



**IPO note: Indian Energy Exchange Ltd. - "SUBSCRIBE" : Robust play in power trading exchange space, must in investor's bouquet..**

Incorporated on March 26, 2007, Indian Energy Exchange Limited ("IEX") is the Largest Exchange for the Trading of a range of Electricity Products in India. IEX is one of two exchanges in India that offer an Electronic Platform for the Trading of Electricity Products which provide efficient and transparent discovery of price for electricity and distribution companies can manage their demand better through our platform and has a majority market share among the Power Exchanges in India. IEX is managing around 3.5 percent of the total energy trade in India. In developing countries these transactions are in the range of 30 percent to 70 percent. In Germany, UK the transaction through the exchange is more than 50 percent. Therefore, there is a lot of scope for platform to grow in future,

IEX is a professionally managed company and does not have an identifiable promoter in terms of the SEBI ICDR Regulations and the Companies Act, 2013. Consequently, it does not have a 'promoter group' in terms of the SEBI ICDR Regulations. Currently, Except for DCB Power Ventures Limited ("DCB") that holds 15% of the paid up Equity Share capital of the company, no shareholder controls 15% or more of the voting rights in IEX.

Electricity products traded over their Electronic Trading Platform comprises: a) Electricity contracts in blocks of 15 minutes in the Day-Ahead-Market (the "DAM"), b) Electricity contracts for fixed terms in the future, such as intra-day contracts, day ahead contingency contracts and contracts up to 11 days ahead, known as the Term-Ahead-Market (the "TAM") and Renewable Energy Certificates ("RECs"). IEX has commenced trading of Energy Saving Certificates ("ESCerts") on September 26, 2017.

As of August 31 2017, IEX had over 5,900 participants registered on their 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. Their participants registered to trade electricity contracts are located across 29 states and 5 union territories of India and include 50 distribution companies, over 400 electricity generators and over 3,900 open access consumers. In the financial year 2017, such participants traded and cleared 40,528 million kWh of power on IEX. The volumes for the financial year 2017 represent a growth of 77.5% from 22,827 million kWh of power traded on IEX in the financial year 2013. For the 5 months ended August 31, 2017, participants traded and cleared 19,715 million kWh of power on IEX. In addition to the participants registered to trade electricity contracts, participants registered to trade RECs on IEX included over 1,000 renewable energy generators and over 2,900 industry and corporate customers. In the financial year 2017, such participants traded and cleared 4.62 million RECs on IEX. The volumes for the financial year 2017 represent growth of 132% from 1.99 million RECs traded and cleared on IEX in the financial year 2013. For 5 months ended August 31, 2017, participants traded and cleared 0.91 million RECs on IEX.

In the financial years 2016 and 2017, 93.7% and 94.8% of the traded contract volumes of electricity contracts in the DAM, TAM and RECs combined, were conducted over IEX.

IPO note date	Oct. 09, 2017
Issue date	Oct. 09 – 11, 2017
Listing date	Oct. 23, 2017
Type of issue	OFS: 6,065,009 Equity shares
Issue size	Rs. 9.98 - 10 bn
Face Value	Rs. 10
Price Band	Rs. 1,645 - Rs. 1,650 per share
Issue allocation	QIB – 50% Retail – 35% NIB – 15%
Lot size	9 equity Shares & multiple of 9 equity shares thereafter
Equity shares post issue	30.3 mn equity shares
Post issue market cap	Rs. 49.9 bn at upper price band
Book Running Lead Managers	Axis Capital, Kotak, IIFL
Registrar to the issue	Karvy Computershare Pvt. Ltd.

Y/e 31 Mar (Rs. mn)	Q1FY18	FY17	FY16
Revenues	617	2,374	2001
EBITDA	483	1,768	1,503
EBITDA (%)	78.4	74.5	75.1
PAT	306	1,136	1,003
PAT (%)	49.7	47.8	50.1
EPS	10.09	37.5	33.1
Share Capital	303	303	303
Networth	3056	2,750	2,709
Cash & Bank	531	1,275	915
ROE (%)	-	41.6	39.3

Source: RHP, Ajcon Research, \*annualized Q1FY18EPS

At the upper end of the price band of Rs. 1,650, the IPO is valued at 44x on FY17 EPS which we believe is at a premium due to its inherent competitive strengths. With due consideration to factors like a) *largest energy exchange in India with strong brand recognition and diverse range of products*, b) *early mover advantage*, c) *IEX is a professionally managed company and does not have an identifiable promoter which instills investor confidence*, d) *highly scalable and proven technology infrastructure*, e) *diverse and large participant base ensuring liquidity on exchange*, f) *efficient price discovery and flexibility*, g) *impressive financial performance with OPMS of 70 percent+ and robust ROE of 41.6 percent*, h) *generating strong free cash flows*, h) *marquee investors invested in IEX*, we recommend "SUBSCRIBE" to the issue.



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