

**Power Uninterrupted**

**Jyoti Structures Limited**

**BUY | CMP Rs. 125.0**

**Target Rs. 160.0**

18<sup>th</sup> June 2008

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Power is one sector which has been more than reasonably suffered from the onslaught of the liquidity crunch which hit the markets a few months. More than reasonably because of the significant higher element of the 'futuristic' aspect to the growth story. Think of this to further find support from the then ever-so buoyant equity markets; we comprehend why something is off a treadmill.

Jyoti Structures Ltd (JSL) is one of the many power ancillary stocks whose stock price has been severely punished on the back of slowdown risk & funding issues faced by the principal utility sector. Also the fear of increasing inflation to eat into the margins, as not everything gets covered under escalation provisions. We believe that for these very reasons, the scrip nosedived from Rs. 300 levels to Rs. 103 before settling at Rs. 125 levels presently.

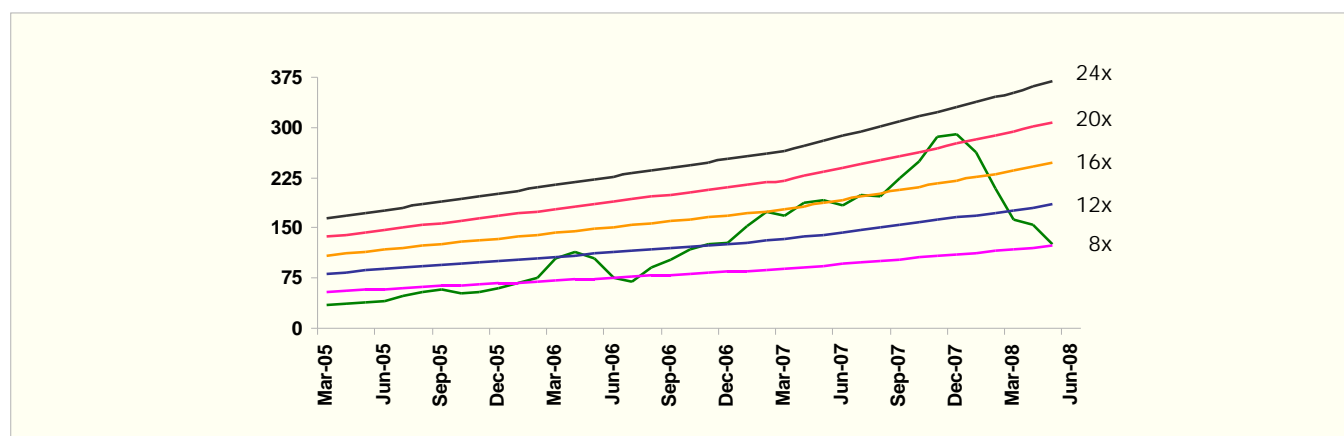
Well it is the margin risk which is higher than the slowdown risk, considering the fact that the business earns just about 12-13% margins and steel prices having increased tremendously. This risk magnifies if one considers that the execution is over 18-24 months and the inventory holding period is minimal. Final concern is regarding the working capital intensity of the business and the poor free cash flows. JSL has a track record of negative free cash flows.

On the slowdown risk, the management is confident of 30-35% growth over the next few years to sustain. Given the lag effect of any possible slowdown, the enormous work pending in the T&D space and the opportunities in newer markets, we perceive JSL & the industry will be able to withstand any growth issues over the next few years.

On the margin front, while there would be an impact of the overall inflationary scenario, the fear of the significant rise in steel prices and the open positions has been overplayed. Steel is about 25% and the uncovered component is just about 10% of the overall input cost for JSL. We have factored in some corrections in the margins going ahead in our estimates.

On the negative free cash flows, with fixed asset turnover of over 10x & working capital intensity (excluding cash) of ~135 days, there is absolutely nothing wrong with the business model. Infact it is great, save the moderate margins. The continued negative free cash flows are a function of growth. Jyoti has grown @ 47% CAGR over FY03-07 and is expected to grow at a healthy 28% over the next three years as well. However, even in a steady state scenario, the DCF based valuation may still not be very appealing.

But then, it never was. We observe that companies like JSL generally valued on PE multiple basis. We have seen the PE multiple doubled over two year period before the scrip was reduced from 22x 12 month forward P/E in December 2007 to ~8x in June 2008. This we believe marks the bottom considering the historical 12 month forward P/E band. The Return to investor ratios has been & continues to be attractive at 20-25%.



We are not expecting any reversal of the de-rating but feel that the stock is attractive even if it trades at the lower end of its historical valuations. We recommend BUY with a one-year target price of ~Rs. 160 (28% upside) at which the scrip would trade at one-year forward P/E of <11.

<h1 style="margin: 0;">Jyoti Structures Limited</h1>	Initiating Coverage <b>BUY</b>
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**Stock Data**

Bloomberg : JYS.IN  
 Reuters : JYTS.BO  
 BSE Code : 513250  
 NSE Code : JYOTISTRUC  
 BSE Group : B

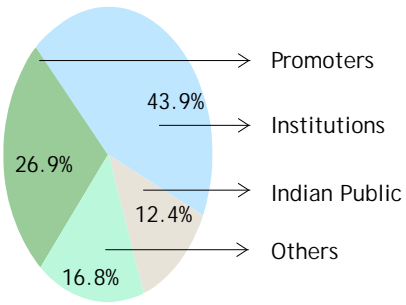
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**Stock Codes**

Benchmark : BSE 500  
 52 Week High : 328.00  
 52 Week Low : 103.0  
 Mkt Cap : Rs. 932Mn  
 Face Value : Rs. 2.0

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**Shareholding Pattern (as on March 08)**



43.9% → Promoters  
 26.9% → Institutions  
 12.4% → Indian Public  
 16.8% → Others


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**Stock Returns**

	1 Mth	3 Mths	6 Mths
Joyti	-26.11	-39.86	-61.93
BSE 500	-10.27	-2.67	-28.98

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**Price Comparison**



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**Clear Earnings Visibility**

JSL has decided to shift focus towards the projects business for which it has developed the project execution & management skills. The turnkey assignments in the substation & rural electrification projects would help the company to ramp up the sales in the years to come. The company has estimated to grow its substation & rural electrification projects share in the business from 20% in FY07 to 35% in FY09E.

