



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q1FY19 Result Update@ Dalal&Broacha

BUY

Current Price	1640
Target Price	2025
Upside	23%
52 Week Range	1405/1689

Key Share Data

Market Cap (Rs.bn)	49.74
Market Cap (US\$ bn)	0.76
No of o/s shares (mn)	30.3
Face Value	10
Monthly Avg.	
Vol(BSE+NSE) Nos ('000)	
BSE Code	2130
NSE Code	IEX
Bloomberg	IEX IN

Q1FY19 performance in-line with estimates

-Sales improved 22.4%yoy to Rs670mn. Total volume increased by 22%yoy to 14.43BU. This was driven by increase in procurement by distribution companies. DAM volumes increased 19% yoy, TAM volumes increased 214% yoy.

- Contribution from Discoms to total volumes increased from 60% to 83% and the same from open access has gone down from 40% to 17%. Increase in MCP by 50% yoy to Rs4.13 p.u. and increase in cross subsidy charge has deterred open access volumes. REC volumes increased by 341% yoy to 20.1lacs.

-Subscription revenue has gone down during the quarter as 400 clients deactivated from the exchange platform. Management expects subscription revenue to increase when MCP on exchange falls.

- EBITDA increased 25% yoy. On account of higher trade volume and reduction in technology cost due to acquisition of trading software technology. EBITDA margin at 83% vs 77%.

- Depreciation increased by 76% yoy. On account of capital expenditures incurred during FY 2017-18, mainly, on acquisition of 63Moons trading software technology.

-Tax rate has gone down from 35% to 29% yoy improving PAT by 34% yoy.

Other highlights

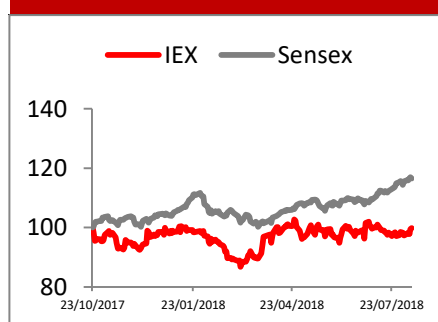
Short term market remained 10%, while exchanges gained market share: Short term transactions increased 1.5% yoy. Within short term – Bilateral trans increased 11%, Banking trans increased 10%, DSM volumes have gone down 32%, Exchange volumes increased 14% yoy. Share of exchanges in short term volumes increased from 35% to 39% yoy. IEX market share in short term market is 98%.

Increasing power demand to improve volume: Total generation increased 4.9% yoy to 349BU. Peak demand increased by 8% yoy. Key states driving energy requirement: Rajasthan- 15%, AP- 10%, MP- 7%, Maharashtra- 5%, TN-3%, Telangana- 6%. Increasing energy demand is likely to improve short term volumes further.

New products to improve outlook further: 13 Solar projects comprising a capacity of 415 MW were registered and sold solar energy through the day-ahead market on the Exchange during the quarter. IEX aspires to introduce products like GTAM and futures and forward contracts on the exchange. It has also made presentation to PNGRB for launching gas exchange. Introduction of these products will improve volumes further.

Valuation: We expect IEX's volumes to increase at a CAGR of 18% over FY18-20E. PAT over the same period is likely to increase at a CAGR of 21%. Being asset-light technology driven company IEX generates very high ROE and ROCE of 50% and 70% respectively. The company is likely to generate FCF of Rs2bn annually. IEX trading at 27x FY19E and 25x FY20E earnings. We recommend 'BUY' with target price of Rs2025 per share.

Price performance



% Shareholding

	Jun-18	Mar-18
Promoters	-	-
Public	44.09	43.22
Others	55.97	56.78
Total	100	100

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY16	1,750.3	2.0	1,251.8	71.5%	900.2	11.4	33.1	48.4	37%	54%
FY17	2,039.1	16.5	1,432.9	70.3%	1,003.4	11.5	37.5	42.7	41%	63%
FY18	2,288.8	12.2	1,833.0	80.1%	1,136.2	11.5	42.9	37.3	42%	65%
FY19E	2,653.7	15.9	2,314.5	87.2%	1,777.5	13.2	58.6	27.3	50%	71%
FY20E	3,084.4	16.2	2,699.9	87.5%	1,935.8	70.4	63.8	25.1	48%	73%

