

February 01, 2012

Rupa Shah
rupashah@plindia.com
+91-22-66322244

Rating	Accumulate
Price	Rs49
Target Price	Rs51
Implied Upside	4.1%
Sensex	17,301
Nifty	5,236

(Prices as on February 01, 2012)
Trading data

Market Cap. (Rs bn)	14.4
Shares o/s (m)	295.0
3M Avg. Daily value (Rs m)	111.2

Major shareholders

Promoters	16.27%
Foreign	13.71%
Domestic Inst.	45.91%
Public & Other	24.11%

Stock Performance

(%)	1M	6M	12M
Absolute	25.9	(36.5)	(51.2)
Relative	13.9	(31.0)	(47.2)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	3.1	6.0	-48.8
2014	4.0	5.4	-25.9

Price Performance (RIC: PTCL.BO, BB: PTCIN IN)


Source: Bloomberg

■ **Earnings take a double dip:** PTC India (PTC) reported sales of Rs13.3bn which was 24.3% lower YoY. This was mainly on account of a 3.3% dip in realisations (adjusted to rebate) YoY at Rs2.9 per unit. Adjusted trading margins stood at 3.8 paisa/unit only which was lower by 16.5% YoY. Lower trading margins were also on account of 'banking' of 800MUs which is on 2 paisa/unit. As the funds are locked up in the SEBs, the company had to take loans to bridge the funding gap and thus, there is an interest cost of Rs103m in Q3FY12. Rebate/surcharge component in sales for the quarter stood at Rs109m and thus, adjusted PAT comes to Rs19m (95% YoY de-growth). The company has not booked interest accrued on FMPs in Q3FY12 which has also affected the PAT.

■ **Volumes de-grow, long-term volumes stable QoQ:** Trading volumes showed a de-growth of 21.5% YoY to 4.5bn units; however, was lower than our expectation of 6bn units. Trading volumes have seen a slower growth on account of stoppage of supply of power to Tamil Nadu Electricity Board and Uttar Pradesh Electricity Board.

■ **Updates:** PTC has outstanding dues, totalling to Rs15bn from Uttar Pradesh and Tamil Nadu. Surcharge receivable also stands at Rs900m from these two states. As on Q3FY12, the total PPAs signed by the company are 15370 MW (includes cross border trade). The cumulative MoUs stands at 11158 MW. The cumulative PSAs signed stand at 5400MW. The company is expecting dues from UP post elections, and continues to supply to some parcels of that state.

■ **Valuations:** We have, downgraded our numbers taking the present situation into consideration. PTC still trades at P/BVx 0.6x FY13E, but policy paralysis will continue to affect the earning potential. We maintain '**Accumulate**' on the stock.

Key financials (Y/e March)

	2011	2012E	2013E	2014E
Revenues (Rs m)	90,645	79,534	87,961	97,071
Growth (%)	16.6	(12.3)	10.6	10.4
EBITDA (Rs m)	1,413	1,311	1,320	1,640
PAT (Rs m)	1,247	834	910	1,180
EPS (Rs)	4.2	2.8	3.1	4.0
Growth (%)	32.2	(33.1)	9.1	29.7
Net DPS (Rs)	2.0	2.0	2.0	2.0

Profitability & Valuation

	2011	2012E	2013E	2014E
EBITDA margin (%)	1.6	1.6	1.5	1.7
RoE (%)	5.8	3.7	4.0	5.2
RoCE (%)	5.8	4.1	4.0	5.0
EV / sales (x)	0.1	0.2	0.2	0.1
EV / EBITDA (x)	5.3	12.3	10.4	8.2
PE (x)	11.6	17.3	15.9	12.2
P / BV (x)	0.6	0.6	0.6	0.6
Net dividend yield (%)	4.1	4.1	4.1	4.1

Source: Company Data; PL Research

Exhibit 1: Q3FY12 Result Overview (Rs m)

Y/e March	Q3FY12	Q3FY11	YoY gr. (%)	Q2FY12	9MFY12	9MFY11	YoY gr. (%)
Net Sales	13,300	17,580	(24.3)	23,890	62,065	69,858	(11.2)
Expenditure							
Power Purchase	13,019	17,113	(23.9)	23,386	60,710	68,678	(11.6)
<i>% of Sales</i>	<i>97.9</i>	<i>97.3</i>		<i>97.9</i>	<i>97.8</i>	<i>98.3</i>	
Employee Costs	31	25	23.0	25	88	18	384.3
<i>% of Sales</i>	<i>0.2</i>	<i>0.1</i>		<i>0.1</i>	<i>0.1</i>	<i>0.0</i>	
Other Expenditure	41	31	33.8	36	137	92	48.4
<i>% of Sales</i>	<i>0.3</i>	<i>0.2</i>		<i>0.2</i>	<i>0.2</i>	<i>0.1</i>	
Total Expenditure	13,091	17,169	(23.8)	23,447	60,935	68,788	(11.4)
Operating Profit	210	411	(49.0)	444	1,130	1,070	5.6
<i>% of Sales</i>	<i>1.6</i>	<i>2.3</i>		<i>1.9</i>	<i>1.8</i>	<i>1.5</i>	
Depreciation	11	13	(16.8)	11	33	37	(10.7)
Other Income	43	155	(72.5)	140	357	473	(24.6)
EBIT	241	553	(56.4)	572	1,453	1,506	(3.5)
Interest	103	8	1,234	79	196	11	1,766.7
PBT	138	545	(74.7)	493	1,257	1,495	(15.9)
Prov. for Taxation	43	166	(74.3)	138	354	438	(19.3)
<i>ETR (%)</i>	<i>31.0</i>	<i>30.5</i>		<i>27.9</i>	<i>28.1</i>	<i>29.3</i>	
PAT before exception items	95	379	(74.9)	356	904	1,057	(14.5)
Adj PAT	19	379	(94.9)	260	574	1,018	(43.7)

