

**Jyoti Structures Limited**CMP Rs. 52.0  
BUY | Target Rs. 66.0Q2 FY2009  
Result Update**Sustained Growth!!**

Jyoti Structures Ltd. (JSL) has posted a good set of numbers for Q2FY09 with 32% increase in revenues from Rs. 3.18Bn in Q2FY08 to Rs. 4.20Bn in Q2FY09. This was mainly attributed to excellent order execution capabilities of the company. Operating Profit for the company was at Rs. 501Mn for the quarter ended Sept'08 as against Rs. 398Mn for the corresponding quarter ended Sept'07 however the OPM came down marginally by 61 bps to 11.9% in Q2FY09 as compared to 12.5% in Q1FY08.

For the quarter ended Sept'08 JSL's EBITDA stood at Rs. 505Mn as compared to Rs. 402Mn for the quarter ended Sept'07. Its net profit increased by 19% from Rs. 170Mn in Jun'07 to Rs. 201Mn in Sept'08, however decreasing the PAT margin to 4.8% lower by 55 basis points from 5.3% in Q2FY08.

**Operational Performance**

As a % of net sales, raw material cost has risen considerable by 370 bps to 67% Q2FY09 as against 63% in Q2FY08. The management efforts of maintaining the rise in input cost proved successful, thereby directing downwards the Erecting & sub-contracting expenses by 142 bps to 10.5% in Q2FY09 as against 11.9% in Q2FY08. Staff Cost as % of sales remained flattish at 3% for Q2FY09 v/s 2.8% Q2FY08.

A worrying factor for JSL, is the substantial rise in interest cost by 64% to Rs. 174Mn in Sept'08 v/s Rs. 106Mn in Sept'07. Tax Rate has decreased by 386 bps to 35.6% for the current quarter as compared to 39.5% for the corresponding quarter last year.

**Other Highlights**

- JSL has outlayed a capex plan for Rs. 6Bn for FY09.
- Tenders worth Rs. 5Bn have been submitted by the company in the domestic market, out of which 60% of the tenders are from Power Grid and SEB's.
- Orders for the international markets are at US\$ 130Mn in its Dubai JV and in its South African subsidiary JSL has orders worth US\$ 52Mn

**Our View**

At CMP of Rs. 52/-, the scrip is trading at a P/E of 4.7x FY09E and 3.5x FY10E earnings of Rs. 11.1 & Rs. 14.7 respectively. Considering the sustained growth momentum, we believe that company will continue to command attractive valuations. Also the robust business environment & earnings outlook provides enough optimism & comfort to maintain a BUY with a revised price target of Rs. 66/- per share (27% upside), at which the scrip would trade at 4.5x FY10E earnings.

