

## Indian Energy Exchange Ltd(IEX) : Good Issue IPO Note :Largest Exchange for the Trading of Electricity Products in India, Expensive asking price but higher return : Ranking\*\*\*



### Issue details

Price band (Rs)	Rs.1645-1650
IPO Opening Date	09/10/17
IPO Closing Date	11/10/17
Issue Size	Rs.1001 Cr.

### Recommendation

Total revenue grew at a **CAGR of 14.45%** from Rs.138.36 Cr for the FY 2013 to Rs.237.42 Cr for FY 2017 and Net Profit grew at a **CAGR of 14.40%** in the same period. It's PAT margins are near 49% for all these years. For Q1 of the current fiscal, it has reported net profit of Rs. 30.63 cr. on total revenue of Rs. 61.66 cr. If we annualize latest earnings and attribute it on post issue equity then **asking price is at a P/E of 37 plus**. It has no listed peers to compare with. Though high pricing of the IPO raises concern, its track record and bright prospects leaves some room for new investors. Higher spending for power infra augurs well for this company. **IEX will enjoy the first mover advantage and generate more fancy post listings in long term. Investors may consider investment only for long term.**

### Highlights

- Indian Energy Exchange Ltd. (IEX) is the largest exchange for the trading of a range of electricity products in India, in terms of traded contract volumes in the financial year 2017 according to the Central Electricity Regulatory Commission (the "CERC").
- In the financial years 2016 and 2017, it commanded a 99.6% and 99.4% market share, respectively, of electricity contracts in the DAM, in terms of volume, according to the CERC
- As of August 31, 2017, IEX had over 5,900 participants registered on its Exchange of which over 3,200 participants were active. Over 4,300 registered participants were eligible to trade electricity contracts and over 4,000 registered participants were eligible to trade RECs, as of August 31, 2017
- Its participants registered to trade electricity contracts are located across 29 states and five union territories in India, and include 50 distribution companies, over 400 electricity generators and over 3,900 open access consumers.

### Company Introduction

Incorporated in 2007, Indian Energy Exchange Ltd (IEX) is a 'power exchange' offering trading in a range of electricity products in India. IEX is India's largest exchange in electricity products trading category. IEX Exchange is an online trading platform which is accessible to registered participants. It promotes efficient price discovery and the opportunity to trade in a variety of electricity products. In addition to trade execution, IEX also offers settlement services, including electronic trade confirmation, access to clearing services and risk management functionality.

At high level, the products offered by IEX for trading include:

1. DAM (Day-ahead-market) - Electricity contracts in blocks of



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### Financial Summary (Rs. In Crore)

Particulars	Qtr ended June 2017	FY 2017	FY2016	FY2015
Total Income	61.65	237.42	200.14	177.86
Net Profit	30.63	113.56	100.34	90.02
EPS (Rs)	10.09*	37.44	33.08	29.68

\*EPS not annualized

Source: RHP and ACE Equity

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

15 minutes. The DAM constitutes the majority of the energy contracts that are traded on IEX. IEX has market share of 99.6% in DMA trading.

2. TAM (Term-ahead-market) - Electricity contracts for fixed terms in the future, such as intra-day contracts, day ahead contingency contracts and contracts up to 11 days ahead and

3. RECs (Renewable energy certificates)

IEX is among 2 exchanges in India that offer an electronic platform for the trading of electricity products. IEX has over 5800 participants registered on its Exchange of which over 3,500 participants were active as of March 2017.

### Company Promoters:

Indian Energy Exchange Ltd is a professionally managed company and does not have an identifiable promoter in terms of SEBI ICDR Regulations and the Companies Act, 2013.

Company was initially promoted by Financial Technologies (India) Limited and PTC India Financial Services Limited (PFS). They currently hold no Equity Shares in the company.

### The object of the issue

- To achieve the benefits of listing the Equity Shares on the Stock Exchanges
- To carry out the sale of up to 6,065,009 Equity Shares by the Selling Shareholders.

### IPO Issue Proceed

For providing exit route and listing gains, IEX is coming out with a maiden IPO by way of offer for sale of 60.65 Lakh equity shares of Rs. 10 each via book building route with a price band of Rs. 1645-1650 to mobilize Rs. 997.69 to Rs. 1000.73 crore (based on lower and upper price bands). Issue opens for subscription on 09.10.17 and will close on 11.10.17. Minimum application is to be made for 9 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Issue constitutes 20% of the post issue paid up capital of the company. This being secondary offer, company's paid up capital remains same at Rs. 30.33 crore post IPO.

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