**Robust Order Book**

Order Book as on May'08 stood at Rs. 31.2Bn up 56% Y-Y. 85% of the order book consists of domestic orders (of which 65% is from PGCIL) & remaining 15% orders include exports & deemed exports orders. Also, 65% of its order book comes from Transmission line projects, 20% from REC and 15% from substation projects. The company witnessed Rs. 4Bn+ of order inflows during 4QFY08. Domestic & deemed export orders have price escalation clause & hence only 8% of orders that is exports have the raw material price volatility risk.

**India Centric Player: majorly into domestic distribution**

JSL is more India centric & should emerge as the leading beneficiary in executing orders, not only from the public sector utilities, but also from the upcoming private T&D utilities. The company enjoys a healthy market share of 17-18% in the transmission lines towers business coupled with a bulging order book.

**Valuations**

We observe that JSL has been trading at a modest discount to its counterpart KEC International. While KEC is a larger & geographically a much diversified player, JSL has demonstrated a higher growth rate in business. At CMP of Rs. 125, the scrip is trading at P/E of 11.3 on FY09E earnings of Rs. 11.1. Considering the growth momentum, we believe that company will continue to command attractive valuations. Also the robust business environment & earnings outlook does provide us enough optimism & comfort to recommend "BUY" with a one-year price objective of Rs. 160/- per share (28% upside), at which the scrip would trade at forward P/E of <11.

Particulars (Rs Mn)	FY05	FY06	FY07	FY08	FY09E	FY10E	FY11E
Total Revenues	4,396.1	6,978.2	9,708.4	13,704.0	17,997.4	23,494.7	28,838.4
EBITDA (%)	9.4%	11.0%	13.0%	12.7%	11.9%	11.8%	12.0%
PAT	115.3	276.7	550.2	724.1	897.6	1,192.1	1,543.2
EPS (Rs.)	1.7	4.0	6.8	8.9	11.1	14.7	19.0
P/E (x)	74.9	31.2	18.3	14.0	11.3	8.5	6.6
ROCE (%)	18.2%	25.5%	27.8%	29.5%	26.0%	27.0%	28.6%
RONW (%)	12.2%	22.8%	20.1%	21.3%	21.3%	22.5%	23.1%
Debt/Equity (x)	1.2	1.3	0.6	0.7	0.9	0.9	0.7

## Company In-depth

Jyoti Structures Limited (JSL), incorporated in 1974 has been providing turnkey solutions in the field of High Voltage Power Transmission Lines (TL) and Substations (SS) for the past 33 years. It has a strong presence in the domestic market enjoying nearly 17-18% market share & has extended its operations to around 33 countries around the world. It undertakes turnkey projects on a global scale, offering a complete range of services from Design, Engineering Consulting, Tower Testing, Manufacturing, Construction and Project Management. Till date it has supplied over 550,000 MT of transmission line towers, structures to various utilities in India and abroad.

## Business & Capacities

JSL's manufacturing plants are located at Nashik and Raipur. Its current capacity stands at 94,000MTPA, equally distributed between its two manufacturing facilities. JSL was earlier into the business of refractories, through its ~100% subsidiary Jyoti Refractories Limited. This company has closed operations for the past some time & its spare facilities are now being converted to manufacture transmission towers. 18,000 MT of capacity will get added for JSL at this facility near Nashik by early FY08. JSL also has an in-house Tower Testing station at Igatpuri. With sizable manufacturing capacities and presence in rural electrification segment, JSL is certainly at a slight advantage against its counterparts.

## Gulf Jyoti

JSL has formed a Joint Venture company in Dubai, viz. Gulf Jyoti International LLC, with Gulf Investment Corporation (GIC). This unit in Dubai Investment Park shall have a manufacturing capacity of 33,000 MTPA (on a 2 shift basis) & can be extended up to 50,000MTPA.

## Jyoti Structures Africa (Pty) Ltd.

During the year JSL has formed a subsidiary in South Africa named Jyoti Structures Africa (Pty) Ltd. to partipate in TL business opportunities. Shareholding of JSL in this subsidiary is at 70%. the JV company has been awarded an EPC contract by Eskom, the electricity utility of Republic of SouthAfrica.

## JSL's Business Model

Transmission Line	Substation	Rural Electrification (Distribution Line)
Bought out components - 30%	Bought out components - 65%	Bought out components - 80%
Construction - 30%	Construction - 25%	Construction - 20%
Engineering - 10%	Engineering - 10%	
Tower Manufacturing - 30%		

- More of construction & bought out components
- Working Capital Intensive - 10% retention money
- Efficient working capital management is of utmost critical for this business. Not just that a substantial proportion of the business involves construction & use of bought-out components, 10% of the proceeds are retained for a period of 1-2 years.

### Robust Order Book: Info & Analysis

JSL's order book position as on May 2008

Current order book at 2.26x FY08 revenue is better than peers. As on May'08, the company had a total order book backlog of Rs. 31.2Bn, to be executed in the next 18-24 months. The order book has witnessed a growth of 58% since FY07. We estimate the higher order book to drive the sales growth of JSL higher than other peers in the market.

Particulars	Rs. Mn	% share
Transmission	20,280	65%
Substation	4,680	15%
Rural Electrification	6,240	20%
Total	31,200	100%

While the order book growth has been robust, we expect the revenue growth to moderate at around 20-30% on account of the increasing base and also on account of ill-execution risks.

### Minimal Capex

Tower manufacturing is not a capital intensive business. However, having one's own manufacturing capabilities does help in timely execution of projects & also brings in some other efficiencies in the system. Also having inhouse manufacturing is important & a pre-requisite, when it comes to select projects. For example in USA, EPC tower companies are preferred over general contractors, who are also otherwise capable of executing the projects. The trivial importance of this can be gauged by the fact, that the towers are just a small fraction of the entire project contract. We take the example of various divisions of JSL which is a relatively integrated player in terms of having its own tower manufacturing & testing facilities.

### Competitive Scenario

The competitive structure is neither very fragmented nor highly consolidated. The key established players, namely KEC, Jyoti Structures, Kalpataru and L&T enjoy ~75%-80% market share. The balance is distributed amongst companies like Tata Projects, Transrail, Spic and new entrants like IVRCL. Spanish companies like Cobro, Isolux, Inabensa have also got active. We understand that the pre-qualification norms & the fulfillment criteria (requirement for experience to have had executed certain level of smaller work before being awarded a bigger contract) should provide some immunity to the established lot, at least for a few years.

