

March 11, 2008

Rating	Outperformer
Price	Rs251
Target Price	Rs325
Implied Upside	29.5%
Sensex	16,123

(Prices as on March 11, 2008)

### Trading Data

Market Cap. (Rs bn)	291.2
Shares o/s (m)	1,160.2
Free Float	50.3%
Avg. Daily Vol ('000)	3,318.1
Avg. Daily Value (Rs m)	1,059.5

### Major Shareholders

Promoters	45.0%
Foreign	31.0%
Domestic Inst.	15.6%
Public & Others	8.4%

### Stock Performance

(%)	1M	6M	12M
Absolute	(16.8)	32.3	130.6
Relative	(13.9)	28.3	105.6

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



Source: Bloomberg

In the recent past Jaiprakash Associates' (JPA) stock price corrected 50% from its recent peak due to a weak market coupled with the confusion on its holding in Jaypee Infratech.

We have lowered our target price for the company by 32% from Rs430 to Rs325/share as we have reduced our value for Jaypee Infratech. On the side of conservatism, we now value Jaypee Infratech at 30% discount to its NAV value due to the recent negative sentiment in the market. This at current levels of Rs250 presents an upside of 30%

We believe that value unlocking potential with regards JP Power Ventures, awarding land to Jaypee Infratech and potential value from the Ganga-Balia Expressway would act as triggers to JPA. Thus we maintain Outperformer rating on the stock.

Key financials (Y/e March)	FY07	FY08E	FY09E	FY10E
Revenue (Rs m)	34,715	40,962	61,213	80,523
Growth (%)	9.7	18.0	49.4	31.5
EBITDA (Rs m)	9,333	10,402	16,421	21,548
PAT (Rs m)	4,150	5,370	7,470	10,318
EPS (Rs)	3.6	4.6	6.4	8.9
Growth (%)	48.7	29.4	39.1	38.1
Net DPS (Rs)	0.72	0.78	0.84	0.91

Source: Company Data; PL Research

Profitability & valuation	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	26.9	25.4	26.8	26.8
RoE (%)	17.6	16.8	17.6	20.3
RoCE (%)	7.7	7.7	8.6	10.3
EV / sales (x)	9.1	8.0	5.6	4.4
EV / EBITDA (x)	33.7	31.3	21.0	16.5
PE (x)	69.9	54.0	38.8	28.1
P / BV (x)	9.5	7.0	5.9	5.0
Net dividend yield (%)	0.2	0.2	0.2	0.2

Source: Company Data; PL Research

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### SOTP Valuation

		(Rs m)
Construction	15x FY09E EBIDTA	93,281
Total Capacity by March 09 - 18 mtpa	USD110/tonne	79,200
<b>Hydropower Projects</b>		
Jaiprakash Hydro-Power Limited	20% discount to Market Price	15,762
Jaiprakash Power Ventures Limited (JPVL)	2x BV	8,580
Jaypee Karcham Hydro Corporation Limited	2x BV	15,000
500 MW Windpower		1,400
Jaypee Greens	DCF	10,180
JP Hotels	Market value	6,009
Jaypee Infratech	DCF	170,931
Net debt - FY08 excluding FCCB		17,155
<b>Total Value</b>		<b>383,187</b>
<b>Value/Share</b>		<b>325</b>

Source: PL Research

### Jaypee Infratech

So far the Jaypee Infratech has received 900 acres of land in Noida, as against the 1,250 acres that the company is entitled to in the region, at an average price of Rs2.5m/acre. The company in November 2007 launched 3.2 million sq.ft. residential properties, comprising apartments and approximately 150 plots. According to the management, since then 70% of the area has been sold.

The Uttar Pradesh government is in the process of giving Jaypee Infratech the balance land at Noida, Greater Noida, Jewar, Agra and Mathura.

The management has indicated a development potential of approximately 81 million sq.ft, 1,250 acres from the Noida section and an overall development potential of approximately 400 million sq.ft. across five land parcels. We have assumed a development period of 15 years for Noida and 15-18 years in the other locations.

**Taj Expressway land development snapshot**

	Acres	Development potential (m sq.ft.)	Land status	Wt. average blended base rates *	Wt. average blended CoC (Rs/sq.ft.)*	NPV (Rs m)
Noida	1,250	81	Acquired 618 acres, balance to be allocated	6,100	1,500	137,857
Dhankaur	1,250	81	To be allocated	3,000	1,000	45,000
Jewar	1,250	81	To be allocated	2,500	1,000	30,711
Mathura	1,250	81	To be allocated	1,500	1,000	9,215
Agra	1,250	81	To be allocated	1,500	1,000	9,215
<b>Total</b>	<b>6,250</b>	<b>408</b>				<b>231,997</b>

Source: Company Data, PL Research

\* These rates are blended rates (residential, commercial and retail)

We have discounted cash flows on the potential future development to be undertaken by Jaypee Infratech. Based on discounted equity cash flows, we have valued the project at Rs248.1bn. However, given the recent negative sentiment, on the side of conservatism we have assigned a 30% discount to the NAV value.

JPA has a construction order book of Rs115bn, which is 6.7x FY07 construction revenue of the company. The order book comprises hydro-electric power (HEP) and expressway projects. Key projects include the Rs50bn Taj Expressway, Rs37bn Karcham Wangtoo HEP, Rs19.50bn Srisailam tunnel and the Rs5.5bn Baglihar-II HEP.

Additional order intake potential exists from Arunachal Pradesh HEPs and award of the Ganga-Balia Expressway Construction (contract value of Rs300bn). JPA has signed a MoU with the government of Arunachal Pradesh to develop HEPs, which alone have a contracting potential of Rs85-90bn for the company.

## JP Power Ventures

Jaiprakash Power Ventures (JPVL) has filed a draft Red Herring Prospectus with the SEBI. Currently the company has two power assets, one operational HEP (Vishnuprayag) of 400MW in Uttarakhand and another 1,000MW coal-fired thermal power plant (Nigrie) in Madhya Pradesh, which is in a pre-operative stage.



After obtaining the requisite approvals, JPVL would be looking at implementing the following projects -- 2,025MW HEP on Siang River, East Siang district and 500MW HEP on Siyom river, West Siang district in Arunachal Pradesh on BOOT basis; setting up of 1,000MW thermal power project linked to coal mines at Amelia Coal Block in Sidhi and Dongri Tall-II in MP and investment in the share capital of Jaypee Karcham Hydro Corporation Ltd. to the extent of Rs9.3bn (55.36% of the paid-up equity capital). JPA holds 80% stake in JPVL.

Based on the DRHP, Jaypee Ventures plans to raise around Rs25bn for post-issue stake of 16.5%, putting the value of JPVL at Rs

## Cement

Jaiprakash currently has a cement capacity of 7mtpa and plans to take this up to 30.5mtpa by 2011. According to the management, 18 mtpa capacity should be operational by FY09, 25mtpa capacity by FY10 and 30.5mtpa by FY11.



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#### PL's Recommendation Nomenclature

<b>BUY</b>	: > 15% Outperformance to BSE Sensex	<b>Outperformer (OP)</b>	: 5 to 15% Outperformance to Sensex
<b>Market Performer (MP)</b>	: -5 to 5% of Sensex Movement	<b>Underperformer (UP)</b>	: -5 to -15% of Underperformance to Sensex
<b>Sell</b>	: <-15% Relative to Sensex		
<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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