

# PTC India

Bloomberg: PTCIN IN Equity

Reuters: PTCL.BO

Recommendation: BUY

No Change



## RESULT UPDATE

## Volume Growth drives margins

PTC India's results were marginally below our expectations mainly on account of lower than estimated other income and higher tax payments. The key highlights of the results are as under:

**Highest ever quarterly volume:** PTC India has traded 5.75bn units in Q1FY11, this is the highest ever in any quarter (except in Q2FY10 when the country faced water issues). This also is higher by 37% YoY. We maintain our FY11 volume assumption of a 40% YoY growth to 25.36bn units.

**Realization on the uptrend:** For Q1FY11, PTC India's average margin was at 5.62 paise per unit, vs 5.22 paise per unit for FY10, and 5.17 paise per unit for Q1FY10. This is slightly lower than our estimate of 6.0 paise per unit for FY11.

This deviation is largely on account of the gradual shift from older regulations to the revised power trading regulations is underway; and should be complete by Aug-10; and this was re-iterated by the management in the conference call. This is reinforced by the fact that the avg margin per unit is up 7% QoQ from 5.23 paise per unit in Q4FY10 to 5.62 paise per unit in Q1FY11.

**Profitability down due to lower other income and higher taxes:** PTC India's other income, which mainly consists of interest income, has almost halved to Rs138mn. This, as explained by the management, is on account of lower systematic interest rates as well as restricted investment avenues, including withdrawal of fixed maturity plans by mutual funds. Further, the company's effective tax rate has increased from 19.1% in Q1FY10 to 31.0% in Q1FY11 (28.7% for FY10). This has resulted in a deviation in the Adj PAT of Rs278mn in Q1FY11 vs our estimate of Rs354mn and Rs334mn in Q1FY10.

## Valuation and Outlook

We reiterate our BUY recommendation with a SoTP based TP of Rs135. We continue to believe that the average margins would for FY11 would be 6.00 paise per unit and that PTC India would see value unlocking in the current year. Further, increase in sanctions and disbursements in PTC Financial Services is gaining traction; and will only further boost valuations.

### Exhibit 1: Quarterly Financial Highlights

Quarterly Perf. (Rs mn)	Q2FY10	Q2FY09	% chg	Q4FY10	% chg
Total Income	27,584	23,725	16%	11,796	134%
EBITDA	278	150	85%	43	547%
EBITDA Margin (%)	1.01%	0.63%	0.37	0.36%	0.64
Net profit	278	334	-17%	143	94%
EPS (Rs)	0.94	1.14	-17%	0.63	50%
Avg Margin (paise / unit)	5.62	5.17	9%	5.23	7%

Source: Company, Ambit Capital research estimates

## Analyst contact

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## Recommendation

<b>CMP:</b>	Rs108
<b>Target Price (Period):</b>	Rs135
<b>Previous TP:</b>	Rs135
<b>Upside/Downside (%)</b>	25%
<b>EPS (FY11):</b>	Rs5.3
<b>Change from previous (%)</b>	nil

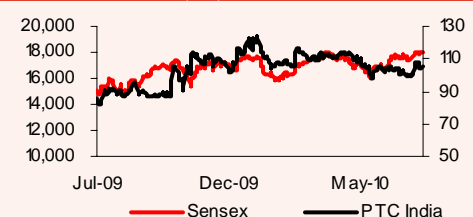
## Stock Information

Mkt cap:	Rs31,737mn/US\$673mn
52-wk H/L:	126/81
3M Avg. daily vol. (mn):	1
Beta (x):	1.0
BSE Sensex:	17878
Nifty:	5368

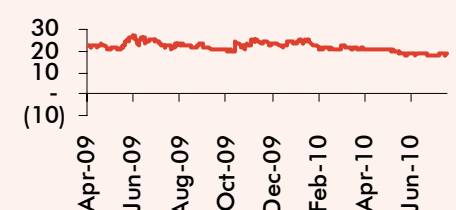
## Stock Performance (%)

	1M	3M	12M	YTD
Absolute	4.5	-2.9	24.2	-4.6
Rel. to Sensex	2.7	-5.2	5.5	-6.8

## Performance (%)



## 2-year P/E or EV/EBITDA



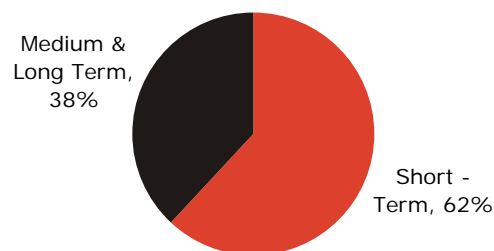
Source: Bloomberg, Ambit Capital research

## Company Financial Snapshot

### Profit and Loss

	FY09	FY10	FY11E
Net Sales	63,537	77,703	119,663
Operating Expenses	63,335	77,072	118,476
EBIDTA	203	631	1,187
Depreciation	62	39	40
Net Interest Expense	-311	-715	-919
PBT	1,134	1,327	2,085
Tax	226	377	521
PAT	908	950	1,564
EBIDTA Margin (%)	0.3	0.8	1.0
PAT Margin (%)	1.4	1.2	1.3
PE Adjusted (x)	26.9	33.2	20.2
EV / EBIDTA (x)	116.5	35.9	18.2
Dividend Yield (%)	1.5	1.6	1.9

