

Jaiprakash Associates

In the box seat





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Jaiprakash Associates

Rating	Accumulate
Price	Rs129
Target Price	Rs150
Implied Upside	15.7 %
Sensex	17,938

(Prices as on July 14, 2010)

Trading Data

Market Cap. (Rs bn)	274.7
Shares o/s (m)	2,125.5
Free Float	54.01%
3M Avg. Daily Vol ('000)	14,048.2
3M Avg. Daily Value (Rs m)	1,837.0

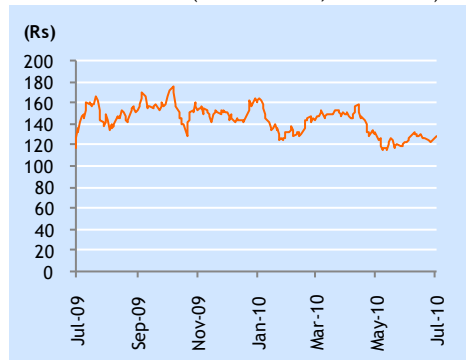
Major Shareholders

Promoters	45.99%
Foreign	25.99%
Domestic Inst.	9.92%
Public & Others	18.10%

Stock Performance

(%)	1M	6M	12M
Absolute	4.7	(21.4)	1.4
Relative	1.3	(23.4)	(28.1)

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



Source: Bloomberg

- **Cement business - a cash cow:** Jaiprakash Associates' (JPA's) current capacity at 22.8m tonnes enjoys an attractive realization and EBITDA/tonne on account of savings in terms of tax, captive power and market positioning. The company is expected to add another 9-10m tonnes in the next two years, making it a '33.5m tonne giant' (only next to *Holcim* and *UltraTech Group*).
- **Unfolding of power business to provide strong cash flows:** JPA's 76.3% subsidiary, **Jaiprakash Power Ventures, (JPVL)** (current operational hydro power capacity of 700MW), has capacity addition plans of 8x under construction. We expect JPVL to reach an installed capacity of 5590MW in FY15E, with a 70:30 hydro-thermal mix.
- **Creating long term value through Jaypee Infratech (JPI):** The biggest expressway, **Yamuna Expressway (YEW)**, is expected to create a virgin 530m sq.ft civilization development around it which is likely to establish JPI as one of the biggest real estate players in India. The company has sold close to 23.5m sq.ft till now at an average rate of Rs2,900/sq.ft.
- **Funding an issue:** Near-term requirement (12-18 months) to the tune of Rs99bn for funding the capex in JPVL (Rs60bn), JPI (Rs15bn) and JPA (Rs24bn) would not pose a problem on account of the recent FCCB, NCD and securitisation in Power and IPO of JPI. Cement capex would be effortlessly financed through a mix of internal accruals, sale of treasury stock and debt. JPA has also unlocked Rs7bn from the stake sale in JPI IPO. However, prodigious funds would be required to fund the **Ganga Expressway (GEW)** and planned Hydro-electric projects (HEP).
- **In-house Engineering Procurement Construction (EPC) to prop up faster execution:** The EPC division, with a current order book of Rs80bn (with GEW at Rs380bn), primarily caters to in-house power and road BOT construction.
- **Valuation and Recommendation:** On a standalone basis, JPA is expected to report stout revenue CAGR of 27% over FY10-FY13E and a APAT CAGR of 54% over the same period. This is very well supported by our SOTP of various businesses which values JPA at US\$7.5bn. However, need of funds and timely execution will remain a key overhang which may lead to substantial dilution and project delays. Thus, we recommend 'Accumulate', with a target price of Rs150 (implied upside of 15.7% from the current levels).

Key financials (Y/e March)	FY09	FY10A	FY11E	FY12E	FY13E
Revenues (Rs m)	57,642	100,889	137,299	169,251	204,917
Growth (%)	44.7	75.0	36.1	23.3	21.1
EBITDA (Rs m)	16,762	26,249	32,545	38,913	44,744
PAT (Rs m)	8,927	10,702	10,646	12,311	17,994
EPS (Rs)	4.0	4.8	4.8	5.5	8.1
Growth (%)	49.5	19.9	(0.5)	15.6	46.2
Net DPS (Rs)	0.9	0.5	0.6	0.7	1.0

Source: Company Data; PL Research

(Standalone)

*Adjusted to Dilution

Profitability & valuation	FY09	FY10A	FY11E	FY12E	FY13E
EBITDA margin (%)	29.1	26.0	23.7	23.0	21.8
RoE (%)	16.6	14.2	11.7	11.3	13.9
RoCE (%)	7.4	6.7	7.2	8.2	9.8
EV / sales (x)	4.4	4.1	3.0	2.4	1.9
EV / EBITDA (x)	15.2	15.8	12.7	10.3	8.6
PE (x)	30.8	25.7	25.8	23.3	16.0
P / BV (x)	2.3	3.2	2.9	2.3	2.1
Net dividend yield (%)	0.7	0.4	0.5	0.5	0.8

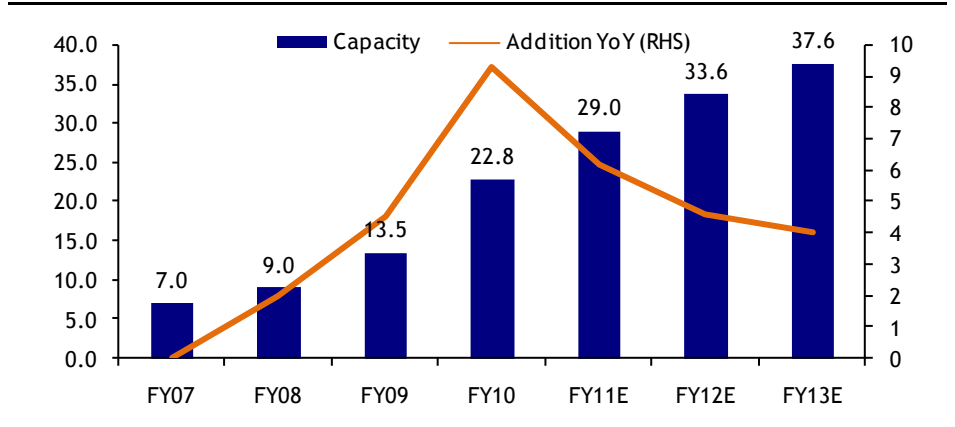
Source: Company Data; PL Research

Investment Argument

Aggressive capacity addition in the last two years

Foreseeing a huge demand in the Infrastructure sector, JPA started adding capacities aggressively from FY08 onwards when it was operating at 9mtpa. The company took forward the addition programme in the last two years to become the 'Number 3' player in the Indian Cement industry. Robust capacity addition of nearly 9m tonnes in FY10 has placed JPA amongst the top three cement producers in India.

Capacity increase by 1.6x in FY13E



Source: Company Data, PL Research

JPA increased its capacity from 7mtpa in FY06 to 22.8mtpa in FY10 and is likely to take it further to 33.5mtpa by FY12E.

Feasible Capacity Addition and Installed Capacity

Y/e March	FY10	FY11E	FY12E	FY1E
Rewa - MP	2.9			
Bela -MP	2.5			
Sadwakhurd -UP	0.6			
Ayodhya(Tanda) -UP	1.0			
Chunnar -UP	0.5			
Panipat -Haryana	1.5			
Dalla - HP	2.5			
Jaypee Siddhi Cement-MP& Chhattisgarh	2.0			
Bhilai Jaypee Cement -MP	2.2			
Gujarat Anjan Cement -Gujarat	1.2	1.2		
Baga - HP	1.5			
Bhageri - HP	2.0			
Roorkee - Uttarakhand	1.2			1.0
Wanakbori - Gujarat	1.2	1.2		
JP Super Dalla- HP		1.8		
Bokaro - Jharkhand			2.1	
Balaji - AP		1.0	2.5	
Sikandarabad - UP		1.0		
Bina - MP				2.0
Churk - UP				1.0
Total Installed Capacity	22.8	29.0	33.6	37.6

Source: Company Data, PL Research

JPA currently enjoys a robust presence in the Central region, with a 12mtpa production capacity which would be ramped up to 14.75mtpa by FY12E. The company is also expected to make inroads in other zones from FY11E onwards, with a capacity addition of nearly 8mtpa.

Zone-wise capacity installed (Planned)

	FY09	FY10	FY11E	FY12E	FY13E
Central	12.0	12.0	14.8	14.8	17.8
Western		2.4	4.8	4.8	4.8
Northern	1.5	6.2	6.2	6.2	7.2
Eastern		2.2	2.2	4.3	4.3
Southern		-	1.0	3.5	3.5
<i>Addition YoY (%)</i>	<i>4.5</i>	<i>9.3</i>	<i>6.2</i>	<i>4.6</i>	<i>4.0</i>

Source: Company Data, PL Research

The company is expected to add another 10mtpa in the next two years which would lead to a fund requirement of nearly Rs43bn. We expect this capacity addition to be funded by a 50:50 debt-equity combination. However, further proceeds from the sale of treasury stock may bring down the debt.

