



RESEARCH

Bharat Parekh >> +91 22 6632 8656
Research Analyst
DSP Merrill Lynch (India)
bharat_parekh@ml.com

Reena Verma Bhasin, CFA >> +91 22 6632 8667
Research Analyst
DSP Merrill Lynch (India)
reena_verma@ml.com

Good 3Q Led By Rebound In E&C

3QFY09: Sales +47%; EBITDA +31%; Rec. PAT 26%YoY; Buy

JPA 3Q recurring PAT up 26%YoY was +13% ahead of MLe on rebound in construction business led by improved execution at Yamuna Expressway and Karcham Wangtoo projects and dividends (Rs665mn) from its power subs. We cut our FY10E EPS by 10% on likely weak cement business and PO to Rs230 (from Rs285) to reflect de-rating of comps. Retain Buy, JPA remains one of our top Infra picks.

Rebound in E&C off-set weak cement; Power Subs. shine

JPA's 3Q validates our view that a rebound in E&C led by Yamuna Expressway and Karcham hydro projects – sales +71%YoY and EBIT >2x will compensate for a weak cement (sales +15%YoY; EBIT -6.5%YoY). This led to recurring PAT at Rs1.97bn +26%YoY. Provision of one-time severance pay of Rs450mn for Baglihar project (completed) workers, led reported PAT to Rs1.65bn. Cement was a drag - EBITDA/tn fell 13% (Rs990/tn) and EBIT margins -620bps YoY on volume +15%YoY. JP commissioned 2mtpa cement plant in Jan'09 and aims to start 4mt more in 4QF'09.

Cut earnings on weak cement ahead; PO Cut to Rs230 (285)

We have cut our FY10E EPS by 10% to factor-in lower cement prices (-7.5% v/s -5%) and lower volumes (13mmtpa v/s 13.5) on delay in commissioning of projects and slowed demand in North and Central India. We cut our PO to Rs230 (from Rs285) as we factor-in de-rating across its businesses – E&C 7x (10x), cement (US\$75/tn v/s US\$100 & 8x EV/EBITDA) and IPP assets (10% discount to DCF).

Buy deep value assets & 20% EPS CAGR

We reiterate our Buy rating on JPA as it offers a blend of value asset play (71% discount to NAV; 1.2x FY10E P/BV) and 20% CAGR in parent EPS (FY8-10E). Potential triggers are a) improved macro – lower inflation / rates, b) on-time execution of projects (Karcham), c) monetization 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

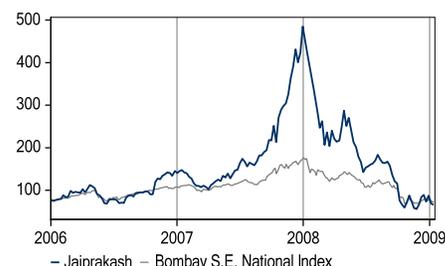
Valuation (Mar)

	2007A	2008A	2009E	2010E	2011
P/E	17.44x	12.68x	11.75x	8.88x	NA
Dividend Yield	1.09%	1.48%	1.17%	1.40%	NA
EV / EBITDA*	14.44x	12.29x	8.71x	6.20x	NA
Free Cash Flow Yield*	-11.61%	-22.07%	-8.10%	11.10%	NA

* For full definitions of *iQmethod*SM measures, see page 9.

Stock Data

Price	Rs66.00
Price Objective	Rs285.00 to Rs230.00
Date Established	19-Jan-2009
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Rs47.05-Rs458.80
Mrkt Val / Shares Out (mn)	US\$1,927 / 1,423.7
Average Daily Volume	31,442,010
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 10 to 12. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8.

19 January 2009

iQprofileSM Jaiprakash Associates Limited

Key Income Statement Data (Mar)	2007A	2008A	2009E	2010E	2011
(Rs Millions)					
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

iQmethodSM - 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

iQmethodSM - 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 iQmethodSM measures, see page 9.

