

Indian Energy Exchange

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR127 TP: INR142 (+12%) Neutral

In-line 3Q; volume growth guidance robust

Bloomberg	IEX IN
Equity Shares (m)	892
M.Cap.(INRb)/(USD\$b)	113.1 / 1.2
52-Week Range (INR)	215 / 125
1, 6, 12 Rel. Per (%)	-2/-9/-37
12M Avg Val (INR M)	1932

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	6.1	6.2	6.6
EBITDA	5.1	5.2	5.4
Adj. PAT	4.7	4.8	5.1
EPS (INR)	5.2	5.4	5.7
EPS Gr.%	12.6	3.0	6.5
BV/Sh. (INR)	14.4	16.6	18.9

Ratios

Net D:E	(0.2)	(0.3)	(0.4)
RoE (%)	39.2	34.8	32.4
RoCE (%)	38.2	34.1	31.9
Payout (%)	60.0	60.0	60.0

Valuation

P/E (x)	24.2	23.5	22.1
P/B (x)	8.8	7.6	6.7
EV/EBITDA (x)	21.4	20.9	19.4
Div. yield (%)	2.5	2.6	2.7

Shareholding Pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	0.0	0.0	0.0
DII	35.0	36.4	32.8
FII	11.7	13.5	16.5
Others	53.4	50.1	50.7

FII includes depository receipts

- **In-line 3Q:** Indian Energy Exchange (IEX) reported 3QFY26 standalone revenue of INR1.4b and EBITDA of INR1.2b, both in line with estimates, supported by traded electricity volumes of 34.1BUs, which were also in line with estimates. Standalone PAT was 5% above our est. at INR1.2b, primarily due to higher other income. IEX's electricity volumes increased 11.7% YoY, while renewable energy certificate (REC) volumes saw a dip of 30%.

- **Earnings upside risk if market coupling implementation delayed further:** Following CERC's announcement of phased market coupling, beginning with the Day-Ahead Market (~38% of IEX's 9mFY26 volumes) from Jan'26, we had lowered our earnings estimates, factoring in a 30% volume decline and a 10% fall in transaction fee in the DAM segment. We are building in volume CAGR of only 7% (ex-REC) over FY26-28. Delayed implementation of market coupling and lower-than-anticipated market share loss could lead to upside risks to our earnings estimates.

- **Key things we liked about the result:** 1) IEX maintained its market share at 83% in electricity volumes in 9mFY26 (88% in FY23, 84% in FY24/25). 2) IEX has guided for volume growth of 15-20% YoY. 3) The implementation of market coupling for the DAM segment, earlier targeted for Jan'26, has not yet been implemented, which indicates that its eventual rollout could take time due to subsequent steps, including the issuance of draft regulations, stakeholder consultations, and industry feedback.

- **Key monitorables:** 1) practical challenges in operationalizing market coupling in DAM, 2) roadmap for market coupling implementation in the RTM segment, and 3) near-term stock performance may remain under pressure as competitive dynamics (fight for market share, re-defining of transaction fee) unfold in the sector.

- **Valuation:** We value IEX at a 25x Dec'27E EPS and reiterate our Neutral rating on the stock with a TP of INR142.

Performance in line with estimates

Financial Performance

- Standalone 3Q revenue came in line with our est. at INR1.4b, up 9.6% YoY and down 5.5% QoQ.
- EBITDA came in at INR1.2b (+6.7% YoY, -8.8% QoQ), missing our estimate by 3%. EBITDA margin fell 230bp YoY to 83.6%, mainly on account of a 48% YoY uptick in other expenses.
- Standalone PAT was INR1.2b (up 11% YoY), beating our estimate by 5%, mainly on account of higher-than-expected other income.
- The board has approved an interim dividend of INR1.5/share with a record date of 4th Feb'26.

