

PTC India

Performance Highlights

Y/E March (₹ cr)	1QFY2012	4QFY2011	% chg qoq	1QFY2011	% chg yoy
Net revenue	2,487	2,079	19.7	2,758	(9.8)
Operating profit	48	34	38.3	28	71.5
Net profit	45	34	35.0	28	62.6

Source: Company, Angel Research

For 1QFY2012, PTC India (PTC) reported net profit growth of 62.6% yoy to ₹45cr, aided by 17% higher traded volumes and higher rebate income of ₹23cr (vs. ₹3.5cr). The company benefitted as it retained a substantial portion of rebate (2% of billed amount) received from power sellers, which was not passed on to buyers (mostly Tamil Nadu SEB) due to delayed payments. PTC still has ~₹500cr recoverable from Tamil Nadu SEB, which the company hopes to recover in the next two months. Management has maintained that no fresh power sale would be made to the SEB until the amounts are fully recovered. **We maintain our Neutral view on the stock.**

Operating profit up 71.5% yoy: PTC's 1QFY2012 power trading volumes rose by 17% yoy to 6.7BU. Net sales fell by 9.8% yoy to ₹2,487cr due to the decline in average power selling prices. Operating profit grew by 71.5% yoy to ₹48cr, mainly aided by high rebate income.

Outlook and valuation: Going ahead, we expect PTC to witness healthy volume growth due to addition of ~1,300MW and ~4,600MW to its long-term trading (LTT) portfolio in FY2012 and FY2013, respectively. The company has till date signed PPAs and PSAs for ~15,000MW and ~5,400MW and is participating in various case-1 bids to sign more PSAs. We expect PTC's top line and bottom line to witness a CAGR of 22.2% and 23.2%, respectively, over FY2011-13E. At the CMP of ₹76, PTC is trading at 11.6x FY2012E and 10.6x FY2013E earnings.

We maintain our Neutral view on the stock.

Key financials (Standalone)

Y/E March (₹ cr)	FY2010	FY2011E	FY2012E	FY2013E
Net sales	7,770	8,997	11,109	13,430
% chg	19.0	15.8	23.5	20.9
Net profit	93	139	192	210
% chg	2.7	48.5	38.4	9.7
EBITDA (%)	0.8	1.6	2.0	1.9
EPS (₹)	3.2	4.7	6.5	7.1
P/E (x)	23.9	16.1	11.6	10.6
P/BV (x)	1.1	1.0	1.0	0.9
RoE (%)	5.1	6.5	8.5	8.7
RoCE (%)	3.1	6.3	9.7	10.5
EV/Sales (x)	0.2	0.2	0.2	0.1
EV/EBITDA (x)	19.5	11.0	7.8	6.8

Source: Company, Angel Research

NEUTRAL

CMP	₹76
Target Price	-

Investment Period	-
-------------------	---

Stock Info

Sector	Power
Market Cap (₹ cr)	2,636
Beta	1.1
52 Week High / Low	145/75
Avg. Daily Volume	182131
Face Value (₹)	10
BSE Sensex	18,336
Nifty	5,486
Reuters Code	PTCI.BO
Bloomberg Code	PTCIN@IN

Shareholding Pattern (%)

Promoters	16.3
MF / Banks / Indian FIs	57.8
FII / NRIs / OCBs	17.4
Indian Public / Others	8.5

Abs. (%)	3m	1yr	3yr
Sensex	3.4	6.6	9.6
PTC	1.0	(17.5)	(1.9)

