

JAI PRAKASH ASSOCIATES

INR 164

Long-term play**BUY**

September 1, 2008

We met the management of Jaiprakash Associates (JPA) and visited their real estate and road (Yamuna Expressway) project sites. We also met several real estate brokers in Noida to gauge market perception of JPA's properties. Following are the key takeaways:

Real estate: Offtake buoyant

Till date, JPA has been able to sell 2.9 mn sq ft at Greater Noida (launched in FY05) and 3.6 mn sq ft at Noida, of the total 4.7 mn sq ft since November 2007. Supported by its low land acquisition cost, the company is offering properties at various price points to ensure offtake. Accordingly, sales price varies from ~INR 5,500-10,000/sq ft at Greater Noida and INR 4,800-6,400/sq ft at Noida. The company has received INR 9 bn cash at Greater Noida and INR 5.9 bn at Noida.

Yamuna Expressway: On track

JPA has completed sub-contracting for the project and has finalised 24 sub-contractors. The management has guided that expressway will be available for commuting in time for the Commonwealth Games. Project planning, equipment ordering, and raw material procurement will be retained by JPA. Financial closure for the project is complete and land and forest clearances have been secured.

Power: Re-structuring on cards

The management has highlighted its intent to bring all the power entities into one fold. It indicated the need for infusing USD 500 mn by September 2009, for which, it is considering various options like securitising operational power plants.

Warrants: Conversion re-iterated; funds to be deployed for F1 and GE

The company re-iterated its intent to convert first warrant issue (~INR 19.85 bn at INR 397/share; INR 4 bn put in till date). To tackle concerns of open offer, following the second warrant conversion (~10% dilution), it plans to defer shareholders meeting to extend conversion window till FY11E.

Outlook and valuations: Long-term play; maintain 'BUY'

We are re-visiting our real estate estimates and cement price assumptions. We are factoring in concerns of further cement price correction this year in the northern market. Accordingly, we are lowering our EPS by 18.6% in FY09E and 23.3% in FY10E. While earnings growth is likely to remain moderate in the near term, long term value remains in the stock. We maintain our **'BUY'** recommendation on the stock.

Revathi Myneni

+91 22 6623 3316
 revathi.myneni@edelcap.com

Aashiesh Agarwaal, CFA

+91 22 4063 5491
 aashiesh.agarwaal@edelcap.com

Archana Khemka

+91 22 6623 3488
 archana.khemka@edelcap.com

Reuters : JAIA.BO
 Bloomberg : JPA IN

Market Data

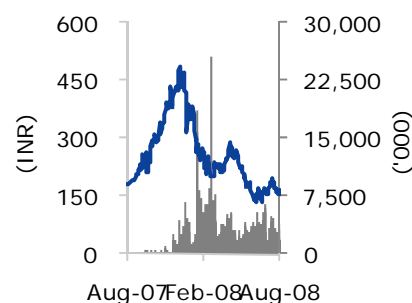
52-week range (INR) : 2,177 / 129
 Share in issue (mn) : 1,173.8
 M cap (INR bn/USD mn) : 192.5/ 4,385.0
 Avg. Daily Vol. BSE/NSE ('000) : 12,599.5

Share Holding Pattern (%)

Promoters : 44.5
 MFs, FIs & Banks : 11.6
 FIIs : 24.4
 Others : 19.5

Relative Performance (%)

	Sensex	Stock	Stock over Sensex
1 month	1.9	4.5	2.6
3 months	(11.3)	(23.0)	(11.7)
12 months	(4.9)	(8.5)	(3.6)

**Financials**

Year to March	FY07	FY08	FY09E	FY10E
Revenue	35,411	42,008	66,454	88,270
EBIDTA	10,029	13,127	16,884	20,733
Profit after tax	4,149	6,097	7,208	8,257
Diluted EPS (INR)	3.8	4.9	5.5	6.1
Y-o-Y growth (%)	46.1	29.7	12.8	9.5
CEPS (INR)	5.3	6.5	7.8	9.6
Diluted P/E (x)	43.3	33.4	29.6	27.1
Price/BV(x)	6.3	3.3	2.6	2.1
EV/Sales (x)	5.4	5.1	3.4	2.6
EV/EBITDA (x)	20.2	16.7	13.2	11.3

Key Takeaways

Jaypee Greens, Noida: Offtake buoyant

As the part of its strategy to build a township, the management highlighted its intent to launch a mix of product categories across segments and price points as its development strategy. Accordingly, the company plans to offer a mix of entry point as well as premium properties. JPA has planned development of 75 mn sq ft in the total 1,250 acres that it is entitled to receive in Noida, of which it has already received ~1,080 acres.