Robust capacity addition to make India cement surplus

In (m) tonnes	FY05	FY06	FY07	FY08	FY09	FY10E	FY11E	FY12E
Year-end capacity	146.4	152.6	160.8	193.3	208.6	265.7	294.6	300.6
Capacity addition	7.2	6.2	8.2	32.5	15.3	57.1	29.0	6.0
Effective capacity for the year	144.1	150.0	158.4	171.9	192.9	215.8	260.3	285.8
Surplus/(deficit)	9.5	4.3	(0.3)	1.4	8.2	13.5	38.7	42.2

Source: Company Data, PL Research

Other region snapshot... mostly in surplus

In (m) tonnes	FY05	FY06	FY07	FY08	FY09	FY10E	FY11E	FY12E
Northern								
Effective capacity for the year	25.8	27.3	30.8	36.1	44.1	48.2	59.5	63.2
Surplus/(Deficit)	(0.9)	(2.4)	(1.2)	(0.3)	2.6	1.1	8.2	6.7
Southern								
Effective capacity for the year	46.8	49.7	52.3	56.2	63.1	77.6	96.6	107.7
Surplus/(Deficit)	6.6	4.2	2.0	1.9	3.3	13.6	24.3	26.5
Eastern								
Effective capacity for the year	21.7	22.2	24.0	26.5	28.7	29.3	38.1	40.3
Surplus/(Deficit)	2.8	2.1	2.0	2.6	2.6	(1.3)	3.9	2.5
Western								
Effective capacity for the year	28.7	28.7	28.7	29.1	31.7	33.5	37.6	42.0
Surplus/(Deficit)	1.1	1.3	(1.7)	(1.7)	0.5	2.3	5.0	7.3

Source: Company Data, PL Research

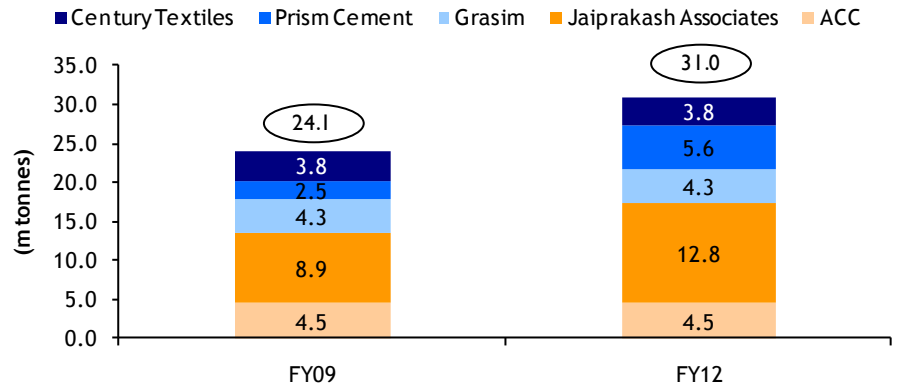
Central Region...better off

In (m) tonnes	FY05	FY06	FY07	FY08	FY09	FY10E	FY11E	FY12E
Year-end capacity	22.0	22.0	22.8	27.3	27.3	31.2	36.9	36.9
Capacity addition	2.5	0.8	0.5	1.4	-	3.9	5.7	-
Effective capacity for the year	21.2	22.0	22.5	24.0	25.3	27.3	28.4	32.5
Surplus/(Deficit)	0.5	(0.6)	(1.4)	(1.1)	(0.8)	(2.3)	(2.8)	(0.9)

Source: Company Data, PL Research

Our cement analyst expects the demand and supply mismatch to be less intense in the Central region as compared to other parts of the country. The states covered in this region have one of the lowest per capita cement consumption. Along with the major developments expected in this region combined with lower consumption, a fair room lies ahead for demand expansion. This is expected to benefit JPA, a leader in the market.

JPA holds a dominant position in the Central region



Source: Company Data, PL Research

JPA's sales volume

000 tonnes	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10
Capacity	828	828	828	1,011	1,011	1,011	1,058	1,283	1,283	1,429	1,429	1,429
Clinker Production	564	607	542	619	749	771	697	887	906	964	1,078	1,047
Cement Production	819	798	755	730	821	1,018	1,015	1,099	1,143	1,337	1,276	1,350
Despatches	781	743	695	695	780	954	1,000	1,037	1,078	1,233	1,197	1,240

Source: Company Data, CMA, PL Research

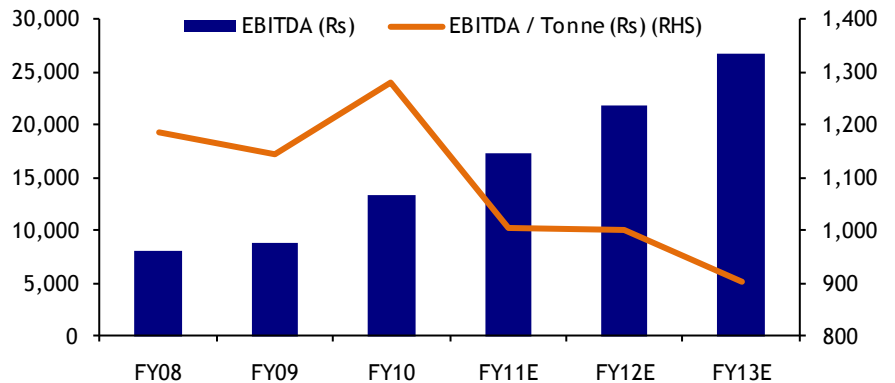
The production has ramped up from 5.9mtpa in FY06 to 10.7mtpa in FY10E, growing by a CAGR of 16% during this period; this is in tandem with the capacity addition. JPA holds nearly 40% share in the capacity in the Central region and thus, would benefit even in the future in terms of sales.

JPA, being a major player in the Central region, has been able to hold on to the realizations in the range of Rs2,800-3,200/tonne in the past two years. However, with its foray in other regions and newer capacities coming up, we expect JPA's realizations to fall in the coming year. However, on account of a strong demand in infrastructure, the expected fall in realizations is not likely to be drastic.

Sizeable CPPs to save fuel costs (MW)

FY09	154
FY10	227
FY11E	612
FY12E	702

Source: Company Data, PL Research

Healthy EBITDA performance


Source: Company Data, PL Research

On the cost front also, with a captive power capacity of 220MW and economies of scale, the company has been able to control the production cost which has been reflected in a higher EBITDA per tonne. However, in the coming year, with lowering realizations for entry in newer geographies and increased overall supply, we expect the EBITDA per tonne to fall.

Valuation

On account of benefits thrown by an aggressive capacity addition, we expect JPA to clock higher sales volumes; however, EBITDA, as explained above, should be under check for FY11 followed by a revival.

Cement operation snapshot

	FY09	FY10	FY11E	FY12E	FY13E
Capacity (m tonnes)	13.5	22.8	29.0	33.6	37.6
Sales volumes (m tonnes)	7.6	10.5	17.3	21.9	29.6
EBITDA (Rs/tonne)	1,145	1,279	1,004	1,000	901

Source: Company Data, PL Research

We believe that cement as a commodity, bears a direct correlation to the infrastructure growth. However, going forward, increased supply may play a spoilsport for JPA in terms of enjoying premium realizations. We value JPA on EV/tonne multiple of US\$110, (discount of 20% to the leading player) and arrive at a per share value of Rs44.

Valuation Matrix

Capacity at FY12E	33.6
EV/Tonne Multiple (\$)	110.0
INR	46.0
EV (Rs)	169,763
Net debt	72,060
Equity Value	97,703
PSV	43.9

Source: PL Research

EPC division to gain mammoth size

Balance order book (Rs bn)

GEW	300
YEW	30
Srisailam-AP	19
Karcham Wangtoo	30
Baglihar	11
Others	10

Source: Company Data, PL Research

The EPC division has been kept busy on account of in-house order execution for power plants and YEW of the Jaiprakash Group. The current order book of JPA stands at ~Rs380bn (out of which GEW is Rs300bn).

We expect the division to clock a 20-25% growth in sales in the coming two years. However, we expect some delays in the execution and have factored in the same in our revenues accountability. The order book can also get a flip on account of HEPs in the pipeline, aggregating to 3920MWs (construction potential of nearly Rs200bn).

