

## Jyoti Structures

### Performance Highlights

Jyoti Structures reported a moderate 4QFY2010 performance, with a 20.3% yoy growth in its bottom-line to Rs25cr, which was slightly below our estimates. The operating margins of the company, however, surprised positively, with a wider-than-expected 235bp expansion at 12.8%. Currently, the stock trades at 10.3x FY2011E EPS and at 8.4x FY2012E EPS. **We maintain our Buy recommendation on the stock.**

**Operating margins expand:** Jyoti Structures posted a moderate top-line growth of 16.1% yoy to Rs546cr (Rs470cr) for 4QFY2010, primarily driven by the steady execution of its outstanding order book. For FY2010, the company's top-line grew by 16.8% yoy to Rs2,006cr (Rs1,717cr).

On the operating front, however, the company surprised positively, with a wider-than-expected expansion in the EBITDA margin, by 235bp to 12.8% (10.4%). This was primarily driven by lower raw material costs (including erection and sub-contracting expenses), which reduced by a substantial 244bp to 73.2% (75.6%) of net sales. For the full year FY2010, the company broadly maintained its operating margins at 11.3% (11.4%).

However, higher depreciation, coupled with a higher effective tax rate, resulted in a moderate 20.3% yoy growth in the net profit to Rs25cr (Rs21cr) for the quarter. For the full year FY2010, the net profit grew by 15.3% yoy to Rs92cr (Rs80cr).

### Outlook and Valuation

Jyoti Structures is among the top three players in the Transmission Engineering Procurement Construction (EPC) space in India. We believe that the company will continue to ride high on the back of the massive investments lined-up in the Transmission sector of the country. At the current price, the stock is quoting at 10.3x and at 8.4x its FY2011E and FY2012E EPS, respectively, which we believe is attractive. We maintain our Buy recommendation on the stock, with a Target Price of Rs215.

## BUY

CMP	Rs139
Target Price	Rs215

Investment Period	12 Months
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### Stock Info

Sector	Capital Goods
Market Cap (Rs cr)	1139
Beta	0.9
52 WK High / Low	197/115
Avg. Daily Volume	127069
Face Value (Rs)	2
BSE Sensex	16,070
Nifty	4,944
Reuters Code	JYTS.BO
Bloomberg Code	JYS@IN

### Shareholding Pattern (%)

Promoters	26.8
MF/Banks/Indian FIs	40.6
FII/NRIs/OCBs	19.7
Indian Public	12.9

Abs. (%)	3m	1yr	3yr
Sensex	1.3	18.6	15.8
JSL	(10.2)	10.6	(25.6)

### Key Financials

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
<b>Net Sales</b>	<b>1,717</b>	<b>2,006</b>	<b>2,447</b>	<b>2,851</b>
% chg	25.3	16.8	22.0	16.5
<b>Adj Net Profit</b>	<b>80</b>	<b>92</b>	<b>111</b>	<b>135</b>
% chg	10.1	15.3	20.3	22.4
EBITDA (%)	11.4	11.3	11.0	11.0
<b>EPS (Rs)</b>	<b>9.7</b>	<b>11.2</b>	<b>13.5</b>	<b>16.5</b>
P/E (x)	14.3	12.4	10.3	8.4
P/BV (x)	2.7	2.3	1.9	1.6
RoE (%)	21.1	20.1	20.2	20.6
RoCE (%)	19.6	18.5	18.8	19.3
EV/Sales (x)	0.8	0.7	0.6	0.5
EV/EBITDA (x)	7.2	6.5	5.5	4.7