### No red flags in sight at the moment

With the business booming both at the domestic as well as the international arena, these EPC players are witnessing modest pricing power. What we mean exactly is that with high capacity utilization levels and with no dearth in getting new business, the players are not compromising on the margins. Margins over the past few years have steadily increased from 5-7% to 12-14%. However, in the longer run, these are expected to get retraced and settle at ~11% level. A slightly declining margin scenario is what we have assumed for our forward earning estimates.

Price escalation clause to cushion margins

All the domestic orders of JSL come in with a price variation clause, which protects the company against rise in its raw material cost. However the export orders don't enjoy any price variation clause. Since JSL's 80% of the total orders are from domestic power transmission industry, the company is less vulnerable to volatility in margins. We estimate JSL to maintain EBITDA margins in the range of 11-12% over FY09-FY11. Further, the company has balanced its geographical risk & operating risk by targeting the opportunities in Gulf & Middle East countries & it has also balanced its financial performance through the right mix of EBITDA margins in domestic & export orders.

## Gulf Jyoti

Gulf Investment Corporation, the 70% partner in the Middle East JV, is an investment company setup by the GIC countries to promote investments & projects in the region. Jyoti Structures, the 30% partner, will look after the operational aspects and will get a 15% of profits as management fees. Also it would earn a one time income of 5% of the project cost of ~Rs. 650Mn. JSL's investment in the JV will be reflected under investments and it would account for dividend income and management fee income from JV on a recurring basis. There would be no proportionate consolidation of financials in this case. The manufacturing facility is designed to produce 30,000MT of galvanized structures per annum. The capacity can go upto 50,000MT on 3 shift basis.

The JV currently has orders for 12,000MT of tower manufacturing. It's expected to bag orders for EPC contracts going forward. The management intends to use the JV's capacity if the export orders for JSL are over & above the existing capacity of 94,000MT.

While the operating margins may be a tad lower than the domestic margins, the 5% target NPM should be achieved comfortably on account of various considerations like zero tax, lower interest rates and logistics savings. Gulf Jyoti would focus mainly on the upcoming potential markets like Middle East & North Africa. According to international studies, Middle East & North Africa markets may witness investments in power transmission lines to the tune of \$73bn & \$29bn respectively over the period of 2005-30. We expect Gulf Jyoti will witness good order inflow due to proven background of JSL in terms of technology & implementation of projects & it would drive its top & bottom line in coming years.

## South African Subsidiary

Jyoti StructuresAfrica (Pty) Ltd.

During the year JSL has formed a subsidiary company in South Africa wherein its holding is at 70% & 30% is a local South African national (company owned by a lady which is a black woman empowered company). This kind of firm has higher weight age in SA.

The company has been awarded a contract for execution of its first 114kms of 765kv Single circuit transmission line valued at Rs. 1.09-1.1Bn by Eskom, the electricity utility of Republic of South Africa. This order is executable in 12 months time. The company is also looking for jobs in South Africa, helping it to grow in the same fashion. This order will be booked in FY09 directly as the contractual period is 13 months. We have accounted for the contribution from this venture on full consolidation basis.

Power Transmission Industry	<p>The Indian Transmission Tower EPC players are expected to ride the continued industry up cycle at a pace of about 20-25% growth rate for the foreseeable future. Importantly, the business scenario continues to be vibrant. We remain sanguine about the revenue &amp; earnings visibilities for the key industry players.</p>
Domestic	<p>From a trivial 1,350 MW in 1947, the power generation capacity of India had steadily increased to 1,00,000 MW by 2002. Well, with a series of some landmark reforms during that period, India embarked upon a vaulting target to reach 2,00,000 MW by 2012. India is expected to end the current fiscal with an installed capacity of ~1,32,000 MW as against the targeted 1,40,000 by 2007.</p> <p>The existing inter-regional power transfer capacity is 9,750MW, which will now be enhanced to 37,000MW by 2012 through creation of Transmission Super Highways. Power Grid Corporation of India Limited has envisaged a capex of Rs. 700Bn for this grid of which Rs. 500Bn will be invested by itself, while the balance Rs. 200Bn will come through private sector participation. The government has lined up a sizable Rs. 230Bn worth of BOOT projects of which Rs. 110Bn comprising of 4 major projects have already been advertised. We see most of the EPC tower players to venture with the larger players for these projects. However, we understand that their interest is mainly towards executing these projects rather than owning &amp; operating them. Such joint venture participation includes consortium like Jyoti Structures - Reliance Energy and KEC International - GMR Group.</p> <p>To summarize the Domestic growth story, there is tremendous business prospects from activities like evacuation from new generation plants, transfer of inter-regional grid capacity and distribution to mass consumers, with key emphasis on rural electrification. The seeds for the above task is laid in the various initiatives like 'Power for All by 2012' mission, APDRP Program, Electricity Act, Rajiv Gandhi Gramin Viduyutikaran Yojna (RGGVY), etc.</p>
Exports	<p>Things could not had been better for these EPC tower companies at the moment. Apart from the domestic developments discussed above, there is a marked improvement in the exports scenario. Jyoti Structures which a few years ago had reduced their exposure to the international market following some turbulent times, is now actively pursuing growth opportunities and is likely to double the proportion of exports in its revenues from 10% currently to 20% by next year. The three key bubbling markets from exports perspective includes the Middle East region, The North African market and also some of the neighboring CIS nations.</p>

Exports v/s. Domestic      The export contracts are fixed price contracts with no price variation clause, unlike the domestic market, which has a practice of an embedded price variation clause in the contract. Here, it is pertinent to note that this clause can work negatively as well in case of a falling raw material price scenario.

