

RESULTS REVIEW

Alstom Projects India Ltd

Hold

Quarterly performance weak - long-term outlook intact

Share Data

Market Cap	Rs. 64.0 bn
Price	Rs. 955.65
BSE Sensex	19,162.57
Reuters	ABBP.BO
Bloomberg	ABBAP.IN
Avg. Volume (52 Week)	0.2 mn
52-Week High/Low	Rs. 1,109 / 369
Shares Outstanding	67 mn

Valuation Ratios (Consolidated)

Year to 31 March	2008E	2009E
EPS (Rs.)	17.7	23.2
+/- (%)	6.7%	30.7%
PER (x)	53.9x	41.2x
EV/ Sales (x)	4.0x	3.2x
EV/ EBITDA (x)	37.7x	28.1x

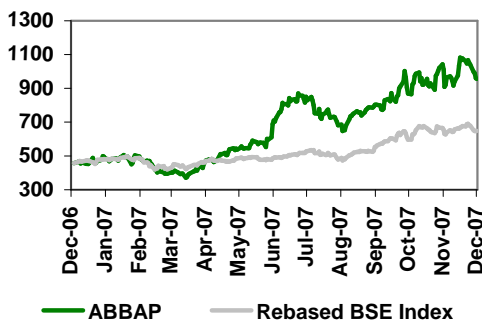
Shareholding Pattern (%)

Promoters	66
FII's	2
Institutions	14
Public & Others	18

Alstom Projects India Limited (APIL) reported subdued results with a 22.7% yoy decline in net profit to Rs. 242 mn and margin by 561 bps on account of an unfavourable operating and non-operating performance. Though net profit declined, net sales surged 48.7% yoy to Rs. 4 bn. EBITDA remained flat in absolute terms while margin compressed by 391 bps due to higher material and erection services costs.

Alstom is moving ahead to capture the growing opportunities available in the Power and Transport business which is evident from its healthy order book position of 2x FY07 revenues. Despite below par operating performance in this quarter, we continue to be optimistic about the Company's order booking and execution capability - considering the healthy balance sheet size and association with the parent company, Alstom SA. We hold a positive outlook on the sector and expect the Company to benefit from the emerging opportunities in the long run. We have revised our EBITDA margin estimate downward by 50 bps to 10.5% for FY08E, to reflect the increase in raw material cost. Currently, Alstom is trading at a P/E of 53.9x for FY08E. We feel that the stock incorporates all the positives and hence, we maintain our Hold rating on the stock.

Relative Performance



Result Highlights

In Q2'08, net sales grew by 48.7% yoy to Rs. 4 bn, driven by a 48% increase in the Power segment revenue and a 64.4% growth in the Transport segment revenue.

Key Figures (Standalone)

Quarterly data	Q2'07	Q1'08	Q2'08	YoY%	QoQ%	H1'07	H2'08	YoY%
Net Sales	2,677	2,413	3,981	48.7%	65.0%	4,914	6,394	30.1%
EBITDA	322	246	323	0.3%	31.3%	412	569	38.1%
Net Profit	313	175	242	(22.7)%	38.3%	429	417	(2.8)%

Margins(%)

EBITDA	12.0%	10.2%	8.1%			8.4%	8.9%
NPM	11.7%	7.3%	6.1%			8.7%	6.5%

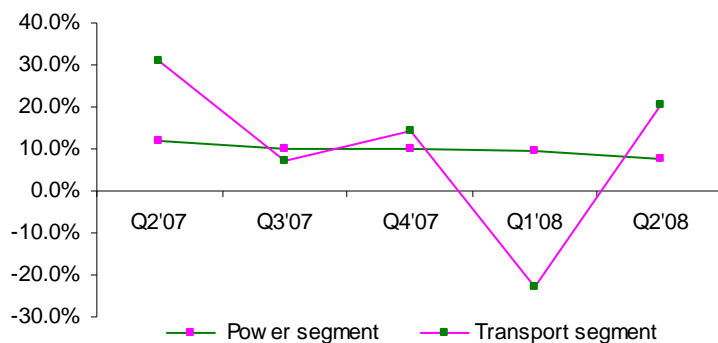
Per Share Data (Rs.)

Adjusted EPS	4.7	2.6	3.6	(22.7)%	38.3%	6.4	6.2	(2.8)%
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Substantial increase in the cost of material and erection services

EBITDA decreased 0.3% yoy to Rs. 323 mn while margin compressed by 391 bps, owing to a substantial rise in material costs by 685 bps. The Company seems to be in the material procurement stage in the first half when overheads are higher as compared to the erection phase when margins tend to push up. Operating margin of the power business, which has been on a declining trend, is bringing down the Company's overall margins.

Operating margin performance



Source: Company data, Indiabulls research

Unimpressive non-operating performance

Net profit declined 22.7% yoy to Rs. 242 mn. Net profit margin for the quarter was down to 6.1% as compared to 11.7% in Q2'07 due to a significant decline in other income (112 bps yoy) and higher effective tax rate (35.5% vis-à-vis 19.1%).

Outlook

Alstom continues to move ahead in the power business, which is evident from the quarterly revenue growth of 48% yoy. Further, its smaller yet faster growing transport business is steadily increasing its contribution to the overall revenues.

Long-term growth story

The order book position continues to be healthy at 2x FY07 revenue which provides good earnings visibility. We continue to be positive about the Company's order booking and execution capability considering the healthy balance sheet size and association with the parent company, Alstom SA.

We have revised our EBITDA margin estimate downward by 50 bps to 10.5% for FY08E to reflect the increase in raw material cost in this quarter. Currently, Alstom is trading at EV/EBITDA of 37.7x for FY08E and 28.1x for FY09E. At a P/E of 53.9x for FY08E, we feel that the stock fully incorporates all the positives and hence, we maintain our Hold rating on the stock.

Key Figures (Consolidated)

Year to March	FY05	FY06	FY07	FY08E	FY09E	CAGR (%)
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(Figures in Rs. mn, except per share data)

(FY07-09E)

Net Sales	8,260	9,456	12,215	15,441	19,345	25.8%
EBITDA	364	452	1,209	1,621	2,176	34.2%
Net Profit	510	479	1,115	1,189	1,555	18.1%

Margins(%)

EBITDA	4.4%	4.8%	9.9%	10.5%	11.3%
NPM	6.2%	5.1%	9.1%	7.7%	8.0%

Per Share Data (Rs.)

Adj EPS	5.4	7.0	16.6	17.7	23.2	18.1%
PER (x)	33.5x	52.5x	57.5x	53.9x	41.2x	

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