

13 February 2008

**BUY**

Price	Target Price
<b>Rs265</b>	<b>Rs409</b>

<b>Sensex</b>	<b>16,949</b>
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**Price Performance**

(%)	1M	3M	6M	12M
Absolute	(32)	5	76	130
Rel. to Sensex	(15)	18	59	96

Source: Capitaline

**Stock Details**

Sector	Construction
Reuters	JAIA.BO
Bloomberg	JPA@IN
Equity Capital (Rs mn)	2322
Face Value (Rs)	2
52 Week H/L	510/87
Market Cap (Rs bn)	307.1
Daily Avg Vol. (No of shares)	9806644
Daily Avg Turnover (US\$mn)	95.7

**Shareholding Pattern (%)**(31<sup>st</sup> Dec 07)

Promoters	45.0
FII/NRI	31.0
Institutions	10.8
Private Corp.	4.7
Public	8.5

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Jaiprakash Associates (JPA) stock declined by close to 10% in the mornings trades following rumours regarding the listed company holding only 55% in Jaypee Infratech Ltd (JIL), the company which is executing the Taj expressway Project. Subsequently the management has clarified that the listed entity JPA directly holds 100% of the paid capital of Rs5.5 bn of JIL and there are no other entities holding anything in JIL. JIL was formed as a 100% subsidiary on 5<sup>th</sup> April 2007, to execute the Taj expressway project. The paid up capital then was Rs2 bn entire held by JPA. Subsequently the authorised capital of the company was increased to Rs10 bn and the paid capital was increased to Rs5.5 bn and JPA subscribed to the additional equity of Rs3.5 bn, taking its holding to Rs5.5 bn (100% of the paid up capital).

**Background of Taj Expressway Project**

Taj Expressway, a 160 km long 6-lane greenfield access-controlled expressway connecting Greater Noida and Agra, was awarded to JPA on a BOOT basis with 36 years concession period and a total estimated project cost of Rs60bn. As the pure toll collection on the Taj Expressway is most likely to be negative, the UP government has granted development rights for a total of 6250 acres of land (development potential of 403 mn sq ft) at five locations along the expressway to JPA for a period of 90 years. We estimate the value of road construction and toll collection part of TEP to be a negative Rs19.96bn and the value of real estate development portion of TEP at Rs211 bn. Hence the total consolidated value of TEP works out to Rs191 bn or Rs162 per share of JPA.

**Emkay's Views**

We believe that even though the management has clarified its stance on the issue of its holding in JIL, the markets would wait for a formal written clarification from the management to the exchanges or to general media. Till then the stock might continue to languish. Also there can be concerns on corporate governance standards. However we believe that these concerns would gradually get addressed and the recent price correction provides an attractive entry point in the stock for investor. We remain positive on JPA and maintain our BUY recommendation on the stock with a SOTP based price target of Rs409.

## JPA SOTP valuation - Rs409 per share

	Valuation Measure	Multiple	Value	Value/Share
Cement Business	Enterprise Replacement Cost/Ton	154	152676	130
Construction Business	EV/EBIDTA	12	48638	41
Jaypee Greens	NAV	1	13954	12
Taj Expressway	NAV	1	190709	162
Power				
Jaiprakash Hydro Power	NPV	-	24887	21
Jaypee Power Grid	P/B	1.5	3263	3
Jaiprakash Power Ventures	NPV	-	27217	23
Jaiprakash karcham Hydro Corp	NPV	-	43062	37
Thermal Power Project at Churk	P/B	1.5	9900	8
MP Thermal Power plant	P/B	1.5	12600	11
Jaypee Hotels	Pro-rata stake		6138	5
Malvika Steel	P/B	1.5	6750	6
<b>Total Enterprise Value</b>			<b>539794</b>	<b>459</b>
<b>Less:</b>				
<b>Net Debt</b>			<b>57842</b>	<b>49</b>
<b>Target Market Capitalisation</b>			<b>481952</b>	<b>409</b>

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