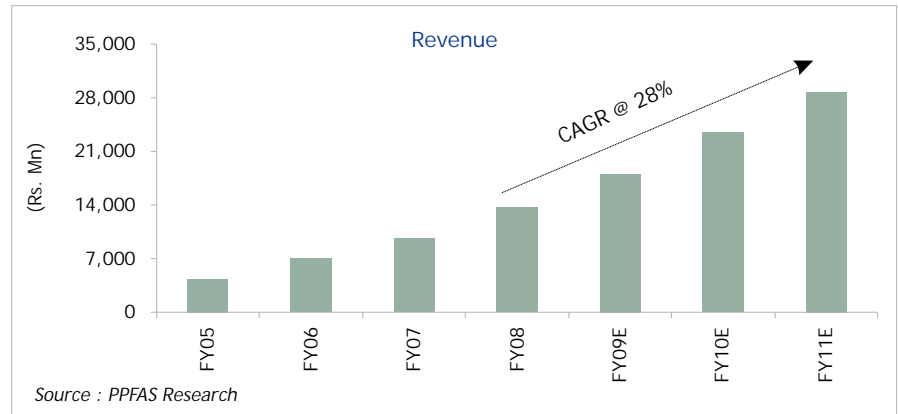
Also the exports operating margins are a tad lower than prevalent in the domestic market. Here, one should note that key markets like Middle East have zero taxation regimes & ergo, the slightly lower operating margins. The final net profitability is by & large unaffected.

Margin Expansion      The financial revival of the SEBs has helped the EPC tower players improve on both revenues & earnings. We highlight some of the key reasons, which has caused the margins improve for the industry players.

- Faster execution - Averaging 18 months vis-a-vis 30 months earlier
- Improved Capacity Utilization - presently at ~90%
- Cost cutting measures implemented - Excess staff reduced
- Better absorption of fixed costs through increased sales
- Enough options & availability of high margin complex work

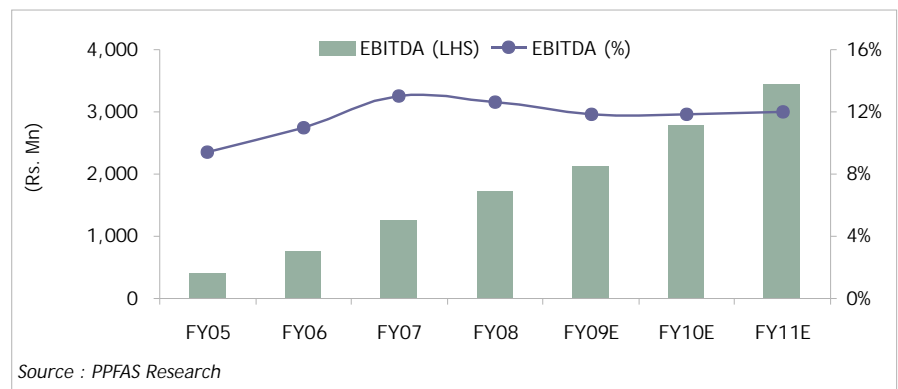
The performance of JSL up to FY08 was above expectations. After the planned expansions are ready for generation, we expect revenues to be around Rs. 17,997Mn, Rs. 23,495Mn and Rs. 28,838Mn in FY09E, FY10E and FY11E respectively and hence we expect the net income to grow at a CAGR of 28% over the next 3 years.

Revenues to grow @ CAGR of 28% over FY08-FY11



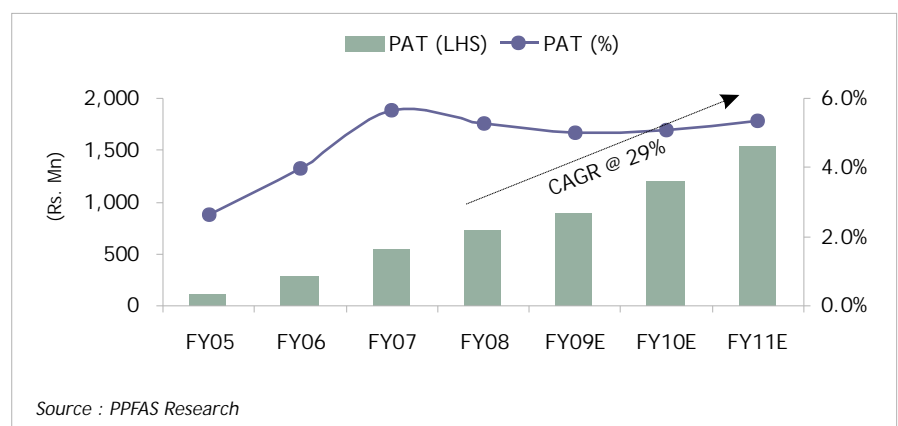
EBIDTA margins of the company decreased in FY08 to 12.7% from 13% in FY07 on account of high raw material prices. Going forward, we expect the EBIDTA margins to be in the range of 11-12% over FY09 to FY11.

EBITDA Margins to be in the range of 11-12% over FY09-FY11

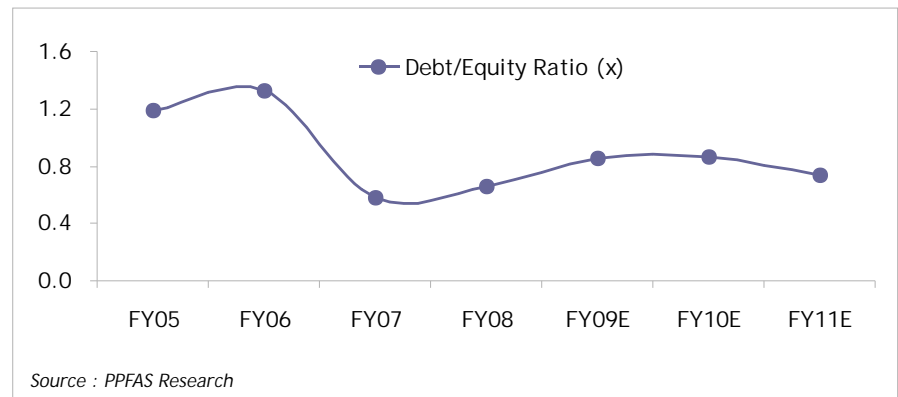


Net profit margins of the company have decreased in FY08 to 5.3% from 5.7% in FY07. Going forward, we expect the net profit margins to be 4.4%, 4.9% and 5.2% in FY09E, FY10E and FY11E respectively.