Source: Company Data, PL Research

Exhibit 2: Operating Metrics

Y/e March	Q3FY12	Q3FY11	YoY gr. (%)	Q2FY12	9MFY12	9MFY11	YoY gr. (%)
Mus sold	4,564	5,812	(21.5)	8,655	19,945	19,290	3.4
Adj Realisation Per unit	2.89	2.99	(3.3)	2.74	3.09	3.61	(14.4)
Cost Per unit	2.85	2.94	(3.1)	2.70	3.04	3.56	(14.5)
Margin per unit	0.038	0.045	(16.5)	0.042	0.044	0.045	(2.4)

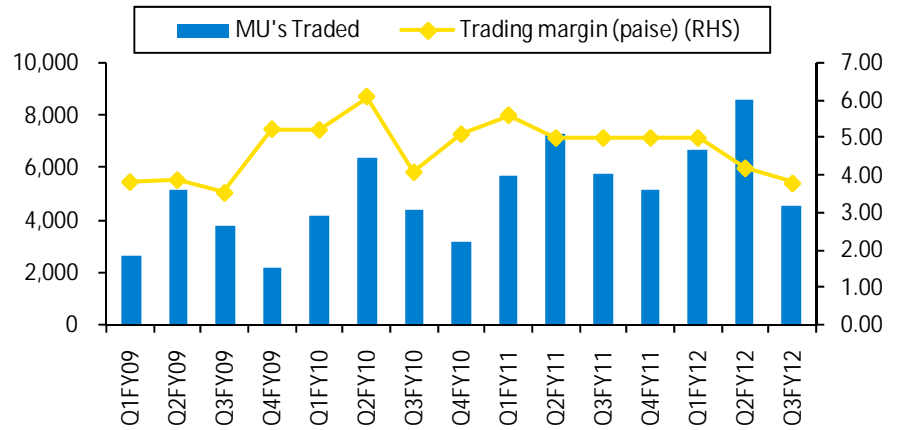
Source: Company Data, PL Research

Exhibit 3: Volume Mix

Y/e March	Q3FY12	Q3FY11	YoY gr. (%)	Q2FY12	9MFY12	9MFY11	YoY gr. (%)
Cross border	1,064	1,251	(14.9)	2,960	5,055	5,352	(5.5)
Short Term	1,635	3,163	(48.3)	3,590	8,406	10,309	(18.5)
IEX	625	1,132	(44.8)	800	2,897	2,589	11.9
Long Term	1,240	264	369.7	1300	3,576	1,028	247.9

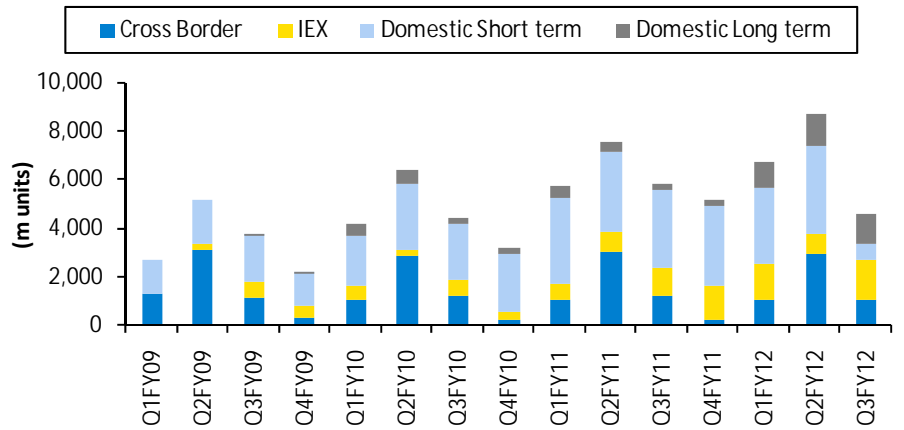
Source: Company Data, PL Research

Exhibit 4: Volume Analysis



Source: Company Data, PL Research

Exhibit 5: Volume Mix



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	2011	2012E	2013E	2014E
Net Revenue	90,645	79,534	87,961	97,071
Raw Material Expenses	89,030	77,943	86,337	95,130
Gross Profit	1,615	1,591	1,624	1,941
Employee Cost	70	100	115	132
Other Expenses	132	180	189	169
EBITDA	1,413	1,311	1,320	1,640
Depr. & Amortization	50	44	50	60
Net Interest	(604)	(207)	(240)	(300)
Other Income	616	457	440	400
Profit before Tax	1,967	1,474	1,510	1,880
Total Tax	576	485	500	600
Profit after Tax	1,391	989	1,010	1,280
Ex-Od items / Min. Int.	144	155	100	100
Adj. PAT	1,247	834	910	1,180
Avg. Shares O/S (m)	295.0	295.0	295.0	295.0
EPS (Rs.)	4.2	2.8	3.1	4.0

