

**November 10, 2010**

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	<b>Accumulate</b>
Rating	
Price	Rs138
Target Price	Rs151
Implied Upside	9.4%
Sensex	20,932

*(Prices as on November 09, 2010)*
**Trading data**

Market Cap. (Rs bn)	292.9
Shares o/s (m)	2,124.7
3M Avg. Daily value (Rs m)	1469.2

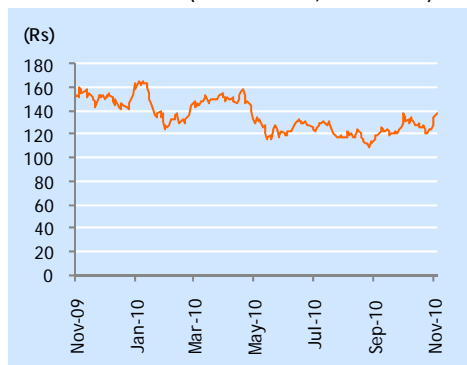
**Major shareholders**

Promoters	45.93%
Foreign	24.07%
Domestic Inst.	9.32%
Public & Other	20.68%

**Stock Performance**

(%)	1M	6M	12M
Absolute	4.5	6.2	(9.9)
Relative	1.1	(18.7)	(36.8)

Price Performance (RIC: JAIA.BO, BB: JPA IN)



Source: Bloomberg

We attended Jaiprakash Associates' (JPA's) analyst meet headed by its Executive Chairman, Mr. Manoj Gaur. He has indicated certain milestones which the company is set to achieve in FY12/CY11. The following are the key takeaways from the meet:

- **JPVL - Projects gaining traction:** The 'Karcham Wangtoo' (KW) project, which is ahead of schedule by six months from our expectations, is expected to be commissioned in March 2011. JPVL is fully funded upto October 2011. Post that, the company would require funds for which it is looking at raising close to US\$500m.
- **JPI - YEW by June 2011:** The 'Yamuna Express Highway' (YEW) would be opened to traffic from July 2011 as against the scheduled March 2011. On the real estate front, JPI has sold close to 6.7m sq.ft in H1FY11 and 28.1m sq.ft since inception. Since the project on the real estate front will be cash flow positive, going forward, we expect the BOT funding gap to be patched from it and surplus funds to retire the company debt.
- **JPA - Capex on schedule:** JPA has indicated a revival in cement prices upto Rs300/tonne from Q2FY11 levels which will, in turn, improve the EBITDA/tonne, going forward. Cement capex is on schedule which will take the capacity to 37.6mtpa in FY12E. However, we have assumed installed capacity of 33.6mtpa in FY12 and production of 22.6mtpa for the same period. On the EPC front, JPA addressed the concerns relating to a slowdown in revenue growth post KW and YEW, with projects like 'Lower Siang' and 'Karchana' getting traction.
- **Outlook looking better:** JPA has had a lackluster H1FY11 on account of weak cement prices and higher capitalization cost. However, with improved realizations and traction in EPC business, H2FY11 is expected to fare better than H1FY11. Triggers in terms of timely commissioning of Hydro power for JPVL, increased land sales in JPI/JPA, pick-up in cement cycle and deleveraging JPA/JPI will fare well for upsides in the stock, going forward. We maintain 'Accumulate' on the stock.

Key financials (Y/e March)	2009	2010	2011E	2012E
Revenues (Rs m)	57,642	100,889	137,299	169,251
Growth (%)	44.7	75.0	36.1	23.3
EBITDA (Rs m)	16,762	23,114	32,545	38,913
PAT (Rs m)	8,927	8,583	10,646	12,311
EPS (Rs)	7.5	4.0	5.0	5.5
Growth (%)	47.9	(46.4)	24.0	10.6
Net DPS (Rs)	0.9	0.5	0.6	0.7

Source: Company Data; PL Research

Profitability & Valuation	2009	2010	2011E	2012E
EBITDA margin (%)	29.1	22.9	23.7	23.0
RoE (%)	16.7	11.4	12.0	11.6
RoCE (%)	7.7	6.8	7.3	8.1
EV / sales (x)	4.6	4.3	3.3	2.6
EV / EBITDA (x)	15.8	18.7	13.8	11.2
PE (x)	18.3	34.1	27.5	24.9
P / BV (x)	2.5	3.4	3.1	2.6
Net dividend yield (%)	0.7	0.3	0.4	0.5

