



## PTC India Financial Services Q4 FY16 Quarterly Update

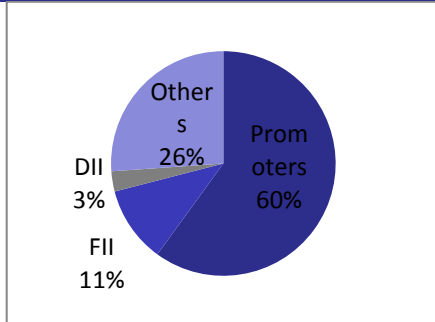
### MARKET DATA

NSE TICKER	PFS
Networth (Rs. In crs) (FY17E)	1,948
P/BV Ratio (FY17E) (x)	1.0
EPS (FY17E) (₹)	4.9
Market Price (₹)	35
P/E Ratio (FY17E) (x)	7.2
52 Week High (26/5/2015) (Rs.)	55
52 Week Low (12/2/2016) (Rs.)	30
Market Capitalisation (Rs. crs)	1,987

### AVERAGE MONTHLY VOLUME ('000)

BSE	176.1
NSE	764.2

### SHARE HOLDING PATTERN



RETURN	3M	6M	12M
PFS	11%	-15%	-41%
Sensex	10%	-2%	-9%

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In Q4 FY16, PTC India Financial Services (PFS) reported strong growth in net interest income (6% q-o-q 28% y-o-y) as loan book grew by 11% q-o-q (35% y-o-y). However, provisions shot up sharply by 1196% to Rs. 44crs as the company created additional provisions (though GNPA remained same as Q3FY16) on standard restructured assets, existing NPA and standard assets which resulted in PAT de-growth of 29% to Rs. 49crs.

#### Steady growth in loan book continues

Loan book grew by 11% q-o-q (35% y-o-y) to Rs. 8,634crs led by 8% sequential growth in renewable book which is the key focus area for PFS. Loan book mix remained stable with Renewable/Thermal/Hydro/Others exposure at 44%/ 30%/ 5%/ 21% respectively. Disbursements grew by 60% q-o-q (74% y-o-y) to Rs. 1450crs. Management continues to focus on renewable segment and has guided an overall loan book growth of ~30% till FY18E.

#### Expect NIMs to fall going ahead

Reported NIMs declined by 36bps q-o-q (27bps y-o-y) to 5.8% as spreads declined to 3.9% from 4.1% q-o-q and y-o-y. Yields are expected to moderate due to higher increasing share of renewable projects (~60bps lower than the thermal projects as it has lower execution risk) & rising competition. Management has guided that spreads will be maintained and we expect NIMs at ~5% for FY17E (5.5% for FY16). Opex to loan book has remained flattish at 0.37% (up 2bps q-o-q & down 75bps y-o-y).

#### Asset quality remains stable

Asset quality remained stable on a sequential basis. The current portfolio of projects except for the one recognised as GNPA seems to be performing well. In Q4FY16, GNPA & NNPA stood at 3.40% (down 37bps q-o-q) and 2.35% (down 45bps q-o-q) respectively. The projects funded are progressing well.

#### Valuation

The opportunity size in renewable energy project financing remains huge given the government's target of achieving 1,65,000 MW of renewable energy by 2022 from ~43,000MW in March 2016. PFS being an early mover & focused player in this segment will have advantage over others. We expect ROA & ROE to be at 2.8% & 15% respectively for FY17E.

At CMP of Rs. 35, PFS is trading at P/B multiple of 1.0x its FY17E BV of Rs. 35 and 0.9x its FY18E BV of Rs. 40. We recommend a BUY rating with a target of Rs. 44 by March 2017. We have valued the business at FY17E BV (justified P/BV multiple of 1.3x).

### Quarterly Performance:

Particulars ₹Cr	Q4 FY16	Q4 FY15	y-o-y	Q3 FY16	q-o-q	FY16	FY15	y-o-y
Interest Income	256	201	27%	233	10%	921	742	24%
Interest Expenses	141	111	27%	126	12%	507	401	27%
Net Interest Income	115	90	28%	108	6%	414	341	22%
Other Income	14	16	-15%	15	-5%	59	60	-3%
Total Income	123	103	20%	117	5%	450	385	17%
Operating Expenses	8	18	-55%	7	20%	26	35	-26%
PPOP*	115	85	36%	110	4%	424	350	21%
Depreciation	1	1	-7%	1	-1%	4	4	1%
Total Provisions	44	54	-19%	3	1196%	95	100	-5%
Extraordinary Income	-	-	NA	-	NA	207	-	NA
PBT	71	30	135%	106	-33%	532	245	117%
Taxes	22	14	51%	36	-41%	140	84	66%
PAT	49	16	210%	70	-29%	391	161	143%
Adj. PAT	49	16	210%	70	-29%	239	161	48%

