

E&C Surprise; Realty Disappoint

FY10 Sales +76%; EBITDA +59%; Rec PAT +30%YoY; PO Rs200

JPA FY10 parent rec. PAT +30%YoY (18% below BofAMLe). Key drivers – strong E&C EBIT +58%YoY led by improved execution at Yamuna Expressway and Karcham hydro project compensated by weak realty & cement EBIT -35% & -13% resp. v/s BofAMLe. Reported PAT was +90%YoY on profit on treasury sales, ESOP costs and past-claims in E&C. Start of HP cement plant in 4QFY10 should boost JPA's competitiveness on 10 year excise holiday. Parent Net D/E was 1.7 v/s 1.6 in FY09, which falls short of BofAMLe of 1.4x. We cut our FY11 EPS by 7% to factor-in weak realty & cement businesses and PO to Rs200 (215) on higher leverage. We have a Buy rating on JPA due to its Infra assets trading at 36% discount to NAV, option value in its power / realty assets. JPA remains one of our top Infra picks.

FY10-E&C +92%; Realty & Cement drag; Net D/E rises to 1.7x

JPA had strong 4QFY10 E&C execution (sales +95%YoY; EBIT +80%YoY) compensated by weak realty (4Q sales -55%YoY; EBIT -74%YoY) on focus to sell mid-market property at JP Infra & cement (sales +70%YoY; EBIT +39%YoY). Its industry leading cement sales also brought start-up costs of 3.1mtpa (16% capacity) added in 4Q. FY10 cement matrices mixed - JP's volume +44%YoY; capacity +30% to 19mtpa; realization/tn +9%; EBIT/tn +7% on start-up / fixed costs. JPA parent net D/E was 1.7 v/s 1.6 in FY09, indicate leveraging and was higher v/s BofAMLe of 1.4x on buying of Rs5bn worth land from JP Infra in 4Q and higher parent capex / subs. Investments.

Execution on-track across Infra verticals - Power, Roads, Realty

JPA is on-track to complete its key Infra SPVs on-time or ahead of time. Its largest hydro project, Karcham Wangtoo is on-track to start 6 months ahead of schedule in 4Q FY11. Catalysts ahead – financial closure of 3.3GW, equipment order for 1.3GW led by equity from securitization cash-flows of existing power assets. Consol. realty sales were robust – 19mn sq. ft for Rs80bn led by success of AMAN / KOSMOS / Klassic.

Reiterate Buy: assets 36% discount & 26% EPS CAGR in FY10-12E

JPA offers a blend of asset play (36% disc to NAV) & 26% CAGR in parent EPS (FY10-12E). Triggers are a) timely execution of projects (esp. Karcham), b) monetization of realty land bank & c) development of Yamuna Expressway region (Gr. NOIDA airport).

Estimates (Mar)

(Rs)	2008A	2009A	2010A	2011E	2012E
Net Income (Adjusted - mn)	6,097	8,257	8,914	11,322	14,105
EPS	3.47	3.93	4.20	5.33	6.64
EPS Change (YoY)	37.5%	13.2%	6.8%	27.0%	24.6%
Dividend / Share	0.652	0.593	0.896	0.986	1.08
Free Cash Flow / Share	(11.80)	(17.78)	(17.11)	(2.87)	8.42

Valuation (Mar)

	2008A	2009A	2010A	2011E	2012E
P/E	36.66x	32.39x	30.32x	23.87x	19.16x
Dividend Yield	0.513%	0.466%	0.705%	0.775%	0.853%
EV / EBITDA*	28.36x	19.74x	12.44x	9.14x	7.94x
Free Cash Flow Yield*	-7.68%	-13.83%	-13.45%	-2.25%	6.62%

* For full definitions of *iQmethod*SM measures, see page 10.

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Refer to important disclosures on page 11 to 13. Analyst Certification on Page 9. Price Objective Basis/Risk on page 9. Link to Definitions on page 9.10943076

**Bank of America
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Stock Data

Price	Rs127.20
Price Objective	Rs200.00
Date Established	31-May-2010
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs108.00-Rs180.00
Mrkt Val / Shares Out (mn)	US\$5,831 / 2,124.7
Average Daily Volume	14,214,870
BofAML Ticker / Exchange	JPRKF / BSE
Bloomberg / Reuters	JPA IN / JAIA.BO
ROE (2010E)	12.8%
Net Dbt to Eqty (Mar-2010A)	171.2%
Est. 5-Yr EPS / DPS Growth	20.0% / 20.0%
Free Float	54.0%

