

Jyoti Structures

Performance Highlights

(₹ cr)	1QFY13	1QFY12	% chg (yoy)	4QFY12	% chg (qoq)
Revenue	654.8	637.7	2.7	735.5	(11.0)
EBITDA	64.1	70.1	(8.7)	82.3	(22.2)
EBITDA margin (%)	9.8	11.0	(122)	11.2	(141)
Reported PAT	17.3	26.1	(33.7)	31.4	(44.8)

Source: Company, Angel Research

Jyoti Structures (Jyoti)'s revenues for 1QFY2013 came in line with our expectations at ₹654cr, up 2.5% yoy. However the company disappointed on the margins front; the EBITDA came in at ₹64cr, 5.3% lower than our expectation. Jyoti's revenue growth continued to be dismal, consistent with its performance over the past few quarters. The EBITDA margin contracted by 120bps on account of the tough competition prevalent in the sector and stood at 9.8% for the quarter. We expect the company to continue to operate at these levels over the coming quarters. The interest cost was lower than expected and it declined by 16% qoq. However the company's interest coverage multiple remained under stress, declining from 2.6x in 1QFY2012 to 1.9x presently. The other income was also lower than expected leading to a dismal bottom-line. The PAT came in at ₹17cr, declining 33.7% yoy and 18.8% below our expectations. **On the back of cheap valuations we maintain our Buy rating on the stock.**

Order flows remain stable: The Power Grid Corporation of India Ltd (PGCIL) order flow is expected to retain traction over the coming quarters; we therefore see order inflows to remain stable. Jyoti's order backlog stood at ₹4,600cr up 2.9% yoy. However the company's order coverage has been declining over the past few quarters. Its order backlog was spread across transmission (55%), substation (18%) and distribution (27%) segments. Client-wise, the backlog mainly constituted of orders from PGCIL (33%), West Bengal (16%), Maharashtra (14%), Madhya Pradesh (7%) and the private sector (5%).

Outlook and Valuation: We maintain our revenue and order inflow estimates; however, we reduce our margin estimates leading to a decline of 3.2% and 2.7% for EBITDA and 20% and 2.5% at the PAT level for FY2013 and FY2014 respectively. The stock is currently trading at 2.9x on our FY2014E EPS. We assign a multiple of 4.5x (~33% discount to KEC's multiple) **to arrive at a target price of ₹59. We maintain our Buy recommendation on the stock.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
Net sales	2,400	2,678	2,622	2,801
% chg	12.7	11.6	(2.1)	6.8
Net profit	100	92	71	107
% chg	18.4	(8.0)	(22.6)	51.0
EBITDA (%)	11.2	11.0	10.3	10.7
EPS (₹)	12.1	11.2	8.7	13.1
P/E (x)	3.1	3.4	4.4	2.9
P/BV (x)	0.5	0.5	0.4	0.4
RoE (%)	18.7	14.9	10.3	14.0
RoCE (%)	25.4	19.6	15.4	17.9
EV/Sales (x)	0.3	0.4	0.3	0.3
EV/EBITDA (x)	2.7	4.0	3.3	3.2

Source: Company, Angel Research

BUY

CMP	₹38
Target Price	₹59

Investment Period	12 Months
-------------------	-----------

Stock Info

Sector	Capital Goods
Market Cap (₹ cr)	311
Net Debt (₹ cr)	687
Beta	1.2
52 Week High / Low	87/35
Avg. Daily Volume	433,019
Face Value (₹)	2
BSE Sensex	17,224
Nifty	5,228
Reuters Code	JYTS.BO
Bloomberg Code	JYS@IN

Shareholding Pattern (%)

Promoters	27.8
MF / Banks / Indian Fls	16.7
FII / NRIs / OCBs	8.0
Indian Public / Others	47.5

Abs. (%)	3m	1yr	3yr
Sensex	2.3	(4.9)	9.9
JYS	(8.9)	(53.1)	(74.2)

