

## JYOTI STRUCTURES LTD

**BUY**

**Jyoti Structures Ltd.** is a leader in providing turnkey solutions in the field of High Voltage Power Transmission Lines and Substations. Its operations have extended to around 40 countries.

- The Development of the national grid and strengthening of the regional grid is among the key focus areas of the Government. The Planning Commission had planned an expenditure of Rs. 1,400 bn for Transmission System Development and related schemes during the 11th five year plan. With this we can expect a healthy order flow for Jyoti Structures.
- As on Dec 31, 2009, the company had an order book of Rs. 40.3 bn of which 68% orders are from the transmission segment, 12% are from the substations, and rest are the rural electrification orders.
- During Q3 FY2010, the company posted 18.2% Y-o-Y revenue growth with revenues pegged at Rs. 5.12 bn. The net profit also grew 29.4% Y-o-Y to Rs. 233.6 mn. In Q3 FY2010, the company received orders worth Rs. 6.8 bn.
- Post Q3 FY2010 results, we expect Jyoti Structures' revenue to grow at a CAGR of 17% over FY09-FY12 to Rs. 29.9bn by FY2012. We further estimate that the PAT would grow at a CAGR of 22% over FY09-FY12 to Rs. 1.6bn in FY12.

**Based on a FY 11 consolidated P/E of 12.5, the fair value for Jyoti Structures Ltd works out to be Rs. 191.**

### Financial Snapshot

Projections (Rs Mn)	FY08A	FY09A	FY10E	FY11E	FY12E
Revenue	13,814	18,732	21,081	24,734	29,904
Y-o-Y Growth %	48.6%	35.6%	12.5%	17.3%	20.9%
EBIDTA	1,889	2,361	2,492	2,973	3,594
Y-o-Y Growth %	34.6%	25.0%	5.5%	19.3%	20.9%
PAT	701	851	1,034	1,257	1,556
Y-o-Y Growth %	26.1%	21.5%	21.5%	21.6%	23.8%
EPS Rs	8.5	10.3	12.6	15.3	19.0
BVPS Rs	41.6	51.3	60.4	74.2	91.3
EBIDTA %	13.7%	12.8%	11.9%	12.1%	12.1%
NPM %	5.1%	4.6%	4.9%	5.1%	5.2%
PERx			13.0	10.7	8.6
P/B Ratio			2.7	2.2	1.8

Recommendations	<= 1 year	1 - 2 yrs	2 - 5 yrs
Strong Buy			
Buy			
Hold			
Reduce			
Sell			

**Strong Buy** – Expected Returns > 20% p.a.

**Buy** – Expected Returns from 10 to 20% p.a.

**Hold** – Expected Returns from 0% to 10% p.a.

**Reduce** – Expected Returns from 0% to 10% p.a. with possible downside risk

**Sell** – Returns < 0%



### STOCK DATA

BSE / NSE Code	513250 / JYOTISTRUC
Bloomberg Code	JYSIN EQUITY
No. of Shares (Mn)	82.0
Sensex / Nifty	16,192 / 4,845

### PRICE DATA

CMP Rs (19th Feb'10)	163.6
Beta	0.9
Market Cap (Rs mn)	13,411
52 Week High-low	197 - 44.4
Average Daily Volume	115,679

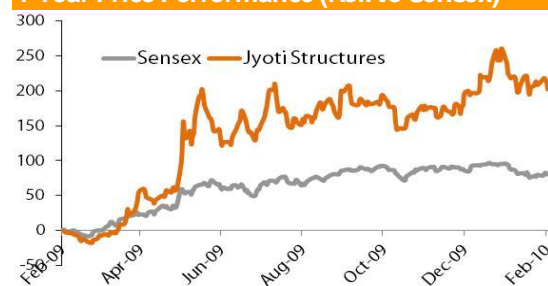
### STOCK RETURN (%)

	30D	3M	6M	1Y
Jyoti Structures	-7%	11%	19%	204%
Sensex	-7%	-4%	9%	81%
Nifty	-7%	-3%	10%	76%

### SHARE HOLDING PATTERN (%)

Promoter	26.8
Institution	46.2
Non Institution	27.0
<b>Total</b>	<b>100.0</b>

### 1 Year Price Performance (Rel. to Sensex)



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## BUSINESS PROFILE

**Jyoti Structures Limited (JSL)**, established in 1974, is a major player in India's Transmission Engineering, Procurement and Construction (EPC) space. It has three key lines of business namely; Transmission Lines, Substations and Rural Electrification. In each of these lines, the company undertakes turnkey projects, offering a complete range of services from Design, Engineering Consulting, Tower Testing, Manufacturing, Construction and Project Management. The company derives close to 70% of revenues from Transmission Lines whereas rest is contributed by Substation and Rural Electrification.

