

Indian Energy Exchange

India | Utilities | Result Update



Sustained volume momentum

24 January 2025

In Q3FY25, Indian Energy Exchange (IEX IN) demonstrated robust performance with a 16% YoY increase in total electricity volume to 30BU, driven by strong growth across segments, including a 30% rise in Real time market (RTM) volume to 9,322MU and a 311% surge in Green-Day Ahead Market(G-DAM) to 2,385MU. There was a 49% dip in Term Ahead Market volumes. Green-Term Ahead Market grew 187% YoY, highlighting momentum in energy trading. Revenue rose 14.5% YoY to INR 1,321mn, with EBITDA and PAT up 15% and 16.9%. IEX is actively expanding its product portfolio, with regulatory approvals pending for green RTM and an 11-month LDC contract. Plans to introduce Carbon Credit Certificate trading further position IEX as a leader in sustainable energy solutions. Reiterate Buy with TP retained at INR 220.

Volume momentum continues: Total electricity volume on IEX increased 16% YoY to 30BU in Q3. The RTM segment registered a volume of 9,322MU in Q3, up 30% over Q3FY24. The DAM segment registered total volumes of 16,712MU in Q3FY25, an increase of 14% versus Q3FY24. Total volume on TAM in Q3 was at 1,960MU, a dip of 49% YoY. Total volume on G-DAM in Q3 was 2,385MU, a growth of 311% versus Q3FY24. Total volume on G-TAM in Q3 was 86MU, a growth of 187% over Q3FY24. Market clearing price in the Day Ahead Market for the quarter averaged INR 3.71 per unit, down 26% YoY due to ample supply liquidity.

Robust Q3 led by healthy volume: IEX reported healthy Q3, largely in line with our estimates. Revenue increased 14.5% YoY to INR 1,321mn, driven by robust trading volume. EBITDA rose 15% YoY to INR 1,131mn. Operating margin remained at 85.7% in Q3FY25. Other income went up 10% YoY to INR 285mn. PAT was up 16.9% YoY to INR 1,073mn. PAT of the subsidiary, Indian Gas Exchange increased 13% to INR 83mn in Q3FY25.

Foray into new product segments to drive volume: IEX is broadening its product offerings, with regulatory approvals awaited for new products. It is awaiting approval for its 11 month long duration contract which can unlock substantial volumes, with an estimated 40bn units of market potential. It has filed a petition in CERC to launch Green RTM. CERC has issued draft procedures for trading Carbon Credit Certificates, for both obligated as well as non-obligated entities through power exchanges. This should result in trading of Carbon Credit Certificates on IEX, in the near future.

Reiterate Buy with TP retained at INR 220: We retain our positive outlook on IEX, given the rise in short-term power market share in India along with an increase in market share of power exchanges. Also, IGX and the upcoming Carbon Credit Exchange offer an edge to investors. We expect an earnings CAGR of 18% in FY24E-27E. We reiterate Buy with DCF-TP retained at INR 220.

Rating: **Buy**

Target Price: **INR 220**

Upside: **30%**

CMP: **INR 169**

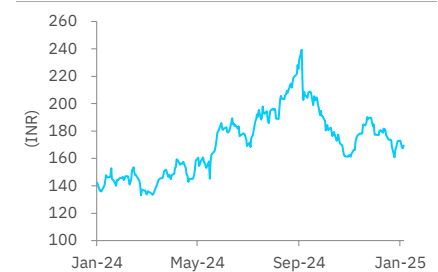
As on 24 January 2025

Key data

Bloomberg	IEX IN
Reuters Code	IIAN.BO
Shares outstanding (mn)	892
Market cap (INR bn/USD mn)	151/1751
Enterprise Value (INR bn/USD mn)	140/1627
Avg daily volume 3M (INR mn/USD mn)	2210/26
52 week high/low	244/129
Free float (%)	100