Phase I- 600 acres (Wish Town)

The company has planned 35 mn sq ft development as under:

Development plan of Phase-I

Details	Mn sqft	%
Residential	22	63
Institutional	3	9
Recreational	4	12
Roads	4	12
Commercial	1	4
Total	35	100

Source: Company

Apart from residential units, JPA has planned to construct two commercial complexes, two schools and one hospital (200 room) as a part of Phase-I development.

Product offerings

Since November 2007, the company has launched two types of properties – Deluxe (Imperial and Kalypso) and mid-range (Pavilion Court and Pavilion Heights).

Product offerings

Details	Imperial Court	Kalypso Court	Pavilion Court & Pavilion Heights	Remarks
1 Launch date	November'07	November'07	March'08	
2 Location details	located on the golf course	located adjacent to the golf course	Located at the back, towards Yamuna river	
3 Price	~INR 6,400/sq ft	~INR 5,750-6,400/sq ft	It was launched at INR 4,800/sq ft for golf course facing units and INR 4,550/ sq ft for river facing units. Current rates are INR 5100/sq ft and INR 4800/sq ft, respectively.	
4 Offtake till date	100% has been sold	~70% has been sold	Of the total 1300 units, ~40-45% has been sold till date	Of the total ~1,200 units of Imperial and Kalypso, ~900 units have been sold till date. JPA sold 30-40 flats/day in Imperial and Kalypso. However, May-July is a lean period and it has sold 30-40 flats/week on average
5 Area per flat	From ~1,600 sq ft onwards	From ~1,600 sq ft onwards	Upto ~1,600 sq ft	
6 No. of towers and floors	3 towers of 32 stories each	15 towers with no. of floors ranging from 18-22	Pavilion Court: 19 towers, Pavilion Heights: 3 towers	

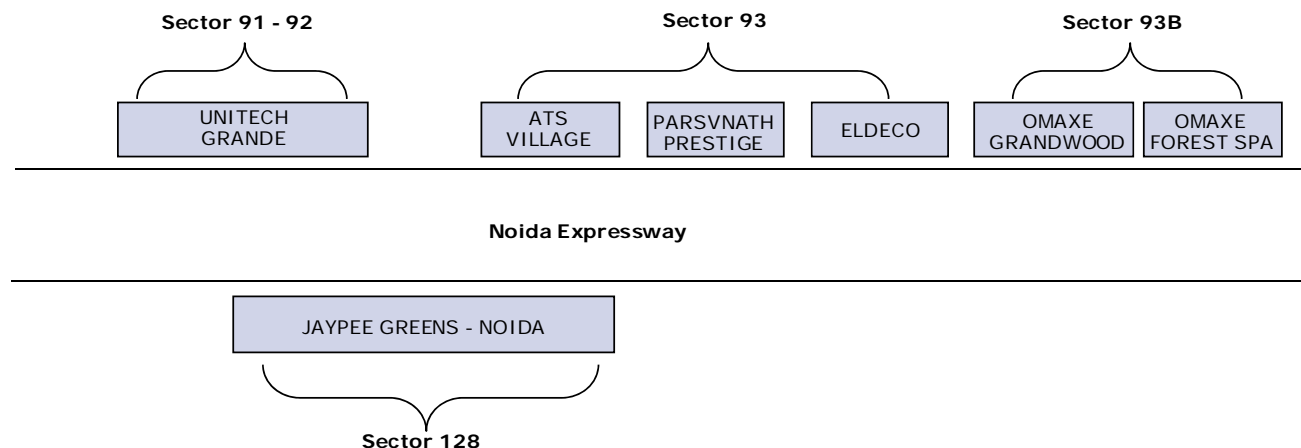
Source: Company

Overall statistics provided:

- **Total sales till date:** ~3.6 mn sq ft
- **Customer advances:** INR 5.9 bn (transaction value: ~INR 20 bn)
- **Payment plan:** The buyers can opt for either full down payment (availing 13-15% discount) or construction-linked payment. Till date, 60% payments have been construction-linked, wherein 10% needs to be paid as earnest amount, 10% within two months, and the balance will be construction linked.
- **Revenue guidance:** ~INR 8 bn in FY10E.