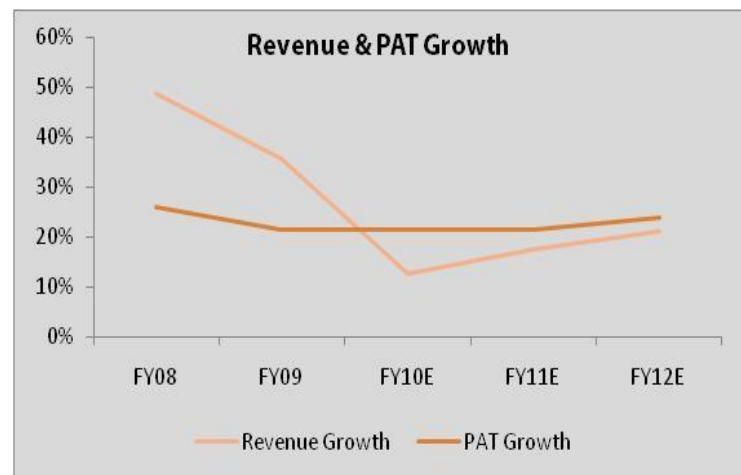
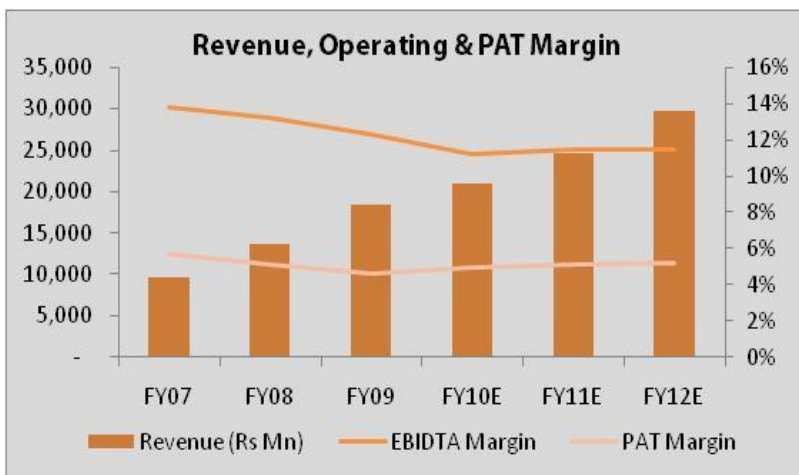
It has manufacturing plants at Nashik and Raipur, having a combined manufacturing capacity of 94,000 MT of transmission line towers. It also has in-house Tower Testing Station at Ghoti, Igatpuri.

Jyoti Structures has two joint ventures as well. It's South African JV, Jyoti Structures Africa (Pty.) Ltd., in which it has 70% holdings, focuses on African Market such as South Africa, Mozambique etc. Its other JV, Gulf Jyoti International LLC, with 30% holdings, caters to Middle East market.

**Jyoti Structures Ltd has three key lines of business: solutions in Power Transmission, Rural Electrification & Substations.**

## BUSINESS PERFORMANCE

Jyoti Structures Ltd has shown a good performance for the 9 months ending Dec 09. Its net sales grew by 18% to Rs. 14.71bn. Revenues from the Transmission segment stood at 72%, Substation stood at 13% and the rest was contributed by Rural Electrification. Its operating margins were at 11.5%. During Q3 FY 2010, Jyoti Structures bagged orders worth Rs. 6.81 bn. The company has bid for BOT (Build, Operate and Transfer) projects from Haryana SEB and Rajasthan SEB, for which orders are worth Rs. 9 bn.



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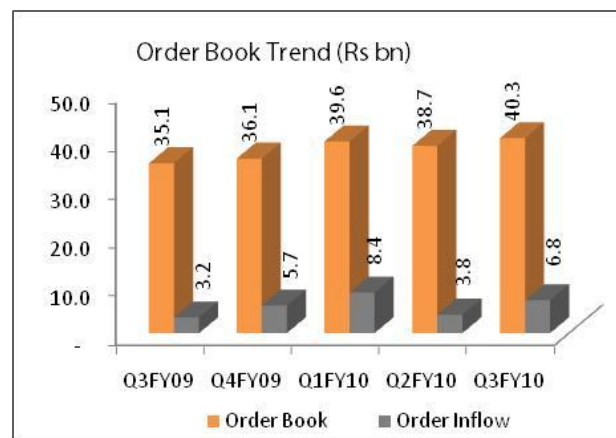
## BUSINESS OUTLOOK

Jyoti Structures Ltd. operates mainly in the area of Transmission Lines, which is also the government's key focus area. Government has put a special emphasis on the development of the National Grid and strengthening of the Regional Grids. The 11<sup>th</sup> Five year plan had estimated an outlay of Rs. 1,400 bn for Transmission System Development and related schemes during 2007-2012. With this, we can expect Power Grid Corporation and various SEBs to continue giving related orders benefitting companies like Jyoti Structures Ltd.

As on 31<sup>st</sup> Dec'09, the company had an order book of Rs. 40.30 bn (y-o-y growth of around 12%). Of this, 68% orders are from the Transmission sector, 12% are from the Substation and rests are from the Rural Electrification orders. Close to 30-35% of orders are from Power Grid and the rest are from various SEB's like TNEB, UP, Chhattisgarh etc. The order book is executable in 18-24 months timeframe. The Middle East JV, Gulf Jyoti, has an order book of Rs. 7.7 bn. Of this, about Rs. 4.9 bn order is from Deva Company, which has been delayed. The African JV, Jyoti Structure Africa, has an order book of Rs. 1.2 bn.

