

February 14, 2017

## PTC India (POWTRA)

₹84

### Volumes below estimates...

- PTC India reported lower-than-expected Q3FY17 results on account of a miss in short-term volumes and profitability. The key silver lining was the robust growth trend in long term volumes
- Revenues came in at ₹ 3050 crore vs. our estimate of ₹ 3527 crore. Volumes traded for the quarter grew 6% YoY to 1043 crore units vs. our estimates of 1102 crore units. The key disappointment came in from the short-term segment wherein volumes declined 3% YoY. However, long terms volumes were ahead of our estimates
- Absolute EBITDA came in at ₹ 53 crore, below our estimate of ₹ 62.4 crore. Trading margins came in at 4.8 paisa
- Given volume miss, PAT was at ₹ 42 crore vs. estimate of ₹ 50 crore

### Overall volumes to grow at CAGR of 15% over FY16-18E

PTC is India's leading power trading company with a market share of 30% in the trading business. Its trading volumes and PAT have grown at a CAGR of 15.7% and 15.3% to 3,714 crore and ₹ 202.3 crore, respectively, over FY10-15. The company operates at a very small margin of 4–7 paise per unit. This exposes the company to the risk of receivables for its short-term trade (currently accounts for 50% of its total trading volume), thus impacting its working capital cycle. While the company has committed to long term PPA of over ~ 11 GW capacities, it has signed a sale agreement (PSA) for only ~7.4 GW till FY15. PTC aims to bring down this gap and increase its long term PPA share in total volumes from the current 39% to over 45% by FY17E-FY18E, which would provide stable cash flow and, thus, minimise the risk of growing receivables. Going ahead, we have built in volume estimates of 4940 crore units and 5644 crore units in FY17E and FY18E, respectively. In terms of segmental break up, long term volumes are expected to grow at a CAGR of 24% over FY16-FY18E. With commissioning of PPAs in FY18E, long term volumes are expected to reach 2522 crore units from 1640 crore units in FY16.

### Share of long term volumes to reach >45% by FY18E

Under the long term contract, PTC India expects total cumulative capacity of 5200 MW of capacity to get operationalised between FY17E and FY19E. The commissioning will be front loaded as FY17E and FY18E will see 2400 MW and 2180 MW of capacity coming on stream, respectively. The traction of long term capacity gaining traction is visible from FY16E itself as long term volumes formed ~39% of overall volumes while the share of the same was at 43% in Q3FY17.

### Scaling up renewables exposure via PTC Energy

Out of total commitment of ₹ 600 crore in PTC Energy, the company has invested ₹ 581 crore as of 9MFY17. The subsidiary will spend the same to commission wind power capacity to the tune of 250 MW by FY17E, out of this 50 MW has been commissioned in FY16. However, if the returns from the projects are mediocre it would again impact return ratios negatively.

### IRRs on PTC energy projects to be catalyst; maintain HOLD

PTC India has committed reasonable capital to wind energy capacity creation, going ahead. The key monitorable would be the kind of IRRs generated from the same as any below par returns would lock capital in an unproductive asset and, hence, will be valuation decreptive. However, core trading business is likely to see strong traction with execution of long term PPAs. We continue to value the stock on an SoTP basis and revise target to ₹ 88/share (from ₹ 76 earlier) and rate the stock as **BUY**.

Rating matrix		
Rating	:	Hold
Target	:	₹ 88
Target Period	:	12 months
Potential Upside	:	4%

What's Changed?		
Target	Changed from ₹76 to ₹88	
EPS FY17E	Changed from ₹ 8.9 to ₹ 8.8	
EPS FY18E	Changed from ₹ 7.1 to ₹ 9	
Rating	Unchanged	

Quarterly Performance					
	Q3FY17	Q3FY16	YoY (%)	Q2FY17	QoQ (%)
Revenue	3112	2938	6	3644	(15)
EBITDA	54	58	(7)	67	(19)
EBITDA (%)	1.7	2.0	-23 bps	1.8	-10 bps
PAT	43	45	(6)	50	(14)

Key Financials				
₹ Crore	FY15	FY16	FY17E	FY18E
Net Sales	13,122	12,799	14,997	20,259
EBITDA	271	304	286	282
Net Profit	202	200	259	265
EPS (₹)	6.9	6.8	8.8	9.0

Valuation summary				
	FY15	FY16	FY17E	FY18E
P/E	12.4	12.5	9.7	9.5
Target P/E	12.9	13.1	10.1	9.8
EV / EBITDA	7.3	6.5	6.9	7.0
P/BV	1.0	0.9	0.8	0.8
RoNW (%)	7.7	9.6	8.6	8.3
RoCE (%)	12.7	13.5	12.3	12.4

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	₹2308.9 crore
Total Debt (FY16)	-
Cash and Investments (FY16)	₹576 crore
EV (₹ Crore)	₹ 1733 crore
52 week H/L (₹)	90.7/50.2
Equity capital (₹ Crore)	296.0
Face value	₹ 10

Price performance (%)				
	1M	3M	6M	12M
PTC India	(8.9)	0.8	(10.4)	(24.5)
Powergrid	1.5	11.9	4.0	(0.9)
NTPC	(10.6)	(5.1)	(4.9)	(9.0)

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### Variance analysis

	Q3FY17	Q3FY17E	Q3FY16	YoY (%)	Q2FY17	QoQ (%)	Comments
Energy sales net	3,111.7	3,527.3	2,938.1	5.9	3,644.3	(14.6)	Short term volumes declined during Q3FY17.Trading margins were flat at 4.8 paisa per unit
Other Income	0.0	0.0	0.0	0.0	0.0	0.0	
Total Income	3,111.7	3,527.3	2,938.1	5.9	3,644.3	(14.6)	
Power purchase cost	2,988.9	3,446.8	2,863.8	4.4	3,497.7	(14.5)	
Other expenses	69.1	18.1	16.8	312.7	73.2	(5.6)	
Employee expense	6.7	6.0	5.4	24.4	6.8	(1.0)	
Total expenses	3,064.7	3,470.9	2,885.9	6.2	3,577.7	(14.3)	
EBITDA	53.7	62.4	57.6	57.6	66.6	(19.4)	
EBITDA Margin (%)	1.7	1.8	2.0	-23 bps	1.8	-10 bps	
Depreciation	0.3	0.9	0.9	(63.3)	0.8	(57.1)	
Interest	12.5	1.0	0.3	4,375.0	30.7	(59.2)	
Other Income	20.8	16.0	9.0	130.7	39.7	(47.7)	
PBT	61.6	76.5	65.4	(5.8)	74.9	(17.7)	
Extraordinary expenses	0.0	0.0	0.0	-	0.0	-	
Extraordinary Income	0.0	0.0	0.0	0.0	0.0	0.0	
Total Tax	19.0	26.1	20.2	(5.6)	25.2	(24.4)	
Adj. PAT	42.6	50.4	45.3	(6.1)	49.7	(14.3)	PAT was below estimates
<b>Key Metrics</b>							
Short term volume	526.9	609.8	544.5	(3.2)	683.3	(22.9)	Short term volumes were below estimates
Long term volume	450.7	429.4	370.2	21.7	466.3	(3.3)	Long term volumes were strong on account of commissioning of PPA's
Medium term volume	65.4	60.0	61.3	6.7	72.0	(9.2)	

Source: Company, ICICIdirect.com Research

### Change in estimates

(₹ Crore)	FY17E			FY18E		
	Old	New	% Change	Old	New	% Change
Revenue	16,067.0	14,996.8	(6.7)	19,974.2	20,259.4	1.4
EBITDA	291.0	285.8	(1.8)	231.0	282.4	22.2
EBITDA Margin (%)	1.8	1.9	9 bps	1.2	1.4	24 bps
PAT	263.0	259.5	(1.3)	210.0	265.3	26.4
EPS (₹)	8.9	8.8	(1.5)	7.1	9.0	26.3

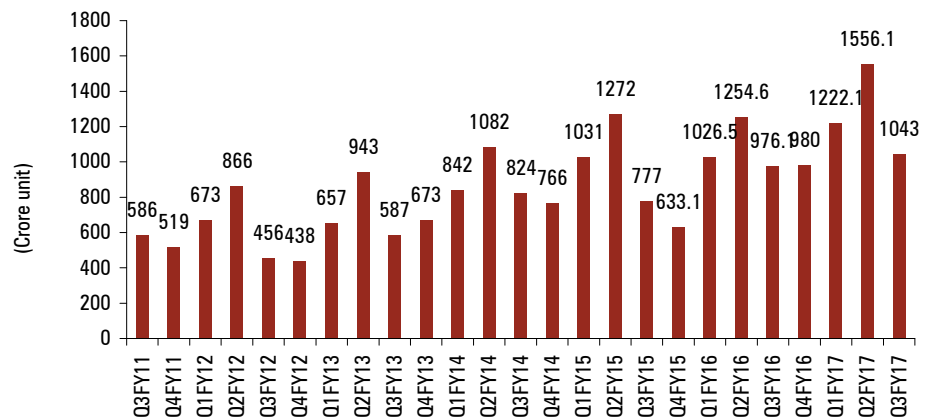
Source: Company, ICICIdirect.com Research

