

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Power	Rs. 231.35	Buy in Rs. 229-234 band and add on dips in Rs. 206-211	Rs. 253	Rs. 273.5	2-3 quarters

HDFC Scrip Code	INDENEEQNR
BSE Code	540750
NSE Code	IEX
Bloomberg	IEX:IN
CMP Sept 20, 2024	231.35
Equity Capital (Rs Cr)	89.09
Face Value (Rs)	1
Equity Share O/S (Cr)	89.09
Market Cap (Rs Cr)	20,611
Book Value (Rs)	10.9
Avg. 52 Wk Volumes	22,53,014
52 Week High	233
52 Week Low	121

Share holding Pattern % (June, 2024)	
Promoters	0.00
Institutions	42.9
Non Institutions	57.1
Total	100.00



**HDFCsec Retail research
stock rating meter**
for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Indian energy Exchange (IEX) is India's leading energy exchange, providing a nationwide, automated and transparent trading platform for physical delivery of electricity, renewables and certificates. It uses a state of the art technology platform that ensures secure, transparent and efficient trade execution and is regulated by Central Electricity Regulatory Commission. The company commanded a market share of 84% as on FY24.

Currently, power exchanges account for 7 percent of India's electricity trade and the rest is mostly through the long-term PPAs. The government of India wants to increase the share of power exchanges in the trade of electricity and reduce prevalence of the current format of long-term power purchase agreements (PPAs), which restrict fluidity and liquidity in the sector. The Indian short term energy market in India is at nascent stage and under-penetrated compared to European countries and other developed market, thus showing a huge potential for growth.

Power demand is expected to remain strong in the coming years growing at a CAGR of 6%-8% supported by a growing GDP, electrification – EV's, railways, data centers etc. The volume of electricity transacted through power exchanges increased at a CAGR of 29% from FY09-FY23. We expect the short term power trading market to grow in the coming year at a good rate driven by improved transmission network, reliability, better price discovery, rising DISCOM participation due to reluctance in signing long term PPA etc.

Valuation & Recommendation:

Taking into consideration the growing power demand, government's focus on increasing the share of short term power trading through exchanges, regulatory and policy changes favoring short term market, we expect the power exchanges to deliver a healthy performance.

IEX's continuous focus on introducing new segments, better services to customers, early mover advantage and strong brand recognition among the participants, and probability of market coupling risk fading away will help the company to maintain its dominant share in the market. Apart from this, IEX's low operating cost structure and diversification into gas and carbon trading will aid the company in delivering better operating performance and stable revenue growth.

Assuming no reduction in transaction fees and no regulatory changes, we expect revenue/EBITDA/PAT to increase at a CAGR of 16.5%/16.1%/15.0% over FY24 to FY26E. **We believe investors can buy the stock in Rs 229-234 band (44.4x FY26E EPS) and add on dips in Rs 206-211 (40.0x FY26E EPS) band for a base case fair value of Rs 253 (48.5x FY26E EPS) and bull case fair value of Rs 273.5 (52.5x FY26E EPS) over the next 2-3 quarter.**