

# When Time Gets Tough, Tough Gets Going

Equity | India | Industrials/Multi-Industry  
26 April 2009



## RESEARCH

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### Realty Monetization On-track To Fund Expressway; Buy

Despite a tough realty markets in the NCR region, JPA continues to monetize its assets to fund Yamuna expressway capex. Led by its low cost land-bank and entry into mid-market, JPA sold 2.67mn sq. ft (top 3 in NCR) of realty at its NOIDA land-bank in FY09 doubling total monetization to 5.23mn for ~Rs26bn. Cash advances received YTD were Rs10.1bn. This should be a positive surprise to markets worried about real estate being the weakest link in funding of Yamuna expressway (21% of SOTP). JPA remains one of our top Infra picks.

### Entry into mid-market and low cost land drive leadership

In 18 months of its project launch in NOIDA, JPA has emerged as one of the top three developers in NCR region led by its competitive advantage of a) low cost land-bank (~Rs60/sq.ft), b) location on NOIDA-Gr. NOIDA expressway in 25 kms radius of CBD and c) its timely entry into mid-market with 'Wish Town Klassic' pricing at Rs3350/sq. ft. BAS-MLe that JPA will be able to fund Rs30bn (40% of project cost) contribution from NOIDA realty project for its Yamuna Expressway if it is able to sell Rs51bn worth of realty by FY12E. This assumes JPA is able to sell Rs25bn worth of realty, same as last 18 months in next 36 months.

### Innovation continues - Rs2mn studio house launched

After the success of Rs3.5mn houses in 4QFY09, JPA has launched Rs2-2.2mn (Rs3329/sq. ft) homes admeasuring 620-670 sq. ft. with amenities such as club, fitness centre and sports facilities. While NCR market prefers >1200 sq. ft. houses, it will be interesting to see response to 'KLASSIC studio apartments'.

### Buy deep value assets & 20% EPS CAGR

Buy JPA as it offers a blend of value asset play (45% discount to NAV) and 20% CAGR in parent EPS (FY8-10E). Triggers are a) improved macro – lower interest rate & better credit flow, b) timely execution of Karcham hydro project, c) monetize of realty land bank; and d) development of Yamuna Expressway region (airport).

### Estimates (Mar)

(Rs)	2007A	2008A	2009E	2010E	2011
Net Income (Adjusted - mn)	4,149	6,097	7,998	10,585	NA
EPS	3.78	5.20	5.62	7.44	NA
EPS Change (YoY)	-36.4%	37.5%	7.9%	32.4%	NA
Dividend / Share	0.719	0.978	0.770	0.924	NA
Free Cash Flow / Share	(9.95)	(17.70)	(5.35)	7.33	NA

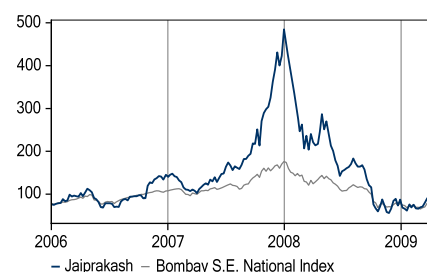
### Valuation (Mar)

	2007A	2008A	2009E	2010E	2011
P/E	33.25x	24.18x	22.40x	16.93x	NA
Dividend Yield	0.571%	0.777%	0.612%	0.734%	NA
EV / EBITDA*	23.57x	20.06x	14.21x	10.12x	NA
Free Cash Flow Yield*	-6.09%	-11.57%	-4.25%	5.82%	NA

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 8.

### Stock Data

Price	Rs125.85
Price Objective	Rs230.00
Date Established	18-Jan-2009
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs47.05-Rs297.35
Mrkt Val / Shares Out (mn)	US\$3,597 / 1,423.7
Average Daily Volume	30,768,380
ML Symbol / Exchange	JPRKF / BSE
Bloomberg / Reuters	JPA IN / JAIA.BO
ROE (2009E)	13.5%
Net Dbt to Eqty (Mar-2008A)	141.2%
Est. 5-Yr EPS / DPS Growth	20.0% / 20.0%
Free Float	52.3%



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Refer to important disclosures on page 9 to 11. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7.

