

Robust performance...

IEX reported robust Q4FY21 numbers that were a beat on our estimates on all parameters. Strong power demand led by a swift recovery in the economy aided volumes, which came in at 22451 MUs in Q4FY21, up 62.3% YoY & 11.3% QoQ. Further, balance sheet continues to remain top notch aided by strong liquidity and debt free position. Revenue for the quarter came in at ₹ 93.8 crore, up 35.1% YoY & 10.1% QoQ (vs. I-direct estimate of ₹ 89.8 crore). The gas exchange, which is still at a very nascent stage, registered an EBIT loss of ₹ 3.86 crore vs. a loss of ₹ 1.5 crore during previous year. Ensuing PAT came in at ₹ 60.9 crore, up 33.4% YoY & 4.7% QoQ. Tax rate for the quarter was at 23.8%.

Volumes to grow in double digit in medium term

With increase in share of trading of electricity in exchanges from 4.4% in FY20 to 6% in FY21 has benefited the IEX in a big way. Given IEX commands very high market share across all products in duopoly markets, volumes for FY21 grew 37% YoY to 73.9 billion units (BUs). Apart from rising share of exchanges in power consumption, IEX has been at the forefront of introducing new products on its platforms that have resulted in such high volume growth for the company. The company has launched real time market (RTM) product, which has witnessed strong response and volumes. Also, introduction of green term ahead market (GTAM) and cross border trades in H1FY21 will continue to show strong accretion in volumes, going ahead. Going into FY22, IEX is planning to launch new products, which may go live by H2FY22. This includes long duration electricity trading (365 days) and integrated green electricity market coupled with continued traction of FY21 products would ensure a volume CAGR of 18% in FY21-23E. Our volume projections do not include traction that will come about in the gas exchange market. As of now, IEX has diluted 46-47% stake in the gas exchange. Now the company has enough time on hand to dilute the stake at higher levels to create value for shareholders.

Pristine balance sheet coupled with robust payout ratio...

During FY21, IEX generated strong CFO to the tune of ₹ 306.3 crore vs. ₹ 126.01 crore in FY20. The company ended the year with a cash balance of ₹ 46 crore and other bank balance at ₹ 57.82 crore. Total investments were at ₹ 712.81 crore. Going ahead, the management expects to maintain its payout of 50%.

Valuation & Outlook

We still believe power traded through exchange is under penetrated in India and has a long way to go thereby creating humongous growth opportunity for companies like IEX that has been quite consistent in introducing new and innovative products to garner the upcoming opportunity. We maintain our **BUY** rating on the stock with a target price of ₹ 435 (earlier ₹ 430).

Key Financial Summary

	FY19	FY20	FY21E	FY22E	FY23E	CAGR FY21-23E
Revenue (₹ crore)	254.1	257.1	317.9	370.0	441.9	17.9
EBITDA (₹ crore)	202.8	202.2	250.6	288.6	344.7	17.3
EBITDA margin	79.8	78.6	78.9	78.0	78.0	
Net Profit (₹ crore)	165.0	175.7	205.4	245.6	297.1	20.3
EPS (₹)	5.5	5.9	6.9	8.2	9.9	
P/E (x)	68.2	63.6	54.4	45.5	37.6	
EV/EBITDA (x)	54.8	55.1	43.9	37.7	31.0	
RoCE (%)	61.9	55.8	50.6	52.5	51.5	
RoE (%)	44.6	45.3	39.6	39.9	38.9	

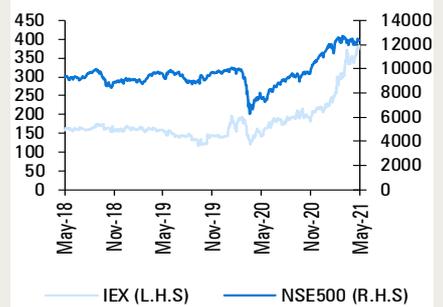
Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalization	11,173
Total Debt (FY20) (₹ crore)	0
Cash and Inv (FY20) (₹ crore)	378
EV (FY20) (₹ crore)	10,995
52 week H/L (₹) (BSE)	413 /144
Equity capital (₹ crore)	29.8
Face value (₹)	1

Price Performance



Key risk to our call

- Higher than expected duration of state wise lockdown would impact demand and volumes
- Grant of new licence may increase competitive intensity in the long run. However, the opportunity size is huge allowing room for multiple players to operate and grow

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Exhibit 1: Variance Analysis