Source: Company Data; PL Research

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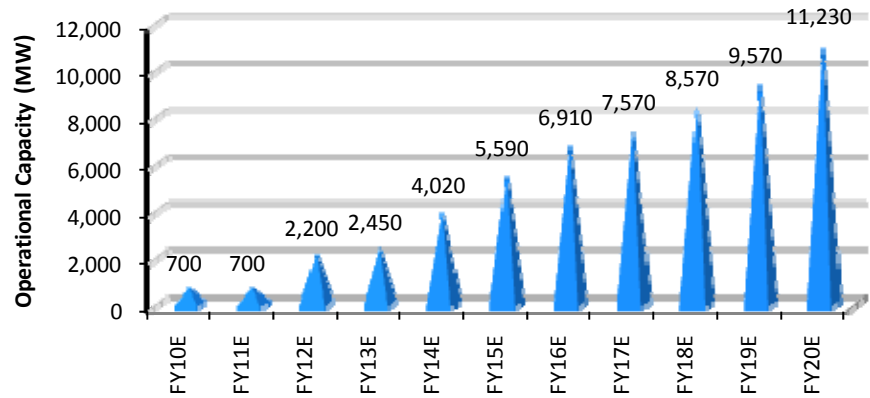


## Jaiprakash Power Ventures - Projects gaining traction

The 'Karcham Wangtoo' project, which is ahead of schedule by six months from our expectations, is expected to be commissioned in March 2011. Post that, the plant will be available for power generation for a whole year, especially during the peak season between March-August 2011, as against 6-7 months at present,

JVPL is fully funded up to October 2011. Post that, they would require funds for which the company is looking at raising close to US\$500m. However, we have not considered the dilution since the mode, either at parent or SPV level, is not clear.

