

November 1, 2010

Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs120	Rs150
EPS change FY11E/12E (%)	NA
Target Price change (%)	NA
Nifty	6,018
Sensex	20,032

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	1	(18)	(15)
Rel. to Nifty	(2)	(9)	(28)	(33)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Construction
Bloomberg	JPA@IN
Equity Capital (Rs mn)	4253
Face Value(Rs)	2
No of shares o/s (mn)	2126
52 Week H/L	168/108
Market Cap (Rs bn/USD mn)	256/5,750
Daily Avg Volume (No of sh)	9388906
Daily Avg Turnover (US\$m)	25.7

Shareholding Pattern (%)

	S'10	J'10	M'10
Promoters	45.9	46.0	46.0
FII/NRI	25.1	24.8	27.1
Institutions	9.3	10.3	9.9
Private Corp	6.9	6.6	5.5
Public	12.7	12.3	11.6

Source: Capitaline

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- **JPA Q2FY11 numbers ahead of estimates at EBITDA level, 3X increase in deferred tax leads to in line PAT. Topline growth of 62.3% - construction up 73%, cement up 43%**
- **Construction segment rebounds sharply with 83% growth in EBIT, margins at ~21% (v/s ~7.3% in Q1FY11). Realty segment delivers a whopping 356% growth in EBIT**
- **JPA is on strong growth path across all its segments- plans to reach a cement capacity of 37 mtpa by end FY12. Expect significant order accretion from New HPPs like lower Siang**
- **Stock trades at 22.6X its FY12 standalone earnings and 7.6X EBIDTA. Maintain our earnings, ACCUMULATE rating and price target**

Topline growth of 62.3% - construction up 73% & cement up 43%

JPA continued its solid topline performance with revenues at Rs29.9 bn (our exp – Rs25.4 bn) growing by 62.3% yoy. The quarter saw construction segment rebounding sharply and posting an impressive 73% yoy growth in revenues to Rs15.7 bn (our estimates Rs11.35 bn). The segment's performance was impacted by execution issues at Bagilhar II projects & the Srisailam tunnel project. Driven by volume growth of ~60%, the cement revenues registered a growth of 43% yoy to Rs12.08 bn (our estimates Rs12.07 bn). We were positively surprised by significant traction in real estate segment with the division registering growth of 266% yoy with revenues of Rs3.2 bn (Our estimates (Rs2.1 bn).

EBIDTA up 43% driven by construction & realty segment

With construction segment rebounding sharply and registering a sharp 73% growth in its EBIT (Rs3.28 bn) and realty segment delivering a whopping 356% growth in EBIT, JPA recorded a smart 43% yoy growth in EBIDTA (Rs6.8 bn). As expected, impacted by declining cement realization and increasing cost pressures, Cement segment registered a 14.5% decline in EBIT (Rs1.88 bn).

PBT beats estimate, however higher tax provisioning drags the PAT

After many quarter JPA interest and depreciation charges are receding, lessening its impact on profits. JPA's pre-exceptional PBT for the quarter jumped an impressive 65% yoy to Rs2.89 bn, even after interest cost increased by 25% yoy and depreciation charges jumped 39% yoy on account of commissioning of cement capacities. However the quarter saw JPA witnessing a significant 3X increase in its deferred tax. Consequently the pre-exceptional net profit at Rs1.15 bn remained flat yoy (Our est Rs1.14 bn).

Financial Snapshot

YE-	Net	EBITDA	EPS	EPS	RoE	EV/	Rs Mn			
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY09	61,479	20,643	33.6	8,970	4.2	-0.4	14.0	28.4	13.8	4.0
FY10	103,554	28,907	27.9	8,933	4.2	-0.4	10.9	28.5	10.8	3.1
FY11E	139,078	32,842	23.6	9,359	4.4	4.8	10.1	27.2	8.7	2.7
FY12E	156,771	36,481	23.3	11,296	5.3	20.7	11.0	22.6	7.6	2.5

