

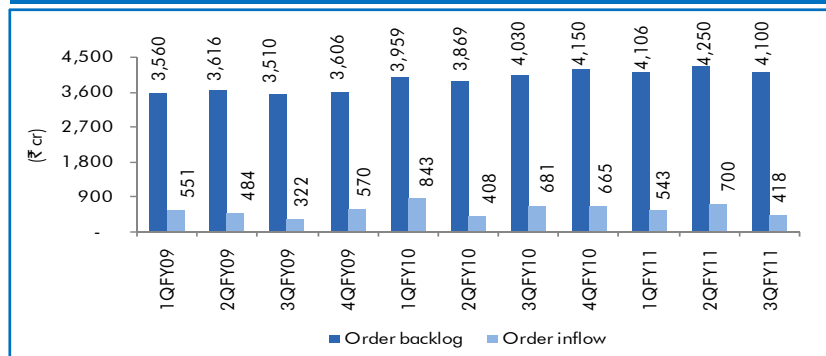
# Jyoti Structures

CMP/TP: ₹86/150; Buying Range: ₹85–89

□ **Robust order book:** Jyoti Structures (JSL) has a robust order book of ₹4,100cr (1.7x FY2011E sales), which provides good revenue visibility and cushions the company from short-term order fluctuations. Order backlog at the end of 3QFY011 is spread across the transmission (80%), rural electrification (15%) and substation (5%) segments. PGCIL's orders constituted ~26% of the order backlog, while the private sector and various state utilities accounted for 16% and 58%, respectively. When compared to other EPC companies such as KEC International and Kalpataru Power Transmission, which have substantial exposure to international projects, JSL's order backlog is largely skewed in favour of the fixed price domestic markets and is, therefore, insulated from the vagaries of fluctuating commodity prices.

- **Huge opportunity for transmission EPC players:** The government has envisaged an investment of ₹240,000cr in the transmission segment under the Twelfth Five-Year Plan, an increase of over 70% from the investments planned during the Eleventh Plan. As per our estimates, this has opened a substantial potential opportunity for transmission EPC players such as JSL.
- **Business outlook:** In terms of order flow visibility, management informs that PGCIL is likely to invite bids worth ₹1,000cr during 4QFY2011 in addition to ₹2,000cr of technical bids that are expected to be opened during the same period. Private sector BOOT projects from Reliance Infra (valued at ₹2,000cr–2,200cr) and Sterlite Technologies (valued at ₹1,300cr–1,400cr) are likely to be awarded in the near future.

## Order book



Source: Company, Angel Research

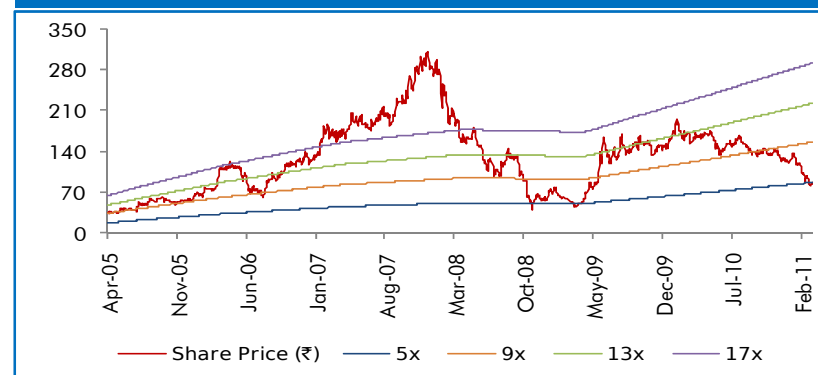


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- Valuation:** Transmission EPC companies are expected to register increased order inflow on the back of ongoing investments in the domestic power sector. Order inflows from PGCIL have been relatively lower during the first nine months of the current fiscal. However, industry commentary indicates that the ordering activity from PGCIL is likely to gather pace from the early part of FY2012. Apart from transmission projects, JSL is also expected to garner a significant portion of orders from RAPDRP and RGGVY schemes. At the current price, the stock is quoting at 8.3x and 6.3x FY2011E and FY2012E EPS, respectively. **We maintain a Buy recommendation on the stock with a Target Price of ₹150.**

One-year forward P/E chart



Source: Company, Angel Research

## Valuation snapshot

Y/E	Sales (₹ cr)	OPM (%)	PAT (₹cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
March									
FY2011E	2,361	11.3	106	10.3	26.0	8.3	1.2	4.0	0.5
FY2012E	2,888	11.3	140	13.6	26.4	6.3	0.9	3.1	0.3

