



JV CAPITAL SERVICES PVT. LTD

www.sharetrading.in

Jyoti Structures

CMP: 152.35

BUY

INDUSTRY: Power & Transmission

RISK PROFILE: Medium

TARGET: 220

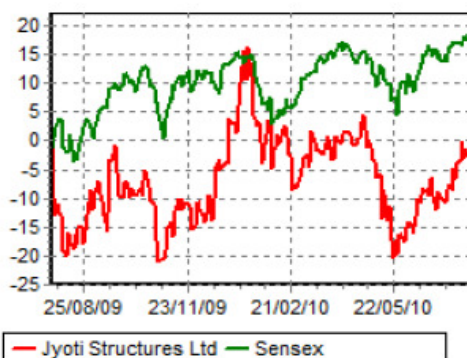
Data Table

CMP (₹)	152.35
Target price(₹)	220
Upside (%)	44
52 Week H/L (₹)	197.0/128.0
P/E Ratio	13.07
P/BV Ratio	2.46
Dividend Yield %	0.59
Market cap (₹ Cr)	1253.02
6m Avg volume (nos)	94,002
No. of shares (nos)	8,16,71,840
FV (₹)	02
NSE code	JYOTISTRUC

Jyoti Structures Limited (JSL) is one among very few companies worldwide, which possess the capability to execute total turnkey jobs that involve setting up both transmission lines and substations. In both these lines of businesses, the company undertakes turnkey projects on a global scale, offering a complete range of services from Design, Engineering Consulting, Tower Testing, Manufacturing, Construction and Project Management through the manufacturing plants at Nashik and Raipur having a combined manufacturing capacity of 76,000 MT of transmission line towers.

Key Investment Themes

Relative Performance Analysis



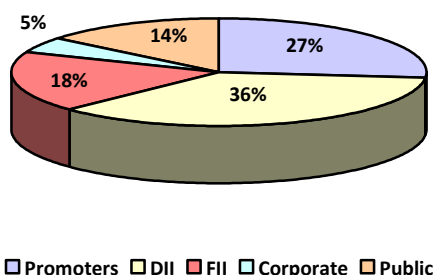
Thrust on improving power infrastructure

Development of infrastructure is vital for growth story of India in the long term. Power Sector is seen by the government as one of the key areas for overall economic growth of the country. Central Electricity Authority has planned additional generating capacities of 78,557 MW & 82,200 MW in the 11th & 12th five year plans, respectively. The Transmission & Distribution (T&D) is an integral part of the value chain for power development and hence matching investments have been planned in the transmission and distribution sectors.

Strong order book

Jyoti Structures has a robust order book of 4,106 crore (twice its FY2010 sales), which provides good revenue visibility to the company and cushions it from short-term order fluctuations. Besides, the company's large domestic presence (which is approximately 82% of its order backlog) helps to insulate its margins from raw-material price fluctuations and from volatile currency movements. When compared with other EPC companies such as KEC International and Kalpataru Power Transmission Ltd., which have substantial exposure to international projects, JSL's order backlog is largely skewed in favour of the domestic markets and is, therefore, insulated from the vagaries of fluctuating commodity prices.

Shareholding Pattern



Shaurya Priya
+91-11-41654878
research@jvfinancial.com

Diversifying revenue stream overseas

JSL has been actively tapping into overseas markets by entering into JVs in South Africa and the Gulf. The formation of overseas JVs together with the setting up of local manufacturing base would enable JSL to increase penetration into newer geographies and build a strong client base.

Growth in Power Infrastructure

Development of infrastructure is vital for growth story of India in the long term. Power Sector is seen by the government as one of the key areas for overall economic growth of the country. Central Electricity Authority has planned additional generating capacities of 78,557 MW & 82,200 MW in the 11th & 12th five year plans, respectively. The Transmission & Distribution (T&D) is an integral part of the value chain for power development and hence matching investments have been planned in the transmission and distribution sectors.

The seeds for growth of power sector have been laid down by the government in the various initiatives like 'Power for all by 2012'. Restructured Accelerated Power Development Reform Programme (R-APDRP) and Rajiv Gandhi Grameen Vidhyutikaran Yojna (RGGVY) schemes are expected to accelerate investment in the power distribution sector. The ARDRP has been bringing improvement in the urban power distribution sector by funding investment in the distribution network and RGGVY scheme aims to bring about access to electricity to all rural households by the year 2012. JSL has received several orders under the said schemes. The investments planned by RGVVY and APDRP over the next five years are envisaged at ₹67900 crore towards rural electrification and reducing AT&C losses.