Net Profit to grow @ CAGR of 29% over FY08-FY11

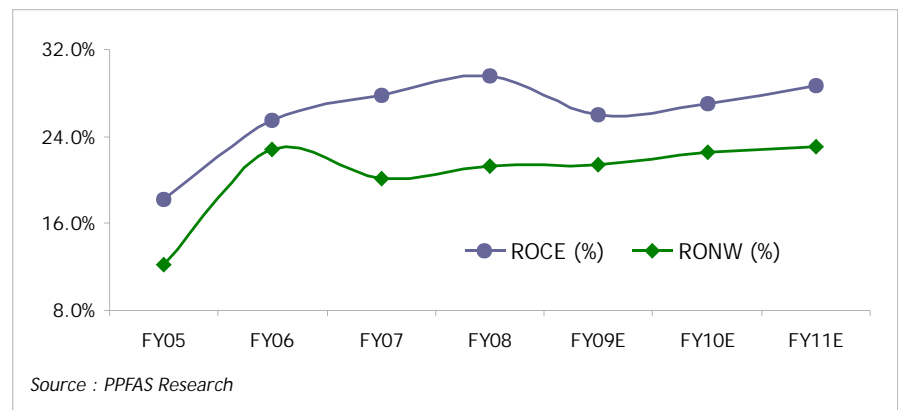


Debt to Equity of the company increased to the levels of 0.7x in FY08 from 0.6x in FY07 on account of loans taken for working capital requirements. We expect the debt to equity ratio to decrease from 0.9x in FY09E to 0.7x in FY11E.



Return on Network (RoNW) of the company increased to 21% in FY08 from 20% in FY07 on account of 32% increase in net profit in FY08. Return on Capital employed (RoCE) at 30% in FY08 increased as compared to last year. Going forward, we expect the RoCE to rationalize around 26-28% over FY09-FY11 on account of robust order book of the company.

Return Ratios



Dividend Policy

An increasing dividend history inspires confidence in the management's intentions of rewarding shareholders. JSL has been a high dividend paying company with its payout ratio averaging 9% over the past 2 years. During FY08 the Board of Directors of the company have recommended a dividend of 40% on its equity capital and going forward, we expect that the management will continue the dividend trend.

## Our View

The company is one of the prime beneficiaries of increased investment in transmission and distribution sector. GOI's mission of 'Power of all by 2012' and carry forward of reforms through passage of Electricity Act 2003 has given impetus to transmission sector. Schemes like rural electrification has also lightened up investment in sagging distribution sectors auguring well for the industry players. Total investment envisaged in augmenting, strengthening, upgrading of transmission network in the country is estimated to be awesome @ Rs. 710Bn and out of this Rs. 500Bn to be mobilized by POWERGRID and balance from private sector. These expansions would directly translate to vibrant order books for companies in the industry.

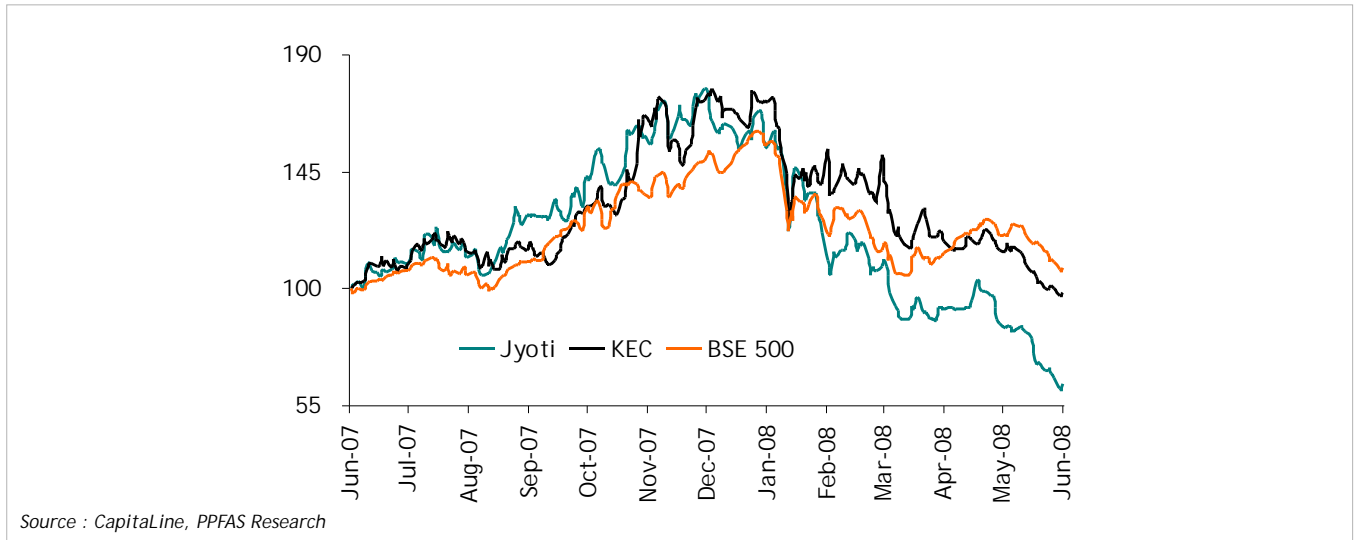
Most of the power ancillary companies have had a good run up on the bourses over the past few quarters & certainly, they have delivered excellent growth in both revenues & earnings. However, the decrease in scrip prices seems to have been much faster in the recent quarters. JSL, having strong expertise in the business is well placed to take advantage of the growth in the sector. On profits front with strong order intake and healthy order book the profit growth are expected to be steady with margin stabilize around 11-12% for full year basis. Hence, there is a reasonable case for maintaining the current trend & continuance of a decent performance going ahead.

## Key Investment Concerns

- We expect the power sector reforms to impact JSL positively. However, any reduction in capacity addition planned in the XIth plan or execution risks may delay the order inflows for JSL & vice versa. In Xth FYP around 50% of the planned capacity was implemented, we expect 65-70% to be executed in XIth FYP. Any delay in the implementation of the planned capacity may postpone the implementation of "Transmission Super Highways", hence delaying the benefits for JSL.
- There is low margin of safety as our target price is about 30% upside from the current levels. Any higher than anticipated margin contraction would change our outlook on the scrip.

