

IEX Ltd.**BUY****CMP****₹ 195****Target****₹ 240**

Profile: IEX is India's premier energy exchange providing a nationwide, automated trading platform for physical delivery of electricity, renewable power, renewable energy certificates and energy saving certificates. The exchange platform enables efficient price discovery and increases the accessibility and transparency of the power market in India while also enhancing the speed and efficiency of trade execution.

Latest Data (24.07.24)

Equity (₹ Cr)	89.17
FV (₹)	1.00
M. Cap (₹ Cr)	17,424
52 Wk High (NSE)	194.30
52 Wk Low (NSE)	121.35
Book Value (₹ Cr)	11.76
P/B	18.4
TTM EPS (₹)	4.17
TTM P/E	48.3

Share Holding Pattern

	Mar-24	Jun-24
FIIs	10.89%	11.66%
DIIIs	27.24%	31.24%
Public	61.57%	56.82%
Others	0.28%	0.28%

Further Break UP

MFs	20.92%	20.44%
Insurance Companies	4.84%	4.53%
Alternate Investment Funds	1.48%	1.37%
FPI	10.89%	13.37%
Public & Others	61.86%	60.29%

Financials (₹ Cr)

	FY23	FY24	FY25E	FY26E
Revenue	401	449	520	605
EBITDA	337	379	442	514
EBITDA Margin (%)	84%	84%	85%	85%
PAT	293	341	395	465
EPS (₹)	3.28	3.83	4.43	5.22

Source: Capitaline, Consensus Estimates

3-year Price Chart**Investment Rationale****Macro-Economic Support**

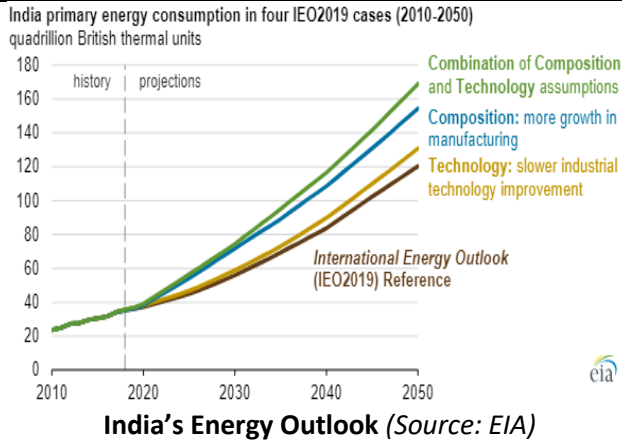
Electricity demand in India rose 7 per cent in 2023 and is likely to average growth of 6 per cent a year through 2026 on higher economic activity, according to the International Energy Agency. The nation plans to double its capacity to 900 GW from present 427 GW by 2030

Growth in Population & Economic Activities

India is now world's most populous country. The ever-growing population has an ever-growing demand for power to continue with the economic activities. Higher urbanization will fuel the demand for power as the concentration of top 50/100 cities will rise. In 2030, India's peak demand is going to go up from 243 GW at present to 366 GW. Our established capacity has to go up to 900 GW, from about 427 GW presently. This substantial increase in power demand and capacity is crucial to support India's rapid economic growth and developmental objectives.

Data Centre

India has the highest data consumption per smart phone globally at 31 GB vs global average of 21 GB. Strengthening of government regulation on data localization could make India's data centre market grow even faster. Power being the biggest operating cost, demand for power will get upwards push from proliferation of data centres. According to the India Energy and Climate Center (IECC), peak electricity demand which reached 250 GW in May 2024, up by 46 GW in just 2 years, is likely to increase further by 50-80 GW by 2027. This expansion is set to elevate the data centers' contribution to India's power demand to 6% by 2030, up from less than 1% currently.



Transition to EV

In addition to the massive power demand expected from green hydrogen, EVs will propel significant growth in domestic power demand (250-300 BU in 2030 broad estimates). It is estimated that around 209 GW of power was demanded by Electric Vehicles in 2022. If the government maintains its target of 100% of new automobile sales being EVs by 2030, the electricity demand would be around 100 TeraWatts (1 TW equals 1,000 GW). Energy requirements for vehicles expected to quadruple by 2030.