Operational performance:

- Electricity volumes rose 11.7% YoY to 34.1BUs in 3QFY26.
- Term-Ahead and Real-time market segments continued to witness improved volumes, up 29% and 36% YoY, respectively.
- The Day-Ahead-Market segment witnessed a slight 3% YoY dip in volumes, while Green Market volumes saw a modest 5% YoY growth.
- Volumes in the REC market fell 30% YoY to 1.9m certificates.
- Average DAM/RTM prices stood at INR3.22/INR3.26 per unit, lower by 13.2%/11.6% YoY.

Highlights of IEX's 3QFY26 performance

- IEX reported an 83% market share in electricity volumes in 9MFY26, and a 50% share in REC market, with 3Q electricity/REC volumes at 34.1BUs/1.9m.
- CERC had ordered DAM market coupling by Jan'26, and IEX has filed an appeal with APTEL; hearings have concluded and an order is expected in a month.
- Battery storage arbitrage, FDRE, VPPAs, and electricity derivatives are set to be key volume drivers for the company, with management guiding for 15-20% growth in electricity volumes.
- IEX is seeking approval for three new products: 1) Long-duration TAM contracts, 2) Green Market RTM and 3) Peak power DAM and RTM instruments.
- IEX plans to list IGX in CY26.

Valuation and view

- Our TP of INR142 for IEX is based on the following:
- We value the business at 25x Dec'27E EPS of INR5.7, slightly lower than long-term average P/E of 28x.
- We have not assumed any value for IGX's stake in our valuation.

Standalone Qtrly performance

(INR m)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE						
Net Sales	1,236	1,392	1,313	1,413	1,400	1,522	1,439	1,707	5,354	6,068	1,456	-1.2	9.6	-5.5
YoY Change (%)	18.8	28.3	13.9	16.5	13.3	9.3	9.6	20.8	19.2	13.3	10.9			
EBITDA	1,000	1,203	1,128	1,220	1,139	1,320	1,203	1,472	4,551	5,134	1,242	-3.1	6.7	-8.8
Margin (%)	81.0	86.4	85.9	86.3	81.4	86.7	83.6	86.2	85.0	84.6	85.3			
Depreciation	52	53	54	53	54	57	60	58	212	229	58	4.6	12.0	6.2
Interest	7	7	7	6	6	5	5	10	26	26	7	-22.3	-22.3	-2.2
Other Income	308	286	285	310	425	345	374	172	1,189	1,316	284	31.6	31.1	8.5
PBT before EO items	1,249	1,429	1,353	1,471	1,504	1,603	1,512	1,576	5,502	6,195	1,461			
Extraordinary Inc / (Exp)	0	0	0	0	0	0	0	0	0	0	0			
PBT	1,249	1,429	1,353	1,471	1,504	1,603	1,512	1,576	5,502	6,195	1,461	3.5	11.7	-5.7
Tax	315	368	322	351	374	387	361	405	1,356	1,526	360	0.3	12.3	-6.6
Rate (%)	25.2	25.8	23.8	23.8	24.8	24.1	23.9	25.7	24.6	24.6	24.6			
Reported PAT	934	1,061	1,031	1,120	1,130	1,216	1,151	1,171	4,146	4,669	1,101	4.5	11.6	-5.4
Adj PAT	934	1,061	1,031	1,120	1,130	1,216	1,151	1,171	4,146	4,669	1,101	4.5	11.6	-5.4
YoY Change (%)	26.0	28.0	15.5	17.8	21.0	14.6	11.6	4.6	21.4	12.6	6.8			
Margin (%)	75.6	76.2	78.6	79.3	80.8	79.9	80.0	68.6	77.5	76.9	75.6			

IEX – Valuation table

Particulars	Units	Amount
Dec-27 EPS	INR	5.7
Valuation multiple	(x)	25
Target Price	INR	142
CMP	INR	127
Upside / (Downside)	%	12%

Source: MOFSL


Highlights from the management commentary
Sector Updates

- India's electricity demand in Dec'25 improved 6.6% YoY, after the prolonged southwest monsoon kept demand subdued for the remaining year. Power demand growth in 3QFY26 remained flat YoY at 392BUs.
- In 9MFY26, 44.7GW of capacity was added, with India's installed capacity now exceeding 500GW, with contribution of renewable at over 50%.
- India has a comfortable fuel situation with a 25-day stock of coal maintained as of 17th Jan'26.
- The Draft National Electricity Policy 2026 prioritizes cost-reflective tariffs, peak hour pricing, ATC loss reduction to single digits, and reduction of cross subsidies to improve efficiency and strengthen discom finances. It sets a per capita power consumption target of 2,000 units per annum in 2030 and 4,000 units by 2047.

