EQUITY RESEARCH September 27, 2007

Alstom Projects India Ltd
RESEARCH

RESULTS REVIEW

Share Data

Market Cap	Rs. 52.2 bn
Price	Rs. 779.55
BSE Sensex	17,150.56
Reuters	ABBP.BO
Bloomberg	ABBAP.IN
Avg. Volume (52 Week)	0.2 mn
52-Week High/Low	Rs. 903.6/329.1
Shares Outstanding	67 mn

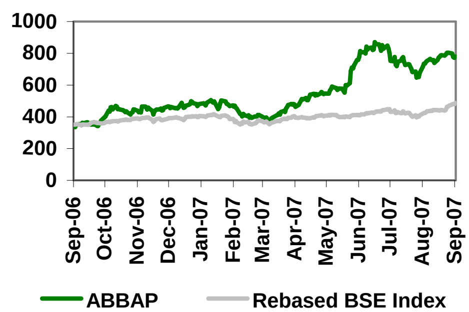
Valuation Ratios

Year to 31 March	2008E	2009E
EPS (Rs.)	18.0	22.5
+/- (%)	8.1%	25.0%
PER (x)	43.3x	34.7x
EV/ Sales (x)	3.2x	2.6x
EV/ EBITDA (x)	29.1x	22.9x

Shareholding Pattern (%)

Promoters	66
FIIs	2
Institutions	14
Public & Others	18

Relative Performance



Alstom Projects India Ltd — Hold

Still long way to go

Alstom Projects India Limited (APIL) reported an increase of 7.9% yoy in top line during Q1FY08. EBITDA grew 173.3% yoy to Rs. 246 mn while net profit increased 50.9% yoy to Rs. 175 mn, the rise was on account of substantial decline in material and erection services cost.

APIL's sizeable order book, growing revenue contribution from the transport segment and leading position in the manufacturing and servicing of hydro power plants, provides good revenue growth prospects for the Company. However, at 43.3x FY08E earnings, the stock seems to be fully valued and we do not foresee any considerable upside in the near term. Therefore, we maintain our Hold rating on the stock.

Result Highlights

APIL's net sales appreciated 7.9% yoy to Rs. 2,413 mn. Revenue increment is aided by the growth from the power sector which grew 8.7% yoy to Rs. 2,406 mn. The growth in the power sector was contained by 7.9% yoy decline in the transport business.

During the quarter, the parent company Alstom SA signed two major contracts worth Rs. 12.6 bn, in which APIL is responsible for execution of about Rs. 5.8 bn. The Company's present order book position amounted to Rs. 30.5 bn, an increase of 23.4% qoq.

Key Figures (Standalone)

Quarterly data	1Q'07	4Q'07	1Q'08	Q-o-Q%	Y-o-Y%
(Figures in Rs. mn, except per share data)					
Net Sales	2,237	4,306	2,413	(44.0)%	7.9%
EBITDA	90	534	246	(53.9)%	173.3%
Net Profit	116	362	175	(51.7)%	50.9%
Margins(%)					
EBITDA	4.0%	12.4%	10.2%		
NPM	5.2%	8.4%	7.3%		
Per Share Data (Rs.)					
Adjusted EPS	1.7	5.4	2.6	(51.7)%	50.9%

Substantial decrease in cost of material and erection services

EBITDA increased 173.3% yoy to Rs. 246 mn. EBITDA margin improved 617bps on the back of substantial decrease in material and erection services cost which was partially offset by higher staff cost. The cost of material and erection services as the percentage of sales declined from 69.9% to 58.4%.

Despite triple digit growth in EBITDA, net profit grew only by 50.9% yoy to Rs. 175 mn on account of remarkable increase in effective tax rate and higher depreciation charges, which were suppressed by higher other income. Net profit margin increased 2.1 pts to 7.3% during the quarter from 5.2% corresponding quarter last year.

Key Events

GSECL's contract helps to boost the order book position

Alstom's first G-26 power plant to be established in India

Alstom, the parent company of APIL, signed a contract worth Rs. 10 bn with Gujarat State Electricity Corporation Ltd (GSECL) in order to construct G-26 based combined cycle power plant in Utran, Gujarat. APIL is responsible for plant engineering, heat recovery steam generator and other equipment supplies amounting to approximately Rs. 5 bn. This contract boosted up the order book position of the Company and provides better earnings visibility.

DMRC's another contract enhances its confidence in the Company's offerings

Extension of Metro line 1 & 2 by the same vendor

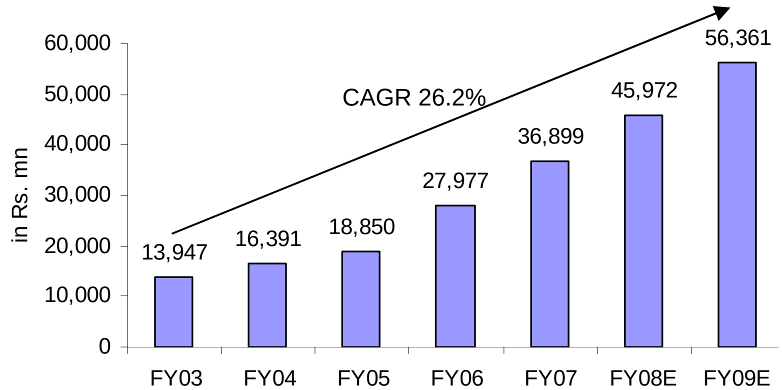
After the completion of DMRC's metro line 1 & 2 project, Alstom has received another contract from the same customer worth Rs. 2,550 mn, where APIL will be responsible for execution of about Rs. 780 mn of work.

Outlook

APIL's current order book stands over Rs. 30 bn and seeing the past growth trends, we expect the Company's order book to grow at

CAGR of 26.2% (FY03-09E). This growth will boost up APIL's revenues in the long run.

Order book status during the year



Sizeable order book and parent company's support appears to reap profits in the long term

Support from the parent company, a sizeable order book, leading position in the manufacturing and servicing of hydro power plants and government initiatives in the power sector, suggests strong earnings prospects for the Company. Driven by the above factors, we expect APIL's revenues to grow at CAGR of 25.3% (FY07-09E) and earnings to grow at a CAGR of 16.3% (FY07-09E) to Rs. 22.5 by FY09E. However, we believe that the stock is fully-valued at the current levels hence we maintain our Hold rating on the stock.

Key risks to our rating are increase in prices of raw materials, projects longer gestation period, their significant execution risk, and competition from other global players with a local presence.

Key Figures

Year to March	FY05	FY06	FY07	FY08E	FY09E	CAGR (%)
(Figures in Rs. mn, except per share data)						(FY07-09E)
Net Sales	8,260	9,456	12,215	15,420	19,164	25.3%
EBITDA	364	452	1,209	1,696	2,156	33.5%
Net Profit	510	479	1,115	1,206	1,507	16.3%
Margins(%)						
EBITDA	4.4%	4.8%	9.9%	11.0%	11.3%	
NPM	6.2%	5.1%	9.1%	7.8%	7.9%	
Per Share Data (Rs.)						
Adj EPS	5.4	7.0	16.6	18.0	22.5	16.3%
PER (x)	33.5x	52.5x	46.9x	43.3x	34.7x	

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