

PTC Financial Services : Valuations are not strong

IPO Note: Expensive IPO, PE Ratio 35 Times

Rating; Promoters : ** Valuations : ****

Issue details

Price band (Rs)	Rs.26-28
IPO Opening Date	16/03/11
IPO Closing Date	18/03/11
Issue Size	Rs.407.42-438.76Crore

Valuations & Recommendation

The company earned a profit after tax Rs 25 cr for the FY10. The company is significantly dependent on PTC, the Promoter, for the growth. At Rs.26-28, the issue is very expensive as PE works out to 50.90 times its nine month ended December 2010. On a fully diluted equity base, the company's earning per share works out to Rs 0.45 for financial year 2009-10. For the nine months ended December 31, 2010, the company's EPS stood at Rs 0.7. At the price band of Rs 26 to Rs 28 P/E works out to 35.1 to 37.8 times. Pre-issue Book Value is Rs 15.29. P/BV at lower band of Rs 26 works out to Rs 1.7 while at higher band of Rs 28 works out to Rs 1.8.

The company's past financial performance is not encouraging but looking to the promoter and sector in which the company operates the subscriber may get gain in long term.

Highlights:

- Promoted by PTC India Ltd (PTC), the leading provider of power trading solutions is a Government of India initiated Public-Private Partnership
- Retail individual investors will get a discount of Rs 1 to the issue price on allotment
- PFS aims to consolidate its position as a financing solutions provider for smaller and medium sized power generation, equipment supply and fuel source projects.
- PTC holds 77.60% of the company's equity share capital and GS Strategic Investments (an affiliate of The Goldman Sachs Group, Inc.) and Macquarie India Holdings (an affiliate of The Macquarie Group) each hold 11.20% of the company's equity share capital
- As on December 31, 2010, the company did not have any non-performing assets.
- CRISIL has assigned an IPO Grade 3 to PTC India Financial Services IPO. This means as per CRISIL, company has 'Average Fundamentals'.

Company Introduction

Profile of the company:

PTC Financial Services (PFS), an NBFC, is promoted by PTC India Ltd (PTC), the leading provider of power trading solutions in India, is a Government of India initiated Public-Private Partnership, whose



primary focus is to develop a commercially vibrant power market in the country.

Financing Area

PFS provides financing solutions for, companies with projects across the energy value chain. It is one of the few financial institutions in the country that provides both equity and debt financing, including short-term and long-term debt, as well as structured debt financing. With a focus on infrastructure development, the company offers an integrated suite of services including provision financing to, and make investments in, private sector companies in the power sector, including for power generation, equipment supply and fuel source projects. PFS currently focused primarily on power generation projects. PFS also provides fee-based syndication and advisory services as well as carbon credit financing against certified emissions reduction.

The company currently has equity commitments for ten companies for an aggregate amount of 4,838.46 million, with projects aggregating 2,621.45 MW of power generation capacity. Of these equity commitments, as of September 30, 2010, the had entered into definitive agreements for investments in eight companies for an aggregate amount of 4,827.67 million, with projects aggregating 2,621.45 MW of power generation capacity. The current portfolio of principal investments are mostly Greenfield projects, which typically involve between two and five years of development activity prior to commencement of commercial operations. Three of the company's principal investment projects, with an aggregate power generation capacity of 175.60 MW, have commenced commercial operation

Post the IPO, parent PTC India's stake in PFS will come down to 60% from 77.60%, Macquarie's stake will come down to 3.46% from 11.20% and Goldman Sachs Strategic Investments will see its stake fall to 8.66% from 11.20%

SBI Capital Markets, JM Financial Consultants, ICICI Securities, Almondz Global and Avendus Capital are the book running managers to the issue.

Financial Summary (Figures in Rs crore)

Particulars	0903 (12)	1003 (12)	1012 (09)
Sales	11.60	53.47	82.52
Net Profit	8.53	25.45	31.22
EPS* (Rs)	0.2	0.5	0.7

* Annualised on post issue equity of Rs 562.08 crore, Face value Rs 10/-

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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