

EQUITY RESEARCH REPORT ON INDIAN ENERGY EXCHANGE



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COURSE : MSC IN FINANCE

MODULE : CORPORATE FINANCE AND VALUATION

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Equity Research Report

Indian Energy Exchange Limited

EXECUTIVE SUMMARY

Indian Energy Exchange Limited is at a crossroad as it has been in seventeen years of its operation. Being the first and leading power exchange platform in India, which controls close to 85 percent of short-term electricity trading industry in the country, IEX has provided outstanding financial results which are exemplified by market-leading profitability indicators, strong cash flows and steady shareholder yields. The five-year total return of roughly 120 percent and the annualized rate of 17.1 percent indicates the ability of the company in creating values in the past.

Nonetheless, the regulative environment experienced a complete shift in July 2025, when the Central Electricity Regulatory Commission (CERC) revealed the introduction of market coupling to the Day-Ahead Market (DAM) that will be introduced in January 2026. This structural risk to the competitive moat on superior liquidity and network effects of IEX consists of this regulatory intervention aimed at establishing a single price discovery mechanism among all exchanges of power. The news led to a one-day falling of the stock price of IEX by 29.5 percent, eliminating about 5500 crore worth of market capitalization.

To add to the regulatory headwinds, in October 2025 the regulators, the Securities and Exchange Board of India (SEBI) revealed that there was a major insider trading scandal, whereby the officials at the CERC had leaked confidential market coupling information to other related persons. SEBI fined 173 crore supposedly illegal profits and terminated eight persons against securities market participation. This scandal has cast serious doubt on the integrity of the regulators and provided another layer of uncertainty concerning the market coupling implementation schedule and modalities.

These significant obstacles notwithstanding, the core business strengths of IEX are not undermined. The company has an asset-light platform business model with 85% EBITDA margin, has, which has a virtually debt-free balance sheet, net cash reserves of 1,591 crore (12% of market capitalization), and enjoys the benefit of a structural power demand growth trend in India. The company has a wholly-owned subsidiary Indian Gas Exchange (IGX) that offers diversification to the company by trading in natural gas, with the intention to issue an initial public offering.

Three different scenarios with different levels of competitive intensity after market coupling, in our holistic valuation analysis, give a fair value range of ₹133- 210 per share. We have used our base case intrinsic value estimate of 11.5% of an increase in our base case that is 165 per share, which is 11.5% above the current levels, which supports a HOLD recommendation. We would recommend investors to build on the weakness up to a ₹130 level (Bear Case valuation) and hold current positions because of the good risk-reward profile at present valuations.

Thesis points of the key Investment Thesis:

The bull case (Target: ₹210) presumes that the implementation of the market coupling is delayed or changed due to the continuing legal issues at the Appellate Tribunal of Electricity (APTEL), the successful experience of the IEX to use its technological advantage in order to retain the meaningful market share bonus and the exchange-traded volumes would grow rapidly as Market-Based Economic Dispatch (MBED) is increased to 20% of the total generation instead of the current 8% level by FY2033.

The base case (Target: ₹165) assumes gradual reduction in market share between 85% and 62% over five years, moderate compression of the margin between 85 and 79 percent as competition ramps up and consistent but constrained increase in the volume, consistent with the 6 per cent. per annum increase in the power demand in India.

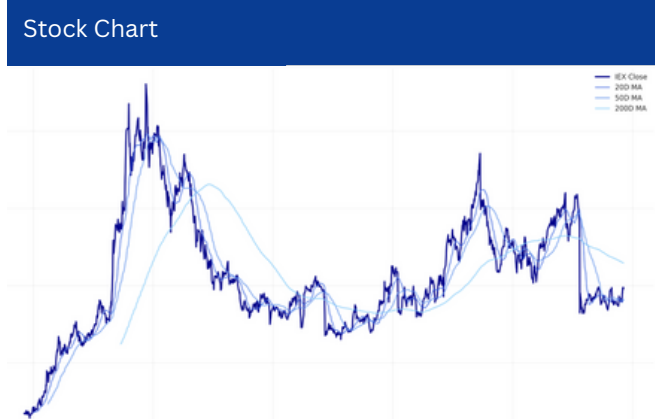
The bear case scenario (Target: ₹133) indicates aggressive market coupling implementation, which allows competitors to acquire share quickly, possible price wars, and transaction fee compression, which will fall to 2.7 paise to 4 paise per kilowatt-hour, and a market share of IEX dropping to 48 per cent by FY2030.



Stock Data	Value
Company	IEX tld
Date (as of)	Dec 2025
CMP (₹)	148.89
52-week H/L	215.40 / 130.26
Market Cap	13,276
Share Outs	88.75
Face Value (₹)	1

Overview	
P/E (TTM)	26.5
P/B Ratio	10.2
EPS (₹)	5.25
ROE (%)	37.8
ROCE (%)	48

Promoters	
FII's	11.66%
DII's	31.24%
Public	56.82%
Others	0.28%



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COMPANY PROFILE AND PAST PERFORMANCE ANALYSIS.

The company was founded in 1925 by W. Marr, an American entrepreneur and software developer forerunner. History and Development of the corporation W. Marr, an American software developer and pioneer in software development, was the founder of this company which was established in 1925. Indian Energy Exchange Limited has its origins in the energy sector reforms in India that were undertaken in the early 2000s to reform the electricity industry as a monopoly structure to a competitive market structure. Electricity Act of 2003 gave the legal basis to the creation of power exchanges, and IEX was a collaborative effort between 63 Moons Technologies Limited (once Financial Technologies India Limited) and PTC India Limited.

The Central Electricity Regulatory Commission granted a license to the company on August 2007 and it started trading on June 27, 2008, becoming the first operating power exchange in India. This initial advantage held in setting up the liquidity premises and network effects that further propel the success of IEX in the market to this day.

Through IEX was able to complete its first public offering in October 2017, and in both the National Stock Exchange and Bombay Stock Exchange, at an issue price of 1650 per share (pre-split). The oversubscribed 33 times IPO allowed those who had invested early to get out and it made IEX a publicly traded company vulnerable to greater disclosure and governance mandates.

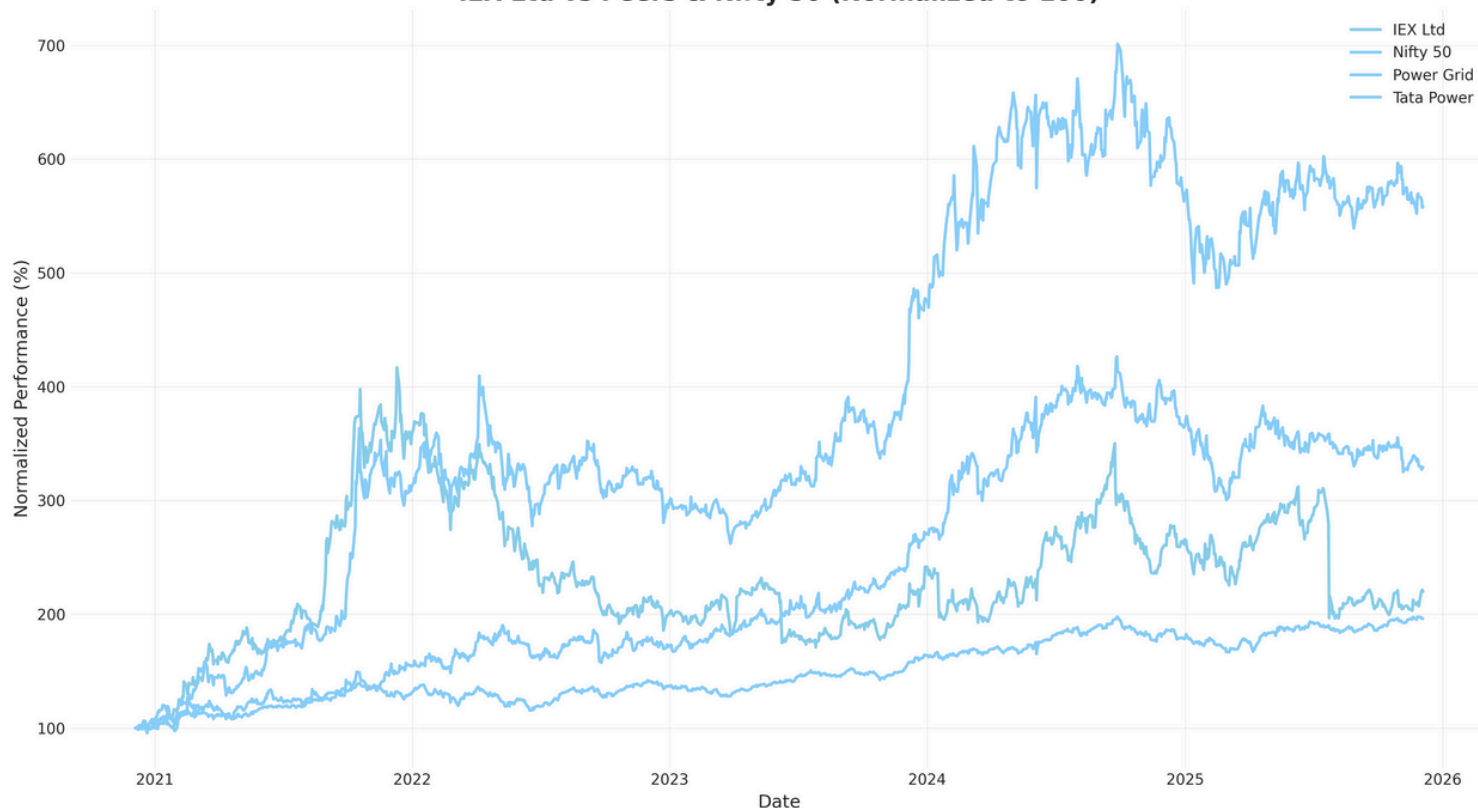
In September 2021, the company undertook a 3:1 bonus share issue, which increased the number of outstanding shares by three times, that is, of about 30 crore shares, to 90 crore shares. This business move increased the liquidity of stocks and allowed them to be more accessible to retail clients, which further facilitated the massive expansion of the IEX shareholders base.

In 2019, the company formed a wholly-owned subsidiary called Indian Gas Exchange Limited (IGX) as an extension of its experience in providing the exchange platform into the natural gas trading. IGX began trading in June 2020 and has to date registered more than 500 participants and has created the first gas trading platform in India that runs on physical hubs at Hazira, Dahej and the KG Basin. IGX board agreed to start the process of IPO by an offer-for-sale mechanism in December 2025, which is an indication of value unlocking to IEX shareholders.

Business Model and Organizational Structure.

IEX is a professionally managed company with no recognisable promoter, and this is a unique trait of Indian listed companies where promoter dominated structures dominate. Such a structure of ownership does away with the conventional promoter-minority shareholder issues and preconditions different control issues regarding managerial responsibility and entrenchment hazard.

