



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q1FY20 Result Update@ Dalal&Broacha

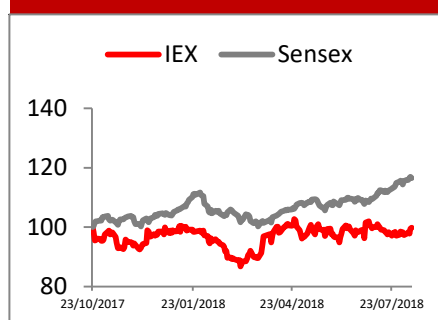
SELL

Current Price	144
Target Price	137
Upside	-5%
52 Week Range	140/178

Key Share Data

Market Cap (Rs.bn)	43
Market Cap (US\$ bn)	0.7
No of o/s shares (mn)	30.3
Face Value	10
Monthly Avg.	
Vol(BSE+NSE) Nos ('000)	2130
BSE Code	540750
NSE Code	IEX
Bloomberg	IEX IN

Price performance



% Shareholding JUN-19 Mar-19

Promoters	-	-
Public	46.75	47.45
Others	53.25	52.55
Total	100	100

Q1FY20 performance marred due to lower volumes

Topline down 6% yoy at Rs67.8cr (Exp: Rs72cr). DAM volume down 14% yoy at 14MU. REC volume down 40% yoy at 1.2MU. Decline is on the back of increased hydropower volume (25% yoy), resumption of supplies from Adani and Essar plants from Gujarat and increase in bilateral contracts due to elections

Other income up 26%yoy to Rs91mn mainly due to increase in trading float and high yields.

EBITDA margin at 82% (Exp: 80%). EBITDA at Rs49cr (Exp: Rs58cr).

PAT at Rs40r -5% yoy (Exp: Rs46cr).

Average MCP at Rs. 3.3 per KWh decreased 20%. Distribution companies contributed 78% of total volume.

Other highlights

Volume up-tick seen in July: 10% volume decline during the quarter is on the back of back of increased hydropower volume (25% yoy), resumption of supplies from Adani and Essar plants from Gujarat and increase in bilateral contracts due to elections. Amongst these only starting on power plants will see continued supply while other two reasons are temporary. In the month of July power volumes have increased 28% yoy.

Cross-border transactions likely in FY20E: MoP issued guidelines for Cross Border Trade of Electricity enabling trade of power (DAM and TAM both) through exchanges with neighboring countries. Mgmt expects cross border transactions to commence in FY20E. Management expects 1BU to be traded under cross border transactions. This will improve short term volume on exchange.

New products: IEX plans are on to diversify into the technology solutions offering (for e.g. solutions for discoms to optimise their power cost), to create new revenue streams. In the power trading business, IEX is gearing-up to introduce longer duration contracts (up to 1 year), which would compete with bilateral markets.

NOAR to reduce gate closure time: CERC has issued regulation for establishment of National Open Access Registry (NOAR) to facilitate online open access clearance and reduce gate closure time. Gate closure time to reduce from 3-4hrs to 1hour over 12-15months.

Valuation: Due to increased competitive intensity we downgrade IEX's volume growth to 12% from earlier 18% over FY19-21E. We expect IEX to post EPS of Rs6 and Rs7 over FY20E and FY21E. At current price the stock is trading at 24x FY20E and 20x FY21E earnings. We recommend 'SELL' on IEX on expensive valuations.

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%
FY17	2,039.1	16.5%	1,432.9	70.3%	1,003.4	13.2	3.7	44.0	41%
FY18	2,288.8	12.2	1,833.0	80.1%	1,136.2	13.2	4.3	38.5	42%
FY19	2,540.8	11.0	2,028.2	79.8%	1,650.4	45.3	5.5	30.2	47%
FY20E	2,945.1	15.9	2,376.4	80.7%	1,799.7	9.0	6.0	27.7	46%
FY21E	3,428.1	16.4	2,793.4	81.5%	2,121.5	17.9	7.0	20.4	47%



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IEX Q1FY20 Result Highlights