Projects in the vicinity

	UNITECH GRANDE	ATS VILLAGE	PARSVNATH VILLAGE	ELDECO	OMAXE GRANDWOOD	OMAXE FOREST SPA
Prices (INR/sqft)	~INR 7,800	~INR 6,500-7,000	~INR 4,000-4,500	~INR 4,500-5,000	~INR 4,000-4,200	~INR 5,800
Current status	There has been no construction on the ground. Project response is muted.	All units have been sold	All units have been sold	All units have been sold	All units have been sold out. 80% payment made. Units to be delivered within ~1 year	Excavation work in progress



Source: Edelweiss research

Note: Indicative, not to scale

Jaypee Greens, Greater Noida: Strong brand equity

Product offerings

JPA has launched properties ranging from premium villas, glass towers (Sun Court), to mid-entry level products. While current prices of premium properties stand at ~INR 10,000/sq ft, mid range properties (Crescent Apartments) are available for ~INR 7,500/sq ft and entry level properties (Moon Court, Star Court, Earth Court etc) can be bought for ~INR 5,400-5,750/sq ft.

The company is also building a 200 room hotel that is scheduled to be complete before the Commonwealth Games.

Overall statistics provided

- Total sales till date: 2.9 mn sq ft
- Cash receipt: INR 9.0 bn
- Average cost of construction: INR 2,000-2,500/sq ft.
- Revenue guidance: ~INR 5.5-6.0 bn in FY09E and ~INR 9.0 bn in FY10E.
- Of the total 2,000 units planned, 1,100 units have been launched for sale till date. Future launch dates and product types will depend upon market demand.

Our view

Our interaction with market participants in the Noida region leads us to believe that Jaypee's Greater Noida project has been appreciated and the company has been able to create strong brand equity for itself with regard to quality of construction and project planning. This has helped impressive offtake in its Noida project, and the company has been able to sell 3.6 mn sq ft (since November 2007) before the actual construction.

While there is a good amount of supply near Sector 128-Noida project, proximity of the company's project to Sector 18 and development triggers (construction of metro railway, hotels and commercial buildings and Yamuna Expressway) provide comfort.

Yamuna Expressway: Timeline maintained; subcontracting completed

JPA is building the 15.7 meter wide 165 km long Yamuna Expressway (formerly called 'Taj Expressway') from Noida-Agra. While the company is building a six lane expressway, it is provisioning for future extension to eight lanes. Till date, ~3,000 acres required for the road construction has been acquired by the government and transferred to Jaypee Infratech, and ground leveling for 7-8 kms has been completed.

Key highlights:

- **Project cost maintained; ~50% debt funding:** JPA has maintained its project cost at INR 60 bn, which is likely to be ~50% debt funded (financial closure done with ICICI Bank as the lead bank for INR 29.5 bn at ~13.25% interest rate, 3 year resets); the balance ~INR 30.5 bn will be equity contribution (~INR 10 bn infused and the company has received cash of ~INR 5.9 bn from real estate sales at Noida).
- **Sub-contracting completed:** JPA has divided construction of the Expressway into three categories and has awarded sub-contracts in the following manner:
 - Category A (earthwork): It has awarded 15 packages of 10-12 kms each.
 - Category B (structures): JPA has divided the entire work into 28 packages.
 - Category C (topmost concrete layer): Three packages of 50-55 kms each have been awarded, as per the management.
- **Timeline of completion before Commonwealth Games maintained:** The company plans to start work on full scale post monsoons in September-October 2008. JPA has guided that it will be able to complete the main Expressway by the time of the Commonwealth Games. While the expressway will be available for commuting, additional structures may take a further six months. Equipment orders have been placed and the company has obtained land and forest clearances. JPA has ordered for six pavers of ~16 meters width (first time in India).

Our view

The management maintains that progress on Yamuna Expressway is on track, and likely to be completed before the Commonwealth Games in October 2010; our interaction with a potential sub-contractor for the project, however, indicates that subcontracting projects are still to be negotiated for all phases. We believe any delay in project completion and consequently, receipt of future land parcels will impact valuations.

