

July 1, 2010

Stock Rating
Equal-weight

Industry View
In-Line

Jaypee Infratech Limited

Gestating Assets – Initiating at Equal-weight; PT Rs85

Balanced risk-reward: We are initiating coverage on Jaypee Infratech (JIL) with an Equal-weight rating and SOTP-based PT of Rs85 per share (20% discount to Mar-11 NAV). We believe that the value in JIL's assets – 530 msf of real estate along the Yamuna Expressway, which it is developing and will operate on a BOT basis – may take 12-24 months to be unlocked. Near-term earnings are dependant on just one micro market, Noida, which has strong potential but may slow in ensuing quarters.

Key debate: Although the market has mixed views on whether Noida market volumes are sustainable, we believe that the trailing three-quarter new sales data in Noida is quite high – compared with its history and comparable markets (Gurgaon/Bangalore) – and is therefore unlikely to be sustained. Moreover, unsold inventory is rising fast.

Fairly valued: The stock is trading at a 15% discount to Mar-11e NAV of Rs106 per share, which we think leaves little upside without significant real estate volumes from (non-Noida) multiple sites, and clear visibility on a new airport in Noida – as in our bull case. On P/E, it is trading at 12.8x and 13.2x F11e and F12e EPS, implying a discount to the sector. Though the stock appears inexpensive on a P/E basis, we highlight that F11 earnings include a high contribution from plot sales and high dependence on Noida. **What's priced in:** expressway completion in C11 and steady-state monetization of the Noida land parcel.

Key risks include dependence on JAL for project implementation; and potential conflict of interest with JAL (competing projects; control of JIL's board of directors), a tight balance sheet in the near term, and dependence on Noida for near-term earnings. Other risks are dependence on the political and economic outlook for UP, and JIL's concentrated land bank.

Key Ratios and Statistics

Reuters: JYPE.BO Bloomberg: JPIN IN

India Property

Price target	Rs85.00
Up/downside to price target (%)	(6)
Shr price, close (Jun 30, 2010)	Rs90.00
52-Week Range	Rs98.50-76.20
Sh out, dil, curr (mn)	1,388
Mkt cap, curr (mn)	Rs124,920
EV, curr (mn)	Rs164,300
Avg daily trading value (mn)	US\$6.3

Fiscal Year ending	03/10	03/11e	03/12e	03/13e
ModelWare EPS (Rs)	3.98	7.03	6.81	9.10
ModelWare net inc (Rs mn)	4,875	9,762	9,449	12,634
P/E	23.0	12.8	13.2	9.9
P/BV	5.6	2.7	2.2	1.8
ROE (%)	-	49.0	20.4	22.7
Leverage (EOP) (%)	197.6	87.2	69.6	36.4

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).
e = Morgan Stanley Research estimates

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Initiation

Financial Summary

Income Statement

Rs Million	2010	2011E	2012E	2013E
Income				
Sale and Income from operations	6,407	21,579	33,973	46,572
Real Estate Income		22,246	31,016	43,663
Expressway Income		-	3,887	4,219
Expenditure	493	9,656	14,544	23,885
Cost of Sales	367	9,116	13,864	22,954
Administrative Expense	57	539	679	931
Operating Profits	5,913	11,923	19,429	22,687
Other Income	122	-	-	-
Interest and finance charges	-	-	5,825	5,246
Depreciation / amortisation	162	162	2,220	2,220
Profit before Tax	5,874	11,761	11,384	15,221
Provision for tax	998	1,999	1,935	2,587
Effective Tax Rate %	17.0	17.0	17.0	17.0
PAT	4,875	9,762	9,449	12,634

Balance Sheet

Rs Million	2010	2011E	2012E	2013E
Net Worth				
Share capital	12,260	13,880	13,880	13,880
Reserves	7,669	32,335	41,784	54,418
	19,929	46,215	55,664	68,298
Secured loans	57,210	57,210	57,210	57,210
Total Liabilities	77,139	103,425	112,874	125,508
Net Debt	39,380	40,315	38,735	24,877
Fixed Assets				
Total	52,115	71,149	80,040	77,820
Cash and Bank Balances	17,830	16,895	18,475	32,333
Current Assets				
Project Under Development	19,093	20,593	21,993	20,593
Sundry Debtors	1,026	1,026	1,026	1,026
Loans and Advances	6,869	7,555	7,933	8,330
	27,317	29,504	31,282	30,278
Current liabilities and provisions				
Current liabilities	18,746	12,746	15,546	13,546
Provisions	1,377	1,377	1,377	1,377
	20,123	14,123	16,923	14,923
Net Current Assets	7,194	15,381	14,359	15,355
Total Assets	77,139	103,425	112,874	125,508

