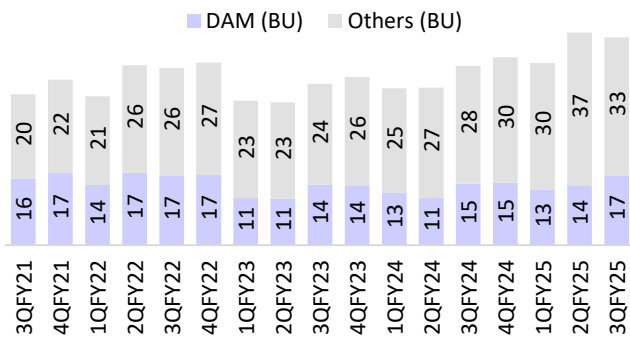
Source: Company, MOFSL

Exhibit 2: Standalone Revenue & PAT (INRm)



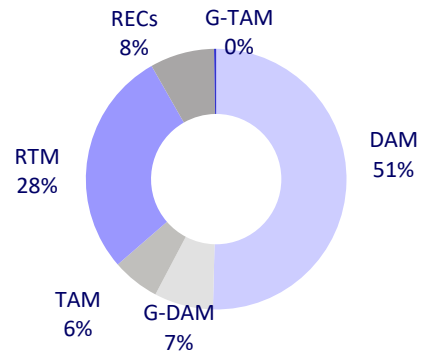
Source: Company, MOFSL

Exhibit 3: Share of DAM volumes in the total volume



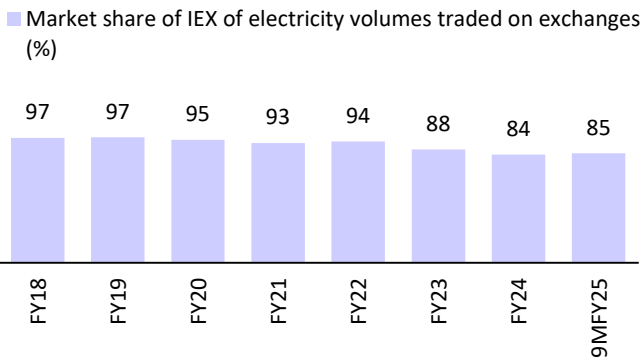
Source: Company, MOFSL

Exhibit 4: Volume break-up in 3QFY25



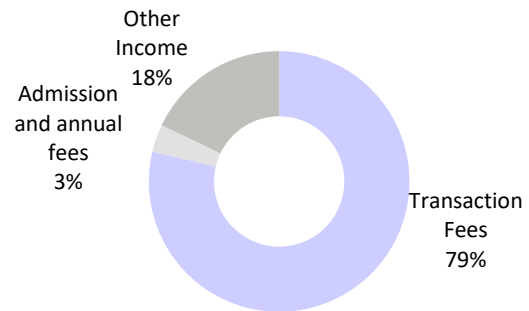
Source: Company, MOFSL

Exhibit 5: IEX's market share among exchanges



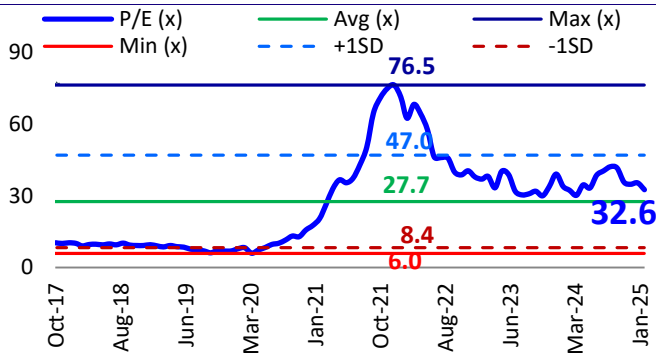
Source: Company, MOFSL

Exhibit 6: Break-up of standalone revenue for 3QFY25



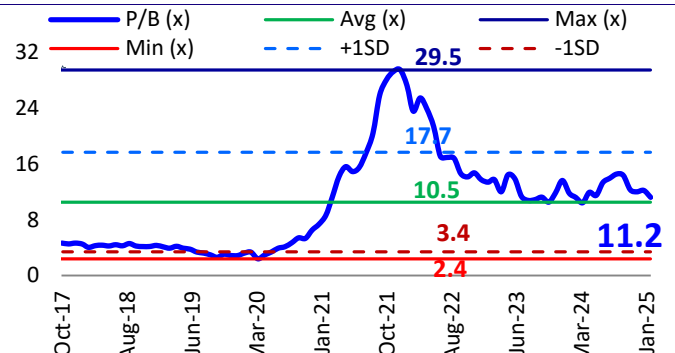
Source: Company, MOFSL

Exhibit 7: One-year forward P/E



Source: Company, MOFSL

Exhibit 8: One-year forward P/B



Source: Company, MOFSL

Financials and valuations

Standalone Income Statement

(INR m)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	4,009	4,492	5,358	6,306	7,349
Change (%)	-5.8	12.0	19.3	17.7	16.5
Transaction fees	3,807	4,289	5,150	6,092	7,129
Volumes (excl. REC) - BU	97	110	130	153	179
Other revenue	202	202	208	214	220
Total Expenses	644	707	829	848	957
Gross Profit	4,009	4,492	5,358	6,306	7,349
EBITDA	3,365	3,785	4,529	5,458	6,393
EBITDAM (%)	83.9	84.3	84.5	86.6	87.0
Deprn. & Amortization	186	204	208	197	201
EBIT	3,179	3,581	4,321	5,261	6,192
Net Interest	25	28	28	28	28
Other income	732	1,016	1,002	1,141	1,306
PBT	3,887	4,568	5,294	6,374	7,469
Tax	960	1,154	1,334	1,606	1,882
Rate (%)	24.7	25.3	25.2	25.2	25.2
Reported PAT	2,927	3,414	3,960	4,768	5,587
Adjusted PAT	2,927	3,414	3,960	4,768	5,587
Change (%)	-3.2	16.7	16.0	20.4	17.2

Standalone Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	891	891	891	891	891
Reserves	6,954	8,591	10,571	12,955	15,749
Net Worth	7,845	9,482	11,462	13,846	16,639
Deferred Tax Liability	220	307	307	307	307
Capital Employed	8,065	9,789	11,769	14,153	16,947
Gross Block	1,944	2,076	2,176	2,296	2,436
Less: Accum. Deprn.	842	1,046	1,255	1,451	1,653
Net Fixed Assets	1,102	1,007	898	822	761
Capital WIP	38	30	30	30	30
Investments	5,197	4,481	4,481	4,481	4,481
Curr. Assets	8,051	11,974	14,057	16,519	19,374
