

Jyoti Structures LimitedCMP Rs. 161.0
HOLDQ3FY10
Result Update**Steady Quarter!****Performance Review:**

Jyoti Structures Ltd. (JSL), for the quarter ended Dec'09 has maintained its growth momentum with a 18% and 29% rise in top and bottom line respectively. Net Revenues for Q310 stood at Rs. 5,087Mn v/s Rs. 4,302Mn for Q309 and for the 9 months ended FY10 it was at Rs. 14,630Mn as against Rs. 12,471Mn for the corresponding 9 months of last year. The share of Transmission projects to revenues stood @ 72%, Rural Electrification @ 15% and Sub-stations @ 13%.

Operating margins (OPM) have dipped marginally by 32 bps to 11.7% for Q310 v/s 12% for Q309. Operating Profit showed a 15% growth to Rs. 594Mn for the current quarter v/s Rs. 516Mn for the corresponding quarter of last year.

While material costs and other expenditure as a % of sales was lower by 341 bps (62.6% Q310 v/s 66% Q309) and 61 bps (10% Q310 v/s 10.7% Q309) respectively, staff cost and erecting & sub-contracting expenses were up by 29 bps (3.1% Q310 v/s 2.8% Q309) and 406 bps (13% Q310 v/s 9% Q309) respectively. For Q310, depreciation was considerably higher by 86.5% to Rs. 41.6Mn whereas, interest outgo was flattish at Rs. 186Mn (Rs. 184Mn).

Net Profit for the quarter ended Dec'09 was higher by 29% to Rs. 234Mn from Rs. 181Mn for Dec'08. This was spurred by lower tax incidence in % terms to 36.2% from 41.7%. In absolute terms, tax expense increased by 3% from Rs. 129Mn in Q309 to Rs. 133Mn in Q310. Owing to this PAT margins have expanded marginally by 40 bps to 4.6% for Q310 (v/s 4.2%).

Conference Call Highlights:

- ☞ Total Order Book position of the company at end of Dec'09 was Rs. 40.3Bn executable in 18-24 months timeframe
- ☞ Order intake for the current quarter was Rs. 6,810Mn. This constitutes 68% orders from transmission sector, 12% from substation and rest are rural electrification orders
- ☞ Out of the total order inflow, 30-35% are from Power Grid and the rest from various SEB's like TNEB, UP Chattisgarh etc.
- ☞ Tenders under pipeline and for the next 12 months are worth Rs. 70Bn of which nearly Rs. 28-30Bn are Power Grid orders, 25% orders from countries like Kenya, Mozambique and South Africa and rest from State level SEB's
- ☞ JSL's JV Gulf Jyoti has an order book of Rs. 7,700Mn executable over 18-30 months as some orders have been delayed from Deva company, rest all orders are on schedule
- ☞ The subsidiary Jyoti Africa has an order book of Rs. 1,200Mn

Our Call:

At the current price of Rs. 161/-, the scrip trades at 14.6x and 13.2x FY10E and FY11E estimated earnings of Rs. 11/- and Rs. 12.2/- respectively. Jyoti has a good amount of market share in the domestic space, which puts it in a strong position to gain from investments in the transmission and distribution space going forward. Also, increasing investments in fast growing international markets such as MENA (Middle East and North Africa, where the company has significant presence) holds tremendous opportunities going forward. We maintain a HOLD rating on the scrip with a target price of Rs. 172/- (14x FY11E earnings).

Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q310	Q210	Q-Q(%)	Q309	Y-Y(%)	9M10	9M09	Y-Y(%)
Net Revenues	5,087.2	4,696.0	8.3%	4,302.3	18.2%	14,630.4	12,471.4	17.3%
Other Operating Income	33.8	33.7	0.3%	28.4	18.9%	78.4	35.7	119.9%
Total Income	5,120.9	4,729.7	8.3%	4,330.7	18.2%	14,708.9	12,507.0	17.6%
Cost of Materials	3,185.6	2,972.6	7.2%	2,840.9	12.1%	9,230.0	8,304.5	11.1%
Gross Profit	1,935.3	1,757.1	10.1%	1,489.8	29.9%	5,478.9	4,202.6	30.4%
Staff Costs	157.6	149.2	5.6%	120.8	30.5%	435.1	349.7	24.4%
Erecting & Sub-Cont Exps	668.1	725.0	-7.9%	390.3	71.2%	2,157.5	1,332.6	61.9%
Other Expenses	515.5	343.6	50.0%	462.4	11.5%	1,213.6	1,015.4	19.5%
Total Expenditure	1,341.2	1,217.9	10.1%	973.5	37.8%	3,806.1	2,697.8	41.1%
Operating Profit	594.1	539.2	10.2%	516.2	15.1%	1,672.8	1,504.8	11.2%
Other Income	0.0	0.3	-92.9%	0.1	-83.3%	8.3	0.3	2748.3%
EBITDA	594.1	539.4	10.1%	516.4	15.1%	1,681.0	1,505.1	11.7%
Depreciation	41.6	34.6	20.2%	22.3	86.5%	106.9	57.6	85.7%
EBIT	552.5	504.8	9.4%	494.0	11.8%	1,574.1	1,447.5	8.7%
Interest	186.2	173.4	7.4%	184.4	0.9%	537.2	492.4	9.1%
PBT	366.3	331.4	10.5%	309.6	18.3%	1,037.0	955.1	8.6%
Tax	132.7	122.6	8.2%	129.0	2.9%	370.7	367.9	0.8%
PAT	233.6	208.8	11.9%	180.6	29.4%	666.3	587.2	13.5%
Equity Capital	163.9	163.6	0.2%	163.3	0.4%	163.9	163.3	0.4%
EBITDA per share	7.2	6.6	9.9%	6.3	14.6%	20.5	18.4	11.2%
EPS	2.9	2.6	11.6%	2.2	28.8%	8.1	7.2	13.0%
Ratio Analysis								
Profitability								
YE March	Q310	Q210	Q-Q(bps)	Q309	Y-Y(bps)	9M10	9M09	Y-Y(bps)
OPM (%)	11.7%	11.5%	19.7	12.0%	(32.0)	11.4%	12.1%	(63.2)
EBITDA (%)	11.7%	11.5%	19.2	12.0%	(32.3)	11.5%	12.1%	(57.8)
EBIT (%)	10.9%	10.7%	11.1	11.5%	(62.2)	10.8%	11.6%	(84.7)
PAT (%)	4.6%	4.4%	14.5	4.2%	39.5	4.6%	4.7%	(15.5)
Operational Parameters								
YE March	Q310	Q210	Q-Q(bps)	Q309	Y-Y(bps)	9M10	9M09	Y-Y(bps)
RM Consumed	62.6%	63.3%	(68.0)	66.0%	(341.2)	63.1%	66.6%	(350.1)
Staff Cost	3.1%	3.2%	(8.0)	2.8%	29.0	3.0%	2.8%	17.0
Erecting & Sub-Cont Exps	13.1%	15.4%	(230.7)	9.1%	406.0	14.7%	10.7%	406.1
Other Expenditure	10.1%	7.3%	281.6	10.7%	(61.4)	8.3%	8.1%	15.3
Effective Tax Rate	36.2%	37.0%	(76.4)	41.7%	(543.7)	35.7%	38.5%	(276.7)

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Jyoti Structures Limited

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