

## Jyoti Structures Limited

CMP : Rs. 118.5  
Reco. : BUY  
Target : Rs. 161.5

Q1 FY2009  
Result Update

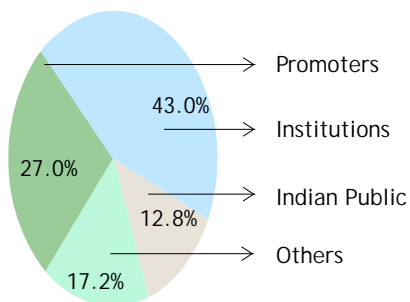
### Stock Data

Bloomberg : JYS.IN  
Reuters : JYTS.BO  
BSE Code : 513250  
NSE Code : JYOTISTRUC  
BSE Group : B

### Stock Codes

Benchmark : BSE 500  
52 Week High : 328.00  
52 Week Low : 103.0  
Mkt Cap : Rs. 932Mn  
Face Value : Rs. 2.0

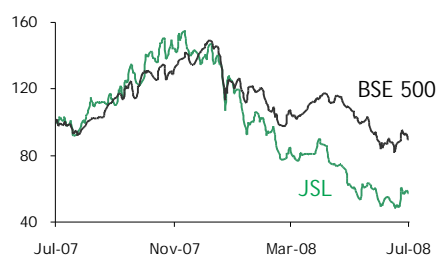
### Shareholding Pattern (as on June 08)



### Stock Returns

	1 Mth	3 Mths	6 Mths
Joyti	11.75	-33.45	-50.84
BSE 500	2.43	-22.41	-25.90

### Price Comparison



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### Clear Earnings Visibility

JSL has decided to shift focus towards the projects business for which it has developed the project execution & management skills. The turnkey assignments in the substation & rural electrification projects would help the company to ramp up the sales in the years to come. For Q1FY09 the topline has increased consistently @35% & going ahead we expect 28% CAGR growth over FY08-FY11E.

### Robust Order Book

Order Book as on 1st July08 stood at Rs. 35.6Bn. 78% of the order book consists of domestic orders & remaining 22% orders include exports & deemed exports orders. Also, 65% of its order book comes from Transmission line projects, 15% from REC and 20% from substation projects. The company witnessed Rs. 5.5Bn of order inflows during Q1FY09.

### India Centric Player: majorly into domestic distribution

JSL is more India centric & should emerge as the leading beneficiary in executing orders, not only from the public sector utilities, but also from the upcoming private T&D utilities. The company enjoys a healthy market share of 17-18% in the transmission lines towers business coupled with a bulging order book.

### Valuations

JSL has been trading at a modest premium to its counterpart KEC International. While KEC is larger & geographically a much diversified player, JSL has demonstrated a higher growth rate in business. At CMP of Rs. 118.5, the scrip is trading at a P/E of 10.7 & 8.1 FY09E & FY10E earnings of Rs. 11.1 & Rs. 14.7 respectively. Considering the growth momentum, we believe that company will continue to command attractive valuations. Also the robust business environment & earnings outlook does provide us enough optimism & comfort to maintain a "BUY" with a price objective of Rs. 161.5/- per share (36% upside), at which the scrip would trade at 11x FY10E earnings.

### Summary Financials

Particulars (Rs. Mn)	FY06	FY07	FY08	FY09E	FY10E	FY11E
Total Revenues	6,978.2	9,708.4	13,704.0	17,997.4	23,494.7	28,838.4
PAT	276.7	550.2	724.1	897.6	1,192.1	1,543.2
EBITDA (%)	11.0%	13.0%	12.7%	11.9%	11.8%	12.0%
EPS (Rs.)	4.0	6.8	8.9	11.1	14.7	19.0
P/E (x)	29.6	17.4	13.3	10.7	8.1	6.2
ROCE (%)	25.5%	27.8%	29.5%	26.0%	27.0%	28.6%
RONW (%)	22.8%	20.1%	21.3%	21.3%	22.5%	23.1%
Debt/Equity (x)	1.3	0.6	0.7	0.9	0.9	0.7

## Growth Momentum Sustained

Jyoti Structures (JSL) has posted a good set of numbers for Q1FY09. The 35% increase in revenues from Rs. 2.96Bn in Q1FY08 to Rs. 4.01Bn in Q1FY09 was mainly attributed to excellent order execution capabilities of the company. Operating Profit for the company was at Rs. 480Mn for the quarter ended Jun'08 as against Rs. 367Mn for the corresponding quarter ended Jun'07. OPM came down marginally to 12% in Q1FY09 as compared to 12.4% in Q1FY08.

