

Transmission Line Towers / Equipments

Jyoti Structures Ltd

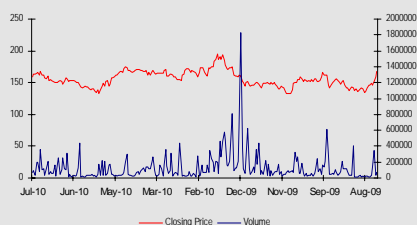
Accumulate

CMP	Rs 160
Target Price	Rs 184

Key Data

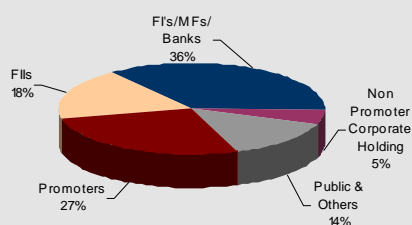
Face Value (Rs)	2.00
Market Cap (Rs Mn)	13128
Total O/s Shares (Mn)	82
Free Float (%)	73.2%
52 week H/L (Rs)	197/127
Avg Monthly Volume (BSE)	132119
Avg Monthly Volume (NSE)	258995
BSE Code	513250
NSE Code	JYOTISTRUC
Bloomberg code	JYS.IN
Beta	0.73
Date of Incorporation	May 1974
Last Dividend Declared (FY09)	50%
Six month returns	-1.21%
Indices	BSE 500
FCCB's Outstanding	NA
Warrants outstanding	NA

One Year Price / Volume Chart



Source: Capitaline

Share Holding Pattern as on 30.06.10



Source: Company, KJMC Research

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Jyoti Structures Ltd has declared inline Q1FY11 result. During the quarter the company reported 16.5% growth in net revenue at Rs 5.64 bn and 17.7% yoy growth in PAT at Rs 263.4 mn. During the quarter EBITDA margins grew by 33 bps to 11.3%. The company has decent order book of Rs 41.06 bn (2x FY10 Net revenue). During the quarter it added Rs 2.34 bn of new orders from PGCIL and is L1 in Rs 3 bn orders. The management has maintained guidance of 20-22% yoy growth in FY11E revenue with order book at Rs 50 bn by the year end.

Key Highlights

- ▶ **Q1FY11 revenue inline with our estimates:** Q1FY11 revenue grew at 16.5% yoy to Rs 5.64 bn and was inline with our expectation. Over 69% revenue was contributed by transmission line contracts, 11% by substation and 21% by distribution contracts. The company sold 28000 tonnes of towers in Q1FY11 (Vs Rs 20500 tonnes in Q1FY10). The management has maintained 20-22% growth guidance in FY11E net revenue.
- ▶ **Q1FY11 margins improved by 33 bps yoy to 11.3%:** The EBITDA during the quarter grew by 20% yoy to Rs 638.3 mn with 33 bps growth in margins at 11.3%. The management has maintained guidance for 11-11.5% EBITDA margin in FY11E. Q1FY11 PAT grew at 17.7% to Rs 263.4 mn. The EPS for the quarter was Rs 3.2 as against Rs 2.7 in last years' corresponding quarter.
- ▶ **Order Backlog including L1 is at Rs41.06 bn:** During the quarter, JSL added Rs 2.34 bn of PGCIL orders and is L1 in Rs 3 bn of orders from utilities from Bangladesh and Bhutan resulting order backlog (including L1) at 41.06 bn at the end of Q1FY11. If we exclude L1 orders, the order backlog stood at Rs 38.06 bn and is lower than Q4FY10 order backlog of Rs 41.5 bn.

Financial Snapshot (Standalone)

in Rs mn

Particulars	FY08	FY09	FY10P	FY11E	FY12E
Net Sales	13,704	17,171	20,060	23,798	27,689
Growth %	41.2%	25.3%	16.8%	18.6%	16.3%
EBITDA	1,719	1,959	2,273	2,606	2,945
EBITDA Margin %	12.5%	11.4%	11.3%	10.9%	10.6%
PAT	679	797	919	1,107	1,258
Growth %	24.4%	17.5%	15.3%	20.4%	13.6%
EPS	8.9	9.8	11.2	13.5	15.3
P/E	17.9	16.3	14.3	11.9	10.4
EV/EBITDA	8.8	8.1	7.2	6.3	5.7
ROE%	23.5%	21.0%	20.0%	20.1%	19.0%
ROCE%	33.0%	29.1%	26.7%	26.0%	25.4%

