

March 01, 2011
Mumbai

CRISIL Equities assigns IPO grade 3/5 to PTC India Financial Services Limited

CRISIL Equities has assigned a CRISIL IPO grade of "3/5" (pronounced "three on five") to the proposed initial public offer (IPO) of PTC India Financial Services Limited (PFS). This grade indicates that the fundamentals of the IPO are average relative to other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The grade is not a recommendation to buy, sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The IPO grade assigned to PFS takes into account the huge financing opportunities arising due to large-scale investments required in the power sector following an increase in power demand. CRISIL Research expects more than Rs 9.3 tn will be invested in the power sector during FY10-15, with generation (both utilities and captives) comprising Rs 5.8 tn (63% of the total investment). The grade takes into account the rich vintage of PFS' parent, PTC India, which has been a leader in power trading. It extensively benefits from the power sector expertise, network and relationships of PTC and its affiliates, which helps PFS to assess the project-related risks and financing needs of power projects. The parent support not only helps PFS in sourcing clients but also synergises the monitoring of common projects. The grade further draws support from the company's well-laid out systems and processes for project appraisal and collateral requirement.

However, the grade is moderated by the relatively small balance sheet of PFS given its short track record. The company is likely to face intense competition from large banks and non-banking finance companies (NBFCs) who have strong balance sheets and long-existing clients. The company's relatively high cost of funds vis-à-vis its peers also impacts its competitive position. The grade factors in the sector concentration risk (only power) as well as execution risk of the projects funded. Moreover, though the company enjoys support from parent PTC India, which helps it identify key project risks, its financing ability is yet to be proven.

About the company and the issue

Incorporated as a wholly-owned subsidiary of PTC India in 2006, PFS commenced business in 2007. PFS is a 'systematically important' non-deposit taking NBFC engaged in the business of making equity investments, providing debt financing, carbon credit financing, fee-based syndication and advisory services exclusively to the power sector. In 2008, PFS diluted 22% stake for Rs 1.55 bn to private equity players Macquarie and Goldman Sachs. As on September 30, 2010, it disbursed equity investments and debt financing (long- and short-term) worth Rs 4,186 mn and Rs 6,048 mn, respectively.

Its promoter, PTC India, is the market leader in the power trading solutions in India. Set up in 1999, PTC India is a Government of India initiated public-private partnership between National Thermal Power Corporation (NTPC), Power Grid Corporation of India Ltd (Power Grid), Power Finance Corporation Ltd (PFC) and NHPC Ltd (NHPC). PFS has a group company, PTC Energy, which acts as a co-developer of energy projects with private project developers.

During H1FY11, PFS reported PAT of Rs 255 mn on a total income of Rs 536 mn. The average yield and cost of funds during the same period were 16.9% and 10.7%, respectively. The high yield is attributed to short term loans. As of H1FY11, the book value stands at Rs 15.2 per share.

PFS will utilise the IPO proceeds to augment its capital base to meet future capital requirements for business growth as well as for issue related expenses. The amount to be used for the above purposes was not disclosed at the time of the grading.

About CRISIL IPO Grading

CRISIL IPO (Initial Public Offering) Grading is an opinion on the fundamentals of the graded issue that reflects CRISIL's independence and expertise. This opinion is expressed as a relative assessment in relation to other listed equity securities in India. The assessment is based on a grading exercise carried out by industry specialists from CRISIL Research. A CRISIL IPO Grade 5/5 indicates strong fundamentals and a CRISIL IPO Grade 1/5 indicates poor fundamentals. CRISIL IPO Grading reflects its assessment of the graded company's equity fundamentals as distinct from an assessment of debt fundamentals. A CRISIL IPO Grade should not be construed to mean a comment on the price of the graded security nor is it a recommendation to invest or not to invest in the graded security.

Media Contacts	Analytical Contacts
<p>Mitu Samar Head, Market Development & Communications CRISIL Limited Tel: +91-22- 3342 1838 Mobile: +91- 98200 61934 Fax: +91-22- 3342 3001 E-mail: msamar@crisil.com</p> <p>Tanuja Abhinandan Market Development & Communications CRISIL Limited Tel: +91-22- 3342 1818 Mobile: +91- 98192 48980 Fax: +91-22- 3342 3001 Email: tabhinandan@crisil.com</p>	<p>Tarun Bhatia Director, Capital Markets CRISIL Research Tel: +91-22- 3342 3226 E-mail: tbatia@crisil.com</p> <p>Chetan Majithia Head, CRISIL Equities Tel: +91-22- 3342 4148 E-mail: chetanmajithia@crisil.com</p>

About CRISIL Limited

CRISIL is India's leading Ratings, Research, Risk and Policy Advisory Company.

About CRISIL Research

CRISIL Research is India's largest independent, integrated research house. We leverage our unique, integrated research platform and capabilities spanning the entire economy-industry company spectrum to deliver superior perspectives and insights to over 750 domestic and global clients, through a range of subscription products and customised solutions.

CRISIL PRIVACY NOTICE

Contacting us via e-mail or registering with CRISIL reveals your e-mail address and any other information you include such as phone number and/or mailing address. We will use this information to help us process your registration, fulfill your request or respond to your inquiry. All of your personal information will be stored in a secure database in India. Access to this database is limited to authorized persons.

Occasionally, we use data collected about customers and prospects to inform them about products or services from CRISIL, and our parent company Standard & Poor's (a subsidiary of The McGraw-Hill Companies), and reputable outside companies that may be of interest to them. Many of our customers find these e-mail promotions valuable, whether they are shopping for merchandise, taking advantage of a special offer, or purchasing unique services. On rare occasions, and subject to applicable laws, CRISIL may also share your information with outside "3rd Party" vendors who will be authorized to use this information solely to perform services (such as a "mailing" house) on our behalf.

If at any time you would like your name removed from lists that are shared for promotional reasons within CRISIL, Standard & Poor's, and with other units of The McGraw-Hill Companies, or with third parties simply send a written request to privacy@crisil.com or Privacy Official, CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076, India.

You can also send an email request to privacy@crisil.com if you would like to confirm the accuracy of the information we have collected from you, or if you have questions about the uses of this information.

For more information about The McGraw-Hill Companies Privacy Policy, please visit www.mcgrawhill.com/privacy.html

Last updated: 01 January, 2010

Disclaimer

A CRISIL IPO Grading is a one-time assessment and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO Grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO Grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO Grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of CRISIL IPO Gradings. For information on any IPO grading assigned by CRISIL, please contact 'Client Servicing' at +91-22-33423561, or via e-mail: clientservicing@crisil.com.

For more information on CRISIL IPO Gradings, please visit <http://www.crisil.com/ipo-gradings>

This press release is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press release may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including websites, portals etc.