Twitter Thread by Alphaspot Capital

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Indian Energy Exchange(IEX) Analysis!

A thread below ■■■
#investing #stocks #IEX



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About -

• IEX is India's premier energy marketplace, providing a nationwide automated trading platform for the physical delivery of electricity, renewables, & certificates.

• IEX has expanded its reach beyond India to create an integrated South Asian Power Market

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• IEX has a robust ecosystem of 6,800+ participants located across 29 States & 5 UT comprising of 55+ distribution utilities & 500+ conventional generators.

• It has a strong base of 4400+ commercial & industrial consumers from metal, textile, housing , cement etc

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• What is IEX?

The electricity company selling the electricity you are consuming has bought it off the electronic platform run by IEX, the pioneer platform for trading of electricity products.

It has a 90+% share of electricity trading in the country.

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Understanding the relationship between renewable energy & IEX business:

Generation of renewable energy is dependent on nature, which is uncertain. Therefore, it’s producers would prefer to sell in the open market with shorter duration contracts like those traded on IEX.

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• Structural Changes in Power Market:

The Govt of India, giving its full support, is expecting the power market to rise 4 fold in the next 3 years.

It will also launch new derivatives product in the Power market. Thus increasing the marker size by roughly 50Bn Units.

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• Winner - IEX

Because IEX has a 90% share in this market, it will be the clear winner due to the structural changes as cited above.

Its subsidiary, Indian Gas Exchange is the 1st gas exchange in India. Its strategic investors are NSE, ONGC, GAIL, ATG & Torrent Gas.

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• IEX strong numbers Year after Year-

1) ~ 65% PAT margins
2) ~80% Operating profits
3) ~ 45% ROE

4) ~ 46% ROCE

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• REC

IEX has recommenced trading of RECs & got a great response from the participants. REC market has been a vital market-based instrument for
obligated entities such as distribution utilities, open access consumers, & captive power plants
for meeting their RPO.

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• Recommenced ESCerts:

About ~13 lacs ESCerts were traded under PAT I at IEX which resulted in net savings to the tune of ■9,500cr for the industry.

After its success IEX has commenced ESCert PAT II which till date have traded around 500 MUs of volume on its platform

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• IEX Partnership with IOCL:

IEX has entered into multiple strategic partnerships for its subsidiary IGX. The recent partnership with IOCL will help IGX to align to the govt's vision of taking the share of gas in the energy mix to 15% by 2030.

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• Shareholding Pattern of IEX -

1) FPIs - 31.01%
2) MFs - 12.36%
3) Dalmia Group - 14.81%
4) Insurance - 2.55%
5) Others - 39.27%

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• Positives:

1) 90+% market share in a fast-growing short-term power market

2) Short term power trading market which is ~11% of the total electricity market is all set to get a larger pie of the industry

3) Very healthy Financials

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• Key Risks:

1) Regulatory changes can have a big impact on IEX.

2) Still competition from the likes of Power Exchange of India(PXIL)

3) Slow growth in renewable energy sector

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• Conclusion:

IEX has been a pioneer of power trading in India and with the transformational journey in the Indian power market, IEX will be a key player. The volumes have been rising with new product addition.
It’s Financials has always been robust.

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What do you think the future holds for IEX? Are you invested in it for the long term?

@Jitendra_stock @SwarnashishC @datta_arvind @caniravkaria

Comment down below ■■

Happy Reading!■