Source: Company, Dalal&Broacha Research



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IEX Q1FY19 Result Highlights

Particulars (Rs Mn)	Q1FY19	Q1FY18	Y-o-Y %	Q4FY18	Q-o-Q%
Net Sales	669.7	547.0	22%	551.8	21%
Other Income	72.2	72.1	0%	76.8	-6%
Total Revenue	741.9	619.1	20%	628.6	18%
Expenses					
Cost of Materials Consumed	-	-		-	
Employee benefit Expense	61.1	46.3	32%	61.5	-1%
Other Expenses	63.8	78.1	-18%	55.0	16%
Total Expenses	124.8	124.4	0%	116.5	7%
EBITDA	617.0	494.7	25%	512.1	20%
Depreciation	25.8	14.7	76%	29.3	-12%
EBIT	591.2	480.0	23%	482.8	22%
Finance Costs	0.6	0.6	1%	0.5	13%
PBT	590.6	479.4	23%	482.3	22%
Tax Expense	171.7	165.6	4%	167.9	2%
PAT	419.0	313.8	33%	314.4	33%
EPS	13.9	10.3	35%	11.9	17%



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P&L (Rs mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	Cash Flow SL (Rs. mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Net Sales	1,525.7	1,447.8	1,750.3	2,039.1	2,288.8	2,653.7	3,084.4	Net Profit	919.5	900.2	1,003.4	1,136.2	1,301.3	1,777.5	1,935.8
Raw Materials								Add Dep. & Amort.	26.5	29.5	33.9	34.6	102.4	103.1	103.1
Employee Cost	82.6	117.1	141.1	155.7	240.8	279.2	324.5	Cash profits	946.0	929.6	1,037.3	1,170.8	1,403.7	1,880.6	2,038.8
Other Expenses	301.9	289.8	367.5	450.5	215.0	60.0	60.0	(Inc)/Dec in							
Operating Profit	1,141.2	1,040.9	1,251.8	1,432.9	1,833.0	2,314.5	2,699.9	-Sundry debtors	0.6	1,565.0	(3,976.6)	457.4	9,530.9	(4,802.7)	1,691.7
Depreciation	26.5	29.5	33.9	34.6	102.4	103.1	103.1	-Inventories							
PBIT (Excl O. Income)	1,114.7	1,011.5	1,217.8	1,398.3	1,730.6	2,211.4	2,596.6	-Loans/advances	(2.2)	3.7	(0.4)	6.0	-	-	-
Other income	214.2	316.0	251.1	335.6	256.0	294.4	336.6	Current Liab and Provisions	22.6	531.9	(119.0)	1,240.2	199.2	193.6	33.2
Interest	0.2	2.4	2.7	1.3	2.3	2.3	2.3	Change in working capital							
PBT	1,328.7	1,325.1	1,466.3	1,732.6	1,984.3	2,503.5	2,933.0	CF from Oper. activities	(244.4)	685.0	21.3	1,297.6	195.0	192.6	32.0
Exceptionals	-	-	-	-	-	-	-	Capex	(7.0)	(67.3)	(11.5)	(12.8)	(1,315.1)	(65.3)	(65.3)
Profit before tax (post exceptional)	1,328.7	1,325.1	1,466.3	1,732.6	1,984.3	2,503.5	2,933.0	CF from Inv. activities	(591.3)	(138.3)	(274.7)	(998.6)	(1,500.1)	(259.6)	(269.4)
Provision for tax	409.2	424.9	462.9	596.4	683.0	725.0	997.2	CF from Fin. activities	(75.5)	(1,063.4)	(704.2)	(1,109.1)	(976.0)	(1,333.1)	(1,451.8)
Reported PAT	919.5	900.2	1,003.4	1,136.2	1,301.3	1,777.5	1,935.8	Cash generated/(utilised)	34.8	413.0	79.8	360.7	(877.4)	480.4	349.7
MI	-	-	-	-	-	-	-	Cash at start of the year	387.2	422.0	835.0	914.7	1,275.5	398.0	878.4