### Assumptions

	Current				Earlier		Comments
	FY15	FY16E	FY17E	FY18E	FY17E	FY18E	
LT Volume	1,467.4	1,640.1	2,029.0	2,522.2	2,022.5	2,514.2	
ST Volume	2,080.5	2,337.9	2,628.2	2,793.8	2,700.2	2,869.4	
Cross Border	164.5	258.0	279.9	307.9	282.0	310.2	

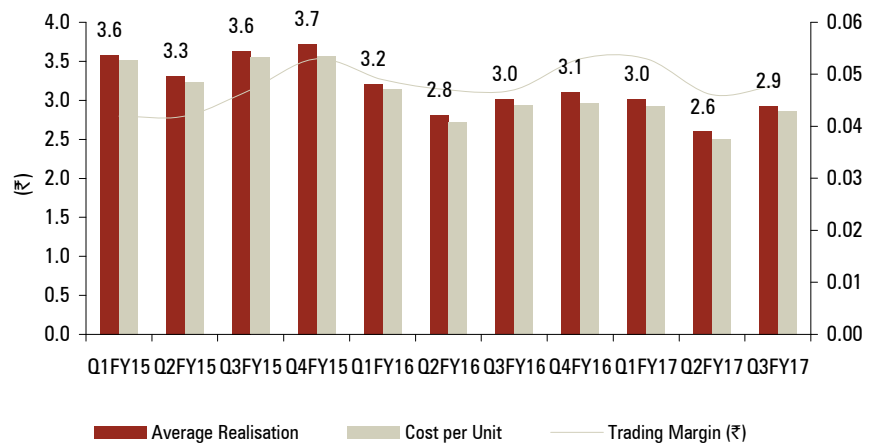
Source: Company, ICICIdirect.com Research

**Exhibit 1: Trend in volume traded**



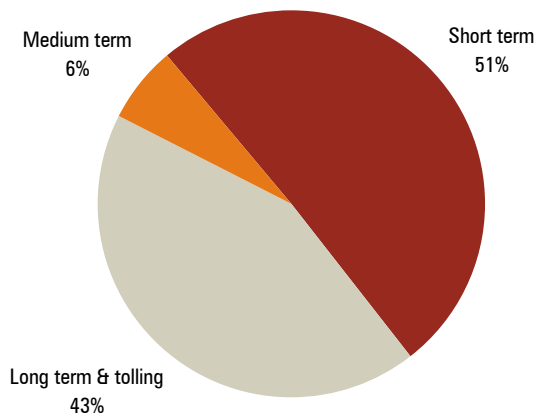
Source: Company, ICICIdirect.com Research

**Exhibit 2: Movement in realisation and cost per unit of power traded**



Source: Company, ICICIdirect.com Research

**Exhibit 3: Composition of volumes in Q3FY17**



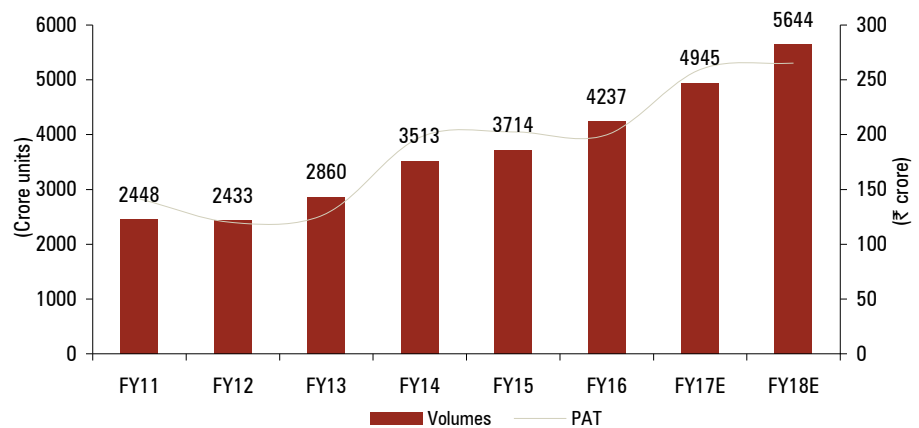
Source: Company, ICICIdirect.com Research

## Company Analysis

**Overall volumes to grow 16.1% CAGR in FY16-18E as long term PPA to account for 45% of total traded volume by FY18E**

PTC is India's leading power trading company with a market share of 30% in the trading business. Its trading volumes and PAT have grown at a CAGR of 15.7% and 15.3% to 3,714 crore and ₹ 202.3 crore, respectively, over FY10-15. The company operates at a very small margin of 4–7 paise per unit. This exposes the company to the risk of receivables for its short-term trade (currently accounts for 50% of its total trading volume), thus impacting its working capital cycle. While the company has committed to long term PPA of over ~ 11 GW capacities, it has signed a sale agreement (PSA) for only ~7.4 GW till FY15. PTC aims to bring down this gap and increase its long term PPA share in total volumes from the current 39% to over 45% by FY17E-FY18E, which would provide stable cash flow and, thus, minimise the risk of growing receivables. Going ahead, we have built in volume estimates of 4940 crore units and 5644 crore units in FY17E and FY18E, respectively. In terms of segmental break up, long term volumes are expected to grow at a CAGR of 24% over FY16-FY18E. With commissioning of PPAs in FY18E, long term volumes are expected to reach 2522 crore units from 1640 crore units in FY16.

**Exhibit 4: Volume, PAT trend, going ahead**



Source: Company, ICICIdirect.com Research

**Exhibit 5: Strategic investment made by PTC India**

Company	PTC Stake (%)	Amount invested by PTC (₹ crore)
PTC India Financial Services	60.0	267.6
PTC Energy	100.0	500
Athena Energy Ventures	18.0	27.0
Teesta Urja	11.0	156
Krishna Godavari Power Utilities	34.7	130.2
Chenab Valley Projects	2.0	0
<b>Total</b>		<b>1,080.3</b>

Source: Company, ICICIdirect.com Research

### Upcoming LT trading capacity to bring stability to cash flow

PTC has till date signed PPA totalling 11 GW capacity with various power producers and IPPs. However, it has signed a PSA only for ~7.4 GW till FY15. The company aims to bring down this gap and increase its long term PPA share in total volumes from the current annual rate of 40% to over ~50% by FY18E. This would provide stable cash flows and, thus, minimise the risk of growing receivables.

Under the long term contract, PTC India expects total cumulative capacity of 5200 MW of capacity to get operationalised in FY17E-19E. The commissioning will be front loaded as FY17E and FY18E will see 2400 MW and 2180 MW of capacity coming on stream, respectively

**Exhibit 6: Commencement of LT capacity**

Year	Capacity (MW)			Capacity (MW)	
	Thermal	Hydro	Wind	Total	
FY17E	1180	1240	-	2420	2400
FY18E	2180	-	-	2180	2180
FY19E	690	-	-	690	690
<b>Total</b>	<b>3360</b>	<b>1240</b>	<b>0</b>	<b>4600</b>	<b>5270</b>

Source: Company, ICICIdirect.com Research

### PTC to invest in wind power capacity via PTC Energy

Out of total commitment of ₹ 600 crore in PTC energy, the company has invested ₹ 581 crore as of 9MFY17. The subsidiary will spend the same to commission wind power capacity to the tune of 250 MW by FY17E, out of this 50 MW has been commissioned in FY16. However, if the returns from the projects are mediocre it would again impact return ratios negatively.