## Jyoti Structures : Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q209	Q109	Q-Q(%)	Q208	Y-Y(%)	H109	H108	Y-Y(%)
Net Revenues	4,207.9	4,016.3	4.8%	3,181.5	32.3%	8,224.2	6,148.1	33.8%
Cost of Materials	2,820.9	2,642.6	6.7%	2,015.1	40.0%	5,463.5	3,778.0	44.6%
Gross Profit	1,387.0	1,373.6	1.0%	1,166.5	18.9%	2,760.7	2,370.1	16.5%
Staff Costs	126.0	102.9	22.5%	90.3	39.5%	228.9	165.8	38.1%
Erecting & Sub-Cont Exps	440.0	502.4	-12.4%	378.0	16.4%	942.3	959.0	-1.7%
Other Expenses	320.1	288.1	11.1%	299.9	6.7%	608.2	479.7	26.8%
Total Expenditure	886.1	893.4	-0.8%	768.2	15.3%	1,779.4	1,604.5	10.9%
Operating Profit	501.0	480.3	4.3%	398.3	25.8%	981.2	765.6	28.2%
Other Income	3.7	3.7	-0.3%	4.0	-7.5%	7.4	4.9	52.3%
EBITDA	504.7	484.0	4.3%	402.3	25.4%	988.7	770.4	28.3%
Depreciation	18.0	17.2	4.5%	15.8	13.8%	35.3	32.2	9.6%
EBIT	486.7	466.8	4.3%	386.5	25.9%	953.4	738.3	29.1%
Interest	174.3	133.7	30.4%	106.2	64.1%	307.9	201.6	52.7%
PBT	312.4	333.1	-6.2%	280.3	11.4%	645.5	536.7	20.3%
Tax	111.2	127.7	-12.9%	110.6	0.5%	238.9	206.7	15.6%
PAT	201.2	205.4	-2.1%	169.7	18.6%	406.6	330.0	23.2%
Equity Capital	162.4	162.4	0.0%	161.4	0.6%	162.4	161.4	0.6%
EBITDA per share	6.2	6.0	4.3%	5.0	24.7%	12.2	9.5	27.5%
EPS	2.5	2.5	-2.1%	2.1	17.8%	5.0	4.1	22.4%
Ratio Analysis								
Profitability								
YE March	Q209	Q109	Q-Q(bps)	Q208	Y-Y(bps)	H109	H108	Y-Y(bps)
OPM (%)	11.9%	12.0%	(5.3)	12.5%	(61.4)	11.9%	12.5%	(52.1)
EBITDA (%)	12.0%	12.1%	(5.8)	12.6%	(65.2)	12.0%	12.5%	(51.0)
EBIT (%)	11.6%	11.6%	(5.6)	12.1%	(58.2)	11.6%	12.0%	(41.6)
PAT (%)	4.8%	5.1%	(33.5)	5.3%	(55.3)	4.9%	5.4%	(42.3)
Operational Parameters								
YE March	Q209	Q109	Q-Q(bps)	Q208	Y-Y(bps)	H109	H108	Y-Y(bps)
RM Consumed	67.0%	65.8%	123.9	63.3%	370.1	66.4%	61.5%	498.2
Staff Cost	3.0%	2.6%	43.3	2.8%	15.6	2.8%	2.7%	8.7
Erecting & Sub-Cont Exps	10.5%	12.5%	(205.3)	11.9%	(142.4)	11.5%	15.6%	(414.0)
Other Expenditure	7.6%	7.2%	43.4	9.4%	(181.9)	7.4%	7.8%	(40.8)
Effective Tax Rate	35.6%	38.3%	(272.1)	39.5%	(386.1)	37.0%	38.5%	(150.3)