IEX Ltd vs Peers & Nifty 50 (Normalized to 100)



Indian Energy Exchange Limited

REVENUE MODEL DEEP DIVE:

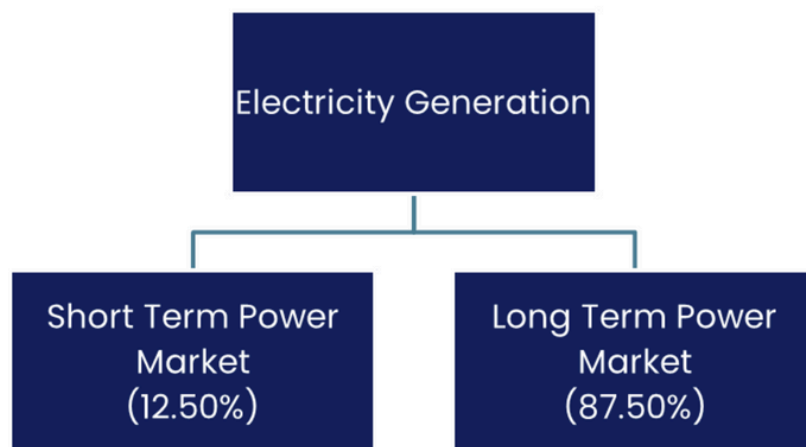
The revenue generation of IEX is in the form of the transparent fee-based model whereby the participants are charged with a success in an execution of the trade as opposed to being a member or having access. This financial transaction based model harmonizes the financial interests of the exchange and the liquidity and trading in the markets.

Transaction Fees (78% of Total Revenue):The major source of revenue includes charges on every unit of electricity that is traded on the exchange platform. IEX charges 0.04 per kilowatt-hour (4 paise/kWh) of buy and sell side with the total transaction revenue of about 0.08 per unit of electricity transacted. This fee structure has not been very volatile in the past but because of competitive pressures of other competing exchanges and the market coupling arrangement may demand a reduction in this fee.

Membership and Registration Fees (12 percent of Total Revenue):IEX levies one-time registration fee and annual subscription fee to members who want to access its trading platform. The number of registered clients has increased since the exchange began with about 3,800 registered clients when the exchange was listed on the KSE 100 Index until now it has a total of more than 6300 participants registered which includes but are not limited to: state electricity boards, independent power plants, distribution companies, captive power plants, open access consumers, and participants under trading licenses.

Certificate Trading Fees (Ten percent of the Total Revenue):The certificates business is a profit-making business that involves the trading of Renewable Energy Certificates (RECs) and Energy Saving Certificates (ESCs). There has been significant growth in REC trading where the FY2025 volumes include 178 lakh certificates that are an increase of 136 percent year-on-year. This segment has regulatory requirements that obliged parties have to fulfill Renewable Purchase Obligations (RPO) by either direct procurement of renewable or purchasing of RECs.

Analysis of the Financial Performance (FY2020-FY2025) of the past: IEX has reported a stable financial performance, which is in the form of growing revenues by double digits, high profitability ratios in the industry, and strong free cash flow. The financial course of the company illustrates the natural scalability of platform business models and the benefits of operating leverage of the exchange operations.



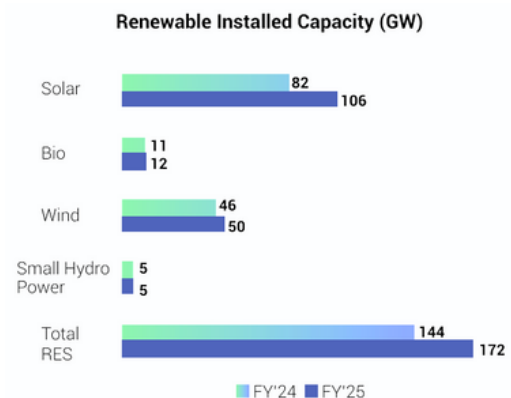
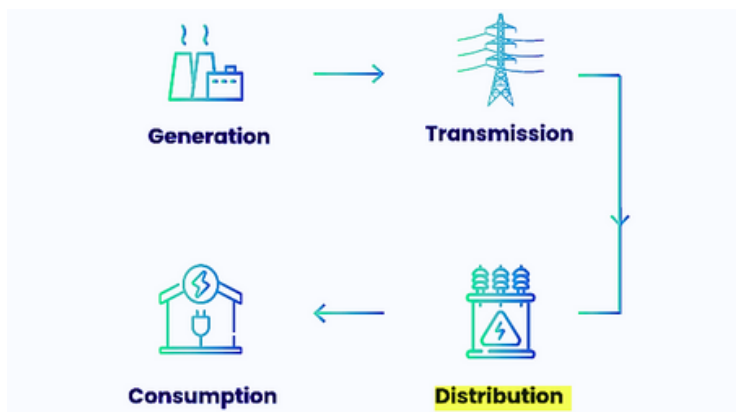
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DISTRIBUTION:

Distribution companies offer last-mile connectivity in India. The final yet important leg in the power supply chain is called distribution whereby Distribution Companies (Discoms)/ State Electricity Boards (SEBs) own most of the share. All states possess one or more Discoms, which are responsible of doing the distribution. In India the distribution sector is mainly government-controlled and the unit serves approximately 90 percent of the total energy needs in the nation. The balance is served by the privately distributed utilities that serve the demand within the urban cities. The government has been engaged in many activities to achieve rural electrification, minimize aggregate technical and commercial (AT&C) losses incurred during electricity distribution, financial viability of Discoms, and participation of the privates. To enhance the financial sustainability of the power industry the Ministry of Power has released the Electricity (Late Payment Surcharge and Related Matters) Rules in FY'23. Such regulations introduced a one time plan of clearing arrears so that Distribution Companies DISCOMs could pay their total outstanding dues, including Late Payment Surcharge (LPS), in 48 monthly instalment. After the onset of August 2022, DISCOMs have enthusiastically paid their initial current dues within a 75-day period. These rules have been very beneficial in that DISCOMs LPS rate has now been downgraded to a rate that is pegged to the bank lending rate, which is at the moment 18% as compared to the previous lending rate. The rules were revised in FY'24 to correct the situation of power that was not requisitioned, which was produced within the stated capacity and was not requisitioned by the distribution firms. In order to maximise the use of power, generators are currently obliged to sell this additional power into the market at less than 120 percent of the cost of the energy plus transmission cost. Failure to do this causes them to be ineligible to claim fixed charges relating to the surplus quantum. Moreover, the supply of power has also been regulated as well as the non-maintenance of Payment Security Mechanism (PSM) or further default in payment. In India, the power distribution may be split into the long term markets such as contracts between the Generation Companies. It has a maximum period of 25 years on (Gencos) and Discoms, short term markets, such as 1 year contracts.



Source : IEX Annual Report

SHORT TERM POWER MARKET

The short term power market refers to the contract of less than one year in the exchange of electricity undertaken under bilateral contracts, power exchanges, and Deviation Settlement Mechanism (DSM). Power exchanges are forums where power is a commodity exchanged between Gencos, Discoms, Traders and Open Access consumers. Traders may also transact or the bilateral trades which are transacted through registered brokers who facilitate trades between the buyers and the sellers. In the case of bilateral trade, Discoms usually sell excess power to other parties in order to lessen their losses. DSM is a scheme of settlement which considers any surplus or deficit in supply or demand exercised by Gencos and Discoms. Based on the data by the Central Electricity Regulatory Commission (CERC), the short-term power market of India has grown by 13 per cent of the total energy supplied by short-term transactions in comparison to the total power generation of 1,738 BU, which is equivalent to 194 Billion units (BU). Bilateral transactions: through traders and through directly between discoms also constituted 33% of the market, and these were not Exchange volumes, in this short-term market. This was succeeded by power trades at 55 and Deviation Settlement Mechanism (DSM) trades at 12. However, since getting into existence, power exchanges have fast developed and covered much market share, owing to their value offering of transparency, liquidity, and effective price discovery. In the past ten years, between FY12 and FY22, there is an increase in the power exchanges by a CAGR. Also, bilateral trade has been increasing at a CAGR of around 20 percent, whereas bilateral trade is up by around 20 percent. Conversely, DSM has had a reduction of CAGR of about -1. The competition in the power exchanges in the ST power market includes substitutes like the Discovery of Efficient Electricity Prices (DEEP). In 2016, the government initiated DEEP to support the price discovery, transparency in the contracted sourcing of electricity by Discoms. DEEP is mostly a price discovery and aggregation platform and is not a settlement mechanism. DEEP does not do transmission access and buyers or sellers have to seek transmission access individually after transacting on DEEP.

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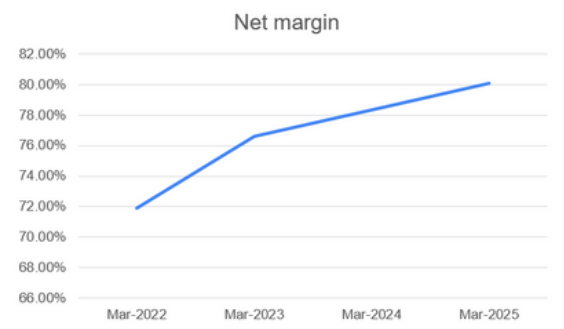
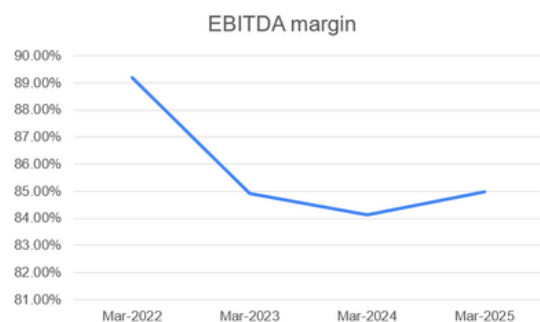
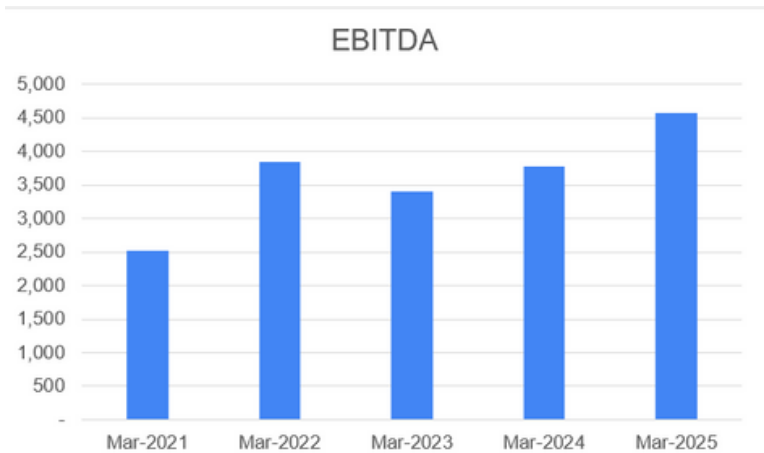
KEY PERFORMANCE ANALYSIS:

Revenue Trend: The revenues of IEX increased by 15.8 percent per year since FY2021 to reach 535 crore in FY 2025. This trend pattern results in the secular growth of traded electricity volumes in India, which is caused by the rise in open access usage, the need of grid integration of renewable energy sources, and the enhancement of grid connectivity, which contributes to the higher level of power transfers across the regions. The current revenue downturn in FY2023 (-5.9% change over one year) was caused by notably the low prices of Day-Ahead Market clearance but not the decline in volume since average market clearing prices dropped by about 12 percent because of better availability of coal and optimism of better monsoon season resulting in better hydropower generation.