Rahul Kaul

+91 22 3935 7800 Ext: 6817

Rahul.kaul@angelbroking.com

Exhibit 1: Quarterly performance

(₹ cr)	1QFY13	1QFY12	% chg (yoy)	4QFY12	% chg (qoq)	FY2012	FY2011	% chg (yoy)
Net Sales	654	638	2.5	735	(11.1)	2,678	2,400	11.6
Other operating income	1	0		0	-	0	0	-
Total income	655	638	2.7	735	(11.0)	2,678	2,400	11.6
Stock adjustments	10	(18)		(45)		(73)	(1)	
Raw Material	350	388	(10.0)	415	(15.7)	1,443	1,347	7.2
(% of total income)	55.0	58.1	(311.3)	50.3		51.2	56.1	
Erection and sub contracting exp.	147	120	22.9	182	(19.0)	620	459	35.0
(% of total income)	22.5	18.8	369.0	24.7		23.2	19.1	
Employee Cost	23	20	16.1	20	14.3	101	77	31.4
(% of total income)	3.5	3.1		2.7		3.8	3.2	
Other Expenses	61	58	5.3	82	(25.9)	292	250	16.6
(% of total income)	9.3	9.0	23.4	11.1		10.9	10.4	
Total Expenditure	591	567	4.1	653	(9.6)	2,383	2,131.7	11.8
EBITDA	64	70	(8.7)	82	(22.2)	295	268	10.1
(EBITDA %)	9.8	11.0		11.2		11.0	11.2	
Interest	34	27	25.7	40	(16.2)	144	96	50.3
Depreciation	6	6	12.3	4	39.6	23	21	9.0
Other Income	1	1	(53.4)	5	(87.8)	8	5	-
PBT	25	39	(36.9)	43	(42.1)	136	156	(12.9)
(% of total income)	4.0	6.1		5.8		5.1	6.5	
Total Tax	9	13	(32.5)	11.1	(22)	43	56	(23.9)
(% of PBT)	33.4	33.0		26.1		31.6	36.1	
Reported PAT	17	26	(33.7)	31	(44.8)	93	100	(6.8)
(PAT %)	2.6	4.1		4.3		6.4	7.4	
EPS (₹)	2.1	3.2		3.8	(44.8)	11.4	13.5	(15.8)

Source: Company, Angel Research

Exhibit 2: Actual vs. Estimates

(₹ cr)	Actual	Estimates	Var (%)
Revenue	655	644	1.7
EBITDA	64	68	(5.3)
Interest	34	36	(6.9)
Tax	9	10	(15.5)
PAT	17	21	(18.8)

Source: Company, Angel Research

Revenues in line, though margin slips

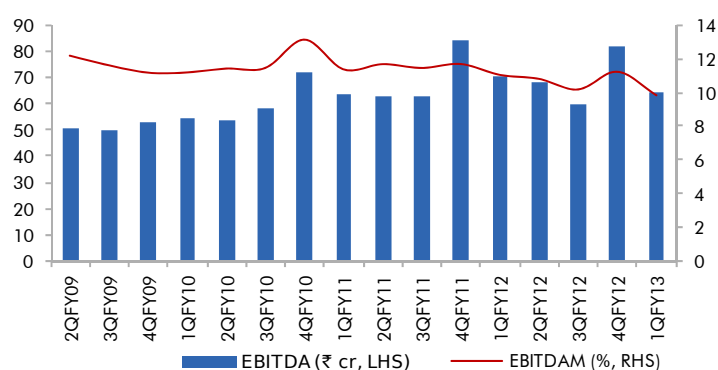
Jyoti's revenues came in line with our expectations at ₹654cr, up 2.5% yoy. However the company disappointed on the margins front and the EBITDA came in at ₹64cr, 5.3% lower than our expectation. Jyoti's revenue growth continued to be dismal, consistent with the performance over the past few quarters. The EBITDA margins contracted 120bps following tough competition in the sector and are presently at 9.8%. We expect the company to continue to operate at these levels over the coming quarters. The other income was also lower than expected leading to a dismal bottom-line. The PAT came in at ₹17cr declining 33.7% yoy and 18.8% QoQ, which is below our expectation.