Financial and operational performance

- Electricity volumes for 3QFY26 were 34.1BUs, up 12% YoY.
- Revenue was INR1.8b, up 14% YoY. PAT rose 11% YoY to INR1.2b.
- Green market volumes rose 7.2% YoY to 3BUs. Green market helps DISCOMs meet their RCOs.
- REC volumes in 3QFY26 were 1.9m vs. 2.7m in 3QFY25. The dip is attributable to extension of a certain compliance timeline to 31st Mar'26 from the earlier 30th Sep'25, leading to several purchases that were delayed. Furthermore, the government has notified that in the event of failing to meet the RPO requirement, 1.05x the REC price has to be deposited with the government, leading to some players choosing to deposit money with the government instead of purchasing RECs, leading to a fall in demand.
- Supply liquidity improved on IEX, in line with capacity additions, leading to a fall in prices, with DAM price recorded at INR3.2/unit (-13% YoY) and RTM prices recorded at 3.56/unit (-16% YoY). The fall in prices led to a drive-in demand as C&I consumers met their demand from cheap sources as available on IEX.
- January has so far reported 18-19% growth in electricity volumes.
- IEX had an 83% market share in electricity volumes in 9MFY26, and ~50% market share in REC market.

Market coupling

- CERC had earlier issued an order for the implementation of market coupling of DAM segment to be done by Jan'26. IEX appealed in APTEL against the same citing a lack of transparency in the process of issue of the order and an absence of merit in implementation of market coupling.

- The APTEL hearing has concluded and the order is expected to be released within a month.
- Even if APTEL rules in favor of the market coupling, there is a long timeline for the order to actually come in place with the issue of draft regulations, followed by industry comments, etc. Also, the procedure would be transparent, with IEX being consulted in the process.
- In the event of implementation of market coupling, price discovery is likely to be on a round-robin basis with price discovery happening on each exchange for a stipulated period of time.

Outlook on future demand and competition

- Electricity from long-term PPAs may be encouraged to be routed through power exchanges through bilateral contract settlement.
- The Draft Electricity Amendment Bill proposes INR0.35-0.40/unit for non-fulfillment of RPOs.
- As per the final guidelines on VPPAs issued by CERC, electricity exchanges are authorized platforms for the sale of electricity by renewable generators. This should boost volumes on the exchange.
- IEX is seeking CERC approval for alignment of their green contracts with the updated RCO norms as published by the Ministry of Power. Once approved, RE participation should improve.
- Battery storage arbitrage, FDRE, VPPAs, electricity derivatives are set to be key growth drivers.
- IEX recorded its first merchant BESS trade from Juniper Green.
- It has guided for electricity volume growth of 15-20%, while gas volumes are set to grow by 25-30% as IGX is still in a nascent stage.

New instruments and diversification initiatives

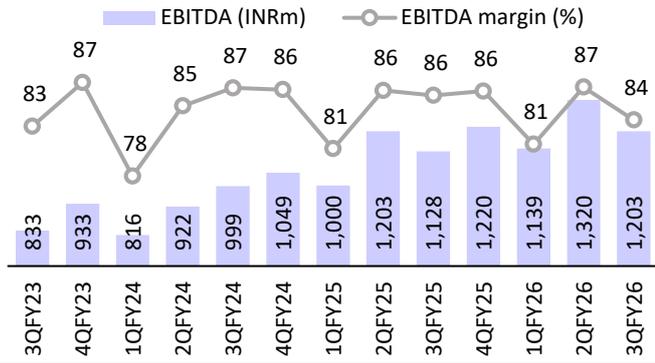
- ICX issued 5.1mn I-RECs (+219%YoY). Revenue for ICX stood at INR18m in 3Q.
- IEX is working to set up first coal exchange in India.
- It is seeking approval for three new products: 1) Long duration TAM contracts, 2) Green Market RTM and 3) Peak power DAM and RTM instruments. There is a good response from market of the new products.
- For long-duration TAM, the volumes can be as high as 15-20BUs.