## Outlook and valuation

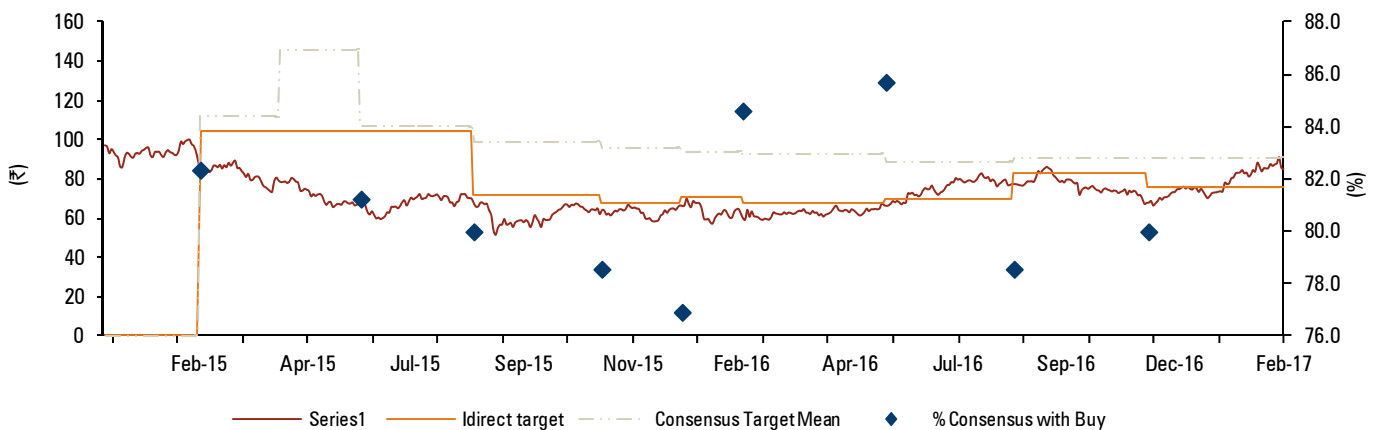
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### Exhibit 7: Valuation snapshot

Particulars	Basis of Valuation	Value per share
Core Business	7x FY18E EPS	60
PFS	30% Holding Co. discount on Market Cap	28
Total Valuation		88
CMP		83
Upside/(Downside) %		6.6

Source: Company, ICICIdirect.com Research

## Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

## Key events

Date	Event
Mar-11	PTC Financial Services, in which PTC India holds 77% stake, launched IPO and got listed on BSE & NSE. The company raised ₹ 357 crore from the issue by diluting 17% of its stake. Currently, PTC India holds 60% in the entity
Nov-11	PTC stops power supply to UP and TN SEB as receivables reach ₹ 1200 crore due to non-payment by SEBs due to poor financial health. PTC reported debt of ₹ 425 crore during Q2FY12 vs. negative net debt balance in FY11 owing to stretched receivables
Dec-11	PTC enters into PPA with developers for the 1200 MW Teesta Urja project in which the company holds 11% stake
Jun-12	Power tolling agreement with Simhadri Power commences with volumes traded during Q1FY13 totalling ~12 crore units i.e. 2% of total traded volume
Sep-12	Gol approves a ₹ 1.9 lakh crore debt restructuring plan for SEBs, to bail out loss making SEBs
Sep-12	The company reports highest quarterly trading volume of 943 crore units during Q2FY13
Mar-13	UP Cabinet approves acceptance of the Centre's condition for ₹ 15000 crore bailout package for its loss making SEB
Jun-13	Management decides to exit the tolling business and convert the same into long term PPA. While the decision will provide a cushion against volatile fuel prices and
Oct-13	UPPCL clears entire dues worth ₹ 778 crore, as the state benefited from the Centre's bailout package. Furthermore, Q2FY14 witnessed highest ever trading volume
Dec-13	PTC Financials divests its entire 16.76% stake held in Meenakshi Energy Pvt Ltd (MEPL) at ₹ 210 crore. MEPL is implementing 1,000 MW coal-based plant in AP, of which 300 MW is operational. Furthermore, with dues from UP and TN SEB being recovered, PTC resumed power supply to these states
Mar-15	The volumes recorded for FY15 stood at 3713 crore units wherein the share of the long term volume stood 39.5% at 1467 crore units
Mar-16	Volume growth staged a smart comeback as it grew 14.1% to 4371 crore units. Simultaneously, share of long term contracts went up to 39% in FY16 to 1640 crore units. However the company took a write off an investment in a power generation company to the tune of ₹37 crore

Source: Company, ICICIdirect.com Research

## Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Life Insurance Corporation of India	30-Sep-16	0.10	30.0	Change (m)
2	Power Finance Corporation Ltd	30-Sep-16	0.04	12.0	Change (m)
3	NHPC, Ltd.	30-Sep-16	0.04	12.0	Change (m)
4	Power Grid Corporation of India Ltd	30-Sep-16	0.04	12.0	Change (m)
5	NTPC Ltd	30-Sep-16	0.04	12.0	Change (m)
6	Reliance Nippon Life Asset Management Limited	31-Dec-15	0.04	11.5	Change (m)
7	Norges Bank Investment Management (NBIM)	31-Dec-15	0.04	11.3	Change (m)
8	Birla Sun Life Asset Management Company Ltd.	31-Dec-16	0.04	10.9	Change (m)
9	Dimensional Fund Advisors, L.P.	30-Nov-16	0.04	10.9	Change (m)
10	Lazard Asset Management, L.L.C.	30-Sep-16	0.03	7.5	Change (m)

Source: Reuters, ICICIdirect.com Research

## Shareholding Pattern

(in %)	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Promoter	16.22	16.22	16.22	16.22	16.22
FII	28.38	27.92	30.16	31.46	31.30
DII	28.89	13.40	13.78	16.46	28.02
Others	26.51	42.46	39.84	35.86	24.46

## Recent Activity

Investor name	Value	Shares	Investor name	Value	Shares
UBS Asset Management (Singapore) Ltd.	3.7	3.3	IDFC Asset Management Company Private Limited	-1.1	-1.0
State Street Global Advisors (France) S.A.	3.6	3.2	Kuwait Investment Authority	-1.0	-0.9
ABN AMRO Investment Solutions (AAIS)	0.9	0.9	Van Eck Associates Corporation	-0.1	-0.1
TIAA Global Asset Management	0.9	0.8	Taurus Asset Management Co. Ltd.	-0.1	-0.1
JP Morgan Asset Management	0.6	0.5	BlackRock Advisors (UK) Limited	0.0	0.0

Source: Reuters, ICICIdirect.com Research



## Financial summary

Profit and loss statement ₹ Crore				
(Year-end March)	FY15	FY16	FY17E	FY18E
Total operating Income	13121.7	12798.7	14996.8	20259.4
Growth (%)	13.6	(2.5)	17.2	35.1
Raw Material Expenses	12823.7	12507.6	14786.8	20107.1
Employee Expenses	14.4	15.2	15.9	16.7
Administrative Expenses	0.0	0.0	0.0	0.0
Other expenses	107.8	70.9	222.4	241.3
Total Operating Expenditure	12945.9	12593.7	15025.1	20365.1
EBITDA	270.8	303.6	285.8	282.4
Growth (%)	(13.4)	12.1	(5.9)	(1.2)
Depreciation	4.2	3.5	2.8	3.5
Interest	0.0	0.0	0.0	0.0
Other Income	67.8	83.5	177.0	120.0
PBT	334.5	381.7	369.2	394.9
Others	0.0	0.0	0.0	0.0
Total Tax	98.2	110.6	109.7	129.5
APAT	202.3	199.9	259.5	265.3
Growth (%)	2.4	(1.2)	29.8	2.3
EPS (₹)	6.9	6.8	8.8	9.0

Source: Company, ICICIdirect.com Research

Cash flow statement ₹ Crore				
(Year-end March)	FY15	FY16	FY17E	FY18E
Profit after Tax	202.3	271.1	259.5	265.3
Add: Depreciation	4.2	3.5	2.8	3.5
(Inc)/dec in Current Assets	(533.5)	312.9	(473.1)	(878.3)
Inc/(dec) in CL and Provisions	350.0	47.9	176.0	795.3
Others	0.0	0.0	0.0	0.0
CF from operating activities	22.9	635.4	(34.9)	185.9
(Inc)/dec in Investments	(25.0)	(35.0)	(35.0)	(35.0)
(Inc)/dec in Fixed Assets	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
CF from investing activities	(25.0)	(35.0)	(35.0)	(35.0)
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	(66.2)	(80.9)	(69.0)	(91.6)
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
CF from financing activities	(66.2)	(80.9)	(69.0)	(91.6)
Net Cash flow	(68.3)	519.4	(138.9)	59.3
Opening Cash	544.7	476.4	995.8	857.0
Closing Cash	476.4	995.8	857.0	916.3