### Moving swiftly to become a 11000MW (PL Est.) giant by FY20E

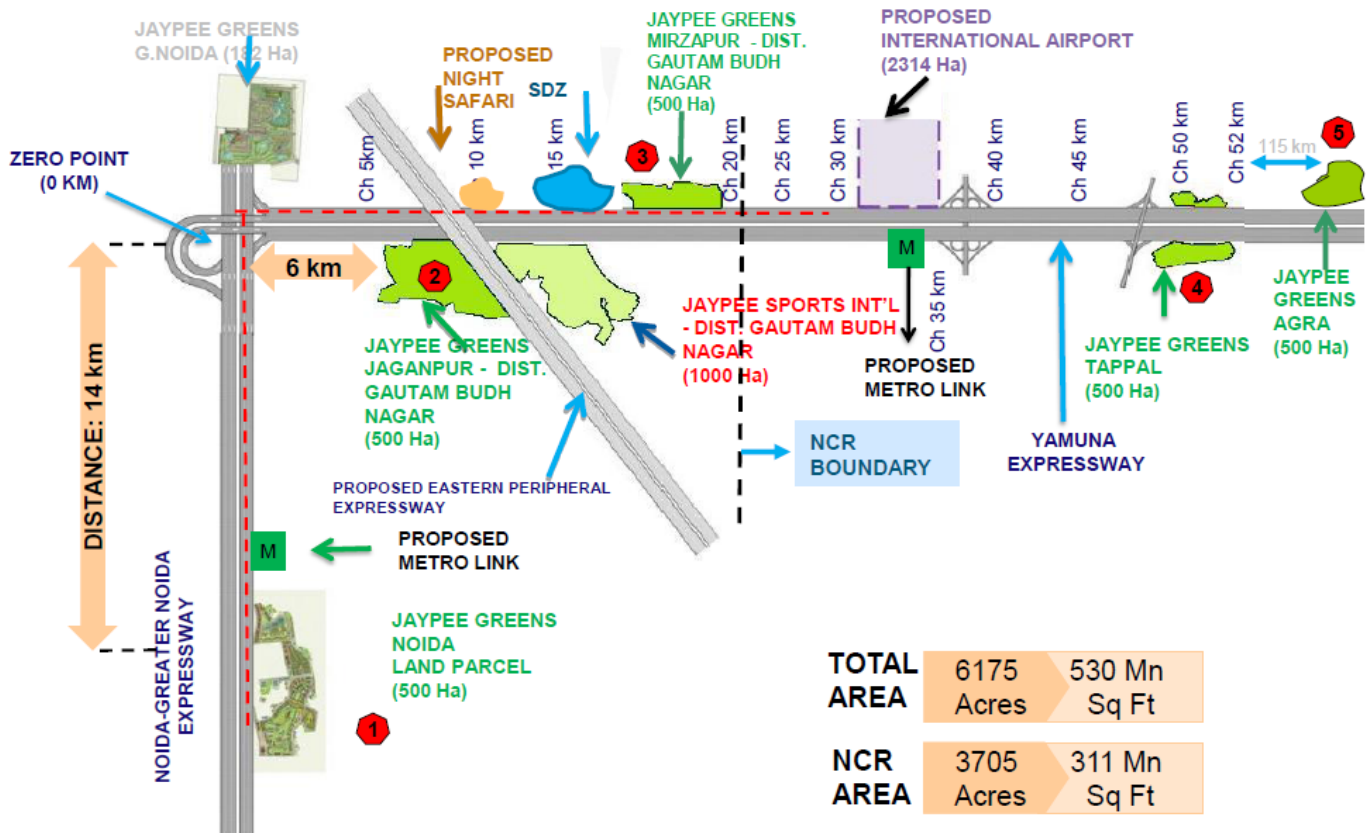


Source: Company Data, PL Research

### Jaiprakash Infratech - YEW by June 2011

The YEW would be opened to traffic from July 2011 as against the original timeframe of March 2011 (which was built in our expectations) on account of some land acquisition issues (which are now resolved). However, the management expects robust traffic on account of time saving and development of civilization around it. On the real estate front, JPI has sold close to 6.7m sq.ft in H1FY11 and 28.1m sq.ft since inception. We are convinced about the 11m sq.ft sales in FY11 which we have considered in our valuations. Since the project on the real estate front will be cash flow positive, going forward, we expect the BOT funding gap to be made from it and surplus funds to retire the company debt. The 'Formula 1' race track would be ready by October 2011 to host the event and the real estate around it has seen good traction which we have not factored in.