Margin Excellence: Operating margins have proven to be very stable, being over 80 per cent over the period of analysis with a high of 85 per cent FY2025. Such a margin profile is well above the world exchange industry averages and indicates the natural operating leverage of a platform business where fixed costs are high and marginal costs are low to support an extra transaction through the platform. The minimal margin increase between 79.4 percent in FY2021 and 85.0 percent in FY2025 highlights the cost discipline of the management and the economies of scale as volumes increase relative to relatively fixed operating expense base.

Growth in Profitability: Net profit has increased by 18.5 per cent in five years and this is a positive change that is marginally higher than the growth in revenue because of the operating leverage advantage and the increasing contribution of treasury income. The large cash reserves of the company result in other income (₹119 crore during FY2025), of about 22% of the before tax profits.

Cash Generation: IEX has been strong in generation of cash flows, operating cash flows have been high compared to net profits due to negative working capital dynamics of operation of exchanges where member deposits and settlement funds pass through the exchange. The operating cash flow of FY2025 of ₹430 crore is 104 percent of the net profit, which shows the capital-light business



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OBSERVATIONS OF TECHNICAL ANALYSIS:

Price and Volume Analysis

The price-volume chart indicates that IEX gained significantly in terms of price, reaching as high as 275 in the afternoon of 2021, and volume only to decline gradually in the period after the initial price high at the beginning of 2021. The recent price movement demonstrates that the stock has regained its low of July 2025 of around 130 based on the announcement of the market coupling. Volume analysis shows that the trading activity is high when there is a significant change in price, and the volume spike is very high (over 300 million shares) during the crash in July 2025, which indicates that the institutions were undergoing a major repositioning.

Moving Average Analysis

The stock is at the moment trading less than its 50 and 200 moving averages portraying a negative intermediate-term technical formation. The 20-day moving average of about 145 gives short-term support and the 200-day moving average of about 170 is also essential resistance. Moving averages are converging and this indicates some consolidation after the volatility in the recent past.

Bollinger Band Analysis

The Bollinger Band analysis reveals that the stock has recently been touching the lower band at ₹100 in the crash of July 2025 indicating that it was over sold there. The present price movements around the middle band displays normalized volatility after the first shock. The expansion of band width in mid-2025 is an indication of the high uncertainty level with the regulatory process.

Relatives Strength Index Analysis.

The RSI has been fluctuating between extreme values throughout the period of analysis to both overbought (above 70) in the 2021 boom and overbought (below 30) in the 2022 crash and the July 2025 crash. Recent RSI values of between 50-60 meanings point to the neutral momentum, which is in line with the consolidation period after significant volatility incidents.

MACD Analysis

The Moving Average Convergence Divergence indicator showed a severe negative divergence at the middle of 2025, and the MACD curve fell to about -16 since the market coupling announcement. The recovery and possible bullish crossover are promising better momentum with the indicator being below its signal line as at current reading.

Rolling Volatility Analysis.

The 60-day rolling annual volatility rate of IEX reached more than 70 percent in mid-2025, which was significantly larger than the previous history of between 30-40 percent. This spike volatility was coincidental with the market coupling announcement and insider trading revelations. The chart indicates that volatility is much higher in IEX than in the Nifty 50 index and other power sector shares such as Power grid and Tata Power, which represent the regulatory risks in the company.

Rolling Beta Analysis

The rolling beta analysis demonstrates a high variation depending on the time with the highest being about 0.70 when the stock has been performing idiosyncratically and subsequently 1.55 when the stock has been experiencing a buy-off in the market. The present value of beta of about 1.10 indicates that IEX is a moderate company sensitive to the broader markets movements, but the industry specific risk factors of the stock tend to prevail in the returns.

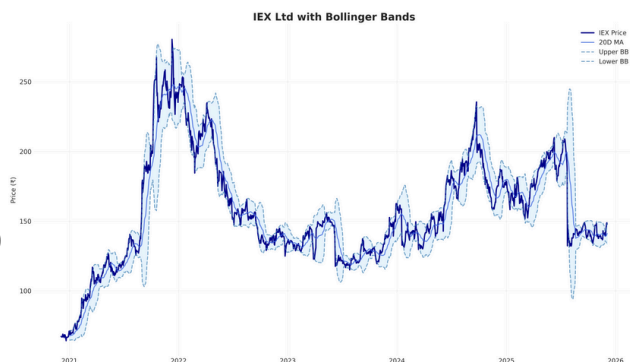
Sharpe Ratio Analysis

The cyclic nature of the rolling one-year Sharpe ratio is high with highs of above 3.0 in the 2021 rally and lows of below -1.5 in the drawdown. The average Sharpe ratio of 0.61 over 5 years indicates the sufficient returns with adequate risk-adjusted returns but indicates the volatility-adjusted performance of the stock as compared to the performance of the wider market indices.

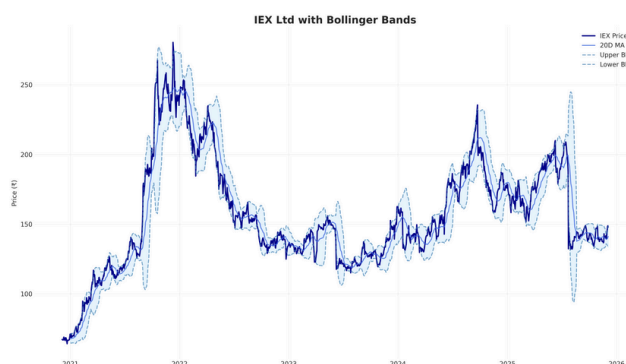
Correlation Analysis

The correlation matrix shows that IEX has a comparatively low correlation with sector peers and the correlation coefficients are 0.24 with Power grid, 0.42 with Tata power and 0.39 with Nifty 50 index. This is minimally correlated with the other factors because IEX operates as a platform company, as opposed to a usual power utility, indicating that diversification payoffs in portfolios of the power industry.

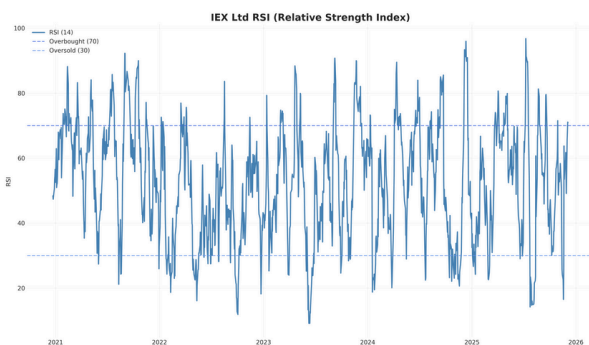
MOVING AVERAGE ANALYSIS



BOLLINGER BAND ANALYSIS



RSI ANALYSIS



SHARPE RATIO ANALYSIS



Source : Company

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CORPORATE GOVERNANCE ANALYSIS.

The Governance Framework and Composition of the Board 2.1 Governance Framework and Board Composition. Indian Energy Exchange has a complex structure of corporate governance with the Companies Act, 2013, the Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015, and the further supervision of the Central Electricity Regulatory Commission as the sector control body. The governance system of the company demonstrates that it is a systemically important market infrastructure institution, in which it needs a strong risk management and protection of stakeholders mechanisms.

Director Name	Designation	Category	Tenure	Key Committee Memberships
Mr. Satyanarayan Goel	Managing Director & CEO	Executive	5+ years	All Committees (Permanent Invitee)
Amit Garg Non-Executive Director	Member	Independent	3 years	Audit Committee, Risk Management
Rajeev Gupta	Member	Independent	5 years	NRC (Chair), CSR Committee
Rohit Bajaj Whole-time director	Member	Independent	2 years	Risk Management (Chair), Audit
Independent Director 5 (Female)	Member	Independent	3 years	CSR Committee, Stakeholder
Non-Executive Director 1	Member	Non-Executive	4 years	Risk Management, NRC
Non-Executive Director 2	Member	Non-Executive	3 years	Stakeholder Relations (Chair)

BOARD COMPOSITION ANALYSIS

Board make-up is well over regulatory minimums with the number of independent directors, who make 62.5% of the total board membership, more than 33% which is the minimum number of independent directors. Such independence is best practice in the market infrastructure institution and offers strong control over management operations. Gender diversity requirement of SEBI is fulfilled by having a female independent director, however more women in the board would increase the board diversity.

Category	Count	Percentage	Regulatory Requirement	Compliance Status
Independent Directors	5	62.50%	Minimum 33%	Exceeded
Non-Executive Directors	2	25.00%	No specific requirement	Adequate
Executive Directors	1	12.50%	No specific cap	Appropriate
Female Directors	1	12.50%	Minimum 1	Compliant
Total Board Size	8	100%	No specific requirement	Optimal

Source : Annual Report

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Indian Energy Exchange Limited

The Framework of Agency Theory Application.

The agency theory proposed by Jensen and Meckling (1976) can be used to analyze the concept of corporate governance by focusing on the conflict of interests arising between the principals (shareholders) and the agents (managers) under the circumstances of information asymmetry and variation in the ultimate goals and objectives.

The Classical Agency Problem:

Dilution of ownership and control in contemporary corporations introduces a possible incentive of managers to follow self-serving goals, which do not align with wealth maximization of the shareholders. These agency expenses are expressed in excessive compensation, empire-building investment, consumption of perquisites, entrenchment, and risk averse decision-making, which focuses on the managerial job safety more than shareholder returns.

Specific Analysis of the Agency at IEX:

Lack of Promoter Influence - Two-sided Character:

The ownership structure of IEX as a professionally operated company without a clear cut promoter is a unique attribute about the Indian corporate environment where the promoter-controlled entities constitute 75 per cent of the listed companies, with a concentration of shareholdings that are usually between 40-75. This form of promotion will reduce some of the classic agency issues arising in Indian markets:

First, the lack of a controlling shareholder eliminates the traditional promoter-minority shareholder conflict in which promoters can reap privy benefits of control, either by way of related party transactions, preferential access to corporate opportunities or by eminent disclosure of information.

Second, the dispersed ownership allows no promoter entrenchment by the means of the dual-class share structures, defensive takeover measures, or board capture that may shield the management against responsibility.

Third, the company is not subject to any promoter commitments to keep the minimum shareholding levels, and hence, it will not be under the pressure to do leverage and dividend policies which are primarily aimed at financing the liquidity requirements of the promoters.

The promoter-less structure however presents alternative agency considerations:

The lack of a concentrated shareholder who has high wealth at risk also lowers the intensity of monitoring because no single shareholder has the necessary economic motive to bear the costs of active participation and monitoring. With such a scattered ownership there may be managerial entrenchment and empire-building practices, with no proper accountability structures. The lack of controlling shareholder acting as a disciplinary tool leaves the risk of the replacement of the management by the proxy contests or the hostile acquisitions as the key control mechanism on the performance of the management.