\*PPOP - Pre-Provisioning Operating Profits



**QUARTERLY PERFORMANCE:**

Particulars ₹ Cr	Mar-16	Mar-15	y-o-y	Dec-15	q-o-q	FY16	FY15	y-o-y
Interest Income	256	201	27%	233	10%	921	742	24%
Interest Expenses	141	111	27%	126	12%	507	401	27%
Net Interest Income	115	90	28%	108	6%	414	341	22%
Forex loss (on ECB borrowings)	6	3	59%	6	0%	23	16	40%
Other Income	14	16	-15%	15	-5%	59	60	-3%
Total Income	123	103	20%	117	5%	450	385	17%
Operating Expenses	8	18	-55%	7	20%	26	35	-26%
Employee	3	2	7%	3	-10%	10	10	1%
Others	6	16	-65%	4	42%	16	25	-37%
Operating Profits before provisions	115	85	36%	110	4%	424	350	21%
Depreciation	1	1	-7%	1	-1%	4	4	1%
Exceptional Items	-	-	-	-	-	207	-	-
Total Provisions	44	54	-19%	3	1196%	95	100	-5%
PBT	71	30	135%	106	-33%	532	245	117%
Taxes	22	14	51%	36	-41%	140	84	66%
PAT	49	16	210%	70	-29%	391	161	143%
EPS	0.9	0.3	210%	1.2	-29%	7.0	2.9	143%
<b>Asset Quality</b>								
GNPA Rs. Cr	294	82	260%	294	0%	294	82	260%
NNPA Rs. Cr	200	63	216%	216	-7%	200	63	216%
GNPA %	3.40	1.28	212	3.77	-37	3.4	1.28	212
NNPA %	2.4	1.0	135	2.8	-45	2.4	1.0	135
Credit Cost %	2.02	3.36	-134	0.17	184	1.10	1.57	-47
<b>Ratios %</b>								
Cost to Income ratio	6.53	17.44	-1091	5.75	79	5.76	9.13	-337
Tax Rate	30.49	47.38	-1689	34.27	-378	26.40	34.42	-802
RoA %	2.24	0.92	132	3.44	-120	4.43	2.38	205
RoE %	11.22	4.39	683	15.87	-465	24.6	11.55	1305
CAR (Basel III) %	21.82	23.71	-189	23.58	-176	21.82	23.71	-189
Opex to Loan book	0.37	1.12	-75	0.34	3	0.30	0.55	-25
<b>Margins %</b>								
Yield on Advances	12.82	13.46	-64	12.96	-14	13.07	13.71	-64
Cost of Deposits	8.95	9.3	-35	8.84	11	9.05	9.38	-33
NIMs	5.76	6.03	-27	6.12	-36	5.98	6.3	-32
<b>Balance Sheet</b>								
Adjusted Net worth	1,542	1,374	12%	1,484	4%	1,542	1,374	12%
Adj. BV	27	24	12%	26	4%	27	24	12%
Capital	562	562	0%	562	0%	562	562	0%
Net Worth	1,743	1,437	21%	1,700	3%	1,743	1,437	21%
FV	10	10		10		10	10	
Loan Disbursement	1,450	835	74%	905	60%	1,450	2,493	-42%
Loan Sanctioned	2,131	550	287%	1,522	40%	2,131	4,112	-48%
Loan Outstanding	8,634	6,379	35%	7,795	11%	8,634	6,379	35%