EPC operation snapshot

	FY08	FY09	FY10E	FY11E	FY12E	FY13E
Closing Order Book (Rs m)*	405,971	416,210	385,319	334,865	254,321	175,195
Revenues (Rs m)	17,302	28,906	55,892	75,454	90,544	104,126
<i>YoY gr. (%)</i>	<i>7.4</i>	<i>67.1</i>	<i>93.4</i>	<i>35.0</i>	<i>20.0</i>	<i>15.0</i>
Book-to-Bill (x)	23.5	14.4	6.9	4.4	2.8	1.7
EBITDA (Rs m)	4,407	6,200	11,178	12,827	13,582	15,619
<i>Margin (%)</i>	<i>25.5</i>	<i>21.4</i>	<i>20.0</i>	<i>17.0</i>	<i>15.0</i>	<i>15.0</i>

Source: Company Data, PL Research

* Including GEW

Valuation

On account of a healthy order book which has a sufficient legroom for expansion with newer project wins, we expect JPA's EPC division to post a revenue CAGR of 23% over FY10-FY13E, with EBITDA margins hovering around 15-17% (as a higher order intake of power projects will benefit and a higher road projects will bring down the overall EBITDA margin). We have valued this division on EV/EBITDA basis, giving a multiple of 4.7x (a 75% discount to industry leader L&T and a 50% discount to hydro power construction player like Patel Engineering) and arrive at a per share value (net of debt) of Rs25.

Valuation Matrix

	(Rs m)
EBITDA JPA (FY12E)	13,582
L&T EV/EBITDA (x)	18.88
Patel Engineering	8.5
75% discount to L&T	4.7
Total Valuation(Net of Debt)	55,405
Per share value	24.9

Source: Company Data, PL Research

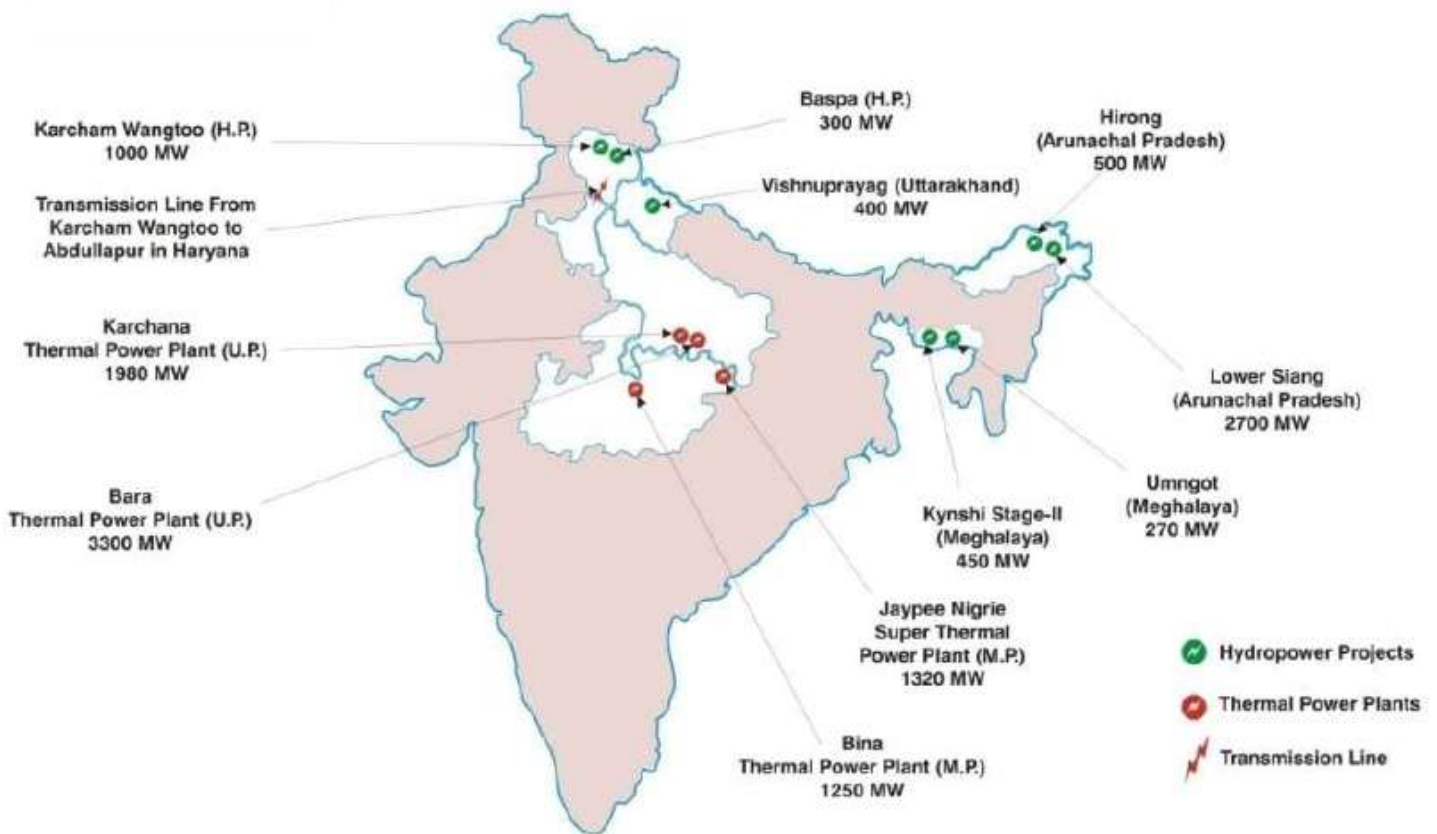
Jaiprakash Power Ventures - Huge capacity addition lined up

Clean energy to gel well with thermal

JPA's 76.2% subsidiary, JVPL, currently earns a 16% regulated return (ROE) plus incentives on current operational hydro power capacity of 700MW, consisting Baspa and Vishnuprayag. The plants are running at Plant Availability Factor (PAFs) in excess of 95% and have generated close to 2900m units in FY10E(average PLF 50-60%).

However, the company is aiming big and is well poised to expand its power portfolio which will have a balance mix of hydro and thermal power.

Strategic presence suits the fuel source



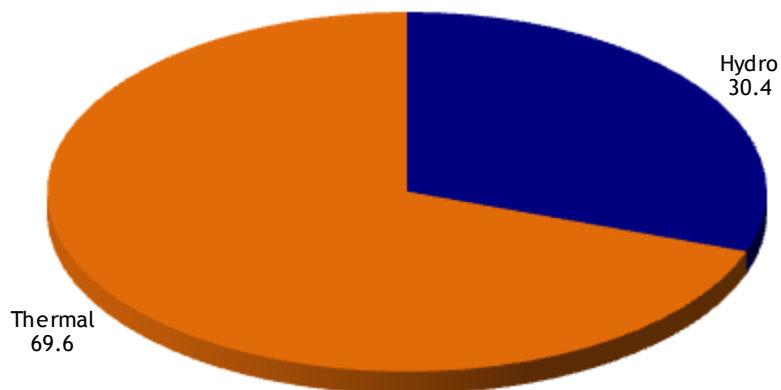
Source: Company Data, PL Research

Project Status

	Land	Water	Environment Clearance	DPR/EPC order	Fuel	Equipment	Power Purchase Agreement	Financial Closure	EQ Inv (Rs m)	COD
Karcham Wangtoo	Y	Y	Y	Y	Y	Voith Siemens/ VA Tech/Areva	20% M, 12% Free power , Bal PPA	Y	14,250	FY12
Bina- Phase 1	Y	Y	Y	Y	Y	BHEL/TBD	GoMP 42% and 40% M	Y	3,991	FY12
Nigrie	92% Y	Y	Y	Y		L&T-MHI	GoMP 37.5% and 50% M	Y	7,350	FY14
Bina- Phase 2	Y	Y	Y	Y	Y	BHEL/TBD	GoMP 42% and 40% M	N	-	FY15
Karchana Phase 1	71% Y	Y	Y	P	Y	N	10% M, 90% GoUP	P	1,520	FY14
Bara Phase 1	Y	Y	Y	Y	Y	BHEL/Alstom/Siemens	10% M, 90% GoUP	P	2,433	FY14

Source:

Favourable fuel mix in FY15E



Source: Company Data, PL Research

Capacity addition & installed capacity based on our assumptions

	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Baspa & Vishnuprayag	700	700	700	700	700	700
Karcham Wangtoo	-	-	1,000	1,000	1,000	1,000
Bina	-	-	500	750	1,000	1,250
Nigrie	-	-	-	-	1,320	1,320
Bara						1,320
Hydro	700	700	1,700	1,700	1,700	1,700
Thermal	-	-	500	750	2,320	3,890