IGX

- IGX represents 3% of India's gas consumption and 20% of spot market.
- It has grown to include 23 delivery points with 10 types of contracts.
- Traded volume stood at 17.5m mmbtu (+8% YoY).
- IGX reported a PAT of INR88m, higher by 6% YoY.
- The plan is to list IGX in CY26.

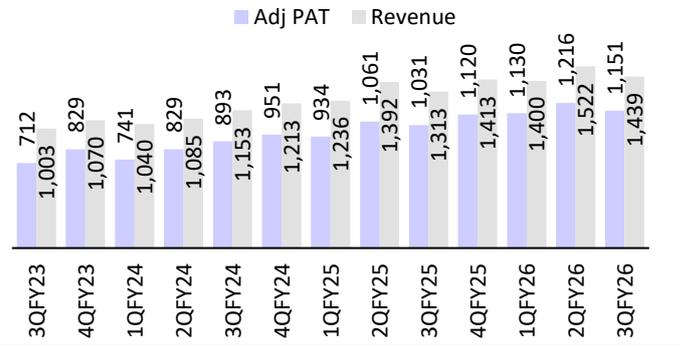
Story in charts – 3QFY26

Exhibit 1: Standalone EBITDA & EBITDA margin



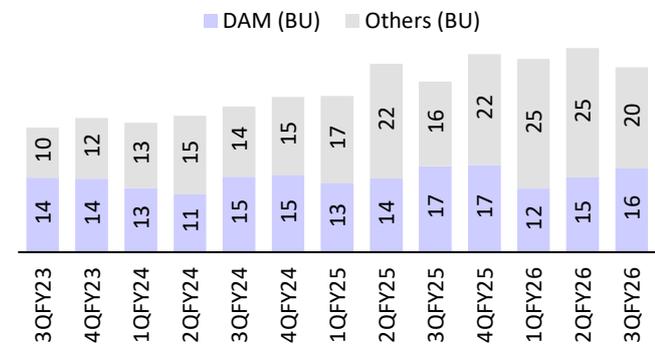
Source: Company, MOFSL

Exhibit 2: Standalone revenue & PAT (INRm)