Source: Company, ICICIdirect.com Research

Balance sheet ₹ Crore				
(Year-end March)	FY15	FY16	FY17E	FY18E
Liabilities				
Equity Capital	296.0	296.0	296.0	296.0
Reserve and Surplus	2337.1	2526.4	2714.0	2883.7
Total Shareholders funds	2633.1	2822.4	3010.0	3179.7
Total Debt	0.0	0.0	0.0	0.0
Total Liabilities	2644.5	2834.9	3023.4	3195.2
Assets				
Gross Block	62.7	62.8	63.0	63.1
Less: Acc Depreciation	44.2	49.3	49.3	49.3
Net Block	25.9	22.4	19.6	16.1
Capital WIP	0.0	0.0	0.0	0.0
Total Fixed Assets	25.9	22.4	19.6	16.1
Investments	984.9	1019.9	1054.9	1089.9
Inventory	0.0	0.2	0.0	0.0
Debtors	2616.3	2303.8	2774.4	3646.7
Loans and Advances	82.6	82.6	82.6	82.6
Other Current Assets	14.9	14.6	17.1	23.0
Cash	476.4	995.8	857.0	916.3
Total Current Assets	3190.2	3397.0	3731.0	4668.6
Creditors	1411.0	1442.5	1624.3	2392.0
Provisions	145.4	161.8	156.0	183.6
Total Current Liabilities	1556.4	1604.3	1780.2	2575.6
Net Current Assets	1633.8	1792.7	1950.8	2093.1
Others Assets	0.0	0.0	(1.8)	(3.8)
Application of Funds	2644.5	2834.9	3023.5	3195.2

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY15	FY16	FY17E	FY18E
Per share data (₹)				
EPS	6.9	6.8	8.8	9.0
Cash EPS	7.0	6.9	8.9	9.1
BV	89.0	95.3	101.7	107.4
DPS	2.0	2.5	2.1	2.8
Cash Per Share	16.1	33.6	29.0	31.0
Operating Ratios (%)				
EBITDA Margin	2.1	2.4	1.9	1.4
PBT / Total Operating income	2.5	3.0	2.5	1.9
PAT Margin	2.0	3.0	4.0	5.0
Inventory days	2.0	3.0	4.0	5.0
Debtor days	72.0	64.8	66.6	64.8
Creditor days	37.8	39.6	37.8	41.4
Return Ratios (%)				
RoE	7.7	9.6	8.6	8.3
RoCE	12.7	13.5	12.3	12.4
ROA	7.7	9.6	8.6	8.3
Valuation Ratios (x)				
P/E	12.4	12.5	9.7	9.5
EV / EBITDA	7.3	6.5	6.9	7.0
EV / Net Sales	0.2	0.2	0.1	0.1
Market Cap / Sales	0.2	0.2	0.2	0.1
Price to Book Value	1.0	0.9	0.8	0.8
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Quick Ratio	1.7	1.5	1.6	1.5

Source: Company, ICICIdirect.com Research



## ICICIdirect.com coverage universe (Utilities)

	(₹)	TP(₹)	Rating	(₹ Cr)	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
NHPC (NHPC)	30	29	Hold	33,655	2.2	2.2	2.4	13.8	13.8	12.7	11.6	10.4	9.9	7.7	8.4	8.4	8.7	8.5	8.5
NTPC (NTPC)	172	200	Buy	131,268	12.5	13.0	14.4	13.8	13.2	11.9	11.7	10.2	10.0	8.0	7.7	8.1	12.9	11.0	11.1
Power Grid (POWGR)	202	220	Buy	105,678	11.5	14.0	16.0	17.7	14.6	12.8	10.9	10.1	9.3	8.7	8.7	8.7	14.1	14.9	14.9
PTC India (POWTRA)	84	88	Hold	2,486	6.8	9.1	7.0	12.4	9.3	12.0	6.8	7.0	9.0	13.5	12.7	10.0	9.6	8.9	6.6
CESC (CESC)	855	900	Hold	11,334	27.5	45.2	58.2	29.6	18.0	14.0	7.0	7.4	6.3	12.8	12.0	12.7	5.7	8.5	8.9

Source: Company, ICICIdirect.com Research

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Industry	CMP	Recommendation	Add on Dips to band	Sequential Targets	Time Horizon
Trading – Power	Rs. 86	Buy at CMP and add on declines	Rs. 77-79	Rs. 99 & Rs. 114	2-3 quarters

HDFC Scrip Code	POWTRAEQNR
BSE Code	532524
NSE Code	PTC
Bloomberg	PTCIN IN
CMP as on 03 Feb 17	85.85
Eq. Capital (Rs crs)	296.01
Face Value (Rs)	10
Equity Sh. Outs (Cr)	29.60
Market Cap (Rs crs)	2541.23
Book Value (Rs)	94.20
Avg. 52 Week Vol	1564000
52 Week High	90.70
52 Week Low	56.15

Shareholding Pattern-% (Dec-2016)	
Promoters	16.22
Institutions	60.24
Non Institutions	23.55
Total	100.0

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PTC India Ltd. (PTC) had been established with an objective, inter alia, to carry on the business of purchase of all forms of electrical power from Independent Power Producers (IPPs), Captive Power Plants (CPPs), other Generating Companies, State Electricity Boards etc., for sale to SEBs, Power Distribution Companies, other organisations and bulk power consumers etc., in India and abroad. Established in 1999, it was a pioneer in starting a power market in India. Formerly known as Power Trading Corporation, it started trading power on a sustainable basis from 2001 and has remained the premier organization for power trading.

#### Investment Rationale:

- Power reforms and economic growth leading to higher trading volumes
- Capacity commissioning over the next 2 years,
- Change in business mix to result in higher margins,
- Foray into renewable power generation
- Robust growth in subsidiary – PFS

#### Concerns:

- Slowdown in economy resulting in lower demand for power trading
- Increasing competition from power exchanges
- Deteriorating asset quality in subsidiary (PFS).
- Delay in capacity tie-up for onward sale
- High debtors compared to creditors
- Investments in subsidiaries and current investments pulling down return ratios

#### Financial Summary (Standalone)

(Rs Cr)	Q2FY17	Q2FY16	YoY (%)	Q1FY17	QoQ (%)	FY15	FY16	FY17E	FY18E
Operating Income	4049.6	3521.0	15.0	3644.3	11.1	13081.7	12798.7	14044.2	16563.0
EBITDA	91.0	75.1	21.2	73.4	24.0	241.6	266.0	359.5	423.2
Reported PAT	113.1	100.7	0.1	56.5	1.0	156.7	176.9	234.4	277.4
EPS (Rs)	3.8	3.4		1.9		6.9	7.9	9.8	11.3
Core EPS (Rs)	1.1	1.9		1.0		5.3	6.0	7.9	9.4
P/E (x)						16.2	14.4	10.8	9.2
P/B (x)						9.9	8.9	6.6	5.6
RoE (%)						6.1	6.5	8.1	9.0

(Source: Company, HDFC sec)

### View and Valuation

Commissioning of new projects by its suppliers in FY18 would drive volume growth for the company. Management expects contribution from long term trade to increase from 40% in FY15 to ~50% by FY17E and more beyond that resulting in better margins as LT trade margins are ~7 paise/unit as compared to ~4 paise/unit for ST trade. We expect PTC to report robust sales growth of 13.8% CAGR over FY16-FY18E driven mainly by increasing volume. Further, PTC is setting up 350 MW wind power + solar power project which is likely to earn 16% post-tax RoE as compared to 6-7% earned by the company on its regular trading business. Increasing business from Railways and Teesta Urja project going on stream in Q4FY17 are some additional triggers.

We have valued the company on SOTP basis and feel investors could buy the stock at the CMP and add on declines to Rs 77-79 band for sequential targets of Rs 99 (considering 5x FY18E Core EPS and 40% holding company discount) and Rs 114 (considering 6x FY18E Core EPS and 30% holding company discount) over the next 2-3 quarters.

### Company Description

PTC India Ltd. (PTC), the leading provider of power trading solutions in India, was established in the year 1999 as a Government of India initiated Public-Private Partnership, whose primary focus is to develop a commercially vibrant power market in the country.

PTC is the pioneer in implementing the power trading concept in India and has successfully demonstrated its efficacy in optimally utilizing the existing infrastructure within the country for the benefit of all. PTC has maintained No. 1 position in electricity trading since sustained trading began in 2000-01. It seeks to provide holistic services in the power trading market, including intermediation for long-term supply of power from identified domestic IPPs and cross-border power projects, financial services like providing equity and debt support to projects in the energy value chain through its subsidiary PTC India Financial Services (PFS), fuel intermediation/ aggregation for cross-border power plants through PTC Energy Ltd. and advisory services among others.