For the quarter ended Jun'08 JSL's EBITDA stood at Rs. 484Mn as compared to Rs. 368Mn for the quarter ended Jun'07. Net profit increased by 28% from Rs. 160.3Mn in Jun'07 to Rs. 205.4Mn in Jun'08, taking the PAT margins to 5.1%.

## Operational Performance

As a % of net sales, raw material cost & other expenditure has increased by 637 & 111 basis points to 65.8% & 7.2% respectively in Q1FY09 as against 59.4% & 6.1% respectively in Q1FY08. The management was quite successful in controlling the rise in input cost but a worrying factor was the substantial rise in interest cost by 40% to Rs. 133.7Mn in Jun'08 v/s Rs. 95.4Mn in Jun'07. Tax Rate for JSL was also high @ 38.3% which was on account of an increase in deferred tax to Rs. 4.9Mn in Jun'08 as against Rs. 0.4Mn in Jun'07 & a change in accounting policy.

## Robust Order Book: Info & Analysis

As on July 01, 2008, the company has a total order book backlog of Rs. 35.6Bn, to be executed in the next 18-24 months. About 78% of the orders are domestic, 14% are exports & 8% are deemed exports. Most of the orders are properly funded & JSL has negligible bad debts & will continue to be this way in the coming future also. The order book inflow the quarter ended Jun'08 was Rs. 5.5Bn & the orders executed during the quarter were at Rs. 4.06Bn. We estimate that higher order book will drive the sales growth of the company much more than its other peers in the market.

JSL's segmental order book position as on 01st July, 2008 is reflected below :

Particulars	Rs. Mn	% share
Transmission	23,140.0	65%
Substation	5,340.0	20%
Rural Electrification	7,120.0	15%
TOTAL	35,600.0	100%

## Jyoti Structures : Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(%)	Q108	Y-Y(%)	FY08	FY07	Y-Y(%)
Net Revenues	4,016.3	4,100.6	-2.1%	2,966.5	35.4%	13,704.0	9,708.4	41.2%
Cost of Materials	2,642.6	2,843.3	-7.1%	1,763.0	49.9%	8,937.4	5,882.0	51.9%
Gross Profit	1,373.6	1,257.3	9.2%	1,203.6	14.1%	4,766.6	3,826.4	24.6%
Staff Costs	102.9	93.3	10.3%	75.4	36.4%	347.2	266.5	30.3%
Erecting & Sub-Contracting Expenses	502.4	357.0	40.7%	581.0	-13.5%	1,705.4	1,440.7	18.4%
Other Expenses	288.1	291.6	-1.2%	179.9	60.2%	995.3	865.3	15.0%
Total Expenditure	893.4	741.9	20.4%	836.3	6.8%	3,047.9	2,572.5	18.5%
Operating Profit	480.3	515.5	-6.8%	367.3	30.8%	1,718.7	1,253.9	37.1%
Other Income	3.7	6.3	-41.0%	0.9	327.6%	15.2	8.2	85.3%
EBITDA	484.0	521.8	-7.2%	368.1	31.5%	1,733.9	1,262.1	37.4%
Depreciation	17.2	18.2	-5.1%	16.3	5.6%	67.0	58.2	15.2%
EBIT	466.8	503.6	-7.3%	351.8	32.7%	1,666.9	1,203.9	38.5%
Interest	133.7	157.4	-15.1%	95.4	40.0%	464.3	328.9	41.2%
PBT	333.1	346.2	-3.8%	256.4	29.9%	1,202.6	875.1	37.4%
Tax	127.7	153.6	-16.9%	96.1	32.9%	478.5	324.9	47.3%
PAT	205.4	192.6	6.7%	160.3	28.2%	724.1	550.2	31.6%
Equity Capital	162.4	162.4	0.0%	161.4	0.6%	162.4	161.4	0.6%
EPS	2.5	2.4	6.7%	2.0	27.4%	8.9	6.8	30.8%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(bps)	Q108	Y-Y(bps)	FY08	FY07	Y-Y(bps)
OPM (%)	12.0%	12.6%	(61.2)	12.4%	(42.2)	12.5%	12.9%	(37.4)
EBITDA (%)	12.1%	12.7%	(67.3)	12.4%	(35.9)	12.7%	13.0%	(34.7)
EBIT (%)	11.6%	12.3%	(65.9)	11.9%	(23.8)	12.2%	12.4%	(23.7)
PAT (%)	5.1%	4.7%	41.8	5.4%	(28.9)	5.3%	5.7%	(38.3)
Operational Parameters								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(bps)	Q108	Y-Y(bps)	FY08	FY07	Y-Y(bps)
RM Consumed	65.8%	69.3%	(354.0)	59.4%	637.0	65.2%	60.6%	463.1
Staff Cost	2.6%	2.3%	28.7	2.5%	2.0	2.5%	2.7%	(21.2)
Erecting & Sub-Contracting Expenses	12.5%	8.7%	380.3	19.6%	(707.8)	12.4%	14.8%	(239.5)
Other Expenditure	7.2%	7.1%	6.2	6.1%	111.0	7.3%	8.9%	(165.0)
Effective Tax Rate	38.3%	44.4%	(603.9)	37.5%	85.6	39.8%	37.1%	265.8

