

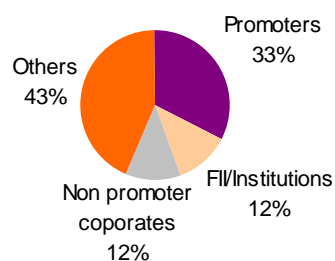
# Alphageo India

**Emerging Star**
**Stock Update**
**Price target revised to Rs480**
**Buy; CMP: Rs385**

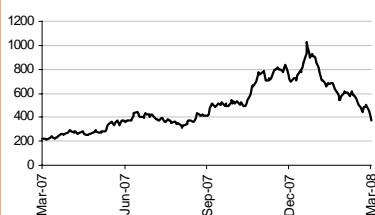
## Company details

Price target:	Rs480
Market cap:	Rs193 cr
52 week high/low:	Rs1,078/208
NSE volume: (No of shares)	7,409
BSE code:	526397
NSE code:	ALPHAGEO
Sharekhan code:	ALPHAGEO
Free float: (No of shares)	0.34 cr

## Shareholding pattern



## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	-32.0	-45.2	-0.5	103.1
Relative to Sensex	-17.2	-29.6	4.9	68.3

## Key points

- ◆ Q3FY2008 results of Alphageo India (Alphageo) have been disappointing due to foreclosure of one of its contracts and delay in the start of new contracts. The revenues during the quarter declined by 18.7% year on year (yoy) to Rs10.7 crore.
- ◆ The company's order backlog at present is Rs65 crore including the two newly-bagged orders worth Rs42 crore during the current quarter. The company also has a strong order pipeline with bids for contracts worth over Rs100 crore.
- ◆ The company is planning to enhance its execution capabilities through organic as well as inorganic route from the proceeds of preferential allotment to its promoters. The company is looking for overseas acquisition to add four-five crew to its team.
- ◆ At the current market price, the stock trades at 15.7x FY2008 and 8.8x FY2009 estimated earnings. We maintain our Buy recommendation on the stock with a revised price target of Rs480 (11x FY2009 earnings).

## Muted Q3FY2008 due to foreclosure of a contract

Q3FY2008 witnessed a muted performance by Alphageo on account of foreclosure of one of its contracts and delay in the start of new contracts. The revenues during the quarter declined by 18.7% yoy to Rs10.7 crore from Rs13.2 crore during the corresponding quarter last year. The contract with OIL India for seismic survey in the North East region was foreclosed due to environmental concerns resulting into a revenue loss of around Rs5 crore. The company also suffered due to delay in the start of two new orders during the quarter.

On account of poor performance last quarter, the company would not be able to meet the estimate targets during FY2008. Consequently, we are downgrading our FY2008 estimates to Rs24.5 per share (Rs33.3 per share) and FY2009 estimates to Rs43.6 per share (Rs53.6 per share).

## Order book at Rs65 crore

Alphageo has bagged two new orders worth Rs42 crore during this quarter. In January 2008, the company got an order worth Rs37 crore from Adani group for 2D and 3D

## Key financials

Particulars	FY2006	FY2007	FY2008E	FY2009E
Net profit (Rs cr)	4.2	7.5	13.5	24.0
Share in issue (cr)	0.5	0.5	0.6	0.6
EPS (Rs)	8.5	15.2	24.5	43.6
% y-o-y growth	29.5	78.3	61.6	78.0
PER (x)	45.3	25.4	15.7	8.8
Book value (Rs)	43.6	57.1	81.1	162.5
P/BV (x)	8.8	6.7	4.7	2.4
EV/Ebidta (x)	19.4	8.5	6.3	3.6
Dividend yield (%)	0.0	0.0	0.0	0.0
RoCE (%)	24.0	28.1	38.2	48.1
RoNW (%)	21.0	30.1	37.0	35.8

survey in two blocks in Assam and Gujarat. The second order worth Rs5 crore is from Canoro Resources for 2D survey. Including these orders, the company's order backlog is Rs65 crore at present, which would be approximately Rs55 crore by the end of FY2008. The 3D survey orders form almost 80% of the current order book.

### **Strong order pipeline**

Though the decline in the order backlog is bit concerning, the company has a strong order pipeline with bids for contracts worth over Rs100 crore. It is expected to finalise some of these orders during the current quarter, which would be very important for revenue growth visibility in FY2009.

### **Stable revenue growth visibility**

Seismic survey has been made mandatory by the government on all the oil blocks awarded through the New Exploration Licensing Policy (NELP). So far only 6% of the 135 oil blocks awarded via NELP round V and round VI have been surveyed . 55 more blocks have now been added for exploration in round VII, the latest round of NELP. This

would provide enough opportunity for the company to register stable revenue growth going forward.

### **Growing through organic as well as inorganic route**

Alphageo at present has two 2D crew and three 3D crew. To this, the company plans to add another crew during the year from the proceeds of the preferential allotment of 5.5 lakh warrants to the promoters at a premium of Rs419.6 per warrant. The company is also looking for overseas acquisition to add four-five crew to its onshore seismic survey team.

### **Valuations**

At the current market price, the stock trades at 15.7x FY2008 and 8.8x FY2009 estimated earnings. We maintain our Buy recommendation on the stock with a revised price target of Rs480 (11x FY2009 earnings).

The author doesn't hold any investment in any of the companies mentioned in the article.