Exhibit 3: Trend in revenues



Source: Company, Angel Research

Exhibit 4: Trend in EBITDA

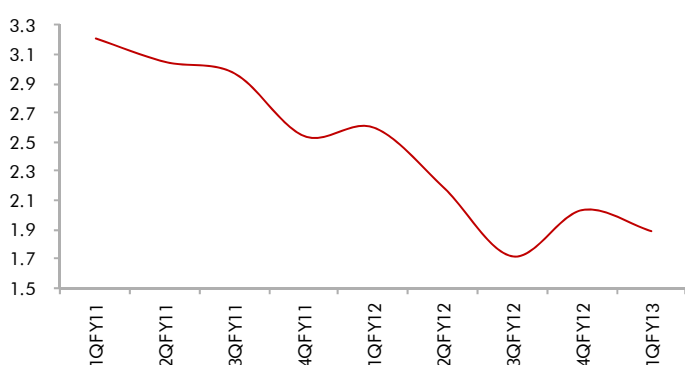


Source: Company, Angel Research

Interest cost pressure remains...

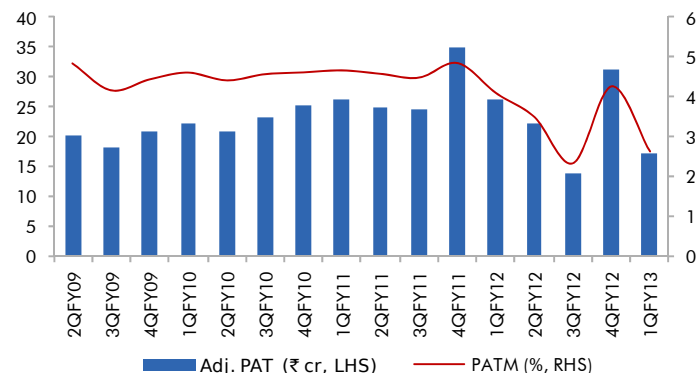
The interest cost, declining by 16% qoq, is lower than our expectation. However Jyoti's interest coverage multiple remains under stress, declining from 2.6x in 1QFY2012 to 1.9x presently. According to the management the improvement in receivables and declining LC cost have led to the improved interest cost. In light of the deteriorating working capital cycle (higher levels of working capital borrowing), we expect interest costs to remain elevated going forward.

