



COMPANY ANALYSIS

INDIAN ENERGY EXCHANGE



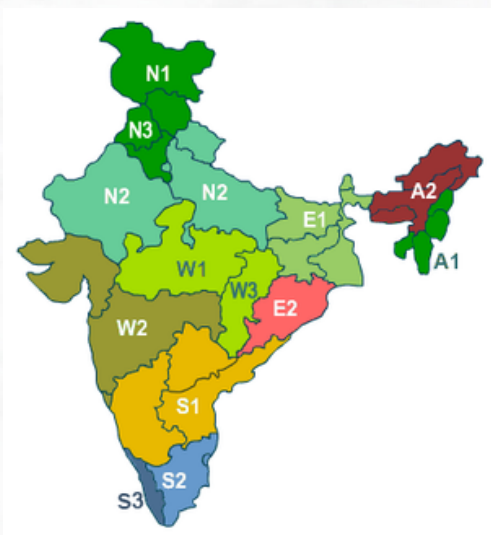
IEX

The Indian Energy Exchange (IEX) is a power trading exchange in India that is governed by the Central Electricity Regulatory Commission (CERC). IEX began operating on June 27, 2008. The idea of a power exchange in India began in 2005, when Financial Technologies Limited and Multi Commodity Exchange collaborated to develop an application for the establishment of the country's first power exchange. IEX is one of India's two active power exchanges. It has had a significant market share since its inception.

Industry: Power Exchange

Area of Expertise: Power Trading

IEX bid area



Sr. No.	Bid Area	Region	States covered under Bid Area
1.	N1	North Region	Jammu and Kashmir, Himachal Pradesh, Punjab, Chandigarh, Haryana
2.	N2	North Region	Uttar Pradesh, Uttaranchal, Rajasthan, Delhi
3.	N3	North Region	Punjab
3.	E1	East Region	West Bengal, Sikkim, Bihar, Jharkhand
4.	E2	East Region	Orissa
5.	W1	West Region	Madhya Pradesh, Chhattisgarh
6.	W2	West Region	Maharashtra, Gujarat, Goa, Daman and Diu-1, Daman and Diu-2, Dadar and Nagar Haveli, North Goa
7.	W3	Western Region	Chattisgarh
8.	S1	South Region	Andhra Pradesh, Karnataka, Pondicherry (Yanam), South Goa
9.	S2	South Region	Tamil Nadu, Kerala, Pondicherry (Puducherry), Pondicherry (Karaikal), Pondicherry (Mahe)
10.	A1	North East Region	Tripura, Meghalaya, Manipur, Mizoram, Nagaland
11.	A2	North East Region	Assam, Arunachal Pradesh

Current Market Capitalization



INR 124.48 B

Price Earning Multiple



40.34

Current Market Price



INR 141.10

Business Model

- A neutral platform on which players from many domains of the sector may engage and use a variety of products and services to meet their needs.
- IEX offers various choices to trade in – Electricity Market, Green Market and Certificates.
- IEX runs a market based on closed auctions with uniform pricing and double-sided bidding.
- The Day-Ahead-Market (DAM) is a physical electricity trading market for deliveries for 15-minute time blocks throughout the following 24 hours beginning at midnight. A double-sided closed auction bidding mechanism determines the pricing and quantity of power to be exchanged.
- Term-Ahead-Market (TAM) allows participants to buy/sell electricity on a term basis for a duration of up to the following 11 days.
- The Real-Time-Market (RTM) is a new market sector that began its trading on June 1st, 20. The market offers a new auction session every half hour, with electricity to be distributed after four-time blocks or one hour after the auction's gate closing. A double-sided closed auction bidding mechanism determines the price and amount of power trade.
- A Renewable Energy Certificates (REC) system is used to facilitate the purchase of renewable energy by state utilities and obliged companies, particularly states lacking in renewable energy resources. The REC framework aims to create a nationwide market for renewable energy providers to reclaim their costs. One REC accounts for 1 MWh of energy generated from renewable sources.
- To support the national target of 500 GW of renewable energy by 2030, the Indian Energy Exchange has introduced Green Market, which offers day-ahead trading, basis double-sided collective auctions, and contracts under the term-ahead segment for competitive and flexible renewable energy procurement.
- Provides an electronic platform to the different power market players, which include State Electricity Boards, Power Producers, Power Traders, and Open Access Consumers.
- It has more than 3,800 registered clients, 300 private generators, and over 3,300 industrial energy users.
- Indian Gas Exchange (IGX) is a completely owned subsidiary of IEX that trades spot and forward gas contracts. There are around 500 registered clients and 15 members on the exchange. It is now based on three physical hubs: Hazira, Dahej, and KG Basin.

SWOT

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Strengths

- One of the two power exchanges in India.
- DAM & RTM market share: 99%.
- Overall market share including DAM, TAM, RTM, Green Market FY22: 94.2%.

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Weakness

- Vulnerable to national and international regulations.

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Threats

- Geo-Political factors impact worldwide coal and electricity prices.
- Upcoming new exchanges poses a great deal of threat to the company.

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Opportunities

- Immense growth opportunities to form subsidiaries like IGX.
- Government investments towards energy sector are on a rise.
- Business opportunities in South East Asian nations.

Recent Highlights

On April 17, 2021, IEX pioneered Cross Border Electricity Trade (CBET) with the start of trade with Nepal in its day ahead electricity market. Cross-border electricity is an effort to broaden the Indian power market in order to develop an integrated South Asian power market.