Source: Company, Angel Research

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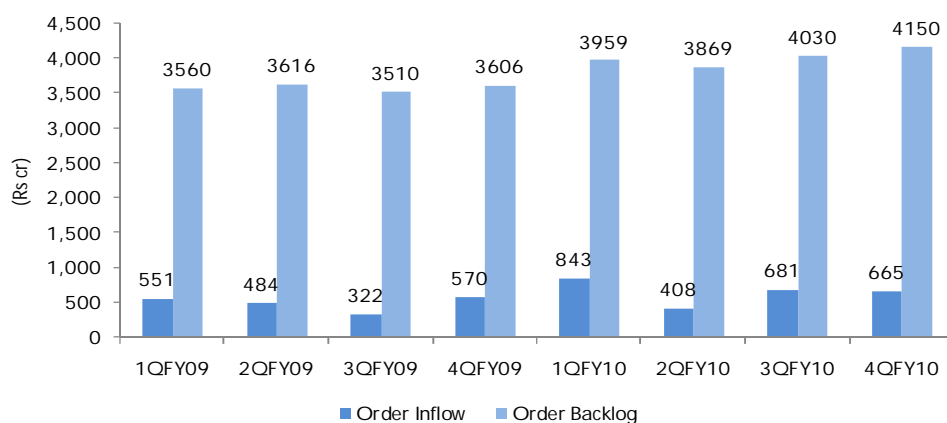
**Exhibit 1: 4QFY2010 Performance**

Y/E March (Rs cr)	4QFY10	4QFY09	% chg	FY10	FY09	% chg
<b>Net Sales</b>	<b>545.6</b>	<b>469.9</b>	<b>16.1</b>	<b>2,006.0</b>	<b>1,717.1</b>	<b>16.8</b>
Raw Material	311.2	271.5	14.6	1,234.2	1,101.9	12.0
(% of Net Sales)	57.0	57.8		61.5	64.2	
Erection & Sub contracting	88.0	83.8	5.0	303.7	220.1	38.0
(% of Net Sales)	16.1	17.8		15.1	12.8	
Employee Cost	16.4	11.5	42.2	59.9	43.5	37.7
(% of Net Sales)	3.0	2.5		3.0	2.5	
Other Expenses	60.3	54.1	11.5	180.9	155.6	16.2
(% of Net Sales)	11.1	11.5		9.0	9.1	
<b>Total Expenditure</b>	<b>475.9</b>	<b>420.9</b>	<b>13.1</b>	<b>1,778.8</b>	<b>1,521.1</b>	<b>16.9</b>
<b>EBITDA</b>	<b>69.7</b>	<b>49.0</b>	<b>42.3</b>	<b>227.3</b>	<b>195.9</b>	<b>16.0</b>
EBITDA (%)	12.8	10.4		11.3	11.4	
Interest	24.9	19.0	30.9	78.6	68.3	15.2
Depreciation	6.2	2.9	115.5	16.9	8.6	95.6
Other Income	2.0	3.8	(45.6)	12.6	7.3	71.7
<b>Profit before Tax</b>	<b>40.7</b>	<b>30.9</b>	<b>31.8</b>	<b>144.4</b>	<b>126.4</b>	<b>14.2</b>
(% of Net Sales)	7.5	6.6		7.2	7.4	
Total Tax	15.4	9.8	56.4	52.4	46.6	12.5
(% of PBT)	37.8	31.9		36.3	36.9	
<b>Reported PAT</b>	<b>25.3</b>	<b>21.0</b>	<b>20.3</b>	<b>91.9</b>	<b>79.7</b>	<b>15.3</b>
(% of Net Sales)	4.6	4.5		4.6	4.6	

Source: Company, Angel Research

**Order Book**

The order backlog came in at Rs4,150cr, up 15.1% yoy. Transmission, sub-station and rural electrification segments constitute 70%, 10% and 20% of the backlog, respectively. On a geographical basis, the international orders constituted only around 10% of the order book, while the rest was accounted for by domestic orders. The order inflows for the quarter grew by 16.7% yoy to Rs665cr (Rs570cr).