Results table

Rs mn	Q110	Q210	Q310	Q410	Q111	Q211A	YoY (%)	QoQ (%)	YTD11	YTD10	YoY (%)
Revenue	20,670	18,438	28,524	33,258	31,742	29,933	62.3	-5.7	61,675	39,108	57.7
Expenditure	15,254	13,685	20,786	24,915	25,321	23,122	69.0	-8.7	48,443	28,939	67.4
<i>as % of sales</i>	82.7	74.2	72.9	74.9	79.8	77.2			78.5	74.0	
(increase) / Decrease in stock in Trade	1,392	-768	1,948	-1,741	330	-1,164	51.6	-452.7	-481	-834	-42.4
<i>as % of sales</i>	7.5	-4.2	6.8	-5.2	1.0	-3.9			-0.8	-2.1	
Direct construction, manufacturing	10,342	10,812	14,959	21,147	19,935	19,086	76.5	-4.3	60,362	39,021	54.7
<i>as % of sales</i>	56.1	58.6	52.4	63.6	62.8	63.8			97.9	99.8	
Staff costs	945	1,044	1,067	1,478	1,465	1,453	39.2	-0.8	4,486	2,918	53.7
<i>as % of sales</i>	5.1	5.7	3.7	4.4	4.6	4.9			7.3	7.5	
Other expenditure	2,575	2,597	2,813	4,031	3,591	3,747	44.3	4.4	11,182	7,338	52.4
<i>as % of sales</i>	14.0	14.1	9.9	12.1	11.3	12.5			18.1	18.8	
EBITDA	5,416	4,753	7,738	8,342	6,421	6,811	43.3	6.1	30,427	13,232	130.0
Depreciation	1,017	1,100	1,109	1,334	1,503	1,528	38.8	1.6	6,071	3,031	100.3
EBIT	4,316	3,653	6,628	7,009	4,918	5,283	44.6	7.4	24,356	10,201	138.8
Other Income	498	687	1,153	327	436	820	19.2	88.0	2,561	1,255	104.0
Interest	2219	2588	2762	2989	3279	3234	25.0	-1.4	13623	6513	109.2
Prior period adjustments	-1	2	-10	16	7	-27			-21	1	
PBT	2,679	1,750	5,029	4,331	2,067	2,896	65.5	40.1	4,964	4,430	12.1
Total Tax	498	589	1,879	1,890	1,016	1,741	195.7	71.3	2,757	1,087	153.7
Adjusted PAT	2,181	1,161	3,150	2,441	1,051	1,155	-0.5	9.9	2,206	3,343	-34.0
(Profit)/loss from JV's/Ass/MI											
APAT after MI	2,181	1,161	3,150	2,441	1,051	1,155	-0.5	9.9	2,206	3,343	-34.0
Extra ordinary items	2730	7541	-2119	0	4109	0	-100.0		4109	10270	-60.0
Reported PAT	4911	8702	1030	2441	5160	1155	-86.7	-77.6	6315	13613	-53.6
Reported EPS	1.6	0.8	1.5	1.2	0.5	0.5	-34.3	9.9	1.0	1.6	

Margins (%)							(bps)	(bps)			(bps)
EBIDTA	26.2	25.8	27.1	25.1	20.2	22.8	-302.5	252.5	21.5	26.0	-454.9
EBIT	23.7	23.5	27.3	22.1	16.9	20.4	-315.0	352.1	18.6	23.6	-504.4
EBT	13.0	9.5	17.6	13.0	6.5	9.7	18.4	316.3	8.0	11.3	-327.8
PAT	10.6	6.3	11.0	7.3	3.3	3.9	-243.9	54.8	3.6	8.5	-497.0
Effective Tax rate	18.6	33.6	37.4	43.6	49.2	60.1	2647.1	1095.4	55.6	24.5	3101.7

Segmental Results

Segment revenue	Q110	Q210	Q310	Q410	Q111	Q211A	YoY (%)	QoQ (%)	YTD11	YTD10	YoY (%)
Cement & Cement Products	9,482	8,452	9,483	12,334	14,415	12,084	43.0	-16.2	26,499	17,934	47.8
Construction	10,552	9,082	16,431	19,828	14,410	15,710	73.0	9.0	30,120	19,633	53.4
Hydro Electric & Wind Power	112	145	24	40	110	122	-15.5	11.0	232	256	-9.4
Investments	0	237	39	119	33	40		20.5	73	237	-69.1
Hotel/Hospitality & Golf course	337	287	461	458	369	375	30.6	1.4	744	624	19.3
Real Estate	952	884	3,456	1,244	3,661	3,233	265.5	-11.7	6,894	1,836	275.4
Un-allocated/investments	181	408	399	500	296	344	-15.8	16.0	640	589	8.6
Total	21,616	19,494	30,292	34,522	33,295	31,907	63.7	-4.2	65,202	41,110	58.6
Intersegment revenue	447	369	615	938	1,117	1,155	212.7	3.4	2,272	816	178.3
Total sales/Income from operations	21,169	19,125	29,677	33,584	32,178	30,752	60.8	-4.4	62,930	40,294	56.2

