



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q3FY19 Result Update@ Dalal&Broacha

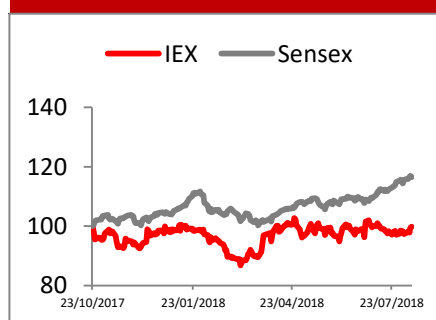
Underweight

Current Price	165
Target Price	168
Upside	2%
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

Q3FY19 performance marginally below estimates

- Sales up 10% yoy to Rs6663mn. Total volume recorded at 13.69BU up 20% yoy driven by increase in procurement by distribution companies.
- REC volume at 11.97 lacs down 78% yoy due to reduction in available inventory. Other income increased 140% yoy to Rs135mn. Market clearing price on exchange is up 28% yoy at Rs4.08p.u. Five major contributing states on the exchange are Gujarat, Maharashtra, Bihar, West Bengal and Telangana.

EBITDA increased 7% yoy. Employee cost remained stable yoy while other expenses increased due to one-time expenses of Rs29mn. One-time expenses includes expenses for executive hiring, expenses towards bonus issue etc. EBITDA margin for the quarter is reported at 81% vs 83% yoy.

- Depreciation reduced by 10% yoy. Tax rate has gone down from 33% to 28% yoy. PAT up 18% yoy.

Other highlights

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.

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. As Pakistan and Bangladesh are power deficit countries and India is competitive therefore, mgmt. this to boost volumes.

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. CERC has issued regulation for establishment of National Open Access Registry (NOAR) to facilitate online open access clearance and reduce gate closure time.

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 28x FY20E and 23.6x FY21E 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 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%
FY19E	2,653.7	15.9	2,116.5	79.8%	1,521.7	33.9	5.0	32.9	44%	67%
FY20E	3,084.4	16.2	2,486.3	80.6%	1,794.8	18.0	5.9	27.9	46%	70%
FY21E	3,592.4	16.5	2,924.5	81.4%	2,118.6	18.0	7.0	23.6	48%	72%

Source: Company, Dalal&Broacha Research



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q3FY19 Result Update@ Dalal&Broacha

IEX Q3FY19 Result Highlights

Particulars (Rs Mn)	Q3FY19	Q3FY18	Y-o-Y%	Q2FY19	Q-o-Q %
Net Sales	638.0	647.5	-1%	668.6	-5%
Other Income	131.2	54.6	140%	83.5	57%
Total Revenue	769.2	702.1	10%	752.1	2%
Expenses					
Employee benefit Expense	66.5	74.6	-11%	59.3	12%
Other Expenses	82.8	41.6	99%	62.5	33%
Total Expenses	149.3	116.3	28%	121.8	23%
EBITDA	619.9	585.8	6%	630.4	-2%
Depreciation	26.5	29.7	-11%	26.4	0%
EBIT	593.4	556.2	7%	604.0	-2%
Finance Costs	-	1.0	NM	1.0	NM
PBT	593.4	555.2	7%	603.0	-2%
Tax Expense	166.9	187.6	-11%	176.7	-6%
PAT	426.5	367.6	16%	426.3	0%
EPS	1.4	1.2	19%	1.4	0%