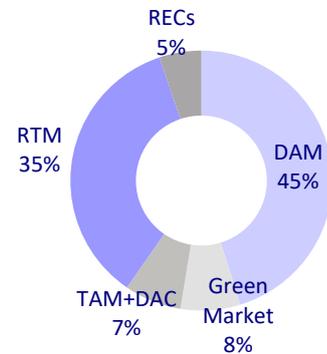
Source: Company, MOFSL

Exhibit 3: Share of DAM volumes in the total volume



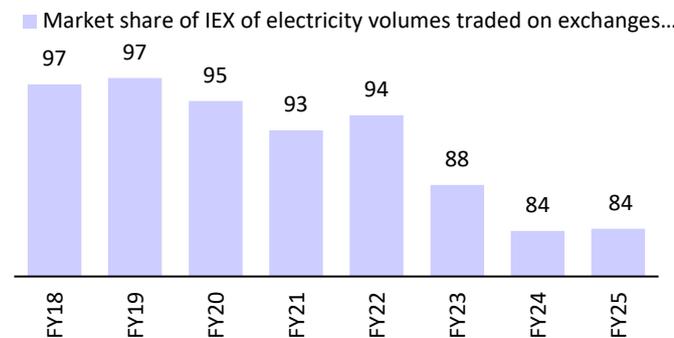
Source: Company, MOFSL

Exhibit 4: Volume break-up in 3QFY26



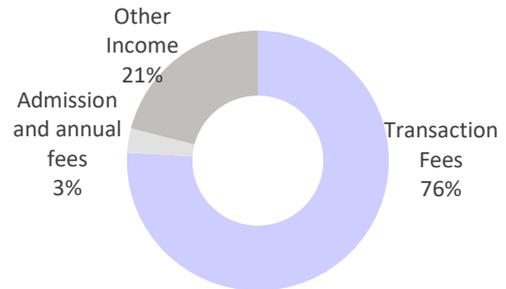
Source: Company, MOFSL

Exhibit 5: IEX's market share among exchanges



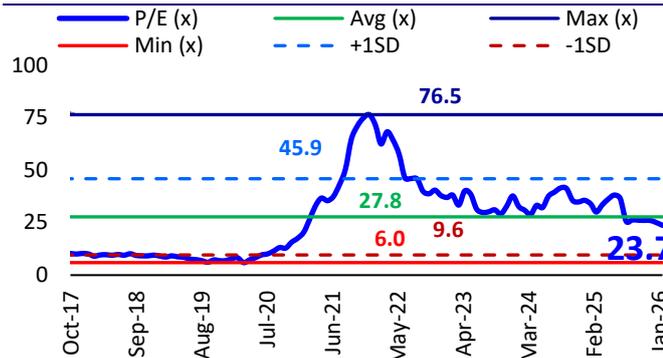
Source: Company, MOFSL

Exhibit 6: Break-up of standalone revenue for 3QFY26



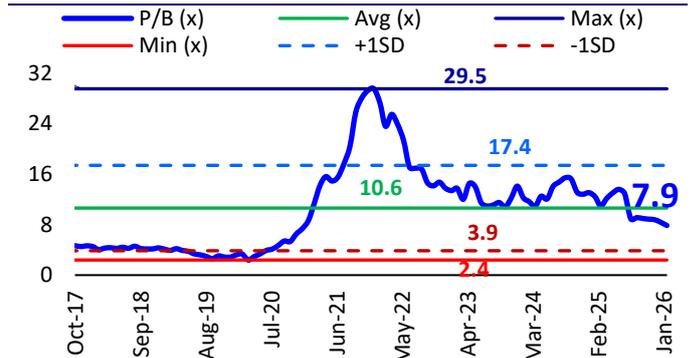
Source: Company, MOFSL

Exhibit 7: One-year forward P/E



Source: Company, MOFSL

Exhibit 8: One-year forward P/B



Source: Company, MOFSL

Financials and valuations

Standalone Income Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	4,009	4,492	5,354	6,068	6,198	6,570
<i>Change (%)</i>	-5.8	12.0	19.2	13.3	2.1	6.0
Transaction fees	3,807	4,289	5,135	5,819	5,949	6,321
Other revenue	202	202	218	249	249	249
Total Expenses	644	707	803	934	1,031	1,130
Gross Profit	4,009	4,492	5,354	6,068	6,198	6,570
EBITDA	3,365	3,785	4,551	5,134	5,167	5,440
<i>EBITDAM (%)</i>	83.9	84.3	85.0	84.6	83.4	82.8
Deprn. & Amortization	186	204	212	229	188	196
EBIT	3,179	3,581	4,339	4,905	4,979	5,244
Net Interest	25	28	26	26	26	26
Other income	732	1,016	1,189	1,316	1,431	1,578
PBT	3,887	4,568	5,502	6,195	6,383	6,796
Tax	960	1,154	1,356	1,526	1,573	1,674
<i>Rate (%)</i>	24.7	25.3	24.6	24.6	24.6	24.6
Reported PAT	2,927	3,414	4,146	4,669	4,811	5,122
Adjusted PAT	2,927	3,414	4,146	4,669	4,811	5,122
<i>Change (%)</i>	-3.2	16.7	21.4	12.6	3.0	6.5