26 April 2009

# iQprofile<sup>SM</sup> Jaiprakash Associates Limited

Key Income Statement Data (Mar)	2007A	2008A	2009E	2010E	2011
<b>(Rs Millions)</b>					
Sales	34,715	39,851	63,315	92,363	NA
Gross Profit	17,103	20,290	27,165	36,609	NA
Sell General & Admin Expense	(7,770)	(9,319)	(11,686)	(14,875)	NA
Operating Profit	7,703	8,937	13,048	18,371	NA
Net Interest & Other Income	(1,504)	(504)	(1,623)	(2,572)	NA
Associates	NA	NA	NA	NA	NA
Pretax Income	6,199	8,434	11,426	15,799	NA
Tax (expense) / Benefit	(2,050)	(2,337)	(3,428)	(5,214)	NA
Net Income (Adjusted)	4,149	6,097	7,998	10,585	NA
Average Fully Diluted Shares Outstanding	1,096	1,253	1,506	1,506	NA

## Key Cash Flow Statement Data

Net Income	4,149	6,097	7,998	10,585	NA
Depreciation & Amortization	1,631	2,033	2,431	3,363	NA
Change in Working Capital	2,941	277	(2,746)	2,370	NA
Deferred Taxation Charge	69	696	2,057	1,264	NA
Other Adjustments, Net	0	0	0	0	NA
Cash Flow from Operations	8,789	9,102	9,740	17,583	NA
Capital Expenditure	(19,694)	(29,837)	(17,350)	(7,150)	NA
(Acquisition) / Disposal of Investments	(2,191)	(14,487)	(8,972)	(22,480)	NA
Other Cash Inflow / (Outflow)	0	0	0	0	NA
Cash Flow from Investing	(21,885)	(44,324)	(26,322)	(29,630)	NA
Shares Issue / (Repurchase)	42	151	504	0	NA
Cost of Dividends Paid	(909)	(1,341)	(1,282)	(1,539)	NA
Cash Flow from Financing	10,722	39,052	18,791	(1,539)	NA
Free Cash Flow	(10,905)	(20,735)	(7,610)	10,433	NA
Net Debt	40,834	64,901	62,944	76,530	NA
Change in Net Debt	15,334	24,068	(1,958)	13,587	NA

## Key Balance Sheet Data

Property, Plant & Equipment	29,220	37,115	64,184	64,821	NA
Other Non-Current Assets	40,043	74,438	71,260	96,890	NA
Trade Receivables	4,521	5,862	7,979	11,387	NA
Cash & Equivalents	14,324	18,154	20,363	6,776	NA
Other Current Assets	23,757	35,613	40,438	56,148	NA
Total Assets	111,863	171,183	204,224	236,022	NA
Long-Term Debt	55,158	83,056	83,307	83,307	NA
Other Non-Current Liabilities	4,901	5,597	7,653	8,917	NA
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	23,077	36,551	40,748	62,236	NA
Total Liabilities	83,135	125,204	131,708	154,459	NA
Total Equity	28,728	45,979	72,517	81,563	NA
Total Equity & Liabilities	111,863	171,183	204,224	236,022	NA

## iQmethod<sup>SM</sup> - Bus Performance\*

Return On Capital Employed	7.2%	7.7%	7.2%	8.1%	NA
Return On Equity	14.9%	16.3%	13.5%	13.7%	NA
Operating Margin	22.2%	22.4%	20.6%	19.9%	NA
EBITDA Margin	26.9%	27.5%	24.4%	23.5%	NA

## iQmethod<sup>SM</sup> - Quality of Earnings\*

Cash Realization Ratio	2.1x	1.5x	1.2x	1.7x	NA
Asset Replacement Ratio	12.1x	14.7x	7.1x	2.1x	NA
Tax Rate (Reported)	33.1%	27.7%	30.0%	33.0%	NA
Net Debt-to-Equity Ratio	142.1%	141.2%	86.8%	93.8%	NA
Interest Cover	3.0x	2.6x	3.4x	4.0x	NA

## Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 8.