Segment results

Cement & Cement Products	3,016	2,203	2,364	2,997	2,863	1,883	-14.5	-34.2	4,746	5,218	-9.1
Construction	1,819	1,795	4,107	3,989	1,055	3,279	82.6	210.8	4,334	3,614	19.9
Hydro Electric & Wind Power	71	138	-12	-35	70	81	-41.4	16.3	150	209	-28.1
Investments	0	237	39	119	33	40		20.5	73	237	-69.1
Hotel/Hospitality & Golf course	22	-57	85	39	-13	-15	-73.1	20.6	-28	-34	-18.5
Real Estate	447	292	1,470	388	1,558	1,332	356.0	-14.6	2,890	739	291.1
Unallocated/gain on investments	3,746	9,455	0	33	5,132	9	-99.9	-99.8	5,140	13,200	-61.1
Total	9,121	14,063	8,052	7,530	10,698	6,607	-53.0	-38.2	17,305	23,183	-25.4
Interest	2,219	2,588	2,762	2,989	3,279	3,234	25.0	-1.4	6,513	4,806	35.5
Other Un-allocable expenditure net of unallocable income	1,492	308	260	211	219	477	55.3	117.8	697	1,799	-61.3
PBT	5,410	11,168	5,029	4,330	7,199	2,896	-74.1	-59.8	10,095	16,578	-39.1

EBIT Margin (%)

Cement & Cement Products	32%	26%	25%	24%	20%	16%	-10.5	-4.3	18%	29%	-38.5
Construction	17%	20%	25%	20%	7%	21%	1.1	13.5	18%	20%	-10.0
Hydro Electric & Wind Power	64%	95%	-51%	-87%	63%	66%	-29.2	3.0	65%	82%	-20.6
Investments	-	100%	100%	100%	100%	100%	0.0	0.0	100%	100%	0.0
Hotel/Hospitality & Golf course	7%	-20%	18%	9%	-3%	-4%	15.6	-0.6	-4%	-5%	-31.6
Real Estate	47%	33%	43%	31%	43%	41%	8.2	-1.4	45%	40%	11.9
Unallocated	2071%	2316%	0%	7%	1732%	3%	-2313.0	-1729.9	803%	2240%	-64.1

Segmental Performance**Construction revenues up 73% - EBIT margins see sharp rebound qoq**

The quarter saw construction segment posting an impressive 73% yoy growth in revenues to Rs15.7 bn (our estimates Rs11.46 bn). We would like highlight that the segment's performance was impacted by execution issues at Bagilhar II projects & the Srisailam tunnel project during Q1FY11. However during the quarter the segment rebounded sharply and registered a sharp 83% growth in its EBIT (Rs3.28 bn) with EBIT margins of 20.9%.

Cement volume up 59% yoy – realisation down 10.1% yoy

Cement revenues at Rs12.08 bn grew by 43% yoy driven by 59% volume growth (3.4 mt) while realization declined by 10.1% yoy and 6.2% qoq (Rs3528/t). Volumes grew as JPA commissioned new capacities and ramped up utilization. However as expected the segment's performance was severely impacted by declining realization and increasing cost pressures particularly Coal & fly ash. The segment's EBIT/ton stood at Rs550/t, declining by 46.2% yoy and 26.4% qoq. EBIT margins also fell 1048 bps yoy & 428 bps qoq to 15.6%.