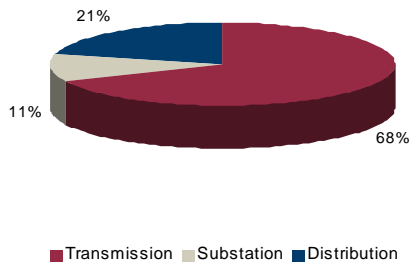
Source: Company, KJMC Research

- ▶ **Targets to achieve Rs 50 bn of orders by FY11 end:** The management expects strong order inflows in the second half of FY11E and expect the order book to be at Rs 50 bn by the end of the year. Jyoti Structures is participating in Rs 15 bn of PGCIL tenders, Rs 3.5 bn from Rajasthan, Rs 8 bn from MP and Rs 7.5 bn of BOOT projects from REC & PFC, etc. The company has adopted selective approach in bidding for new projects, such that the margin should not go below 11%.
- ▶ **Gulf Jyoti order book stood at Rs 1 bn:** Its JV company, Gulf Jyoti has Rs 1 bn of order book executable in the next 18-36 months. The company expects turnaround of Gulf Jyoti in the current year. Jyoti Structures Africa currently does not have any major order backlog and is participating in Rs 6000 mn of new contracts in Africa.
- ▶ **Planning to allot sweat equity to Mr. K.R. Thakur:** Jyoti Structures is planning to allot sweat equity to one of its promoters and former MD Mr. K. R. Thakur for his contribution towards the company. The management has not disclosed about the value of sweat equity and would reveal the same after evaluation.
- ▶ **Awaiting Sebi approval for NCDs and warrants issue:** In the last concall, JSL disclosed about its plans to raise Rs 4 bn through the mix of NCD (non-convertible debentures) and warrants on rights basis. The object of the issue was to reduce the high cost debt and to meet the long term working capital requirement. It is waiting for Sebi approval and expects the same in the next 30 days.
- ▶ **Debt details:** The outstanding debt on the balance sheet at the end of the quarter was Rs 3640 mn which includes Rs 2500 mn of working capital loan, Rs 1000 mn of ECBs and Rs 140 mn of long term debt from IDBI Bank. The average cost of debt is at 9%. The repayment of ECB would start from September 2010 and would complete in next 3.5 years.

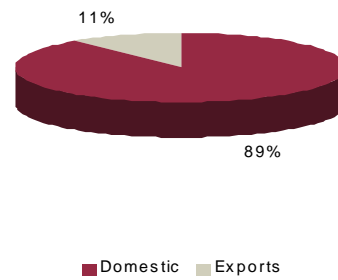
Company Background

Jyoti Structure Ltd (JSL), incorporated in 1974 and is one of the leading players in power transmission, distribution and substation related EPC projects. JSL has designed and executed more than 15,000 circuit kms of high voltage transmission lines since inception. The company has installed tower manufacturing capacity of 108000 tons per annum. The company operates in international market through its subsidiary Jyoti Structures Africa with 70% stake and Gulf Jyoti, a joint venture in which JSL has 30% stake. About 68% of its orders come from transmission projects, 11% from substation and the rest 21% from rural electrification related distribution projects. In the last five years (FY05-10), its net sales, EBITDA and PAT grew at a CAGR of 36.4%, 40.4% and 51.5% respectively. The company would be able to maintain growth on strong order inflows expected from domestic market.

Segment wise order breakup



Geographical breakup of orders



Source: Company, KJMC Research

Quarterly Result Table

Rs in mn

Particulars	Q1FY11	Q1FY10	Y-o-Y % growth	Q4FY10	Q-o-Q % growth	FY10	FY09	YoY % Growth
Gross Sales (inc other op inc)	5791.2	4901.9	18.1	5689.6	1.8	20562.2	17385.1	18.3
Excise Duty	148.8	58.6	153.8	233.3	-36.2	501.9	214.6	133.9
Net Sales (Inc Other Op Inc)	5642.4	4843.3	16.5	5456.4	3.4	20060.2	17170.6	16.8
Expenditure	5004.2	4311.4	16.1	4759.1	5.1	17787.7	15211.5	16.9
Purchases of Raw Material	3373.3	3008.2	12.1	3042.7	10.9	12240.9	11268.3	8.6
Stock Adjustments	-131.8	63.6	-307.3	69.4	-290.0	101.2	-248.8	-
Material Cost	3241.5	3071.8	5.5	3112.1	4.2	12342.0	11019.5	12.0
Employee Cost	173.4	128.2	35.2	164.1	5.7	599.2	435.1	37.7
Erection and Sub-contracting exp	1118.0	764.4	46.3	880.0	27.0	3037.5	2200.5	38.0
Other Expenditure	471.3	347.0	35.8	603.0	-21.8	1809.0	1556.3	16.2
EBITDA	638.3	532.0	20.0	697.3	-8.5	2272.6	1959.1	16.0
EBITDAM%	11.3	11.0	33 bps	12.8	-179.5 bps	11.3	11.4	-8.1 bps
Other Income	7.2	15.5	-53.6	20.4	-64.8	126.1	73.5	71.7
PBITD	645.5	547.5	17.9	717.7	-10.1	2398.7	2032.6	18.0
Depreciation	45.5	30.6	48.6	62.1	-26.7	168.9	86.4	95.6
Interest	199.0	177.6	12.0	249.0	-20.1	786.2	682.6	15.2
PBT	401.0	339.2	18.2	406.6	-1.4	1443.6	1263.6	14.2
Tax	137.6	115.4	19.2	153.7	-10.5	524.4	466.2	12.5
PAT	263.4	223.8	17.7	252.9	4.1	919.2	797.4	15.3
PATM%	4.7	4.6	4.7 bps	4.6	-1.4 bps	4.6	4.6	-6.2 bps
Equity Capital	164.1	163.5	0.3	164.0	0.0	164.0	163.3	0.4
EPS	3.2	2.7	17.3	3.1	4.1	11.2	9.7	15.0

Source: Company, KJMC Research

Valuation

We maintain our previous revenue and earning estimates. Currently, the stock trades at FY11E & FY12E P/E of 11.9 x and 10.4x and EV/EBITDA of 6.3x and 5.7x respectively. We assign "Accumulate" rating on the stock (after factoring in the appreciation from our previous recommended price) and maintain our target price at Rs 184, leaving an upside of 15% over CMP. At our target price the stock trades at 13.6x and 12x on FY11E and FY12E EPS of Rs 13.5 and Rs 15.3 respectively.

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Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	-	appreciate more than 20% over a 12- month period
Accumulate	-	appreciate 10% to 20% over a 12- month period
Hold / Neutral	-	appreciate up to 10% over a 12- month period
Reduce	-	depreciate up to 10% over a 12- month period
Sell	-	depreciate more than 10% over a 12- month period

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