Key Changes

(Rs)	Previous	Current
Price Obj.	215.00	200.00
2010A Rev (m)	97,477.7	99,639.2
2011E Rev (m)	112,798.2	132,413.1
2012E Rev (m)	130,824.7	141,094.1
2010A EPS	5.04	4.20
2011E EPS	5.74	5.33
2012E EPS	6.86	6.64

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iQprofileSM Jaiprakash Associates Limited

Key Income Statement Data (Mar)	2008A	2009A	2010A	2011E	2012E
(Rs Millions)					
Sales	39,851	56,642	99,639	132,413	141,094
Gross Profit	20,290	26,685	41,549	55,221	64,693
Sell General & Admin Expense	(9,319)	(10,924)	(16,549)	(21,177)	(25,486)
Operating Profit	8,937	12,672	20,439	28,387	32,848
Net Interest & Other Income	(504)	(1,206)	(7,893)	(11,488)	(12,257)
Associates	NA	NA	NA	NA	NA
Pretax Income	8,434	11,466	12,546	16,899	20,591
Tax (expense) / Benefit	(2,337)	(3,209)	(3,632)	(5,577)	(6,486)
Net Income (Adjusted)	6,097	8,257	8,914	11,322	14,105
Average Fully Diluted Shares Outstanding	1,757	2,103	2,125	2,125	2,125

Key Cash Flow Statement Data

Net Income	6,097	8,257	8,914	11,322	14,105
Depreciation & Amortization	2,033	3,090	4,561	5,657	6,360
Change in Working Capital	277	(7,240)	(21,506)	(9,728)	1,716
Deferred Taxation Charge	696	894	2,336	1,690	1,647
Other Adjustments, Net	0	405	0	0	0
Cash Flow from Operations	9,102	5,407	(5,695)	8,941	23,829
Capital Expenditure	(29,845)	(42,791)	(30,665)	(15,034)	(5,948)
(Acquisition) / Disposal of Investments	(14,461)	(12,404)	(11,111)	(3,110)	(2,654)
Other Cash Inflow / (Outflow)	0	713	8,169	4,133	0
Cash Flow from Investing	(44,306)	(54,482)	(33,606)	(14,010)	(8,603)
Shares Issue / (Repurchase)	151	461	1,446	0	0
Cost of Dividends Paid	(1,341)	(1,403)	(2,224)	(2,344)	(2,578)
Cash Flow from Financing	39,060	60,007	49,007	(12,344)	(7,578)
Free Cash Flow	(20,742)	(37,384)	(36,360)	(6,092)	17,880
Net Debt	64,901	101,976	140,295	147,709	135,061
Change in Net Debt	24,042	37,074	38,319	7,413	(12,647)

Key Balance Sheet Data

Property, Plant & Equipment	34,034	65,106	83,035	95,545	98,185
Other Non-Current Assets	74,438	95,471	114,757	114,734	114,336
Trade Receivables	5,862	10,220	22,850	23,580	25,126
Cash & Equivalents	18,154	29,086	38,792	21,379	29,026
Other Current Assets	35,613	52,310	69,348	107,253	107,278
Total Assets	168,102	252,193	328,782	362,490	373,952
Long-Term Debt	83,056	131,062	179,087	169,087	164,087
Other Non-Current Liabilities	5,597	6,896	9,233	10,922	12,570
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	36,551	50,367	58,529	87,436	90,724
Total Liabilities	125,204	188,325	246,849	267,445	267,381
Total Equity	42,898	63,868	81,934	95,046	106,572
Total Equity & Liabilities	168,102	252,193	328,783	362,491	373,953

iQmethodSM - Bus Performance*

Return On Capital Employed	7.9%	7.1%	7.0%	7.8%	8.7%
Return On Equity	17.8%	15.5%	12.2%	12.8%	14.0%
Operating Margin	22.4%	22.4%	20.5%	21.4%	23.3%
EBITDA Margin	27.5%	27.8%	25.1%	25.7%	27.8%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.5x	0.7x	-0.6x	0.8x	1.7x
Asset Replacement Ratio	14.7x	13.8x	6.7x	2.7x	0.9x
Tax Rate (Reported)	27.7%	28.0%	28.9%	33.0%	31.5%
Net Debt-to-Equity Ratio	151.3%	159.7%	171.2%	155.4%	126.7%
Interest Cover	2.6x	2.5x	1.9x	1.9x	2.2x

Key Metrics

* For full definitions of iQmethodSM measures, see page 10.