PTC has been able to provide value-added, custom-built services to its clients through a reasonable but simple weekly billing system, without any state government guarantee or escrow cover. Buyers and sellers countrywide increasingly prefer to avail the services of PTC, as it is a 'win-win' situation for all. Whereas at one end, sellers of power are looking at the opportunity costs they can charge to improve their financial/operational efficiencies, buyers are looking at options to diversify their portfolio of supply sources to get the most affordable tariff to meet their burgeoning demand, and PTC provides the right choice to them.

### Business Overview:

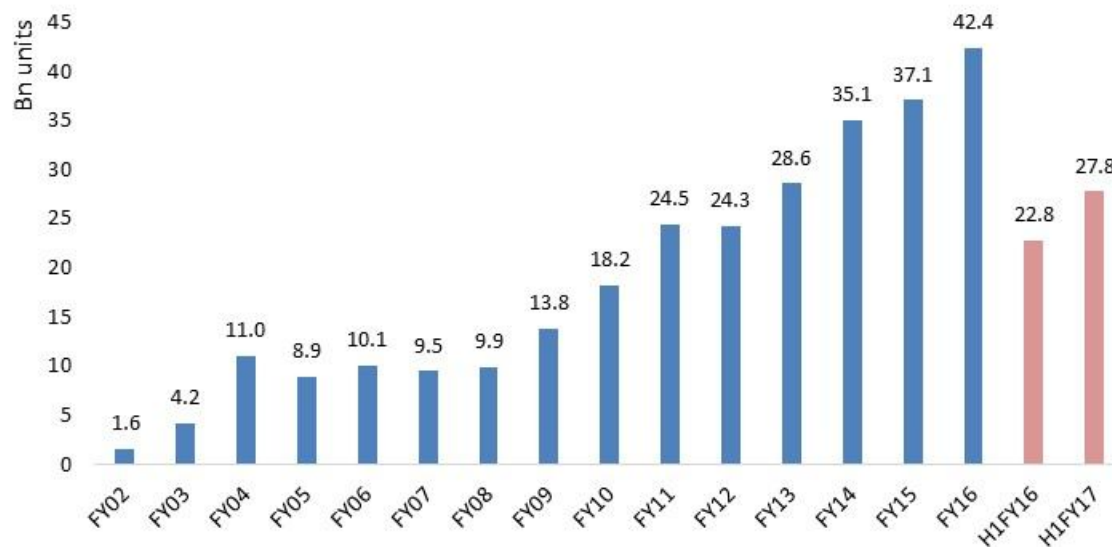
PTC was established in 1999 by Govt. of India as a Public-Private initiative with primary focus on:

- promoting power trading to optimally utilize existing resources
- attract viable investments in the power sector on the strength of multi-buyer model
- creating a Power Market in India and the neighboring countries

Gol owned companies NHPC, NTPC, PGCIL and PFC hold 4.05% stake each in the company, FIIs hold 31.35%, other Banks, Mutual Funds and institutions hold 28.89% with public holding the balance.

The trading activities undertaken by PTC include long term trading of power generated from large power projects as well as short term trading arising as a result of supply and demand mismatches, which inevitably arise in various regions of the country. Sustained operations of the company started from 2001 onwards and the company has grown from trading 1.6 bn units in FY02 to 42.4 bn units in FY16. In H1FY17 trading volumes have increased by 21.8% yoy to 27.8 bn units.

Growth in trading volumes (15% CAGR in last 4 years)



(Source: Company, HDFC sec)

Almost 30% of the short-term electricity transacted by traders was through PTC India in FY16. PTC India had a share of 29.3% followed by Tata Power Trading Company, Mittal Processors and JSW Power Trading Co.

Sr No	Name of the Trader	Share of Electricity transacted by Traders in 2015-16
1	PTC India Ltd.	29.31%
2	Tata Power Trading Company	12.74%
3	Mittal Processors (P) Ltd.	12.07%
4	JSW Power Trading Company	9.49%
5	Manikaran Power Ltd.	8.52%

6	Adani Enterprises Ltd.	5.73%
7	GMR Energy Trading Ltd.	5.64%
8	NTPC Vidyut Vyapar Nigam	4.08%
9	Knowledge Infrastructure	2.59%
10	Others	9.83%

(Source: CERC, HDFC sec)

In 2002 the company was notified as the nodal agency for cross-border power trading, giving it an advantage over other power traders. It commenced trading with neighboring countries of India and currently has agreements with Nepal, Bangladesh and Bhutan.

Country	Agreement
<b>Bhutan</b>	<ul style="list-style-type: none"> <li>Long Term agreement for purchase of 1416 MW of power from Chukha (336 MW), Kurichhu (60 MW) and Tala (1020 MW) power plants.</li> <li>Traded ~5.1 bn units in FY16 resulting in over Rs 1000 revenues for Bhutan</li> <li>Has signed long term PPA with Tangsibji Hydro Electric Ltd for 118 MW to be commissioned in 2019</li> </ul>
<b>Nepal</b>	<ul style="list-style-type: none"> <li>Long term power sale agreement with Nepal Electricity Authority of 150 MW</li> <li>Traded ~136 mn units in FY16</li> </ul>
<b>Bangladesh</b>	<ul style="list-style-type: none"> <li>PTC commenced supply of 250 MW for medium-term (3 years); Traded 1.9 BU in FY16</li> <li>BPDB issued Lol to PTC for supply of 40 MW power for two years</li> </ul>

(Source: Company, HDFC Sec)

Today, the company is not just the leading power trader in the country, but has also diversified into the unique role of being a Complete Energy Solutions Provider.

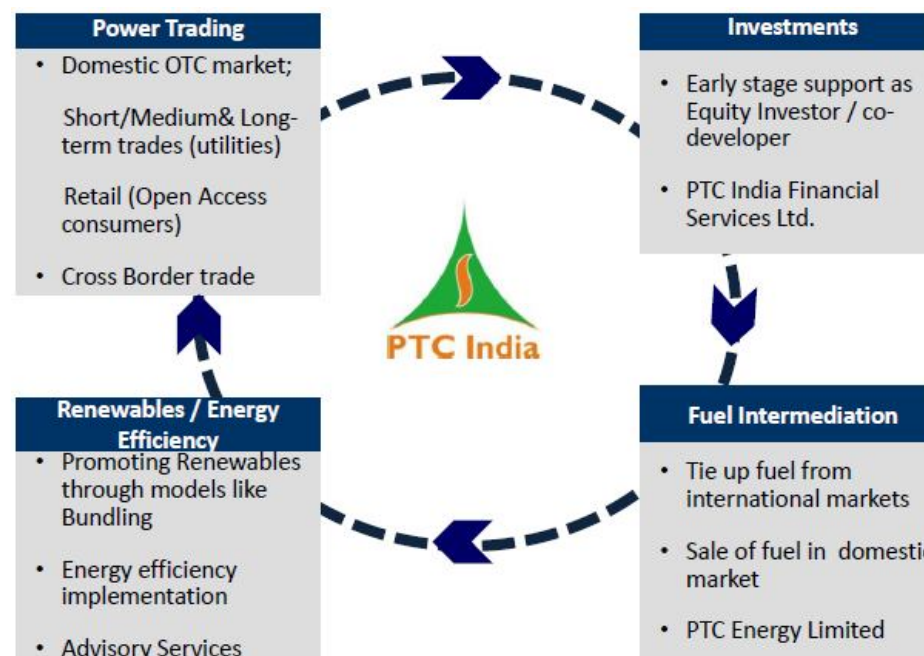
Pan India Presence	<ul style="list-style-type: none"> <li>Relationship with all utilities in the country - Currently trading with utilities in 27 States/UTs</li> <li>More than 400 clients in Retail segment</li> </ul>
Trading Volume in FY16	<ul style="list-style-type: none"> <li>~6047 MW (42.4 BUs)</li> <li>36% of Power Exchanges' volume contributed by PTC</li> </ul>
Power Purchase Agreements	<ul style="list-style-type: none"> <li>Total PPAs – more than 11 GW. Sale tie ups: more than 7.5 GW (incl. Cross Border Sales)</li> <li>With domestic and international developers and covering all major sources of generation</li> </ul>
Success in Case-1 Bidding	<ul style="list-style-type: none"> <li>Total LOI placed with PTC – ~4300 MW</li> <li>PPA signed out of above – ~2300 MW</li> </ul>
Power Portfolio Management	<ul style="list-style-type: none"> <li>Managing complete power portfolio of various States/Utilities like Jharkhand, Himachal Pradesh, Chhattisgarh, NDMC, Tripura etc.</li> </ul>

Data as of FY16

(Source: Company, HDFC Sec)



## PTC- an Integrated Energy player



(Source: Company, HDFC Sec)

## Subsidiaries

PTC India has two subsidiaries, namely PTC India Financial Services Limited (PFS) and PTC Energy Limited (PEL).