Cash Flow Abstract (Rs m)

Y/e March	2011	2012E	2013E	2014E
C/F from Operations	(1,532)	(10,102)	1,240	1,561
C/F from Investing	(1,026)	1,543	(897)	(33)
C/F from Financing	(508)	4,536	(452)	(1,273)
Inc. / Dec. in Cash	(3,066)	(4,023)	(109)	255
Opening Cash	9,944	6,877	2,854	2,745
Closing Cash	6,877	2,854	2,745	3,000
FCFF	(1,347)	(9,167)	3,802	959
FCFE	(1,347)	(4,667)	1,302	959

Key Financial Metrics

Y/e March	2011	2012E	2013E	2014E
Growth				
Revenue (%)	16.6	(12.3)	10.6	10.4
EBITDA (%)	114.9	(7.3)	0.7	24.3
PAT (%)	32.4	(33.1)	9.1	29.7
EPS (%)	32.2	(33.1)	9.1	29.7
Profitability				
EBITDA Margin (%)	1.6	1.6	1.5	1.7
PAT Margin (%)	1.4	1.0	1.0	1.2
RoCE (%)	5.8	4.1	4.0	5.0
RoE (%)	5.8	3.7	4.0	5.2
Balance Sheet				
Net Debt : Equity	(0.3)	0.1	—	—
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	11.6	17.3	15.9	12.2
P / B (x)	0.6	0.6	0.6	0.6
EV / EBITDA (x)	5.3	12.3	10.4	8.2
EV / Sales (x)	0.1	0.2	0.2	0.1
Earnings Quality				
Eff. Tax Rate	29.3	32.9	33.1	31.9
Other Inc / PBT	31.3	31.0	29.1	21.3
Eff. Depr. Rate (%)	13.2	11.0	8.9	10.0
FCFE / PAT	(108.1)	(559.8)	143.1	81.2

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2011	2012E	2013E	2014E
Shareholder's Funds	22,323	22,466	22,686	23,076
Total Debt	—	4,500	2,000	2,000
Other Liabilities	74	165	180	180
Total Liabilities	22,397	27,131	24,866	25,256
Net Fixed Assets	167	150	257	220
Goodwill	—	—	—	—
Investments	10,527	9,500	10,232	10,232
Net Current Assets	11,490	17,491	14,378	14,876
<i>Cash & Equivalents</i>	<i>6,877</i>	<i>2,854</i>	<i>2,745</i>	<i>3,000</i>
<i>Other Current Assets</i>	<i>10,769</i>	<i>25,918</i>	<i>24,040</i>	<i>25,448</i>
<i>Current Liabilities</i>	<i>6,156</i>	<i>11,281</i>	<i>12,407</i>	<i>13,572</i>
Other Assets	213	—	—	1
Total Assets	22,397	27,141	24,866	25,329

Quarterly Financials (Rs m)

Y/e March	Q4FY11	Q1FY12	Q2FY12	Q3FY12
Net Revenue	20,788	24,874	23,890	13,300
EBITDA	343	477	444	210
<i>% of revenue</i>	<i>1.7</i>	<i>1.9</i>	<i>1.9</i>	<i>1.6</i>
Depr. & Amortization	13	11	11	11
Net Interest	1	14	79	103
Other Income	143	174	140	43
Profit before Tax	472	626	493	138
Total Tax	138	173	138	43
Profit after Tax	223	453	356	95
Adj. PAT	223	298	260	10

Key Operating Metrics

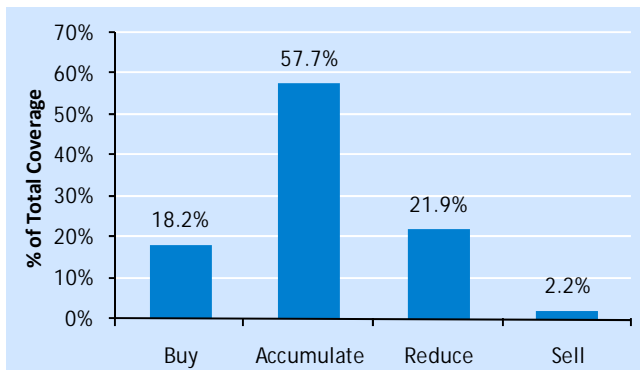
Y/e March	2011	2012E	2013E	2014E
Trading vol. (m units)	24,481	24,472	27,065	29,868
Trading Marg. (Rs)	0.06	0.05	0.05	0.06
Other Income/PAT (%)	44.3	46.2	43.6	33.9

Source: Company Data, PL Research.



Prabhudas Lilladher Pvt. Ltd.
 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India
 Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.