V Srinivasan

022-39357800 Ext 6831

v.srinivasan@angeltrade.com

Exhibit 1: 1QFY2012 performance

Y/E March (₹ cr)	1QFY2012	4QFY2011	% Chg	1QFY2011	% Chg	FY2011	FY2010	% Chg
Net operating income	2,487	2,079	19.7	2,758	(9.8)	8,997	7,770	15.8
Consumption of RM	2,431	2,035	19.4	2,725	(10.8)	8,837	7,675	15.1
(% of Sales)	97.7	97.9		98.8		98.2	98.8	
Staff Costs	3	5	(35.6)	3	25.9	7.0	18.4	(62.3)
(% of Sales)	0.1	0.2		0.1		0.1	0.2	
Other Expenses	6	4	52.7	3	116.3	13	13	0.8
(% of Sales)	0.2	0.2		0.1		0.1	0.2	
Total Expenditure	2,440	2,044	19.3	2,731	(10.7)	8,857	7,707	14.9
Operating Profit	48	34	38	28	71	140	64	119.9
OPM	1.9	1.7	26bp	1.0	91bp	1.6	0.8	74bp
Interest	1	0		0		1	0	
Depreciation	1	1	(14.0)	1	(8.3)	5	6	(8.8)
Other Income	17.4	14	22.2	14	26.3	63	74	(15.0)
PBT	63	47	32.2	40	55	197	132	49.2
(% of Sales)	2.5	2.3		1.5		2.2	1.7	
Provision for Taxation	17	14	25.3	13	38.6	58	38	52.9
(% of PBT)	27.7	29.2		31.0		29.3	28.6	
Reported PAT	45	34	35.0	27.8	62.6	139	94	47.7
PATM (%)	1.8	1.6		1.0		1.5	1.2	
EPS (₹)	1.5	1.1	35.0	0.9	62.4	4.7	3.2	47.5

Source: Company, Angel Research

Exhibit 2: Actual vs. Angel estimates

(₹ cr)	Actual	Estimates	Variation (%)
Net revenue	2,487	2,839	(12.4)
Operating profit	47.6	33.2	43.4
Net profit	45.2	32.6	38.7

Source: Company, Angel Research

Exhibit 3: Operational performance

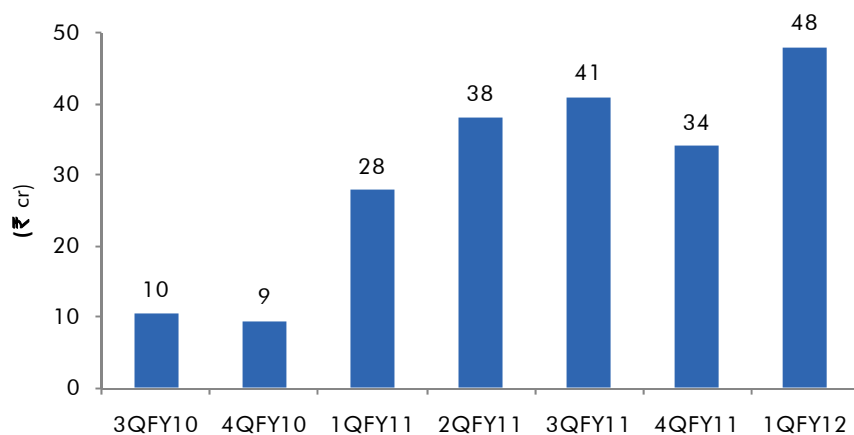
Parameter	1QFY12	4QFY11	3QFY11	2QFY11	1QFY11	4QFY10
Volumes (mn units)	6,726	5,191	5,813	7,730	5,747	3,200
% Growth (yoy)	17.0	62.2	30.8	21.0	36.7	46.7
Realisation (₹/unit)	3.7	4.0	3.0	4.3	4.8	3.9
% Growth (yoy)	(23.0)	2.7	(20.4)	10.0	(14.3)	(28.1)

Source: Company, Angel Research

Strong volume growth in 1QFY2012

During 1QFY2012, PTC posted strong 17% yoy growth in volume to 6.7BU. Short-term trading (STT) and LTT volumes stood at 4.6bn units and 2.1bn units, respectively. On a yoy basis, LTT volumes were flat, while STT volumes rose by ~27% yoy, aided by a substantial increase in trades done through India Energy Exchange.