### Revenue Break Up



### Balance Sheet

Balance Sheet (Rs. Mn)	FY09	FY10E	FY11E
<b>Total Assets</b>	<b>18,370</b>	<b>25,017</b>	<b>28,317</b>
Net Fixed Assets	475	437	397
Current Assets	9,995	15,680	18,020
Other assets	7,899	8,899	9,899
<b>Total Liabilities</b>	<b>18,370</b>	<b>25,017</b>	<b>28,317</b>
Net Worth	15,365	21,315	22,879
Total Debt	4	4	4
Current Liabilities	3,001	3,697	5,433
Minority Interests			
<b>Balance Sheet Ratios (%)</b>			
RoE	6.0	5.2	7.1
RoCE	6.1	5.2	7.1
Net Debt / Equity	-40.7	-52.6	-49.1
Total Debt / Equity	0.0	0.0	0.0
P / BV (x)	1.6	1.5	1.4

### Cash Flow

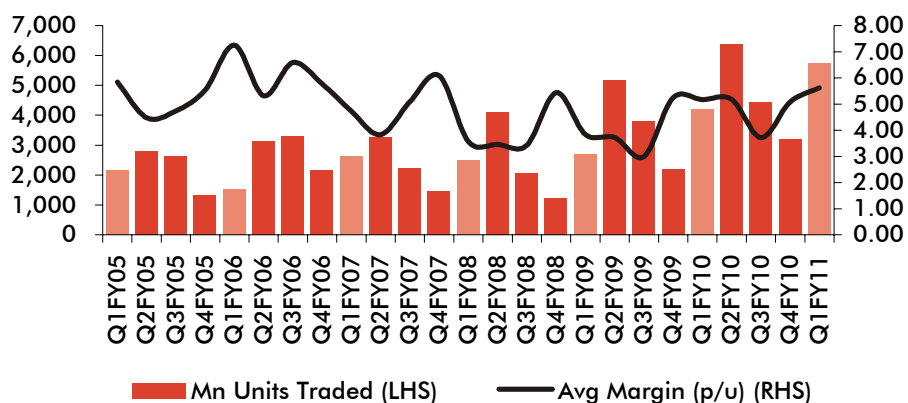
Cash Flow (Rs. Mn)	FY09	FY10E	FY11E
EBIT	141	592	1,146
Other Income (expenditure)	683	20	20
Depreciation	62	39	40
Interest	311	715	919
Tax	-182	-377	-521
Net Working Capital	923	36	574
<b>CF from operating activities</b>	<b>1,937</b>	<b>1,025</b>	<b>2,179</b>
Capital expenditure	68	0	0
Investments	5,269	-1,000	-1,000
<b>CF from investing activities</b>	<b>5,337</b>	<b>-1,000</b>	<b>-1,000</b>
Inc (decr) in borrowings	0	0	0
Issuance of equity	10	5,000	0
Net dividends	-266	-419	-602
Others	-2,001	63	-213
<b>CF from financing activities</b>	<b>-2,257</b>	<b>4,644</b>	<b>-815</b>
<b>Net change in cash</b>	<b>5,017</b>	<b>4,668</b>	<b>364</b>

## Exhibit 2: Quarterly Financials

	Q1FY11	Q1FY10	YoY	Q4FY09	QoQ
<b>Mn Units Traded</b>	<b>5,747</b>	<b>4,204</b>	<b>37%</b>	<b>2,182</b>	<b>163%</b>
<b>Total Income</b>	<b>27,584</b>	<b>23,725</b>	<b>16%</b>	<b>11,796</b>	<b>134%</b>
Power Purchases	27,253	23,498	16%	11,663	134%
Staff Costs	26	51	-48%	47	-45%
Other Expenses	28	27	4%	43	-36%
Total Expenditure	27,307	23,575	16%	11,753	132%
<b>EBITDA</b>	<b>278</b>	<b>150</b>	<b>85%</b>	<b>43</b>	<b>547%</b>
Depreciation	12	14	-11%	15	-22%
EBIT	266	137	94%	27	867%
Interest	1	1	-5%	2	-64%
PBT & OI	265	136	95%	26	925%
Other Income	138	276	-50%	173	-20%
PBT	403	413	-2%	199	103%
Total Taxes	125	79	59%	55	125%
<b>Adj PAT</b>	<b>278</b>	<b>334</b>	<b>-17%</b>	<b>143</b>	<b>94%</b>
<b>EPS (Rs)</b>	<b>0.94</b>	<b>1.14</b>	<b>-17%</b>	<b>0.63</b>	<b>50%</b>
EBITDA Margin (%)	1.01%	0.63%	0.37	0.36%	0.64
Net Profit Margin (%)	1.01%	1.41%	(0.40)	1.22%	(0.21)
Effective Tax Rate (%)	30.99%	19.09%	11.91	27.91%	3.08
Avg Realisation (p/u)	480	564	-15%	540	-11%
Avg Cost (p/u)	474	559	-15%	534	-11%
<b>Avg Margin (p/u)</b>	<b>5.62</b>	<b>5.17</b>	<b>9%</b>	<b>5.23</b>	<b>7%</b>

Source: Company, Ambit Capital research estimates

## Exhibit 3: Quarterly volume and margin trend



Source: Company, Ambit Capital research estimates

## Explanation of Investment Rating

Investment Rating	Expected return (over 12-month period from date of initial rating)
Buy	> 15%
Hold	5% to 15%
Sell	<5%

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