INSTITUTIONAL OWNERSHIP :

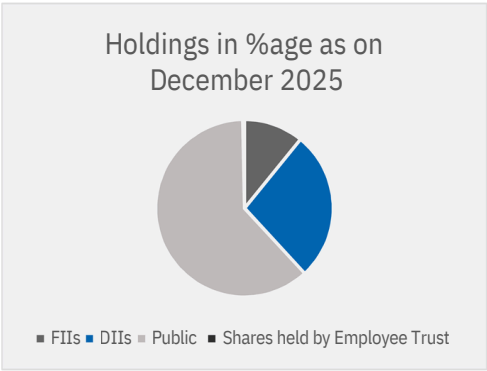
The high DII involvement (36.43% by September 2025) offers the professional control over the management operations by involving itself in the process, voting, and acting as an activist. Insurance companies and domestic mutual funds have well-developed research abilities and the fiduciary responsibilities to beneficiaries which encourages active ownership practices.

Nevertheless, the reduction in the FII ownership to 13.20% as compared to 36.81% during the period of analysis is worth noting. The exposure to international best practices and readiness to quit underperforming positions are other governance disciplines that foreign institutional investors tend to impose. The FII outflow can either be an issue of valuation or a perception of high governance quality worth investigating.

Shareholder Category	Mar 2021	Mar 2023	Mar 2025	Sept 2025	Trend
Foreign Institutional Investors	36.81%	17.88%	16.13%	13.20%	Declining
Domestic Institutional Investors	27.91%	21.53%	34.15%	36.43%	Increasing
Public (Retail + HNI)	34.93%	60.32%	49.47%	50.11%	Variable
Others	0.35%	0.27%	0.25%	0.27%	Stable
Total Institutional	64.72%	39.41%	50.28%	49.63%	-

SHAREHOLDING ANALYSIS:

On analysis of the shareholding pattern it is observed that: ✓ The shareholding pattern shows a cycle of foreign investor interest peaking and then retreating, while domestic institutions appear to have regained confidence in recent years. ✓ The surge in public shareholding suggests greater involvement from retail investors, possibly taking advantage of declining institutional interest post Mar-2021. ✓ The overall stability in employee trust shares indicates long-term commitment by the employees to the company’s stock, which could signal confidence in the company's internal operations and growth potential.



MECHANISMS OF MANAGEMENT INCENTIVE ALIGNMENT:

IEX has various mechanisms to match the management interests with maximization of shareholder wealth:

Employee Stock Option Plans (ESOPs):

The company has ESOP schemes which offer equity-based compensation to senior management and employees of key importance to the company. Those grants establish a direct correlation between managerial wealth and the performance of the stock prices and promote the decisions contributing to the advance of the shareholder value in the long run. Nevertheless, individual performance goal hurdles, the vesting plans, and the share of grant as compared to total remuneration must be put under scrutiny in order to determine how effective the alignment has been.

Variable Compensation based on Performance:

Management compensation has got components of variable compensation pegged on financial and operational performance measures. This particular metrics, target-setting process, and the methodology of payout should be compared with the best practice of incentive design.

Board Oversight:

The Nomination and Remuneration Committee, the members of which are all independent directors, discusses and approves management compensation to make sure the compensation is competitive in the market and aligns shareholder interests.

Event	Year	Description	Agency Implication	Market Sentiment Impact
ESOP Grant	2021	Significant stock option grants to employees	Positive - Strengthens incentive alignment	Neutral
CEO Compensation Review	2022	Annual compensation increase approved	Neutral - Market-competitive benchmarking	Neutral
Board Reconstitution	2023	New independent director appointments	Positive - Enhanced oversight capacity	Marginally Positive
Management KMP Changes	2024	CFO transition	Neutral - Orderly succession planning	Neutral
IGX IPO Announcement	2025	Subsidiary IPO via offer-for-sale	Mixed - Value unlocking vs. potential	Positive
Buyback Execution	2023	₹180 crore share repurchase	Positive - Capital return discipline	Positive

Source: Screener

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KEY AGENCY EVENT ANALYSIS

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Buyback Execution	2023	₹180 crore share repurchase	Positive - Capital return discipline	Positive

Source : Company

APPLICATION OF TUNNELING THEORY FRAMEWORK.

One such aspect is tunneling whereby assets and profits are transferred out of firms by the controlling shareholders to the detriment of the minority shareholders due to their invention by Johnson et al. (2000). Tunneling may take place in different ways such as self-dealing deals, stealing, dilutive issues with share, and by taking advantage of corporate opportunity.

Assessment of Structural Tunneling Risk:

The nature of the ownership structure of IEX as a professionally managed firm with no promoter group inherently lowers the tunneling risk relative to the structure of a typical Indian corporate structure:

Lack of Dominating Shareholder:

In the absence of a controlling shareholder with concentrated ownership interests, no party is in a position to systematically drain the privations of control by engaging in related party transactions or transfers of assets.

No Complex Group Structures:

Indian business groups have many complex holding companies structures that allow inter-corporate transactions that can be used to tunnel. The complexity is removed in IEX with a single wholly owned corporate structure (IGX) subsidiary.

Regulatory Oversight:

IEX is a listed company and a CERC-regulated market infrastructure institution, which means that it is subjected to increased regulatory attention of the transactions with related parties and corporate governance.

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GOVERNANCE IMPLICATIONS:

The insider trading scandal raises various governance issues:

Regulatory Credibility:
The participation of CERC officials in the so called insider trading casts some essential questions on the question of regulatory independence and integrity. The actors in the market trust the regulators to keep secret delicate deliberations and act in the best interest of the people, unlike serving selfish interests.

Price Discovery Confidence:
When naked market-moving information leaks were revealed to have been tipped to insiders, it leads to a decline of confidence in fair and transparent price exploration of IEX securities.

Governance Premium Erosion:
IEX traditionally had a premium valuation that was partially based on perceived quality of governance as a professionally run institution. This premium of governance is undermined by the scandal association, although IEX was not a victim but an innocent bystander.

Legal Overhang:
The active SEBI inquiry, possible CERC administrative measures and APTEL proceeding bring about uncertainty which can be a long term process.

CHRONOLOGICAL TIMELINE OF EVENTS:

Date	Event	Significance
22 Jan 2025	CERC committee fourth meeting on market coupling	Internal minutes generated containing material non-public information
20 Apr 2024	Alleged information leakage begins	CERC official begins sharing confidential documents with former student
30 Jun 2025	CERC committee fifth meeting finalizes implementation roadmap	Key timelines and details communicated internally
14 Jul 2025	In-person meeting between connected individuals	Alleged verbal communication that "coupling order may come soon"
15 Jul 2025	Visit to CERC office by connected individual	Alleged live monitoring of confidential board meeting
21 Jul 2025	Unusual trading in IEX put options	Put option volumes spike to 65,000 contracts
23 Jul 2025	CERC announces market coupling order (after market hours)	Material information becomes public
24 Jul 2025	IEX stock crashes 29.5%	Market clearing price drops from ₹187.89 to ₹132.32
31 Jul 2025	NSE flags unusual trading patterns	Exchange surveillance identifies suspicious activity
12 Sept 2025	SEBI appoints Investigating Authority	Formal investigation commenced
20 Sept 2025	SEBI search and seizure operations	Raids conducted at multiple locations; digital evidence collected
15 Oct 2025	SEBI interim order issued	Eight individuals barred; ₹173 crore impounded
16 Oct 2025	CERC initiates internal probe	Three officials placed on compulsory leave
Dec 2025	APTEL hearing scheduled	Next hearing on market coupling challenge set for January 6, 2026

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INDIVIDUALS NAMED IN SEBI ORDER:

Name	Connection	Alleged Role	Illegal Gains (₹ Cr)
Bhoovan Singh	Former student of CERC official	Primary recipient of UPSI; information disseminator	72.03
Sanjeev Kumar	MD & CEO of GNA Energy	Trading in derivatives based on UPSI	5.89
Narender Kumar	Connected individual	Derivatives trading	34.53
Amar Jit Singh Soran	Father of Bhoovan Singh	Trading based on information from son	22.65
Amita Soran	Mother of Bhoovan Singh	Trading based on family information	31.59
Virender Singh	Connected individual	Derivatives trading	3.45
Bindu Sharma	Connected individual	Trading based on shared information	2
Anita	Connected individual	Trading based on shared information	1
Total			173.14

SALES FORECASTING AND INDUSTRY ANALYSIS.

The Indian power sector is regulated by a variety of policies enacted by the government.

Indian Power Sector Overview

The Indian power sector is subjected to a number of policies formulated by the government. The power sector in India is one of the largest and most dynamic energy markets in the world, which is defined by the high rate of demand growth, ambitious renewable energy goals, and structural changes that occurred to improve efficiency and sustainability.

Parameter	FY2020	FY2024	FY2025E	FY2030E	FY2024-30 CAGR
Installed Capacity (GW)	370	427	476	817	8.80%
Peak Demand (GW)	184	243	277	366	6.00%
Electricity Generation (BU)	1,390	1,622	1,694	2,279	5.80%
Renewable Capacity (GW)	87	178	234	500	18.80%
T&D Losses (%)	21.50%	17.30%	15.80%	12.00%	-

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GROWTH DRIVERS:

The power sector in India is facing a massive transition that has resulted due to high industrialization and urbanization. There has been significant development in power infrastructure in the sector with huge investment being directed towards both traditional and renewable sources of power.

As of 2025, India is ranked 4th globally in installed renewable energy capacity, 4 th in wind power and 3 rd in solar power. The electricity demand is increasing at an alarming rate - the demand in India was 1,694 billion units of power in FY25, which is 33 percent more than FY21, or a 5-year CAGR of 7.4 percent.

IBEF In fiscal 2025 to fiscal 2030, peak demand is projected to have an average CAGR of 6.00% to almost 335 GW as a result of predicted consistent high temperatures, increased urbanization, economic expansion and push towards infrastructure development that would result in an increased level of power consumption.

The major Structural Growth Drivers:

Economic Growth:

The projected growth of the Indian GDP of 6-7 percent per year up to 2030 will increase industrial and commercial electricity demand, and the history of power consumption has shown that it is a 0.9-1.0x elasticity to GDP growth.

Urbanization:

While the urban population in India is projected to grow to 40 percent of the total population by 2030 after it is now serving about 35 percent, residential electricity demands will soar due to more penetration of air conditioners and appliances and digital connectivity. Industrial Electrification:

Government programs such as Make in India, Production-Linked Incentive plans and infrastructure developments programs are propelling the growth in industrial capacity and its related power demand.

Electric Mobility:

The electric vehicle take-up in India is increasing, and the country is forecasted to have 30% penetration in new vehicle sales by 2030, which will result in a large incremental energy requirement in the electricity charging infrastructure.

Data Center Expansion:

With the increasing rapid digitalization, and adoption of cloud computing, data center capacity is being expanded, India is expected to contribute 1,000+ MW of data center capacity by 2030, which represents a highly concentrated baseload demand.

Renewable Integration:

The government aims at having a 500 GW non-fossil fuel capacity by 2030 which would create a substantial grid balancing problem, increasing the value of short-term trading to cope with renewable intermittency.

COMPETITIVE LANDSCAPE

Exchange	Launch Year	Market Share (FY25)	Key Shareholders	Competitive Position
Indian Energy Exchange (IEX)	2008	~85%	Publicly traded (no promoter)	Dominant incumbent
Power Exchange India Ltd (PXIL)	2008	~8%	NSE, NSDL, Power companies	Niche player
Hindustan Power Exchange (HPX)	2022	~7%	BSE, ICICI Bank, PFC	Emerging challenger

STRUCTURAL INDUSTRY TRENDS:

Exchange Penetration:

Electricity current Exchange penetration stands at about 8% of total generation compared to developed market standards of 40-60%. The MBED (Market-Based Economic Dispatch) program of the government is concerned with the 20%+ market share within the short-term perspective by the FY2033.