**Company Profile**

Jyoti Structures Limited (JSL), incorporated in 1974 has been providing turnkey solutions in the field of High Voltage Power Transmission Lines & Substations for the past 28 years. It has a strong presence in the domestic market enjoying nearly 17-18% market share & has extended its operations to around 33 countries around the world. It undertakes turnkey projects on a global scale, offering a complete range of services from Design, Engineering Consulting, Tower Testing, Manufacturing, Construction and Project Management. Till date it has supplied over 550,000 MT of transmission line towers, structures to various utilities in India & abroad. It has also designed & executed more than 5,000 circuit kms of high voltage transmission lines.

JSL's manufacturing plants are located at Nashik and Raipur. Its current capacity stands at 94,000 MTPA, equally distributed between its two manufacturing facilities. JSL was earlier into the business of refractories, through its ~100% subsidiary Jyoti Refractories Limited. This company has closed operations for the past some time & its spare facilities are now being converted to manufacture transmission towers. 18,000 MT of capacity will get added for JSL at this facility near Nashik by early FY08. JSL also has an in-house Tower Testing station at Igatpuri.

**Our View**

About two-thirds of the transmission line tower project orders are for 400kV lines & around 40% for 765 kV lines. With an excellent management & strong execution capabilities in transmission projects & good association with private utilities, the company will be the largest beneficiary from the Rs. 900Bn business opportunity in the sector.

JSL has been trading at a modest premium to its counterpart KEC International. While KEC is larger & geographically a much diversified player, JSL has demonstrated a higher growth rate in business. At CMP of Rs. 118.5, the scrip is trading at a P/E of 10.7 & 8.1 FY09E & FY10E earnings of Rs. 11.1 & Rs. 14.7 respectively. Considering the growth momentum, we believe that company will continue to command attractive valuations. Also the robust business environment & earnings outlook does provide us enough optimism & comfort to maintain a "BUY" with a price objective of Rs. 161.5/- per share (36% upside), at which the scrip would trade at 11x FY10E earnings.