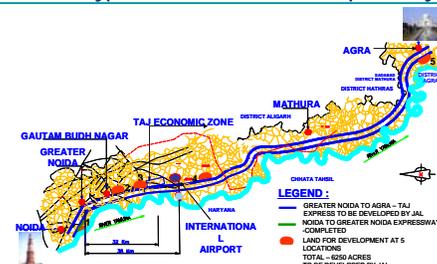
Company Description

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: Media

Stock Data

Price to Book Value

1.3x

Table 1: JPA - 3QFY09 Results Review

Rsmn	3QFY08	3QFY09	% YoY
Sales	9,000	13,217	46.9%
Construction, manufacturing & hotel	(4,720)	(7,565)	60.3%
<i>% sales</i>	52.4%	57.2%	
Staff	(570)	(777)	36.3%
<i>% sales</i>	6.3%	5.9%	
Other	(1,480)	(1,953)	31.9%
<i>% sales</i>	16.4%	14.8%	
Total Expenditure	(6,770)	(10,294)	52.1%
EBITDA	2,230	2,923	31.1%
<i>EBITDA Margin</i>	24.8%	22.1%	
Depreciation	(510)	(646)	26.7%
EBIT	1,720	2,277	32.4%
<i>EBIT Margin</i>	19.1%	17.2%	
Interest	(790)	(992)	25.5%
Other Income	430	589	37.1%
PBT	1,360	1,874	37.8%
<i>PBT Margin</i>	15.1%	14.2%	
Tax	(390)	(571)	46.5%
<i>Tax Rate</i>	28.7%	30.5%	
Recurring PAT	970	1,303	34.3%
<i>Recurring PAT Margin</i>	10.8%	9.9%	
Dividend from Subsidiaries	590	665	12.7%
Recurring PAT after Dividend	1,560	1,968	26.1%
Exceptionals, net of tax	0	(313)	N.A.
Reported PAT	1,560	1,655	6.1%
<i>Reported PAT Margin</i>	17.3%	12.5%	
Segment Results			
For the Period	3QFY08	3QFY09	% YoY
Revenues			
Cement	5,010	5,773	15.2%
Construction	4,400	7,517	70.8%
Power	10	37	266.0%
Hotel	80	73	-8.6%
Investments	590	665	12.7%
Others	150	71	-52.5%
Real Estate	0	664	N.A.
Total	10,240	14,801	44.5%
Less: Intersegment	(220)	(329)	49.7%
Income from Ops	10,020	14,471	44.4%
PBIT			
Cement	1,660	1,552	-6.5%
Construction	650	1,319	103.0%
Power	0	21	N.A.
Hotel	10	13	28.0%
Investments	590	665	12.7%
Others	0	0	N.A.
Real Estate	0	272	N.A.
Total	2,910	3,842	32.0%
Interest	(790)	(992)	25.5%
Unallocables	(170)	(361)	112.4%
PBT	1,950	2,489	27.6%

Source: Company

19 January 2009

Table 2: JPA - Sum-of-the Parts Valuation

Parts	Rationale	Value (Rs mn)	Value (Rs/share)
Infrastructure		172321	121
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
Power		147933	104
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
Cement		61055	43
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 Bhillai JV	At Book Value	1812	1
Hotels		3991	3
Hotels	At 2x FY10E Sales	3991	3
Steel		2570	2
Malvika Steel	At Book Value	2570	2
Projects under construction	At Book value	15503	11
Less: Net Debt		76530	54
JPA Equity Value		326843	230

Source: Banc of America Securities-Merrill Lynch Research Estimates

Table 3: JPA - Estimates change Summary (Parent)