**Green shoots of real estate along the expressway...lower per acre land cost to make JPI competitive**



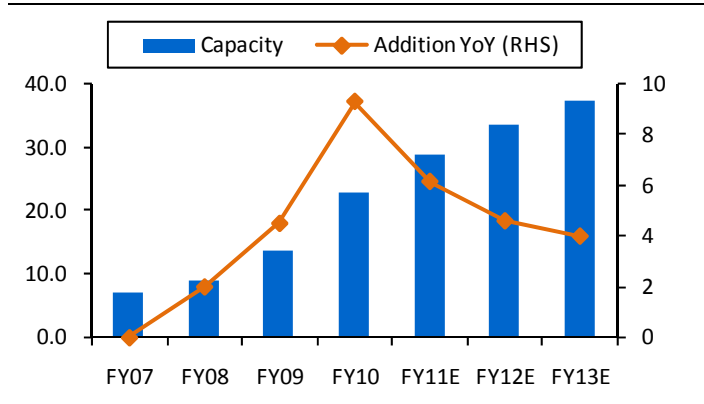
MAP NOT TO SCALE

Source: Company Data, PL Research

## Jaiprakash Associates - Capex on schedule

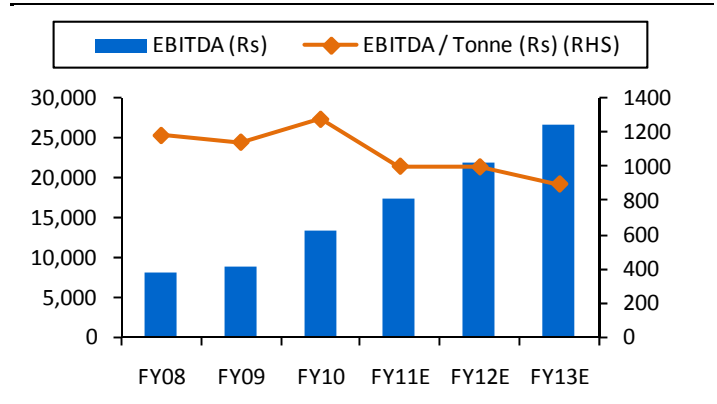
JPA has indicated a revival in cement prices upto Rs300/tonne from Q2FY11 which will improve the EBITDA/tonne, going forward. The cement capex is on schedule which will take the capacity to 37.6mtpa in FY12E. However, we have assumed an installed capacity of 33.6mtpa in FY12 and production of 22.6mtpa for the same period. The remaining capex for the expansion stands at Rs35bn which in our opinion will increase the debt further. The company expects the 'Balaji' plant to come up by FY12, where the clinker capacity is close to 5mtpa. JPA would have a surplus capacity of 200MWs by FY12E in captive power plant which would be used to fuel JPA's Real estate projects and Fertilizer ventures. On the EPC front, the company addressed its concerns relating to slowdown in revenue growth post KW and YEW. However, the company indicated that EPC was and will continue to remain the key focus for the group and will continue to have same traction from internal (Lower Siang HEP and other thermal projects) and external order wins.

Capacity increase by 1.6x in FY13E



Source: Company Data, PL Research

Healthy EBITDA performance



Source: Company Data, PL Research



**Income Statement (Rs m)**

Y/e March	2009	2010	2011E	2012E
<b>Net Revenue</b>	<b>57,642</b>	<b>100,889</b>	<b>137,299</b>	<b>169,251</b>
Raw Material Expenses	(662)	831	750	1,200
Gross Profit	58,303	100,058	136,549	168,051
Employee Cost	3,308	6,653	8,238	10,155
Other Expenses	38,234	70,292	95,766	118,984
<b>EBITDA</b>	<b>16,762</b>	<b>23,114</b>	<b>32,545</b>	<b>38,913</b>
Depr. & Amortization	3,090	4,561	5,622	6,852
Net Interest	5,043	10,558	13,533	16,186
Other Income	3,838	15,829	2,500	2,500
<b>Profit before Tax</b>	<b>12,466</b>	<b>23,824</b>	<b>15,890</b>	<b>18,375</b>
Total Tax	3,540	6,733	5,244	6,064
<b>Profit after Tax</b>	<b>8,927</b>	<b>17,091</b>	<b>10,646</b>	<b>12,311</b>
Ex-Od items / Min. Int.	87	32,816	8,274	—
<b>Adj. PAT</b>	<b>8,927</b>	<b>8,583</b>	<b>10,646</b>	<b>12,311</b>
<b>Avg. Shares O/S (m)</b>	<b>1,183.8</b>	<b>2,124.7</b>	<b>2,125.5</b>	<b>2,223.1</b>
<b>EPS (Rs.)</b>	<b>7.5</b>	<b>4.0</b>	<b>5.0</b>	<b>5.5</b>

**Cash Flow Abstract (Rs m)**

Y/e March	2009	2010	2011E	2012E
C/F from Operations	11,856	13,611	37,126	30,426
C/F from Investing	(46,934)	(53,390)	(48,032)	(14,834)
C/F from Financing	46,009	49,485	3,950	(4,617)
Inc. / Dec. in Cash	10,931	9,706	(6,957)	10,975
Opening Cash	18,154	29,086	38,792	31,835
Closing Cash	29,086	38,792	31,835	42,810
FCFF	(29,753)	(50,642)	(6,362)	3,841
FCFE	18,253	(2,617)	1,118	(11,913)

**Key Financial Metrics**

Y/e March	2009	2010	2011E	2012E
<b>Growth</b>				
Revenue (%)	44.7	75.0	36.1	23.3
EBITDA (%)	52.8	37.9	40.8	19.6
PAT (%)	49.5	(3.9)	24.0	15.6
EPS (%)	47.9	(46.4)	24.0	10.6
<b>Profitability</b>				
EBITDA Margin (%)	29.1	22.9	23.7	23.0
PAT Margin (%)	15.5	8.5	7.8	7.3
RoCE (%)	7.7	6.8	7.3	8.1
RoE (%)	16.7	11.4	12.0	11.6
<b>Balance Sheet</b>				
Net Debt : Equity	1.6	1.7	1.7	1.1
Net Wrkng Cap. (days)	18,413	(15,940)	(24,332)	(18,519)
<b>Valuation</b>				
PER (x)	18.3	34.1	27.5	24.9
P / B (x)	2.5	3.4	3.1	2.6
EV / EBITDA (x)	15.8	18.7	13.8	11.2
EV / Sales (x)	4.6	4.3	3.3	2.6
<b>Earnings Quality</b>				
Eff. Tax Rate	28.4	28.3	33.0	33.0
Other Inc / PBT	30.8	66.4	15.7	13.6
Eff. Depr. Rate (%)	3.6	3.5	3.5	3.9
FCFE / PAT	204.5	(30.5)	10.5	(96.8)