**Exhibit 2: Order Book Trend**


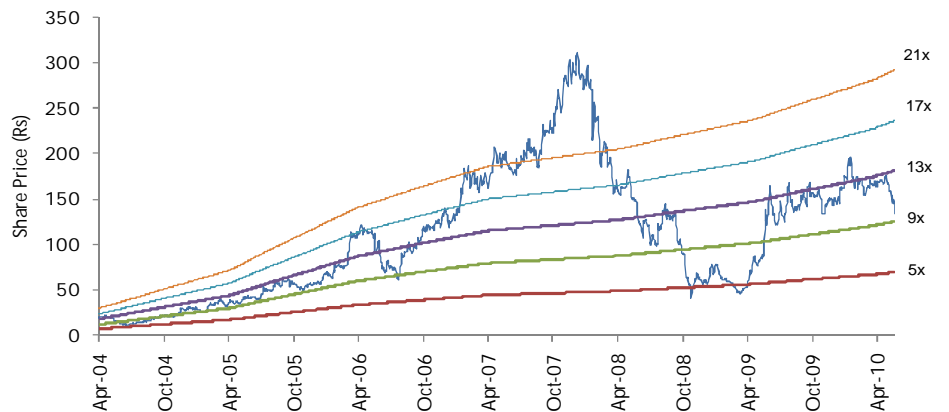
Source: Company, Angel Research

## Outlook and Valuation

Jyoti Structures is among the top three players in the Transmission Engineering Procurement Construction (EPC) space in India. We believe that the company will continue to ride high on the back of the massive investments lined up in the Transmission Sector of the country. Besides, the company's large domestic presence helps to insulate its margins from raw material price fluctuations and volatile currency movements.

At the current price, the stock is quoting at 10.3x and at 8.4x its FY2011E and FY2012E EPS, respectively, well below its average P/E of 13-13.5x in the past five years. **Going ahead, we expect the stock to outperform and maintain our Buy recommendation on the stock, with a 12-month Target Price of Rs215.**

### Exhibit 3: 12-month Forward Rolling P/E Band



Source: C-line, Angel Research

<b>Profit &amp; Loss Statement</b>							<b>(Rs cr)</b>
<b>Y/E March</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010E</b>	<b>FY2011E</b>	<b>FY2012E</b>	
Net Sales	971	1,370	1,717	2,006	2,447	2,851	
Other operating income	-	-	-	-	-	-	
<b>Total operating income</b>	<b>971</b>	<b>1,370</b>	<b>1,717</b>	<b>2,006</b>	<b>2,447</b>	<b>2,851</b>	
% chg	39.1	41.2	25.3	16.8	22.0	16.5	
Total Expenditure	845	1,199	1,521	1,779	2,177	2,537	
Net Raw Materials	588	894	1,102	1,234	1,518	1,776	
Other Mfg costs	231	270	376	485	589	681	
Personnel	27	35	44	60	71	80	
Other	-	-	-	-	-	-	
<b>EBITDA</b>	<b>125</b>	<b>172</b>	<b>196</b>	<b>227</b>	<b>270</b>	<b>314</b>	
% chg	67.7	37.1	14.0	16.0	18.7	16.5	
(% of Net Sales)	12.9	12.5	11.4	11.3	11.0	11.0	
Depreciation & Amortisation	5.8	6.7	8.6	16.9	20.9	23.5	
<b>EBIT</b>	<b>120</b>	<b>165</b>	<b>187</b>	<b>210</b>	<b>249</b>	<b>291</b>	
% chg	70.9	38.1	13.4	12.3	18.3	16.9	
(% of Net Sales)	12.3	12.1	10.9	10.5	10.2	10.2	
Interest & other Charges	33	46	68	79	91	95	
Other Income	1	2	7	13	13	14	
(% of PBT)	0.9	1.3	5.8	8.7	7.9	6.8	
Others	-	-	-	-	-	-	
<b>Recurring PBT</b>	<b>88</b>	<b>120</b>	<b>126</b>	<b>144</b>	<b>171</b>	<b>210</b>	
% chg	89.4	37.4	5.1	14.2	18.8	22.4	
Extraordinary Expense/(Inc.)	0.5	4.6	-	-	-	-	
<b>PBT (reported)</b>	<b>87</b>	<b>116</b>	<b>126</b>	<b>144</b>	<b>171</b>	<b>210</b>	
Tax	32.5	47.8	46.6	52.4	60.9	74.5	
(% of PBT)	37.3	41.3	36.9	36.3	35.5	35.5	
<b>PAT (reported)</b>	<b>55</b>	<b>68</b>	<b>80</b>	<b>92</b>	<b>111</b>	<b>135</b>	
Add: Share of earnings of associate	-	-	-	-	-	-	
Less: Minority interest (MI)	-	-	-	-	-	-	
Prior period items	-	-	-	-	-	-	
<b>PAT after MI (reported)</b>	<b>55</b>	<b>68</b>	<b>80</b>	<b>92</b>	<b>111</b>	<b>135</b>	
<b>ADJ. PAT</b>	<b>55</b>	<b>72</b>	<b>80</b>	<b>92</b>	<b>111</b>	<b>135</b>	
% chg	98.8	31.6	10.1	15.3	20.3	22.4	
(% of Net Sales)	5.7	5.3	4.6	4.6	4.5	4.7	
<b>Basic EPS (Rs)</b>	<b>6.8</b>	<b>8.9</b>	<b>9.8</b>	<b>11.2</b>	<b>13.5</b>	<b>16.5</b>	
<b>Fully Diluted EPS (Rs)</b>	<b>6.7</b>	<b>8.8</b>	<b>9.7</b>	<b>11.2</b>	<b>13.5</b>	<b>16.5</b>	
% chg	98.8	31.6	10.1	15.3	20.3	22.4	