Exhibit 4: Operating profit performance



Source: Company, Angel Research

Conference call – Key highlights

- The average trading margins for 1QFY2012 excluding rebate and surcharge stood at 4.9 paise. On an average, margins on LTT stood at 6 paise, cross-border trade stood at 2.7 paise, volumes through exchange stood at 2.4 paise, and STT stood at 5 paise.
- Till date, PTC has signed PPAs for 15,000MW and PSAs for 5,400MW.
- PTC-Ashmore India Energy Infrastructure Fund, a JV with Ashmore Group Plc launched in FY2010, has been shelved, as Ashmore could not bring sufficient contribution to the fund. The company has written-off ₹1.7cr of expenditure incurred in relation to the launch of fund during the quarter.
- PTC's subsidiary, PTC Energy traded ~0.2mn tonnes of coal in 1QFY2012. Coal traded by the company is expected to be 1.4mn tonnes in FY2012. The company has targeted to trade 2.4mn tonnes p.a. from FY2013E and has entered into a five-year coal procurement agreement for this quantity with suppliers in Indonesia.
- PTC Energy's (PTC's 100% subsidiary) tolling projects with Madhucon Projects Ltd. (200MW) and Meenakshi Energy Ltd. (300MW) would begin from 3QFY2012 and 4QFY2012, respectively.

Investment arguments

Power deficit to encourage growth

Total volume of power traded in India is just ~8% of the power generated. We expect the volume of power traded to rise at a healthy rate due to continuing power deficit and increased power generation capacity.

Favourable government policies to aid growth

The National Electricity Policy encourages about 15% of new capacities to be tied up in the short-term market. Growing emphasis on allowing open access to consumers to buy power from producers in any state augurs well for power trading companies.

In January 2010, CERC had increased the cap on STT margin to 7 paise/unit from the earlier 4 paise/unit, which is a major boost to the company's profitability as the 4 paise/unit cap regime was inadequate to cover operational and market risks borne by trading companies.

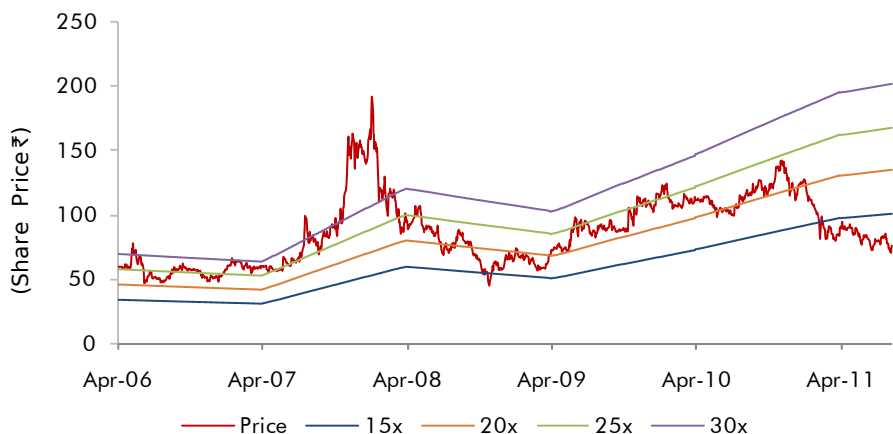
PTC to maintain its market leadership position

PTC is currently the leader in power trading with a market share of 45–50%. Going ahead, we expect the company to maintain its leadership position in the power trading market due to its early-mover advantage and increased volume of power traded under the LTT route, as close to 5,300MW of projects for which the company has signed PPAs are set to be operational in FY2012 and FY2013.