Cement: Progress of Himachal Pradesh projects slow; others on track

JPA's current capacity of 9.5 mtpa is likely to increase to 19.4 mtpa by FY09E, as per the management. The management guided that Siddhie (2.0 mtpa), Gujarat Anjan cement (1.2 mtpa) and balance expansion at UP State Cement (2.0 mtpa) are likely to come on-stream in Q3FY09E. 3.5 mtpa at Himachal Pradesh is likely to get commissioned by March'09.

Capacity details

(mtpa)	Company estimates	Our estimates
Installed capacity		
FY09E	19.4	17.0
FY10E	28.3	19.4
Production		
FY09E	10.3	9.5
FY10E	22.9	14.9

Source: Company

Power: Re-structuring on cards; fund requirement of ~USD 500 mn by Sep '09

Project status

- *Karcham Wangtoo (1,000 MW Arunachal Pradesh hydro project):* JPA has incurred INR 17 bn on the project till date with its construction currently in the advanced stages. Expected project COD is 2011.
- *Siddhie (1,320 MW, Madhya Pradesh thermal project):* Financial closure of the project has been achieved and JPA has incurred INR 1 bn till date. Fuel linkages (Amelia and Dongri Tal coal blocks) have been tied up and of 300 hectares of total land requirement, 100 hectares has been acquired. Expected project COD is 2012.
- *Lower Siang (2,025 MW, Madhya Pradesh hydro project):* The company expects to receive CEA clearance during December 2008–March 2009. It expects the site acquisition to take a year and construction to start from March 2010.

Funding

- The management indicated that the Jaypee Power Ventures will require investment of USD 500 mn by September 2009. The group is planning external fund infusion for the same. It is in the process of considering various alternatives like merging all power entities into one (at present three separate entities - Jaiprakash Hydro Power, Jaiprakash Power Ventures, and Jaypee Karcham Hydro Corp), securitising operational Baspa (300 MW), and Vishnu Prayag plants (400 MW).

Construction: Increasing focus on in-house orders

- *Order book composition to shift towards in-house projects:* JPA's current order book of ~INR 112 bn includes INR 36 bn of external projects. Construction of Ganga Expressway will add another ~INR 300 bn to the order book.
- *Robust revenue guidance:* The management has guided ~INR 30 bn as FY09E revenue with ~10% further increase in FY10E.

Warrants: Conversion re-iterated; funds to be used for GE and F1 projects

The management re-iterated its intent to convert the first issue of ~INR 19.85 bn at INR 397/share (of this, INR 400 bn has been put in till date). It highlighted plans to defer the shareholders meeting for the second warrant tranche (INR 30 bn, ~9.6% dilution) to ~October 2008, to extend the 18 month conversion window till FY11E. The management guided that proceeds of the warrant issue will be utilised towards meeting capex requirements for Ganga Expressway and Formula-I race track (total INR 15 bn capex, of which, equity requirement will be 30% and JPA's share of equity is likely to be ~51%) However, we have not factored in conversion of first warrant issue, as it is deeply out of the money at present.

Ganga Expressway: Increasing focus on in-house orders

The company informed that the government approved the alignment of the road project ~10 days back.

Outlook and Valuations

EPS growth is likely to be moderate, at 12.8%, in FY09E and 9.5% in FY10E

We are lowering our EPS by 18.6% in FY09E and 23.3% in FY10E on the following grounds:

- **Cement: Price correction in key north market:** Our recent market interactions indicate that cement prices in North, JPA's key market (70% of sales mix), are poised to correct in H2FY09E, in spite of cost pressures, offsetting any price increases in the East and West (~30%). Price correction in North is likely to be primarily on account of slow-demand pick-up in the region (YTD growth of 3.7% Y-o-Y), contrary to our earlier expectations that prices will remain flat, given the mounting cost push and slow rollout of new capacities. Accordingly, we estimate PBIT/tonne to decline from INR 1,113 in FY08 to INR 927 in FY09E and INR 613 in FY10E. *The management, however, maintains that PBIT/tonne will be sustained at the current levels in FY09E, Y-o-Y.*
- **Real estate (Jaypee Greens, Greater Noida): Revenue recognition policy and additional marketing discounts:** The company has received cash of ~INR 9 bn since FY05 and has accounted revenues for only ~INR 3.3 bn since FY08 (leading to ~INR 6 bn as customer advances). *The company maintains that it will book revenues of ~INR 6 bn in FY09E and ~INR 9 bn in FY10E. However, due to lack of clarity on how the above will be achieved, we have assumed that real estate revenues will be recognised similar to past revenue recognition trend.* As a result, our revenues are lower ~21% in FY09E and 17% in FY10E than our earlier estimates. Further, margins have been lowered ~600bps to factor in higher costs.