To begin, grid-connected South Asian nations like as Nepal, Bhutan, and Bangladesh will be able to participate in the Exchange's Day-Ahead Market (DAM) and Term-Ahead-Market (TAM). As grid connectivity expands to additional southern nations, the market is expected to grow even more.

Many benefits are associated with an integrated South-Asian power market, including improved energy access and security, the integration of the power market, competitive power prices, open and effective power procurement, and resource optimization.

Sector-wise Trend

01 INCREASE IN DEMAND

The Indian electricity sector is expected to undergo significant changes in terms of demand growth, and market operations. India seeks to ensure that everyone has consistent access to adequate power at all times, while simultaneously expediting the clean energy transition by moving towards more environmentally friendly renewable energy sources.

02 SOLAR POWER SCHEME

The Indian government is developing a "rent a roof" scheme to help it meet its aim of generating 40 GW of power from solar rooftop installations. It also intends to build 21 additional nuclear power reactors by 2031, with a total installed capacity of 15,700 MW.

03 ENERGY DEMAND

According to the Central Electricity Authority (CEA), India's electricity demand would increase to 817 GW by 2030. Furthermore, CEA projects that by 2029-30, renewable energy generation would rise from 18% to 44%, while thermal energy generation will decrease from 78% to 52%.

04 GOVERNMENT PLANS

Indian government plans to build 500 GW of renewable energy capacity by 2030.

Financial Highlights

PARTICULARS	FY 19-20	FY 20-21	FY 21-22	COMMENTS
Revenues (INR in crores)	297.40	356.23	484.40	Company has witnessed increase in revenue on Y-o-Y basis due to increase in trade volume.
Return on asset	26.33%	20.91%	18.23%	Decreased Y-o-Y basis due to higher increase in assets as compared to net profits.
EBITDA Margin	81%	85%	91%	Increased due to continuous increase in profits and expenses like depreciation, taxbeing almost constant.
RoCE	52.83%	49.22%	54.19%	The RoCE increased overall Y-o-Y basis due to increase in net profit of the company.
RoE	45.60%	40.17%	43.09%	Slight dip in ROE on Y-o-Y basis due to higher increase in stockholders equity as compared to net profit.

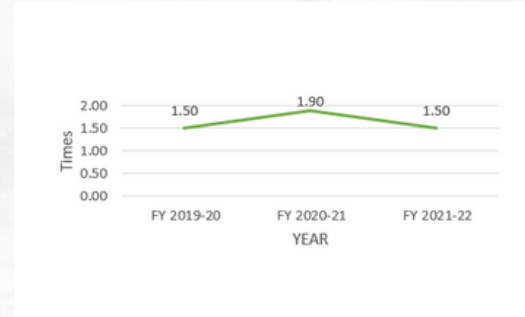
Ratio Analysis

YOY REVENUE



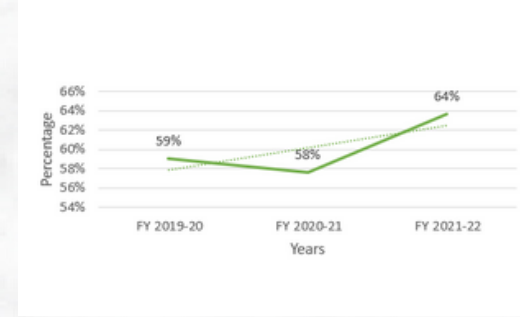
Companies revenue grew from 297.4 Cr in FY 2019-20 to 484.4 Cr in FY 2021-22. The company witnessed strong growth in revenue due to fast growing exchange market.

CURRENT RATIO



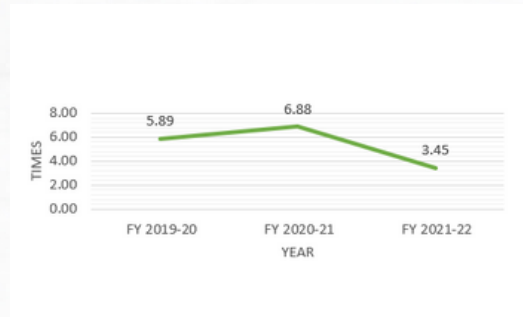
Companies current ratio is more than 1 which signifies company has good liquidity to pay their short term obligations.

NET PROFIT MARGIN



This company has effectively managed its expenses over the last three years and have also managed to increase their profits on Y-o-Y basis. As a result, the company's net profit margin has increased from 59% to 64%.

EPS



Companies EPS has seen a slight down trend in FY 2021-22 due to increase in weighted average number of shares in issue.

Future Outlook

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FOR THE INDUSTRY

According to the Central Electricity Authority (CEA), India would need to add 817 GW of generating capacity by 2030, with 500 GW from non-fossil fuel sources to meet our Cop26 pledge. As of June 2022, India's total installed capacity was 403.7 GW, with non-fossil fuel-based installed capacity accounting for 167.7 GW. Given that this must nearly triple in order for India to meet its CO2 emission reduction commitment, the industry will provide enormous development prospects to renewable energy companies over the next eight years.

2

FOR THE COMPANY

The company's short-term growth prospects are bleak due to increased recession fears and a drop in electricity demand across the country. The company is bound to grow in long term due to rapid change in energy sector like decarbonization, decentralization, democratization and digitization. Also, favourable policy and regulatory initiatives, like INR 3 lakh crores distribution reform package to boost competition, market-based economic dispatch: exchange handle 100% of power dispatch. The CERC published the draught CERC (Connectivity and General Network Access to the Interstate Transmission System) Regulations, 2021, which are expected to promote the development of the country's power market.