Account Receivables	70	863	863	863	863
Current Investments	6,847	8,617	8,617	8,617	8,617
Cash and Cash Equivalents	645	1,852	3,935	6,397	9,253
Cash balance	569	1,478	3,561	6,023	8,879
Bank balance	76	374	374	374	374
Others	489	642	642	642	642
Curr. Liability & Prov.	6,323	7,702	7,697	7,698	7,699
Account Payables	4,024	5,627	5,627	5,627	5,627
Provisions & Others	2,299	2,076	2,071	2,072	2,073
Net Curr. Assets	1,728	4,271	6,360	8,820	11,675
Appl. of Funds	8,065	9,789	11,769	14,153	16,947

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)					
EPS	3.3	3.8	4.4	5.4	6.3
Cash EPS	3.5	4.1	4.7	5.6	6.5
BV/Share	8.8	10.6	12.9	15.5	18.7
DPS	1.0	1.9	2.2	2.7	3.1
Payout (%)	30.4	50.0	50.0	50.0	50.0
Dividend yield (%)	0.6	1.1	1.3	1.6	1.9
Valuation (x)					
P/E	51.6	44.2	38.1	31.7	27.0
Cash P/E	48.5	41.7	36.2	30.4	26.1
P/BV	19.2	15.9	13.2	10.9	9.1
EV/EBITDA	44.7	39.4	32.5	26.5	22.2
Dividend Yield (%)	0.6	1.1	1.3	1.6	1.9
Return Ratios (%)					
RoE	39.4	39.4	37.8	37.7	36.7
RoCE (post-tax)	38.6	38.6	37.0	37.0	36.1
RoIC (post-tax)	79.7	95.4	95.8	119.8	144.1
Working Capital Ratios					
Fixed Asset Turnover (x)	3.6	4.5	6.0	7.7	9.7
Asset Turnover (x)	0.5	0.5	0.5	0.4	0.4
Debtor (Days)	6	70	59	50	43
Payable (Days)	366	457	383	326	279

Standalone Cash flow statement

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
(INR m)					
EBITDA	3,365	3,785	4,529	5,458	6,393
WC	-2,690	263	0	0	0
Others	30	14	0	0	0
Direct taxes (net)	-930	-1,061	-1,334	-1,606	-1,882
CF from Op. Activity	-225	3,001	3,195	3,852	4,510
Capex	-87	-132	-100	-120	-140
FCFF	-312	2,869	3,095	3,732	4,370
Interest income	79	228	225	225	225
Others	709	-357	566	681	378
CF from Inv. Activity	700	-262	691	786	463
Share capital	0	0	0	0	0
Borrowings	0	0	0	0	0
Finance cost	-2	-2	-28	-28	-28
Dividend	-897	-1,780	-1,980	-2,384	-2,794
Others	-1,249	-49	205	236	704
CF from Fin. Activity	-2,148	-1,831	-1,803	-2,176	-2,118
(Inc)/Dec in Cash	-1,673	909	2,083	2,462	2,856
Opening balance	2,242	569	1,478	3,561	6,023
Closing balance	569	1,478	3,561	6,023	8,878

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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