Climatic Changes

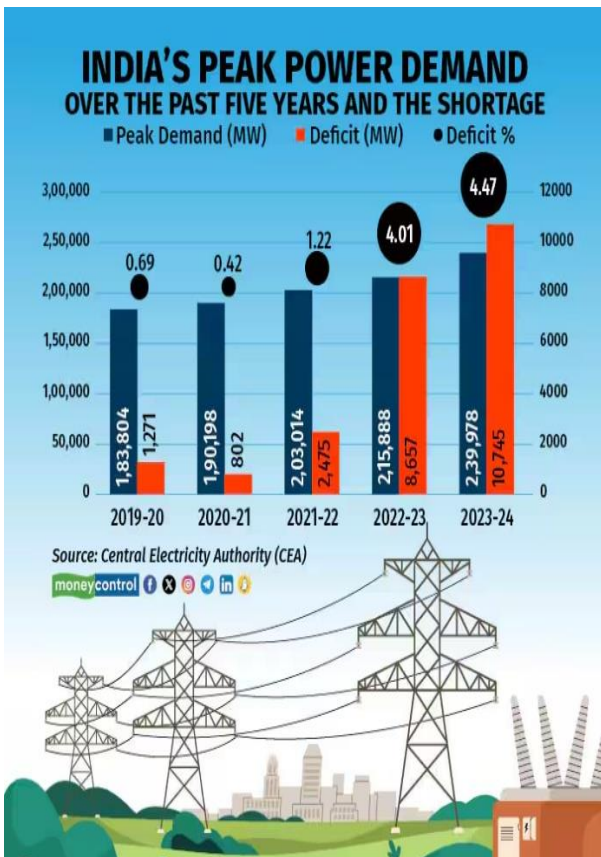
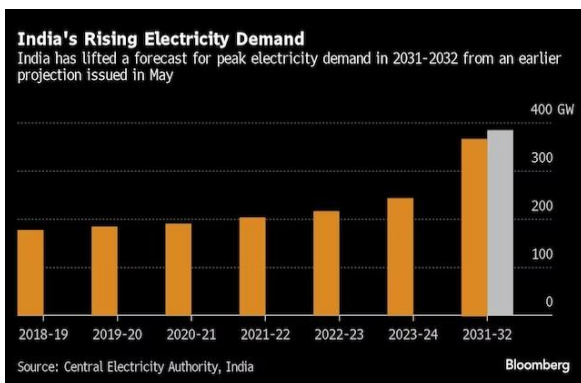
Buoyed by extremely hot weather conditions, demand for electricity remains strong as people need more power to run air conditioners, coolers, refrigerators etc. The MET dept. predicts the heat waves to continue for next couple of months which indicates that power demand will shoot up, at least for the next few months. Owing to increasing population power demand in general remains robust which augurs well for IEX.

Power Demand to Remain Unabated

Significantly hot weather conditions led to an unprecedented surge in electricity demand during Q1FY25. Demand grew by 11% approx to reach 452BU and peak demand stood at about 250GW surpassing 243GW recorded in Sep'24. July was also seeing similar trend and it is expected to continue. To meet this the Ministry of Power (MoP) is scaling up the existing thermal capacity by almost 28GW of which 15GW is expected to get commissioned this year and the remaining 13GW over the next 2 years. An additional 50GW is likely to come onstream in the next 6-7 years, majorly in renewable segment.

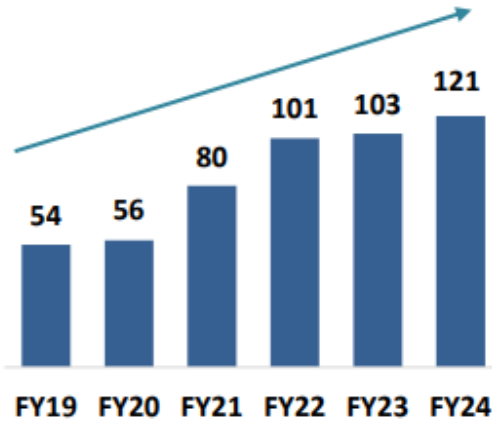
Power Exchanges are Preferred Options for Energy Transition

Power plays a critical role in driving economic growth and contributing to the welfare of the nation as it is a key element influencing the establishment and sustenance of infrastructure. The Indian power industry is dynamic, with notable reforms over the past 10 years such as launching the world's largest electricity market. This shift highlights the rise in power trading exchanges, focusing on short-term and spot trades over lengthy contracts. A significant role of the power exchange is price discovery. This approach enables consumers to acquire power at a reasonable price. IEX is assisting in accelerating deployment of renewable energy by enabling transactions in Renewable Energy Certificates (REC). It also



