



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q1FY19 Result Update@ Dalal&Broacha

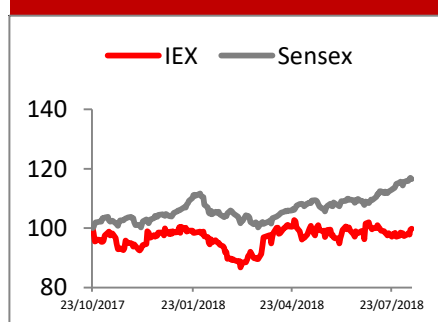
BUY

Current Price	157
Target Price	166
Upside	6%
52 Week Range	140/178

Key Share Data

Market Cap (Rs.bn)	47.78
Market Cap (US\$ bn)	0.7
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

Price performance



% Shareholding

	Sep-18	Jun-18
Promoters	-	-
Public	46.71	44.09
Others	53.29	55.97
Total	100	100

Q2FY19 performance in-line with estimates

- Sales in line with expectations growing 20% yoy to Rs668mn. Total volume recorded at 14.15BU up 17% yoy driven by increase in procurement by distribution companies.
- Discom volume contribution increased to 80% vs 60% yoy. Open access volume has gone down from 40% to 20%. REC volume at 31.15 lacs increase of 314% yoy. Other income increased 58% yoy to Rs83.52mn. Market clearing price on exchange is up 33% yoy at Rs3.98p.u.

- EBITDA increased 17.5% yoy. Employee cost remained stable yoy while other expenses increased due to acquisition of technology. EBITDA margin for the quarter is reported at 82% vs 83%.

- Depreciation reduced by 10% yoy. Tax rate has gone down from 33% to 29% yoy. PAT up 31% yoy.

Other highlights

Transaction charge kept unchanged by CERC: CERC has not made any changes in transaction charge of power exchanges. IEX charges 4 paise p.u. This is positive for IEX as its reduction in transaction charges will impact IEX's topline as well as margin.

Increasing power demand to improve volume: Total generation increased 6.2% yoy to 705BU during H1FY19. Key states driving energy requirement: Karnataka 27%, Telangana 19%; Maharashtra 18%, Andhra Pradesh 17%, Odisha 16% and Gujarat 16%. Increasing energy demand is likely to improve short term volumes further.

CERC guideline for sharing interest on security deposit with members: As per the proposed amendment, power exchange would be required to share 70% of interest income earned on security deposits with members. As IEX charges Rs 2.5 mn as security deposit from active customers; overall impact on IEX's other income will be minimal at 2%.

Market share to be maintained inspite of increasing competition: Management is confident of growing volumes inspite of increasing competitive intensity as PTC India is likely to launch power exchange. Overall short term market is likely to increase. PTC India contributes 20-25% of IEX's volume.

Increase in DSM trading rate is positive: IEX gaining market share in short term market as CERC increased DSM trading rate. So part of DSM volumes will be diverted to exchange. Volume by top 10 buyers account for 55-60% of total volume.

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%. At current price the stock is trading at 29x FY19E and 24.5x FY20E earnings. Potential launch of new exchange will act as threat to IEX's premium valuation leading to P/E getting de-rated. We maintain 'Underweight' with target price of Rs166.

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	3.3	47.5	37%	54%
FY17	2,039.1	16.5	1,432.9	70.3%	1,003.4	11.5	3.7	41.9	41%	63%
FY18	2,288.8	12.2	1,833.0	80.1%	1,136.2	11.5	4.3	36.6	42%	65%
FY19E	2,653.7	15.9	2,314.5	87.2%	1,652.3	13.2	5.4	28.8	47%	72%
FY20E	3,084.4	16.2	2,699.9	87.5%	1,935.8	70.4	6.4	24.6	49%	74%

Source: Company, Dalal&Broacha Research

**DALAL & BROACHA**
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q1FY19 Result Update@ Dalal&Broacha**IEX Q2FY19 Result Highlights**

Particulars (Rs Mn)	Q2FY19	Q2FY18	Y-o-Y%	Q1FY19	Q-o-Q %
Net Sales	668.6	558.2	20%	669.7	0%
Other Income	83.5	52.8	58%	72.2	16%
Total Revenue	752.1	610.9	23%	741.9	1%
Expenses					
Employee benefit Expense	59.3	58.3	2%	61.1	-3%
Other Expenses	62.5	30.2	107%	58.5	7%
Total Expenses	121.8	88.5	38%	119.6	2%
EBITDA	630.4	522.5	21%	622.3	1%
Depreciation	26.4	29.0	-9%	25.8	2%
EBIT	604.0	493.5	22%	596.4	1%
Finance Costs	-	1.0	NM	1.0	NM
PBT	604.0	492.5	23%	595.4	1%
Tax Expense	176.7	162.1	9%	171.7	3%
PAT	427.3	330.3	29%	423.8	1%
EPS	1.4	1.1	32%	1.4	2%