Note: as on 24 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Promoter				
% Pledged	-	-	-	-
FII	10.9	11.7	15.7	16.2
DII	27.3	31.3	31.5	32.8
Others	61.8	57.1	52.8	51.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(5.4)	(5.4)	7.6
Indian Energy Exchange	(8.2)	(2.9)	23.8
NSE Mid-cap	(5.5)	(6.3)	12.3
NSE Small-cap	(7.1)	(9.4)	10.6

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	4,009	4,492	5,864	6,598	7,495
YoY (%)	(5.8)	12.0	30.6	12.5	13.6
EBITDA (INR mn)	3,365	3,769	5,020	5,626	6,375
EBITDA margin (%)	83.9	83.9	85.6	85.3	85.1
Adj PAT (INR mn)	2,927	3,399	4,393	4,940	5,617
YoY (%)	(3.2)	16.1	29.2	12.5	13.7
Fully DEPS (INR)	3.3	3.8	4.9	5.5	6.3
RoE (%)	39.2	38.4	40.5	37.5	35.8
RoCE (%)	50.4	49.6	52.3	48.8	46.7
P/E (x)	51.4	44.3	34.3	30.5	26.8
EV/EBITDA (x)	36.6	31.2	24.5	21.6	18.9

Note: Pricing as on 24 January 2025; Source: Company, Elara Securities Estimate

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24E	FY25E	FY26E	FY27E
Net Revenues	4,009	4,492	5,864	6,598	7,495
EBITDA	3,365	3,769	5,020	5,626	6,375
Add:- Non operating Income	732	1,017	1,071	1,205	1,369
OPBITDA	4,097	4,786	6,092	6,831	7,744
Less :- Depreciation & Amortization	186	205	206	216	226
EBIT	3,911	4,581	5,886	6,615	7,518
Less:- Interest Expenses	25	28	28	28	28
PBT	3,887	4,552	5,857	6,587	7,490
Less :- Taxes	960	1,154	1,464	1,647	1,872
Adjusted PAT	2,927	3,399	4,393	4,940	5,617
Reported PAT	2,927	3,399	4,393	4,940	5,617
Balance Sheet (INR mn)	FY23	FY24E	FY25E	FY26E	FY27E
Share Capital	891	891	891	891	891
Reserves	7,100	8,831	11,081	13,455	16,169
Other liabilities	352	408	408	408	408
Total Liabilities	8,343	10,130	12,380	14,753	17,467
Gross Block	1,908	2,008	2,108	2,208	2,308
Less:- Accumulated Depreciation	806	1,000	1,206	1,423	1,649
Net Block	1,102	1,008	902	785	659
Add:- Capital work in progress	39	42	42	42	42
Investments	12,188	12,702	16,585	18,660	21,195
Net Working Capital	(5,556)	(5,101)	(6,634)	(7,452)	(8,452)
Other Assets	570	1,479	1,485	2,718	4,022
Total Assets	8,343	10,130	12,380	14,753	17,467
Cash Flow Statement (INR mn)	FY23	FY24E	FY25E	FY26E	FY27E
Cash profit adjusted for non-cash items	4,097	4,786	6,092	6,831	7,744
Add/Less : Working Capital Changes	(2,721)	(912)	(2,350)	(1,257)	(1,536)
Operating Cash Flow	417	2,719	2,277	3,928	4,336
Less:- Capex	(178)	(115)	(100)	(100)	(100)
Free Cash Flow	239	2,605	2,177	3,828	4,236
Financing Cash Flow	(1,720)	(1,768)	(2,171)	(2,595)	(2,932)
Investing Cash Flow	(178)	(115)	(100)	(100)	(100)
Net change in Cash	(1,482)	837	6	1,233	1,304
Ratio Analysis	FY23	FY24E	FY25E	FY26E	FY27E
Income Statement Ratios (%)					
Revenue Growth	(5.8)	12.0	30.6	12.5	13.6
EBITDA Growth	(2.0)	16.8	27.3	12.1	13.4
PAT Growth	(3.2)	16.1	29.2	12.5	13.7
EBITDA Margin	83.9	83.9	85.6	85.3	85.1
Net Margin	73.0	75.7	74.9	74.9	75.0
Return & Liquidity Ratios					
ROE (%)	39.2	38.4	40.5	37.5	35.8
ROCE (%)	50.4	49.6	52.3	48.8	46.7
Per Share data & Valuation Ratios					
Diluted EPS (INR/Share)	3.3	3.8	4.9	5.5	6.3
EPS Growth (%)	(3.2)	16.1	29.2	12.5	13.7
DPS (INR/Share)	1.9	2.0	2.4	2.9	3.3
P/E Ratio (x)	51.4	44.3	34.3	30.5	26.8
EV/EBITDA (x)	36.6	31.2	24.5	21.6	18.9
EV/Sales (x)	37.4	33.2	24.9	21.7	18.8
Price/Book (x)	18.8	15.5	12.6	10.5	8.8
Dividend Yield (%)	1.1	1.2	1.6	1.8	2.1