Cash Flow Statement

Rs Million	2010	2011E	2012E	2013E
Cash flow from operating activities:				
Net Profits	4,875	9,762	9,449	12,634
add depreciation	162	162	2,220	2,220
add working capital required	-3,690	-8,187	1,022	-997
Net cash from operations	1,347	1,737	12,691	13,858
Cash flow from investing activities				
Fixed asset investments	26,561	19,196	11,111	0
Cash flow from financing activities				
Issuance of equity	2,600	16,524	0	0
(Increase)/decrease in net debt	-22,614	-935	1,580	13,858
Opening net debt	16,766	39,380	40,315	38,735
Closing net debt	39,380	40,315	38,735	24,877

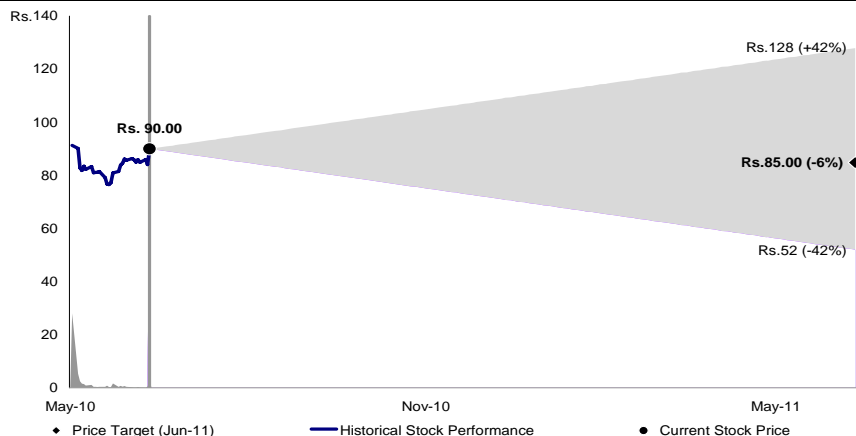
Ratio Analysis

	2010	2011E	2012E	2013E
Profitability Ratios				
OPM	92	55	57	49
Pre-Tax Margin	92	55	34	33
NPM	76	45	28	27
Valuation Ratios				
RoE (%)	24	21	17	18
RoCE (%)	8	11	15	16
Leverage Ratios				
Net Debt / Equity (%)	198	87	70	36
Debt / Equity (%)	287	124	103	84
Per Share Data				
EPS	3.98	7.03	6.81	9.10
BVPS	16.25	33.30	40.11	49.21

Source: Company data, Morgan Stanley Research. e = Morgan Stanley Research estimates

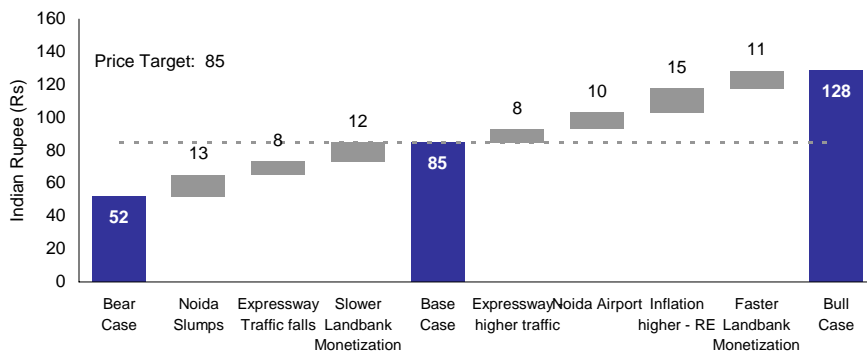
Risk-Reward Snapshot: Jaypee Infratech Ltd (JYPE.BO, Rs90, EW, PT Rs85)

Risk-Reward View: Balanced, with Limited Upside for Base Case



Price Target Rs85		Derived from Base Case
Bull Case Rs128	Implies 18x F11e EPS, 19x F12e	Higher property demand and traffic volumes; Noida Airport: Assumes 50% higher traffic on expressway (Rs8/share), approval of International airport in Noida escalating property prices and boosting traffic (Rs10/share); 7% price/cost inflation (Rs15/share); execution higher by 1msf p.a. in each parcel (Rs11/share).
Base Case Rs85	Implies 12x F11e EPS, 12.5x F12e	Continuing momentum in presales and on-track completion of expressway: Includes Mar-11e NAV of Rs106 with base case at a 20% discount to this forward NAV. NAV valuation assumes 14% disc. rate, 5% price / cost inflation p.a., and FY12 being the first full year of expressway operation.
Bear Case Rs52	Implies 7.3x F11e EPS, 7.6x F12e	Sluggish property demand and low traffic volumes: Assumes presales in Noida drop to 4msf p.a. (Rs13/share), 50% lower traffic volumes (Rs8/share), execution slower by 1msf p.a. in each parcel (Rs12/share).