Near-term earnings risks remain; long-term value intact

We believe earnings could be impacted by the following risks in the near term:

- **Sharper cement price correction in FY10E:** JPA's EPS is significantly sensitive to cement realisations (1% realisation change in FY10E impacts earnings by ~3.3%). We have factored in ~7% Y-o-Y realisation correction in FY10E (INR 5/bag correction in Q2 and Q3 of FY10E).
- **Increased inter-group commitment: JPA provided INR 8.1 bn in FY08E as advance to Jaypee Infratech for real estate construction work.** If further commitments are made in future, not at arms length, they could adversely affect JPA's standalone earnings performance.
- **Construction : Slower pace of construction of Yamuna Expressway road project:** The management maintains that progress on the Yamuna Expressway is on track and is likely to be completed before the Commonwealth Games begin in October 2010. Our interaction with a potential sub-contractor for the project, however, indicates that subcontracting for the project is still to be negotiated for all phases.
- **Increase in working capital costs:** With increase in input costs (steel, coal, and bitumen) and interest rates, any rise in working capital cycle could dent earnings.

However, long term value remains intact

On valuation front, we have reassessed the valuation of Taj Infratech's undeveloped land parcels (5,650 acres spread across five locations) using the prevailing plot rates in their respective regions.

Accordingly, we arrive at INR 249/share as the fair value for the stock. While dampened sentiments in cement and real estate may impact immediate stock price performance, we believe the stock offers potential upside from strong buyer interest in Jaypee properties, option value of future development of Noida-Agra region, power projects in the pipeline, upside from F1 race track, and possible value un-locking of power business on re-structuring. Hence, we maintain our 'BUY' recommendation on the stock.

SOTP valuation

SEGMENT	BASE CASE SCENARIO			BEAR CASE SCENARIO		
	Valuation rationale	INR mn	INR/ share	Valuation rationale	INR mn	INR/ share
1 Standalone		EV			Target EV	
(a) Cement	USD 90 EV/tonne representing bottom valuations of ~30% replacement discount	75,078	58	USD 80 EV/tonne representing bottom valuations of ~36% replacement discount	66,736	52
(b) Construction	1yr fwd EV/order book 1x	34,057	26	1yr fwd EV/order book of 1x	34,057	26
(c) Hospitality	Jaypee Greens real estate- NPV	14,150	11	Jaypee Greens real estate- NPV	14,150	11
	Golf course revenues-2x FY09 EV/EBITDA	642	0	Golf course revenues-2x FY09 EV/EBITDA	642	0
(d) Wind Power	2x Price/equity investment	1,500	1	2x Price/equity investment	1,500	1
	Total standalone EV	125,428		Total standalone EV	117,086	
	FY09E net debt	(6,168)		FY09E net debt	(6,168)	
	Target standalone equity value	131,596	97	Target standalone equity value	123,254	90
2 Jaiprakash Hydro Power (JHPL)		Equity value			Equity value	
	Baspa 300 MW power project - NPV	15,138		Baspa 300 MW power project - NPV	12,998	
	74% stake in JPGL-1.5x equity investment	3,330		74% stake in JPGL-1.5x equity investment	3,330	
	Total Equity Value of JHPL	18,468		Total Equity Value of JHPL	16,328	
	JPA's stake in JHPL	63.3%		JPA's stake in JHPL	63.3%	
	JHPL value for JPA	11,698	9	JHPL value for JPA	10,342	8
3 Jaypee Karcham Hydro Corp. (JKHC)						
	NPV	18,159		NPV	15,837	
	JPA's stake in JHPL	44.6%		JPA's stake in JHPL	44.6%	
	JKHC value for JPA	8,106	6	JKHC value for JPA	7,070	5
4 Jaypee Power Ventures (JPVL)						
	NPV for projects with firm PPA, No value for rest	59,531		NPV for projects with firm PPA, no value for rest	37,283	
	JPA's stake in JPVL	80.6%		JPA's stake in JPVL	80.6%	
	JPVL value for JPA	47,958	35	JPVL value for JPA	30,036	22
5 Jaypee Infratech						
	BOT project - NPV	(22,517)		BOT project - NPV	(22,517)	
	Real estate - development value of 600 acres, plot value of 5,650 acres	156,706		Real estate - development value of 600 acres, no value for 5,650 acres	84,378	
	Equity value of Jaypee Infratech	134,188		Equity value of Jaypee Infratech	61,861	
	JPA's stake in Jaypee Infratech	99.0%		JPA's stake in Jaypee Infratech	99.0%	
	Jaypee Infratech for JPA	132,793	97	Jaypee Infratech for JPA	61,218	45
6 Jaypee Hotels (JHL)						
	Current Market cap	7,316		Current Market cap	7,316	
	JPA's stake in JHL	72.2%		JPA's stake in JHL	72.2%	
	JHL for JPA	5,280	4	JHL for JPA	5,280	4
7 Jaypee Himalayan Expressway						
	Book Value	1,242		Book Value	1,242	
	JPA's stake in JHL	100.0%		JPA's stake in JHL	100.0%	
	JHL for JPA	1,242	1	JHL for JPA	1,227	1
	Total JPA Equity Value	338,673	249	Total JPA Equity Value	238,426	175