Exhibit 5: Interest coverage ratio



Source: Company, Angel Research

Exhibit 6: Trend in PAT

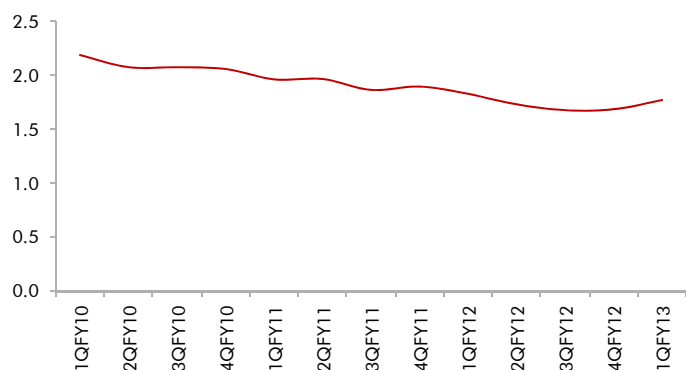


Source: Company, Angel Research

Order flows remain stable

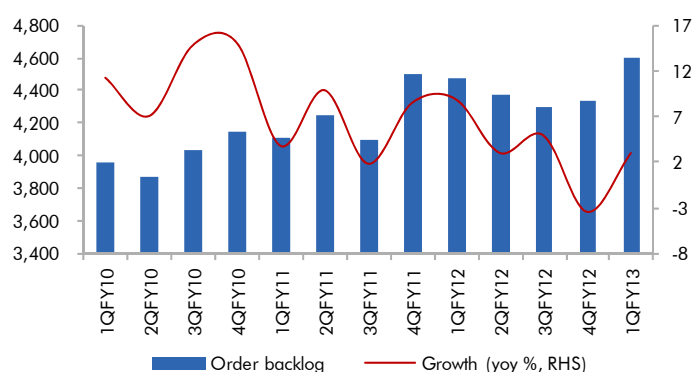
The order flow from PGCIL is expected to retain traction; we therefore see order inflows for Jyoti to remain stable. Jyoti's order backlog stood at ₹4,600cr up 2.9% yoy. However the companies order coverage has been declining over the past few quarters. The order backlog was spread across transmission (55%), substation (18%) and distribution (27%) segments. Client wise, the backlog mainly constituted of orders by PGCIL (33%), West Bengal (16%), Maharashtra (14%), MP (7%) and private sector (5%).

Exhibit 7: Order Book coverage ratio



Source: Company, Angel Research

Exhibit 8: Order backlog growth



Source: Company, Angel Research

Investment arguments

Growth opportunity on cards: Globally the thumb rule entails that for every rupee invested in generation, an equivalent amount is to be invested in transmission and distribution (T&D). However, India has spent only 50%, thus creating a huge opportunity for players in the T&D space. PGCIL has envisaged a T&D capex of ₹1 lakh cr for the 12th plan, 55% of which is expected to be deployed in transmission and substation projects, thus providing an array of opportunities to Jyoti, given its strong foothold in the T&D segment.

Diversification to gradually materialize: Jyoti has been actively tapping the overseas markets by entering into JVs in South Africa and the Gulf. In addition, the company recently forayed into the US by setting up a transmission tower plant (revenue potential of ~₹340cr annually - @100% capacity utilization). We believe these ventures will benefit the company in the long run, thereby insulating it from domestic headwinds.

Outlook and valuation: We maintain our revenue and order inflow estimates; however reduce our margin estimates leading to a decline of 3.2% and 2.7% for EBITDA and 20% and 2.5% at the PAT level for FY2013 and FY2014 respectively.

Exhibit 9: Change in estimates

(₹ cr)	FY2013E			FY2014E		
	Earlier estimates	Revised estimates	Var. (%)	Earlier estimates	Revised estimates	Var. (%)
Revenue	2,622	2,622	-	2,801	2,801	-
EBITDA	279	270	(3.2)	308	299	(2.7)
EBITDA (%)	10.6	10.3	(34.1)	10.6	10.6	-
PAT	89	71	(20.4)	110	107	(2.5)
EPS (₹)	10.9	8.7	(20.4)	13.4	13.1	(2.5)

Source: Company, Angel Research

Exhibit 10: Peer comparison

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside/ (Downside) (%)	P/BV(x)		P/E(x)		FY2011-13E EPS CAGR	RoCE (%)		RoE (%)	
					FY12E	FY13E	FY12E	FY13E		FY12E	FY13E	FY12E	FY13E
ABB*	Sell	789	498	(36.9)	5.8	5.2	43.3	38.1	54.3	21.0	21.1	14.4	14.6
BHEL	Neutral	223	-	-	1.8	1.6	8.7	9.3	(9.1)	28.8	23.1	22.7	18.3
BGR Energy	Neutral	285	-	-	1.6	1.5	9.5	8.8	(3.4)	11.8	10.6	18.3	17.6
Crompton Greaves	Accum.	118	128	8.3	1.9	1.7	18.1	12.9	17.6	13.7	17.5	11.1	14.2
JSL	Buy	38	59	55.6	0.4	0.4	4.4	2.9	4.6	15.4	17.9	10.3	14.0
KEC International	Buy	57	74	29.9	1.1	1.0	5.3	4.6	36.8	20.9	22.4	26.9	27.2
Thermax	Neutral	491	-	-	3.2	2.8	18.3	17.3	(8.5)	20.6	20.1	18.4	17.1

Source: Company, Angel Research; *Note: December year ending

Company Background

Jyoti is one of the leading EPC players in the transmission line and substation segments with business presence across transmission line towers, substation and rural electrification. The company offers a wide range of services in design, engineering, tower testing, manufacturing, construction and project management. In addition to its strong domestic presence, Jyoti is also exploring T&D capex opportunities on the global front through recent overseas JVs and investments (Jyoti America and Gulf Jyoti).