Expect revenue CAGR at 19% in FY24-27E, led by robust volumes

Note: Pricing as on 24 January 2025; Source: Company, Elara Securities Estimate

Quarterly financials

(INR Mn)	Q3FY25	Q3 FY24	YoY (%)	Q2FY25	QoQ (%)	Q3FY25E	Variance (%)
Revenue from operation	1,321	1,153	14.5	1,394	(5.3)	1,337	(1.3)
Total expenses	189	165	14.7	195	(2.9)	201	(5.6)
Employee benefit expenses	116	93	23.9	122	(5.0)	120	(4.0)
Other expenses	74	72	2.8	73	0.7	80	(7.9)
EBITDA	1,131	988	14.5	1,199	(5.7)	1,137	(0.5)
EBITDA margin (%)	85.7	85.7		86.0		85.0	
Depreciation	54	52	4.3	53	1.4	50	8.1
EBIT	1,077	936	15.1	1,146	(6.0)	1,087	(0.9)
EBIT margin (%)	81.6	81.2		82.2		81.3	
Interest	6.7	7.1	(6.0)	6.6	1.7	7.0	(4.1)
Other income	285	259	9.9	284	0.4	250	13.9
Pre-exceptional profit	1,395	1,223	14.0	1,452	(3.9)	1,355	2.9
PBT	1,395	1,223	14.0	1,452	(3.9)	1,355	2.9
Provision for tax (including deferred tax)	322	305	5.5	368	(12.7)	312	3.2
Reported PAT	1,073	918	16.9	1,083	(1.0)	1,043	2.8
PAT margin (%)	81.2	79.6		77.7		78.0	

Source: Company, Elara Securities Estimate

Q3FY25 earnings call

Market share

- ▶ IEX has maintained its market share of 83-84% in the electricity market. Its market share in Renewable Energy Certificate is at 60-65%. Market share for term ahead market is at 35%.
- ▶ IEX expects an annual growth of 15–20% in volumes.

Market coupling

- ▶ Market coupling: There have been ongoing discussions about implementing market coupling. However, feedback from the regulator suggests that coupling may not be beneficial at this time, especially given the high market share of a single exchange.
- ▶ There was a clarification on the market coupling simulation process. Although IEX has submitted the necessary data for this, it has not yet received feedback from the central authorities regarding the simulation details.
- ▶ Shadow pilot market coupling report is awaited.
- ▶ Investment is ongoing in software development to support market coupling. However, the implementation of market coupling will require significant time and resources, with an estimated three-year timeline for full deployment if it proceeds.

Renewable energy and virtual PPAs

Virtual power purchase agreements: IEX is working with virtual PPAs, which are expected to contribute significantly to exchange volumes. By the end of this fiscal year, up to 2GW of renewable capacity is expected to participate in the spot market, including both virtual PPAs and merchant capacity.