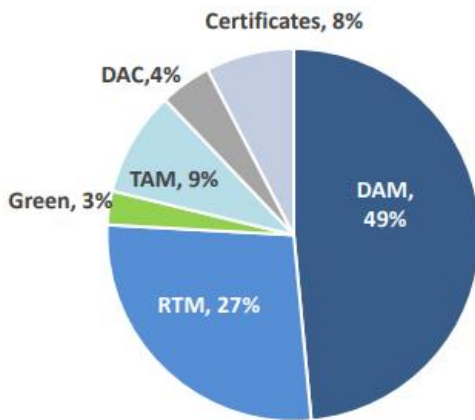
Exchanges (BU)

CAGR: 17.5%

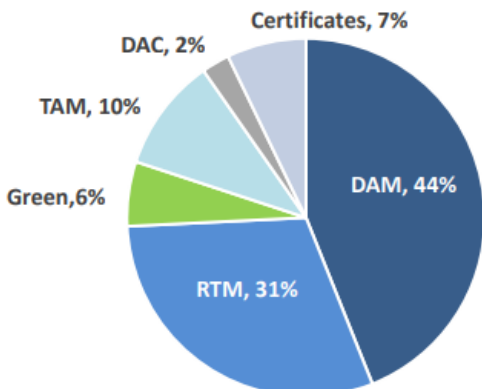


Share in Generation

7%



Total Volume: FY'24: 110.1 BU



Total Volume: Q1 FY'25: 30.4 BU

proposes to facilitate transactions in Energy Saving Certificates (ESCCerts) in the near future.

IEX Continues to Remain the Market Leader

India has 3 major power exchanges regulated by the Central Electricity Regulatory Commission (CERC), where generators, utilities, and large consumers trade electricity. The Indian Energy Exchange Ltd (IEX) dominates with 83% market share, followed by Power Exchange India Limited (PXIL) and Hindustan Power Exchange Ltd (HPX). Despite decline in market share, IEX continues to hold 83% of the energy market.

Strong Volume Growth to Continue

The trading volume growth was a healthy 21%. Total volumes increased from 25.1 BUs in Q1FY'24 to 30.4 BUs Q1FY25 at. This total volume comprises electricity volume of 28.2 BUs and certificate traded volume of 2.2BUs. The volume is expected to remain robust for the rest of the year aided by factors such as competitive prices of gas and imported coal, adequate production of domestic coal, low premium on coal prices sold through e-auction, satisfactory levels of coal inventory alongside expectations of a good monsoon that is likely to push up hydro generation. Till 25th – 26th July, volume growth has remained 36%. There is significant liquidity in the exchange platform and management is confident of the continuation of the growth trend.

Changing Product Mix to Enhance Performance

From being grossly dominated by the market (over 85% contribution), the share of DAM (Day Ahead Market) has reduced to 49% while the share of RTM (Real Time Market) has gone up to 30%. This segment holds a lot of potential and is witnessing 25-30% growth each year and presently contributes to approx. 70-75% to the day-end market. In both DAM and RTM, the company has 100% market share. IEX is bullish in this segment and also in green market both of which have strong growth potentials in the near future.

Impressive Quarterly Performance

During the same quarter in the year-ago period, IEX's net profit was around Rs 75.82 crore. According to an exchange filing, the power trading exchange reported an yoy operational revenue increase of 18.75 percent, at Rs 123.5 crore for the June quarter, up from Rs 104 crore in the same period last year. The higher opex was partly offset by higher other income.

Conducive Policy Regime

In FY 2023-24, IEX traded about 110 billion units (BU) of electricity, growing 14% year-on-year. This represents almost 7% of India's total power demand, which reached 1,626 BU in FY24. The government has recently amended various regulations to encourage and incentivise participation in power exchanges, reflecting their growing importance in India's electricity market

Market Coupling Not an Immediate Risk

IEX was bogged down by a couple of regulatory headwinds, key amongst them have been market coupling. The management had recently commented that the implementation of market coupling is still a few years away, moving the risk from an immediate risk to something that is one or two years away which augurs well for the company.

Outlook & Valuation:

Positive and robust demand growth outlook for power together with favourable policy regime and product mix is likely to drive the company's growth. The RE credit story is yet to play out. The company will have a significant part to play in the country's energy transition.

Based on consensus estimates, the company trades at 37.4x FY26E EPS of ₹5.22. We recommend acquiring the stock at dips for an upside potential of approx. 23%.

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