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Alstom Projects India - Hold

Alstom Projects India (APIL) established in 1992 is the Indian arm of the France-based multinational company, Alstom.

Alstom in India has full capabilities in engineering, manufacturing, project management and supply of power generation equipment. It also has a significant presence in the transport sector in India providing railway equipment and technology solutions. Alstom combines local presence and knowledge with global resources to deliver world-class services and solutions that meet each project's needs.

Management

The management of the company is led by Sunand Sharma- Chairman, Emmanuel Colobier-Managing Director. Other directors of the company include Pedro Sole, Dominique Poliquen, K Vasudevan, A K Thiagarajan and Uddesh Kohli.

Business Overview

Alstom in India has full capabilities in engineering, manufacturing, project management and supply of power generation equipment. It also has a significant presence in the transport sector in India providing railway equipment and technology solutions. The company is having a technology facility in Bengaluru, one global technology center in Vadodara, Gujarat and four manufacturing facilities.

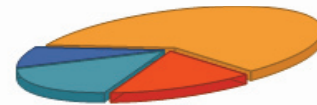
Alstom Projects mainly works under two verticals, viz; power and rail transport. Power segment now include its two sub segments power generation and power service.

Alstom Power offers a comprehensive capability, possessing the broadest range of power generation systems, equipment and services in the industry. It provides a wide range of new energy technologies, for example CFB boiler technology, low emissions firing systems, selective catalytic reduction, flue gas desulphurization and supercritical cycles.

Alstom Power Service is the leading full service provider for the thermal power generation market

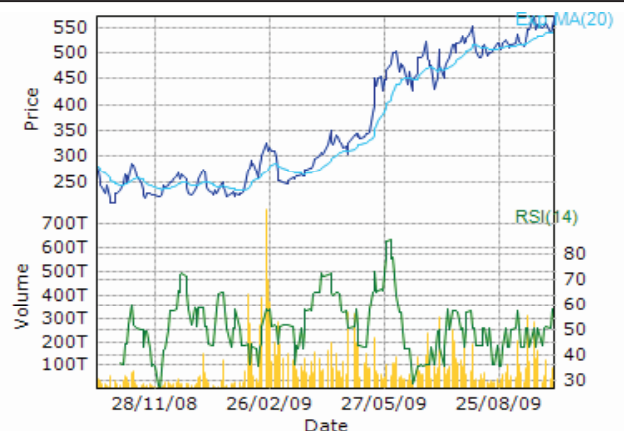
Stock Data		12/10/09
Current Mkt Price (Rs)		560.45
52 Week High		577.30
52 Week Low		191.00
Mkt Cap (Rs. in Million)		37309.01
Return in last one Month (%)		7.99

Share Holding



7.93 Indian Promotor	58.55 Foreign Promotor
15.24 Total Institutions	18.27 Total Non-Institutions

Performance in last one year



Y-o-Y Performance

Particulars	(Rs. in Million)		
	Mar 2009	Mar 2008	Change(%)
Net Sales	22902.79	15470.70	48.04
Other Income	427.51	397.72	7.49
Total Expenditure	20930.69	14496.74	44.38
Operating Profit	2399.60	1371.69	74.94
Interest	1.01	1.35	-25.00
Profits After Tax	1348.92	733.09	84.01
Reserve & Surplus	3.41	2.85	19.64
Reported EPS(Rs)	20.13	10.94	84.00
Core EBITDA Margin (%)	10.35	8.59	20.45



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worldwide, with capabilities covering technologies for gas turbines, steam turbines, generators, boilers and environmental. It provide the most complete range of power generation services and equipment worldwide, from repair, performance improvement, lifetime extension services, on-site field services to full-operation and maintenance solutions.

Alstom rail Transport design, produce and install all infrastructures for the rail network to upgrade safety and performance of existing networks, or as part of new turnkey solutions. It also provide a host of service options in maintenance and renovation for passenger and freight rolling stock, regardless the manufacturer. In India, the company's transport division has a plant in Coimbatore and a software centre in Bengaluru. The Delhi Metro Rail Corporation (DMRC) is among the company's prestigious clients.

Latest result analysis

- Total income of the company during the quarter ended June 30, 2009 increased by 38.32% to Rs 504.18 crore compared to Rs 364.50 crore in the same quarter last year.
- Net sales of the company for the quarter was up by 36.71% to Rs 498.28 crore compared to Rs 364.49 crore.
- Other income reported a decline of 56% to Rs 4.22 crore from Rs 9.59 crore in the corresponding previous quarter.
- Net profit of the company reported a tremendous growth of more than 100% to Rs 36.75 crore compared to Rs 18.32 crore in June 2008, mainly due to the decline in raw material costs.
- Operating Profit Margin of the company stood at 13.37 while the Net Profit Margin was at 7.29, up by more than 300 and 200 basis points respectively.
- Segment wise, Power segment generated revenue of Rs 495.87 crore up by 1300% from Rs 35.42 crore while the Transport segment reported a growth of 606% to Rs 8.83 crore from Rs 1.25 crore

