

RESULT UPDATE

MID CAP

Share Data

Reuters code	ALST.BO
Bloomberg code	ATD IN
Market cap. (US\$ mn)	1,612
6M avg. daily turnover (US\$ mn)	5.1
Issued shares (mn)	239
Target price (Rs)	298

Performance (%)	1M	3M	12M
Absolute	(1)	(6)	103
Relative	(1)	(14)	5

Valuation ratios

Yr to 31 Dec.	CY09E	CY10E
EPS (Rs)	8.3	11.9
+/- (%)	(22.4)	44.5
PER (x)	38.1	26.4
Dividend/Yield (%)	1.1	1.1
EV/Sales (x)	2.2	1.8
EV/EBITDA (x)	19.9	14.6

Major shareholders (%)

Promoters	72
FII's	1
MFs/FIs	4
Institutions	7
Public & Others	16

Financial highlights

(Rs mn)	3QCY08	3QCY09	YoY (%)	9MCY08	9MCY09	YoY (%)	CY08	CY09E	YoY (%)	CY10E	YoY (%)
Net Revenues	5,865	7,397	26.1	17,128	23,729	38.5	26,412	35,799	35.5	43,388	21.2
EBITDA	953	636	(33.3)	2,861	2,794	(2.3)	4,251	4,001	(5.9)	5,423	35.5
EBITDA margin (%)	16.3	8.6	-	16.7	11.8	-	16.1	11.2	-	12.5	-
Other Income	2	-	(100.0)	53	-	-	142	-	-	60	-
Interest	93	121	30.4	162	406	151.3	302	581	92.5	500	(13.9)
Depreciation	107	174	61.8	262	369	40.9	340	494	45.2	593	20.0
PBT	755	341	(54.8)	2,491	2,020	(18.9)	3,751	2,926	(22.0)	4,390	50.0
EoI	19	-	-	115	(118)	-	(281)	(118)	-	-	-
Tax	251	117	(53.4)	879	662	(24.7)	1,207	952	(21.1)	1,537	61.4
Reported Profit	523	224	(57.2)	1,728	1,239	(28.3)	2,263	1,856	(18.0)	2,853	53.7
Adjusted Profit	504	224	(55.6)	1,613	1,358	(15.8)	2,544	1,974	(22.4)	2,853	44.5
Adjusted EPS (Rs)	2.1	0.9	(55.6)	6.7	5.7	(15.8)	10.6	8.3	(22.4)	11.9	44.5

Areva T&D India

Downgrade to Underperformer

Price: Rs 315

BSE Index: 16,741

26 October 2009

3QCY09 Result – Margins continue to decline

Highlights

- **Areva T&D India reported dismal set of numbers in 3QCY09. During the quarter, revenue grew by 26% to Rs 7.4 bn, slightly below our expectation.**
- **However, EBITDA margin contracted by 7.7% to 8.6% vis-à-vis our expectation of 13.5%. This decline is primarily attributable to higher project mix (~50% vis-à-vis 30% in 3QCY08), higher staff cost due to fresh recruitments for the new capacity and under utilisation of capacity. Decline in operational performance coupled with higher interest cost and depreciation (on account of significant capacity expansion) resulted in de-growth of 56% in profitability in 3QCY09.**
- **The company reported an order book of Rs 45.4 bn, up ~7% YoY. The company's order intake reported growth of 15% to Rs 10.4 bn YoY and 35% sequentially. Some of the key orders the company booked during 3QCY09 include Rs 1.5 bn PGCIL 765 kV order and Rs 2.85 bn MSETCL order.**

Outlook

With the business momentum improving primarily led by the government projects and the expected industrial revival, we expect the order momentum for Areva T&D India to pick up going forward. This is also reflected in the order inflow growth of 35% in 3QCY09. However, the margins will continue to remain under pressure over the next few quarters due to under utilisation of capacity and increasing competition in the domestic market. To factor in the poor operating performance we have revised our estimates for CY09 to Rs 8.3 (earlier Rs 10.5) and CY10 to Rs 11.9 (earlier Rs 13.2). We are also downgrading our recommendation from Outperformer to Underperformer with a revised target price of Rs 298 based on 25x CY10E earnings.