(Rs mn)	Old	New	% change
Sales			
FY08	39,851	39,851	0.0%
FY09E	63,315	63,315	0.0%
FY10E	95,193	92,363	-3.0%
EBITDA			
FY08	10,970	10,970	0.0%
FY09E	15,479	15,479	0.0%
FY10E	23,481	21,734	-7.4%
Recurring PAT			
FY08	6,097	6,097	0.0%
FY09E	7,998	7,998	0.0%
FY10E	11,779	10,585	-10.1%
EPS (Rs)			
FY08	5.2	5.2	0.0%
FY09E	5.6	5.6	0.0%
FY10E	8.3	7.4	-10.1%

Source: Banc of America Securities-Merrill Lynch Research Estimates

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

Year End Mar31 (Rs mn)	FY06	FY07	FY08	FY09E	FY10E
Income from operations	31648	34715	39851	63315	92363
<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>
Total Expenditure	(25301)	(25381)	(28881)	(47836)	(70629)
EBITDA	6346	9333	10970	15479	21734
<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)
EBIT	4832	7703	8937	13048	18371
<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
PBT	4032	6199	8434	11426	15799
<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					
Total taxes	(1246)	(2050)	(2337)	(3428)	(5214)
<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>
Recurring PAT	2786	4149	6097	7998	10585
<i>% Margin</i>	<i>8.8%</i>	<i>12.0%</i>	<i>15.3%</i>	<i>12.6%</i>	<i>11.5%</i>
Total Extraordinary	3614	(0)	0	0	0
Reported PAT	6400	4149	6097	7998	10585

Source: Company, Banc of America Securities-Merrill Lynch Research Estimates

Table 5: 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	78717
Miscellaneous Expenditure Written off	(5)	(1)	(1)	(1)	(1)
Equity Warrants			3985	0	0
Networth	26817	28728	45979	72517	81563
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
Total Loan funds	42198	55158	83056	83307	83307
Total Capital Employed	73847	88787	134631	163476	173787
Gross Block	36638	42019	51662	81162	85162
Accumulated Depreciation	(11961)	(12800)	(14547)	(16978)	(20342)
Net Block	24677	29220	37115	64184	64821
CWIP	8761	22281	42190	30040	33190
Investments	15570	17761	32248	41220	63700
Cash and bank balances	16698	14324	18154	20363	6776
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	17728	24938
Current Assets	42198	42601	59629	68780	74311
Current Liabilities	15369	20036	33491	35525	54846
Provisions	1991	3041	3061	5224	7389
Current Liabilities & Provisions	17359	23077	36551	40748	62236
Net Current Assets	24839	19524	23078	28032	12076
Total Assets	73847	88787	134631	163476	173787

Source: Company, Banc of America Securities-Merrill Lynch Research Estimates

Table 6: JPA - Cash Flow Statement (Parent)

Year End Mar31 (Rs mn)	FY06	FY07	FY08	FY09E	FY10E
PBT	4032	6199	8434	11426	15799
Add: Depreciation	1515	1631	2033	2431	3363
Less: Taxes	(1246)	(2050)	(2337)	(3428)	(5214)
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)	4491	(7210)
Change in Current Liabilities	4370	4667	13455	2034	19322
Change in Provisions	665	1050	20	2163	2166
Net change in Working Capital	(2259)	2941	277	(2746)	2370
Cash flow from Operating activities	2047	8789	9102	9740	17583
Extraordinary items & tax adjustments	3614	(0)	0	0	0
Capex	(10888)	(19694)	(29837)	(17350)	(7150)
Investments	(3651)	(2191)	(14487)	(8972)	(22480)
Cash flow from Investing activities	(10925)	(21885)	(44324)	(26322)	(29630)
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)
Cash flow from Financing activities	18303	10722	39052	18791	(1539)
Net inc/(dec) in cash & cash equivalents	9426	(2374)	3830	2208	(13587)
Cash & cash equivalents beginning of year	7272	16698	14324	18154	20363
Cash & cash equivalents end of year	16698	14324	18154	20363	6776