<b>Balance Sheet</b>							<b>(Rs cr)</b>
<b>Y/E March</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010E</b>	<b>FY2011E</b>	<b>FY2012E</b>	
<b>SOURCES OF FUNDS</b>							
Equity Share Capital	16	16	16	16	16	16	
Preference Capital	-	-	-	-	-	-	
Reserves & Surplus	260	325	400	483	582	703	
<b>Shareholders Funds</b>	<b>276</b>	<b>341</b>	<b>417</b>	<b>499</b>	<b>598</b>	<b>719</b>	
Minority Interest	-	-	-	-	-	-	
Total Loans	159	225	304	369	389	389	
Deferred Tax Liability	8	8	8	8	8	8	
<b>Total Liabilities</b>	<b>443</b>	<b>574</b>	<b>729</b>	<b>876</b>	<b>995</b>	<b>1,116</b>	
<b>APPLICATION OF FUNDS</b>							
Gross Block	94	106	169	231	262	292	
Less: Acc. Depreciation	37	44	52	69	90	114	
<b>Net Block</b>	<b>56</b>	<b>62</b>	<b>117</b>	<b>162</b>	<b>172</b>	<b>178</b>	
Capital Work-in-Progress	0	1	4	2	1	1	
Goodwill	-	-	-	-	-	-	
<b>Investments</b>	<b>19</b>	<b>16</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	
Current Assets	646	824	1,101	1,156	1,478	1,569	
Cash	9	14	30	41	52	49	
Loans & Advances	106	115	178	201	245	285	
Other	91	118	93	110	135	157	
Current liabilities	280	331	517	469	680	657	
<b>Net Current Assets</b>	<b>366</b>	<b>493</b>	<b>583</b>	<b>688</b>	<b>798</b>	<b>912</b>	
Mis. Exp. not written off	2	2	1	1	1	1	
<b>Total Assets</b>	<b>443</b>	<b>574</b>	<b>729</b>	<b>876</b>	<b>995</b>	<b>1,116</b>	