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q1FY19 Result Update@ Dalal&Broacha

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	1,652.3	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	1,755.4	2,038.8
Other Expenses	301.9	289.8	357.5	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	1,585.0	(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	2,596.8	-Loans/advances	(2.2)	3.7	(0.4)	6.0	-	-	-
Other income	214.2	316.0	251.1	336.6	256.0	294.4	338.6	-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	(244.4)	685.0	21.3	1,297.6	195.0	192.6	32.0
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	701.6	1,614.7	1,058.6	2,468.4	1,598.7	1,947.9	2,070.9
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)	(1,506.1)	(258.6)	(269.4)
Provision for tax	409.2	424.9	462.9	596.4	683.0	851.2	997.2	CF from Fin. activities	(75.5)	(1,063.4)	(704.2)	(1,109.1)	(976.0)	(1,239.2)	(1,451.8)
Reported PAT	919.5	900.2	1,003.4	1,136.2	1,301.3	1,652.3	1,935.8	Cash generated/ utilised	34.8	413.0	79.8	360.7	(877.4)	449.1	349.7
MI	-	-	-	-	-	-	-	Cash at start of the year	387.2	422.0	835.0	914.7	1,275.5	398.0	847.1
Net Profit	919.5	900.2	1,003.4	1,136.2	1,301.3	1,652.3	1,935.8	Cash at end of the year	422.0	835.0	914.7	1,275.5	398.0	847.1	1,196.8
Adjusted Profit (excl Exceptionals)	919.5	900.2	1,003.4	1,136.2	1,301.3	1,652.3	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	OPM	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	3,185.6	3,689.5	NPM	52.8	51.0	50.1	47.8	51.1	56.0	56.6
Net worth	2,528.8	2,399.5	2,709.4	2,750.5	3,075.8	3,488.9	3,972.8	Tax rate	30.8	32.1	31.6	34.4	34.4	34.0	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	6,715.6	7,238.6	PAT	42.1	(2.1)	11.5	13.2	14.5	27.0	17.2
Non Current Assets	619.2	404.3	270.5	266.9	266.9	266.9	266.9	Per Share (Rs.)							
								Net Earnings (EPS)	3.0	3.0	3.3	3.7	4.3	5.4	6.4
Fixed Assets	101.6	140.3	113.8	86.3	1,299.3	1,261.6	1,223.8	Cash Earnings (CPS)	2.9	2.9	3.2	3.6	4.0	5.1	6.0
CWIP	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
								Book Value	8.3	7.9	8.9	9.1	10.1	11.5	13.1
Deferred Tax Asset	-	-	-	12.8	12.8	12.8	12.8	Free Cash Flow	2.3	5.5	3.5	8.2	9.6	6.6	7.0
Long Term Loans and Advances	29.3	34.5	31.5	28.8	28.8	28.8	28.8								
Other Non-current assets								Valuation Ratios							
Current Assets	42.8	99.3	96.9	44.7	48.9	49.9	51.1	P/E(x)	51.8	52.9	47.5	41.9	36.6	28.8	24.6
Investments	2,472.9	2,543.9	2,807.1	3,793.0	3,978.1	4,172.4	4,376.4	P/B(x)	18.8	19.8	17.6	17.3	15.5	13.6	12.0
Inventories	(4.0)	(3.0)	(2.0)	(1.0)	-	1.0	2.0	EV/EBIDTA(x)	47.1	52.2	43.8	38.2	30.8	24.4	21.0
Trade Receivables	2.7	3.6	7.7	2.1	6.3	7.3	8.5	Div. Yield(%)	1.7	5.6	5.9	6.9	8.3	10.0	12.7
Cash and Bank Balances	422.0	835.0	914.7	1,275.5	398.0	847.1	1,196.8	FCF Yield(%)	1.5	3.5	2.2	5.2	6.1	4.2	4.5
Short Term Loans and Advances	24.5	15.6	19.0	15.7	15.7	15.7	15.7								
Other Current Assets	51.0	64.4	84.2	98.9	103.1	107.6	112.3	Return Ratios (%)							
								ROE	36.4%	37.5%	37.0%	41.3%	42.3%	47.4%	48.7%
CAPITAL DEPLOYED	3,736.7	4,106.4	4,313.0	5,570.3	6,103.5	6,715.6	7,238.6	ROCE	51.6%	55.1%	54.2%	63.0%	64.6%	71.8%	73.9%



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q1FY19 Result Update@ Dalal&Broacha

Disclaimer

Dalal&Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

**DALAL & BROACHA**
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q1FY19 Result Update@ Dalal&Broacha

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. Abhilasha Satale	Abhilasha.satale@dalal-broacha.com	022 67141439	Mid Cap
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141412	IT/Media/Telecom
Ms. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com