Volume versus revenue growth

Revenue growth: While volumes grew 16% YoY, revenue grew 14.5% YoY. This discrepancy is due to incentives provided to partners to maintain competitiveness in the market. The management acknowledged that these incentives were introduced recently to counteract rising competition. It is giving incentives in the TAM and REC market segments.

Future outlook

The management sees these incentives as a necessary response to market competition. It aims to balance profitability and market share retention in a competitive landscape.

Exhibit 1: Valuation summary

	(INR)
PV of cash flow(INR mn)	186,009
IGX value(INR)	11
Target price	220
CMP	169
Upside (%)	30

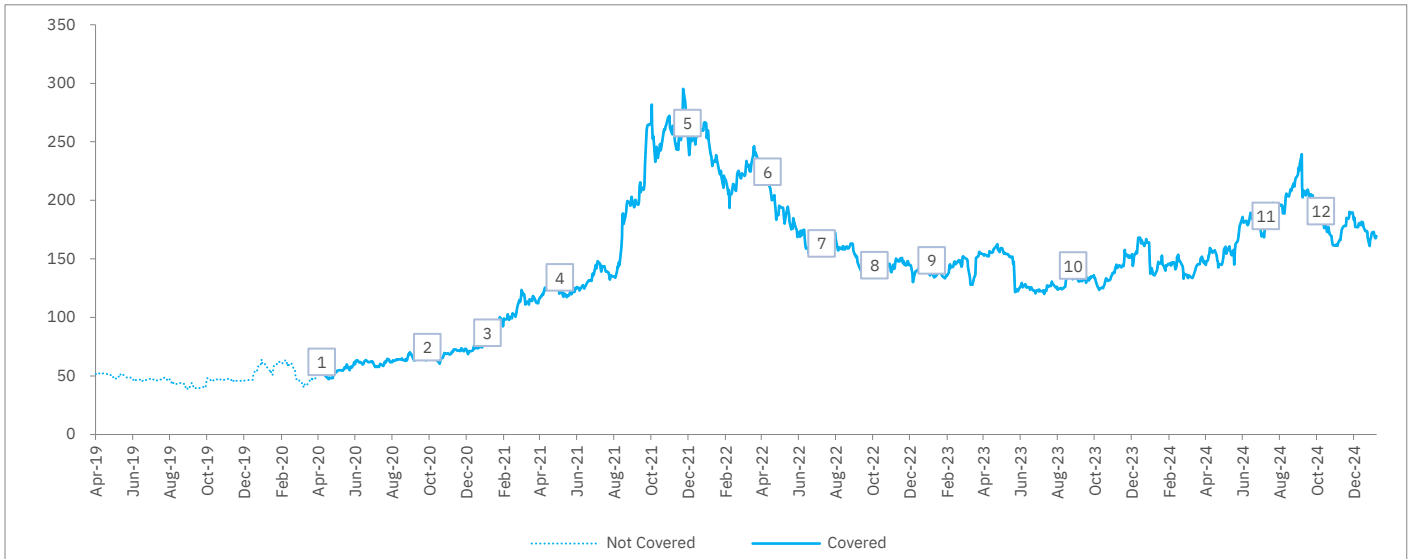
Note: Pricing as on 24 January 2025; Source: Elara Securities Estimate

Exhibit 2: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	5,593	6,300	7,093	5,864	6,598	7,495	4.9	4.7	5.7
EBITDA	4,749	5,328	5,973	5,020	5,626	6,375	5.7	5.6	6.7
PAT	4,152	4,646	5,261	4,393	4,940	5,617	5.8	6.3	6.8

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
8	21-Oct-2022	Buy	INR 215	INR 135
9	23-Jan-2023	Buy	INR 200	INR 139
10	18-Sep-2023	Buy	INR 188	INR 133
11	26-Jul-2024	Buy	INR 241	INR 177
12	25-Oct-2024	Buy	INR 220	INR 181

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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