Source: Company, Dimensional Securities

\*Adj. Net worth is adjusted for NNPA



**RoA Tree Analysis:**

Particulars	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	FY16	FY15
Interest Income	13.2%	13.6%	12.7%	14.3%	13.2%	11.8%	12.2%
Interest Expenses	7.3%	7.3%	7.1%	7.9%	7.3%	6.5%	6.6%
Net Interest Income	5.9%	6.3%	5.6%	6.4%	5.9%	5.3%	5.6%
Forex loss (on ECB borrowings)	0.3%	0.3%	0.4%	0.3%	0.2%	0.3%	0.3%
Other Income	0.7%	0.9%	1.3%	0.6%	1.1%	0.8%	1.0%
Total Income	6.3%	6.8%	6.4%	6.7%	6.8%	5.8%	6.3%
Operating Expenses	0.4%	0.4%	0.3%	0.3%	1.2%	0.3%	0.6%
Employee	0.1%	0.2%	0.1%	0.1%	0.2%	0.1%	0.2%
Others	0.3%	0.2%	0.2%	0.2%	1.0%	0.2%	0.4%
Operating Profits before provisions	5.9%	6.4%	6.1%	6.3%	5.6%	5.4%	5.7%
Depreciation	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total Provisions	2.2%	0.2%	0.4%	0.1%	3.5%	1.2%	1.6%
PBT	3.6%	6.1%	17.9%	6.2%	2.0%	6.8%	4.0%
Taxes	1.1%	2.1%	3.0%	2.1%	0.9%	1.8%	1.4%
PAT (RoA)	2.5%	4.0%	12.5%	4.0%	1.0%	5.0%	2.6%
Average Assets/ Average Equity	4.90	4.40	4.30	4.37	4.37	4.90	4.37
RoE	12.3%	17.8%	53.9%	17.6%	4.5%	24.6%	11.5%

Source: Company, Dimensional Securities

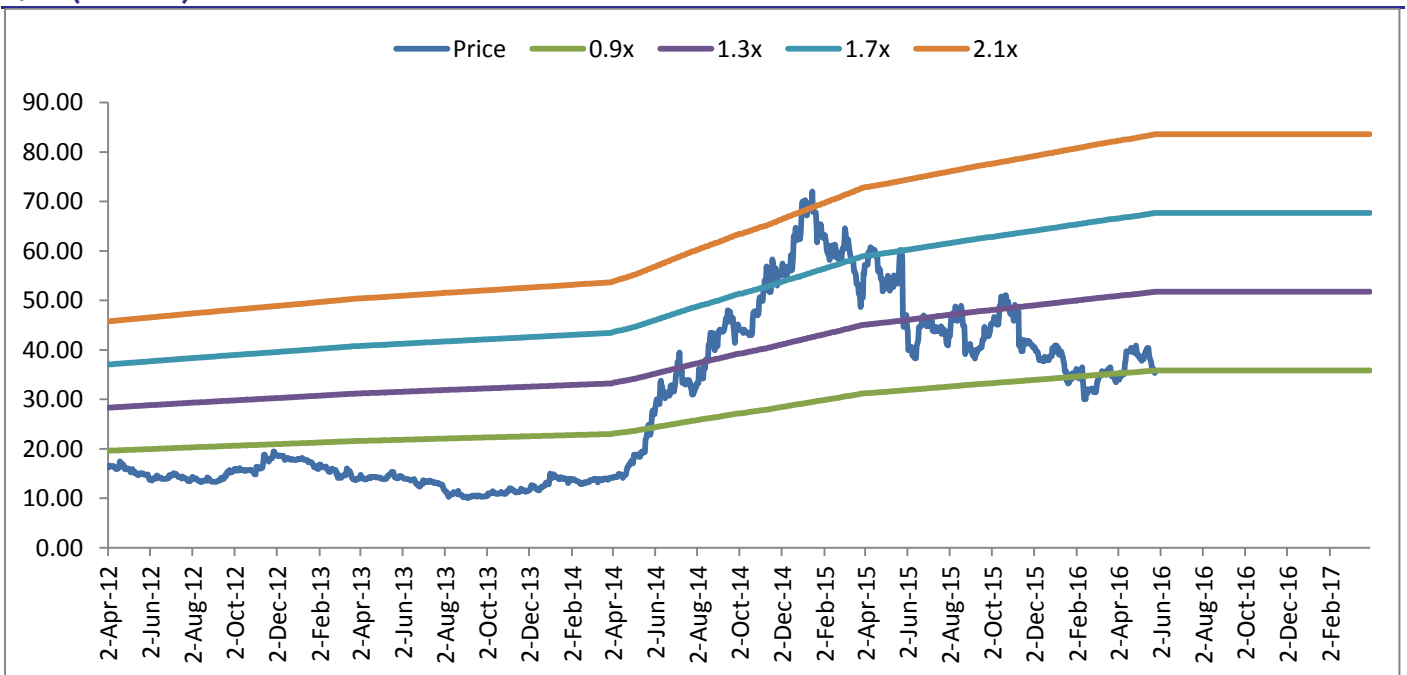
**OUTLOOK & VALUATION: -**

The opportunity size in renewable energy project financing remains huge given the government’s target of achieving 1,65,000 MW of renewable energy by 2022 from ~43,000 MW in March 2016. PFS being an early mover & focused player in this segment will have an advantage over others.