Standalone Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	891	891	891	891	891	891
Reserves	6,954	8,591	10,087	11,954	13,878	15,927
Net Worth	7,845	9,482	10,977	12,845	14,769	16,818
Deferred Tax Liability	220	307	346	346	346	346
Capital Employed	8,065	9,789	11,324	13,191	15,115	17,164
Gross Block	1,944	2,076	2,025	2,145	2,285	2,445
Less: Accum. Deprn.	842	1,046	1,157	1,387	1,575	1,771
Net Fixed Assets	1,102	1,007	867	758	710	674
Capital WIP	38	30	41	41	41	41
Investments	5,197	4,481	4,205	4,205	4,205	4,205
Curr. Assets	8,051	11,974	16,458	18,435	20,408	22,493
Account Receivables	70	8	20	20	20	20
Current Investments	6,847	8,617	11,766	11,766	11,766	11,766
Cash and Cash Equivalents	645	1,852	1,126	3,103	5,076	7,161
Cash balance	569	1,478	1,066	3,043	5,016	7,101
Bank balance	76	374	60	60	60	60
Others	489	1,497	3,546	3,546	3,546	3,546
Curr. Liability & Prov.	6,323	7,702	10,249	10,249	10,249	10,249
Account Payables	4,024	26	33	33	33	33
Provisions & Others	2,299	7,677	10,215	10,215	10,215	10,215
Net Curr. Assets	1,728	4,271	6,210	8,187	10,159	12,244
Appl. of Funds	8,065	9,789	11,324	13,191	15,115	17,164

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)						
EPS	3.3	3.8	4.7	5.2	5.4	5.7
Cash EPS	3.5	4.1	4.9	5.5	5.6	6.0
BV/Share	8.8	10.6	12.3	14.4	16.6	18.9
DPS	1.0	2.5	3.0	3.1	3.2	3.4
Payout (%)	30.4	65.2	64.5	60.0	60.0	60.0
Dividend yield (%)	0.8	2.0	2.4	2.5	2.6	2.7
Valuation (x)						
P/E	38.6	33.1	27.2	24.2	23.5	22.1
Cash P/E	36.3	31.2	25.9	23.1	22.6	21.2
P/BV	14.4	11.9	10.3	8.8	7.6	6.7
EV/EBITDA	33.4	29.4	24.6	21.4	20.9	19.4
Dividend Yield (%)	0.8	2.0	2.4	2.5	2.6	2.7
Return Ratios (%)						
RoE	39.4	39.4	40.5	39.2	34.8	32.4
RoCE (post-tax)	38.5	38.5	39.5	38.2	34.1	31.9
RoIC (post-tax)	79.7	95.4	69.7	62.7	64.5	68.4
Working Capital Ratios						
Fixed Asset Turnover (x)	3.6	4.5	6.2	8.0	8.7	9.8
Asset Turnover (x)	0.5	0.5	0.5	0.5	0.4	0.4
Debtor (Days)	6	1	1	1	1	1
Payable (Days)	366	2	2	2	2	2

Standalone Cash flow statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA	3,365	3,785	4,551	5,134	5,167	5,440
WC	-2,690	263	1,020	0	0	0
Others	30	14	34	0	0	0
Direct taxes (net)	-930	-1,061	-1,309	-1,526	-1,573	-1,674
CF from Op. Activity	-225	3,001	4,296	3,608	3,594	3,766
Capex	-87	-132	-77	-120	-140	-160
FCFF	-312	2,869	4,219	3,488	3,454	3,606
Interest income	79	228	411	716	931	1,078
Others	709	-357	-2,323	600	500	500
CF from Inv. Activity	700	-262	-1,989	1,196	1,291	1,418
Share capital	0	0	0	0	0	0
Borrowings	0	0	0	0	0	0
Finance cost	-2	-2	-1	-26	-26	-26
Dividend	-897	-1,780	-2,670	-2,801	-2,886	-3,073
Others	-1,249	-49	-47	0	0	0
CF from Fin. Activity	-2,148	-1,831	-2,718	-2,827	-2,912	-3,099
(Inc)/Dec in Cash	-1,673	909	-412	1,977	1,972	2,085
Opening balance	2,242	569	1,478	1,066	3,043	5,016
Closing balance	569	1,478	1,066	3,043	5,016	7,101

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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