The government has envisaged an investment of ₹1,40,000 crore in the transmission segment for the eleventh plan, which is an increase of over two times from the investments made in the tenth plan. The scale gets even bigger for the twelfth plan, with a planned investment of around ₹2,40,000 crore.

This has opened up a potential ₹65,000–70,000 crore of opportunity for transmission EPC players during the eleventh plan period alone. Besides, Power Grid, India's largest transmission utility, has spent only ~46% of its planned capex of ₹55,000cr during the first three years of the eleventh plan, and is all set to increase its capex during the remaining two years, which, in turn, would translate into higher order inflows for the transmission EPC sector. Hence, Jyoti Structures, being one of the top three players in this space, would tend to be a key beneficiary of the strong order flows.

Traditionally, the government has focused on investments into power generation to alleviate the acute power shortage in the country. In the process, the T&D segment has remained neglected and attracted significantly less investments in comparison to generation. In India, the ratio of investments in power generation to T&D stands at 1:0.5,

as against the global level of 1:1, this thus leaves huge room for growth.

Order inflow to remain strong

JSL's established footprint in the domestic market enables it to regularly bag orders across various government utilities such as PGCIL, state transmission utilities like MSEDCL, CSEB, WBSEB and from private companies like Reliance Energy, Adani Power etc. We expect the order inflow to remain robust in the coming years as the power sector continues to be a core focus area for the government and huge investments are planned by both central and state utilities.

Excellent project execution capabilities

Jyoti Structures has emerged as one of the top three transmission EPC companies in India. The company has been on the growth trajectory since the year 2003 and is recognised for its strong project execution capabilities. Over the period 2004-09, the company's capacity has increased at a CAGR of 16% while capacity utilization increased from 41% in FY04 to 77.6% in FY09. The company recently increased its capacity from 95,800MT to 110,000MT. We believe that the government's focus on power generation and the T&D sectors will translate into good opportunities for players like JSL. Being an established player in transmission industry with tremendous project execution track record and excellent skill sets, Jyoti Structures is well placed to maintain its domestic market share and is in a advantageous position to tap opportunities in international market.

Valuations

Jyoti Structures trades at a TTM P/E ratio 13. Going forward we expect the company to report a profit of ₹125 crore in FY11 which should be an EPS of 15.33. It is also undervalued versus its peers like Kalpataru despite its superior return ratios. Giving a conservative target P/E of 14.5 gives us a price target of ₹222 for the stock.

₹ crore	2011E	2010	2009	2008
Net Sales	2455.0	2013.14	1717.06	1370.40
Other Operating Income	3.00	3.07	7.28	1.50
Other Income	2.50	2.43	0.06	0.02
Total Income	2460.50	2018.64	1724.40	1371.92
Total Expenditure	2133.00	1778.77	1521.14	1198.54
PBIDT	327.5	239.87	203.26	173.38
Interest	102.00	78.62	68.26	46.43
Depreciation	22.00	16.89	8.64	6.70
Tax	78.00	52.44	43.86	43.41
Deferred Tax	0.00	0.00	0.17	0.39
Fringe Benefit Tax	0.00	0.00	2.59	4.04
PAT (after extraordinary items)	125.5	91.92	79.74	72.41
EPS (adjusted) (₹/share)	15.33	11.23	9.80	8.95
Equity	16.40	16.40	16.33	16.24

Source: Capitaline, JV Capital estimates

Ashit Suri	Head of Research	ashit@jvfinancial.com
Swati Saxena	Research Analyst	research@jvfinancial.com
Shaurya Priya	Research Analyst	research@jvfinancial.com
General Enquiries		support@jvfinancial.com

Risk Profile

Low Risk: Fundamentally sound companies, with low beta. Expected market out performance is 0-10%

Medium Risk: Expected market out performance is 10-20%. Preferably for investors with a maximum time frame of about 6 months.

High Risk: High Beta Stocks, expected market out performance is more than 20%, preferably for the investors willing to take advantage of market momentum & are aggressive in nature.

Disclaimer Appendix

This document has been prepared by the Research Desk of M/s JV Capital Services Pvt. Ltd. and is meant for use of the recipient only and is not for circulation. This document is not to be reported or copied or made available to others. It should not be considered to be taken as an offer to sell or a solicitation to support any security. The information contained herein is obtained and collated from sources believed reliable and we do not represent it as accurate or complete and it should not be relied upon as such. The opinion expressed or estimates made are as per the best judgment as applicable at that point of time and are subject to change without any notice. JVCS Pvt. Ltd. along with its associated companies/ officers/employees may or may not, have positions in, or support and sell securities referred to herein. Investors are advised to maintain strict stop loss.