Profit and loss statement (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Operating income	1,839	2,130	2,400	2,678	2,622	2,801
% chg	33.9	15.8	12.7	11.6	(2.1)	6.8
Total Expenditure	1,632	1,901	2,132	2,383	2,353	2,501
Raw Materials	1,204	1,250	1,345	1,370	1,450	1,540
Mfg costs	220	378	459	620	543	579
Personnel Costs	46	72	77	101	96	103
Other Costs	162	201	250	292	263	280
EBITDA	208	229	268	295	270	299
% chg	18.0	10.2	17.2	10.1	(8.5)	10.9
(% of Net Sales)	11.3	10.7	11.2	11.0	10.3	10.7
Depreciation& Amortization	10	18	21	23	27	31
EBIT	198	211	247	272	243	268
% chg	17.2	6.7	17.1	10.2	(10.7)	10.5
(% of Net Sales)	10.7	9.9	10.3	10.2	9.3	9.6
Interest & other Charges	69	80	96	144	145	118
Other Income	6	6	5	8	7	9
(% of PBT)	4.2	4.6	3.1	5.5	6.6	5.7
Recurring PBT	134	138	156	136	105	159
% chg	9.0	2.3	13.5	(12.9)	(22.5)	51.0
Extraordinary Expense/(Inc.)	0	1	0	0	0	0
PBT (reported)	134	137	156	136	105	159
Tax	49	53	56	43	34	52
(% of PBT)	36.7	38.7	36.1	31.6	32.5	32.5
PAT (reported)	85	83	100	93	71	107
Add: Share of earnings of asso.	0	0	0	0	0	0
Less: Minority interest (MI)	0	0	0	1	0	0
Prior period items	0	0	(0)	0	0	0
PAT after MI (reported)	85	83	100	92	71	107
ADJ. PAT	85	84	100	92	71	107
% chg	14.2	(0.9)	18.4	(8.0)	(22.6)	51.0
(% of Net Sales)	4.6	4.0	4.2	3.4	2.7	3.8
Basic EPS (₹)	10.4	10.3	12.1	11.2	8.7	13.1
Fully Diluted EPS (₹)	10.4	10.3	12.1	11.2	8.7	13.1
% chg	13.5	(1.3)	18.2	(8.0)	(22.6)	51.0

Balance sheet (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
SOURCES OF FUNDS						
Equity Share Capital	16	16	16	16	16	16
Preference Capital	0	0	0	0	0	0
Reserves & Surplus	402	475	560	644	703	801
Shareholders' Funds	419	491	576	660	720	818
Minority Interest	0	0	0	1	1	1
Total Loans	313	369	477	918	604	604
Deferred Tax Liability	9	18	18	125	125	125
Total Liabilities	740	878	1,071	1,704	1,449	1,547
APPLICATION OF FUNDS						
Gross Block	190	244	283	324	364	419
Less: Acc. Depreciation	55	69	87	100	127	158
Net Block	135	175	196	223	237	261
Capital Work-in-Progress	4	2	8	169	169	169
Goodwill	0	0	0	0	0	0
Investments	17	17	17	22	17	17
Deferred Tax Asset	0	0	0	0	0	0
Current Assets	1,133	1,350	1,572	2,200	1,718	1,829
Cash	39	54	67	56	29	22
Loans & Advances	228	185	180	220	207	238
Inventories	153	247	231	295	269	280
Debtors	712	863	1,093	1,569	1,214	1,289
Others	0	0	0	60	0	0
Current liabilities	550	665	722	911	691	728
Net Current Assets	583	684	850	1,290	1,027	1,101
Mis. Exp. not written off	1	0	0	0	0	0
Total Assets	740	878	1,071	1,704	1,449	1,547