Income Statement

Yr end 31 Dec (Rs mn)	CY07	CY08	CY09E	CY10E
Net sales	20,063	26,412	35,799	43,388
<i>Growth (%)</i>	24.9	31.6	35.5	21.2
Operating expenses	(16,493)	(22,161)	(31,797)	(37,966)
Operating profit	3,570	4,251	4,001	5,423
EBITDA	3,570	4,251	4,001	5,423
<i>Growth (%)</i>	72.4	19.1	(5.9)	35.5
Depreciation	(231)	(340)	(494)	(593)
Other income	178	142		60
EBIT	3,517	4,053	3,507	4,890
Interest paid	(85)	(302)	(581)	(500)
Pre-tax profit	3,432	3,751	2,926	4,390
(before non-recurring items)				
Non-recurring items	–	(281)	(118)	–
Tax on non-recurring items				
Pre-tax profit	3,432	3,470	2,808	4,390
(after non-recurring items)				
Tax (current + deferred)	(1,269)	(1,207)	(952)	(1,537)
Net profit	2,163	2,263	1,856	2,853
Adjusted net profit	2,163	2,544	1,974	2,853
Net income	2,163	2,263	1,856	2,853
<i>Growth (%)</i>	70.0	17.6	(22.4)	44.5

Balance Sheet

Yr end 31 Dec (Rs mn)	CY07	CY08	CY09E	CY10E
Current assets	14,592	21,601	27,753	32,359
Net fixed assets	2,293	6,470	7,568	7,723
Other non-current assets	331	435	547	547
Total assets	17,216	28,506	35,868	40,629
Current liabilities	10,662	16,516	19,942	23,151
Total Debt	1,012	4,692	7,500	7,000
Other non-current liabilities	49	48	70	70
Total liabilities	11,723	21,256	27,512	30,221
Share capital	478	478	478	478
Reserves & surplus	5,015	6,772	7,878	9,930
Shareholders' funds	5,493	7,250	8,356	10,408
Total equity & liabilities	17,216	28,506	35,868	40,629

Cash Flow Statement

Yr end 31 Dec (Rs mn)	CY07	CY08	CY09E	CY10E
Pre-tax profit	3,432	3,470	2,808	4,390
Depreciation	171	224	586	579
Chg in working capital	(2,006)	(934)	(3,097)	(1,269)
Total tax paid	(1,300)	(1,312)	(1,042)	(1,537)
Other operating activities	(1)	–	–	–
Cash flow from oper. (a)	296	1,449	(745)	2,162
Capital expenditure	(1,330)	(4,402)	(1,683)	(735)
Chg in investments	97	–	0	–
Cash flow from inv. (b) (1,234)	(4,402)	(1,683)	(735)	(735)
Free cash flow (a+b)	(938)	(2,952)	(2,428)	1,427
.Debt raised/(repaid)	979	3,680	2,808	(500)
Dividend (incl. tax)	(336)	(504)	(915)	(915)
Cash flow from fin. (c)	643	3,177	1,892	(1,415)
Net chg in cash (a+b+c)	(295)	224	(536)	12

Key Ratios

Yr end 31 Dec (%)	CY07	CY08	CY09E	CY10E
EPS (Rs)	9.0	10.6	8.3	11.9
EPS growth	70.0	17.6	(22.4)	44.5
EBITDA margin	17.8	16.1	11.2	12.5
EBIT margin	17.5	15.3	9.8	11.3
RoCE	67.3	43.7	25.1	29.3
Net debt/Equity	14.2	58.5	88.8	65.3

Valuations

Yr end 31 Dec (x)	CY07	CY08	CY09E	CY10E
PER	34.8	29.6	38.1	26.4
PCE	31.4	26.1	30.5	21.8
Price/Book	13.7	10.4	9.0	7.2
Yield (%)	0.6	0.6	1.1	1.1
EV/Net sales	4.0	3.0	2.2	1.8
EV/EBITDA	22.3	18.7	19.9	14.6

Du Pont Analysis – ROE

Yr end 31 Dec (x)	CY07	CY08	CY09E	CY10E
Net margin (%)	10.8	9.6	5.5	6.6
Asset turnover	1.4	1.2	1.1	1.1
Leverage factor	3.1	3.6	4.1	4.1
Return on equity (%)	46.4	39.9	25.3	30.4

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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