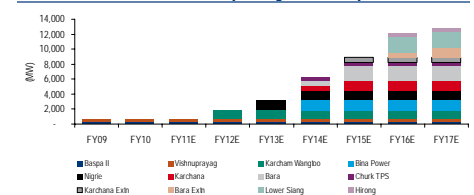
Company Description

Jaiprakash Associates is an Infrastructure conglomerate focused on Engg. & Construction of hydro power stations, cement, expressways & real estate. It owns a controlling stake in two hydro plants totalling to 700MW and has concessions of 13470MW to be implemented by FY16E. It is also doubling its cement capacity and has interests in hotels & hospitality sectors.

Investment Thesis

Key potential stock triggers are a) acquisition of land for Yamuna Expressway realty land bank across all five parcels, b) development plan of Yamuna Expressway region like Greater NOIDA international airport, F1 circuit etc., c) Fund raising at JP Power and timely execution of 12GW pipeline and d) strong cement demand growth. While the stock appears expensive on parent valuations, we urge investors to look at the stock on NAV due to the asset based nature of its business & holdco structure.

Chart 1: JPA: Power Capacity scale up

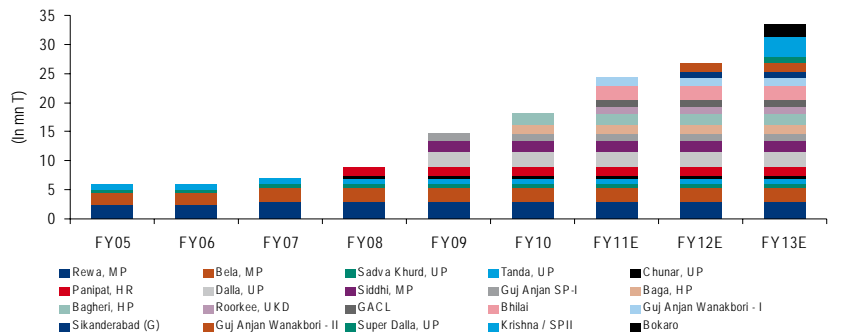


Source: Company, BofA Merrill Lynch Global Research

Stock Data

Price to Book Value 2.8x

Chart 2: JPA – Cement Capacity expansion



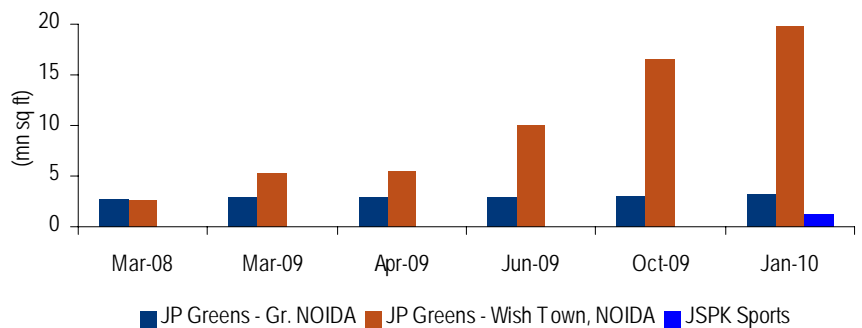
Source: Company, BofA Merrill Lynch Global Research

Table 1: JPA - Yamuna Expressway Progress status

Activity	Total	On	On	On	On				
	Quantity	March'08	%	July'09	%	Oct'09	%	Jan'10	%
	(Lac Cum)	(Lac Cum)		(Lac Cum)		(Lac Cum)		(Lac Cum)	
Clearing & Grubbing (Ha)	1735.00	33.50	2%	1160.00	67%	1652.00	95%	1705.00	98%
Earthwork in Embankment	374.58	5.94	2%	210.48	56%	250.00	67%	310.59	83%
Fly Ash	27.16	-	0%	5.94	22%	10.54	39%	15.10	56%
Structural Concrete									
- Culverts	0.78	0.02	3%	0.30	38%	0.46	59%	0.65	83%
- Vehicular Underpasses / Cart Track Underpasses	2.54	0.04	2%	0.43	17%	0.77	30%	1.33	52%
- Minor Bridges	1.67	-	0%	0.50	30%	0.77	46%	1.19	71%
- Interchanges	3.95	-	0%	0.67	17%	0.99	25%	1.52	38%
Filter / Drainage Layer	24.44	-	0%	0.00	0%	0.00	0%	5.14	21%
Pavement Quality / Dry Lean Concrete	25.84	-	0%	0.00	0%	0.00	0%	2.31	9%
Possession of Land		(Acres)		(Acres)		(Acres)		(Acres)	
- for Expressway		160		3991		3991		4028	
- for Development		914		1175		2786		3717	

