

INDIAN ENERGY EXCHANGE LIMITED

Equity Analysis (29 December 2023)



Contents

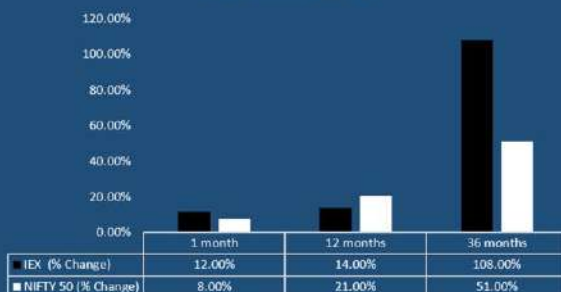
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Introduction

Indian Energy Exchange Limited facilitates electricity trading through platforms like Day-Ahead, Term-Ahead, Real-Time Markets, Renewable Energy Certificates, Green Day-Ahead, Cross-Border Electricity Trade, and Energy Saving Certificates. Established in 2007 in New Delhi, it enables efficient power transactions, risk management, and renewable energy uptake in the region's electricity market.

Recommendation	Buy	
Risk Profile	Low	
Current Market Price (₹)	170.60	
52 Week Low-High (₹)	116.00– 172.30	
Market Capitalisation (₹)	143.61 billion	
Outstanding Shares	889.23 million	
PE (TTM)	42.22x	
EPS (₹) (TTM)	3.67	
Dividend Yield	0.65%	
Ex-Date/Pay-Date	28 Jul'23 / 05 Oct'23	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	26.4x	20.3x
EV/EBITDA (LTM)/(FY-1)	30.2x	22.8x
Price/Book Value (LTM)/(FY-1)	16.5x	13.4x

Performance Chart



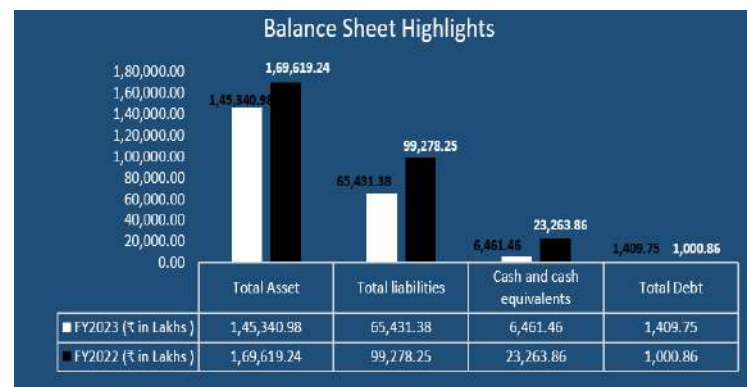
Operating Performance



Source: Company Reports, Chart Prepared by Kaproots Global

- In FY23, total revenue was ₹47,410.18 lakhs against ₹48,440.18 lakhs in FY22.
- In FY23, the company's net profit was ₹30,588.63 lakhs against ₹30,863.58 lakhs in FY22.
- Cash used in operating activities was ₹2,261.82 lakhs in FY23 against cash from was ₹76,232.06 lakhs in FY22.
- Cash from investing activities was ₹7,026.36 lakhs in FY23 against cash used was ₹44,841.93 lakhs in FY22.
- Cash used in financing activities was ₹21,479.38 lakhs in FY23 against cash used was ₹13,577.25 lakhs in FY22.

Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kaproots Global

Compared to the FY2022, in FY2023:

- Total asset decreased by 14.31% to ₹1,45,340.98 lakhs.
- Total liabilities decreased to ₹65,431.38 lakhs.
- Cash and cash equivalents decreased to ₹6,461.46 lakhs.
- Total debt increased to ₹1,409.75 lakhs.

