

May 28, 2012

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Rating	Accumulate
Price	Rs40
Target Price	Rs47
Implied Upside	17.5%
Sensex	16,417
Nifty	4,986

(Prices as on May 28, 2012)

### Trading data

Market Cap. (Rs bn)	3.3
Shares o/s (m)	81.6
3M Avg. Daily value (Rs m)	23

### Major shareholders

Promoters	27.74%
Foreign	8.57%
Domestic Inst.	20.65%
Public & Other	43.04%

### Stock Performance

(%)	1M	6M	12M
Absolute	(11.4)	(23.0)	(50.8)
Relative	(7.2)	(24.5)	(40.6)

### How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	9.8	13.6	-28.0
2014	10.9	NA	NA

### Price Performance (RIC: JYTS.BO, BB: JYS IN)



Source: Bloomberg

■ **Results better than expectation:** Jyoti Structures (Jyoti) reported sales growth of 2% YoY at Rs7.35bn for Q4FY12, marginally above our expectation of Rs6.8bn. However, execution narrowed on account of Right of Way (ROW) issues and delay in delivery to customers like TNEB and DVC due to payment concerns. EBITDA margin was down by 40bps YoY at 11.2%. However, sequentially it has improved by 110bps QoQ. Also, it is above our expectation of 10.2% majorly on account of reduced raw material cost as % of sales by 400bps YoY at 50.3%. Interest cost increased by 22% YoY at Rs405m (due to increase in debt). Decrease in tax rate by 750bps YoY helped report PAT of Rs315m (just down by 10% YoY), better than our expectation of Rs 211m.

■ **Focus on Power Grid orders:** The current order book stood at Rs43.3bn, down by 4.5% YoY. The break-up of order book in terms of segment is: 60% Transmission line (~Rs25.98bn), 20% Substation (~Rs8.66bn) and 20% Rural electrification (~Rs8.66bn) orders. In terms of client, Power Grid contributed 40% (~Rs17.32bn) of the order book, Madhya Pradesh Rural Electrification projects 7% (~Rs3.03bn), Private 6% (Rs2.59bn) and rest 31% (~Rs13.4bn) from other SEBs like Chhattisgarh, DVC, West Bengal, Rajasthan, Assam and Punjab. The company received fresh orders worth Rs7.7bn in Q4FY12, a decrease by 30% YoY. The pipeline of tenders to be opened over the next 2-3 months was ~Rs65bn (PGCIL ~Rs45bn, other domestic orders ~Rs15bn and international markets ~Rs5bn). Pipeline of new tenders coming up for bidding was ~Rs46bn (Power Grid Rs39bn and others worth Rs7bn). The company highlighted that though the bid of some of the marginal players are not being opened, the pricing levels have still not improved in the domestic markets.

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Key financials (Y/e March)	2011	2012	2013E	2014E
Revenues (Rs m)	23,797	25,924	28,981	29,684
Growth (%)	11.7	8.9	11.8	2.4
EBITDA (Rs m)	2,739	2,800	3,064	3,156
PAT (Rs m)	1,109	855	805	893
EPS (Rs)	13.5	10.4	9.8	10.9
Growth (%)	31.5	(23.1)	(5.9)	11.0
Net DPS (Rs)	1.5	1.1	1.0	1.1

Profitability & Valuation	2011	2012	2013E	2014E
EBITDA margin (%)	11.5	10.8	10.6	10.6
RoE (%)	20.3	13.5	12.1	12.6
RoCE (%)	18.0	14.6	13.9	13.8
EV / sales (x)	0.3	0.4	0.4	0.3
EV / EBITDA (x)	2.8	3.6	3.5	3.1
PE (x)	3.0	3.8	4.1	3.7
P / BV (x)	0.5	0.5	0.5	0.4
Net dividend yield (%)	3.8	2.7	2.5	2.7

Source: Company Data; PL Research

- Update on subsidiaries:** Gulf Jyoti has reported sales of 208m Dirhams, PAT at 12m Dirhams and its order book stood at 500m Dirham's as on CY12. Jyoti Structures Africa has achieved a breakeven a year before its guidance, with sales at 180m ZAR, PAT at 31m ZAR, with an order book of 150m ZAR.
- Balance sheet under clear stress:** Debtors increased from 190 days to 200 days QoQ. Delayed payment by SEBs like TNEB and DVC is leading to increase in the working capital cycle for the company and leading to a pile up of debt. Working capital % sales increased to 41% up 600bps YoY. The debt has increased by Rs2.4bn YoY to Rs7.2bn in FY12 and outstanding LC has increased to Rs6bn in FY12 from 4.5bn in FY11. Average cost of borrowing remained at 12.5% and LCDs at 10.75%. Company has redeemed 7% NCDs worth Rs1.2bn in Q1FY13 and have replaced this by taking further domestic debt.
- Guidance and other highlights:** Jyoti is targeting revenue growth of Rs30bn in FY13, with EBITDA margins in the range of 10.5-11%. The company expects to incur the capex of Rs2.5bn-3bn in FY13.
- Outlook and Valuation:** The stock is currently trading at 4.3x FY13E. We believe that the stock will be under pressure, given slower execution, higher interest cost, over dependence on Power Grid's orders stressed out balance sheet and increasing competition. Effective working capital management will be the key trigger. We maintain '**Accumulate**' rating on the stock