Source: Company

Chart 3: JP Group – Real Estate Bookings At 'Wish Town' NOIDA & JP, Greater NOIDA



Source: Company, BofA Merrill Lynch Global Research

Table 2: JPA - 4QFY10 (derived) & FY10A Results Review

Rsmn	4QFY09	4QFY10	% YoY	FY09	FY10	% YoY
Cement Despatches (mn T)	2.20	3.63	65.0%	7.65	11.03	44.3%
Sales	19,781	33,452	69.1%	56,642	99,639	75.9%
Construction, Manufacturing, Hotel & Power Exp	(11,144)	(19,418)	74.2%	(29,957)	(58,091)	93.9%
<i>% sales</i>	56.3%	58.0%		52.9%	58.3%	
Staff	(761)	(1,453)	91.1%	(3,308)	(4,534)	37.1%
<i>% sales</i>	3.8%	4.3%		5.8%	4.5%	
Other	(1,962)	(4,044)	106.1%	(7,616)	(12,016)	57.8%
<i>% sales</i>	9.9%	12.1%		13.4%	12.1%	
Total Expenditure	(13,867)	(24,915)	79.7%	(40,880)	(74,640)	82.6%
EBITDA	5,914	8,537	44.4%	15,762	24,999	58.6%
<i>EBITDA Margin</i>	29.9%	25.5%	-438bps	27.8%	25.1%	
Depreciation	(1,043)	(1,334)	27.9%	(3,090)	(4,561)	47.6%
EBIT	4,871	7,203	47.9%	12,672	20,439	61.3%
<i>EBIT Margin</i>	24.6%	21.5%		22.4%	20.5%	
Interest	(1,687)	(2,989)	77.2%	(5,043)	(10,558)	109.3%
Other Income	500	(25)	-105.1%	2,153	2,271	5.5%
PBT	3,684	4,188	13.7%	9,782	12,152	24.2%
<i>PBT Margin</i>	18.6%	12.5%		17.3%	12.2%	
Tax	(1,100)	(385)	-65.0%	(3,209)	(3,632)	13.2%
<i>Tax Rate</i>	29.9%	9.2%		32.8%	29.9%	
Rec PAT	2,583	3,803	47.2%	6,573	8,520	29.6%
<i>Recurring PAT Margin</i>	13.1%	11.4%		11.6%	8.6%	
Dividend from subsidiary	432	157	-63.5%	1,685	394	-76.6%
Rec PAT after Dividend	3,015	3,960	31.4%			
Extra ordinary after Tax Adjustment	983	(22)	-102.3%	713	8,169	1046.2%
Reported PAT	3,998	3,938	-1.5%	8,970	17,084	90.5%
<i>Reported PAT Margin</i>	20.2%	11.8%		15.8%	17.1%	
JPA - Segment Results						
For the Period	4QFY09	4QFY10	% YoY	FY09	FY10	% YoY
Revenues						
Cement	7,247	12,334	70.2%	24,431	39,751	62.7%
Construction	10,112	19,741	95.2%	28,439	54,642	92.1%
Power	46	40	-13.0%	283	320	13.2%
Hotel	402	458	14.1%	1,629	1,543	-5.3%
Investments	429	119	-72.3%	1,685	394	-76.6%
Others	283	330	16.4%	1,001	1,232	23.0%
Real Estate	2,737	1,244	-54.5%	4,414	6,536	48.1%
Total	21,256	34,266	61.2%	61,882	104,418	68.7%
Less: Intersegment	(544)	(938)	72.4%	(1,402)	(2,370)	69.0%
Income from Ops	20,712	33,328	60.9%	60,479	102,048	68.7%
JPA - PBIT						
For the Period	4QFY09	4QFY10	% YoY	FY09	FY10	% YoY
Cement	2,158	2,997	38.9%	6,850	10,579	54.4%
-Margin	29.8%	24.3%		28.0%	26.6%	
Construction	2,202	3,952	79.5%	6,636	10,461	57.6%
-Margin	21.8%	20.0%	-175bps	23.3%	19.1%	
Power	(14)	(35)	147.5%	135	162	19.8%
-Margin	-30.5%	-86.8%		47.8%	50.6%	
Hotel	95	39	-58.9%	296	90	-69.8%
-Margin	23.7%	8.6%		18.2%	5.8%	
Investments	429	119	-72.3%	1,685	394	-76.6%
-Margin	100.0%	100.0%		100.0%	100.0%	
Others	0	0	N.A.	0	0	N.A.
-Margin	0.0%	0.0%		0.0%	0.0%	
Real Estate	1,503	388	-74.2%	2,171	2,597	19.6%
-Margin	54.9%	31.2%		49.2%	39.7%	
Total	6,372	7,460	17.1%	17,773	24,282	36.6%
Interest	(1,687)	(2,989)	77.2%	(5,043)	(10,558)	109.3%
Unallocables	(563)	(288)	-48.9%	(1,264)	(1,331)	5.3%
PBT	4,122	4,183	1.5%	11,465	12,392	8.1%