## Jyoti Structures : Financials

Earnings Statement						
Particulars (Rs. Mn)	FY06	FY07	FY08	FY09E	FY10E	FY11E
Total Revenues	6,978.2	9,708.4	13,704.0	17,997.4	23,494.7	28,838.4
- Growth (%)	58.7%	39.1%	41.2%	31.3%	30.5%	22.7%
Total Expenditure	6,230.3	8,454.5	11,985.3	15,873.7	20,722.4	25,395.1
Operating Profit	747.9	1,253.9	1,718.7	2,123.7	2,772.4	3,443.3
Other Income	20.9	8.2	15.2	10.0	6.6	6.2
EBITDA	768.8	1,262.1	1,733.9	2,133.7	2,779.0	3,449.5
Depreciation	48.3	58.2	67.0	100.6	120.7	128.4
EBIT	720.4	1,203.9	1,666.9	2,033.1	2,658.3	3,321.1
Interest	258.4	328.9	464.3	378.2	478.0	514.7
PBT	462.0	875.1	1,202.6	1,654.9	2,180.3	2,806.4
Tax	185.3	324.9	478.5	619.2	804.8	1,025.6
PAT Before MI	276.7	550.2	724.1	1,035.7	1,375.5	1,780.7
Minority Interest	0.0	0.0	0.0	138.1	183.4	237.5
PAT Before EI	276.7	550.2	724.1	897.6	1,192.1	1,543.2
- Growth (%)	140.0%	98.8%	31.6%	24.0%	32.8%	29.5%
Extra-ordinary Items	0.0	0.0	0.0	0.0	0.0	0.0
Reported PAT	276.7	550.2	724.1	897.6	1,192.1	1,543.2
Ratio Analysis						
Particulars	FY06	FY07	FY08	FY09E	FY10E	FY11E
OPM (%)	10.7%	12.9%	12.5%	11.8%	11.8%	11.9%
EBITDA (%)	11.0%	13.0%	12.7%	11.9%	11.8%	12.0%
PBIT (%)	10.3%	12.4%	12.2%	11.3%	11.3%	11.5%
PAT (%)	4.0%	5.7%	5.3%	5.0%	5.1%	5.4%
Interest Cover (x)	2.8	3.7	3.6	5.4	5.6	6.5
EPS (Rs.)	4.0	6.8	8.9	11.1	14.7	19.0
P/E (x)	29.6	17.4	13.3	10.7	8.1	6.2
P/BV (x)	6.7	3.5	2.8	2.3	1.8	1.4
BVPS (Rs.)	17.6	33.9	41.8	51.8	65.1	82.5
Market Cap (Rs. Mn.)	1,637.8	9,562.4	9,620.4	9,620.4	9,620.4	9,620.4
M Cap/Sales (x)	0.2	1.0	0.7	0.5	0.4	0.3
Order Book/Sales (x)	1.8	2.0	2.2	2.2	2.1	2.1
EV (Rs. Mn.)	3,043.2	10,879.9	11,572.2	12,976.0	13,932.7	14,276.0
EV/EBITDA (x)	4.0	8.6	6.7	6.1	5.0	4.1
EV/Sales (x)	0.4	1.1	0.8	0.7	0.6	0.5
ROCE (%)	25.5%	27.8%	29.5%	26.0%	27.0%	28.6%
RONW (%)	22.8%	20.1%	21.3%	21.3%	22.5%	23.1%
Debt/Equity Ratio (x)	1.3	0.6	0.7	0.9	0.9	0.7
Inventory T/o Days	63.5	28.7	20.9	25.0	25.0	25.0
Debtors T/o Days	130.1	136.7	132.9	135.0	135.0	135.0
Advances T/o Days	27.0	40.0	30.6	35.0	35.0	35.0
Creditors T/o Days	133.8	98.0	76.6	80.0	80.0	80.0
Working Cap T/o Days	114.6	137.5	131.4	136.3	136.6	136.7
Fixed Assets T/o (Gross)	8.2	10.4	13.0	10.7	12.1	13.9
DPS (Rs.)	0.4	0.6	0.8	1.0	1.2	1.5
Dividend Payout (%)	11.1%	8.8%	9.0%	9.0%	8.2%	7.9%
Dividend Yield (%)	0.4%	0.5%	0.7%	0.8%	1.0%	1.3%