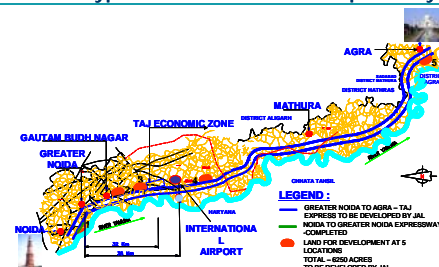
## Company Description

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 is currently setting up another 1,500MW thermal power plants, 1,000MW hydro unit and claims concession for another 3,245MW hydro stations. It is also doubling its cement capacity and has interests in hotels & hospitality sectors.

## Investment Thesis

We believe key potential stock triggers are a) acquisition of land for Taj Expressway & 2nd parcel of real estate land bank at NOIDA, b) visibility on development plan of Taj Expressway region like Greater NOIDA international airport, F1 circuit etc. and c) IPO/PE deals at JP Infratech & Power. 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 & holding company structure.

## Chart 1: Jaypee Infratech – Yamuna Expressway



Source: Company

## Chart 2: Jaypee Infratech – NOIDA Landbank



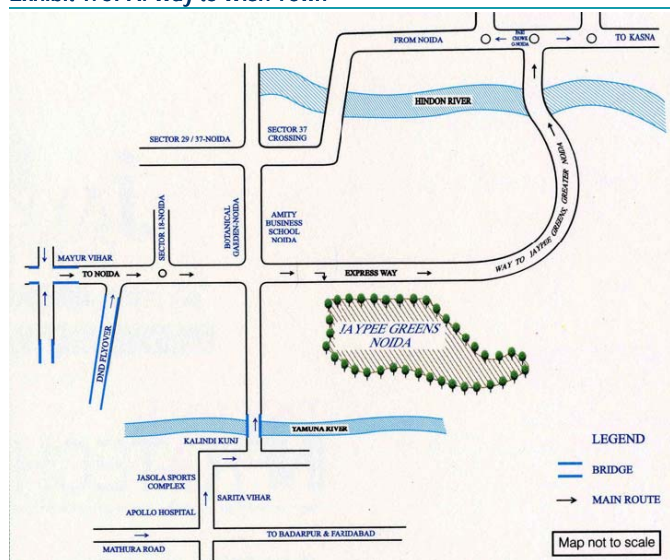
Source: Company

## Stock Data

Price to Book Value 2.5x

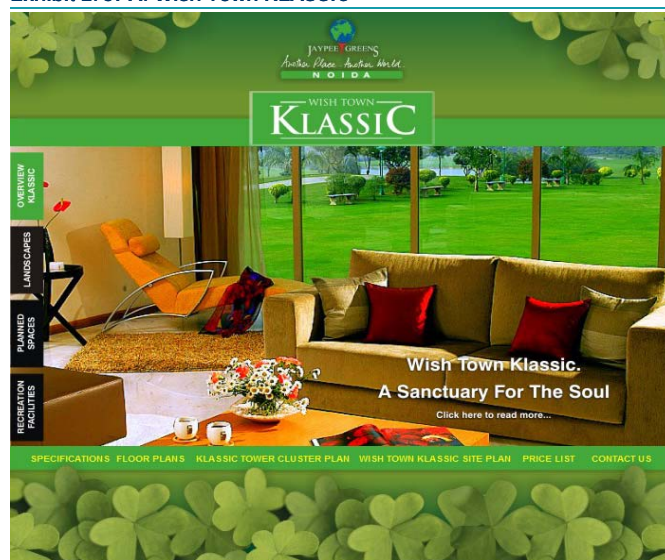
26 April 2009

Exhibit 1: JPA: Way to Wish Town



Source: Company

Exhibit 2: JPA: Wish Town KLASSIC



Source: Company

Table 1: JPA - Sum-of-the Parts Valuation

Parts	Rationale	Value (Rs mn)	Value (Rs/share)
<b>Infrastructure</b>		<b>172321</b>	<b>121</b>
Engineering & Construction	At 7x FY10E EBITDA - ~25% discount to target multiples of E&C majors - BHEL & L&T	63706	45
Jaypee Infratech	DCF; Noida land on development & other parcels on land sale	67762	48
JP Greens	DCF at WACC - 13.6%	14385	10
Jaypee Ganga Infrastructure	At Book Value	920	1
Captive coal mine	DCF at Cost of Equity - 12.6%	25548	18
<b>Power</b>		<b>147933</b>	<b>104</b>