## Jyoti Structures : Financials

Earnings Statement					Balance Sheet				
Particulars (Rs. Mn)	FY07	FY08	FY09E	FY10E	Particulars (Rs. Mn)	FY07	FY08	FY09E	FY10E
Total Revenues	9,708.4	13,704.0	17,997.4	23,494.7	Equity Capital	161.4	162.4	162.4	162.4
- Growth (%)	39.1%	41.2%	31.3%	30.5%	Reserves	2,596.7	3,249.8	4,052.4	5,130.6
Total Expenditure	8,454.5	11,985.3	15,873.7	20,722.4	Shareholders Funds	2,758.1	3,412.2	4,214.8	5,292.9
Operating Profit	1,253.9	1,718.7	2,123.7	2,772.4	Minority Interest	0.0	0.0	138.1	321.5
Other Income	8.2	15.2	10.0	6.6	Borrowed Funds	1,595.0	2,248.9	3,602.2	4,552.2
EBITDA	1,262.1	1,733.9	2,133.7	2,779.0	Deferred Tax Liability	76.8	80.7	90.7	100.7
Depreciation	58.2	67.0	100.6	120.7	Total Liabilities	4,429.9	5,741.8	8,045.9	10,267.4
EBIT	1,203.9	1,666.9	2,033.1	2,658.3	Fixed Assets	563.4	630.0	1,155.9	1,310.2
Interest	328.9	464.3	378.2	478.0	Investments	185.1	159.7	159.7	159.7
PBT	875.1	1,202.6	1,654.9	2,180.3	Current Assets				
Tax	324.9	478.5	619.2	804.8	Inventory	763.5	785.4	1,232.7	1,609.2
PAT Before MI	550.2	724.1	1,035.7	1,375.5	Sundry Debtors	3,635.0	4,988.2	6,656.6	8,689.8
Minority Interest	0.0	0.0	138.1	183.4	Loans & Advances	1,064.8	1,147.5	1,725.8	2,252.9
PAT Before EI	550.2	724.1	897.6	1,192.1	Cash & Bank Balance	92.4	137.4	86.8	80.2
- Growth (%)	98.8%	31.6%	24.0%	32.8%	Other Current Assets	905.2	1,183.9	1,479.2	1,931.1
Extra-ordinary Items	0.0	0.0	0.0	0.0	Current Liabilities				
Reported PAT	550.2	724.1	897.6	1,192.1	Sundry Creditors	2,607.1	2,876.8	3,944.6	5,149.5
					Provisions	196.1	430.6	516.7	620.0
					Net Current Assets	3,657.6	4,935.0	6,719.8	8,793.7
					Miscellaneous Expenditure	23.9	17.2	10.5	3.7
					Total Assets	4,429.9	5,741.8	8,045.9	10,267.4
Ratio Analysis					Cash Flow				
Particulars	FY07	FY08	FY09E	FY10E	Particulars (Rs. Mn)	FY07	FY08	FY09E	FY10E
OPM (%)	12.9%	12.5%	11.8%	11.8%	Opening Cash & Bank	38.2	92.4	137.4	86.8
EBITDA (%)	13.0%	12.7%	11.9%	11.8%	Profit after Tax	550.2	724.1	897.6	1,192.1
PBIT (%)	12.4%	12.2%	11.3%	11.3%	Less: Investment Income	(8.2)	(15.2)	(10.0)	(6.6)
PAT (%)	5.7%	5.3%	5.0%	5.1%	Interest Paid	328.9	464.3	378.2	478.0
Interest Cover (x)	3.7	3.6	5.4	5.6	Miscellaneous Exp W/Off	(22.8)	6.7	6.7	6.7
EPS (Rs.)	6.8	8.9	11.1	14.7	Depreciation	58.2	67.0	100.6	120.7
P/E (x)	7.6	5.8	4.7	3.5	Deferred Taxation	(0.9)	3.9	10.0	10.0
P/BV (x)	1.5	1.2	1.0	0.8	Others	(5.7)	(1.7)	0.0	0.0
BVPS (Rs.)	33.9	41.8	51.8	65.1	Change in Working Cap	(1,413.3)	(1,232.4)	(1,835.4)	(2,080.5)
Market Cap (Rs. Mn.)	4,204.2	4,229.7	4,229.7	4,229.7	CF - Operating Activities	(513.6)	16.7	(452.2)	(279.7)
M Cap/Sales (x)	0.4	0.3	0.2	0.2	Change in Fixed Assets	(69.6)	(131.8)	(626.5)	(275.0)
Order Book/Sales (x)	2.0	2.2	2.2	2.1	Change in Investments	(19.4)	25.4	0.0	0.0
EV (Rs. Mn.)	5,521.7	6,181.6	7,585.4	8,542.0	Investment Income	8.2	15.2	10.0	6.6
EV/EBITDA (x)	4.4	3.6	3.6	3.1	CF - Investing Activities	(80.8)	(91.3)	(616.5)	(268.4)
EV/Sales (x)	0.6	0.5	0.4	0.4	Increase in Equity	1,063.2	5.9	0.0	0.0
ROCE (%)	27.8%	29.5%	26.0%	27.0%	Share Warrants Issue	(14.7)	0.0	0.0	0.0
RONW (%)	20.1%	21.3%	21.3%	22.5%	Changes in Borrowings	(14.3)	654.0	1,353.3	950.0
Debt/Equity Ratio (x)	0.6	0.7	0.9	0.9	Interest Paid	(328.9)	(464.3)	(378.2)	(478.0)
Inventory T/o Days	28.7	20.9	25.0	25.0	Minority Interest	0.0	0.0	138.1	183.4
Debtors T/o Days	136.7	132.9	135.0	135.0	Dividend Paid	(56.7)	(76.0)	(95.0)	(114.0)
Advances T/o Days	40.0	30.6	35.0	35.0	CF - Financing Activities	648.6	119.6	1,018.2	541.5
Creditors T/o Days	98.0	76.6	80.0	80.0	Net Change in Cash	54.2	45.0	(50.5)	(6.6)
Working Cap T/o Days	137.5	131.4	136.3	136.6	Closing Cash & Bank Bal	92.4	137.4	86.8	80.2
Fixed Assets T/o (Gross)	10.4	13.0	10.7	12.1					
DPS (Rs.)	0.6	0.8	1.0	1.2					
Dividend Payout (%)	8.8%	9.0%	9.0%	8.2%					
Dividend Yield (%)	1.2%	1.5%	1.9%	2.3%					

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