

Aug.  
30

# INVESTOR BRIEFING



## PTC INDIA LTD

### SECTOR: TRADING

<b>Sensex:</b>	26638
<b>CMP (Rs):</b>	87
<b>Target price (Rs):</b>	105
<b>52 Week h/l (Rs):</b>	104.40/39.10
<b>Month h/l (Rs):</b>	90/77.75
<b>Market cap ( cr):</b>	2581.19
<b>Avg volume</b>	145964
<b>FV (Re):</b>	10
<b>P/E</b>	9.73
<b>EPS</b>	8.96
<b>BSE code:</b>	532524
<b>NSE code:</b>	PTC

Prices as on 30 Aug, 2014

### Shareholding pattern

June '14	(%)
Promoters	16.2
Institutions	61.7
Public & others	22.1

### Performance rel. to sensex

(%)	Opm %	Npm %	EPS
PTC	1.81	1.19	1.48
NTPC	22.18	12.00	2.67
POWERGRID	88.95	28.83	2.17
ADANIPOWER	28.66	-5.99	-0.63

### COMPANY OVERVIEW:

PTC India Ltd. is the leading provider of power trading solutions in India with a primary focus to develop a commercially vibrant power market. PTC India has emerged, over the decade, as the holistic solutions provider with its presence in every link of energy supply chain.

The recent Power Ministry Notification on Operationalization of Open Access issued on 30th Nov' 2011 has opened immense possibilities for Open Access Consumers to procure power competitively.

### BUSINESS OUTLOOK:

PTC India welcomes EHT/HT Consumers with minimum contract demand of 5 MW to enter into agreements with PTC for purchasing power through short term and medium term bilateral arrangements, PTC has tie-ups with various power producers from where power can be sourced uninterruptedly. With minimum contract demand of 1 MW to enter into agreements with PTC for purchase of power through power exchanges. To fulfilling their RPOs through procurement of renewable power or RECs (Renewable Energy Certificates).

### SECTOR GROWTH OUTLOOK:

The improving outlook in volume and earnings growth over the next couple of years and the receding concerns related to receivables (delayed payments) from the SEBs are the key re-rating factors for the stock. Further, its financial subsidiary, PTC India Financial Services (PFS), is also performing well. PFS expects to expand its loan book to about Rs8,000 crore in the next 12-15 months from Rs5,000 crore in Q1FY2015.

Moreover, with gross NPA of 0.09% and nil net NPA, the asset quality of PFS remains among the best in the system. In view of this, we retain our Buy recommendation on PTC India (SOTP based). PTC India is among our preferred picks to play the policy reforms in the power sector.

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**Quarterly Performance highlights:**

The revenues of PTC India surged by 33% YoY in Q1FY2015, backed by a 22% growth in the volume and a 9% growth in the realisation. The blended margin was around 6.6 paise/unit of power traded. Apart from the benefit of the surge in volume, lower other expenses helped the operating profit to grow by 69% and resulted in a 48% jump in the net profit to Rs43.4 crore despite a higher effective tax rate in the quarter.

**HIGHLIGHTS THE FACT:**

- *During the post-results conference call, the management of PTC India reiterated its confidence of touching trading volume of 40BU for FY2015, but our estimate was about 39.3BU. Going forward, it sees opportunities to expand the volume in crossborder trades (in Bangladesh and Bhutan) while domestically the retail (direct to business) segment has huge growth potential.*
- *The company is scheduling around 8,000 MW of capacities are expected to come on stream in the next three years. The company has long term contracts (with higher margins) to sell power produced from these plants.*
- *The management sees volume potential of 10BU alone from the direct to business segment over the next three to four years.*
- *The company's volumes witnessed substantial growth on the back of increase in volumes in multiple business segments. "During Q1 FY15, the company registered a 22 percent increase in traded volumes at 10,309 million units (MUs) against 8,418 million units during the same quarter.*

**TECHNICALLY VIEW:**

*The stock is currently close above 50 and 100 days moving average that is good bullish signal on daily base. RSI & MFI is present at 53.55 and 51.95 respectively, which is sideways for the support come around 85. Hence the stock is currently follow uptrend in the coming weeks as major support is found 85-84 levels. Entry would be above 88 for the target would seen in the near term is 105.*

**VALUATION & OUTLOOK:**

We expect PTC's earnings to grow in high teens driven by a strong volume outlook. The key concern of bloated receivables from the SEBs has also receded significantly. Further, its financial subsidiary, PFS, is set to deliver a strong growth which would add significant value to its stock in our view. PFS expects to expand its loan book to about Rs8,000 crore in the next 12-15 months from Rs5,000 crore in Q1FY2015.

**CONCLUSION:**

*PTC India is among our preferred picks to play the policy reforms in the power sector. With gross non-performing assets (NPAs) of 0.09% and nil net NPA, the asset quality of PFS remains among the best in system. In view of this, we retain our Buy recommendation on PTC with a price target of Rs105 in short term delivery base.*