

RESULT UPDATE

MID CAP

Share Data

Reuters code	JYTS.BO
Bloomberg code	JYS IN
Market cap. (US\$ mn)	242
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	82
Target price (Rs)	202

Performance (%) 1M 3M 12M

Absolute	(8)	(15)	201
Relative	(7)	(20)	57

Valuation ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	11.8	14.4
+/- (%)	20.9	22.2
PER (x)	11.8	9.6
PBV (x)	2.3	1.8
Dividend/Yield (%)	0.6	0.6
EV/Sales (x)	0.7	0.6
EV/EBITDA (x)	6.1	5.2

Major shareholders (%)

Promoters	27
FII's	18
MF's	27
Public & Others	28

Financial highlights

(Rs mn)	2QFY09	2QFY10	YoY (%)	1HFY09	1HFY10	YoY (%)	FY09	FY10E	YoY (%)	FY11E	YoY (%)
Net Revenue	4,153	4,696	13.1	8,169	9,543	16.8	17,160	21,126	23.1	25,352	20.0
Other op. income	4	34	830.7	7	45	515.6	72	65	(9.1)	78	19.2
EBITDA	505	539	6.9	989	1,079	9.1	2,132	2,433	14.1	2,956	21.5
Margin (%)	12.1	11.4	-	12.1	11.3	-	12.4	11.5	-	11.6	-
Other Income	-	-	250.0	-	8	9,158.4	(99)	1	(101.0)	1	-
Depreciation	18	35	92.2	35	65	85.1	86	114	31.6	137	20.5
Interest	174	173	(0.5)	308	351	14.0	683	790	15.7	949	20.1
PBT and EoI	312	331	6.1	645	671	3.9	1,264	1,530	21.1	1,871	22.2
Tax	111	123	10.2	239	238	(0.4)	466	566	21.5	692	22.2
Adjusted PAT	201	209	3.8	407	433	6.4	797	964	20.9	1,178	22.2
Net margin (%)	4.8	4.4	-	5.0	4.5	-	4.6	4.6	-	4.6	-
EPS (Rs)	2.5	2.6	3.1	5.0	5.3	5.7	9.8	11.8	20.9	14.4	22.2

Jyoti Structures

Maintain BUY

Price: Rs 139

BSE Index: 16,353

28 October 2009

2QFY10 Result – Execution to pick up in 2HFY10

Highlights

- Jyoti Structures posted moderate results, in line with estimates. Sales, though, was slower during the quarter. We expect execution to pick up in the second half of the year. The company has started executing the Reliance Western Grid strengthening scheme II, which will help improve sales growth in 2HFY10.
- EBITDA margins declined 70 bps YoY, as expected, but improved marginally QoQ. Despite 470 bps increase (as a % of sales) in subcontracting and erection expenses YoY, profitability remained stable due to 500 bps decline in materials costs.
- Interest cost on working capital, a key variable for tower companies, continued to soften during the quarter due to better cost of borrowing and favorable currency (the company has ECB of US\$ 20 mn). We expect interest cost to remain under control.
- Despite slower profit growth in 1HFY10. We expect the company to achieve growth target due to faster execution in the second half. We maintain earnings for FY10E and FY11E.

Outlook

With no large ordering from government sector in 1HFY10 due to elections, orderbook remained largely stagnant at ~Rs 39 bn at the end of the quarter (8% YoY growth, at 2.2x FY09 net revenues). The company has however received a large sub-station and line job of Rs. 8,330 mn from Maharashtra State Electricity Transmission Company, to be executed over next three years, which will be reflected in 3QFY10. Over next few quarters, we expect strong order-flow in T&D segment, though margins will be under pressure. PGCIL is expected to award transmission line projects worth Rs 10-15 bn in FY10. Further, bidding process for 100% private transmission projects on BOO basis have commenced by PFC, REC and select state utilities. At current levels, stock trades at 12x FY10E and 10x FY11E earnings. We maintain Buy.

Income Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Net sales	13,716	17,160	21,126	25,352
<i>Growth (%)</i>	41.2	25.1	23.1	20.0
Operating expenses	(11,979)	(15,099)	(18,758)	(22,473)
Operating profit	1,737	2,060	2,368	2,878
Other operating income	15	72	65	78
EBITDA	1,751	2,132	2,433	2,956
<i>Growth (%)</i>	38.4	21.7	14.1	21.5
Depreciation	(67)	(86)	(114)	(137)
Other income	(18)	(99)	1	1
EBIT	1,667	1,946	2,320	2,820
Interest paid	(464)	(683)	(790)	(949)
Pre-tax profit	1,203	1,264	1,530	1,871
(before non-recurring items)				
Pre-tax profit	1,203	1,264	1,530	1,871
(after non-recurring items)				
Tax (current + deferred)	(478)	(466)	(566)	(692)
Net profit	724	797	964	1,178
Adjusted net profit	724	797	964	1,178
<i>Growth (%)</i>	31.6	10.1	20.9	22.2
Prior period adjustments	46	0	0	0
Net income	770	797	964	1,178

Balance Sheet

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Current assets	8,242	11,007	13,374	15,990
Investments	160	231	231	231
Net fixed assets	630	1,210	1,383	1,584
Total assets	9,032	12,448	14,988	17,805
Current liabilities	3,307	5,174	6,270	7,139
Total Debt	2,249	3,036	3,675	4,520
Other non-current liabilities	81	82	0	0
Total liabilities	5,637	8,293	9,945	11,660
Share capital	162	164	163	163
Reserves & surplus	3,250	4,004	4,892	5,994
Less: Misc. expenditure	(17)	(12)	(12)	(12)
Shareholders' funds	3,395	4,156	5,043	6,145
Total equity & liabilities	9,032	12,448	14,988	17,805
Capital employed	5,725	7,274	8,718	10,666

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	1,203	1,264	1,530	1,871
Depreciation	65	81	114	137
Chg in working capital	(1,467)	(566)	(1,482)	(1,669)
Total tax paid	(257)	(658)	(554)	(633)
Cash flow from oper. (a)	(456)	121	(392)	(294)
Capital expenditure	(132)	(662)	(287)	(338)
Chg in investments	25	(71)	0	0
Cash flow from inv. (b)	(106)	(733)	(287)	(338)
Free cash flow (a+b)	(562)	(612)	(679)	(632)
Equity raised/(repaid)	43	44	0	0
Debt raised/(repaid)	654	787	639	846
Dividend (incl. tax)	(59)	(65)	(86)	(76)
Other financing activities	(31)	5	0	0
Cash flow from fin. (c)	607	771	552	769
Net chg in cash (a+b+c)	45	159	(126)	137

Key Ratios

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
EPS (Rs)	8.9	9.8	11.8	14.4
EPS growth	26.1	9.4	20.9	22.2
EBITDA margin	12.8	12.4	11.5	11.6
EBIT margin	12.1	11.3	10.9	11.1
RoCE	32.9	29.9	29.0	29.1
Net debt/Equity	62.2	65.9	69.5	68.5

Valuations

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	15.6	14.2	11.8	9.6
PCE	14.3	12.8	10.5	8.6
Price/Book	3.3	2.7	2.3	1.8
Yield (%)	0.6	0.6	0.6	0.6
EV/Net sales	1.0	0.8	0.7	0.6
EV/EBITDA	7.6	6.6	6.1	5.2

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	5.3	4.6	4.6	4.6
Asset turnover	1.7	1.6	1.5	1.5
Leverage factor	2.6	2.8	3.0	2.9
Return on equity (%)	23.6	21.1	21.0	21.1

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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