Baspa II (300MW) - JHPL	At 10% discount to DCF at Cost of equity - 12.7% for JPA's 63.3% stake	7570	5
JP PowerGrid	At 10% discount to DCF at Cost of Equity - 15% for JPA's effective 46.9% stake	1597	1
Vishnuprayag HEP (400MW)	At 10% discount to DCF at Cost of Equity - 13% for JPA's 80.6% stake	15514	11
Karcham Wangtoo HEP (1,000MW)	At 10% discount to DCF at Cost of Equity - 15% for JPA's 80.6% stake	28024	20
Siang HEP (2,025MW)	At 10% discount to DCF at Cost of Equity - 16.4% for JPA's 71.7% stake	25539	18
Hirong HEP (500MW)	At 10% discount to DCF at Cost of Equity - 16.4% for JPA's 71.7% stake	5602	4
Nigrie TPS (1,000MW)	At 10% discount to DCF at Cost of Equity - 13.8% for JPA's 80.6% stake	21136	15
Churk TPS (500MW)	At 10% discount to DCF at Cost of Equity - 13.8% for JPA's 100% stake	6149	4
Bina Power (1250MW)	At 10% discount to DCF at Cost of Equity - 13.8% for JPA's 80.6% stake	26420	19
Wind Power project (50MW)	At 2x Book Value	1500	1
Carbon Credits - CERs	At 10% discount to DCF at Cost of Equity - 15.3% for JPA's attributable stake	8881	6
<b>Cement</b>		<b>61055</b>	<b>43</b>
Cement + captive power (Parent)	At US\$75/tn - 40% discount to the industry's current replacement cost of US\$125/ton - in line with the trough valuation of industry majors	54900	39
Gujarat Anjan - Ph I	US\$75/tn for JPA's 98.9% stake	4344	3
SAIL Bhilai JV	At Book Value	1812	1
<b>Hotels</b>		<b>3991</b>	<b>3</b>
Hotels	At 2x FY10E Sales	3991	3
<b>Projects under construction</b>		<b>15503</b>	<b>11</b>
<b>Less: Net Debt</b>		<b>73961</b>	<b>52</b>
<b>JPA Equity Value</b>		<b>326842</b>	<b>230</b>

Source: BAS-ML Research

Table 2: JPA - Profit and Loss Statement (Parent)