Year	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ(%)	Comments
Income from Operation	93.8	89.8	69.4	35.1	85.2	10.1	Strong power demand & new products aided volumes
Other Income	6.5	11.0	10.2	(35.8)	10.9	(40.0)	
Employee cost	11.9	10.8	9.7	21.9	10.4	14.4	
Other expenditure	4.5	6.7	7.2	(37.7)	5.3	(14.7)	
EBITDA	77.5	72.3	52.5	47.6	69.6	11.3	
EBITDA Margin (%)	82.6	80.5	75.6	697 bps	81.6	91 bps	Positive operating leverage improved margins
Depreciation	3.6	4.3	4.5	(20.4)	4.2	(13.6)	
Interest	0.5	0.5	0.5		0.5		
PBT	79.9	78.4	57.6	38.7	75.7	5.4	
Taxes	19.0	22.0	12.0	58.7	17.6	8.0	
PAT	60.9	56.5	45.6	33.4	58.1	4.7	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(₹ Crore)	FY20	FY21E	FY22E	FY23E
Revenue	257	318	370	442
Growth YoY (%)		23.6%	16.4%	19.4%
Other Income	40	38	65	86
Total Revenue	297	356	435	528
Employee cost	33	44	48	57
Other Expenses	22	23	33	40
Total expenditure	55	67	81	97
EBITDA	202	251	289	345
Growth YoY (%)		24.0%	15.1%	19.4%
Interest	-	2	2	2
PBDT	242	287	352	430
Depreciation	15	17	21	28
Profit Before Tax	226	270	332	402
Tax	50	65	86	104
PAT	176	205	246	297
Growth YoY (%)		16.9%	19.5%	21.0%
EPS	5.9	6.9	8.2	10.0

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(₹ Crore)	FY20	FY21E	FY22E	FY23E
Profit after Tax	175.7	205.4	245.6	297.1
Depreciation	15.2	16.5	20.6	28.1
Interest	1.6	2.1	1.5	1.5
Other income	(40.3)	(38.4)	(65.4)	(86.5)
Prov for Taxation	49.9	65.0	86.3	104.4
Cash Flow before WC changes	202.2	250.6	288.6	344.7
Change in Working Capital	(67.2)	28.5	26.6	44.3
Taxes Paid	(49.9)	(65.0)	(86.3)	(104.4)
Cashflow from Operations	85.1	214.1	228.8	284.5
(Purchase)/Sale of Fixed Assets	(25.4)	(25.0)	(25.0)	(30.0)
(Purchase)/Sale of Investments	5.7	-	-	-
Other Income	40.3	38.4	65.4	86.5
Cashflow from Investing	20.5	13.4	40.4	56.5
Issue/(Repayment of Debt)	-	-	-	-
Changes in Minority Interest	-	-	-	-
Changes in Networth	(68.1)	-	-	-
Interest	(1.6)	(2.1)	(1.5)	(1.5)
Dividend paid	(90.0)	(74.6)	(149.2)	(149.2)
Cashflow from Financing	(159.6)	(76.6)	(150.7)	(150.7)
Changes in Cash	(53.9)	150.9	118.6	190.3
Opening Cash/Cash Equivalent	67.6	27.6	178.5	297.1
Closing Cash/ Cash Equivalent	12.2	178.5	297.1	487.5

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(₹ Crore)	FY20	FY21E	FY22E	FY23E
Share Capital	29.8	29.8	29.8	30
Reserves & Surplus	358	489	585	733
Networth	388	519	615	763
Total Debt	-	-	-	-
Deferred Tax Liability	24.4	24.4	24.4	24
Other non-current liabilities	19.5	19.5	19.5	19
Total Liabilities	431.9	562.7	659.2	807
Gross Block	32	57	82	112
Acc: Depreciation	11	27	48	76
Net Block	22	30	35	37
Capital WIP	0	0	0	0
Investments	200	200	200	200
Inventory	-	-	-	-
Sundry debtors	0	0	0	0
Cash and bank balances	28	179	297	487
Other financial assets	312	337	357	377
Other current assets	5	7	8	9
Total Current Assets	345	523	662	874
CL& Prov.	235	291	339	404
Net Current Assets	109	232	324	470
Total Assets	431.9	562.7	659.2	807

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	5.9	6.9	8.2	9.9
Cash EPS	6.4	7.4	8.9	10.9
BV	13.0	17.3	20.5	25.5
DPS	3.0	2.5	5.0	5.0
Cash Per Share	0.4	0.9	1.6	2.5
Operating Ratios (%)				
EBITDA Margin	78.6	78.9	78.0	78.0
PBT / Net Sales	72.7	73.7	72.4	71.6
PAT Margin	68.3	64.6	66.4	67.2
Inventory days	-	-	-	-
Debtor days	0.3	0.3	0.3	0.3
Creditor days	334.0	334.0	334.0	334.0
Return Ratios (%)				
RoE	45.3	39.6	39.9	38.9
RoCE	55.8	50.6	52.5	51.5
RoC	49.2	65.1	79.4	107.2
Valuation Ratios (x)				
P/E	63.6	54.4	45.5	37.6
EV / EBITDA	55.1	43.9	37.7	31.0
EV / Net Sales	43.3	34.6	29.4	24.2
Market Cap / Sales	43.5	35.2	30.2	25.3
Price to Book Value	28.8	21.5	18.2	14.6
Solvency Ratios				
Debt/EBITDA	-	-	-	-
Net Debt / Equity	-	-	-	-
Current Ratio	0.1	0.6	0.9	1.2
Quick Ratio	0.1	0.6	0.9	1.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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