

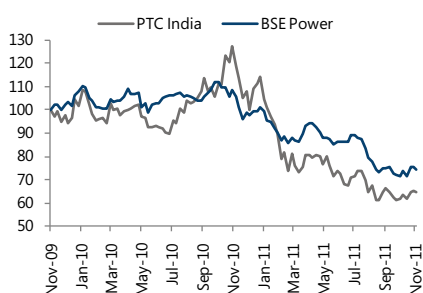
First Cut – Q2FY12

BUY

Reco	Under Review
CMP	₹ 72
Target Price	₹ 111
Upside Potential	55.5%

Price Performance

52 wk Hi/Lo	150/66
All time Hi/Lo	201/31
6 month Average Vol	786821
Stock Beta	1.14



Valuation

	FY10	FY11	FY12P
P/E (x)	18.54	12.45	9.46
P/BV (x)	0.97	0.89	0.84
RONW (%)	5.8%	7.5%	9.1%
ROCE (%)	5.2%	9.1%	10%

Peer Valuation (FY12)

	Motilal	NTPC
PE	6.6	13.2
P/BV	1.1	1.9

Equity Data

Market Cap. (₹ bln)	21
Face value (₹)	10
No of shares o/s (mln)	295

	Sep'0	Sep'11	Δ %
Promoters	16.30	16.27	-0.18
DFI's	52.05	48.00	-7.78
FII's	15.87	14.93	-5.92
Public	15.78	20.80	31.81

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PTC India

Results Dissappoint both on Volume and Margin Front

PTC India posted a disappointing set of results with PAT coming in at ₹ 356mIn (-11% y-o-y growth) missing *MSFL* and consensus expectations by 36% and 22 % respectively. EBIDTA too disappointed largely due to subdued volume growth which came in at ₹ 444mIn.

Volume growth subdued

The overall volumes traded during the quarter was 8655mIn units, split between short term, long term and Cross border trades at 4390, 1305 and 2960mIn units respectively, representing 12% y-o-y growth. Overall Volumes achieved was 13% below our expectations of 9944mIn units. The major cause for variance was the lower than expected growth achieved in the short term and long term trades with each missing our expectations by ~600mIn units.

EBIDTA margins up 31 bps y-o-y

EBIDTA came in at ₹ 444mIn (inclusive of ₹ 140mIn of Rebate and surcharge income) translating into an EBIDTA margin of 1.86 % up by 31 bps y-o-y. Margin/ Unit exclusive of Rebate and Surcharge income were 4.2 paisa. We await clarity from the management as to sudden drop in margins as the company has maintained over 4.5 paisa margins in the past 4 quarters. The overall EBIDTA missed our expectations by 25% largely due to subdued volume growth and lower margins/ Unit.

Receivables Swell

The receivable days has swelled from 39 days to 85 days indicating a significant asset liability mismatch. We believe weak SEB financials has affected both demand as well as payment cycles. As a result Debt has also gone up by ₹ 4128mIn. Although delay in payments is compensated through surcharge income, such behavior on part of SEB's would stretch working capital requirements. Moreover in a rising interest rate scenario, Surcharge income earned might not be sufficient to cover the interest outgo

Valuation and *MSFL* View

We await further clarity on the volume and margin front from the management and would be updating our expectations post the conference call which would be held on 14th November. We currently value PTC at ₹ 111 at which it would trade at 14.33x FY12P earnings, a 42% Premium to its peers in the broking and power business and a 39% discount to its historical average of 24.

Summary Financials (Consolidated)

₹ in Mln	FY10	FY11	FY12P	FY13P
Net Sales	78393	96985	123762	165552
OPBDIT	1001	1768	3499	5320
Net Profit (After MI)	1075	1460	2284	3213
Adj. EPS	3.78	4.95	7.74	10.89
Net Worth	21335	23065	24414	26349
Debt	3108	5438	14002	15613
Fixed Assets	767	719	668	616
Net Current Assets	14456	17340	18428	20697