Year End Mar31 (Rs mn)	FY06	FY07	FY08	FY09E	FY10E
<b>Income from operations</b>	<b>31648</b>	<b>34715</b>	<b>39851</b>	<b>63315</b>	<b>92363</b>
<i>% growth</i>	<i>14.5%</i>	<i>9.7%</i>	<i>14.8%</i>	<i>58.9%</i>	<i>45.9%</i>
Construction and manufacturing expense	(18934)	(17501)	(17784)	(24888)	(37363)
<i>% of construction + cement + hospitality sales</i>	<i>59.8%</i>	<i>50.6%</i>	<i>48.3%</i>	<i>50.7%</i>	<i>54.5%</i>
Raw Materials - Asbestos Sheets		(110)	(228)	(133)	(146)
<i>% of Asbestos Sheets sales</i>		<i>85.7%</i>	<i>47.5%</i>	<i>85.0%</i>	<i>85.0%</i>
Personnel expenses	(1244)	(1611)	(2553)	(2764)	(3055)
<i>% of sales</i>	<i>3.9%</i>	<i>4.6%</i>	<i>6.4%</i>	<i>4.4%</i>	<i>3.3%</i>
Selling and distribution expense	(2716)	(3450)	(3689)	(5120)	(7359)
<i>% of sales</i>	<i>8.6%</i>	<i>9.9%</i>	<i>9.3%</i>	<i>8.1%</i>	<i>8.0%</i>
Other expenses	(2407)	(2708)	(3078)	(3802)	(4461)
<i>% of sales</i>	<i>7.6%</i>	<i>7.8%</i>	<i>7.7%</i>	<i>6.0%</i>	<i>4.8%</i>
Expenditure - JP Greens			(1550)	(2539)	(4186)
<i>% of JP Greens</i>			<i>60.6%</i>	<i>69.0%</i>	<i>65.0%</i>
Expenditure - Taj Expressway			0	(8591)	(14059)
<i>% of Taj Expressway</i>				<i>83.0%</i>	<i>81.5%</i>
<b>Total Expenditure</b>	<b>(25301)</b>	<b>(25381)</b>	<b>(28881)</b>	<b>(47836)</b>	<b>(70629)</b>
<b>EBITDA</b>	<b>6346</b>	<b>9333</b>	<b>10970</b>	<b>15479</b>	<b>21734</b>
<i>% EBITDA Margin</i>	<i>20.1%</i>	<i>26.9%</i>	<i>27.5%</i>	<i>24.4%</i>	<i>23.5%</i>
Depreciation	(1515)	(1631)	(2033)	(2431)	(3363)
<b>EBIT</b>	<b>4832</b>	<b>7703</b>	<b>8937</b>	<b>13048</b>	<b>18371</b>
<i>% EBIT Margin</i>	<i>15.3%</i>	<i>22.2%</i>	<i>22.4%</i>	<i>20.6%</i>	<i>19.9%</i>
Interest and finance charges	(2397)	(2573)	(3391)	(3809)	(4618)
Other Income	1598	1069	2888	2186	2046
<b>PBT</b>	<b>4032</b>	<b>6199</b>	<b>8434</b>	<b>11425</b>	<b>15798</b>
<i>% PBT Margin</i>	<i>12.7%</i>	<i>17.9%</i>	<i>21.2%</i>	<i>18.0%</i>	<i>17.1%</i>
Current tax provision	(1240)	(1981)	(1641)	(1371)	(3950)
Deferred tax provision	(6)	(69)	(696)	(2057)	(1264)
Adjustment for extra-ordinary					
<b>Total taxes</b>	<b>(1246)</b>	<b>(2050)</b>	<b>(2337)</b>	<b>(3428)</b>	<b>(5213)</b>
<i>Effective Tax Rate</i>	<i>30.9%</i>	<i>33.1%</i>	<i>27.7%</i>	<i>30.0%</i>	<i>33.0%</i>
<b>Recurring PAT</b>	<b>2786</b>	<b>4149</b>	<b>6097</b>	<b>7998</b>	<b>10585</b>
<i>% Margin</i>	<i>8.8%</i>	<i>12.0%</i>	<i>15.3%</i>	<i>12.6%</i>	<i>11.5%</i>
<b>Total Extraordinary</b>	<b>3614</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reported PAT</b>	<b>6400</b>	<b>4149</b>	<b>6097</b>	<b>7998</b>	<b>10585</b>