Source: Company Data, PL Research

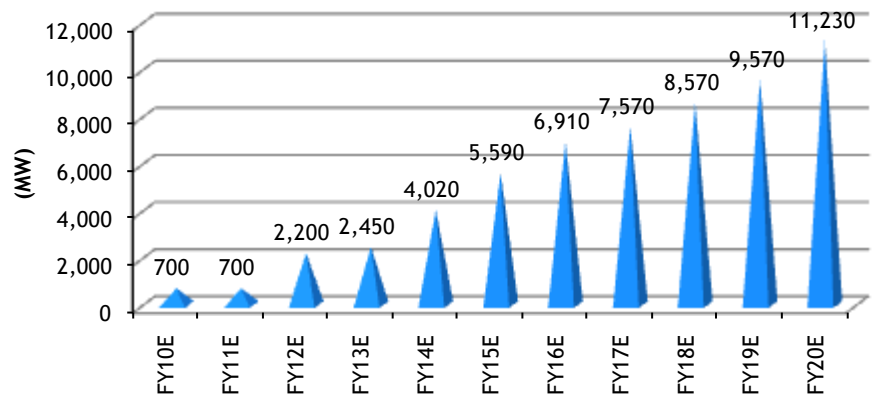
With a capacity addition of 8x planned and under construction in the next 3-4 years, JVPL has the potential to reach an installed capacity of 7570MW by FY17E (taking into account some delay in Bara and Karchana Phase-1 becoming operational). Of the plants under construction, the first plant to go on-stream would be the 1000MW Karcham Wangtoo HEP, which will make JVPL one of the largest private Hydro powers generating company in India, with a combined capacity of 1700MWs.

Cost break-up of upcoming and operational plants (Est.)

	Regulated		Merchant		Cost (Rs / unit)
	MW	Sales Rate (Rs / unit)	MW	Sales Rate (Rs / unit)	
Karcham Wangtoo	800	2.6	200	5	1.7
Bina- Phase 1	300	2.7	200	4	2.2
Nigrie	660	2.2	600	4	1.8
Baspa & Vishnuprayag	700	2.0	NA	NA	1.15

Source: Company Data, PL Research

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



Source: Company Data, PL Research

Apart from 1000MW Karcham Wangtoo HEP, financial arrangements have been completed for majority of the thermal power projects.

The company will also venture into the transmission sector through a 74:26 JV with Power Grid Corporation of India (PGCIL) for a 217kms transmission line for Karcham Wangtoo project. The packages have been awarded to L&T, Gammon India and other players in the power transmission business and the project will go on-stream with the commissioning of the HEP. JVPL has committed close to Rs5bn from the required Rs7.4bn in the project cost.

Capacity planning to require funding

JPA till now has pumped in close to Rs40bn in the development of power projects in the last 2-3 years. Further, a herculean task for the financial arrangement is pending, of which near-term obligations would be met comfortably.

JVPL's near-term plans to fund projects	(Rs bn)
Total requirement for next 15-18 months	60
Sources	
FCCB	9
Loan from ICICI Bank	10
NCD	10
Securitisation from existing 700MW	28

Source: Company Data, PL Research

Further, requirement of funds would be met through further securitizing or stake sale in Karcham Wangtoo, Karchana and Bara; thus, an equity dilution possibility could not be ruled out.

Operational performances to get flip from FY12 onwards

Revenues from Karcham Wangtoo and Bina would kick in FY12E-FY13E, with Nigrie to follow from FY14E. Also, EBITDA is expected to toss upwards on account of merchant power sale and revenues from verified emission reductions (VERs) and certified emission reductions (CERs). This would continue especially till the period of FY13E, where Hydro power would dominate the revenue stream. Post FY13E, where other thermal power plants would get functional and with declining merchant rates, EBITDA is expected to cool off.

Potential merchant power lined up to provide incremental returns (E)

Years	% in merchant power
2010	0%
2012	18%
2014	22%
2017	36%

Source: Company Data, PL Research

Power business operation snapshot

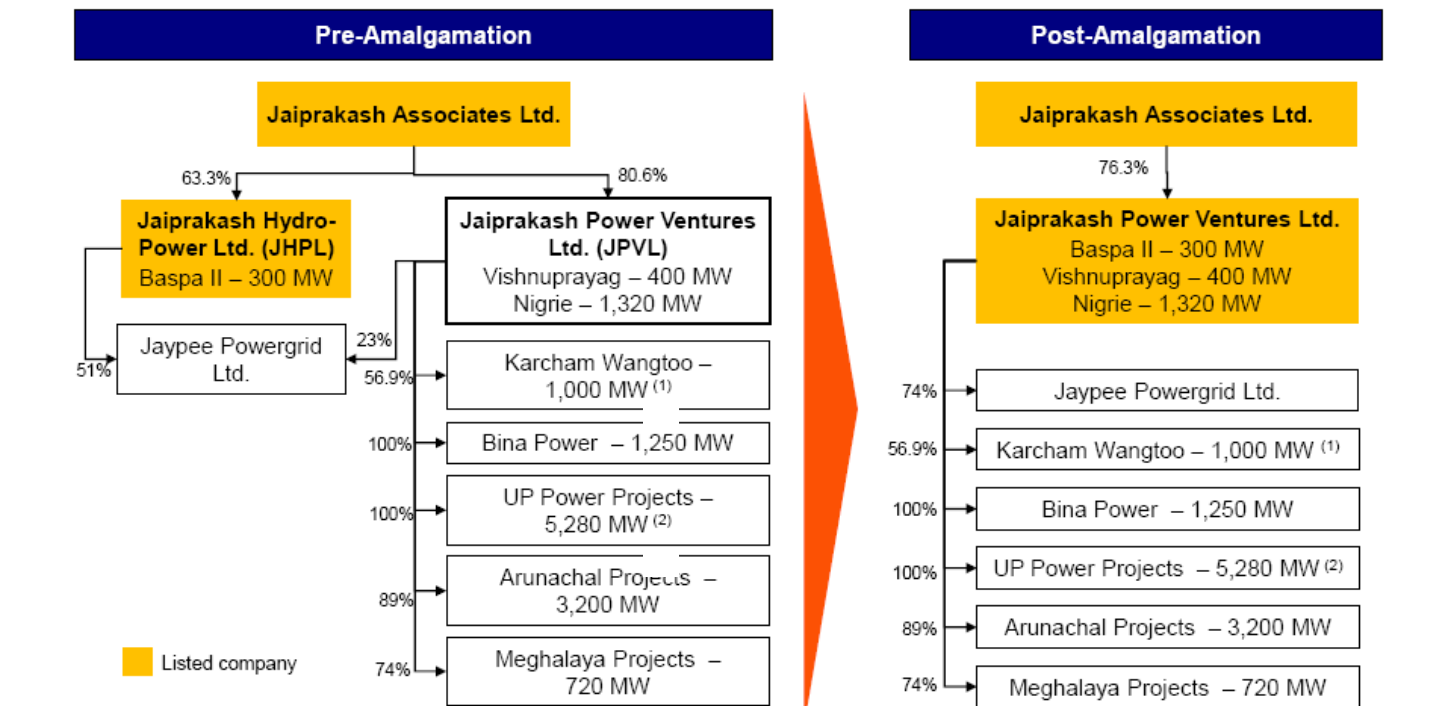
	FY08	FY09	FY10A	FY11E	FY12E	FY13E
Operating Capacity (MW)	700	700	700	700	2,200	2,450
Addition YoY (MW)	-	-	-	-	1,500	250
Sales (Rs m)	3,008	2,889	6,496	6,059	27,686	34,408
EBITDA (Rs m)	2,757	2,654	5,667	5,386	21,904	25,605
EBITDA Margin (%)	91.6	91.9	88.9	88.9	79.1	74.4
PAT (Rs m)	1,527	1,498	2,518	2,310	8,853	10,255
Total Sales (m units)	3,099	2,903	2,903	3,068	9,226	11,030

Source: Company Data, PL Research

JVPL- Key balance sheet numbers

Y/e March	FY09	FY10A	FY11E	FY12E	FY13E
Networth	10,752	33,777	45,085	54,764	65,995
Loans	7,412	53,476	113,703	129,157	149,565
Net Assets	15,841	48,405	101,703	115,680	140,895
Capital Work in Progress	1	7,256	42,150	45,086	47,873
Net Current Assets	2,345	27,249	8,352	17,452	18,742

Source: PL Research

JPVL post amalgamation


Source: Company Data, PL Research

Valuation
Valuation of JPVL (JP's share)

	(Rs m)
Baspa & Vishnuprayag (LTSSG)	21,758
Karcham Wangtoo *	18,653
Bina*	16,947
Nigrie*	11,923
Future Projects (LTSSG)	38,540
Our Value post Holdco discount @ 25%	107,822
Per Share Value (Rs)	48.5