Cement division performance

Cement Business	Q110	Q210	Q310	Q410	Q111	Q211A	YoY (%)	QoQ (%)
Sales volume (Million Tonne)	2.4	2.2	2.8	3.6	3.8	3.4	59.0	-10.6
Realisation (Rs/Ton)	3938	3924	3392	3426	3763	3528	-10.1	-6.2
Sales (Rs mn)	9482	8452	9483	12334	14415	12084	43.0	-16.2
EBIT (Rs mn)	3016	2203	2364	2997	2863	1883	-14.5	-34.2
EBIT(%)/(bps)	31.8%	26.1%	24.9%	24.3%	19.9%	15.6%	-1048.3	-427.9
EBIT/Ton	1252	1023	845	832	747	550	-46.2	-26.4
Op Cost /Ton (inclusive of depreciation)	2686	2901	2546	2594	3015	2978	2.7	-1.2

Realty revenues continue to surprise positively

Realty segment was a big surprise as the revenues realty segment delivering a whopping 356% growth in EBIT. During the quarter the company has sold over 14 lac square feet of real estate in Noida & Greater Noida.

Maintain earnings & reco

JPA is on strong growth path across all its segments. The company plan to reach a cement capacity of more than 35 mtpa by end FY12 and 50 mtpa by FY14-15. Though the construction segment can face issue of near term earnings visibility with Yamuna expressway and Karcham wangtoo HPP expected to be complete by FY12, we believe significant order accretion from new HPPs like lower Siang will rejuvenate the order backlog. JPA stock is currently trading at 27.2X its FY12 standalone earnings and 8.7X EBIDTA. We maintain our earnings estimates as well as the ACCUMULATE Rating on the stock with price target of Rs150.

SOTP fair value at Rs150

Business Segment	Valuation Measure	Multiple	Value	Value/Share
Cement Business	EV/ton	100	142039	67
Construction Business	EV/EBIDTA	7	93400	44
Hotel & Hospitality	EV/Sales	2	3040	1
Jaypee Greens	NAV	100%	17488	8
Jaypee Infratech	CMP	100%	107415	51
Residual stake in JP Karcham wangtoo	NPV	43%	17703	8
Jaiprakash Power Ventures	CMP		102272	48
Total Enterprise Value			483357	227
Less:				
Debt			190725	90
Target Market Capitalisation			292632	138
ADD: Value of treasury stock	Target Value	1X	26627	13
Fair Value			319259	150

Financials

Income Statement

Y/E, Mar (Rs. m)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	61,479	103,554	139,078	156,771
Growth (%)	44.3	68.4	34.3	12.7
Total Expenditure	40,837	74,647	106,235	120,290
Variable divisional exps	33,466	63,778	93,509	106,496
Selling & Dist exps	611	1,158	1,274	1,529
Manpower Exps	3,308	4,534	5,758	6,621
Others	3,452	5,177	5,695	5,644
EBIDTA	20,643	28,907	32,842	36,481
Growth (%)	49.0	40.0	13.6	11.1
EBITDA margin (%)	33.6	27.9	23.6	23.3
Depreciation	3,090	4,561	6,876	7,455
EBIT	17,553	24,347	25,967	29,026
EBIT margin (%)	28.6	23.5	18.7	18.5
Other Income	0	0	0	0
Interest	5,043	10,558	13,488	13,964
EBT	12,510	13,789	12,479	15,062
Tax	3,540	4,855	3,120	3,765
Effective tax rate (%)	28.3	35.2	25.0	25.0
Adjusted PAT	8,970	8,933	9,359	11,296
Growth (%)	47.1	-0.4	4.8	20.7
Net Margin (%)	14.6	8.6	6.7	7.2
(Profit)/loss from JVs/Ass/MI				
Adjusted PAT After JVs/Ass/MI	8,970	8,933	9,359	11,296
E/O items	0	10,028	4,109	0
Reported PAT	8,970	17,084	13,468	11,296
Growth (%)	47.1	90.4	-21.2	-16.1
EAT (%)	14.6	16.5	9.7	7.2