Source: Company

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Table 3: JPA - Sum-of-the Parts Valuation

Parts	Rationale	Value (Rs mn) (Rs / share)	
Infrastructure		276659	130
Engineering & Construction	At 8x 1-year fwd EBITDA - ~40% discount to target multiples of E&C majors - BHEL & L&T	91676	43
JP Greens	DCF at WACC - 11.5%	13848	7
Expressway business	DCF / Book Value	137232	65
Captive coal mine	DCF at Cost of Equity - 11.6%	33903	16
Power		134031	63
- Baspa - II HEP	At 10% discount to DCF at CoE - 11.2% for JPA's 76.5% stake	11331	5
- Vishnuprayag HEP	At 10% discount to DCF at CoE - 11.2% for JPA's 76.5% stake	15846	7
- Karcham Wangtoo HEP	At 10% discount to DCF at CoE - 13.7% for JPA's 87.4% stake	24817	12
- Bina Power	At 10% discount to DCF at CoE - 13.7% for JPA's 76.5% stake	22783	11
- Nigrie TPS	At 10% discount to DCF at CoE - 13.7% for JPA's 76.5% stake	20229	10
- Karchana TPS	At 10% discount to DCF at CoE - 12.3% for JPA's 76.5% stake	5473	3
- Karchana TPS Extn	At 10% discount to DCF at CoE - 14.9% for JPA's 76.5% stake	15465	7
- Bara TPS	At 10% discount to DCF at CoE - 12.3% for JPA's 76.5% stake	7388	3
- Bara TPS Extn	At 10% discount to DCF at CoE - 14.9% for JPA's 76.5% stake	21446	10
- Lower Siang HEP	At 10% discount to DCF at CoE - 16.5% for JPA's 68.1% stake	9885	5
- Hirong HEP	At 10% discount to DCF at CoE - 17.1% for JPA's 68.1% stake	2093	1
- Carbon Credits - CERs	At 10% discount to DCF at CoE - 13.6% for JPA's attributable stake	17292	8
- JP Power Grid	At 10% discount to DCF at CoE - 11.6% for JPA's effective 56.6% stake	1624	1
- Less: JHPL's Parent Debt FY16E		(53501)	(25)
Churk TPS	At 10% discount to DCF at CoE - 12.5% for JPA's 100% stake	6447	3
Wind Power project	At 2x Book Value	5415	3
Cement		94148	44
Cement + captive power (Parent)	At US\$85/tn - 23% discount to the industry's current replacement cost of US\$110/ton - in line with the trough valuation of industry majors	89850	42
SAIL Bhillai JV	At Book Value	1812	1
Bokaro JV	At Book Value	2486	1
Hotels		4403	2
Hotels	At 2.5x FY11E Sales = Rs6.8mn per room	4403	2
Projects under Construction	At Book Value	27210	13
Treasury stock	189mn Treasury stock valued at Rs17 per share at a 5% discount to our SOTP value	36060	17
Less: Net Debt		147709	70
JPA Equity Value		424801	200

Source: BofA Merrill Lynch Global Research

Table 4: JPA - Profit & Loss Statement (Parent)