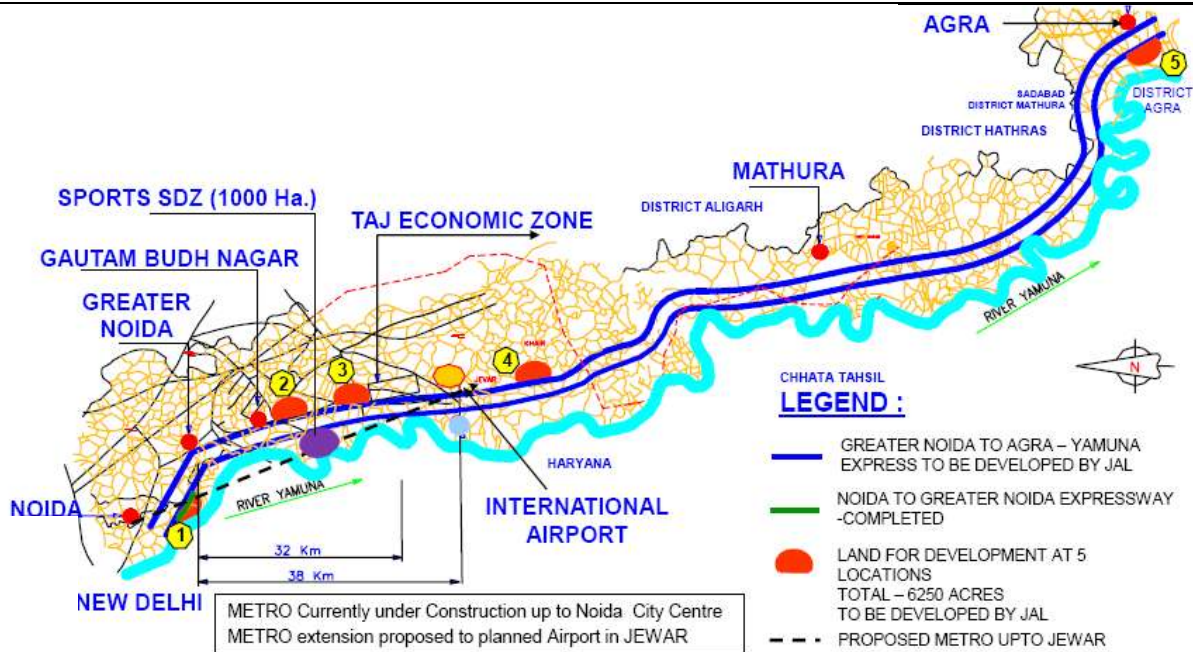
Source: PL Research

*(DCF)

JP Infratech...creating multiple townships

165 km YEW to commence operation in April 2011

Yamuna Expressway



Source: Company Data, PL Research

Connecting Noida to Agra is the longest BOT six-lane (expandable to 8 lanes) access controlled expressway in India, which has a 530m sq.ft real estate opportunity around it.

Quick Facts of YEW

Length	165.537 Km
Right of Way	100m
Number of Lane	6 Lanes extendable to 8 lanes
Type of Pavement	Rigid (Concrete)
Structures	
Interchange	7
Main Toll Plaza	3
Toll Plaza on Interchange Loop	7
Underpass	35
Rail Over Bridge	1
Major Bridge	1
Minor Bridge	42
Cart Track Crossing	68
Culverts	204

Source: Company Data, PL Research

Cost break-up

Project Internals	(Rs m)	Spend up to Apr 2010
Cost of Land	26,190	25,564
Road Construction	53,000	29,959
Preliminary & Pre-operative exps	2,400	1,571
Provision for Con	2,300	-
IDC	13,500	5,407
Total	97,390	67,170

Source: Company Data, PL Research

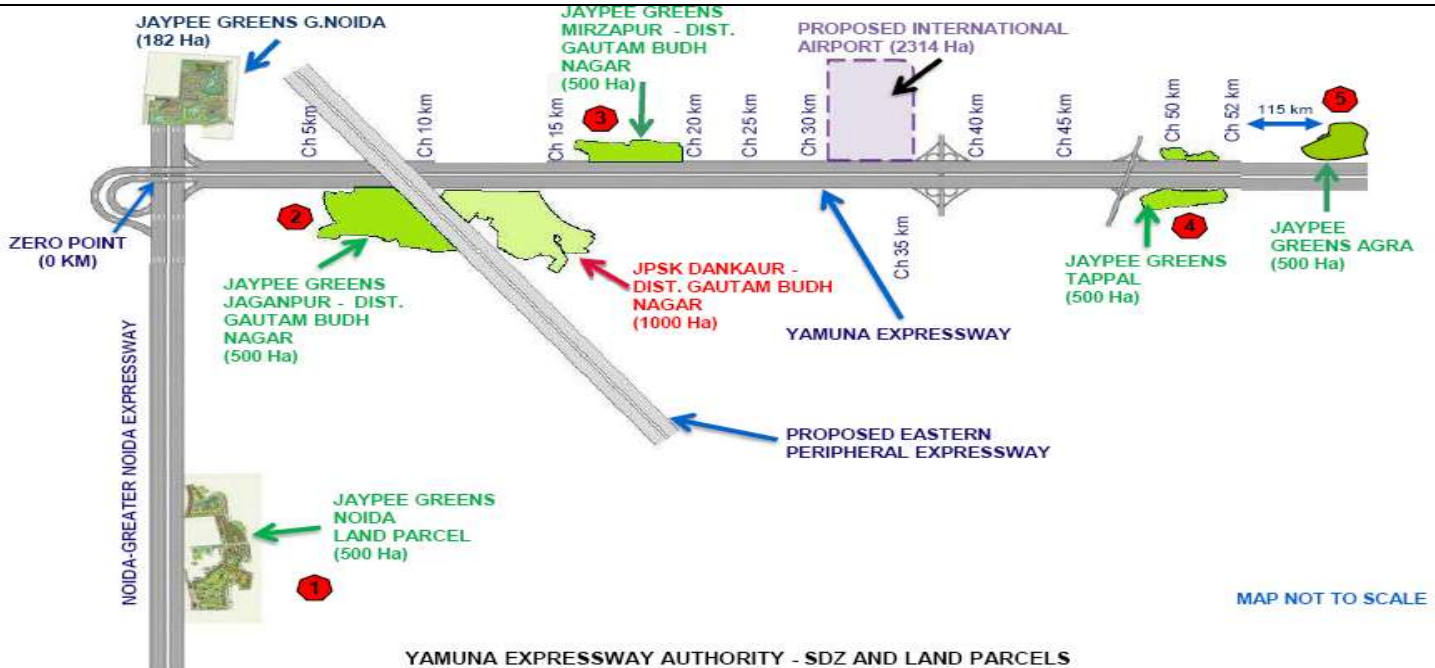
JPA, upto April 2010, has acquired 3897 acres (96%) of land required for construction of Expressway. However, the land required for additional facilities has been to the extent of 183 acres from 1018 acres required. In lieu of the expressway development, JPI has been allotted the right to develop and sell land parcels, aggregating to 6175 acres, for which the acquisition cost is close to Rs14bn, translating into a cost of merely Rs3m per acre.

Project dynamics

Project	Kms	Period	Projects Cost (Rs bn)	PCUs (E)	Rev Rs bn p.a first year(E)	COD
Yamuna Expressway	165	36	97.3	60000	4	Q1FY12E

Source: Company Data, PL Research

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



MAP NOT TO SCALE

YAMUNA EXPRESSWAY AUTHORITY - SDZ AND LAND PARCELS

Source: Company Data, PL Research

Land parcels closer to NCR

Locations	Area Allotted (Acres)	% to total	Land Leased upto March 31, 2010
Noida	1,235	20.0	1,211
District Gautam Budh (Parcel 2)	1,235	20.0	1,195
District Gautam Budh (Parcel 3)	1,235	20.0	1,030
District Aligarh	1,235	20.0	-
District Agra	1,235	20.0	309
Total	6,175		3,745

Source: Company Data, PL Research

Out of the total land available, nearly 50% lies in the NCR region; this we expect would be sold initially. The company, till May 2010, has been able to sell 23.5 sq.ft, of which 20.3m sq.ft was sold in FY10. The total sales till March 2010 is close to Rs63bn (average realization of Rs3,000 sq.ft. For Q1FY11, the company has sold 3.8m sq.ft and clocked Rs5.9bn on sales and Rs4bn on PAT.