Cash Flow

Y/E, Mar (Rs. m)	FY2009	FY2010	FY2011E	FY2012E
PBT (Ex-Other income)	12,510	13,789	12,479	15,062
Depreciation	3,090	4,561	6,876	7,455
Interest Provided	5,043	10,558	13,488	13,964
Other Non-Cash items				
Chg in working cap	-9,002	-23,198	8,558	-4,023
Tax paid	3,540	4,855	3,120	3,765
Operating Cashflow	3,058	-1,553	28,901	14,728
Capital expenditure	-43,159	-30,376	2,229	-7,508
Free Cash Flow	46,217	28,823	26,672	22,236
Other income	0	0	0	0
Investments	-12,404	-11,111	-19,700	-6,482
Investing Cashflow	-55,563	-41,487	-17,471	-13,990
Equity Capital Raised	0	2,985	0	0
Loans Taken / (Repaid)				
Interest Paid	5,043	10,558	13,488	13,964
Dividend paid (incl tax)	-1,427	-2,224	-2,363	-1,982
Income from investments				
Others				
Financing Cashflow	46,579	48,787	9,275	-1,982
Net chg in cash	-5,926	5,747	20,705	-1,244
Opening cash position	18,154	29,086	38,792	59,497
Closing cash position	29,086	38,792	59,497	58,253

Balance Sheet

Y/E, Mar (Rs. m)	FY2009	FY2010	FY2011E	FY2012E
Equity share capital	2,804	4,249	4,249	4,249
Reserves & surplus	62,589	80,758	91,862	101,176
Net worth	66,980	85,007	96,112	105,426
Secured Loans	73,383	113,580	121,080	121,080
Unsecured Loans	57,679	65,507	69,645	69,645
Loan Funds	131,062	179,087	190,725	190,725
Net Deferred Taxes	6,896	9,233	9,233	9,233
Total Liabilities	204,938	273,327	296,069	305,383
Gross Block	86,192	128,471	135,971	150,776
Less: Acc Depreciation	18,013	22,285	29,160	36,616
Net block	68,179	106,187	106,811	114,161
Capital WIP	50,819	38,916	29,187	21,890
Investment	44,652	55,763	75,462	81,944
Current Assets	91,616	130,990	186,381	201,280
Inventories	12,286	15,536	28,578	32,213
Projects under dev.	6,814	13,561	17,147	19,328
Sundry Debtors	10,220	22,850	22,862	25,771
Cash and Bank	29,086	38,792	59,497	58,253
Other Current Assets	128	304	1,143	1,289
Loans and Advances	33,081	39,947	57,155	64,426
Current Liab & Prov	50,367	58,529	101,773	113,892
Current liabilities	45,544	52,014	95,259	107,377
Provisions	4,823	6,515	6,515	6,515
Net current assets	41,249	72,461	84,608	87,388
Miscellaneous Exps	39	0	0	0
Total Assets	204,938	273,327	296,069	305,383

Key Ratios

Y/E, Mar	FY2009	FY2010	FY2011E	FY2012E
Profitability (%)				
EBITDA Margin	33.6	27.9	23.6	23.3
Net Margin	14.6	8.6	6.7	7.2
ROCE	10.7	10.5	9.4	10.0
ROE	14.0	10.9	10.1	11.0
RoIC	25.0	21.2	18.7	20.9
Per Share Data (Rs)				
EPS	4.2	4.2	4.4	5.3
CEPS	5.7	10.2	9.6	8.8
BVPS	30.1	38.6	43.8	48.2
DPS				
Valuations (x)				
PER	28.4	28.5	27.2	22.6
P/CEPS	21.1	11.8	12.5	13.6
P/BV	4.0	3.1	2.7	2.5
EV / Sales	4.6	3.0	2.0	1.8
EV / EBITDA	13.8	10.8	8.7	7.6
Dividend Yield (%)				
Gearing Ratio (x)				
Net Debt/ Equity	1.6	1.7	1.4	1.3
Net Debt/EBIDTA	4.9	4.9	4.0	3.6
Working Cap Cycle (days)	-136.8	-115.0	-115.0	-115.0

Recommendation History: Jaiprakash Associates – JPA IN

Date	Reports	Reco	CMP	Target
26/07/2010	JP Associates Q1FY11 Result Update	Accumulate	129	150
01/06/2010	JP Associates Q4FY10 Result Update	Buy	125	175
19/01/2010	JP Associates Q3FY10 Result Update	Buy	160	185

Recent Research Reports

Date	Reports	Reco	CMP	Target
29/10/2010	IRB Q2FY11 Result Update	Accumulate	257	304
27/10/2010	Ultratech Cement Q2FY11 Result Update	Reduce	1,100	1,040
26/10/2010	Madras Cement Q2FY11 Result Update	Reduce	113	113
21/10/2010	Ambuja Cement Q3CY10 Result Update	Hold	142	130

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