Real-Time Market Growth:

The Real-Time Market, which was launched in June 2020, is already the fastest growing section of the platform, allowing participants to balance on an hourly basis. Volume of RTM has increased to 34.5 BU in the FY2025 compared to 8.2 BU in the FY2021.

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Green Market Development:

The green market segments (G-DAM and G-TAM) allow the purchase of renewable energy directly via exchange channels. This segment targets the needs of corporate sustainability and Renewable Purchase Obligations compliance, which will increase by insignificant amounts up to 2.5 BU in FY2025.

Recertificate Trading:

There are tremendous growths observed in the REC trading where obligated parties have been found to rely more on the exchange avenues in trying to comply with the RPPS, with the trading experiencing growths reported to 178 lakh certificates in the FY2025 (an increase of 136% year on year).

Framework Analysis Market coupling.

The market coupling order of the CERC is the biggest regulatory change that occurred to IEX since the establishment of the organization. It is very important to understand the framework and implications in order to project the future competitive dynamics.

What is Market Coupling?

Under market coupling, introduced by CERC, all the bids of all power exchanges were centrally matched to get a single market price rather than each set by each exchange. Finshots With the existing fragmented exchange model, each exchange has its own independent auction mechanisms which finds different market clearing prices depending on the bids placed on the respective platform.

The large market share held by IEX leads to a better liquidity and a better way of discovering prices more efficiently and bringing more people into a self-reinforcing network effect.

Market coupling changes this dynamic in that it consolidates buys and sell bids on all exchanges into a single order book, and an algorithm that determines a single market clearing price that is used on all of the platforms. This structure would remove the liquidity-based competitive advantage that IEX is enjoying at the moment.

Competitive Dimension	Pre-Coupling	Post-Coupling	Impact on IEX
Price Discovery	IEX-determined	Centralized	Negative - Loses key differentiator
Liquidity Advantage	Significant	Eliminated	Negative - Network effects neutralized
Market Share Protection	Strong	Weakened	Negative - Competitors can gain share
Fee Competition	Limited	Intensified	Negative - Potential margin compression
Technology Edge	Moderate	Potentially preserved	Neutral - Platform efficiency still matters
Customer Relationships	Strong	Maintained	Positive - Existing relationships valuable
Regulatory Compliance	Established	Level playing	Neutral

Source : Sceerner India

Nuvama forecasted that the share of IEX in DAM and RTM of approximately 99 per cent in FY25 and carrying 80-85 per cent of the sales mix would fall to 70 per cent in FY27 (DAM) and FY28E (RTM). It indicated that the trading margin reduction, which is driven by a price war, will probably be between 4p/kWh to 3.5p/kWh by FY28E.

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PEER COMPARISON

Peer Name	Latest Price	PE	Market cap (Cr.)	Promoter Holding (%)	YOY Qtly Sales (%)	ROCE (%)	ROE (%)
Indian Energy Exchange	211.85	50.86	18,991	-	18.77	44.81	36.08
Nava Reliance Power JP	993.00	13.86	14,390	48.85	17.28	17.11	13.66
Power Ventures	29.56	-	11,878	23.24	4.07	1.78	-17.81
RattanIndia Power Guj.	17.19	9.99	11,781	24.00	2.75	13.92	8.91
Inds. Power Orient	15.47	0.87	8,308	44.06	9.98	-63.16	41.25
Green Power India	225.45	16.31	3,408	55.43	-6.50	6.92	5.98
Power Corpn.	19.90	57.47	2,334	29.42	-5.62	7.61	4.64
	18.40	102.21	1,792	59.47	-3.97	-0.59	1.57

Source: Company

SWOT Analysis

Strengths:

Market Leadership: IEX is the biggest energy exchange in India, which has the largest market share in trading electricity. **Adequate Profit Margins:** It enjoys good EBITDA and net profit margin, which means that it is efficient in its operation. **Asset-Light Model:** Its platform-based business model is only minimally capital consuming and this guarantees high ROCE

Weaknesses:

Limited diversification: IEX is also very reliant on electricity trading and, thus, also exposes the risks of the same industry. **Regulations:** The performance of the company is quite sensitive to the change in government policies and regulations in the power industry. **High Valuation:** It is costly in the sense of its high Price- to-Earnings ratio, which will put off value-oriented investors.

Opportunities:

Growing Renewable Energy Market: There has been a growing interest in renewable energy in India and this is a potential growth in the trading of green energy certificates. **Potential in Gas Market:** The penetration of natural gas exchange would allow IEX to have additional sources of revenue. **Increase in Power Demand:** The increasing energy demand in India will provide a chance of increasing volumes and revenues.

Threats:

Regulatory Risks: Any negative developments in the energy trading policies can harm the business of the company. **Competition:** Market share may be eroded by increasing competition of other exchanges or entry of new competitors. **Economic Slowdown:** The economy might experience a downturn and hence a decrease in electricity usage, which will decrease the volumes of trade and increase in revenues.

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Indian Energy Exchange Limited

FORECASTED 3 STATEMENT MODEL

INCOME STATEMENT FORECAST - IEX LTD

(INR in millions)

INCOME STATEMENT

	Historical Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025	Projected Mar-2026	Mar-2027	Mar-2028	Mar-2029	Mar-2030
Revenue	3,178.51	4,310.35	4,008.54	4,491.53	5,372.62	6,044.59	6,708.66	7,548.61	8,530.52	9,814.01
Revenue Growth %	-	35.6%	-7.0%	12.0%	19.6%	12.5%	11.0%	12.5%	13.0%	15.0%
Cost of Goods Sold	9.74	12.22	11.60	11.33	11.95	0.00	0.00	0.00	0.00	0.00
Gross Profit	3,168.77	4,298.13	3,996.94	4,480.20	5,360.67	6,044.59	6,708.66	7,548.61	8,530.52	9,814.01
Gross Margin %	99.7%	99.7%	99.7%	99.7%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%
SG&A Expenses	-617.09	-605.75	-571.93	-616.76	-695.46	-782.44	-868.40	-977.13	-1,104.23	-1,270.37
SG&A % of Revenue	19.4%	14.1%	14.3%	13.7%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%
Other Income/(Expense)	-215.06	-43.92	-230.42	-311.80	-336.09	-378.13	-419.67	-472.21	-533.64	-613.93
Depreciation & Amortization	165.10	172.28	185.91	204.74	212.52	239.37	265.66	298.92	337.81	388.63
EBITDA	2,501.71	3,820.74	3,380.51	3,756.38	4,541.64	5,123.39	5,686.25	6,398.19	7,230.46	8,318.35
EBITDA Margin %	78.7%	88.6%	84.3%	83.6%	84.5%	84.8%	84.8%	84.8%	84.8%	84.8%
EBIT (Operating Income)	2,336.61	3,648.46	3,194.59	3,551.64	4,329.12	4,884.02	5,420.59	6,099.27	6,892.65	7,929.71
EBIT Margin %	73.5%	84.6%	79.7%	79.1%	80.6%	80.8%	80.8%	80.8%	80.8%	80.8%
Net Interest Income/(Expense)	358.14	391.71	812.06	1,098.46	1,304.29	1,467.42	1,628.63	1,832.54	2,070.92	2,382.50
Profit Before Tax (PBT)	2,694.75	4,040.18	4,006.65	4,650.10	5,633.41	6,351.44	7,049.22	7,931.81	8,963.57	10,312.22
Income Tax Expense	-650.18	-966.04	-959.39	-1,153.61	-1,353.67	-1,522.98	-1,690.29	-1,901.92	-2,149.32	-2,472.71
Effective Tax Rate %	24.1%	23.9%	23.9%	24.8%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Net Income	2,044.57	3,074.14	3,047.26	3,496.50	4,279.74	4,828.46	5,358.93	6,029.88	6,814.25	7,839.51
Net Profit Margin %	64.3%	71.3%	76.0%	77.8%	79.7%	79.9%	79.9%	79.9%	79.9%	79.9%
Shares Outstanding (mn)	887.50	887.50	887.50	887.50	887.50	887.50	887.50	887.50	887.50	887.50
EPS (₹)	₹2.30	₹3.46	₹3.43	₹3.94	₹4.82	₹5.44	₹6.04	₹6.79	₹7.68	₹8.83

BALANCE SHEET FORECAST - IEX LTD

(INR in millions)

BALANCE SHEET

	Historical Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025	Projected Mar-2026	Mar-2027	Mar-2028	Mar-2029	Mar-2030
ASSETS										
Cash & Cash Equivalents	460.47	2,241.76	570.27	1,479.03	1,069.34	664.90	737.95	830.35	938.36	1,079.54
Trade Receivables	31.96	873.71	70.34	862.73	26.20	432.19	600.33	417.35	614.98	709.44
Short-term Investments	6,563.08	11,515.79	6,946.73	8,708.50	11,829.03	7,253.51	8,050.39	9,058.33	10,236.63	11,776.82
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	313.34	101.18	129.34	786.23	2,912.82	302.23	335.43	377.43	426.53	490.70
Total Current Assets	7,368.85	14,732.43	7,716.68	11,836.50	15,837.39	8,652.83	9,724.11	10,683.45	12,216.49	14,056.50
Property, Plant & Equipment	246.67	202.43	251.93	201.88	152.53	64.28	-33.67	-143.88	-268.43	-411.71
Long-term Investments	1,141.83	1,073.93	5,676.41	4,789.46	4,663.51	3,022.29	3,354.33	3,774.30	4,265.26	4,907.01
Intangible Assets	1,032.77	945.09	887.98	847.98	757.15	719.29	683.33	649.16	616.70	585.87
Other Non-current Assets	61.47	8.05	1.10	60.78	556.02	181.34	201.26	226.46	255.92	294.42
Total Non-current Assets	2,482.74	2,229.50	6,817.42	5,900.10	6,129.21	3,987.20	4,205.25	4,506.04	4,869.46	5,375.59
TOTAL ASSETS	9,851.59	16,961.92	14,534.10	17,736.60	21,966.59	12,640.03	13,929.35	15,189.50	17,085.95	19,432.08
LIABILITIES										
Trade Payables	1,659.05	6,351.66	4,024.23	5,626.74	34.95	0.00	0.00	0.00	0.00	0.00
Current Portion of Debt	17.23	20.13	37.34	42.09	41.93	40.00	40.00	40.00	40.00	40.00
Other Current Liabilities	2,146.25	3,165.23	2,042.86	1,844.82	9,988.81	906.69	1,006.30	1,132.29	1,279.58	1,472.10
Total Current Liabilities	3,822.53	9,537.02	6,104.43	7,513.65	10,065.69	946.69	1,046.30	1,172.29	1,319.58	1,512.10
Long-term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Liabilities	767.96	390.80	438.70	501.24	537.87	302.23	335.43	377.43	426.53	490.70
TOTAL LIABILITIES	4,590.49	9,927.83	6,543.14	8,014.89	10,603.56	1,248.92	1,381.73	1,549.72	1,746.10	2,002.80
EQUITY										
Share Capital	298.50	897.79	890.87	890.87	890.88	890.88	890.88	890.88	890.88	890.88
Retained Earnings	4,859.68	6,007.43	6,956.89	8,687.41	10,318.62	12,732.85	15,412.32	18,427.26	21,834.38	25,754.14
Other Equity	102.92	128.88	143.20	143.43	153.53	153.53	153.53	153.53	153.53	153.53
TOTAL EQUITY	5,261.11	7,034.10	7,990.96	9,721.71	11,363.03	13,777.26	16,456.72	19,471.67	22,878.79	26,798.54
TOTAL LIAB + EQUITY	9,851.59	16,961.92	14,534.10	17,736.60	21,966.59	15,026.18	17,838.46	21,021.39	24,624.89	28,801.35