Revenues accrued in FY10

Particulars	FY10
Total Income	6.4
EBITDA	5.8
PAT	4.9

Source: Company Data, PL Research

We expect JPI to sell 33.5m sq.ft spread equally over the next three years at an average rate of Rs3,363 sq.ft. We expect real estate part to clock a turnover of Rs23.5bn in FY11E and Rs 35.7bn in FY12E, respectively. The PAT numbers will be close to Rs10bn and Rs16bn in FY11E and FY12E, respectively.

Funding of JPI

Funding	(Rs m)	Spend up to Apr 2010
Equity	12,500	12,500
IPO	15,000	-
Accruals from RE dev	9,890	9,890
Debt	60,000	44,770
Total	97,390	67,160

Source: Company Data, PL Research

The company's IPO in May 2010 of 141m shares at a price band of Rs102-117 and raised Rs16.5bn.

Key P/L numbers of JPI

(Rs m)

Y/e March	FY09	FY10A	FY11E	FY12E	FY13E
Sales	-	6,407	23,485	39,382	42,577
PBIDT	(2,387)	5,820	14,091	24,253	35,964
PAT	2,667	4,875	10,200	6,194	14,708

Source: PL Research

Key Balance sheet number of JPI

(Rs m)

Y/e March	FY09	FY10A	FY11E	FY12E	FY13E
Networth	12,454	19,929	49,898	63,013	79,735
Loans	18,675	57,210	45,035	57,035	61,202
Net Block	25,716	52,114	55,245	96,341	99,000
Net Current Assets	5,413	24,735	20,842	27,756	79,782

Source: PL Research

We have valued JPI's 300m sq.ft development assuming an execution of 30 years on NPV basis and remaining land on per acre basis. However, we are of the view that the YEW (road) will take more than expected time to catch up with the traffic and earn the required revenues to substantiate the gigantic investments committed. Thus, we have a negative NPV for the YEW (road).

Valuation
JPI operation snapshot- JPA's 84.5% share

NPV of developed area	87,191
Per acre value of balance land	15,297
NPV of expressway	(23,492)
Net value	78,996
Holding company discount @ 25%	59,247
Per Share Value to JPA(Rs)	27
Total Value of JPI	93,486

Source: Company Data, PL Research

Other Real Estate ventures in a snapshot

Ganga Expressway...extending the reach of Yamuna Expressway

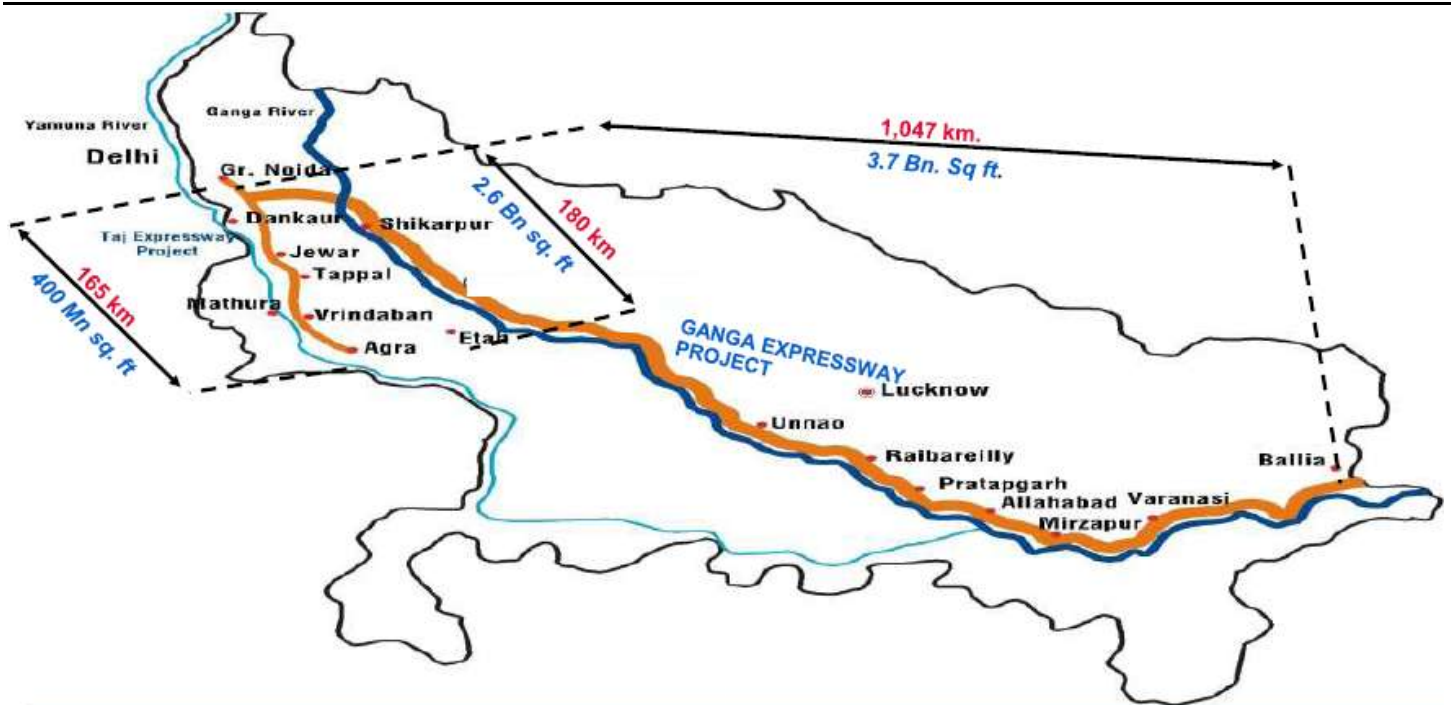
An eight-lane expressway from Greater Noida to Ballia will have links from Farrukhabad, Lucknow and Mirzapur. The cost is estimated to be Rs300bn, with land acquisition cost pegged at Rs60-70bn. We have valued the investment of Rs1bn at 1x book.

Project Parcels

Route	Links	Length Kms	Cost Of Construction (Rs bn)
Greater Noida to Fatehgarh	Farrukhabad	253	76
Fatehgarh to Dalmau (Raibareli)	Lucknow	305	80
Dalmau (Raibareli) to Aurai (Bhadohi)	Mirzapur	211	62
Aurai (Bhadohi) to Balia	None	278	81

Source: Company Data, PL Research

Ganga Expressway....extending the reach of Yamuna Expressway



Source: Company Data, PL Research

Project Dynamics

Project	Kms	Period	Real Estate development bn sq.ft
Ganga Expressway	1047	35	3.3

Source: Company Data, PL Research

**JPSK Sports SDZ Snap short**

Project	Hectares	PC (Rs bn)	Real Estate development Hectares	Sold up till Jan10 (m sq. ft)
JPSK Sports SDZ	1000	17	650	1.2

Source: Company Data, PL Research

Jaypee Greens

A luxurious development at Greater Noida (residential and 18-hole Golf Course), with developmental plans of nearly 8m sq.ft, has been able to realize Rs5,400 per sq.ft till now. The company has sold close to 3.2m sq.ft till April 2010 and collections during the same period are at Rs12bn. We have valued this project on NPV basis and arrive at a per share value of Rs3.3 using a discounting factor of 12% and average realization of Rs6,000 per sq.ft.

Jaypee Hotels

With a room capacity of close to 750, Jaypee Hotels operates 5-star hotels in New Delhi, Agra and Mussoorie. A new spa-hotel is expected to come up at Jaypee Greens, Greater Noida in collaboration with Six Senses of Thailand. The hotel should be operational in the next 2-3 months. We have valued this business at a per share value (net of debt) of Rs3.9, giving a valuation of Rs20m per room.

Funding of projects can pose a concern

The total fund requirement for planned projects in JVPL, YEW and JPA is estimated to be around Rs99bn.

However, recent/planned fund infusion keeps JPA on track

Fund Requirement	(Rs bn)	Availability (E)	(Rs bn)
JVPL	60	FCCB, NCD and Debt	60
JPI	15	IPO Filed	15
JPA	24	Debt and Accruals	24
Total	99		99

Source: Company Data, PL Research

Outstanding FCCBs (Est.)

	Balance dilution (Rs m)	Price Point (Rs)
FCCB I	261	74
FCCB III	16,107	165

Source: Company Data, PL Research

Treasury stock details (Est.)

Sold	No. of Shares (m)	Price	Funds Raised (Rs m)
Jun-09	25	200	5,000
Sep-09	50	238	11,900
Balance shares post bonus (Est.)	189	155	29,342

Source: Company Data, PL Research

JVPL

The company has tied up funds for the near term equity requirements and availed facility of FCCBs, Loans, NCDs and securitisation for JVPL aggregating to Rs57bn. We also expect the company to further sell stakes in the upcoming power projects like Karchana. However, dilution is imperative for speeding up the execution of planned projects. This would be on account of further requirement of funds to the tune of Rs50bn for Hydro power projects. However, we expect the company to generate free cash flow to the tune of Rs15bn and Rs17bn in FY11E and FY12E, respectively.