**Exhibit 1: Q4FY12 Result Overview (Rs m)**

Y/e March	Q4FY12	Q4FY11	YoY gr. (%)	Q3FY12	FY12	FY11	YoY gr. (%)
<b>Net Sales</b>	<b>7,355</b>	<b>7,218</b>	<b>1.9</b>	<b>5,871</b>	<b>25,924</b>	<b>23,797</b>	<b>8.9</b>
Raw material Consumed	3,696	3,918	(5.6)	2,689	13,669	13,366	2.3
<i>% of Net Sales</i>	<i>50.3</i>	<i>54.3</i>		<i>45.8</i>	<i>52.7</i>	<i>56.2</i>	
Employee Costs	200	196	1.9	193	795	718	10.7
<i>% of Net Sales</i>	<i>2.7</i>	<i>2.7</i>		<i>3.3</i>	<i>3.1</i>	<i>3.0</i>	
Other Costs	2,634	2,264	16.4	731	8,659	6,973	24.2
<i>% of Net Sales</i>	<i>35.8</i>	<i>31.4</i>		<i>12.5</i>	<i>33.4</i>	<i>29.3</i>	
<b>EBITDA</b>	<b>824</b>	<b>840</b>	<b>(2.0)</b>	<b>595</b>	<b>2,801</b>	<b>2,739</b>	<b>2.2</b>
<i>% of Sales</i>	<i>11.2</i>	<i>11.6</i>	<i>0.4</i>	<i>10.1</i>	<i>10.8</i>	<i>11.5</i>	
Depreciation	44	53	(16.9)	58	214	202	6.3
Other Income	51	71	(27.9)	26	103	84	22.1
<b>EBIT</b>	<b>780</b>	<b>787</b>	<b>(1.0)</b>	<b>537</b>	<b>2,689</b>	<b>2,622</b>	<b>2.6</b>
Interest	405	331	22.4	347	1,305	948	37.8
<b>PBT</b>	<b>426</b>	<b>527</b>	<b>(19.2)</b>	<b>216</b>	<b>1,384</b>	<b>1,674</b>	<b>(17.3)</b>
Total Tax	111	177	(37.4)	78	430	564	(23.8)
<i>ETR %</i>	<i>26.1</i>	<i>33.6</i>		<i>36.1</i>	<i>31.1</i>	<i>33.7</i>	<i>(7.8)</i>
<b>PAT</b>	<b>315</b>	<b>350</b>	<b>(10.0)</b>	<b>138</b>	<b>854</b>	<b>1,110</b>	<b>(14.1)</b>

Source: Company Data, PL Research

**Income Statement (Rs m)**

Y/e March	2011	2012	2013E	2014E
<b>Net Revenue</b>	<b>23,797</b>	<b>25,924</b>	<b>28,981</b>	<b>29,684</b>
Raw Material Expenses	13,367	13,671	16,731	17,443
Gross Profit	10,430	12,254	12,250	12,241
Employee Cost	718	795	869	831
Other Expenses	6,973	8,659	8,316	8,254
<b>EBITDA</b>	<b>2,739</b>	<b>2,800</b>	<b>3,064</b>	<b>3,156</b>
Depr. & Amortization	202	213	217	235
Net Interest	948	1,410	1,730	1,710
Other Income	84	109	93	132
<b>Profit before Tax</b>	<b>1,674</b>	<b>1,286</b>	<b>1,210</b>	<b>1,343</b>
Total Tax	565	430	405	450
<b>Profit after Tax</b>	<b>1,109</b>	<b>855</b>	<b>805</b>	<b>893</b>
Ex-Od items / Min. Int.	—	—	—	—
<b>Adj. PAT</b>	<b>1,109</b>	<b>855</b>	<b>805</b>	<b>893</b>
<b>Avg. Shares O/S (m)</b>	<b>82.0</b>	<b>82.2</b>	<b>82.2</b>	<b>82.2</b>
<b>EPS (Rs.)</b>	<b>13.5</b>	<b>10.4</b>	<b>9.8</b>	<b>10.9</b>

