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24 JUNE 2008

AREVA

CMP : 1230



PROFILE

It manufactures products and systems which caters mainly to the requirements of Power, T & D sector. It is mainly engaged into manufacture of high end transformers, switchgears, circuit breakers, reactors and other electrical equipments. It offers customized and value added solutions to T & D segment and specializes in turnkey engineering projects in electricals.



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DRIVERS FOR GROWTH

1. Continuous order flow and healthy order backlog: Its order backlog as on CY 07 was Rs.27465 mn as against Rs.18771 mn in CY06, registering an increase of 46% (YoY).
2. During H1Cy08 the company has managed to obtain the following prestigious orders:
 - a) Rs. 7560 mn from Kahrama Water & Electricity – Qatar for supply of 66KV GIS (gas insulated substations). Execution to commence in Q1 Cy10.
 - b) Rs.4180 mn from M/s. Essar Constructions (India) Ltd. For electrical balance of plant and equipment for their power projects in Gujarat and MP.
 - c) Rs.1380 mn from NTPC for design, engineer, manufacture and supply of Power Transformer Package for Indira Gandhi Power Thermal project In Jhajjar – Haryana.
 - d) Rs.1080 mn from Power Grid for updation of Bihar Subtransmission systems.
 - e) Rs.1250 mn from UP Rajya Utpadan Nigam Ltd. for supply 400/220KV turnkey switchyard with transformer. This is a landmark contract for the largest generating stations being built in India. The company is well poised and geographically well located at Naini in U.P. to execute this order in a span of 18 – 20 months.
 - f) With three ultra mega power projects in offing the power generation sector is in for a big leap going forward. A sizeable increase in demand is expected in T & D network for transmission and distribution.

Considering the prevailing slowdown in the economy, spiraling rise in commodity prices, rising inflation in the Indian economy and continuous hardening of interest rates due to continuous monetary tightening by RBI, the company has managed exceptionally well in containing its cost structure and maintain its margins. Taking into account its present order flow quality and the company's policy to selectively participate in high margin segment we expect a 42% rise in sales with PBT margins of ~ 14% for Cy 08.



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FINANCIALS

Analysis Q1 CY08 results (YoY)

Profit & Loss A/c.			
Description	31.12.09	31.12.08	31.12.07
Net Sales / Interest Earned / Operating Income	35110.25	28088.2	20063
Other Income	195	170	178
Total Income	35305.25	28258.20	20,241.00
Expenditure	29497.43	23386.53	-16,493.00
Operating Profit	5807.82	4871.67	3,748.00
Interest	158.87	141.291	-85
Profit Before Depreciation and Tax	5648.94	4730.38	3,663.00
Depreciation	330	291	-231
Profit before Tax	5318.94	4439.38	3,432.00
Tax	1848.33	1542.68	-1,269.00
Profit after Tax	3470.61	2896.69	2,163.00
Extraordinary Items	0	0	-
Net Profit	3470.61	2896.69	2,163.00
Equity Capital	478	478	478
Reserves	9,576.30	7,005.69	4,999.00
Basic And Diluted EPS after Extraordinary item	72.61	60.60	45.25
Operating Profit Margin	16.45	17.24	18.68
Net Profit Margin	9.83	10.25	10.78
PE x	16.94	20.30	38.9
P/BV x	5.85	7.86	9.48

Valuation			
Particulars	31.12.09	31.12.08	31.12.07
EBITDA margin %	16.45	17.24	18.68
ROE (%)	39.58	44.70	46.94
EV/SALES (X)	1.72	2.15	4.2
EV/EBITA	10.38	12.38	23.4
P/BV	5.85	7.86	9.48



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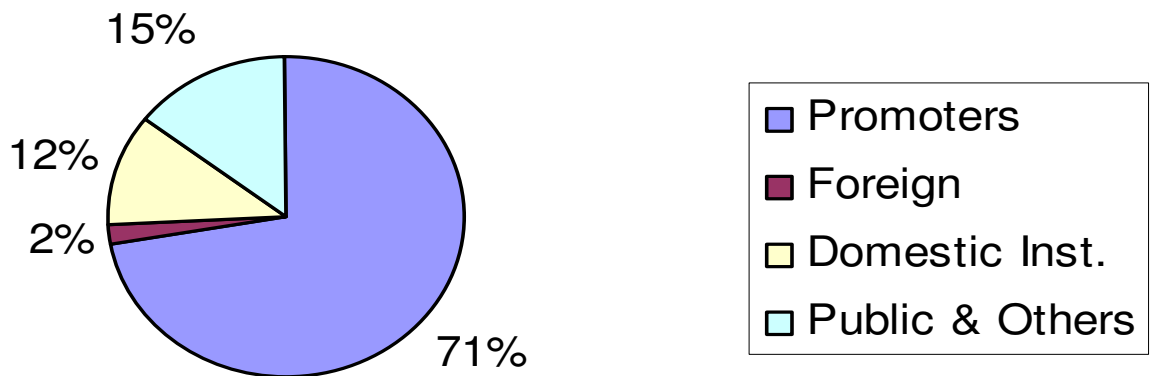
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VALUATIONS

At CMP of RS.1230 the stock is trading at 20.20 x CY09E earnings of RS.60.60.

We maintain a buy rating on stock at CMP with an upside of 35%. Price target Rs1660/-

SHAREHOLDERS PATTERN





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