



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

Analyst: Abhilasha Satale (022) 67141435

## Event Update@ Dalal&Broacha

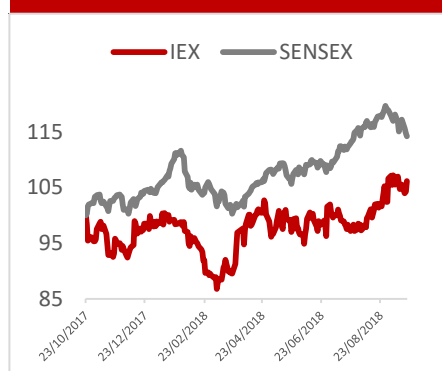
### UNDERWEIGHT

Current Price	1720
Target Price	1659
Upside	-4%
52 Week Range	1770/1450

### Key Share Data

Market Cap (Rs.bn)	52.46
Market Cap (US\$ mn)	800
No of o/s shares (mn)	30.3
Face Value	10
Monthly Avg.	
Vol(BSE+NSE) Nos ('000)	5200
BSE Code	540750
NSE Code	IEX
Bloomberg	IEX IN

### Price performance



### % Shareholding

	Mar-18	Dec-17
Promoters	-	-
Public	56.78	56.78
Others	43.22	43.22
<b>Total</b>	<b>100</b>	<b>100</b>

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)
FY16	1,750.3	2.0	1,251.8	71.5%	900.2	11.4	33.1	52.2
FY17	2,039.1	16.5	1,432.9	70.3%	1,003.4	11.5	37.5	46.1
FY18	2,288.8	12.2	1,833.0	80.1%	1,136.2	11.5	42.9	40.2
FY19E	2,653.7	15.9	2,314.5	87.2%	1,777.5	13.2	58.6	29.4
FY20E	3,084.4	16.2	2,699.9	87.5%	1,935.8	70.4	63.8	27.0

Source: Companv. Dalal&Broacha Research

Impact of Electricity (Amendment) Act, 2018 on IEX:

**Surcharge to be capped at 20%:** Every consumer with 1MW or more consumption will be allowed open access (right to procure power from supplier of choice) and the open access surcharge will be capped at 20% of the wheeling (transmission) charges. This would be progressively reduced and eliminated within three years. SEBs levy surcharge on industrial customers to discourage power procurement through other sources. However, cap on surcharge will improve trading volume on exchange as power procurement cost for industrial users will go down by around Re0.8p.u.

**Removal of cross subsidy charge:** The amendments propose restricting cross subsidy charges to 20% of tariff and eliminating all cross subsidy in 3 years with at least 6% reduction every year. Cross-subsidy charge ranges between Rs.1.2-1.4 p.u. for industrial customers. Removal of cross subsidy charge will reduce procurement cost for industrial customers over a period. These measures are likely to be beneficial for power exchanges like IEX as open-access volumes will increase on the exchange.

**RPO/RGO: part of new act:** Renewable Power Obligation (RPO) is a threshold of minimum quantum power purchase through renewable sources, mandated for every power supplier. These targets will now be set by the Central Govt. (as opposed to every State today). RPO noncompliance will attract penalties (INR 1-5 /kWh) to the extent of shortfall. The move is likely to increase REC trades on IEX. However, REC supply has gone down due to lack of increase in RE sources.

### Other Updates

**PTC India, ICICI Bank and BSE jointly filed an application with CERC for power exchange: Potential threat to IEX:** PTC India expects approval from CERC within 90-120 days for launching power exchange. Launch of exchange expected by March 19E. PTC India will eventually hold 5% in new exchange. Currently PTC contributes 20% of IEX total volumes which may decline post launch of new exchange.

We expect short term power volume to increase to 15% of total power industry by FY23E which will benefit IEX as exchanges will gain market share over other trading channels. IEX holds 98% market share in power exchange in India. Launch of new exchange could act as potential threat to IEX's market share in the near term as IEX will lose out on its monopolistic position as Customers will have more options available.

**Valuation:** At current price the stock is trading at 29x FY19E and 27x FY20E earnings. Even though we expect long-term outlook remains intact with IEX's volumes to increase at a CAGR of 18% over FY18-21E. Improved EBITDA margin post acquisition of 63Moons technology to improve bottomline at a CAGR of 20%. However potential launch of new exchange will act as threat to IEX's premium valuation leading to P/E getting de-rated. We downgrade stock to 'Underweight' with price target of Rs1659 by valuing it at 26x FY20E earnings.





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