Cash Flow statement (consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Profit before tax	134	138	156	136	105	159
Depreciation	10	18	21	23	27	31
(Inc)/Dec in Working Capital	(70)	(86)	(152)	(452)	236	(80)
Less: Other income	(6)	(6)	(5)	(8)	(7)	(9)
Direct taxes paid	(49)	(53)	(56)	(43)	(34)	(52)
Cash Flow from Operations	20	10	(36)	(344)	327	49
(Inc.)/Dec.in Fixed Assets	(80)	(58)	(50)	(224)	(40)	(55)
(Inc.)/Dec. in Investments	(7)	0	0	-5	5	0
Other income	6	6	5	8	7	9
Cash Flow from Investing	(81)	(52)	(45)	(221)	(28)	(46)
Issue of Equity	0.1	0.1	0.0	0	0.0	0.0
Inc./Dec.) in loans	88	56	108	441	(315)	0
Dividend Paid (Incl. Tax)	(9)	(10)	(14)	(10)	(10)	(10)
Others	7	10	2			
Cash Flow from Financing	79	47	93	432	(324)	(10)
Inc./Dec.) in Cash	25	15	13	(133)	(25)	(6)

Key ratios

Y/E March	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Valuation Ratio (x)						
P/E (on FDEPS)	3.6	3.7	3.1	3.4	4.4	2.9
P/CEPS	3.3	3.1	2.6	2.7	3.2	2.3
P/BV	0.7	0.6	0.5	0.5	0.4	0.4
Dividend yield (%)	2.4	2.6	3.9	2.6	2.6	2.6
EV/Sales	0.3	0.3	0.3	0.4	0.3	0.3
EV/EBITDA	2.8	2.7	2.7	4.0	3.3	3.0
EV / Total Assets	0.8	0.7	0.7	0.7	0.6	0.6
OB/Sales	2.0	1.9	1.9	1.6	1.8	0.0
Per Share Data (₹)						
EPS (Basic)	10.4	10.3	12.1	11.2	8.7	13.1
EPS (fully diluted)	10.4	10.3	12.1	11.2	8.7	13.1
Cash EPS	11.6	12.5	14.7	14.0	11.9	16.8
DPS	0.9	1.0	1.5	1.0	1.0	1.0
Book Value	51.3	59.8	70.1	80.3	87.6	99.5
DuPont Analysis(%)						
EBIT margin	10.7	9.9	10.3	10.2	9.3	9.6
Tax retention ratio (%)	63.3	61.3	63.9	68.4	67.5	67.5
Asset turnover (x)	2.9	2.8	2.6	2.0	1.7	1.9
RoIC (Pre-tax)	31.5	27.7	27.0	20.6	15.9	18.2
RoIC (Post-tax)	19.9	17.0	17.3	14.1	10.7	12.3
Cost of Debt (Post Tax)	16.2	14.3	14.4	14.1	12.8	13.2
Leverage (x)	0.6	0.6	0.7	1.0	1.0	0.8
Operating ROE	22.4	18.7	19.2	14.0	8.5	11.6
Returns (%)						
RoCE (Pre-tax)	30.2	26.1	25.4	19.6	15.4	17.9
Angel RoIC (Pre-tax)	31.7	27.8	27.2	22.0	17.8	20.6
RoE	22.6	18.6	18.7	14.9	10.3	14.0
Turnover ratios (x)						
Asset Turnover (Gross Block) (X)	12.1	9.8	9.1	8.8	7.6	7.2
Inventory / Sales (days)	23	34	36	36	39	36
Receivables (days)	120	135	149	181	194	163
Payables (days)	91	111	113	117	117	96
WC cycle (ex-cash) (days)	101	101	107	137	155	135
Solvency ratios (x)						
Net debt to Equity	0.7	0.6	0.7	1.3	0.8	0.7
Net debt to EBITDA	1.3	1.4	1.5	2.9	2.1	1.9
Interest Coverage	2.9	2.6	2.6	1.9	1.7	2.3

Research Team Tel: 022 - 3935 7800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

DISCLAIMER

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel Broking Limited, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Angel Broking Limited and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Limited and its affiliates may have investment positions in the stocks recommended in this report.

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.

Ratings (Returns):

Buy (> 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (< -15%)

Neutral (-5 to 5%)