Net Profit	919.5	900.2	1,003.4	1,136.2	1,301.3	1,777.5	1,935.8	Cash at end of the year	422.0	835.0	914.7	1,275.5	398.0	878.4	1,228.1
Adjusted Profit (excl Exceptionals)	919.5	900.2	1,003.4	1,136.2	1,301.3	1,777.5	1,935.8		-	-	-	-	-	-	-
Balance Sheet (Rs Mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	Ratios	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity capital	303.3	303.3	303.3	303.3	303.3	303.3	303.3	OPI	74.8	71.9	71.5	70.3	80.1	87.2	87.5
Reserves	2,225.6	2,096.2	2,406.1	2,447.2	2,772.5	3,216.9	3,700.8	NPM	52.8	51.0	50.1	47.8	51.1	60.3	56.6
Net worth	2,528.8	2,399.5	2,709.4	2,750.5	3,075.8	3,520.2	4,004.1	Tax rate	30.8	32.1	31.6	34.4	34.4	29.0	34.0
MI	-	-	-	-	-	-	-								
Non Current Liabilities	336.7	361.9	352.3	359.1	362.7	366.3	370.0	Growth Ratios (%)							
								Net Sales	29.7	(5.1)	21	16.5	12.2	15.9	16.2
Current Liabilities	871.3	1,345.0	1,251.3	2,460.7	2,665.0	2,860.4	2,895.8	Operating Profit	0.3	(8.8)	20.3	14.5	27.9	26.3	16.7
								PBIT	55.8	(9.3)	20.4	14.8	23.8	27.8	17.4
CAPITAL EMPLOYED	3,736.8	4,106.3	4,313.0	5,570.3	6,103.5	6,746.9	7,269.9	PAT	42.1	(2.1)	11.5	13.2	14.5	36.6	8.9
Non Current Assets	619.2	404.3	270.5	266.9	266.9	266.9	266.9	Per Share (Rs.)							
								Net Earnings (EPS)	30.3	29.7	33.1	37.5	42.9	58.6	63.8
Fixed Assets	101.6	140.3	113.8	86.3	1,299.3	1,261.6	1,223.8	Cash Earnings (CPS)	29.4	28.7	32.0	36.3	39.5	55.2	60.4
OWIP	0.8	-	4.0	9.6	9.3	9.3	9.3	Dividend	2.6	8.7	9.3	10.9	13.0	15.7	20.0
Deferred Tax Asset	-	-	-	12.8	12.8	12.8	12.8	Book Value	83.4	79.1	89.3	90.7	101.4	116.1	132.0
Long Term Loans and Advances	29.3	34.5	31.5	28.8	28.8	28.8	28.8	Free Cash Flow	23.4	55.5	35.3	81.8	96.1	70.5	70.4
Other Non-current assets															
Current Assets	42.8	99.3	95.9	44.7	48.9	49.9	51.1	Valuation Ratios							
Investments	2,472.9	2,543.9	2,807.1	3,793.0	3,978.1	4,172.4	4,376.4	PIE(x)	52.8	53.9	48.4	42.7	37.3	27.3	25.1
Inventories	(4.0)	(3.0)	(2.0)	(1.0)	-	1.0	2.0	PIB(x)	19.2	20.2	17.9	17.6	15.8	13.8	12.1
Trade Receivables	2.7	3.6	7.7	2.1	6.3	7.3	8.5	EV/EBITDA(x)	47.8	53.1	44.5	38.8	31.3	24.7	21.3
Cash and Bank Balances	422.0	835.0	914.7	1,275.5	398.0	878.4	1,228.1	Div. Yield(%)	0.2	0.5	0.6	0.7	0.8	1.0	1.3
Short Term Loans and Advances	24.5	15.6	19.0	15.7	15.7	15.7	15.7	FCF Yield(%)	1.5	3.5	2.2	5.1	6.0	4.4	4.4
Other Current Assets	51.0	64.4	84.2	98.9	103.1	107.6	112.3	Return Ratios (%)							
CAPITAL DEPLOYED	3,736.7	4,106.4	4,313.0	5,570.3	6,103.5	6,746.9	7,269.9	ROE	36.4%	37.5%	37.0%	41.3%	42.3%	50.5%	48.3%
								ROCE	51.6%	55.1%	54.2%	63.0%	64.6%	71.2%	73.3%



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