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

Y/e March	2009	2010	2011E	2012E
Shareholders Funds	64,956	85,007	93,049	119,135
Total Debt	131,062	179,087	186,566	170,812
Other Liabilities	6,896	9,232	7,623	8,741
<b>Total Liabilities</b>	<b>202,914</b>	<b>273,327</b>	<b>287,238</b>	<b>298,688</b>
Net Fixed Assets	118,999	145,103	161,290	160,539
Goodwill	—	—	—	—
Investments	44,652	55,763	70,795	71,171
Net Current Assets	41,249	72,461	55,134	66,973
<i>Cash &amp; Equivalents</i>	<i>29,086</i>	<i>38,792</i>	<i>31,835</i>	<i>42,810</i>
<i>Other Current Assets</i>	<i>62,530</i>	<i>92,198</i>	<i>97,303</i>	<i>112,556</i>
<i>Current Liabilities</i>	<i>50,367</i>	<i>58,529</i>	<i>74,004</i>	<i>88,393</i>
Other Assets	—	—	20	5
<b>Total Assets</b>	<b>204,899</b>	<b>273,327</b>	<b>287,238</b>	<b>298,688</b>

**Quarterly Financials (Rs m)**

Y/e March	Q3FY10	Q4FY10	Q1FY11	Q2FY11
<b>Net Revenue</b>	<b>28,524</b>	<b>33,452</b>	<b>31,742</b>	<b>29,933</b>
<b>EBITDA</b>	<b>7,738</b>	<b>8,536</b>	<b>6,421</b>	<b>6,811</b>
<i>% of revenue</i>	<i>27.1</i>	<i>25.5</i>	<i>20.2</i>	<i>22.8</i>
Depr. & Amortization	1,109	1,334	1,503	1,528
Net Interest	2,762	2,989	3,279	3,234
Other Income	1,153	407	436	820
<b>Profit before Tax</b>	<b>5,029</b>	<b>4,615</b>	<b>2,074</b>	<b>2,897</b>
Total Tax	1,879	1,890	2,039	1,741
<b>Profit after Tax</b>	<b>3,150</b>	<b>2,725</b>	<b>5,167</b>	<b>1,156</b>
<b>Adj. PAT</b>	<b>3,150</b>	<b>2,725</b>	<b>1,483</b>	<b>1,156</b>

**Key Operating Metrics (%)**

Y/e March	2009	2010	2011E	2012E
Construction	49.0	52.8	51.8	50.3
Cement/Cement Products	36.2	37.5	40.6	42.5
Hotel/Hospitality	2.5	1.5	1.2	1.1
Real Estate	7.3	6.2	5.2	5.4
Wind Power	0.5	0.3	0.2	0.2
Investments	2.8	0.4	0.3	0.2
Unallocated	1.7	1.4	0.7	0.3
Interest as a % to sales	8.7	10.5	9.9	9.6

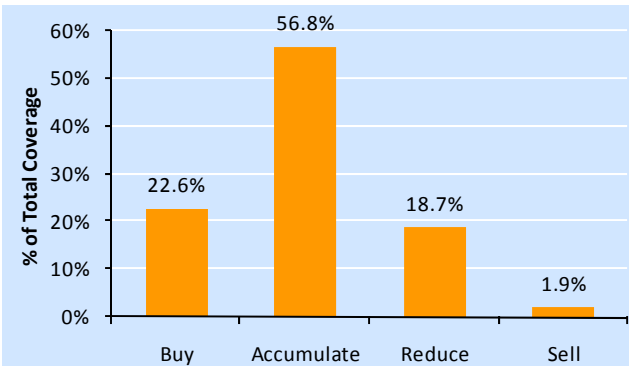
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<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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