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale (022) 67141435

Q3FY19 Result Update@ Dalal&Broacha

Financial Performance

P&L (Rs. m)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E	Cash Flow SL (Rs. m)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	1,447.8	1,750.3	2,039.1	2,288.8	2,653.7	3,084.4	3,592.4	Net Profit	900.2	1,003.4	1,136.2	1,301.3	1,521.7	1,794.8	2,118.8
Raw Materials								Add: Dep. & Amort.	29.5	33.9	34.6	102.4	103.1	103.1	103.1
Employee Cost	117.1	141.1	155.7	240.8	264.9	291.4	320.5	Cash profits	929.6	1,037.3	1,170.8	1,403.7	1,624.7	1,897.9	2,221.6
Other Expenses	289.9	357.5	450.5	215.0	272.3	308.7	347.4	(Inc)/Dec in							
Operating Profit	1,040.9	1,251.8	1,432.9	1,833.0	2,116.5	2,486.3	2,924.5	-Sundry debtors	1,565.0	(3,976.6)	457.4	9,530.9	(4,802.7)	1,591.7	(14,558.9)
Depreciation	29.5	33.9	34.6	102.4	103.1	103.1	103.1	-Inventories							
PBT (Excl O. Income)	1,011.5	1,217.8	1,398.3	1,730.6	2,013.5	2,383.2	2,821.5	-Loans/advances	3.7	(0.4)	6.0	-	-	-	-
Other income	316.0	251.1	336.6	256.0	294.4	338.6	389.3	-Current Liab and Provisions	531.9	(119.0)	1,240.2	199.2	193.6	33.2	179.9
Interest	2.4	2.7	1.3	2.3	2.3	2.3	2.4	Change in working capital							
PBT	1,325.1	1,486.3	1,732.6	1,984.3	2,305.5	2,719.4	3,208.4	CF from Oper. activities	585.0	21.3	1,297.6	195.0	192.6	32.0	178.5
Exceptionals	-	-	-	-	-	-	-	Capex	(67.3)	(11.5)	(12.8)	(1,315.1)	(65.3)	(65.3)	(65.3)
Profit before tax (post exceptional)	1,325.1	1,486.3	1,732.6	1,984.3	2,305.5	2,719.4	3,208.4	CF from Inv. activities	(138.3)	(274.7)	(998.6)	(1,500.1)	(258.6)	(269.4)	(279.6)
Provision for tax	424.9	462.9	596.4	683.0	783.9	924.6	1,090.9	CF from Fin. activities	(1,063.4)	(704.2)	(1,109.1)	(976.0)	(1,141.2)	(1,346.1)	(1,588.2)
Reported PAT	900.2	1,003.4	1,136.2	1,301.3	1,521.7	1,794.8	2,117.6	Cash generated/(utilised)	413.0	79.8	366.7	(877.4)	416.4	314.5	531.4
MI	-	-	-	-	-	-	1.0	Cash at start of the year	422.0	835.0	914.7	1,275.5	398.0	814.4	1,128.9
Net Profit	900.2	1,003.4	1,136.2	1,301.3	1,521.7	1,794.8	2,118.8	Cash at end of the year	835.0	914.7	1,275.5	398.0	814.4	1,128.9	1,660.3
Adjusted Profit (excl Exceptionals)	900.2	1,003.4	1,136.2	1,301.3	1,521.7	1,794.8	2,118.8		-	-	-	-	-	-	-
Balance Sheet (Rs. Mn)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E	Ratios	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity capital	303.3	303.3	303.3	303.3	303.3	303.3	303.3	OPM	71.9	71.5	70.3	60.1	79.8	80.6	81.4
Reserves	2,096.2	2,405.1	2,447.2	2,772.5	3,152.9	3,601.6	4,131.0	NPM	51.0	50.1	47.8	51.1	51.6	52.4	53.2
Net worth	2,399.5	2,709.4	2,750.5	3,075.8	3,456.2	3,904.9	4,434.3	Tax rate	32.1	31.6	34.4	34.4	34.0	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	15.9	16.2	16.5
Current Liabilities	1,345.0	1,251.3	2,460.7	2,665.0	2,860.4	2,895.8	3,078.3	Operating Profit	(8.8)	20.3	14.5	27.9	15.5	17.5	17.5
CAPITAL EMPLOYED	4,106.3	4,313.0	5,570.3	6,103.5	6,882.9	7,170.7	7,886.3	PBIT	(9.3)	20.4	14.8	23.8	16.3	18.4	18.4
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	16.9	18.0	18.0
Fixed Assets	140.3	113.8	86.3	1,299.3	1,261.6	1,223.8	1,186.1	Per Share (Rs.)							
CWP	-	4.0	9.6	9.3	9.3	9.3	9.3	Net Earnings (EPS)	3.0	3.3	3.7	4.3	5.0	5.9	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	4.7	5.6	6.6
Long Term Loans and Advances	34.5	31.5	28.8	28.8	28.8	28.8	28.8	Dividend	21.6	19.0	30.0	25.6	30.0	35.3	41.7
Other Non-current assets								Book Value	7.9	8.9	9.1	10.1	11.4	12.9	14.6
Current Assets	99.3	95.9	44.7	48.9	48.9	51.1	52.4	Free Cash Flow	5.5	3.5	8.2	9.6	6.2	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)	55.6	49.9	44.0	38.5	32.9	27.9	23.6
Trade Receivables	3.6	7.7	2.1	6.3	7.3	8.5	9.8	PB(x)	20.9	18.5	18.2	16.3	14.5	12.8	11.3
Cash and Bank Balances	835.0	914.7	1,275.5	398.0	814.4	1,128.9	1,660.3	EVEBITDA(x)	43.9	36.5	31.9	24.9	21.6	18.4	15.8
Short Term Loans and Advances	15.6	19.0	15.7	15.7	15.7	15.7	15.7	Div. Yield(%)	13.1	11.5	18.2	15.5	18.2	21.4	25.3
Other Current Assets	64.4	84.2	98.9	103.1	107.6	112.3	117.2	FCF Yield(%)	3.4	2.1	5.0	5.8	3.8	4.0	4.9
CAPITAL DEPLOYED	4,106.4	4,313.0	5,570.3	6,103.5	6,882.9	7,170.7	7,886.3	Return Ratios (%)							
								ROE	37.5%	37.0%	41.3%	42.3%	44.0%	46.0%	47.8%
								ROCE	55.1%	54.2%	63.0%	64.6%	66.8%	69.7%	72.4%



Analyst: Abhilasha Satale (022) 67141435

Q3FY19 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.

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

**DALAL & BROACHA**
STOCK BROKING PVT. LTD.**Analyst:** Abhilasha Satale (022) 67141435**Q3FY19 Result Update@ Dalal&Broacha**

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.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms.Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141435	Mid- cap senior analyst
Mr. Avinash Tanawde	avinash.tanawde@dalal-broacha.com	022 67141449	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141449	Associate
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate

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