FY ends Mar31 (Rs mn)	FY08	FY09	FY10	FY11E	FY12E
Income from Operations	39,851	56,642	99,639	132,413	141,094
- <i>Growth %</i>	14.8%	42.1%	75.9%	32.9%	6.6%
Manufacturing, Const, Hospitality & Power Exp	(17,784)	(27,681)	(54,301)	(71,347)	(68,991)
- <i>% of Const, Cement, Hospitality & Power Sales</i>	48.3%	53.7%	58.8%	58.6%	54.1%
Expenditure - JP Greens	(1,550)	(1,990)	(3,431)	(5,452)	(6,996)
- <i>% of JP Greens</i>	60.6%	45.3%	52.5%	55.0%	55.0%
Raw Materials - Asbestos Sheets	(228)	(285)	(358)	(394)	(413)
- <i>% of Asbestos Sheets sales</i>	47.5%	41.6%	47.5%	47.5%	47.5%
Personnel expenses	(2,553)	(3,308)	(4,534)	(5,443)	(5,966)
- <i>% of Income from Operations</i>	6.4%	5.8%	4.5%	4.1%	4.2%
Selling & distribution expense	(3,689)	(4,164)	(7,656)	(10,287)	(13,039)
- <i>% of Income from Operations</i>	9.3%	7.4%	7.7%	7.8%	9.2%
Other expenses	(3,078)	(3,452)	(4,360)	(5,447)	(6,481)
- <i>% of Income from Operations</i>	7.7%	6.1%	4.4%	4.1%	4.6%
Total Expenditure	(28,881)	(40,880)	(74,640)	(98,369)	(101,886)
- <i>% of Income from Operations</i>	72.5%	72.2%	74.9%	74.3%	72.2%
EBITDA	10,970	15,762	24,999	34,044	39,208
- <i>EBITDA Margin</i>	27.5%	27.8%	25.1%	25.7%	27.8%
Depreciation	(2,033)	(3,090)	(4,561)	(5,657)	(6,360)
EBIT	8,937	12,672	20,439	28,387	32,848
- <i>EBIT Margin</i>	22.4%	22.4%	20.5%	21.4%	23.3%
Interest & Finance charges	(3,391)	(5,043)	(10,558)	(14,844)	(14,721)
Other Income	2,888	3,838	2,665	3,356	2,464
PBT	8,434	11,466	12,546	16,899	20,591
- <i>PBT Margin</i>	21.2%	20.2%	12.6%	12.8%	14.6%
Total Taxes	(2,337)	(3,209)	(3,632)	(5,577)	(6,486)
- <i>Effective Tax Rate</i>	27.7%	28.0%	28.9%	33.0%	31.5%
Rec PAT	6,097	8,257	8,914	11,322	14,105
- <i>Rec PAT Margin</i>	15.3%	14.6%	8.9%	8.6%	10.0%
Total Extraordinary	0	713	8,169	4,133	0
Rep PAT	6,097	8,970	17,084	15,456	14,105
- <i>Rep PAT Margin</i>	15.3%	15.8%	17.1%	11.7%	10.0%

Source: Company, BofA Merrill Lynch Global Research

Table 5: JPA - Balance Sheet (Parent)

FY ends Mar31 (Rs mn)	FY08	FY09	FY10	FY11E	FY12E
Share Capital	2343	2804	4249	4249	4249
Reserves & Surplus	36571	59515	77685	90796	102323
Equity Warrants	3985	1588	0	0	0
Misc. Exp. W/off	(1)	(39)	0	0	0
Networth	42898	63868	81934	95046	106572
Deferred Tax Liability	5597	6896	9233	10922	12570
Secured Loans	46403	73383	121486	111486	106486
Unsecured Loans	36653	57679	57601	57601	57601
Total Loan funds	83056	131062	179087	169087	164087
Total Capital Employed	131550	201826	270254	275055	283229
Gross Block (inc. Rev Reserve)	51662	86192	105609	123776	132776
Less: Revaluation Reserve	(3081)	(3073)	(3073)	(3073)	(3073)
Gross Block	48581	83119	102536	120703	129703
Less: Accumulated Depreciation	(14547)	(18013)	(22574)	(28231)	(34591)
Net Block	34034	65106	83035	95545	98185
CWIP	42190	50819	58995	55861	52809
Investments	32248	44652	55763	58873	61527
- Cash & Bank balances	18154	29086	38792	21379	29026
- Inventories	9813	12286	15536	31723	31398
- Projects under Development	3262	6814	13561	21930	19495
- Sundry Debtors	5862	10220	22850	23580	25126
- Other Current Assets	319	128	304	404	430
Current Assets	37410	58535	91043	99016	105475
Loans & Advances	22219	33081	39947	53196	55956
Current Assets, Loans & Advances	59629	91616	130990	152212	161431
Current Liabilities	33491	45544	52014	76181	78731
Provisions	3061	4823	6515	11255	11993
Current Liab. & Provisions	36551	50367	58529	87436	90724
Net Current Assets	23078	41249	72461	64776	70707
Total Assets	131550	201826	270253	275055	283228