ANNEXURE I

Jaypee Greens: Location map



Source: Company

Jaypee Greens: Site map



Source: Company

Financial Statements

Income statement		(INR mn)				
Year to March	FY06	FY07	FY08	FY09E	FY10E	
Revenue	32,607	35,411	42,008	66,454	88,270	
EBIDTA	7,305	10,029	13,127	16,884	20,733	
Depreciation and amortisation	1,515	1,631	2,033	3,014	4,842	
EBIT	7,944	10,402	13,858	19,145	23,258	
Interest	2,397	2,573	3,391	5,373	6,092	
Total other income	639	373	731	2,261	2,524	
Profit before tax	4,032	6,199	8,434	10,758	12,324	
Provision for tax	1,246	2,050	2,337	3,550	4,067	
Core net profit	2,786	4,149	6,097	7,208	8,257	
Extraordinary income/(loss)	3,614	0	0	0	0	
Profit after tax	6,400	4,149	6,097	7,208	8,257	
Shares outstanding (mn)	1,075	1,096	1,242	1,302	1,362	
EPS (INR) basic	2.6	3.8	4.9	5.5	6.1	
Dividend per share (INR)	0.6	0.7	1.0	1.2	1.2	
Dividend payout (%)	23.8	19.0	20.4	20.8	19.0	

Common size metrics- as % of net revenues

Year to March	FY06	FY07	FY08	FY09E	FY10E
Total operating expenses	77.6	71.7	68.8	74.6	76.5
Depreciation and amortisation	4.6	4.6	4.8	4.5	5.5
Interest expenditure	7.4	7.3	8.1	8.1	6.9
EBIDTA margins	22.4	28.3	31.2	25.4	23.5
Core net profit margins	8.5	11.7	14.5	10.8	9.4

Growth metrics (%)

Year to March	FY06	FY07	FY08	FY09E	FY10E
Revenues	12.1	8.6	18.6	58.2	32.8
EBIDTA	35.9	37.3	30.9	28.6	22.8
PBT	22.6	53.8	36.0	27.6	14.6
Net profit	34.2	48.9	46.9	18.2	14.6
EPS	10.0	46.1	29.7	12.8	9.5

Cash flow statement

Year to March	FY06	FY07	FY08	FY09E	FY10E
PBIT	6,429	8,772	11,825	16,131	18,416
Less: Actual tax paid	1,240	1,981	1,641	3,550	4,067
Less: Tax shield on interest	391	851	940	1,773	2,010
Add: Tax on interest & investment income	104	123	202	746	833
NOPLAT	4,903	6,063	9,446	11,554	13,172
Add: Depreciation	1,515	1,631	2,033	3,014	4,842
Gross cash flow	6,417	7,694	11,479	14,568	18,013
Less: capital expenditure	10,888	19,694	29,837	16,068	8,864
Less: Working capital investment	576	1,554	914	2,129	2,369
Less: Increase in other assets	6,772	455	10,127	230	288
Add: Increase in other liabilities/provisions	5,073	4,927	11,296	1,969	(40)
Free cash flow	(6,745)	(9,083)	(18,103)	(1,891)	6,453