**PTC India Financial Services Ltd.**

PFS is a subsidiary of PTC wherein it holds 65% stake. PFS allotted 8.02 cr shares to PTC on a preferential basis @Rs 38.50 per share in Nov-16 thereby increasing the stake from 60% to 65% and taking the total investment in the subsidiary to Rs 755 cr. PFS is engaged in the business of financing power and infrastructure projects. It is listed on NSE and BSE and has been classified as Infrastructure Finance Company (IFC) by the RBI. PFS recorded NII and PAT of Rs 422 cr and Rs 391 cr during FY16.

**PTC Energy Ltd.**

PEL is a wholly owned subsidiary of PTC India and was set-up to pursue investment opportunities in renewable energy sector. As of FY16 PTC had invested Rs 140.7 cr in the company and is likely to infuse further Rs 600 cr in FY17. PEL has commissioned two wind power plants totaling 50 MW in FY16. It is looking to further develop 275 MW of wind and 25 MW solar power plants of which 240 MW wind power plant is expected to be commissioned by Q4FY17.

### Other significant investments

PTC had invested Rs 224 cr for 11% stake in Teesta Urja Ltd. (TUL) which is developing 1200 MW Teesta-III Hydro Electric Project in the State of Sikkim. It divested 4.4 cr shares so as Govt. of Sikkim (GoS) could acquire 51% against its holding of 26%. PTC India currently holds 6.89% stake in the project with Govt. of Sikkim (51%), Asian Genco (37%) and Athen Projects (5%) being the other investors. TUL has signed a PPA for sale of 100% of saleable power with PTC. PTC has however made a provision of Rs 26.7 cr against its investment in TUL.

Athena Energy Ventures Pvt. Ltd.

AEVPL was incorporated as a JV company and focused its strategy on the private sector power development market, providing development, operation and maintenance services. PTC has invested Rs 150 cr in the company with Athena Group and IDFC being the other partners.

### Investment Rationale

#### Power reforms and economic growth leading to higher trading volumes

The Union Cabinet has approved a third round of power reform – UDAY (Ujwal Discom Assurance Yojana) to bring about a turnaround in the financials of the state DISCOMs. As per the scheme state governments would take over 75% of the debt of their respective DISCOM and the balance 25% would be restructured by the banks. This would significantly reduce the debt and interest burden of DISCOMs and improve their cash flows thereby increasing their purchasing power. This would lead to increased power offtake by Discoms and increase in demand for power. Furthermore, a rise in power demand would lead to higher power transmission and trading, which would benefit companies like PTC India.

The Indian economy is among the fastest growing economy in the world. It grew by 6.8%, 7.3% and 7.6% in FY14, FY15 and FY16 respectively and expected to grow by ~ 7% for the next two years. The government is making all efforts to revive the capex cycle. Policy implementation has stepped up supported by opening up of the coal industry to private investors, deregulation of diesel prices, liberalization of labor laws, and linking of cash transfers with efforts to increase financial inclusion. With the Government's Make in India campaign, Power for All and other such policies we believe power requirement is set to increase in the coming years. Also with the open access system in place we expect IPPs and CPPs to utilize their excess capacity leading to higher trading volumes.

#### Capacity commissioning over the next 2 years

At the end of FY16 PTC India had tied up with purchases of ~11GW with various power producers/IPP's and around 7.7 GW capacity for onward sale.

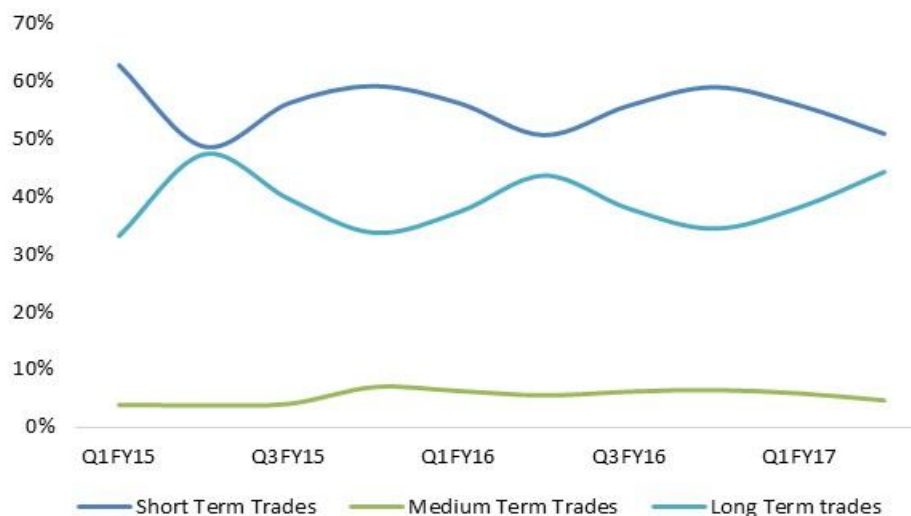
Long-term Capacities (FY16)	Capacity (GW)	Thermal	Hydro
Expected during 2016-2017	2.4	1.18	1.24
Expected during 2017-2018	2.18	2.18	-
Expected during 2018-2019	0.69	0.69	-

(Source: Company, HDFC Sec)

### Change in business mix to result in higher margins

Earlier the margins for power traders were capped at 4 paise/unit irrespective of the cost of power traded. The regulator CERC in 2009 increased margins for power traders from the flat rate of 4 paise/unit to 1.5% of the purchase price (subject to a maximum of 7 paise/unit – if sale price is more than Rs 3/unit, and maximum of 4 paise/unit – if sale price is less or equal to Rs 3/unit). These regulations are applicable for short-term trades, either through bi-lateral agreements or through any of the power exchanges.

### Trading Volume breakup



(Source: Company, HDFC Sec)

Though the margins in the short term market are capped in the range of 4-7 paise / unit there is no cap for margins in the long-term power trading market. PTC India is looking to increase its share of trading in the long term market so as to take the benefit of higher rates. PTC India has been expanding its share of long-term power sales. From 33% share in 2012-13, these account for ~40% of the company's power sales in FY15. It aims at raising it further to 50+ per cent in FY17/FY18. It has entered into agreements with margins ranging between 5-8 paise / unit which shall aid in increasing the blended realization and improve EBITDA margins for the company going forward.

### Foray into renewable power generation

PTC India is looking to utilize its cash reserves by setting up wind based generation capacity. It plans to set up 350MW by FY18-end through its 100% subsidiary PTC Energy. It has already commissioned 50MW in FY16 (PPA with Madhya Pradesh). Most of the 350 MW capacity would be wind based (25 MW solar) and a major portion of the remaining 275 MW wind power would be set up in Andhra Pradesh with Karnataka getting a small installation. It has placed the orders for the

remaining 275 MW wind power. PTC India is to infuse Rs 600 cr in its energy arm towards the projects. The management has guided for a commissioning of 240MW by Q4, taking the operational capacity to 290MW. These projects are likely to earn a post-tax RoE of ~15-16% for the company against ~6-7% earned on its regular trading business. It also has plans to list PTC Energy once it has a sufficient renewable power generating capacity under its belt.

#### **Robust growth in subsidiary – PFS**

PFS has been witnessing strong growth in disbursements resulting in robust growth in Net Interest Income. While loan sanctions grew 62 per cent in HY17, disbursements rose 29 per cent. With the government making efforts to kick-start stranded projects, the company's loan book should grow at a faster pace. Most of the new disbursements are going to the renewable sector with the share of outstanding debt from renewable and hydro power increasing from 39% in FY14 to 49% in HY17. Thermal accounts for 28% of the outstanding loan book. Going ahead, lower exposure to thermal or coal linked projects and higher focus on low gestation and highly subsidized renewable energy projects will help maintain healthy asset quality. PTC has infused Rs.309 cr in PFS by subscribing to 8.02 cr shares @Rs38.5 per share in Q3FY17 (raising its stake from 60% to 65%), to further strengthen its renewable portfolio.

#### **Concerns**

##### **Slowdown in economy resulting in lower demand for power trading**

Indian economic activity has been slowing down over the last few quarters. Although there were high expectations of economic turnaround, the growth has still not materialized to the extent expected. Further slowdown in the economic activity could hamper the overall demand for power and subsequently power trading impacting the revenues of the company.

##### **Increasing competition from power exchanges**

Short term trading volumes transacted through exchanges have been steadily increasing. The share of volume transacted through the exchanges has increased from 21% in FY10 to 48% in FY16. As short-term volumes still account for ~50% of PTC's volumes this could have a negative impact on revenues. Exchange-traded volumes could increase as discoms increasingly preferred cheaper spot power over long-term agreements.