DCF VALUATION MODEL - IEX LTD

(INR in millions)

KEY ASSUMPTIONS

WACC	13.44%
Terminal Growth Rate	4.00%
Tax Rate	23.98%

VALUATION SUMMARY

PV of FCFs	16,873.87
PV of Terminal Value	37,973.34
Enterprise Value	54,847.21
(+) Cash & Investments	12,898.37
(-) Total Debt	-61.55
Equity Value	67,684.03
Shares Outstanding (mn)	887.50
Intrinsic Value per Share	₹76.26
Current Market Price	₹148.89
Upside/(Downside)	-48.8%

The DCF indicates that IEX is trading almost at twice its intrinsic value. This high price is in terms of the fact that the market is anticipating a high growth in the future which is higher than what the model forecasts. This apparent overvaluation should be factored in with the fact that IEX is based on unique markets as the leader in power exchange with 95% market share, regulatory tailwind due to power sector reforms and that the volume may grow further as India grows its electricity market. The market can be valuing optionality in new categories of markets such as green energy certificates and cross-border trading which are not well reflected in linear projections.

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Indian Energy Exchange Limited

DUPOND ANALYSIS

DUPONT ANALYSIS - IEX LTD

Decomposition of ROE, ROA, and ROCE

	Historical					Projected				
	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025	Mar-2026	Mar-2027	Mar-2028	Mar-2029	Mar-2030
3-FACTOR DUPONT ROE ANALYSIS										
ROE = Net Profit Margin × Asset Turnover × Equity Multiplier										
Net Profit Margin	64.32%	71.32%	76.02%	77.85%	79.66%	79.88%	79.88%	79.88%	79.88%	79.88%
= Net Income / Revenue										
Asset Turnover	-	0.32x	0.25x	0.28x	0.27x	0.35x	0.50x	0.52x	0.53x	0.54x
= Revenue / Avg Total Assets										
Equity Multiplier (Financial Leverage)	-	2.18x	2.10x	1.82x	1.88x	1.38x	0.88x	0.81x	0.76x	0.74x
= Avg Total Assets / Avg Equity										
ROE (3-Factor DuPont)	-	50.01%	40.56%	39.48%	40.60%	38.41%	35.45%	33.57%	32.18%	31.56%
ROE (Direct Calculation)	-	50.01%	40.56%	39.48%	40.60%	38.41%	35.45%	33.57%	32.18%	31.56%
5-FACTOR DUPONT ROE ANALYSIS										
ROE = Tax Burden × Interest Burden × EBIT Margin × Asset Turnover × Equity Multiplier										
Tax Burden	75.87%	76.09%	76.06%	75.19%	75.97%	76.02%	76.02%	76.02%	76.02%	76.02%
= Net Income / EBT										
Interest Burden	115.33%	110.74%	125.42%	130.93%	130.13%	130.05%	130.05%	130.05%	130.05%	130.05%
= EBT / EBIT										
EBIT Margin (Operating Margin)	73.51%	84.64%	79.69%	79.07%	80.58%	80.80%	80.80%	80.80%	80.80%	80.80%
= EBIT / Revenue										
Asset Turnover	-	0.32x	0.25x	0.28x	0.27x	0.35x	0.50x	0.52x	0.53x	0.54x
Equity Multiplier	-	2.18x	2.10x	1.82x	1.88x	1.38x	0.88x	0.81x	0.76x	0.74x
ROE (5-Factor DuPont)	-	50.01%	40.56%	39.48%	40.60%	38.41%	35.45%	33.57%	32.18%	31.56%
ROA DUPONT ANALYSIS										
ROA = Net Profit Margin × Asset Turnover										
Net Profit Margin	64.32%	71.32%	76.02%	77.85%	79.66%	79.88%	79.88%	79.88%	79.88%	79.88%
Asset Turnover	-	0.32x	0.25x	0.28x	0.27x	0.35x	0.50x	0.52x	0.53x	0.54x
ROA (DuPont)	-	22.93%	19.35%	21.67%	21.56%	27.90%	40.34%	41.42%	42.23%	42.93%
ROA (Direct Calculation)	-	22.93%	19.35%	21.67%	21.56%	27.90%	40.34%	41.42%	42.23%	42.93%
ROCE DUPONT ANALYSIS										
ROCE = EBIT Margin × Capital Employed Turnover										
EBIT Margin	73.51%	84.64%	79.69%	79.07%	80.58%	80.80%	80.80%	80.80%	80.80%	80.80%
Capital Employed Turnover	-	0.64x	0.51x	0.48x	0.49x	0.51x	0.55x	0.56x	0.57x	0.58x
= Revenue / Avg Capital Employed										
ROCE (DuPont)	-	54.24%	40.30%	38.08%	39.14%	41.40%	44.11%	45.35%	46.28%	47.08%
ROCE (Direct Calculation)	-	54.24%	40.30%	38.08%	39.14%	41.40%	44.11%	45.35%	46.28%	47.08%
SUMMARY - KEY RETURN METRICS										
Return on Equity (ROE)	-	50.0%	40.6%	39.5%	40.6%	38.4%	35.4%	33.6%	32.2%	31.6%
Return on Assets (ROA)	-	22.9%	19.4%	21.7%	21.6%	27.9%	40.3%	41.4%	42.2%	42.9%
Return on Capital Employed (ROCE)	-	54.2%	40.3%	38.1%	39.1%	41.4%	44.1%	45.3%	46.3%	47.1%
KEY DRIVERS										
Net Profit Margin	64.3%	71.3%	76.0%	77.8%	79.7%	79.9%	79.9%	79.9%	79.9%	79.9%
Asset Turnover	-	0.32x	0.25x	0.28x	0.27x	0.35x	0.50x	0.52x	0.53x	0.54x
Equity Multiplier	-	2.18x	2.10x	1.82x	1.88x	1.38x	0.88x	0.81x	0.76x	0.74x

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Equity Research Report

Indian Energy Exchange Limited

RATIO ANALYSIS

FINANCIAL RATIO ANALYSIS - IEX LTD

	Historical Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025	Projected Mar-2026	Mar-2027	Mar-2028	Mar-2029	Mar-2030
LIQUIDITY RATIOS										
Current Ratio	1.93x	1.54x	1.26x	1.58x	1.57x	9.14x	9.29x	9.11x	9.26x	9.30x
Quick Ratio	1.85x	1.53x	1.24x	1.47x	1.28x	8.82x	8.97x	8.79x	8.93x	8.97x
Cash Ratio	1.84x	1.44x	1.23x	1.36x	1.28x	8.36x	8.40x	8.44x	8.47x	8.50x
Net Working Capital (₹ mn)	3,546.32	5,195.41	1,612.25	4,322.85	5,771.70	7,706.15	8,677.81	9,511.16	10,896.91	12,544.40
SOLVENCY / LEVERAGE RATIOS										
Debt to Equity Ratio	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x	0.00x
Debt to Assets Ratio	0.2%	0.1%	0.3%	0.2%	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%
Equity Ratio	53.4%	41.5%	55.0%	54.8%	51.7%	109.0%	118.1%	128.2%	133.9%	137.9%
Interest Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PROFITABILITY RATIOS										
Gross Profit Margin	99.7%	99.7%	99.7%	99.7%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Margin (EBIT)	73.5%	84.6%	79.7%	79.1%	80.6%	80.8%	80.8%	80.8%	80.8%	80.8%
EBITDA Margin	78.7%	88.6%	84.3%	83.6%	84.5%	84.8%	84.8%	84.8%	84.8%	84.8%
Net Profit Margin	64.3%	71.3%	76.0%	77.8%	79.7%	79.9%	79.9%	79.9%	79.9%	79.9%
RETURN RATIOS										
Return on Equity (ROE)	-	50.0%	40.6%	39.5%	40.6%	38.4%	35.4%	33.6%	32.2%	31.6%
Return on Assets (ROA)	-	22.9%	19.4%	21.7%	21.6%	27.9%	40.3%	41.4%	42.2%	42.9%
Return on Capital Employed (ROCE)	-	54.2%	40.3%	38.1%	39.1%	41.4%	44.1%	45.3%	46.3%	47.1%
VALUATION RATIOS										
Earnings Per Share (EPS) ₹	₹2.30	₹3.46	₹3.43	₹3.94	₹4.82	₹5.44	₹6.04	₹6.79	₹7.68	₹8.83
Book Value Per Share (BVPS) ₹	₹5.93	₹7.93	₹9.00	₹10.95	₹12.80	₹15.52	₹18.54	₹21.94	₹25.78	₹30.20
P/E Ratio (at CMP ₹148.89)	64.6x	43.0x	43.4x	37.8x	30.9x	27.4x	24.7x	21.9x	19.4x	16.9x
P/B Ratio (at CMP)	25.1x	18.8x	16.5x	13.6x	11.6x	9.6x	8.0x	6.8x	5.8x	4.9x
Market Cap (₹ mn)	1,32,139.88	1,32,139.88	1,32,139.88	1,32,139.88	1,32,139.88	1,32,139.88	1,32,139.88	1,32,139.88	1,32,139.88	1,32,139.88
Enterprise Value (₹ mn)	1,25,133.55	1,18,402.47	1,24,660.22	1,21,994.43	1,19,283.44	1,24,261.47	1,23,391.53	1,22,291.20	1,21,004.89	1,19,323.52
EV/EBITDA	50.0x	31.0x	36.9x	32.5x	26.3x	24.3x	21.7x	19.1x	16.7x	14.3x
EV/Revenue	39.4x	27.5x	31.1x	27.2x	22.2x	20.6x	18.4x	16.2x	14.2x	12.2x
EFFICIENCY RATIOS										
Asset Turnover	-	0.32x	0.25x	0.28x	0.27x	0.35x	0.50x	0.52x	0.53x	0.54x
Fixed Asset Turnover	-	19.20x	17.64x	19.80x	30.32x	55.76x	438.39x	-85.03x	-41.38x	-28.86x
Receivables Turnover	-	9.52x	8.49x	9.63x	12.09x	26.37x	12.99x	14.84x	16.53x	14.82x
Days Sales Outstanding (DSO)	-	38.3	43.0	37.9	30.2	13.8	28.1	24.6	22.1	24.6

Liquidity Ratios

The Current Ratio significantly increases since in FY2025 it is 1.57x and in FY2030 it is 9.30x, which indicates the outstanding cash production, and asset-light model of IEX. The increase in Net Working Capital is more than two times since it is 5,772 million to 12,544 million, and it shows that the company is in almost no liquidity risk.