Source: Company, BofA Merrill Lynch Global Research

Table 6: JPA - Cash Flow Statement (Parent)

FY ends Mar31 (Rs mn)	FY08	FY09	FY10	FY11E	FY12E
PBT	8434	11466	12546	16899	20591
Add: Depreciation	2033	3090	4561	5657	6360
Less: Taxes	(2337)	(3209)	(3632)	(5577)	(6486)
Change in Deferred Tax Liability	696	1300	2336	1690	1647
Net change in Working Capital	277	(7240)	(21506)	(9728)	1716
Cash flow from Operating activities	9102	5407	(5695)	8941	23829
Extraordinary Items & Tax adjustments	0	713	8169	4133	0
Capex	(29845)	(42791)	(30665)	(15034)	(5948)
Investments	(14461)	(12404)	(11111)	(3110)	(2654)
Others	0	0	0	0	0
Cash flow from Investing activities	(44306)	(54482)	(33606)	(14010)	(8603)
Change in share capital	151	461	1446	0	0
Change in Debt	27898	48006	48025	(10000)	(5000)
Change in Reserves	12352	12943	1760	0	0
Dividend & Dividend Tax	(1341)	(1403)	(2224)	(2344)	(2578)
Cash flow from Financing activities	39060	60007	49007	(12344)	(7578)
Changes in Cash & Cash Equivalents	3856	10932	9706	(17413)	7647
Opening Cash & Cash Equivalents	14298	18154	29086	38792	21379
Closing Cash & Cash Equivalents	18154	29086	38792	21379	29026

Source: Company, BofA Merrill Lynch Global Research

Table 7: JPA - Key Ratios & Valuations (Parent)

	FY08	FY09	FY10	FY11E	FY12E
Share Price (Rs)	127	127	127	127	127
Shares O/s (mn)	1757	2103	2125	2125	2125
Rec. EPS - Basic (Rs)	3.5	3.9	4.2	5.3	6.6
- Rec. EPS Growth %	37.5%	13.2%	6.8%	27.0%	24.6%
CEPS (Rs)	4.6	5.4	6.3	8.0	9.6
DPS (Rs)	0.7	0.6	0.9	1.0	1.1
P/E (x)	36.7	32.4	30.3	23.9	19.2
P/CEPS (x)	27.5	23.6	20.1	15.9	13.2
Yield (%)	0.5%	0.5%	0.7%	0.8%	0.9%
Dupont Analysis					
- Net Profit/ EBIT (%)	68.2%	65.2%	43.6%	39.9%	42.9%
- EBIT/ Sales (%)	22.4%	22.4%	20.5%	21.4%	23.3%
- Sales/ Assets (%)	36.7%	34.0%	42.2%	48.6%	50.5%
- Assets/ Networth (%)	317.0%	312.2%	323.8%	308.1%	276.9%
RoE (%)	17.8%	15.5%	12.2%	12.8%	14.0%
RoCE (%)	8.2%	7.6%	8.7%	10.4%	11.8%
Market Cap (Rs mn)	223,522	267,463	270,255	270,255	270,255
Total Debt (Rs mn)	83,056	131,062	179,087	169,087	164,087
Cash (Rs mn)	18,154	29,086	38,792	21,379	29,026
Net Debt (Rs mn)	64,901	101,976	140,295	147,709	135,061
EV (Rs mn)	288,424	369,439	410,551	417,964	405,317
EV/EBITDA (x)	26.3	23.4	16.4	12.3	10.3
BV (Rs)	24	30	39	45	50
P/BV (x)	5.2	4.2	3.3	2.8	2.5
Net debt/ Equity (x)	1.5	1.6	1.7	1.6	1.3
Net debt/ EBITDA (x)	5.9	6.5	5.6	4.3	3.4
Interest Coverage (x)	3.2	3.1	2.4	2.3	2.7

Source: Company, BofA Merrill Lynch Global Research

Price objective basis & risk

Jaiprakash Associates Limited (JPRKF)