Year	Electricity Transacted through (Bn units)			% Share	
	Traders	Power Exchange	Total ST transactions	Traders	Power Exch.
2009-10	26.7	7.2	33.9	78.8%	21.2%
2010-11	27.7	15.5	43.2	64.1%	35.9%
2011-12	35.8	15.5	51.4	69.8%	30.2%
2012-13	36.1	23.5	59.7	60.5%	39.5%
2013-14	35.1	30.7	65.8	53.4%	46.6%
2014-15	34.6	29.4	64.0	54.0%	46.0%
2015-16	35.4	34.0	70.4	50.3%	48.2%

(Source: CERC, HDFC sec)

### Deteriorating asset quality in subsidiary (PFS)

Although there has been robust growth in disbursements by PFS, it has not come without its share of risks. Owing to the economic slowdown the company has been facing stress on its asset quality over the last few quarters. PFS had marginal gross NPA levels till Q3FY15. However NPAs surged in Q4FY15 and again in Q2FY16 resulting in higher provisioning by the company. In Q2FY17 GNPA/NNPA levels stand at 4.3%/2.9%. However diversification into renewable sector should reduce asset quality risks going forward.

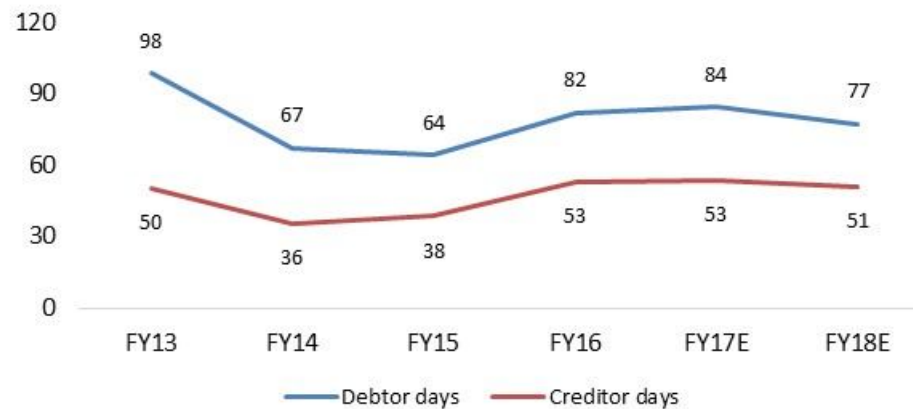
### Delay in capacity tie-up for onward sale

Although the company has tied up purchases of ~11 GW it has only been able to ink agreements to the tune of ~4.4 GW for onward sale. The current and next financial years are likely to witness commissioning of ~4.2 GW of tied up capacity. Delays in onward sale of tied up capacity could result in losses for the company.

### High debtors compared to creditors

Debtor days for PTC India have remained high as compared to creditor days thereby locking up working capital of the company. Although the gap has reduced over the last couple of years, considering the nature of the business and thin margins, any default by clients could adversely affect the profitability of the company.

#### *Comparison of debtor and creditor days*



(Source: Company, HDFC Sec)

### Investments in subsidiaries and current investments pulling down return ratios

PTC has a significant portion of its networth invested in subsidiaries and minority stakes in other companies which are not yielding very high returns as of now. As a result the RoE/ROCE of the company is on the lower side. One is also cautious about increasing investment in wind power through PTC Energy given the declining attractiveness of wind power if curtailment and credit risks arise.

**Q2FY17 results review**

During Q2FY17, PTC India reported a 24% YoY (on a low base) jump in traded volume at 15.6 bn units, its higher ever in any quarter. While the share of short-term trade remained flat at 51%, share of long-term trades increased to 22%, up 560 bps YoY. Cross-border trade grew 1%. Investors could watch for start of 650 MW of sale of power on LT in Q3. Average Exchange price fell 18% to Rs 2.21/unit). The congestion has eased across networks resulting in a 66% drop in volumes lost to 276MUs. The reported margin without the rebate and surcharge dropped 2% to 4.6 ps/unit. Cash and liquid investments dropped 22% QoQ to Rs 680 cr as it is being deployed in PTC Energy.

Particulars (Rs Cr)	Q2FY17	Q2FY16	YoY (%)	Q1FY17	QoQ (%)	H1FY17	H1FY16	YoY (%)
<b>Operating Income</b>	<b>4049.6</b>	<b>3521.0</b>	<b>15.0</b>	<b>3644.3</b>	<b>11.1</b>	<b>7693.9</b>	<b>6817.2</b>	<b>12.9</b>
Material consumed	3895.0	3411.4	14.2	3497.7	11.4	7392.7	6635.8	11.4
Employee expenses	7.2	6.8	7.3	7.2	0.6	14.4	12.5	15.4
Other expenses	56.4	27.8	103.4	66.0	-14.6	122.5	34.0	260.3
<b>Total expenses</b>	<b>3958.6</b>	<b>3445.9</b>	<b>14.9</b>	<b>3571.0</b>	<b>10.9</b>	<b>7529.6</b>	<b>6682.3</b>	<b>12.7</b>
<b>EBITDA</b>	<b>91.0</b>	<b>75.1</b>	<b>21.2</b>	<b>73.4</b>	<b>24.0</b>	<b>164.4</b>	<b>134.8</b>	<b>21.9</b>
Depreciation	0.8	0.9	-3.4	0.8	9.1	1.6	1.7	-6.9
Other Income	101.5	55.4	83.2	39.7	155.6	141.2	66.8	111.4
Finance cost	46.6	0.3	13602.9	30.7	51.8	77.3	0.5	16344.7
<b>PBT</b>	<b>145.1</b>	<b>129.3</b>	<b>12.2</b>	<b>81.6</b>	<b>77.7</b>	<b>226.7</b>	<b>199.5</b>	<b>13.7</b>
Tax expenses	32.0	28.6	11.8	25.2	27.1	57.2	50.9	12.4
<b>PAT</b>	<b>113.1</b>	<b>100.7</b>	<b>12.3</b>	<b>56.5</b>	<b>100.3</b>	<b>169.5</b>	<b>148.6</b>	<b>14.1</b>
<b>EPS (Rs)</b>	<b>3.8</b>	<b>3.4</b>		<b>1.9</b>		<b>5.7</b>	<b>5.0</b>	
<b>Core EPS (Rs)</b>	<b>1.1</b>	<b>1.9</b>		<b>1.0</b>		<b>2.2</b>	<b>3.3</b>	
EBITDA (%)	2.2%	2.1%	11 bps	2.0%	23 bps	2.1%	2.0%	16 bps
PAT (%)	2.8%	2.9%	-7 bps	1.5%	124 bps	2.2%	2.2%	2 bps

(Source: Company, HDFC sec)

**View and Valuation:**

Commissioning of new projects by its suppliers in FY18 would drive volume growth for the company. Management expects contribution from long term trade to increase from 40% in FY15 to ~50% by FY17E and more beyond that resulting in better margins as LT trade margins are ~7 paise/unit as compared to ~4 paise/unit for ST trade. We expect PTC to report robust sales growth of 13.8% CAGR over FY16-FY18E driven mainly by increasing volume. Further, PTC is setting up 350 MW wind power + solar power project project which is likely to earn 16% post-tax RoE as compared to 6-7% earned by the company on its regular trading business. Increasing business from Railways and Teesta Urja project going on stream in Q4FY17 are some additional triggers.

We have valued the company on SOTP basis and feel investors could buy the stock at the CMP and add on declines to Rs. 77-79 band for sequential targets of Rs 99 (considering 5x FY18E Core EPS and 40% holding company discount) and Rs 114 (considering 6x FY18E Core EPS and 30% holding company discount) over the next 2-3 quarters.