We expect ROA & ROE to be at 2.9% & 17.5% respectively for FY18E. However, refinancing the commissioned projects at lower rates continues to remain as a major risk going ahead.

At CMP of Rs. 35, PFS is trading at P/B multiple of 1.0x its FY17E BV of Rs. 35 and 0.9x its FY18E BV of Rs. 40. We recommend a BUY rating with a target of Rs. 44 by March 2017. We have valued the business at FY18E BV (justified P/BV multiple of 1.3x and discounting it back to FY17E).

**P/BV (Forward)**



Source: Dimensional Securities

**PROFIT & LOSS STATEMENT:**

Particulars (Rs. in crs)	FY14	FY15	FY16	FY17E	FY18E
Interest Income	420	742	921	1,189	1,533
Interest Expenses	208	401	507	705	906
Net Interest Income (NII)	212	341	414	484	627
Other Operating income (OI)	44	60	59	75	90
Total Income (NII + OI)	256	401	473	559	717
Provisions	17	39	30	32	36
Other Operating Expenses	24	101	23	20	20
Loss on Foreign currency	13	16	420	507	661
Total Expenses	53	156	95	93	115
Profit from Operation	203	245	325	414	546
Exceptional items	82	-	207	-	-
PBT	285	245	531	414	546
Tax	77	84	140	137	180
PAT	208	161	391	278	366
Adj. PAT	153	161	239	278	366

Source: Company, Dimensional Securities

**RATIO ANALYSIS**

Particulars	FY14	FY15	FY16	FY17E	FY18E
<b>Operational Ratios (₹)</b>					
EPS	3.7	2.9	7.0	4.9	6.5
Book Value	24.0	25.6	31.0	34.7	39.8
DPS	1.0	1.0	1.0	1.1	1.2
<b>Spread Analysis</b>					
Yield on Loans	11.6%	13.1%	12.3%	12.0%	11.9%
Cost of Borrowings	7.8%	9.2%	9.1%	8.7%	8.6%
Interest Spread	3.8%	3.8%	3.2%	3.3%	3.3%
NIM	5.8%	6.0%	5.5%	5.0%	5.0%
<b>Asset Quality</b>					
GNPA%	0.1%	1.3%	3.4%	2.0%	1.9%
NNPA%	0.1%	1.0%	2.3%	0.9%	0.7%
<b>Profitability Ratios</b>					
Adj. RoE	11.2%	12.6%	24.6%	15.0%	17.5%
Adj. RoA	3.5%	2.9%	5.0%	2.8%	2.9%
<b>Productivity Ratios (x)</b>					
Total Assets/Equity	3.2	4.4	4.9	5.4	6.1
Debt / Equity	2.8	3.4	3.6	4.2	4.7
<b>Valuation Ratios</b>					
P/E (x)	3.8	19.3	4.9	7.2	5.4
P/B (x)	0.6	2.2	1.1	1.0	0.9
Dividend Yield	0.6	2.1	1.1	1.0	0.9

Source: Company, Dimensional Securities

**BALANCE SHEET**

Particulars Rs in Cr	FY14	FY15	FY16	FY17E	FY18E
Capital	562	562	562	562	562
Reserves and Surplus	787	875	1,180	1,386	1,673
Net worth	1,349	1,437	1,743	1,948	2,235
Borrowed Funds	3,770	4,925	6,251	8,213	10,684
Deferred tax liabilities/assets	25	8	(4)	(4)	(4)
Current Liabilities and Provisions	270	380	829	1,095	1,426
<b>Total Liabilities</b>	<b>5,414</b>	<b>6,750</b>	<b>8,818</b>	<b>11,251</b>	<b>14,340</b>
Loans	4,697	5,694	8,043	10,560	13,684
Investments	401	340	235	247	259
Cash & Bank Balances	33	23	25	12	33
Other Current Assets	218	637	468	384	315
Fixed Assets	25	22	18	18	18
Other non-current assets	39	35	29	30	31
<b>Total Assets</b>	<b>5,414</b>	<b>6,750</b>	<b>8,818</b>	<b>11,251</b>	<b>14,340</b>

Source: Company, Dimensional Securities



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