Our PO of Rs200 for JPA is based SOTP valuation. E&C business is valued at Rs43/share (Rs40) at 8x 1year forward EBITDA - 40pct discount to target multiples of E&C majors - BHEL & L&T. JP Greens is valued at Rs7/share (Rs8) based on DCF at WACC 11.5pct. Expressway business are valued at Rs65/share on DCF basis/Book Value. Captive coal mines are valued at Rs16/share based on DCF. Stake of 56.6-100pct in Power projects are valued at 10pct discount to DCF at Rs63 per share. Cement business is valued at Rs44/share - Cement & captive power (Parent) at Rs42/share at US\$85/tn - 23% discount to the industry's current replacement cost of US\$110/ton, SAIL Bhilai JV and Bokaro JV at book value of Rs1/share and Rs1/share respectively. Hotel business is valued at 2.5x FY11E Sales at Rs2/share. Projects under construction are valued at Rs13/share (Rs9) at book value. 189mn Treasury stock are valued at Rs17/share (Rs18) - 5% discount to our SOTP value. Removing net debt of Rs70/share (Rs48) we arrive at an SOTP value of Rs200 (Rs215) per share. JPA offers a blend of asset play & 26pct CAGR in parent EPS (FY10-12E). Risks to our PO: a) Political/land acquisition hurdles at Yamuna Expressway, b) slowdown in hydro power capex, c) demand-supply imbalance in cement business, d) delay in monetization of assets and e) hydrology.

Link to Definitions

Industrials

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31 May 2010

India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY				
	Adani Enterprises Ltd.	ANIEF	ADE IN	Bharat Parekh
	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Essar Shipping, Ports & Logistics Ltd.	XESSF	ESRS IN	Manish Sarawagi
	Gujarat State Petronet Ltd	GJRSF	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Manish Sarawagi
	IRB Infrastructure Developers Ltd.	XIRBF	IRB IN	Manish Sarawagi
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash Associates Limited	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Power Ventures Ltd.	XJSHF	JPVL IN	Bharat Parekh
	Lanco Infratech Ltd.	LNIFF	LANCI IN	Manish Sarawagi
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Mundra Port SEZ	XMANF	MSEZ IN	Bharat Parekh
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
NEUTRAL				
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
UNDERPERFORM				
	ABB	ABVFF	ABB IN	Bharat Parekh
	Gail India	XGLAF	GAIL IN	Vidyadhar Ginde
	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Manish Sarawagi
	NTPC Ltd	NTHPF	NATP IN	Bharat Parekh
	Suzlon Energy	SZEYF	SUEL IN	Bharat Parekh
RVW				
	Indraprastha Gas	IAGSF	IGL IN	Vidyadhar Ginde

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

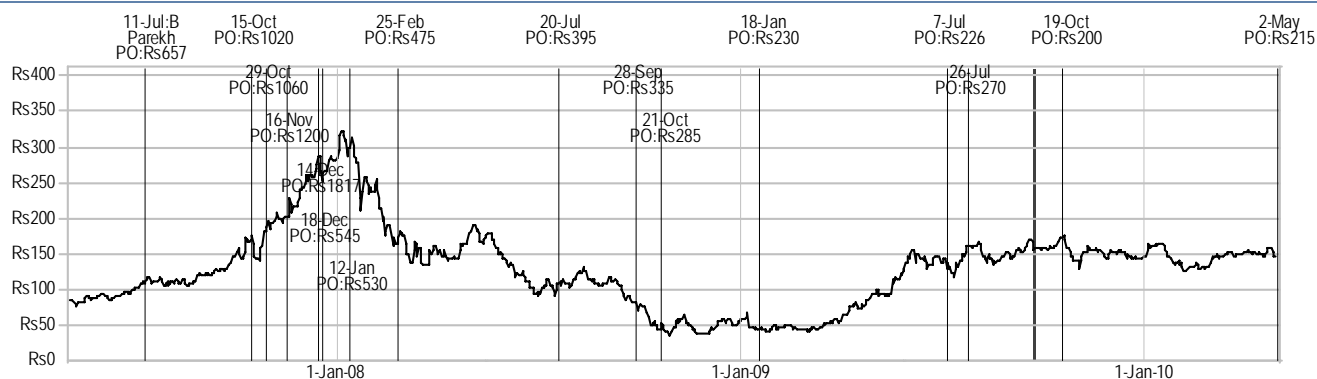
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B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	39	52.00%	Buy	19	59.38%
Neutral	13	17.33%	Neutral	10	83.33%
Sell	23	30.67%	Sell	5	27.78%

Investment Rating Distribution: Global Group (as of 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1818	52.41%	Buy	952	58.01%
Neutral	873	25.17%	Neutral	490	61.95%
Sell	778	22.43%	Sell	355	49.72%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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