Funding plans (Near term)

	(Rs m)
Requirement estimated	60,000
FCCB	9,228
Loans	10,000
Securitisation	27,500
NCD	10,000

Source: PL Research



JPI

We expect JPIs road business would be cash flow negative (Rs25bn negative cash flow expected till FY16E) in at least first 10 years of operation if not more; thus, strong sales on real estate side will become imperative to avoid dilution in the company. However, the real estate business is expected to report PAT of Rs10bn in FY11E and Rs16bn in FY12E.

Funding plans	(Rs m)
Requirement estimated	15,000
IPO (Done)	16,500

Source: Company Data, PL Research

JAL

The cement business is on strong expansion modes which will lead to a steady need of money from equity and debt side. We expect a mix of debt, internal accruals and further sale of treasury stock to fund this expansion which will be to the tune of Rs43bn (over next two years). The company has managed to raise close to Rs24bn by unlocking value in JPI (Rs7bn) and treasury stock sale in FY10. However, a near-term respite in descending debt trend seems to be negligible. However, with further sale of treasury stock, the company can raise close to Rs25bn.

Concerns

Huge requirement of funds: Total requirement of funds by JPA stands at Rs99bn for power, cement and YEW. The company is dependent on external funds for hydro power projects (till the present plants under construction get operational) and higher internal accruals for cement business. Inability to raise funds in the long term would dampen the future projects; thus, posing a setback to aggressive growth targets.

Fall in cement realizations on account of oversupply/lower demand: We have assumed a 5% reduction in realization (of Rs3,400) per tonne in FY11 and EBITDA of Rs1,004 per tonne due to fall in cement prices on account of lower demand growth (i.e. less than industry estimates of 10%). On the other hand, an incremental capacity addition of 25m tonnes is expected to take the supply capacity to 234m tonnes in India.

Delay in power plant commissioning: JPA has a massive capacity addition lined up which will require not only huge fund infusion but also faster and superior execution skills. Delay in the plans will lead to an increase in IDC and also would not allow JPVL to enjoy the benefits of higher merchant rates (which would prevail in the next 2-3 years). Thus, triumph of these projects would also largely depend on the execution capabilities of EPC division of JPA.

Set back in JPI Real Estate: Over supply of real estate in the NCR region and drastic fall in real estate prices would entail JPI to sacrifice on realization and sales on account of fall in demand.

Valuation and Outlook

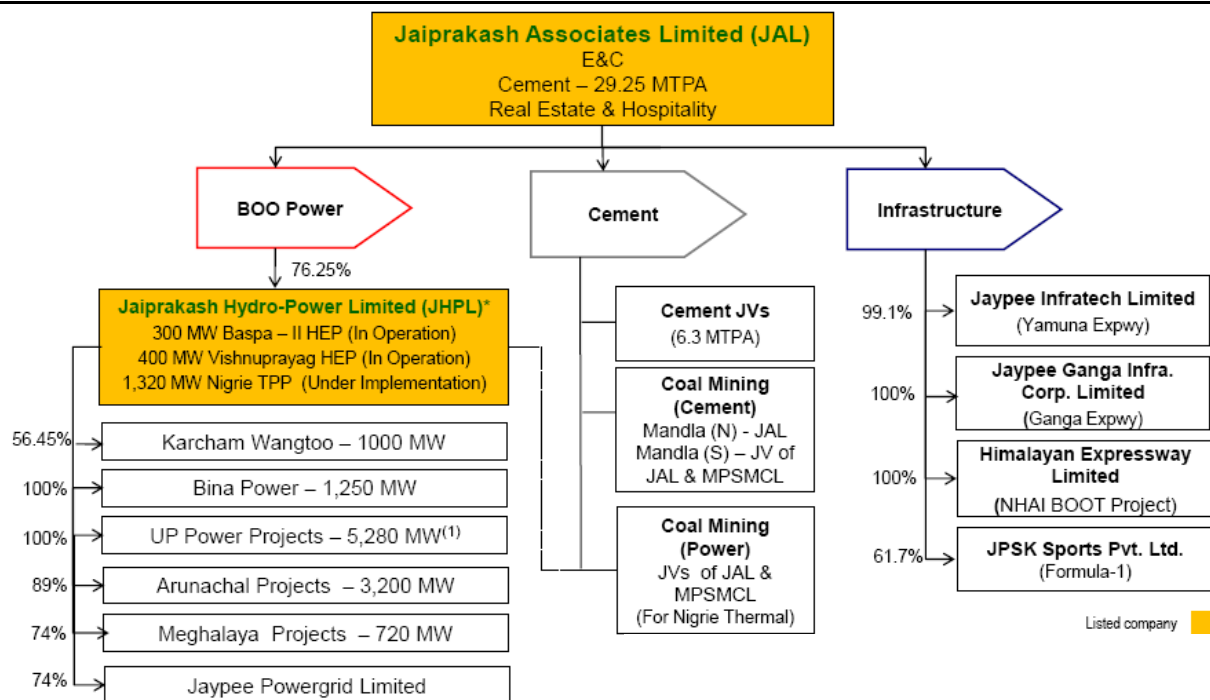
On a standalone level, we expect JPA to report robust numbers, primarily led by cement sales and EPC revenues. JPA is expected to report revenue and PAT CAGR of 27% and 54%, respectively over FY10-FY13E. On a consolidated basis, we expect JPA to report a revenue and PAT of Rs116bn and Rs10bn in FY11E. Apart from this, value creation from different SBU's from time-to-time would aid the overall value accretion to JPA.

Segmental Breakup

	(Rs m)					
Segmental Analysis	FY08	FY09	FY10	FY11E	FY12E	FY13E
Cement sales	22,405	24,996	39,751	59,074	76,508	103,443
Less: Excise	3,381	3,320	5,565	8,270	10,711	14,482
Net sales	19,024	21,675	39,751	50,803	65,797	88,961
<i>% to total</i>	<i>47.7</i>	<i>37.6</i>	<i>39.4</i>	<i>37.0</i>	<i>38.9</i>	<i>43.4</i>
Construction rev	17,302	28,906	55,892	75,454	90,544	104,126
<i>% to total</i>	<i>43.4</i>	<i>50.1</i>	<i>55.4</i>	<i>55.0</i>	<i>53.5</i>	<i>50.8</i>
Real Estate	2,558	4,394	6,536	7,502	9,698	10,522
<i>% to total</i>	<i>6.4</i>	<i>7.6</i>	<i>6.5</i>	<i>5.5</i>	<i>5.7</i>	<i>5.1</i>
Wind Power Revenues	181	450	320	355	350	400
Others	477	685	1,881	1,403	901	909
Total Income	39,848	57,642	100,889	137,299	169,251	204,917

Source: Company Data, PL Research

A gigantic conglomerate in the making



Source: Company Data, PL Research



SOTP valuation of different business

Entities	Method	Assumptions	Total Value (Rs m)	PSV (Rs)
Standalone		Valuation of standalone businesses	178,585	76
Construction	EV/EBITDA (75% discount to L&T)	4.7x FY12 EBITDA of Rs13582m, less debt of Rs 8.7bn	64,096	25
Cement	EV/Tonne	\$110/ton for 33.6m (FY12E) ton, less debt of Rs72bn	97,703	44
Hotel	Per Room (Rs20m per room)	750 rooms, Val per room less debt	8,644	4
Jaypee Greens	NAV (8m sq.ft)- high end real estate	12% discounting factor, NAV	7,226	3
Ganga Expressway	BV	P/BVx, Equity committed up till now	915	0.4
JP Infratech		NPV value @25% Holdco Discount	59,247	27
Road	NPV	Proportional stake for JAL at 25% Holding Company Discount	(23,492)	(11)
Real Estate	NAV	Proportional stake for JAL at 25% Holding Company Discount	102,488	46
JPVL Listed-72.5% held by JPA		NPV value @ 25% Holdco Discount	107,822	48
Baspa & Vishnuprayag	LTSSG	Proportional stake for JAL at 25% Holding Company Discount	21,758	10
Karcham Wangtoo	FCFE	Proportional stake for JAL at 25% Holding Company Discount	18,653	8
Bina	FCFE	Proportional stake for JAL at 25% Holding Company Discount	16,947	8
Nigrie	FCFE	Proportional stake for JAL at 25% Holding Company Discount	11,923	5
Future Projects	LTSSG	Proportional stake for JAL at 25% Holding Company Discount	38,540	17
Other Projects	BV	Proportional investments by JAL	28,805	13
Less: Debt FY10		Balance Debt	69,501	33
Add: FY10 Cash		Cash	38,792	17
SOTP			343,749	150
<i>Potential Upside (%)</i>				15.7