Particulars (Rs Mn)	Q4FY19	Q4FY18	Y-o-Y%	Q3FY19	Q-o-Q %
Net Sales	564.5	551.8	2%	638.0	-12%
Other Income	113.9	76.8	48%	131.2	-13%
Total Revenue	678.4	628.6	8%	769.2	-12%
Expenses					
Employee benefit Expense	61.7	61.5	0%	66.5	-7%
Other Expenses	55.2	49.1	12%	82.8	-33%
Total Expenses	116.9	110.6	6%	149.3	-22%
EBITDA	561.5	518.0	8%	619.9	-9%
Depreciation	25.5	29.3	-13%	26.5	-4%
EBIT	536.0	488.7	10%	593.4	-10%
Finance Costs	-	1.0	NM	1.0	NM
PBT	536.0	487.7	10%	592.4	-10%
Tax Expense	151.9	167.9	-10%	166.9	-9%
PAT	384.1	319.8	20%	425.5	-10%
EPS	1.3	1.0	22%	1.4	-11%

Key ratios (%)					
Employee expenses/Sales	9%	10%		9%	
Other operating exp./Sales	8%	8%		11%	
EBITDA margin	83%	82%		81%	
PBT Margin	79%	78%		77%	
Tax rate	28%	34%		28%	
PAT Margin	57%	51%		55%	