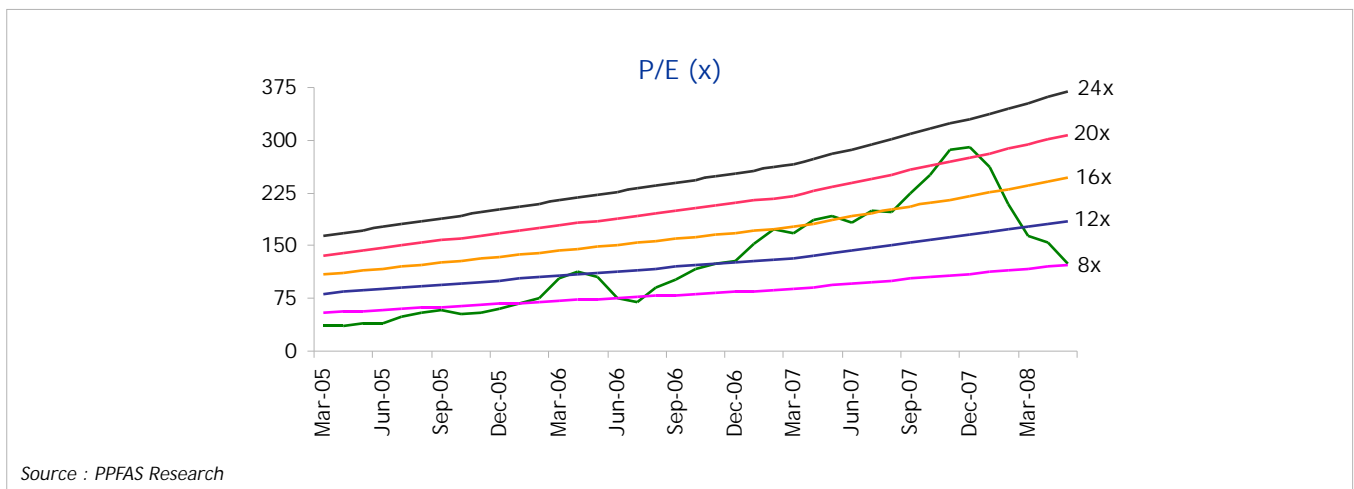
# Valuations

Description (FY08)	Net Sales	EPS	P/E	P/BV	M Cap/Sales	EV/EBITDA	PBIDTM	PATM	DER	ROCE	RONW
Company	(Rs.Mn)	(Rs.)	(x)	(x)	(x)	(x)	(%)	(%)	(x)	(%)	(%)
Jyoti Structures	13,704.0	8.8	12.6	3.0	0.9	8.2	12.7	5.3	0.6	35.7	23.5
KEC International	28,144.8	34.3	14.5	5.1	1.1	9.4	12.6	6.1	1.3	43.0	46.3



Jyoti Structures is currently trading at a discount to KEC International on the basis of P/E & P/BV. This can be attributed to the fact that KEC is a much larger company and also the return ratios are much higher on account of the aggressive leverage policy of KEC. While KEC is a larger & geographically a much diversified player, JSL has demonstrated a higher growth rate in business. Also JSL has 80-85% of its orders & revenues flowing in from domestic region (these orders are covered under the price escalation clause). With no major difference between the two players qualitatively, we believe that both of them should command similar valuations.

At CMP of Rs. 125, the scrip is trading at P/E of 11.3 on FY09E earnings of Rs. 11.1. Considering the growth momentum & improved financial performance; we believe that company will continue to command attractive valuations. The robust business environment & earnings outlook does provide us enough optimism & comfort to recommend "BUY" with a price objective of Rs. 160/- per share (upside 28%).



## Growth momentum sustains

Jyoti Structures has carried forward its growth momentum into fiscal 2007-08 as well with a strong show in the last quarter ended Mar'08. For the quarter the company gaining out of steady 35% growth in revenue and good work at operating level have posted 21% jump in net-profit to Rs. 193Mn.

- Sales scaled up by 35% on a higher base to Rs. 4.1Bn for the quarter ended Mar'08. Operating profit margin decreased by 21.5 basis points to 12.6% on Y-Y basis.
- JSL had plans to raise Rs. 4.2Bn through 18% equity dilution for capex and working capital requirement, have cancelled the plan as of now due to sharp decline in the stock price. It intends to borrow Rs. 600Mn for capex during FY09.
- Other income was up from Rs. 1Mn to Rs. 6.3Mn. Interest cost was higher by 57% to Rs. 157.4Mn in Q4FY08 & depreciation was also higher by 13% to Rs. 18.2Mn. Thus the PBT stood at Rs. 346Mn, a rise of 26.5% over Q4FY07.
- Taxation (including FBT and deferred tax) on absolute terms was higher by 34% to Rs. 154Mn, however the tax rate was higher at 44% compared to 41% in the corresponding previous quarter. The net profit was up by 21% to Rs. 193Mn.

## FY'08 performance

Sales for the fiscal ended Mar '08 were higher by 41% to Rs. 13,704Mn as against Rs. 9,708Mn for the fiscal ended Mar'07. Operating profit was higher by 37% to Rs. 1,719 in FY08 v/s 1,254 in FY07. Other income was up by 85% to Rs. 15.2Mn. Interest outgo increased by 41% to Rs. 464Mn and depreciation was also higher by 15% to Rs. 67Mn thereby leaving PBT higher by 37% to Rs. 1,207Mn for the year ended Mar'08. Finally net profit was up by 32% to Rs. 724.1Mn after providing for taxation (up by 47% to Rs. 478.5Mn).

Order Book stood at Rs. 32.1Bn up 61% Y-Y. 85% of the order book consists of domestic orders (of which 65% is from PGCIL) & remaining 15% orders include exports & deemed exports orders. Also, 65% of its order book comes from Transmission line projects, 20% from REC and 15% from substation projects. The company witnessed Rs. 4Bn+ of order inflows during 4QFY08. Domestic & deemed export orders have price escalation clause & hence only 8% of orders that is exports have the raw material price volatility risk.

## Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q408	Q308	Q-Q(%)	Q407	Y-Y(%)	FY08	FY07	Y-Y(%)
Net Revenues	4,100.6	3,455.3	18.7%	3,043.4	34.7%	13,704.0	9,708.4	41.2%
Cost of Materials	2,806.8	2,367.2	18.6%	1,456.4	92.7%	8,984.4	5,440.6	65.1%
Gross Profit	1,293.9	1,088.1	18.9%	1,587.0	-18.5%	4,719.6	4,267.8	10.6%
Stock Adjustment	36.5	(51.1)	-171.5%	171.7	-78.7%	(47.0)	441.4	-110.6%
Staff Costs	93.3	88.1	6.0%	86.6	7.8%	347.2	266.5	30.3%
Erecting & Sub-Contracting Expenses	357.0	389.5	-8.3%	507.9	-29.7%	1,705.4	1,440.7	18.4%
Other Expenses	291.6	224.0	30.2%	431.8	-32.5%	995.3	865.3	15.0%
Total Expenditure	778.4	650.4	19.7%	1,197.9	-35.0%	3,000.9	3,013.9	-0.4%
Operating Profit	515.5	437.7	17.8%	389.1	32.5%	1,718.7	1,253.9	37.1%
OPM (%)	12.57%	12.67%	-0.8%	12.78%	-1.7%	12.54%	12.92%	-2.9%
Other Income	6.3	4.0	56.6%	1.0	537.4%	15.2	8.2	85.3%
EBITDA	521.8	441.7	18.1%	390.1	33.8%	1,733.9	1,262.1	37.4%
Depreciation	18.2	16.7	8.7%	16.1	13.1%	67.0	58.2	15.2%
EBIT	503.6	425.0	18.5%	374.0	34.6%	1,666.9	1,203.9	38.5%
Interest	157.4	105.3	49.5%	100.3	57.0%	464.3	328.9	41.2%
PBT	346.2	319.7	8.3%	273.8	26.5%	1,202.6	875.1	37.4%
Tax	153.6	118.2	29.9%	114.4	34.2%	478.5	324.9	47.3%
PAT	192.6	201.5	-4.4%	159.3	20.9%	724.1	550.2	31.6%
Equity Capital	162.4	162.3	0.1%	161.4	0.6%	162.4	161.4	0.6%
EPS	2.4	2.5	-4.5%	2.0	20.2%	8.9	6.8	30.8%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q408	Q308	Q-Q(bps)	Q407	Y-Y(bps)	FY08	FY07	Y-Y(bps)
OPM (%)	12.6%	12.7%	(9.7)	12.8%	(21.5)	12.5%	12.9%	(37.4)
EBITDA (%)	12.7%	12.8%	(6.0)	12.8%	(9.4)	12.7%	13.0%	(34.7)
EBIT (%)	12.3%	12.3%	(1.9)	12.3%	(0.9)	12.2%	12.4%	(23.7)
PAT (%)	4.7%	5.8%	(113.6)	5.2%	(53.8)	5.3%	5.7%	(38.3)
Operational Parameters								
YE March (Rs. Mn.)	Q408	Q308	Q-Q(bps)	Q407	Y-Y(bps)	FY08	FY07	Y-Y(bps)
RM Consumed	68.4%	68.5%	(6.2)	47.9%	2,059.4	65.6%	56.0%	952.0
Staff Cost	2.3%	2.5%	(27.3)	2.8%	(56.9)	2.5%	2.7%	(21.2)
Erecting & Sub-Contracting Expenses	8.7%	11.3%	(256.7)	16.7%	(798.2)	12.4%	14.8%	(239.5)
Other Expenditure	7.1%	6.5%	62.9	14.2%	(707.6)	7.3%	8.9%	(165.0)
Effective Tax Rate	44.4%	37.0%	739.4	41.8%	256.1	39.8%	37.1%	265.8

Earnings Statement							
Particulars (Rs Mn)	FY05	FY06	FY07	FY08	FY09E	FY10E	FY11E
Total Revenues	4,396.1	6,978.2	9,708.4	13,704.0	17,997.4	23,494.7	28,838.4
- Growth (%)	44.9%	58.7%	39.1%	41.2%	31.3%	30.5%	22.7%
Total Expenditure	3,985.7	6,230.3	8,454.5	11,985.3	15,873.7	20,722.4	25,395.1
Operating Profit	410.4	747.9	1,253.9	1,718.7	2,123.7	2,772.4	3,443.3
Other Income	4.7	20.9	8.2	15.2	10.0	6.6	6.2
EBITDA	415.1	768.8	1,262.1	1,733.9	2,133.7	2,779.0	3,449.5
Depreciation	39.3	48.3	58.2	67.0	100.6	120.7	128.4
EBIT	375.8	720.4	1,203.9	1,666.9	2,033.1	2,658.3	3,321.1
Interest	194.7	258.4	328.9	464.3	378.2	478.0	514.7
PBT	181.1	462.0	875.1	1,202.6	1,654.9	2,180.3	2,806.4
Tax	65.8	185.3	324.9	478.5	619.2	804.8	1,025.6
PAT Before MI	115.3	276.7	550.2	724.1	1,035.7	1,375.5	1,780.7
Minority Interest	0.0	0.0	0.0	0.0	138.1	183.4	237.5
PAT Before EI	115.3	276.7	550.2	724.1	897.6	1,192.1	1,543.2
- Growth (%)	110.8%	140.0%	98.8%	31.6%	24.0%	32.8%	29.5%
Extra-ordinary Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported PAT	115.3	276.7	550.2	724.1	897.6	1,192.1	1,543.2

Ratio Analysis							
Particulars	FY05	FY06	FY07	FY08	FY09E	FY10E	FY11E
OPM (%)	9.3%	10.7%	12.9%	12.5%	11.8%	11.8%	11.9%
EBITDA (%)	9.4%	11.0%	13.0%	12.7%	11.9%	11.8%	12.0%
PBIT (%)	8.5%	10.3%	12.4%	12.2%	11.3%	11.3%	11.5%
PAT (%)	2.6%	4.0%	5.7%	5.3%	5.0%	5.1%	5.4%
Interest Cover (x)	1.9	2.8	3.7	3.6	5.4	5.6	6.5
EPS (Rs.)	1.7	4.0	6.8	8.9	11.1	14.7	19.0
P/E (x)	74.9	31.2	18.3	14.0	11.3	8.5	6.6
P/BV (x)	9.2	7.1	3.7	3.0	2.4	1.9	1.5
BVPS (Rs.)	10.5	13.6	33.9	41.8	51.8	65.1	82.5
Market Cap (Rs. Mn.)	1,727.6	1,727.6	10,086.9	10,148.1	10,148.1	10,148.1	10,148.1
M Cap/Sales (x)	0.4	0.2	1.0	0.7	0.6	0.4	0.4
Order Book/Sales (x)	2.3	1.8	2.0	2.2	2.2	2.1	2.1
EV (Rs. Mn.)	2,588.6	3,133.0	11,404.4	12,099.9	13,503.7	14,460.4	14,803.7
EV/EBITDA (x)	6.2	4.1	9.0	7.0	6.3	5.2	4.3
EV/Sales (x)	0.6	0.4	1.2	0.9	0.8	0.6	0.5
ROCE (%)	18.2%	25.5%	27.8%	29.5%	26.0%	27.0%	28.6%
RONW (%)	12.2%	22.8%	20.1%	21.3%	21.3%	22.5%	23.1%
Debt/Equity Ratio (x)	1.2	1.3	0.6	0.7	0.9	0.9	0.7
Inventory T/o Days	76.0	63.5	28.7	20.9	25.0	25.0	25.0
Debtors T/o Days	152.6	130.1	136.7	132.9	135.0	135.0	135.0
Advances T/o Days	37.8	27.0	40.0	30.6	35.0	35.0	35.0
Creditors T/o Days	189.0	133.8	98.0	76.6	80.0	80.0	80.0
Working Cap T/o Days	133.0	114.6	137.5	131.4	136.3	136.6	136.7
Fixed Assets T/o (Gross)	6.1	8.2	10.4	13.0	10.7	12.1	13.9
DPS (Rs.)	0.2	0.4	0.6	0.8	1.0	1.2	1.5
Dividend Payout (%)	14.4%	11.1%	8.8%	9.0%	9.0%	8.2%	7.9%
Dividend Yield (%)	0.2%	0.4%	0.5%	0.6%	0.8%	1.0%	1.2%