Balance sheet					
(INR mn)					
As on 31st March	FY06	FY07	FY08	FY09E	FY10E
Equity capital	2,151	2,192	2,485	2,605	2,725
Equity warrants	0	0	3,985	3,985	3,985
Reserves & surplus	24,671	26,537	56,067	76,657	98,227
Shareholders funds	26,822	28,730	62,537	83,246	104,937
Secured loans	27,214	36,860	29,846	29,846	29,846
Unsecured loans	14,984	18,298	36,653	36,653	36,653
Borrowings	42,198	55,158	66,499	66,499	66,499
Deferred tax (Net)	4,902	4,994	5,712	5,712	5,712
Sources of funds	73,922	88,881	134,747	155,457	177,148
Gross block	36,638	42,019	51,662	99,966	105,193
Depreciation	11,961	12,800	14,547	17,561	22,403
Net block	24,677	29,220	37,115	82,404	82,790
Capital work in progress	8,761	22,281	42,190	9,955	13,591
Investments	15,570	17,787	32,248	51,022	63,813
Inventories	6,013	8,062	9,813	12,611	15,576
Sundry debtors	4,224	4,521	5,862	9,273	12,317
Cash and bank balances	16,698	14,298	18,154	6,645	8,827
Loans and advances	9,118	10,985	22,219	22,219	22,219
Other current assets	6,215	4,803	3,696	3,926	4,213
Total current assets	42,268	42,668	59,744	54,674	63,153
Sundry creditors and others	15,369	20,036	33,491	39,539	43,140
Provisions	1,991	3,041	3,061	3,061	3,061
Total current liabilities & provisions	17,359	23,077	36,551	42,600	46,200
Net current assets	24,909	19,592	23,193	12,074	16,953
Misc expenditure	5	1	1	1	1
Uses of funds	73,922	88,881	134,747	155,457	177,148
Book value per share (BV) (INR)	25	26	50	64	77

Ratios

Year to March	FY06	FY07	FY08	FY09E	FY10E
ROAE (%)	14.2	14.9	13.4	9.9	8.8
ROACE (%)	16.6	16.1	16.0	18.5	21.4
Inventory (Days)	67	83	85	69	64
Debtors (Days)	47	47	51	51	51
Assets turnover (x)	0.5	0.4	0.4	0.5	0.5
Debt/Equity (x)	1.6	1.9	1.1	0.8	0.6
Interest cover (x)	2.4	3.3	3.3	2.6	2.6

Valuation parameters

Year to March	FY06	FY07	FY08	FY09E	FY10E
Diluted EPS (INR)	2.6	3.8	4.9	5.5	6.1
Y-o-Y growth (%)	10.0	46.1	29.7	12.8	9.5
CEPS (INR)	4.0	5.3	6.5	7.8	9.6
Diluted P/E (x)	63.3	43.3	33.4	29.6	27.1
Price/BV(x)	6.6	6.3	3.3	2.6	2.1
EV/Sales (x)	5.7	5.4	5.1	3.4	2.6
EV/EBITDA (x)	25.5	20.2	16.7	13.2	11.3

Naresh Kothari	Co-Head Institutional Equities	naresh.kothari@edelcap.com	+91 22 2286 4246
Vikas Khemani	Co-Head Institutional Equities	vikas.khemani@edelcap.com	+91 22 2286 4206
Shriram Iyer	Head Research	shriram.iyer@edelcap.com	+91 22 2286 4256

Coverage group(s) of stocks by primary analyst(s): Cement:

ACC, Ambuja Cement, India Cements, Madras Cements, UltraTech Cement, Jaiprakash Associates and Grasim Industries

Jaiprakash Associates



Recent Research

Date	Company	Title	Price (INR)	Recoms
14-Aug-08	Cement	Recent rally provides an exit opportunity; fundamentals remain weak; <i>Sector Update</i>		
7-Aug-08	Cement	<i>Fact Sheet</i>		
31-Jul-08	Cement	Monsoon dampens spirits; <i>Monthly Update</i>		
31-Jul-08	Madras Cements	Margin pressure ahead; <i>Result Update</i>	2,588	Seel

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Accumulate	Reduce	Sell	Total
Rating Distribution*	101	56	14	7	189

* 10 stocks under review / 1 rating withheld

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	82	71	36

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 20% over a 12-month period
Accumulate	appreciate up to 20% over a 12-month period
Reduce	depreciate up to 10% over a 12-month period
Sell	depreciate more than 10% over a 12-month period

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