Q-o-Q Performance			
(Rs. in Million)			
Particulars	Jun 2009	Jun 2008	Change(%)
Net Sales	5041.80	3645.00	38.32
Expenditure	4410.00	3395.00	29.90
Other Income	42.20	113.00	-62.65
EBITDA	674.00	363.00	85.67
Interest		0.00	0.00
Net Profit	367.50	183.00	100.82
EBITDA Margin (%)	0.13	0.10	34.23
NPM (%)	0.07	0.05	45.18
EPS	5.47	2.73	100.37

Profit & Loss			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Net Sales	22902.79	15470.70	48.04
Total Income	23330.30	15868.42	47.02
Total Expenditure	20930.69	14496.74	44.38
Operating Profit	2399.60	1371.69	74.94
Profits After Tax	1348.92	733.09	84.01

Balance Sheet			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Share Capital	670.24	670.24	0.00
Reserve & Surplus	3410.66	2850.70	19.64
Total Liabilities	4092.16	3537.84	15.67
Investments	0.04	0.55	-93.47
Current Liabilities	22378.37	15777.93	41.83
Net Current Assets	304.70	1366.42	-77.70
Total Assests	4092.16	3537.84	15.67

Key Ratios		
Particulars	Mar 2009	Mar 2008
Reported EPS (Rs)	20.13	10.94
Core EBITDA Margin (%)	10.35	8.59
EBIT Margin (%)	8.92	7.45
ROA (%)	32.96	20.72
ROE (%)	33.71	21.33
ROCE (%)	50.55	33.62
Price/Book (x)	4.66	11.35
Net Sales Growth (%)	48.04	26.84
EBIT Growth (%)	73.93	-13.32
PAT Growth (%)	84.01	-32.98
Total Debt/Mcap (%)	0.00	0.00



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Industry Scenario

The Indian electrical equipment industry is over Rs 85,000-crore industry, a mix of multinationals, such as Siemens, Alstom and ABB and Indian corporates, such as BHEL, L&T and Crompton, besides a large number of small and medium enterprises.

The sector is since long witnessing a supply-demand gap and the increasing power demand by the country's vibrant economy would lead to a widening gap between the supply and demand if major steps are not taken to rectify the supply side gaps. The Government of India has an ambitious mission of Power for all by 2012. This mission would require the installed generation capacity to be at least 2,00,000 MW by 2012 from the present installed capacity of 1,33,000 MW.

During the XIth Plan period new inter-regional capacities of 20,700 MW at 220kV and above are envisaged to be added. This would increase the total inter-regional transmission capacity of the National Power Grid at 220 kV and above from 16,450 MW of XIth Plan beginning to 37,150 MW by 2011-2012.

The Indian power equipment industry has shown a sign of recovery in the first quarter of the fiscal with transmission lines segment growing at 18.44%, while capacitor segment grew at 12.39%. With a handful of players in the segment there is a wide scope in the segment also the Chinese dominance can only be checked if the domestic companies starts contributing significantly to the sector.

Latest developments

Alstom and its consortium partners in September 2009 have signed a contract to supply the signalling system with the Bangalore Metro Rail Corporation Ltd (BMRCL) for the first two lines of the new Bangalore metro system in India. Both lines will enter into revenue services in September 2012. The total value of the contract stood at 5.63 billion rupees, with Alstom Project's share at Rs 1.87 billion.

Alstom, in consortium with Andritz Hydro GmbH, has been awarded a contract by Dagachhu Hydro Power Corporation Limited (DHPC) to supply key

electromechanical equipment to a new hydropower station in Bhutan. It will be financed with Bhutan's own equity and credit financing supplied by the Asian Development Bank (ADB) and the Oesterreichische Kontrollbank (OeKB).

Recommendation Factors

The company's order book swelled by 6.4 bn in the last quarter and in the present quarter too the company has bagged few major orders of which BMRCL order alone constitute of Rs1.87 bn also the company has bagged an order of DHPC. The company's order book at the year end were at 26.1 bn, so the company is having sufficient orders to work for about two years and we expect the company to get more orders from the power sector as the management too has indicated the same.

The governments thrust on the power sector will be a major boost for the company as the company is likely to derive its major orders from the sector. The company is also going to benefit from its strategic alliance with NTPC and BHEL.

The company is largely relying on the power segment but the transport segment too is likely to add up in the revenue of the company as it has bagged the BMRCL order in a consortium, though it will start generating revenue from 2012, but it is likely to get other orders when newer metro's are announced and as and when the newer tenders come. Also the company is planning to increase the business volume of the segment by supplying various global units with products from its Coimbatore manufacturing unit.

The company's performance has been outstanding in the last quarter and the growth depicts that the company will continue to perform better in the future too though it has to face stiff competition from its strategic partner BHEL along with Chinese manufactures who are quoting 10-15% less than their Indian counterparts and are faster in delivery. The scrip is currently trading at Rs 560 with a P/E multiple of 24.33, we recommend a HOLD and accumulation at lower levels for a long term outlook as the topline of the company is expected to grow at a CAGR of 20% by FY11E. For a medium term outlook we would recommend a target of Rs 615.



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