### SOTP Valuation

Particulars	Valuation Basis	Value / share	Valuation Basis	Value / share
Core Business	5x Core EPS	46.9	6x Core EPS	56.2
PTC India Financial	40% Holding Co. discount	35.5	30% Holding Co. discount	41.5
PTC Energy	Book Value	4.8	Book Value	4.8
Other Co. Investments *	Book Value	10.3	Book Value	10.3
Cash & Curr Investments	Book Value	11.1	Book Value	11.1
Less: Substandard Assets	Book Value	-9.8	Book Value	-9.8
<b>Total Valuation per share</b>		<b>98.8</b>		<b>114.1</b>

*Includes only Athena and Teesta Urja*

*(Source: HDFC sec estimate)*

## Financial Statements

### Income Statement

Particulars	FY14	FY15	FY16E	FY17E	FY18E
<b>Income from operations</b>	<b>11510.7</b>	<b>13081.7</b>	<b>12798.7</b>	<b>14044.2</b>	<b>16563.0</b>
Cost of materials consumed	10982.3	12695.4	12409.1	13510.5	15936.9
Employee Cost	15.5	19.9	25.3	26.7	29.0
Other expenses	195.9	124.8	98.3	147.5	173.9
Total expenses	11193.7	12840.1	12532.7	13684.6	16139.8
<b>EBITDA</b>	<b>317.1</b>	<b>241.6</b>	<b>266.0</b>	<b>359.5</b>	<b>423.2</b>
Depreciation	4.2	4.2	3.5	3.5	3.7
EBIT	371.5	306.2	346.1	440.3	502.3
Other Income	58.7	68.8	83.5	84.3	82.8
Finance Cost	7.3	4.9	1.9	6.2	8.5
Profit Before Tax	364.2	301.3	344.2	434.1	493.8
Tax Expenses	115.1	98.3	110.6	143.3	160.5
<b>Reported PAT</b>	<b>249.2</b>	<b>203.0</b>	<b>233.6</b>	<b>290.8</b>	<b>333.3</b>
<b>EPS</b>	<b>8.4</b>	<b>6.9</b>	<b>7.9</b>	<b>9.8</b>	<b>11.3</b>
<b>Core EPS</b>	<b>7.1</b>	<b>5.3</b>	<b>6.0</b>	<b>7.9</b>	<b>9.4</b>

### Cash Flow statement

Particulars	FY14	FY15	FY16E	FY17E	FY18E
Profit Before Tax	364.2	301.3	344.2	434.1	493.8
Depreciation	4.2	4.2	3.5	3.5	3.7
Others	-45.4	-34.8	-43.8	497.7	109.5
Change in working capital	32.2	84.0	-345.7	-18.4	23.9
Tax expenses	-121.3	-96.9	-140.1	-143.3	-160.5
<b>CF from Operating activities</b>	<b>234.0</b>	<b>257.8</b>	<b>-182.0</b>	<b>773.7</b>	<b>470.4</b>
Net Capex	-1.6	-1.6	-0.8	-2.0	-2.0
Other investing activities	-332.1	-140.4	166.6	-420.0	-250.0
<b>CF from Investing activities</b>	<b>-333.7</b>	<b>-142.0</b>	<b>165.7</b>	<b>-422.0</b>	<b>-252.0</b>
Proceeds from Eq Cap	0.0	0.0	0.0	0.0	0.0
Borrowings / (Repayments)	0.0	0.0	0.0	0.0	0.0
Dividends paid	-53.1	-63.5	-71.5	-99.5	-106.6
Interest paid	-1.1	-2.4	-0.5	-6.2	-8.5
<b>CF from Financing activities</b>	<b>-54.2</b>	<b>-65.9</b>	<b>-72.0</b>	<b>-105.7</b>	<b>-115.1</b>
<b>Net Cash Flow</b>	<b>-153.9</b>	<b>49.8</b>	<b>-88.3</b>	<b>246.0</b>	<b>103.3</b>



**Balance Sheet**

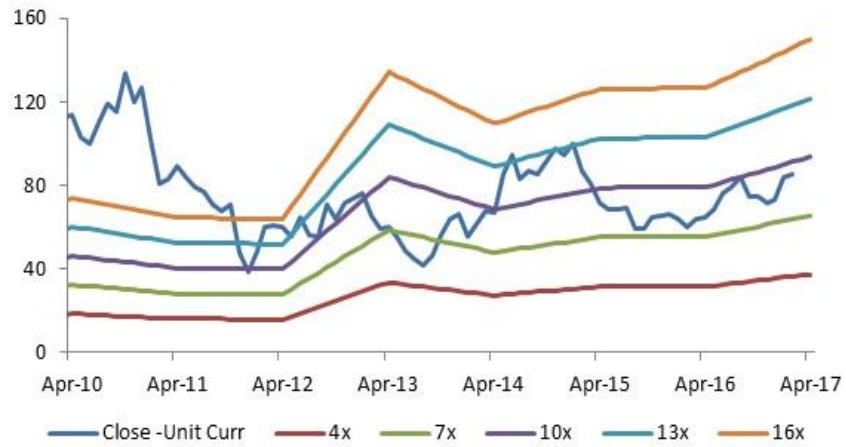
Particulars	FY14	FY15	FY16E	FY17E	FY18E
<b>EQUITY AND LIABILITIES</b>					
Share Capital	296.0	296.0	296.0	296.0	296.0
Reserves and Surplus	2212.4	2342.6	2493.9	2685.3	2912.0
<b>Shareholders' Funds</b>	<b>2508.4</b>	<b>2638.6</b>	<b>2789.9</b>	<b>2981.3</b>	<b>3208.0</b>
Long Term borrowings	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liabilities (Net)	-6.3	-6.4	-6.9	-6.9	-6.9
Other Long Term Liabilities	0.0	0.0	0.0	491.5	596.3
Long Term Provisions	2.5	2.6	3.9	3.4	4.2
<b>Non-current Liabilities</b>	<b>-3.8</b>	<b>-3.8</b>	<b>-3.0</b>	<b>488.1</b>	<b>593.6</b>
Short Term Borrowings	0.0	0.0	0.0	0.0	0.0
Trade Payables	1085.7	1620.7	2006.2	2000.8	2495.8
Other Current Liabilities	48.7	34.0	50.6	50.5	56.0
Short Term Provisions	69.6	81.6	108.9	97.3	119.6
<b>Current Liabilities</b>	<b>1204.0</b>	<b>1736.3</b>	<b>2165.8</b>	<b>2148.6</b>	<b>2671.4</b>
<b>TOTAL</b>	<b>3708.5</b>	<b>4371.1</b>	<b>4952.6</b>	<b>5617.9</b>	<b>6473.0</b>
<b>ASSETS</b>					
<b>Fixed Assets</b>					
<b>Net Block</b>	<b>30.1</b>	<b>27.2</b>	<b>24.6</b>	<b>23.1</b>	<b>21.4</b>
Capital work-in-progress	0.1	0.0	0.0	0.0	0.0
Non current Investments	913.0	877.3	890.4	1210.4	1360.4
Long-Term Loans and Advances	12.9	16.1	17.3	17.4	21.1
Other Non-current Assets	0.0	0.0	0.0	0.0	0.0
<b>Non-current Assets</b>	<b>925.9</b>	<b>893.4</b>	<b>907.7</b>	<b>1227.8</b>	<b>1381.5</b>
Current Investments	46.9	576.8	470.7	570.7	670.7
Inventories	0.0	0.0	0.0	0.0	0.0
Trade Receivables	2085.7	2515.1	3225.8	3270.6	3738.7
Cash and Bank Balances	544.7	279.6	161.5	407.5	510.8
Short-Term Loans and Advances	69.7	78.5	162.3	115.8	148.7
Other Current Assets	5.7	0.5	0.1	2.5	1.2
<b>Current Assets</b>	<b>2752.6</b>	<b>3450.4</b>	<b>4020.3</b>	<b>4367.1</b>	<b>5070.1</b>
<b>TOTAL</b>	<b>3708.6</b>	<b>4371.1</b>	<b>4952.6</b>	<b>5617.9</b>	<b>6473.0</b>

**Financial Ratios**

Particulars	FY14	FY15	FY16E	FY17E	FY18E
EPS (Rs)	7.1	5.3	6.0	7.9	9.4
Cash EPS (Rs)	7.2	5.4	6.1	8.0	9.5
BVPS (Rs)	84.7	89.1	94.2	100.7	108.4
PE (x)	12.2	16.2	14.4	10.8	9.2
P/BV (x)	84.7	89.1	94.2	100.7	108.4
Mcap/Sales (x)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA	7.5	9.9	8.9	6.6	5.6
EBITDAM (%)	2.8	1.8	2.1	2.6	2.6
EBITM (%)	3.2	2.3	2.7	3.1	3.0
PATM (%)	1.8	1.2	1.4	1.7	1.7
ROCE (%)	15.4	11.9	12.8	15.3	16.2
RONW (%)	8.6	6.1	6.5	8.1	9.0
Current Ratio (x)	2.3	2.0	1.9	2.0	1.9
Quick Ratio (x)	2.3	2.0	1.9	2.0	1.9
Debt-Equity (x)	0.0	0.0	0.0	0.0	0.0
Debtor Days	67	64	82	84	77
Inventory Days	0	0	0	0	0
Creditor Days	36	38	53	53	51

*(Source: Company, HDFC sec)*

### One year Forward PE



### One year Price chart



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