<b>Cash Flow Statement</b>							<b>(Rs cr)</b>
<b>Y/E March</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010E</b>	<b>FY2011E</b>	<b>FY2012E</b>	
Profit before tax	87	116	126	144	171	210	
Depreciation	6	7	9	17	21	24	
(Inc)/Dec in Working Capital	(141)	(123)	(74)	(93)	(99)	(118)	
Less: Other income	1	2	7	13	13	14	
Direct taxes paid	33	47	46	52	61	75	
<b>Cash Flow from Operations</b>	<b>(82)</b>	<b>(50)</b>	<b>7</b>	<b>3</b>	<b>19</b>	<b>27</b>	
(Inc.)/Dec.in Fixed Assets	(7)	(13)	(66)	(60)	(30)	(30)	
(Inc.)/Dec. in Investments	(2)	3	(7)	-	-	-	
Other income	1	2	7	13	13	14	
<b>Cash Flow from Investing</b>	<b>(8)</b>	<b>(9)</b>	<b>(66)</b>	<b>(47)</b>	<b>(17)</b>	<b>(16)</b>	
Issue of Equity	105	4	4	0	-	-	
Inc./(Dec.) in loans	(1)	65	79	65	20	-	
Dividend Paid (Incl. Tax)	6	8	9	10	12	14	
Others	(2)	2	1	(0)	-	-	
<b>Cash Flow from Financing</b>	<b>98</b>	<b>61</b>	<b>74</b>	<b>55</b>	<b>8</b>	<b>(14)</b>	
Inc./(Dec.) in Cash	5	5	16	11	11	(3)	
<b>Opening Cash balances</b>	<b>4</b>	<b>9</b>	<b>14</b>	<b>30</b>	<b>41</b>	<b>52</b>	
<b>Closing Cash balances</b>	<b>9</b>	<b>14</b>	<b>30</b>	<b>41</b>	<b>52</b>	<b>49</b>	

**Key Ratios**

Y/E March	FY2007	FY2008	FY2009	FY2010E	FY2011E	FY2012E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	20.7	15.7	14.3	12.4	10.3	8.4
P/CEPS	18.7	14.4	12.9	10.5	8.7	7.2
P/BV	4.2	3.4	2.7	2.3	1.9	1.6
Dividend yield (%)	0.4	0.6	0.6	0.7	0.9	1.1
EV/Sales	1.3	1.0	0.8	0.7	0.6	0.5
EV/EBITDA	10.3	7.9	7.2	6.5	5.5	4.7
EV/Total Assets	2.9	2.4	1.9	1.7	1.5	1.3
<b>Per Share Data (Rs)</b>						
EPS (Basic)	6.8	8.9	9.8	11.2	13.5	16.5
EPS (fully diluted)	6.7	8.8	9.7	11.2	13.5	16.5
Cash EPS	7.4	9.6	10.8	13.3	16.0	19.4
DPS	0.6	0.8	0.9	1.0	1.2	1.5
Book Value	33.3	41.4	50.7	60.7	72.8	87.6
<b>Dupont Analysis</b>						
EBIT margin (%)	12.3	12.1	10.9	10.5	10.2	10.2
Tax retention ratio	0.6	0.6	0.6	0.6	0.6	0.6
Asset turnover (x)	2.7	2.8	2.7	2.6	2.8	2.8
ROIC (Post-tax) (%)	20.9	19.5	18.8	17.5	18.1	18.7
Cost of Debt (Post Tax) (%)	12.9	14.2	16.3	14.9	15.5	15.8
Leverage (x)	0.5	0.6	0.7	0.7	0.6	0.5
Operating RoE (%)	25.3	22.8	20.4	19.2	19.5	20.0
<b>Returns (%)</b>						
RoCE (Pre-tax)	32.6	32.5	28.8	26.2	26.6	27.6
Angel RoIC (Pre-tax)	33.4	33.3	29.9	27.6	28.1	29.0
RoE	27.9	23.6	21.1	20.1	20.2	20.6
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	10.8	13.8	12.5	10.0	9.9	10.3
Inventory / Sales (days)	37	21	24	26	23	22
Receivables (days)	115	115	123	120	115	114
Payables (days)	68	56	64	62	60	60
Working capital cycle (ex-cash) (days)	134	128	118	118	111	111
<b>Solvency ratios (x)</b>						
Net debt to equity	0.5	0.6	0.7	0.7	0.6	0.5
Net debt to EBITDA	1.2	1.2	1.4	1.4	1.2	1.1
Interest Coverage (EBIT / Interest)	3.6	3.6	2.7	2.7	2.7	3.1

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Disclosure of Interest Statement	Jyoti Structures
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any exposure below Rs 1 lakh for Angel and its Group companies.

Ratings (Returns) :	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
	Reduce (-5% to -15%)	Sell (< -15%)	

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