Balance Sheet							
Particulars (Rs Mn)	FY05	FY06	FY07	FY08	FY09E	FY10E	FY11E
Equity Capital	138.2	138.2	161.4	162.4	162.4	162.4	162.4
Reserves	806.0	1,063.2	2,596.7	3,249.8	4,052.4	5,130.6	6,531.3
Share Warrants Issue	0.0	14.7	0.0	0.0	0.0	0.0	0.0
Shareholders Funds	944.2	1,216.1	2,758.1	3,412.2	4,214.8	5,292.9	6,693.7
Minority Interest	0.0	0.0	0.0	0.0	138.1	321.5	559.0
Borrowed Funds	1,119.4	1,609.3	1,595.0	2,248.9	3,602.2	4,552.2	4,902.2
Deferred Tax Liability	68.8	77.7	76.8	80.7	90.7	100.7	110.7
Total Liabilities	2,132.4	2,903.1	4,429.9	5,741.8	8,045.9	10,267.4	12,265.6
Fixed Assets	441.1	546.2	563.4	630.0	1,155.9	1,310.2	1,306.7
Investments	87.1	165.7	185.1	159.7	159.7	159.7	159.7
Current Assets							
Inventory	914.9	1,213.4	763.5	785.4	1,232.7	1,609.2	1,975.2
Sundry Debtors	1,837.8	2,487.1	3,635.0	4,988.2	6,656.6	8,689.8	10,666.2
Loans & Advances	455.8	516.8	1,064.8	1,147.5	1,725.8	2,252.9	2,765.3
Cash & Bank Balance	171.4	38.2	92.4	137.4	86.8	80.2	86.9
Other Current Assets	538.5	633.3	905.2	1,183.9	1,479.2	1,931.1	2,370.3
Current Liabilities							
Sundry Creditors	2,276.5	2,557.6	2,607.1	2,876.8	3,944.6	5,149.5	6,320.7
Provisions	39.9	141.2	196.1	430.6	516.7	620.0	744.0
Net Current Assets	1,602.1	2,190.1	3,657.6	4,935.0	6,719.8	8,793.7	10,799.2
Miscellaneous Expenditure	2.2	1.1	23.9	17.2	10.5	3.7	0.0
Total Assets	2,132.4	2,903.1	4,429.9	5,741.8	8,045.9	10,267.4	12,265.6

Cash Flow							
Particulars (Rs Mn)	FY05	FY06	FY07	FY08	FY09E	FY10E	FY11E
Opening Cash & Bank	160.9	171.4	38.2	92.4	137.4	86.8	80.2
Profit after Tax	115.3	276.7	550.2	724.1	897.6	1,192.1	1,543.2
Less: Investment Income	(4.7)	(20.9)	(8.2)	(15.2)	(10.0)	(6.6)	(6.2)
Interest Paid	194.7	258.4	328.9	464.3	378.2	478.0	514.7
Miscellaneous Exp W/Off	1.7	1.1	(22.8)	6.7	6.7	6.7	3.7
Depreciation	39.3	48.3	58.2	67.0	100.6	120.7	128.4
Deferred Taxation	9.5	8.9	(0.9)	3.9	10.0	10.0	10.0
Others	(2.0)	(16.5)	(5.7)	(1.7)	0.0	0.0	0.0
Change in Working Cap	(564.5)	(721.2)	(1,413.3)	(1,232.4)	(1,835.4)	(2,080.5)	(1,998.8)
CF - Operating Activities	(210.7)	(165.2)	(513.6)	16.7	(452.2)	(279.7)	195.1
Change in Fixed Assets	(61.5)	(137.0)	(69.6)	(131.8)	(626.5)	(275.0)	(125.0)
Change in Investments	3.7	(78.6)	(19.4)	25.4	0.0	0.0	0.0
Investment Income	4.7	20.9	8.2	15.2	10.0	6.6	6.2
CF - Investing Activities	(53.0)	(194.7)	(80.8)	(91.3)	(616.5)	(268.4)	(118.8)
Increase in Equity	221.5	15.6	1,063.2	5.9	0.0	0.0	(0.0)
Share Warrants Issue	0.0	14.7	(14.7)	0.0	0.0	0.0	0.0
Changes in Borrowings	266.1	489.9	(14.3)	654.0	1,353.3	950.0	350.0
Interest Paid	(194.7)	(258.4)	(328.9)	(464.3)	(378.2)	(478.0)	(514.7)
Minority Interest	0.0	0.0	0.0	0.0	138.1	183.4	237.5
Dividend Paid	(18.8)	(35.1)	(56.7)	(76.0)	(95.0)	(114.0)	(142.5)
CF - Financing Activities	274.2	226.7	648.6	119.6	1,018.2	541.5	(69.7)
Net Change in Cash	10.5	(133.2)	54.2	45.0	(50.5)	(6.6)	6.6
Closing Cash & Bank Bal	171.4	38.2	92.4	137.4	86.8	80.2	86.9



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## Disclosure of Interest Statement

1. Analyst Ownership of the scrip	NO
2. PPFAS ownership of the scrip	NO
3. PMS ownership of the scrip	NO

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