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Financial Performance

P&L (Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	Cash Flow SL (Rs. mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Net Sales	1,447.8	1,750.3	2,039.1	2,288.8	2,540.8	2,945.1	3,428.1	Net Profit	900.2	1,003.4	1,136.2	1,301.3	1,650.4	1,799.7	2,121.5
Raw Materials								Add. Dep. & Amort.	29.5	33.9	34.6	102.4	104.2	103.1	103.1
Employee Cost	117.1	141.1	155.7	240.8	248.3	273.2	300.5	Cash profits	929.6	1,037.3	1,170.8	1,403.7	1,754.6	1,902.8	2,224.6
Other Expenses	289.8	357.5	450.5	215.0	264.2	295.6	334.2	(Inc)/Dec in							
Operating Profit	1,040.9	1,251.8	1,432.9	1,833.0	2,028.2	2,376.4	2,793.4	-Sundry debtors	1,566.0	(3,976.6)	457.4	9,530.9	(4,802.7)	1,691.7	(14,558.9)
Depreciation	29.5	33.9	34.6	102.4	104.2	103.1	103.1	-Inventories							
PBIT (Excl O. Income)	1,011.5	1,217.8	1,398.3	1,730.6	1,924.0	2,273.3	2,690.3	-Loans/advances	3.7	(0.4)	6.0	-	-	-	-
Other income	316.0	251.1	335.6	256.0	400.8	460.9	530.1	-Current Liab and Provisions	531.9	(119.0)	1,240.2	199.2	106.9	28.3	172.5
Interest	2.4	2.7	1.3	2.3	7.3	7.4	7.5	Change in working capital	686.0	21.3	1,297.6	195.0	106.2	27.2	171.1
PBT	1,325.1	1,466.3	1,732.6	1,984.3	2,317.4	2,726.8	3,212.9	CF from Oper. activities	1,614.7	1,058.6	2,468.4	1,598.7	1,860.8	1,930.0	2,394.7
Exceptionals	-	-	-	-	-	-	-	Capex	(67.3)	(11.5)	(12.8)	(1,315.1)	(66.5)	(65.3)	(65.3)
Profit before tax (post exceptional)	1,325.1	1,466.3	1,732.6	1,984.3	2,317.4	2,726.8	3,212.9	CF from Inv. activities	(138.3)	(274.7)	(998.6)	(1,500.1)	(260.8)	(269.4)	(279.6)
Provision for tax	424.9	462.9	596.4	683.0	667.1	927.1	1,092.4	CF from Fin. activities	(1,063.4)	(704.2)	(1,109.1)	(976.0)	(1,239.1)	(1,349.8)	(1,590.4)
Reported PAT	900.2	1,003.4	1,136.2	1,301.3	1,650.4	1,799.7	2,120.5	Cash generated/(utilised)	413.0	79.8	360.7	(877.4)	360.9	310.8	524.8
MI	-	-	-	-	-	-	1.0	Cash at start of the year	422.0	835.0	914.7	1,275.5	398.0	758.9	1,069.7
Net Profit	900.2	1,003.4	1,136.2	1,301.3	1,650.4	1,799.7	2,121.5	Cash at end of the year	836.0	914.7	1,275.5	398.0	758.9	1,069.7	1,594.5
Adjusted Profit (excl Exceptionals)	900.2	1,003.4	1,136.2	1,301.3	1,650.4	1,799.7	2,121.5								
Balance Sheet (Rs Mn)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	Ratios	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity capital	303.3	303.3	303.3	303.3	301.9	301.9	301.9	OPM	71.9	71.5	70.3	80.1	79.8	80.7	81.5
Reserves	2,096.2	2,406.1	2,447.2	2,772.5	3,185.1	3,635.0	4,165.2	NPW	51.0	50.1	47.8	51.1	56.1	52.8	53.6
Net worth	2,399.5	2,709.4	2,750.5	3,075.8	3,487.0	3,936.9	4,467.1	Tax rate	32.1	31.6	34.4	34.4	28.8	34.0	34.0
MI								Growth Ratios (%)							
Non Current Liabilities	361.9	352.3	359.1	362.7	366.3	370.0	373.7	Net Sales	(5.1)	21	16.5	12.2	11.0	15.9	16.4
Current Liabilities	1,345.0	1,251.3	2,460.7	2,665.0	2,773.7	2,804.2	2,979.3	Operating Profit	(8.8)	20.3	14.5	27.9	10.6	17.2	17.5
CAPITAL EMPLOYED	4,106.3	4,313.0	5,570.3	6,103.5	6,627.1	7,111.1	7,820.0	PBIT	(9.3)	20.4	14.8	23.8	11.2	18.2	18.3
Non Current Assets	404.3	270.5	266.9	266.9	266.9	266.9	266.9	PAT	(2.1)	11.5	13.2	14.5	26.8	9.0	17.9
Fixed Assets	140.3	113.8	86.3	1,299.3	1,261.6	1,223.8	1,186.1	Per Share (Rs.)							
CWIP	-	4.0	9.6	9.3	9.3	9.3	9.3	Net Earnings (EPS)	3.0	3.3	3.7	4.3	5.5	6.0	7.0
Deferred Tax Asset	-	-	12.8	12.8	12.8	12.8	12.8	Cash Earnings (CPS)	2.9	3.2	3.6	4.0	5.1	5.6	6.7
Long Term Loans and Advances	34.6	31.5	28.8	28.8	28.8	28.8	28.8	Dividend	21.6	19.0	30.0	25.6	32.7	35.6	42.0
Other Non-current assets								Book Value	7.9	8.9	9.1	10.1	11.5	13.0	14.8
Current Assets	99.3	95.9	44.7	48.9	49.6	50.7	52.0	Free Cash Flow	5.5	3.5	8.2	9.6	6.4	6.6	8.1
Investments	2,543.9	2,807.1	3,793.0	3,978.1	4,172.4	4,376.4	4,590.6	Valuation Ratios							
Inventories	(3.0)	(2.0)	(1.0)	-	1.0	2.0	3.0	PE(x)	48.2	43.2	38.2	33.3	26.2	24.0	26.4
Trade Receivables	3.6	7.7	2.1	6.3	7.0	8.1	9.4	PB(x)	18.1	16.0	15.8	14.1	12.4	11.0	9.7
Cash and Bank Balances	835.0	914.7	1,275.5	398.0	758.9	1,069.7	1,594.5	EV/EBITDA(x)	43.8	36.5	31.9	24.9	22.5	19.2	16.3
Short Term Loans and Advances	15.6	19.0	15.7	15.7	15.7	15.7	15.7	Div. Yield(%)	15.1	13.3	21.0	17.9	22.8	24.9	29.3
Other Current Assets	64.4	84.2	98.9	103.1	107.6	112.3	117.2	FCF Yield(%)	3.9	2.5	5.7	6.7	4.5	4.6	5.7
CAPITAL DEPLOYED	4,106.4	4,313.0	5,570.3	6,103.5	6,626.8	7,110.8	7,819.6	Return Ratios (%)							
								ROE	37.5%	37.0%	41.3%	42.3%	47.3%	45.7%	47.5%
								ROCE	55.1%	54.2%	63.0%	64.6%	66.7%	69.5%	72.1%



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