## Jyoti Structures : Financials

Balance Sheet						
Particulars (Rs. Mn)	FY06	FY07	FY08	FY09E	FY10E	FY11E
Equity Capital	138.2	161.4	162.4	162.4	162.4	162.4
Reserves	1,063.2	2,596.7	3,249.8	4,052.4	5,130.6	6,531.3
Share Warrants Issue	14.7	0.0	0.0	0.0	0.0	0.0
Shareholders Funds	1,216.1	2,758.1	3,412.2	4,214.8	5,292.9	6,693.7
Minority Interest	0.0	0.0	0.0	138.1	321.5	559.0
Borrowed Funds	1,609.3	1,595.0	2,248.9	3,602.2	4,552.2	4,902.2
Deferred Tax Liability	77.7	76.8	80.7	90.7	100.7	110.7
<b>Total Liabilities</b>	<b>2,903.1</b>	<b>4,429.9</b>	<b>5,741.8</b>	<b>8,045.9</b>	<b>10,267.4</b>	<b>12,265.6</b>
Fixed Assets	546.2	563.4	630.0	1,155.9	1,310.2	1,306.7
Investments	165.7	185.1	159.7	159.7	159.7	159.7
Current Assets						
Inventory	1,213.4	763.5	785.4	1,232.7	1,609.2	1,975.2
Sundry Debtors	2,487.1	3,635.0	4,988.2	6,656.6	8,689.8	10,666.2
Loans & Advances	516.8	1,064.8	1,147.5	1,725.8	2,252.9	2,765.3
Cash & Bank Balance	38.2	92.4	137.4	86.8	80.2	86.9
Other Current Assets	633.3	905.2	1,183.9	1,479.2	1,931.1	2,370.3
Current Liabilities						
Sundry Creditors	2,557.6	2,607.1	2,876.8	3,944.6	5,149.5	6,320.7
Provisions	141.2	196.1	430.6	516.7	620.0	744.0
<b>Net Current Assets</b>	<b>2,190.1</b>	<b>3,657.6</b>	<b>4,935.0</b>	<b>6,719.8</b>	<b>8,793.7</b>	<b>10,799.2</b>
Miscellaneous Expenditure	1.1	23.9	17.2	10.5	3.7	0.0
<b>Total Assets</b>	<b>2,903.1</b>	<b>4,429.9</b>	<b>5,741.8</b>	<b>8,045.9</b>	<b>10,267.4</b>	<b>12,265.6</b>
			0.0	0.0	0.0	0.0
Cash Flow						
Particulars (Rs. Mn)	FY06	FY07	FY08	FY09E	FY10E	FY11E
Opening Cash & Bank	171.4	38.2	92.4	137.4	86.8	80.2
Profit after Tax	276.7	550.2	724.1	897.6	1,192.1	1,543.2
Less: Investment Income	(20.9)	(8.2)	(15.2)	(10.0)	(6.6)	(6.2)
Interest Paid	258.4	328.9	464.3	378.2	478.0	514.7
Miscellaneous Exp W/Off	1.1	(22.8)	6.7	6.7	6.7	3.7
Depreciation	48.3	58.2	67.0	100.6	120.7	128.4
Deferred Taxation	8.9	(0.9)	3.9	10.0	10.0	10.0
Others	(16.5)	(5.7)	(1.7)	0.0	0.0	0.0
Change in Working Cap	(721.2)	(1,413.3)	(1,232.4)	(1,835.4)	(2,080.5)	(1,998.8)
<b>CF - Operating Activities</b>	<b>(165.2)</b>	<b>(513.6)</b>	<b>16.7</b>	<b>(452.2)</b>	<b>(279.7)</b>	<b>195.1</b>
Change in Fixed Assets	(137.0)	(69.6)	(131.8)	(626.5)	(275.0)	(125.0)
Change in Investments	(78.6)	(19.4)	25.4	0.0	0.0	0.0
Investment Income	20.9	8.2	15.2	10.0	6.6	6.2
<b>CF - Investing Activities</b>	<b>(194.7)</b>	<b>(80.8)</b>	<b>(91.3)</b>	<b>(616.5)</b>	<b>(268.4)</b>	<b>(118.8)</b>
Increase in Equity	15.6	1,063.2	5.9	0.0	0.0	(0.0)
Share Warrants Issue	14.7	(14.7)	0.0	0.0	0.0	0.0
Changes in Borrowings	489.9	(14.3)	654.0	1,353.3	950.0	350.0
Interest Paid	(258.4)	(328.9)	(464.3)	(378.2)	(478.0)	(514.7)
Minority Interest	0.0	0.0	0.0	138.1	183.4	237.5
Dividend Paid	(35.1)	(56.7)	(76.0)	(95.0)	(114.0)	(142.5)
<b>CF - Financing Activities</b>	<b>226.7</b>	<b>648.6</b>	<b>119.6</b>	<b>1,018.2</b>	<b>541.5</b>	<b>(69.7)</b>
<b>Net Change in Cash</b>	<b>(133.2)</b>	<b>54.2</b>	<b>45.0</b>	<b>(50.5)</b>	<b>(6.6)</b>	<b>6.6</b>
Closing Cash & Bank Bal	38.2	92.4	137.4	86.8	80.2	86.9

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