Source: Company, BAS-ML Research

26 April 2009

**Table 3: JPA - Balance Sheet Statement (Parent)**

Year End Mar31 (Rs mn)	FY06	FY07	FY08	FY09E	FY10E
Share Capital	2151	2192	2343	2847	2847
Reserves and Surplus	24671	26537	39652	69670	78716
Miscellaneous Expenditure Written off	(5)	(1)	(1)	(1)	(1)
Equity Warrants			3985	0	0
<b>Networth</b>	<b>26817</b>	<b>28728</b>	<b>45979</b>	<b>72516</b>	<b>81562</b>
Deferred Tax Liability	4832	4901	5597	7653	8917
Secured Loans	27214	36860	46403	46903	46903
Unsecured Loans	14984	18298	36653	36404	36404
- USD FCCBs I & III	1096	89	15946	15946	15946
- Euro FCCBs II	8927	9491	601	352	352
- JPY ECB		2902	11556	11556	11556
- Others	4962	5817	8549	8549	8549
<b>Total Loan funds</b>	<b>42198</b>	<b>55158</b>	<b>83056</b>	<b>83307</b>	<b>83307</b>
<b>Total Capital Employed</b>	<b>73847</b>	<b>88787</b>	<b>134631</b>	<b>163476</b>	<b>173786</b>
Gross Block	36638	42019	51662	81162	85162
Accumulated Depreciation	(11961)	(12800)	(14547)	(16978)	(20342)
<b>Net Block</b>	<b>24677</b>	<b>29220</b>	<b>37115</b>	<b>64184</b>	<b>64821</b>
CWIP	8761	22281	42190	30040	33190
Investments	15570	17761	32248	41220	63700
Cash and bank balances	16698	14324	18154	22933	9345
Inventories	12125	12646	13075	22203	30470
Sundry Debtors	4224	4521	5862	7979	11387
Other Current Assets	34	125	319	507	739
Loans and advances	9118	10985	22219	15158	22368
<b>Current Assets</b>	<b>42198</b>	<b>42601</b>	<b>59629</b>	<b>68780</b>	<b>74310</b>
Current Liabilities	15369	20036	33491	35525	54846
Provisions	1991	3041	3061	5224	7389
<b>Current Liabilities &amp; Provisions</b>	<b>17359</b>	<b>23077</b>	<b>36551</b>	<b>40748</b>	<b>62236</b>
<b>Net Current Assets</b>	<b>24839</b>	<b>19524</b>	<b>23078</b>	<b>28032</b>	<b>12075</b>
<b>Total Assets</b>	<b>73847</b>	<b>88787</b>	<b>134631</b>	<b>163476</b>	<b>173786</b>

Source: Company, BAS-ML Research

26 April 2009

**Table 4: JPA - Cash Flow Statement (Parent)**

Year End Mar31 (Rs mn)	FY06	FY07	FY08	FY09E	FY10E
PBT	4032	6199	8434	11425	15798
Add: Depreciation	1515	1631	2033	2431	3363
Less: Taxes	(1246)	(2050)	(2337)	(3428)	(5213)
Change in Deferred Tax Liability	6	69	696	2057	1264
Change in Inventories	(6128)	(522)	(429)	(9128)	(8267)
Change in Debtors	(521)	(297)	(1341)	(2118)	(3408)
Change in Other Assets	(13)	(91)	(194)	(188)	(233)
Change in Loans & Advances	(633)	(1867)	(11234)	7061	(7210)
Change in Current Liabilities	4370	4667	13455	2034	19322
Change in Provisions	665	1050	20	2163	2166
<b>Net change in Working Capital</b>	<b>(2259)</b>	<b>2941</b>	<b>277</b>	<b>(176)</b>	<b>2370</b>
<b>Cash flow from Operating activities</b>	<b>2047</b>	<b>8789</b>	<b>9102</b>	<b>12309</b>	<b>17582</b>
Extraordinary items & tax adjustments	3614	(0)	0	0	0
Capex	(10888)	(19694)	(29837)	(17350)	(7150)
Investments	(3651)	(2191)	(14487)	(8972)	(22480)
<b>Cash flow from Investing activities</b>	<b>(10925)</b>	<b>(21885)</b>	<b>(44324)</b>	<b>(26322)</b>	<b>(29630)</b>
Change in share capital	388	42	151	504	0
Change in Debt	10209	12960	27898	251	0
Change in Reserves	8368	(1370)	12344	19318	0
Dividend & Dividend Tax	(662)	(909)	(1341)	(1282)	(1539)
<b>Cash flow from Financing activities</b>	<b>18303</b>	<b>10722</b>	<b>39052</b>	<b>18791</b>	<b>(1539)</b>
<b>Net inc/(dec) in cash &amp; cash equivalents</b>	<b>9426</b>	<b>(2374)</b>	<b>3830</b>	<b>4778</b>	<b>(13587)</b>
Cash & cash equivalents beginning of year	7272	16698	14324	18154	22933
<b>Cash &amp; cash equivalents end of year</b>	<b>16698</b>	<b>14324</b>	<b>18154</b>	<b>22933</b>	<b>9345</b>