Ratio Analysis

Fiscal Quarters	1Q FY2023	2Q FY2023	3Q FY2023	4Q FY2023	1Q FY2024	2Q FY2024
Return on Assets	-	-	-	-	-	-
Return On Equity %	39.31%	39.05%	40.89%	45.46%	37.96%	41.38%
Return on Total Capital	32.19%	31.31%	30.95%	35.00%	30.71%	32.78%
EBITDA Margin %	84.81%	85.54%	82.16%	86.46%	82.07%	87.51%
Gross Profit Margin %	100.00%	100.00%	100.00%	99.10%	100.00%	100.00%
Net Income Margin %	60.96%	62.59%	65.80%	68.23%	59.54%	65.02%
Asset Turnover	-	-	-	-	-	-
Inventory Turnover (Average Inventory)	-	-	-	-	-	-
Current Ratio	-	2.1	-	1.3	-	1.5
Days Sales Outstanding (Average Receivables)	-	-	-	-	-	-
Days Payable Outstanding (Avg)	-	-	-	-	-	-
Cash Conversion Cycle (Average Days)	-	-	-	-	-	-

Source: Koyfin, Chart Prepared by Kaproots Global

Investment Highlight

In the fiscal year 2023, Indian Energy Exchange Limited (IEX) navigated a challenging power supply landscape, achieving resilience by trading 96.8 BU (billion units) across all segments. This period witnessed the introduction of innovative initiatives, including the launch of Term Ahead Market contracts spanning up to 90 days. These contracts empowered customers to mitigate risks associated with spot price volatility. Moreover, IEX expanded its offerings by introducing Green Monthly contracts and pioneering Green Hydro contracts, reinforcing its commitment to sustainability and diversifying its portfolio to meet evolving market needs. IEX launched IGX to establish India's first national gas exchange, facilitating physical gas delivery across multiple hubs, aiming to bolster the country's gas market. With over 50 million MMBtu traded in FY 2023, IGX covers six regional hubs and aligns with the government's goal of doubling natural gas's share in India's energy mix to 15% by FY2030.

Outlook

India Indian Energy Exchange Limited (IEX) is committed to advancing innovative products and expanding market segments to offer consumers greater options while strengthening its existing product line. The extension of Term Ahead Market contracts up to one year will notably assist discoms in optimizing procurement through exchange-based trading. Pioneering Cross Border Electricity Trade (CBET) on the exchange platform, IEX aims to cultivate a regional power market. With neighboring countries engaging in CBET, a unique price discovery will shape a burgeoning South Asian power market, projected to increase CBET potential from 16 BU in 2020 to an estimated 127 BU by FY2035, significantly augmenting trading volumes at IEX. The improved supply scenario, marked by increased coal supply, reduced e-auction coal prices, and declining imported coal and gas prices, promises heightened sell-side liquidity and price corrections on the exchange.

Risks

The company has exposure to the following risks -

- Operational risk
- Technological risk
- Competition risk
- Financial risk

Technical Analysis



Source: TradingView, Analysis by Kaproots Global

Company Name	Ticker	Sector	CMP (₹)	Advisory Date	Rating	Target (₹)	Target 2 (₹)	Stop Loss (₹)
Indian Energy Exchange Limited	IEX	Financials	170.60	29 December 2023	Buy	198.45	223.05	141.20

The stock of electricity trading company IEX settled at ₹170.60 on 29 December 2023 after a gain of nearly 4.6% from the previous day's closing. It is currently trading near its 52-week high price level.

The stock price is trading above the significant exponential moving average (EMA) of 20, 50, and 200 days on a daily time frame, holding a bullish momentum for the near term. The stock is trading near the central pivot (₹180.40), showing a bullish reversal on a daily time frame chart.

RSI (14 days) is at 72, showing a bullish momentum above the breakout zone in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of ₹198.45 (15% upside) and ₹223.05 (30% upside) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below ₹141.20 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.

Investment Summary

IEX aligns with the Government's renewable energy focus, supporting the addition of over 15 GW of capacity this fiscal year. Striving for India's 500 GW non-fossil fuel-based electricity goal by FY2030, IEX pledges to aid in achieving the revised NDC target, aiming for a 45% reduction in emission intensity by 2070 for Net Zero status. As a catalyst for change in the power sector, IEX drives innovation, committed to introducing pioneering products and technologies. With a vision for energy security and sustainability, IEX continues its stride, contributing significantly to India's progress.

The company's stock has outperformed NIFTY 50 in one month and three-year timeframe. Current ratio for 2QFY24 stood at 1.5x, implying that the company possess better capabilities to meet its short-term obligations. ROE for 2QFY24 was 41.38%, indicating that the company achieved a higher return for its shareholders. The Gross Profit Margin stood at 100.00% indicates that the company has a strong ability to generate profits from its products or services, with a high margin of revenue left after deducting the direct costs.

Considering all the above factors and the current trading level, we recommend a "Buy" rating on the stock at the current market price of ₹170.60 as of 29 December 2023.

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Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e., Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.