**Cash Flow Abstract (Rs m)**

Y/e March	2011	2012	2013E	2014E
C/F from Operations	637	(20)	2,189	2,804
C/F from Investing	(378)	(877)	(250)	(300)
C/F from Financing	120	600	(1,503)	(2,103)
Inc. / Dec. in Cash	379	(298)	436	401
Opening Cash	422	302	4	440
Closing Cash	302	4	440	842
FCFF	(756)	(2,119)	211	794
FCFE	321	328	862	362

**Key Financial Metrics**

Y/e March	2011	2012	2013E	2014E
<b>Growth</b>				
Revenue (%)	11.7	8.9	11.8	2.4
EBITDA (%)	19.8	2.2	9.5	3.0
PAT (%)	31.5	(22.9)	(5.9)	11.0
EPS (%)	31.5	(23.1)	(5.9)	11.0
<b>Profitability</b>				
EBITDA Margin (%)	11.5	10.8	10.6	10.6
PAT Margin (%)	4.7	3.3	2.8	3.0
RoCE (%)	18.0	14.6	13.9	13.8
RoE (%)	20.3	13.5	12.1	12.6
<b>Balance Sheet</b>				
Net Debt : Equity	0.7	1.0	1.1	0.9
Net Wrkng Cap. (days)	—	—	—	—
<b>Valuation</b>				
PER (x)	3.0	3.8	4.1	3.7
P / B (x)	0.5	0.5	0.5	0.4
EV / EBITDA (x)	2.8	3.6	3.5	3.1
EV / Sales (x)	0.3	0.4	0.4	0.3
<b>Earnings Quality</b>				
Eff. Tax Rate	33.7	33.5	33.5	33.5
Other Inc / PBT	5.0	8.5	7.7	9.8
Eff. Depr. Rate (%)	7.5	6.3	6.0	6.0
FCFE / PAT	28.9	38.4	107.1	40.6

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

Y/e March	2011	2012	2013E	2014E
Shareholder's Funds	6,017	6,646	6,638	7,576
Total Debt	4,767	7,214	7,866	7,434
Other Liabilities	—	—	—	—
<b>Total Liabilities</b>	<b>10,784</b>	<b>13,860</b>	<b>14,504</b>	<b>15,009</b>
Net Fixed Assets	1,843	2,105	2,138	2,203
Goodwill	—	—	—	—
Investments	701	866	866	866
Net Current Assets	8,421	11,018	11,621	12,057
<i>Cash &amp; Equivalents</i>	301	397	440	842
<i>Other Current Assets</i>	15,227	21,156	21,041	20,862
<i>Current Liabilities</i>	7,108	10,536	9,860	9,647
Other Assets	(180)	(128)	(121)	(115)
<b>Total Assets</b>	<b>10,784</b>	<b>13,860</b>	<b>14,504</b>	<b>15,009</b>

**Quarterly Financials (Rs m)**

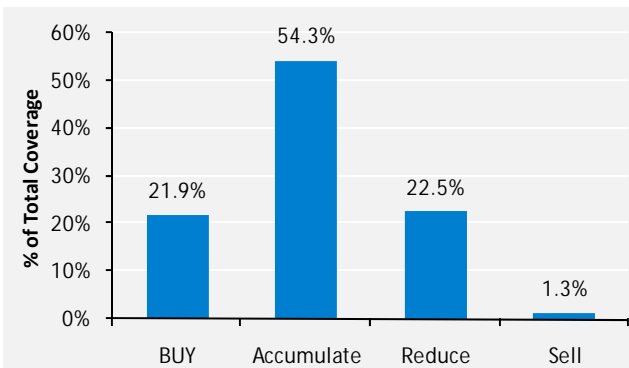
Y/e March	Q1FY12	Q2FY12	Q3FY12	Q4FY12
<b>Net Revenue</b>	<b>6,377</b>	<b>6,321</b>	<b>5,871</b>	<b>7,355</b>
<b>EBITDA</b>	<b>702</b>	<b>680</b>	<b>595</b>	<b>824</b>
<i>% of revenue</i>	<i>11.0</i>	<i>10.8</i>	<i>10.1</i>	<i>11.2</i>
Depr. & Amortization	55	57	58	44
Net Interest	270	284	347	405
Other Income	13	13	26	51
<b>Profit before Tax</b>	<b>390</b>	<b>352</b>	<b>216</b>	<b>426</b>
Total Tax	129	112	78	111
<b>Profit after Tax</b>	<b>262</b>	<b>239</b>	<b>138</b>	<b>315</b>
<b>Adj. PAT</b>	<b>262</b>	<b>239</b>	<b>138</b>	<b>315</b>

Source: Company Data, PL Research.



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**Rating Distribution of Research Coverage**



**PL's Recommendation Nomenclature**

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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