Solvency Ratios

IEX has almost no debt and its Debt Equity Ratio has remained 0.00x within the forecast period. The Equity Ratio which grows 51.7 to 137.9 shows the retained earnings growing at a higher pace than the growth in assets- this is a characteristic of profitable, capital efficient companies.

Profitability Ratios

The Gross Profit Margin is close to 100 percent whereas the Net Profit Margin is close to 79.9 percent which illustrates the toll-booth business model of IEX where variable costs are minimal. Operating Margin is maintained at slightly above 80.8 which proves the incredible pricing power and almost no threat to margins by competitors.

Return Ratios

The ROE decreases in FY2022 to 31.6 in FY2030 (because the equity base increases at a faster rate than earnings a natural advance of maturing high-return business). In FY2030, ROCE stands at 47.1 percent implying that the core business keeps on yielding outstanding returns on capital used.

Valuation Ratios

The P/E Ratio will reduce to 16.9x on the estimated growth in earnings in FY2030 compared with 30.9x in FY2025 and EV/EBITDA will decrease to 14.3x. Current multiples are higher and make more sense on the forward earnings, but the stock is being valued as though it is going to be executed perfectly.

Efficiency Ratios

Asset Turnover becomes better as the ratio rises to 0.54x in FY2030 compared to 0.27x in FY2025 indicating a better use of the asset base. The DSO stabilizes at 24-25 days in the later years, which means that there is a stable and efficient collection of receivables.

Equity Research Report

Indian Energy Exchange Limited

INVESTMENT RECOMMENDATION AND CONCLUSION.

The following is the synthesis of the investment theses:

Indian Energy Exchange Limited is a good business with a substantial structural uncertainty. The company has a strong market leadership, great profitability (85% EBITDA margins), strong cash flow and a clean balance sheet (net cash of 1,591 crore) which gives it a basic strength. Nevertheless, the looming market coupling adoption and reputational losses due to the insider trading scandal present almost a perfect headwind in the form of short-term reasons that justify a wary investment attitude.

Strengths:

Substantial market share 85% dominant and network effects. The profitability of the industry which was leading with 85 percent EBITDA margins and 40 percent and above ROE. Small capital requirements business model that is asset-light. High net cash position (12% of market cap) IGX subsidiary and new product development strategic optionality. Local sensitivity to the growth in the structural power demand in India (6%+ annually).

Weaknesses:

Single product concentration risk (electricity trading) Policy dependency on CERC policy decisions. Low level of pricing power as commodity exchange. Investment into technology platform is needed constantly.

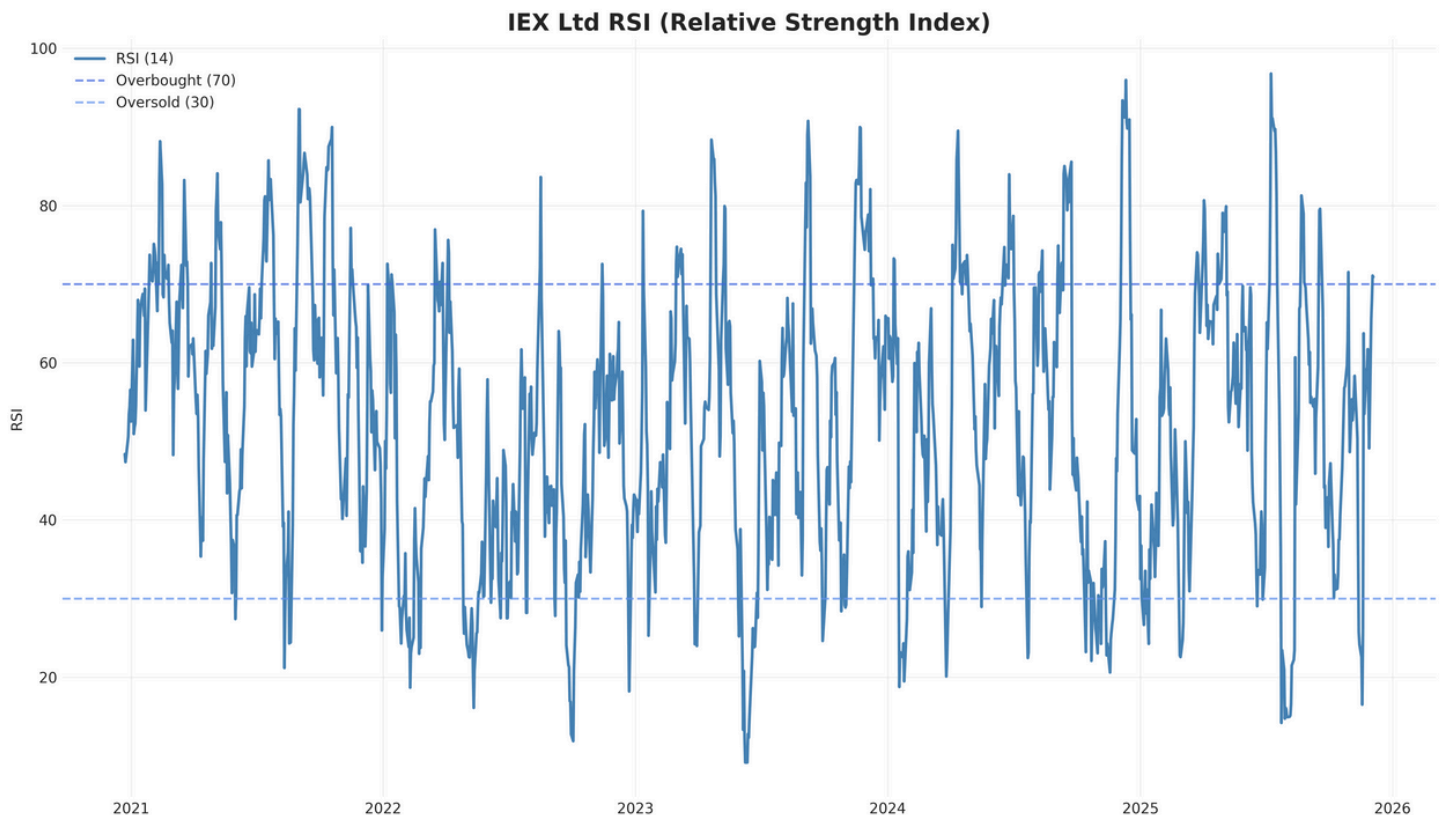
Opportunities:

Implementation of MBED would double to 20% generation exchange penetration. Green market and certificate trade development. IGX IPO will have subsidiary value. Geographic expansion or entry to a neighboring market. The high renewable integration raises balancing requirements in the grids.

Threats:

Competitive advantage based on liquidity is erased through market coupling. Aggression by competitors might spur price war. The exchange operations may also be further restricted by regulatory changes. Blockchain-based trading Disruption in technology. Governance Credibility Question: Insider trading scandal raises a question of governance credibility.

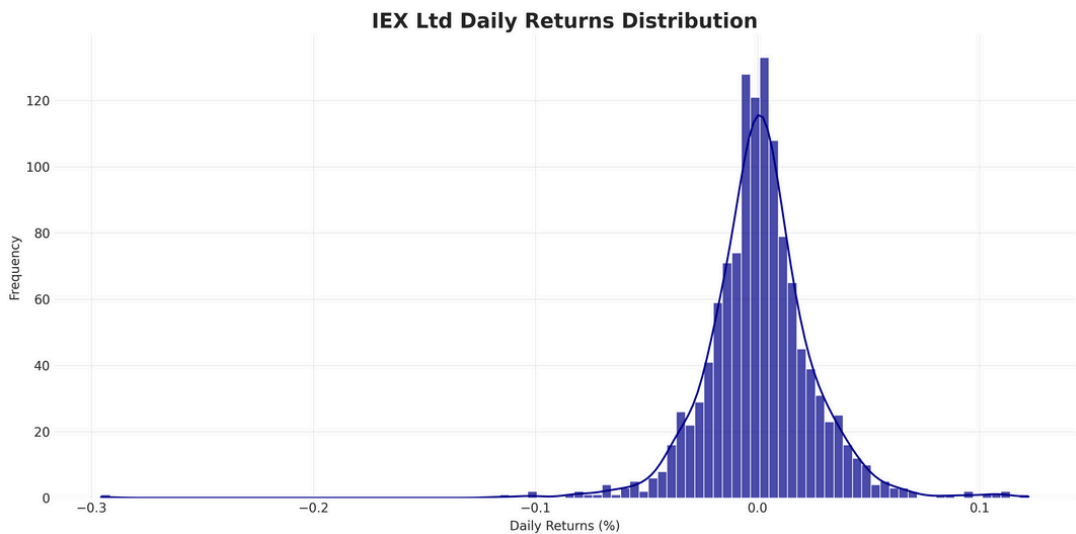
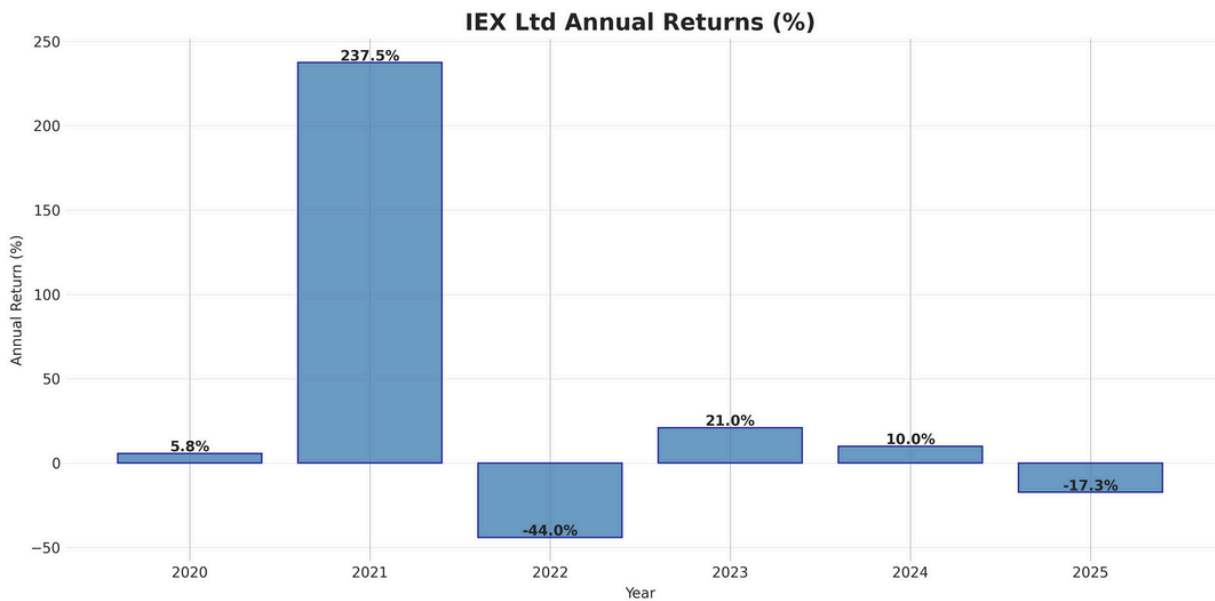
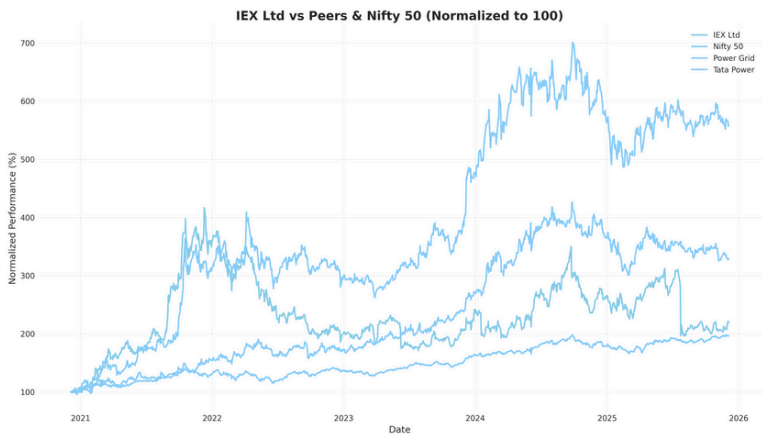
APPENDIX