Financials

Income Statement (Standalone)

(Rs m)

Y/e March	FY06	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Net Revenue	31,662	34,779	39,848	57,642	100,889	137,299	169,251	204,917
<i>YoY Growth (%)</i>	<i>15.0</i>	<i>9.8</i>	<i>14.6</i>	<i>44.7</i>	<i>75.0</i>	<i>36.1</i>	<i>23.3</i>	<i>21.1</i>
Raw material Consumed	18,798	19,532	20,106	30,664	57,260	77,917	95,966	120,389
<i>% of Net Sales</i>	<i>59.4</i>	<i>56.2</i>	<i>50.5</i>	<i>53.2</i>	<i>56.8</i>	<i>56.8</i>	<i>56.7</i>	<i>58.8</i>
Employee Costs	1,244	1,611	2,553	3,308	4,534	8,238	10,155	12,295
<i>% of Net Sales</i>	<i>3.9</i>	<i>4.6</i>	<i>6.4</i>	<i>5.7</i>	<i>4.5</i>	<i>6.0</i>	<i>6.0</i>	<i>6.0</i>
Other Costs	2,372	2,701	3,151	3,406	5,200	8,238	9,478	10,246
<i>% of Net Sales</i>	<i>7.5</i>	<i>7.8</i>	<i>7.9</i>	<i>5.9</i>	<i>5.2</i>	<i>6.0</i>	<i>5.6</i>	<i>5.0</i>
Cost of Goods Sold	25,301	25,352	28,879	40,880	74,640	104,754	130,339	160,173
EBITDA	6,360	9,427	10,969	16,762	26,249	32,545	38,913	44,744
<i>Margin (%)</i>	<i>20.1</i>	<i>27.1</i>	<i>27.5</i>	<i>29.1</i>	<i>26.0</i>	<i>23.7</i>	<i>23.0</i>	<i>21.8</i>
Depreciation	1,515	1,631	2,033	3,090	4,561	5,622	6,852	8,000
Other Income	1,583	975	2,764	3,838	2,665	2,500	2,500	2,500
EBIT	4,846	7,796	8,936	13,672	21,688	26,923	32,061	36,744
Interest	2,397	2,573	3,391	5,043	10,558	13,533	16,186	13,900
PBT	4,031	6,199	8,309	12,466	13,796	15,890	18,375	25,344
Total tax	1,246	2,050	2,337	3,540	6,733	5,244	6,064	7,350
<i>ETR (%)</i>	<i>30.9</i>	<i>33.1</i>	<i>28.1</i>	<i>28.4</i>	<i>48.8</i>	<i>33.0</i>	<i>33.0</i>	<i>29.0</i>
PAT	6,399	4,149	6,097	8,970	19,203	14,783	12,311	17,994
Extraordinary Gain/(Loss)	3,614	-	124	44	8,501	4,137	-	-
Adjusted PAT	2,786	4,149	5,972	8,927	10,702	10,646	12,311	17,994

Source: Company Data, PL Research

**Balance Sheet (Standalone)****(Rs m)**

Y/e March	FY06	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Share Capital	2,151	2,192	2,343	2,368	4,249	4,251	4,446	4,446
Reserves & Surplus	24,671	26,537	39,652	62,589	80,758	92,055	117,946	132,638
Total Shareholders Equity	26,822	28,730	41,995	65,392	85,007	96,306	122,392	137,085
Total Debt	42,198	54,931	83,056	131,062	179,087	169,233	158,007	132,620
Deferred Tax Liabilities(net)	4,832	4,901	5,597	6,896	9,561	7,623	8,741	9,756
Total Liabilities	73,852	88,562	134,632	204,938	273,655	273,162	289,140	279,461
Gross Block	36,638	42,019	51,662	86,192	122,192	155,192	169,650	178,916
Depreciation	11,961	12,800	14,547	18,013	22,213	27,835	34,687	42,687
Net Block	24,677	29,220	37,115	68,179	120,103	127,357	134,963	136,229
Capital Work in Progress	8,761	21,862	42,190	50,819	25,328	27,725	23,898	2,500
Investments	15,570	17,787	32,248	44,652	55,763	62,926	63,301	63,301
Total Current Assets	42,198	42,995	59,629	91,616	130,990	129,138	155,366	168,307
Total Current Liabilities	17,359	23,303	36,551	50,367	58,529	74,004	88,393	90,877
Net Current Assets	24,839	19,691	23,078	41,249	72,461	55,134	66,973	77,430
Total Assets	73,852	88,562	134,632	204,938	273,655	273,162	289,140	279,460

Source: Company Data, PL Research

Cash Flow (Standalone)**(Rs m)**

Y/e March	FY06	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
CF from operations	2,041	8,527	8,475	4,777	(9,883)	26,638	18,299	6,307
CF from investing	9,171	7,599	24,104	46,934	47,111	40,163	14,833	9,266
CF from financing	16,555	(3,329)	19,486	53,088	66,700	6,568	7,509	(6,272)
Net change in cash	9,425	(2,400)	3,857	10,932	9,706	(6,957)	10,975	(9,230)
Opening cash bal	7,272	16,698	14,298	18,154	29,086	38,792	31,835	42,810
Closing cash bal	16,698	14,298	18,154	29,086	38,792	31,835	42,810	33,580

Source: Company Data, PL Research

**Key Ratios (Standalone)**

Y/e March	FY06	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Return Ratios (%)								
RoCE	7.2	7.2	7.5	7.4	6.7	7.2	8.2	9.8
RoE	14.2	14.9	16.9	16.6	14.2	11.7	11.3	13.9
Growth (%)								
Sales	15.0	9.8	14.6	44.7	75.0	36.1	23.3	21.1
EBITDA	20.9	48.2	16.4	52.8	56.6	24.0	19.6	15.0
PAT	34.2	48.9	43.9	49.5	19.9	(0.5)	15.6	46.2
EPS	34.2	48.9	43.9	49.5	19.9	(0.5)	15.6	46.2
Liquidity								
Current Ratio	2.1	2.4	1.8	1.6	1.8	2.2	1.7	1.8
Balance Sheet Ratios								
Debtor Days	45.7	45.9	47.6	50.9	44.0	55.4	69.6	75.8
Creditor Days	190.2	256.5	339.7	352.8	243.7	202.3	191.1	171.7
Debt-Equity (x)	1.6	1.9	2.0	2.0	2.1	1.8	1.3	1.0
Per Share Ratios (Rs)								
Adj EPS	1.3	1.9	2.7	4.0	4.8	4.8	5.5	8.1
BV	124.7	131.1	35.8	55.2	40.0	45.3	55.1	61.7
CEPS	1.9	2.6	3.6	5.4	6.9	7.3	8.6	11.7
DPS	2.7	3.6	1.0	0.9	0.5	0.6	0.7	1.0
FCPS	(33.2)	4.2	(13.3)	(35.6)	(26.8)	(6.4)	1.6	(1.3)
Margins (%)								
EBITDA	20.1	27.1	27.5	29.1	26.0	23.7	23.0	21.8
PAT	20.2	11.9	15.3	15.6	19.0	7.8	7.3	8.8
Tax Rate	30.9	33.1	28.1	28.4	48.8	33.0	33.0	29.0
Valuations (x)								
PER	10.0	6.8	25.4	30.8	25.7	25.8	23.3	16.0
P/CEPS	6.5	4.9	18.9	12.7	18.0	16.9	15.0	11.1
P/BV	1.0	1.0	3.6	2.3	3.2	2.9	2.3	2.1
EV/EBITDA	8.4	7.3	19.7	15.2	15.8	12.7	10.3	8.6
EV/Sales	1.7	2.0	5.4	4.4	4.1	3.0	2.4	1.9
Market Cap/Sales	0.9	0.8	3.8	2.7	2.7	2.0	1.7	1.4

Source: Company Data, PL Research



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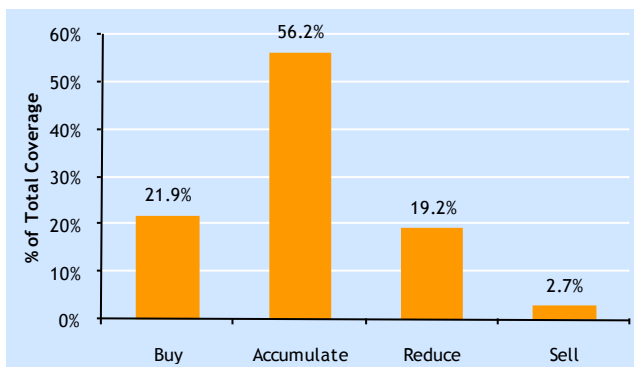
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BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute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

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