



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q3FY19 Result Update@ Dalal&Broacha

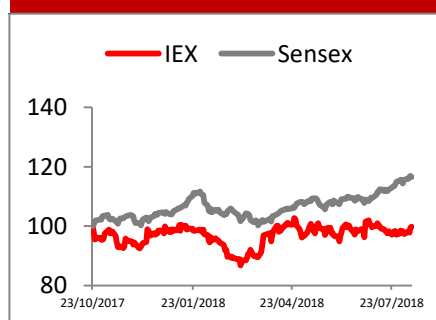
Underweight

Current Price	160
Target Price	168
Upside	5%
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

Q4FY19 performance better than expectations

Topline up 8% yoy at Rs67.8cr (Exp: Rs63.63cr). DAM volume down 9% yoy at 9.9MU (Exp: 9.6BU). REC volume at 2.6MU (Exp: 2MU). Volume reduced due to lower procurement by distribution companies.

Treasury income of Rs. 11.39cr (Exp: Rs9.5cr), up 48% mainly due to increase in trading float and high yields.

EBITDA margin at 83% (Exp: 81%). EBITDA at Rs56.15cr (Exp: Rs51.34cr). Margin came better than expectations as employee cost is at Rs6.16cr as against exp of Rs6.65cr.

PAT at Rs37.85cr +20% yoy (Exp: Rs34.4cr).

Average MCP at Rs. 3.86 per KWh increased 19%. Distribution companies contributed 78% of total volume.

There was congestion free market on most of the days and volume curtailment due to congestion was only about 0.93%.

Other highlights

DSM price to be linked to exchange price: CERC has issued guidelines for DSM (Deviation Scheme Mechanism) trading that DSM price to be linked to exchange price. 16-17MWs are traded through DSM. Management expects 50% of this volume to get shifted to exchange as states will plan procurement accordingly.

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 has launched GST portal to transact REC as REC attracts GST while electricity is exempted from GST. Filed petition with CERC for new products like G-DAM.

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: 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 19%. At current price the stock is trading at 25.6x FY20E and 21.7x FY21E earnings. Potential launch of new exchange will act as threat to IEX valuation. We maintain 'Underweight' with target price of Rs168.

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	2,039.1	16.5%	1,432.9	70.3%	1,003.4	13.2	3.7	44.0	41%	63%
FY18	2,288.8	12.2	1,833.0	80.1%	1,136.2	13.2	4.3	38.5	42%	65%
FY19	2,540.8	11.0	2,028.2	79.8%	1,650.4	45.3	5.5	30.2	47%	67%
FY20E	3,084.4	21.4	2,504.5	81.2%	1,884.2	14.2	6.2	26.4	48%	72%
FY21E	3,592.4	16.5	2,944.5	82.0%	2,221.3	17.9	7.4	21.6	49%	75%