Source: Company, BAS-ML Research

**Table 5: JPA - Key Ratios & Valuations (Parent)**

	FY06	FY07	FY08	FY09E	FY10E
Share Price (Rs)	126	126	126	126	126
Number of Shares (mn)	1075	1096	1172	1424	1424
Fully Diluted Shares (mn)	1075	1096	1253	1506	1506
Basic Parent EPS (Rs)	2.6	3.8	5.2	5.6	7.4
EPS growth (%)	10.0%	46.1%	37.5%	7.9%	32.4%
<b>Fully Diluted Parent EPS (Rs)</b>	<b>2.6</b>	<b>3.8</b>	<b>4.9</b>	<b>5.3</b>	<b>7.0</b>
CEPS (Rs)	4.0	5.3	6.9	7.3	9.8
DPS (Rs)	0.5	0.7	1.0	0.8	0.9
P/E (x)	48.6	33.3	24.2	22.4	16.9
P/CEPS (x)	31.5	23.9	18.1	17.2	12.8
Yield (%)	0.4%	0.6%	0.8%	0.6%	0.7%
<b>RoE (%)</b>	<b>14.2%</b>	<b>14.9%</b>	<b>16.3%</b>	<b>13.5%</b>	<b>13.7%</b>
Net Profit/ EBIT (%)	57.7%	53.9%	68.2%	61.3%	57.6%
EBIT/ Sales (%)	15.3%	22.2%	22.4%	20.6%	19.9%
Sales/ Assets (%)	51.5%	42.7%	35.7%	42.5%	54.8%
Assets/ Networth (%)	314.2%	292.8%	299.1%	251.6%	218.9%
RoCE (%)	7.9%	9.5%	8.0%	8.8%	10.9%
Market Cap (Rs mn)	135,325	137,957	147,433	179,176	179,176
Total Debt (Rs mn)	42,198	55,158	83,056	83,307	83,307
Cash (Rs mn)	16,698	14,324	18,154	22,933	9,345
Net Debt (Rs mn)	25,500	40,834	64,901	60,374	73,961
EV (Rs mn)	160,825	178,790	212,335	239,550	253,138
EV/EBITDA (x)	25.3	19.2	19.4	15.5	11.6
BV (Rs)	25	26	39	51	57
P/BV (x)	5.0	4.8	3.2	2.5	2.2
Net debt/ Equity (x)	1.0	1.4	1.4	0.8	0.9

Source: Company, BAS-ML Research

## Price objective basis & risk

### Jaiprakash (JPRKF)

Our PO of Rs230 for JPA is based on base case valuation for all parts ex-JP Infratech, which is valued on bear-case valuations. Jaypee Infratech is valued at Rs48/share on DCF basis. E&C business is valued at Rs45/share, 7x 1-yr forward EBITDA - 25pct discount to target multiples of E&C majors - BHEL & L&T. JP Greens is valued at Rs10/share based on DCF at WACC 13.6pct. Jaypee Ganga is valued at book value of Re1/share. Captive coal mine is valued at Rs18/share based on DCF at Cost of Equity 12.6pct. Stake of 46.9-100pct in Power projects are valued at 10pct discount to DCF at Rs104/share. Cement business is valued at Rs43/share - Cement & captive power (Parent) at Rs39/share at US\$75/tn - 40% discount to the industry's current replacement cost of US\$125/ton, Gujarat Anjan at Rs3/share based on US\$75/tn for its 98.9pct stake and SAIL Bhilai JV at book value of Rs1/share. Hotel business is valued at 2x FY10E Sales at Rs3share. Projects under construction are valued at Rs11/share at book value. Removing net debt of Rs52/share we arrive at an SOTP value of Rs230/share. JPA offers a blend of asset play & 20pct CAGR in parent EPS over FY08-10E. 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.

