

Focus on execution; Deleveraging parent & JP Infra

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Our takeaways from the management meeting today at our 15th Annual India Investor Conference in New Delhi

Focus on execution & deleveraging parent & JP Infra

JPA set five catalysts for 2011 as start of - 1) Karcham Hydro plant from March'11 and 250MW Bina in 4Q, 2) Yamuna expressway in 3Q2011, 3) 5mtpa AP cement plant during 2Q, 4) F1 race on Oct 2011 and 5) peaking of capex at JPA/JP Infra.

Engineering & Construction: Steady growth

Expect 10-12%YoY growth in top-line driven by a) start civil works at 2.7GW Lower Siang hydro project, order for which will be bigger than Karcham & Yamuna Exp'way put-together, b) build >500mn sq. ft of realty along Yamuna Expressway and c) US\$1bn civil works orders for thermal plants of JP power over FY11-13E.

Power: Vertical scale-up ahead!

- Expect power capacity to rise 3x to 2.4GW by FY12
- JP Power has started bidding power from Karcham Wangtoo. It has emerged L1 for 135MW @ Rs6.05/kWh for 4 peak hours for May'2011.
- Bina 500MW capacity likely to start by 3/4QFY12. Company has already sold 70% power to MP state – 65% at CERC tariff and 5% at variable cost
- Financial closure of Lower Siang likely by 2011
- Equity funding now in-place till June'12 on re-financing of Karcham @80:20

Real Estate and Expressway: Momentum sustained post-IPO

- JP group has sold 15.4mn sq ft in 9MFY11 (vs 31.4mn sq ft total till FY10) of which 9.8mn sq ft is sold by JP Infratech and 2.4mn sq ft by JPA. Average realization till Dec'2010 – JP Infratech +14% v/s FY10
- The group has already collected advance of Rs75bn (47%) of Rs159bn of real estate sales till Dec'2010
- Yamuna expressway is likely to start by 3Q2011.

Cement: Fixed costs to increase as capex peak in 1HFY12

- Volume growth pick-up in Jan +39%YoY after a weaker 3Q +37%YoY
- 5mtpa Balaji cement plant likely to start by 1/2QFY12; to hike fixed costs
- Expect QoQ improvement in EBITDA / tn on rise in cement prices in 4QFY11

Stock Data

Price	Rs76.25
Price Objective	Rs200.00
Date Established	30-May-2010
Investment Opinion	C-1-7
Volatility Risk	HIGH
BofAML Ticker / Exchange	JPRKF / BSE
Bloomberg / Reuters	JPA IN / JAIA.BO

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Refer to important disclosures on page 4 to 6. Analyst Certification on Page 2. Price Objective Basis/Risk on page 2. Link to Definitions on page 2. 11019494

Table 1: JPA Group - Real Estate Sales Performance

	Area sold		Sales value till Dec'2010 (Rs mn)	Collection till Dec'2010 (Rs mn)	AveRealisation (Rs / sq ft)
	Area sold till Mar'10 (mn sqft)	9MFY11 (mn sqft)			
JPA - Noida /					
Gr Noida	7.97	2.41	57,470	32,310	5537
JP Infratech	21.30	9.83	92,264	41,361	2964
JPA Group	31.32	15.48	159,228	75,031	3402

Source: Company

Price objective basis & risk

Jaiprakash Associates Limited (JPRKF)

Our PO of Rs200 for JPA is based SOTP valuation. E&C business is valued at Rs37/share at 6x 1 year forward EBITDA - 50pct discount to target multiples of E&C majors - BHEL & L&T. JP Greens is valued at Rs5/share based on DCF at WACC 11.5pct. Expressway business are valued at Rs71/share on DCF basis/Book Value. Captive coal mines are valued at Rs12/share based on DCF. Stake of 56.6-100pct in Power projects are valued at 10pct discount to DCF at Rs65 per share. Cement business is valued at Rs67/share - Cement & captive power (Parent) FY12E capacity at Rs60/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 Rs2/share and Rs1/share respectively and other cement projects under construction at book value of Rs4/share. Hotel business is valued at 2.5x 1 year forward Sales at Rs3/share. Projects under construction are valued at Rs5/share at book value. 189mn Treasury stock are valued at Rs16/share - 10% discount to our SOTP value. Removing net debt of Rs81/share we arrive at an SOTP value of Rs201 per share. JPA offers a blend of asset play & 18pct CAGR in parent EPS (FY11-13E). 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

Click [here](#) for definitions of commonly used terms.

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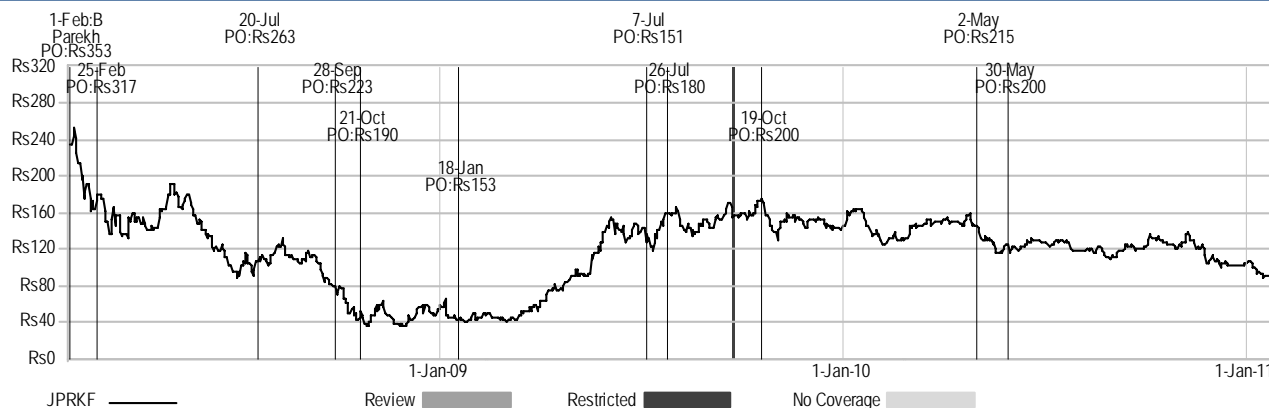
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JPRKF Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	47	58.75%	Buy	24	58.54%
Neutral	20	25.00%	Neutral	9	52.94%
Sell	13	16.25%	Sell	4	36.36%

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2011	53.86%	Buy	874	48.31%
Neutral	925	24.77%	Neutral	444	52.30%
Sell	798	21.37%	Sell	276	36.75%

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