The company is pursuing business opportunities of about Rs. 70 bn in next few months, of which nearly Rs. 28-30 bn are from Power Grid orders, about Rs. 18-20 bn are from countries like Kenya, Mozambique and South Africa and rest are from various State level SEBs.

**We expect strong order flow to continue for development of National Grid and strengthening of Regional Grids.**



### Key Risks

Jyoti Structures Ltd has a large exposure (30% -35% of order book) to its top vendor, Power Grid Corporation. Any slowdown in orders, delay in execution will affect revenues of Jyoti Structures adversely. Strengthening of power related infrastructure is key focus of government and has attracted a lot of new players to this industry. With intense competition in the market, aggressive bidding is expected, which is likely to put pressure on the margins.

**Entry of new players may put pressure on margins.**

### Peer Group Comparison

Companies	Revenue (Rs mn)	EBIDTA Margin (%)	PAT Margin (%)	ROE (%)	P/E (x)	P/B (x)	CMP (Rs.)	FV (Rs.)
Jyoti Structures	1,716	13.0%	4.6%	21%	15.8	3.3	163.6	2.0
KEC International	3,427	10.3%	3.3%	22%	17.3	5.1	571.7	10.0
Kalpataru Power	1,868	12.2%	4.9%	12%	20.7	3.3	1050.0	10.0

### Peer Comparison

Jyoti Structures is a very strong player in transmission Engineering, Procurement and Construction (EPC) space. Compared to its peers, Jyoti Structures is trading at a discount. It has better margins as compared to its peer group.

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## VALUATIONS

Post the Q3 FY2010 results, we expect Jyoti Structures revenues to grow at a CAGR of 17% over FY09-FY12 to Rs. 29.9 bn by FY2012. We further estimate that the PAT would grow at a CAGR of 22% over FY09-FY12 to Rs. 1.6 bn in FY2012.

**Based on a consolidated P/E of, the fair value for Jyoti Structures works out to Rs. 191**

**Based on a consolidated P/E of 12.5, the fair value for Jyoti Structures works out to Rs.**

191

We recommend the stock as 'BUY'.

### Financial Analysis and Projections

Particulars (Rs Mn)	FY08A	FY09A	FY10E	FY11E	FY12E
Net Revenue	13,749	18,382	20,931	24,558	29,690
Other Income	65	350	150	177	213
Total Income	13,814	18,732	21,081	24,734	29,904
Operating Expenditure	11,926	16,371	18,589	21,761	26,309
Depreciation	72	99	143	164	189
Operating Profit	1,817	2,262	2,350	2,809	3,406
Operating Margin (%)	13.2%	12.3%	11.2%	11.4%	11.5%
Interest	583	917	716	824	947
Profit Before Tax	1,234	1,344	1,633	1,985	2,459
Less: Tax	534	493	599	729	902
Profit After Tax	700	851	1,034	1,257	1,556
PAT Margin (%)	5.1%	4.6%	4.9%	5.1%	5.2%
ROE (%)	20.4%	20.0%	20.9%	20.7%	20.8%
EPS (Rs)	8.5	10.3	12.6	15.3	19.0
BVPS (Rs)	41.6	51.3	60.4	74.2	91.3
<b>Valuation Ratios (x)</b>			<b>FY10E</b>	<b>FY11E</b>	<b>FY12E</b>
P/E			13.0	10.7	8.6
P/B			2.7	2.2	1.8

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## Board Of Directors

Director Name	Current Position	Description
SD Kshirsagar	Chairman	S. D. Kshirsagar is Non-Executive Chairman of the Board, Independent Non-Executive Director of Jyoti Structures Ltd. He has an industrial experience of more than 40 years and has worked with TATA International, TATA Steel and is currently associated with S. P. Jain Institute of Management & Research.
KRThakur	Managing Director	K. R. Thakur is Managing Director, Non-Independent Executive Director of Jyoti Structures Ltd. He has experience of more than 40 years, out of which 30 years is in Transmission Line industry.
Santosh V Nayak	Deputy Managing Director	Santosh V. Nayak is Deputy Managing Director, Non-Independent Executive Director of Jyoti Structures Ltd. He has 20 years of experience with a perfect blend of financial acumen and general management in power transmission industry.
Prakash K Thakur	Whole-time Director	Prakash K. Thakur is Non-Independent Whole-time Director of Jyoti Structures Ltd. He has 15 years of experience with a perfect professional blend needed for power transmission industry.
SH Mirchandani	Director	S. H. Mirchandani is Non-Independent Non-Executive Director of Jyoti Structures Ltd. He has varied experience of running a trading firm in Dubai, a real estate company in Bhopal, Indore, Pune and Mumbai.
A J Khan	Director	A J Khan serves as a director of the company.
GL Valecha	Director	GL Valecha serves as a director of the company.
Rameshchandra Rawal	Additional Director	Rameshchandra Rawal serves as an additional director of the company.

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