# Jyoti Structures

## Profit & loss statement

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
<b>Net Sales</b>	<b>1,839</b>	<b>2,130</b>	<b>2,361</b>	<b>2,888</b>
% chg	33.9	15.8	10.8	22.3
Total Expenditure	1,632	1,901	2,095	2,563
<b>EBIDTA</b>	<b>208</b>	<b>229</b>	<b>266</b>	<b>325</b>
(%of Net Sales)	11.3	10.7	11.3	11.3
Other Income	10	18	21	25
Depreciation & Amortisation	69	80	89	92
Interest	6	6	8	8
<b>PBT</b>	<b>4.2</b>	<b>4.6</b>	<b>4.6</b>	<b>3.5</b>
(% of Net Sales)	<b>134</b>	<b>138</b>	<b>163</b>	<b>215</b>
Extraordinary Expense/(Inc.)	49	53	57	75
Tax	36.7	38.7	35.0	35.0
(% of PBT)	<b>85</b>	<b>83</b>	<b>106</b>	<b>140</b>
<b>PAT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
% chg	<b>85</b>	<b>83</b>	<b>106</b>	<b>140</b>
<b>Ad. PAT</b>	<b>85</b>	<b>84</b>	<b>106</b>	<b>140</b>
% chg	14.2	(0.9)	25.8	31.8

## Balance sheet

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
<b>SOURCES OF FUNDS</b>				
Equity Share Capital	16	16	16	21
Reserves & Surplus	402	475	571	941
<b>Shareholders Funds</b>	<b>419</b>	<b>491</b>	<b>588</b>	<b>962</b>
Total Loans	313	369	404	281
Deferred Tax Liability (net)	9	18	18	18
<b>Total Liabilities</b>	<b>740</b>	<b>878</b>	<b>1,009</b>	<b>1,260</b>
<b>APPLICATION OF FUNDS</b>				
Gross Block	190	244	279	334
Less: Acc. Depreciation	55	69	90	115
<b>Net Block</b>	<b>135</b>	<b>175</b>	<b>189</b>	<b>219</b>
Capital Work-in-Progress	4	2	5	3
<b>Investments</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>
Current Assets	1,133	1,350	1,547	1,940
Current liabilities	550	665	749	918
<b>Net Current Assets</b>	<b>583</b>	<b>684</b>	<b>799</b>	<b>1,022</b>
<b>Total Assets</b>	<b>740</b>	<b>878</b>	<b>1,009</b>	<b>1,260</b>



# Jyoti Structures

## Cash flow statement

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
Profit before tax	85	83	106	140
Depreciation	132	147	121	138
Change in Working Capital	217	230	227	278
Less: Other income	(118)	(8)	(124)	(108)
Direct taxes paid	(48)	(49)	(57)	(71)
<b>Cash Flow from Operations</b>	<b>51</b>	<b>173</b>	<b>45</b>	<b>99</b>
(Inc.)/Dec. in Fixed Assets	(79)	(53)	(38)	(53)
(Inc.)/Dec. in Investments	(7)	(0.2)	-	-
(Inc.)/Dec. in loans and advances	-	-	-	-
Other income	47	(73)	-	-
<b>Cash Flow from Investing</b>	<b>(38)</b>	<b>(127)</b>	<b>(38)</b>	<b>(53)</b>
Issue of Equity	-	-	-	4
Inc./(Dec.) in loans	88	56	35	(123)
Dividend Paid (Incl. Tax)	(7)	(9)	(10)	(10)
Others	(68)	(79)	(43)	204
<b>Cash Flow from Financing</b>	<b>12</b>	<b>(31)</b>	<b>(17)</b>	<b>76</b>
Inc./(Dec.) in Cash	<b>25</b>	<b>15</b>	<b>(11)</b>	<b>122</b>
<b>Opening Cash balances</b>	<b>14</b>	<b>39</b>	<b>54</b>	<b>44</b>
<b>Closing Cash balances</b>	<b>39</b>	<b>54</b>	<b>44</b>	<b>166</b>

## Key ratios

Y/E March	FY2009	FY2010	FY2011E	FY2012E
<b>Per Share Data (₹)</b>				
EPS	10.4	10.3	10.3	13.6
Cash EPS	11.6	12.5	15.5	16.1
DPS	0.9	1.0	1.0	1.0
Book Value	51.3	59.8	71.6	93.7
<b>Operating Ratio (%)</b>				
Inventory (days)	23	34	42	41
Debtors (days)	120	135	129	114
Creditors (days)	80	99	102	96
<b>Returns (%)</b>				
RoE	30.2	26.1	26.0	26.4
RoCE	31.7	27.8	27.5	29.2
Dividend Payout	22.6	18.6	19.7	18.0
<b>Valuation Ratio (x)</b>				
P/E	8.2	8.3	8.3	6.3
P/E (Cash EPS)	7.4	6.9	5.5	5.3
P/BV	1.7	1.4	1.2	0.9
EV / Sales	0.5	0.5	0.5	0.3
EV / EBITDA	4.7	4.5	4.0	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 ₹1 lakh for Angel, its Group companies and Directors.*