Source: Company, Dalal&Broacha Research



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IEX Q4FY19 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	3,084.4	3,592.4	Net Profit	900.2	1,003.4	1,136.2	1,301.3	1,650.4	1,884.2	2,221.3
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	1,987.3	2,324.3
Other Expenses	289.8	357.5	450.5	215.0	254.2	306.7	347.4	(Inc)/Dec in							
Operating Profit	1,040.9	1,251.8	1,432.9	1,833.0	2,028.2	2,504.5	2,944.5	-Sundry debtors	1,565.0	(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	2,401.4	2,841.5	-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	119.8	179.9
Interest	2.4	2.7	1.3	2.3	7.3	7.4	7.5	Change in working capital	685.0	21.3	1,297.6	195.0	106.2	118.4	178.5
PBT	1,325.1	1,466.3	1,732.6	1,984.3	2,317.4	2,854.9	3,364.1	CF from Oper. activities	1,614.7	1,058.6	2,468.4	1,598.7	1,860.8	2,105.7	2,501.9
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	2,854.9	3,364.1	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	970.7	1,143.8	CF from Fin. activities	(1,063.4)	(704.2)	(1,109.1)	(976.0)	(1,239.1)	(1,413.2)	(1,665.2)
Reported PAT	900.2	1,003.4	1,136.2	1,301.3	1,650.4	1,884.2	2,220.3	Cash generated/utilised	-413.0	79.8	360.7	(877.4)	360.9	423.1	557.1
MI	-	-	-	-	-	-	1.0	Cash at start of the year	422.0	835.0	914.7	1,275.5	398.0	758.9	1,182.0
Net Profit	900.2	1,003.4	1,136.2	1,301.3	1,650.4	1,884.2	2,221.3	Cash at end of the year	835.0	914.7	1,275.5	398.0	758.9	1,182.0	1,739.2
Adjusted Profit (excl Exceptionals)	900.2	1,003.4	1,136.2	1,301.3	1,650.4	1,884.2	2,221.3		-	-	-	-	-	-	-
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	81.2	82.0
Reserves	2,096.2	2,406.1	2,447.2	2,772.5	3,185.1	3,656.2	4,211.2	NPM	51.0	50.1	47.8	51.1	56.1	53.1	53.9
Net worth	2,399.5	2,709.4	2,750.5	3,075.8	3,487.0	3,958.1	4,513.1	Tax rate	32.1	31.6	34.4	34.4	28.8	34.0	34.0
MI															
Non Current Liabilities	361.9	352.3	359.1	362.7	366.3	370.0	373.7	Growth Ratios (%)							
Current Liabilities	1,345.0	1,251.3	2,460.7	2,665.0	2,773.7	2,895.8	3,078.3	Net Sales	(5.1)	21	16.5	12.2	11.0	21.4	16.5
CAPITAL EMPLOYED	4,106.3	4,313.0	5,570.3	6,103.5	6,627.1	7,223.8	7,965.1	Operating Profit	(8.8)	20.3	14.5	27.9	10.6	23.5	17.6
Non Current Assets	404.3	270.5	266.9	266.9	266.9	266.9	266.9	PBIT	(9.3)	20.4	14.8	23.8	11.2	24.8	18.3
Fixed Assets	140.3	113.8	86.3	1,299.3	1,261.6	1,223.8	1,186.1	PAT	(2.1)	11.5	13.2	14.5	26.8	14.2	17.9
CWIP	-	4.0	9.6	9.3	9.3	9.3	9.3	Per Share (Rs.)							
Deferred Tax Asset	-	-	12.8	12.8	12.8	12.8	12.8	Net Earnings (EPS)	3.0	3.3	3.7	4.3	5.5	6.2	7.4
Long Term Loans and Advances	34.5	31.5	28.8	28.8	28.8	28.8	28.8	Cash Earnings (CPS)	2.9	3.2	3.6	4.0	5.1	5.9	7.0
Other Non-current assets								Dividend	21.6	19.0	30.0	25.6	32.7	37.3	43.9
Current Assets	99.3	95.9	44.7	48.9	49.6	51.1	52.4	Book Value	7.9	8.9	9.1	10.1	11.5	13.1	14.9
Investments	2,543.9	2,807.1	3,793.0	3,978.1	4,172.4	4,376.4	4,590.6	Free Cash Flow	5.5	3.5	8.2	9.6	6.4	7.2	8.5
Inventories	(3.0)	(2.0)	(1.0)	-	1.0	2.0	3.0	Valuation Ratios							
Trade Receivables	3.6	7.7	2.1	6.3	7.0	8.5	9.8	PIE(x)	53.6	48.1	42.4	37.1	29.1	25.5	21.6
Cash and Bank Balances	835.0	914.7	1,275.5	398.0	758.9	1,182.0	1,739.2	PIB(x)	20.1	17.8	17.5	15.7	13.8	12.1	10.6
Short Term Loans and Advances	15.6	19.0	15.7	15.7	15.7	15.7	15.7	EVEBITDA(x)	43.9	36.5	31.9	24.9	22.5	18.2	15.5
Other Current Assets	64.4	84.2	98.9	103.1	107.6	112.3	117.2	Div. Yield(%)	13.6	11.9	18.9	16.1	20.5	23.4	27.6
CAPITAL DEPLOYED	4,106.4	4,313.0	5,570.3	6,103.5	6,626.8	7,223.9	7,965.2	FCF Yield(%)	3.5	2.2	5.1	6.0	4.0	4.5	5.3
								Return Ratios (%)							
								ROE	37.5%	37.0%	41.3%	42.3%	47.3%	47.6%	49.2%
								ROCE	55.1%	54.2%	63.0%	64.6%	66.7%	72.3%	74.7%



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