Outlook and valuation

Going ahead, we expect PTC to witness healthy volume growth due to addition of ~1,300MW and ~4,600MW to its long-term trading (LTT) portfolio in FY2012 and FY2013, respectively. The company has till date signed PPAs and PSAs for ~15,000MW and ~5,400MW and is participating in various case-1 bids to sign more PSAs. We expect PTC's top line and bottom line to witness a CAGR of 22.2% and 23.2%, respectively, over FY2011–13E. At the CMP of ₹76, PTC is trading at 11.6x FY2012E and 10.6x FY2013E earnings. **We remain Neutral on the stock.**

Exhibit 5: One-year forward P/E band



Source: Company, Angel Research

Exhibit 6: Change in estimates

(₹ cr)	FY2012E			FY2013E		
	Earlier	Revised	Variation (%)	Earlier	Revised	Variation (%)
Net sales	12,292	11,109	(9.6)	14,292	13,430	(6.0)
Operating exp.	12,078	10,883	(9.9)	14,044	13,170	(6.2)
Operating profit	213	226	6.2	248	260	4.9
Depreciation	7	6	(13.9)	8	7	(10.7)
Interest	1	1	40.0	2	2	(12.5)
PBT	261	275	5.5	289	302	4.5
Tax	78	84	7.3	87	92	5.5
PAT	183	192	4.8	202	210	4.1

Source: Angel Research

Profit and loss statement (Standalone)

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
Total operating income	3,906	6,529	7,770	8,997	11,109	13,430
% chg	3.7	67.1	19.0	15.8	23.5	21
Total Expenditure	3,887	6,503	7,707	8,857	10,883	13,170
Net Raw Materials	3,808	6,386	7,675	8,837	10,853	13,135
Personnel	7	15	18	7	13	16
Other	72	101	13	13	16	20
EBITDA	19	26	63.0	140	226	260
% chg	(36.9)	36.6	141.4	122.5	61.5	15
(% of Net Sales)	0.5	0.4	0.8	1.6	2.0	2
Depreciation & Amortisation	1	6	6	5	6	7
EBIT	18	20	57	135	220	253
% chg	(38)	11	191	135	63	15
(% of Net Sales)	0.5	0.3	0.7	1.5	2.0	2
Interest & other Charges	2	4	0	1	1	2
Other Income	43	97	74	63	57	51
(% of PBT)	0.8	0.9	0.6	0.3	0.2	0
PBT	52	113	131	197	275	302
% chg	31.7	119.8	15.2	50.6	39.9	10
Tax	10	23	38	58	84	92
(% of PBT)	19.8	19.9	28.8	29.6	30.4	30
PAT (reported)	49	91	93	139	192	210
% chg	44.9	119.5	2.4	49.0	38.4	10
(% of Net Sales)	1.1	1.4	1.2	1.5	1.7	2
Basic EPS (Rs)	2	4	3	5	6	7
% chg	(8.5)	86.5	(20.7)	48.3	38.4	9.7

Balance sheet (Standalone)

Y/E March	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
SOURCES OF FUNDS						
Equity Share Capital	227	227	295	295	295	295
Preference Capital	-	-	-	-	-	-
Reserves & Surplus	1,252	1,309	1,802	1,885	2,029	2,189
Shareholders' Funds	1,480	1,537	2,096	2,180	2,324	2,484
Total Loans	-	-	-	-	-	-
Deferred Tax Liability	5	9	9	7	9	9
Total Liabilities	1,485	1,546	2,105	2,188	2,333	2,493
APPLICATION OF FUNDS						
Gross Block	60	60	61	62	75	89
Less: Acc. Depreciation	8	14	19	24	30	38
Net Block	52	47	42	38	44	51
Capital Work-in-Progress	1	1	1	-	1	1
Goodwill	-	-	-	-	-	-
Investments	1,326	799	876	1,053	1,053	1,053
Current Assets	326	1,000	1,577	1,698	1,736	1,982
Cash	124	626	994	688	473	455
Loans & Advances	23	19	51	32	56	67
Other	179	355	531	978	1,207	1,460
Current liabilities	221	300	390	601	501	594
Net Current Assets	105	699	1,187	1,097	1,235	1,387
Mis. Exp. not written off	-	-	-	-	-	-
Total Assets	1,485	1,546	2,105	2,188	2,333	2,493