Source: Company, Banc of America Securities-Merrill Lynch Research Estimates

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

	FY06	FY07	FY08	FY09E	FY10E
Share Price (Rs)	66	66	66	66	66
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%
Fully Diluted Parent EPS (Rs)	2.6	3.8	4.9	5.3	7.0
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)	25.5	17.4	12.7	11.7	8.9
P/CEPS (x)	16.5	12.5	9.5	9.0	6.7
Yield (%)	0.8%	1.1%	1.5%	1.2%	1.4%
RoE (%)	14.2%	14.9%	16.3%	13.5%	13.7%
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)	70,969	72,349	77,319	93,966	93,966
Total Debt (Rs mn)	42,198	55,158	83,056	83,307	83,307
Cash (Rs mn)	16,698	14,324	18,154	20,363	6,776
Net Debt (Rs mn)	25,500	40,834	64,901	62,944	76,530
EV (Rs mn)	96,469	113,183	142,220	156,910	170,496
EV/EBITDA (x)	15.2	12.1	13.0	10.1	7.8
BV (Rs)	25	26	39	51	57
P/BV (x)	2.6	2.5	1.7	1.3	1.2
Net debt/ Equity (x)	1.0	1.4	1.4	0.9	0.9

Source: Company, Banc of America Securities-Merrill Lynch Research Estimates

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 Rs1/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 (US\$100/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 Rs3/share. Malvika Steel is valued at Rs2/share at Book Value. Projects under construction are valued at Rs11/share at book value. Removing net debt of Rs54/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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India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	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
	Zee Entertainmen	XZETF	Z IN	Bharat Parekh
NEUTRAL				
	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
UNDERPERFORM				
	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
	SIFY Limited	SIFY	SIFY US	Bharat Parekh
REVIEW				
	GMR Infra	GMRLF	GMRI IN	Bharat Parekh

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + 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	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Sales Other LT Liabilities	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

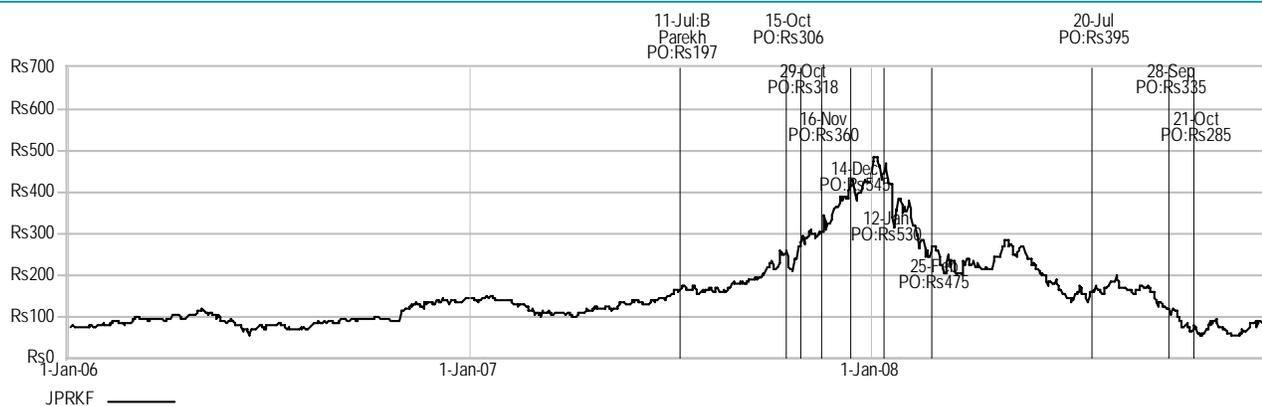
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JPRKF Price Chart



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 December 31, 2008 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website.*

Investment Rating Distribution: Industrials/Multi-Industry Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	51	50.50%	Buy	10	21.74%
Neutral	20	19.80%	Neutral	3	17.65%
Sell	30	29.70%	Sell	3	12.00%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1297	38.46%	Buy	314	26.81%
Neutral	859	25.47%	Neutral	210	28.23%
Sell	1216	36.06%	Sell	229	20.71%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BAS-ML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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