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26 April 2009

India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Gujarat State	GJRSF	GUJS IN	Vidyadhar Ginde
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash	JPRKF	JPA IN	Bharat Parekh
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	NTPC Ltd	NTHPF	NATP IN	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
	Reliance Infrastructure	RELF	RIFS LI	Bharat Parekh
	Suzlon Energy	SZEYF	SUEL IN	Bharat Parekh
<b>NEUTRAL</b>				
	Gail India	XGLAF	GAIL IN	Vidyadhar Ginde
	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	Sun TV LTD	SUTVF	SUNTV IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
<b>UNDERPERFORM</b>				
	ABB	ABVFF	ABB IN	Bharat Parekh
	Balaji Tele	BLJIF	BLJT IN	Bharat Parekh
	Gujarat Gas Co	GJGCF	GGAS IN	Vidyadhar Ginde
	Indraprastha Gas	IAGSF	IGL IN	Vidyadhar Ginde
	Jaiprakash Hydro	XJSHF	JHPL IN	Bharat Parekh
	Zee Entertainmen	XZETF	Z IN	Bharat Parekh
<b>RVW</b>				
	GMR Infra	GMRLF	GMRI IN	Bharat Parekh

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Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Amortization	Amortization
Operating Margin	Net Income	Shareholders' Equity
Earnings Growth	Operating Profit	Sales
Free Cash Flow	Expected 5-Year CAGR From Latest Actual	N/A
	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
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
<b>Valuation Toolkit</b>		
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	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales}$	
	Other LT Liabilities	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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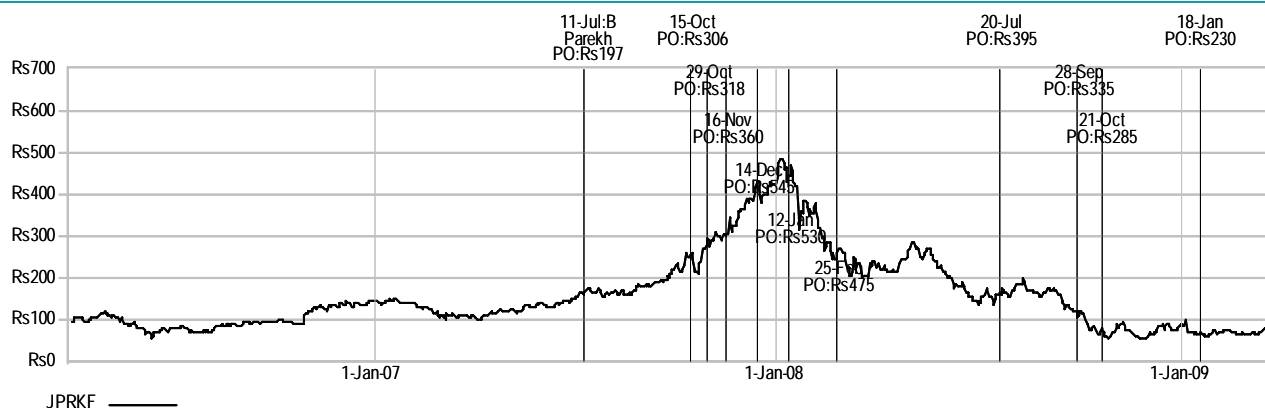
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26 April 2009

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### JPRKF Price Chart



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

\*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of March 31, 2009 or such later date as indicated.

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	36	40.91%	Buy	16	51.61%
Neutral	20	22.73%	Neutral	6	35.29%
Sell	32	36.36%	Sell	8	29.63%

### Investment Rating Distribution: Global Group (as of 01 Apr 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1243	38.21%	Buy	520	46.39%
Neutral	841	25.85%	Neutral	349	47.04%
Sell	1169	35.94%	Sell	388	36.30%

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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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26 April 2009

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