Cash flow statement (Standalone)

Y/E March	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
Profit before tax	59	113	131	197	275	302
Depreciation	1	6	6	5	6	7
Change in Working Capital	6	(77)	(111)	(217)	(348)	(171)
Less: Other income	43	97	74	63	57	51
Direct taxes paid	6	18	38	60	84	92
Cash Flow from Operations	18	(72)	(86)	(138)	(207)	(4)
(Inc)/ Dec in Fixed Assets	(37)	(1)	(0)	(1)	(14)	(14)
(Inc)/ Dec in Investments	(1,115)	527	(77)	(177)	0	-
(Inc)/ Dec in loans and adv.	-	-	-	-	-	-
Other income	43	97	74	63	57	51
Cash Flow from Investing	(1,109)	624	(3)	(114)	43	37
Issue of Equity	1,192	-	500	0	-	-
Inc./(Dec.) in loans	-	-	-	-	-	-
Dividend Paid (Incl. Tax)	27	41	41	41	51	51
Others	(1)	8	0	15	-	-
Cash Flow from Financing	1,167	(49)	458	(56)	(51)	(51)
Inc./(Dec.) in Cash	75	502	369	(307)	(215)	(18)
Opening Cash balances	48	124	626	994	688	473
Closing Cash balances	124	626	994	688	473	455

Key Ratios

Y/E March	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
Valuation Ratio (x)						
P/E (on FDEPS)	35.3	18.9	23.9	16.1	11.6	10.6
P/CEPS	34.4	17.7	22.5	15.5	11.3	10.2
P/BV	1.2	1.1	1.1	1.0	1.0	0.9
Dividend yield (%)	1.5	2.4	1.9	1.8	2.3	2.3
EV/Sales	0.4	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	83.4	41.9	19.5	11.0	7.8	6.8
EV / Total Assets	1.1	0.7	0.6	0.7	0.8	0.7
Per Share Data (₹)						
EPS (Basic)	2.1	4.0	3.2	4.7	6.5	7.1
EPS (fully diluted)	2.1	4.0	3.2	4.7	6.5	7.1
Cash EPS	2.2	4.3	3.4	4.9	6.7	7.4
DPS	1.2	1.8	1.4	1.4	1.7	1.7
Book Value	65.1	67.6	71.2	73.9	78.8	84.2
Dupont Analysis (%)						
EBIT margin	0.5	0.3	0.7	1.5	2.0	1.9
Tax retention ratio	80.2	80.1	71.2	70.4	69.6	69.6
Asset turnover (x)	5.0	5.7	7.7	6.9	6.6	6.9
ROIC (Post-tax)	1.8	1.4	4.0	7.3	9.1	9.0
Returns (%)						
ROCE (Pre-tax)	2.0	1.3	3.1	6.3	9.7	10.5
Angel ROIC (Pre-tax)	88.6	25.7	32.5	39.7	35.1	28.3
ROE	5.6	6.0	5.1	6.5	8.5	8.7
Turnover ratios (x)						
Asset Turnover (Gross Block)	94	109	128	146	162	164
Inventory / Sales (days)	-	-	-	-	-	-
Receivables (days)	16	15	21	31	36	21
Payables (days)	21	15	16	20	18	15
WC cycle (ex-cash) (days)	(1)	2	6	12	19	23
Solvency ratios (x)						
Net debt to equity	(0.1)	(0.4)	(0.5)	(0.3)	(0.2)	(0.2)
Net debt to EBITDA	(6.5)	(24.0)	(15.8)	(4.9)	(2.1)	(1.8)
Interest Coverage (EBIT/Int.)	8.6	5.5	155.3	120.6	157.3	144.6

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

DISCLAIMER

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel Broking Limited, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Angel Broking Limited and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Limited and its affiliates may have investment positions in the stocks recommended in this report.

Disclosure of Interest Statement

PTC India

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Returns):

Buy (> 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (< -15%)

Neutral (-5 to 5%)