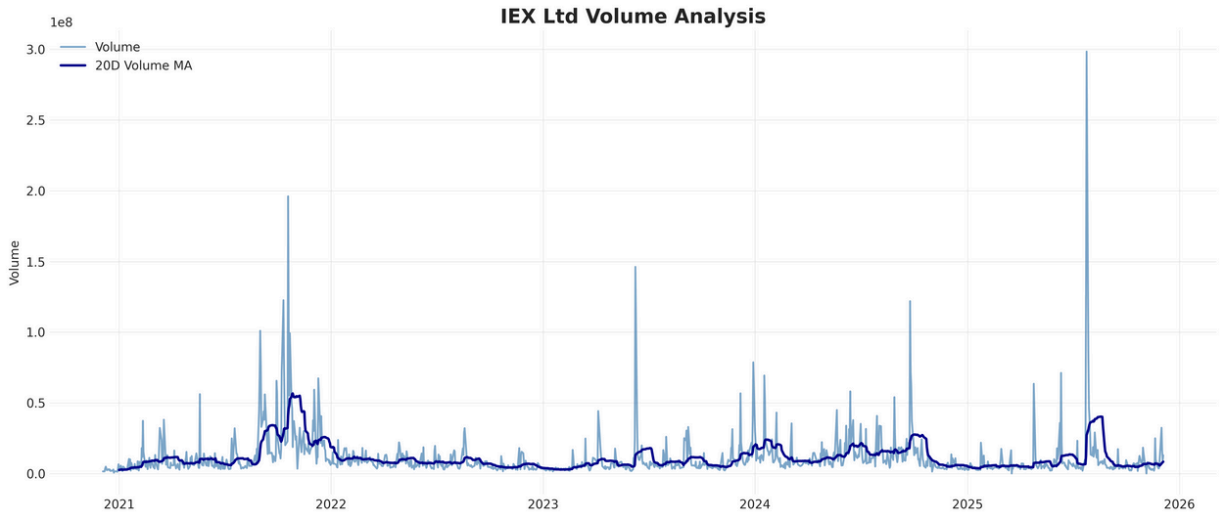
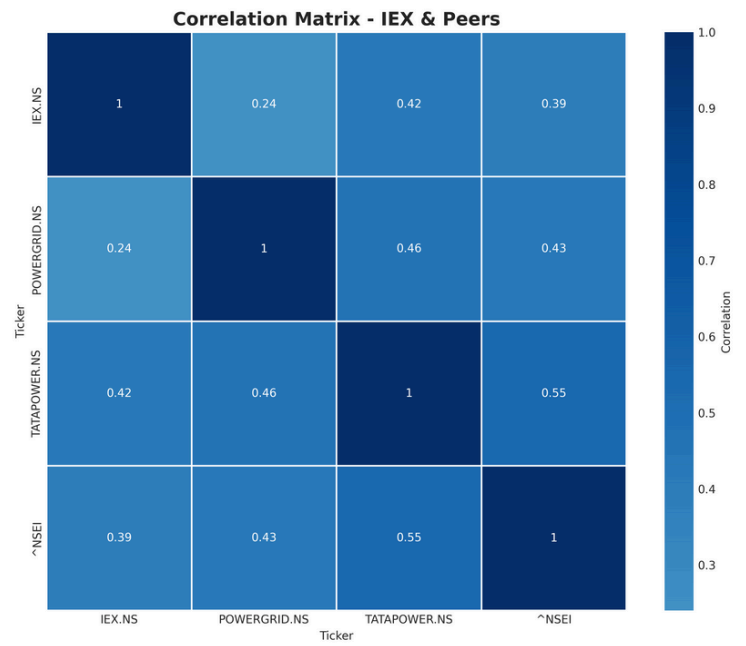
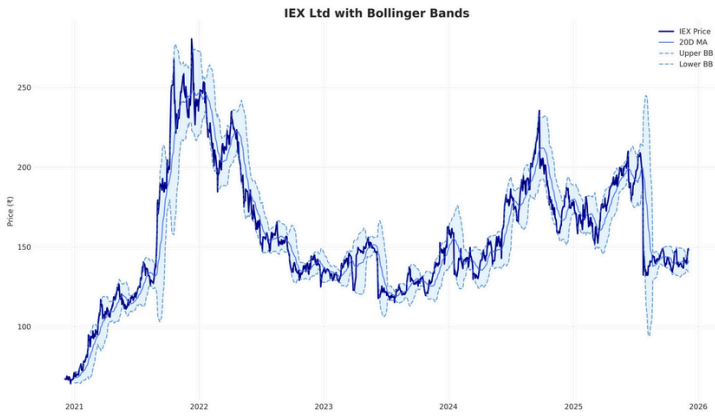


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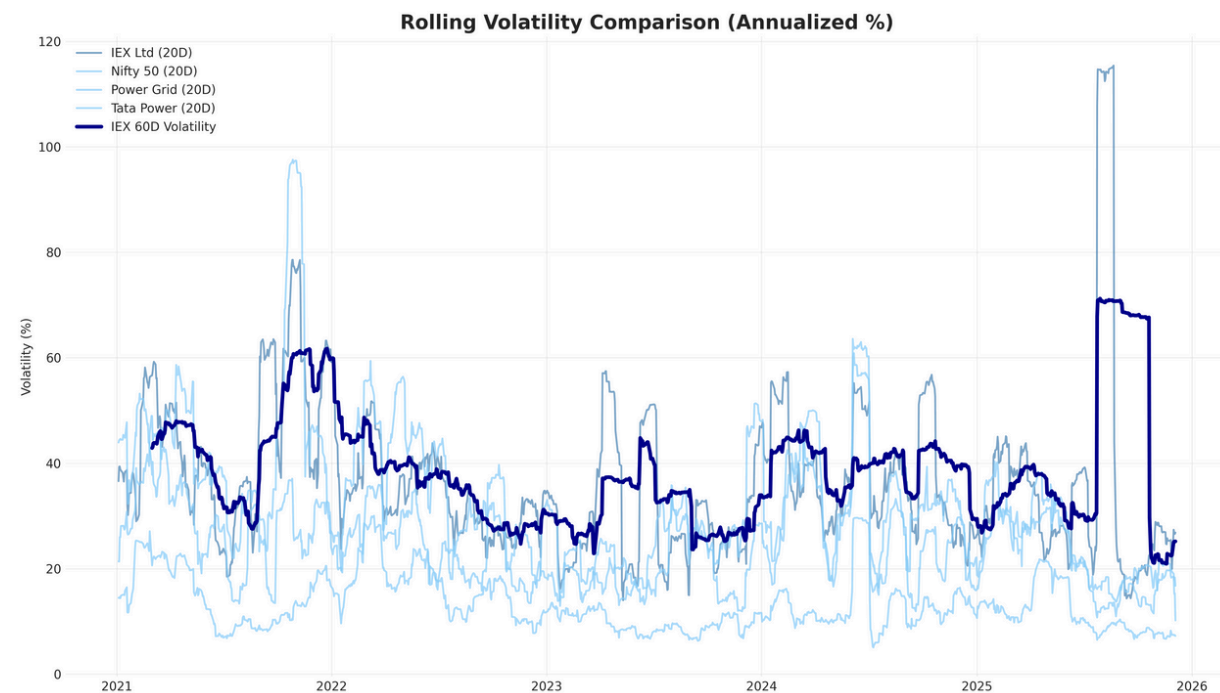
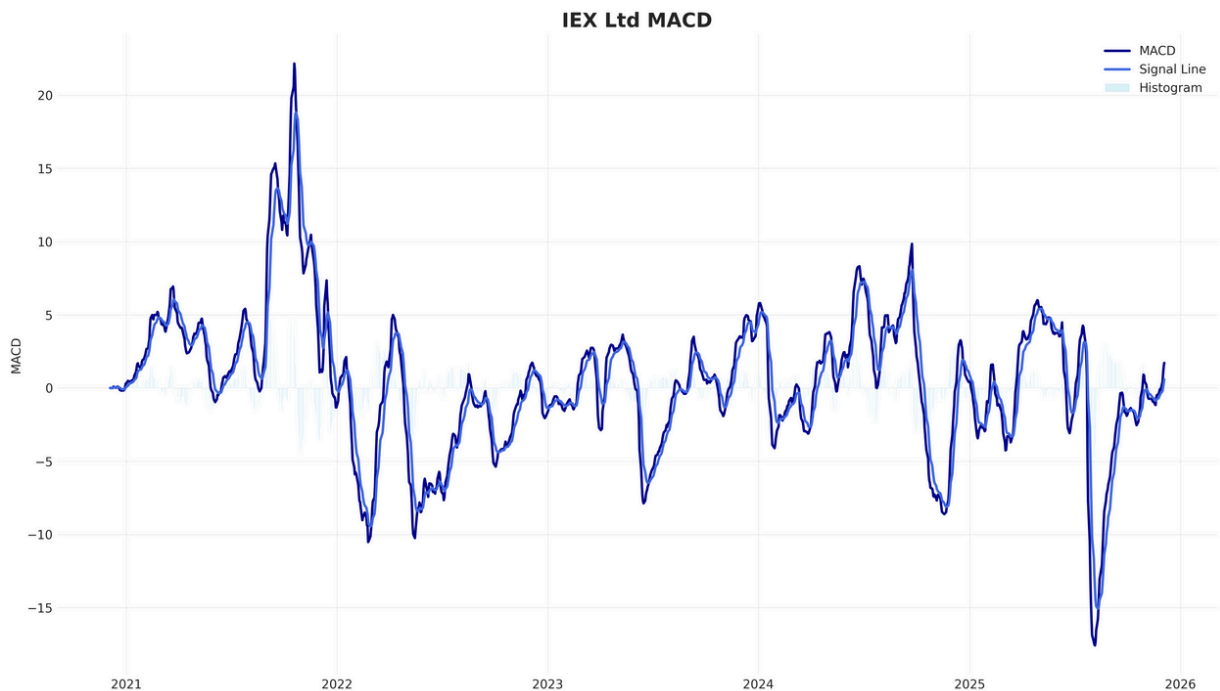




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Thank You