Bear to Bull: Driven by F11 Presales and Expressway Execution



Source: Morgan Stanley, FactSet

Investment Thesis

- **We are Equal-weight on JIL.** While the real estate land parcels and expressway are valuable assets, unlocking their value will take 12-24 months, in our view. Nearer term, cash flows are linked to the Noida market, which could soften in the quarters ahead.
- **Longer term** – JIL enjoys a competitive advantage in terms of its strong brand, greater pricing power owing to low-cost land, and a differentiated offering in the form of an integrated township with golf course.
- **The Yamuna Expressway** is likely to benefit in the longer term from the migration of traffic from the arterial NH2, the proposed Taj International Airport, and the economic development of western UP.

Key Value Drivers

- **Pace of market absorption** of JIL's new launches in Noida and the other land parcels.
- **Price rerating of the intermediate parcels** between Noida and Agra due to better access provided by the expressway.
- **Expressway commissioning.**

Upside Risks

- Start of real estate business in Agra / Jaganpur.
- Govt. action on the proposed Taj International Airport.
- Execution progress on expressway.

Downside Risks

- Noida market slowdown.
- Tight balance sheet in near term.
- Potential conflict of interest with JAL.
- Dependence on the political and economic climate of Uttar Pradesh.
- Low free float.

Contents

Financial Summary	2
Risk-Reward Snapshot: Jaypee Infratech Ltd (JYPE.BO, Rs85, EW, PT Rs81)	3
Initiating at Equal-weight: Balanced Risk-Reward	5
Investment Positives	6
Investment Concerns	8
Key Debate: Are Noida Market Volumes Sustainable? Perhaps Not	10
Fairly Valued; Price Target Rs85	13
Risk-Reward Section	17
Financial Statements	21
Business Description	24

Initiating at Equal-weight: Balanced Risk-Reward

Why Equal-weight: Jaypee Infratech Limited (JIL) has large holdings of assets, the value of which we believe will take 12-24 months to be unlocked. Although JIL is making good progress in monetizing a valuable land parcel in Noida, cash flow dependence on that one micro market, which may slow down in ensuing quarters, implies a high risk profile for cash flow in the near/mid term. We thus see balanced risk-reward for the stock in the near term.

Fairly valued: Our price target of Rs85, based on sum-of-the-parts valuation methodology for the expressway and the real estate business, suggests that JIL is trading at fair value. The 15% discount to our Mar-11e NAV leaves little room for upside, in our view. The stock is trading at 12.8x and 13.2x F11e and F12e EPS, implying a discount to the sector. Though the stock appears inexpensive on a P/E basis, we highlight that F11 earnings include a high contribution from plot sales, complete dependence on Noida, and a flat growth outlook for F12.

What's in the price: Expressway completion in C11 and steady state monetization of Noida land parcels appear to be priced in.

What's not in the price: Significant real estate volumes from (non Noida) multiple sites, and clear visibility on a new airport in Noida. These are in our bull-case scenario.

Key catalysts for the stock include – Expressway commissioning in C11, commencement of real estate business in Agra and Jaganpur, new launches and presales in Noida, and government action on the proposed Noida Airport.

Yamuna Expressway: The Big Picture

The Yamuna Expressway, for which JIL holds the concession, will be a 165-km long, six-lane (extendable to eight) access-controlled expressway connecting Noida and Agra. It will pass through the proposed Sports Development Zone and the proposed Taj International Airport, and connect other important destinations like Mathura and Vrindavan. In addition, JIL will have the right to collect tolls from the existing 25 km of the Noida-Greater Noida expressway during the concession period.

Impressive Progress on Expressway So Far

As of 31 March 2010, JIL had acquired about 81% of the total 5,060 acres of land required for the expressway / interchanges

and has made substantial progress on ground work (100% of clearing/grubbing, and 87% of earthwork is complete). The company aims to complete the expressway in 2011, ahead of the completion date required by the concession (April 2013).

Real Estate Development Plans

The 6,175 acres of land for real estate development along the expressway is expected to consist of five 1,235-acre parcels (three in the National Capital Region, or NCR). An almost fully paid-for land bank, flexibility of mixed-use development, and integrated township positioning (at each location) are important competitive advantages for JIL, in our view.

Real Estate: Progress So Far – Early Days

As of March 2010, JIL had taken possession of 3,745 acres. It has initiated development of the Noida land parcel and is currently developing 24.3 msf of residential projects (about 88% sold). These projects were launched between November 2008 and February 2010, with handover of constructed property expected to commence in 2012.

Capital Outlay and Financing

The company estimates the total project cost of the Expressway to be Rs97.4bn, of which Rs55.5bn has been spent on land purchase (Rs25.6bn) and construction (Rs30.0bn), as of Feb-10. This is funded by Rs12.5bn in equity capital, Rs40.4bn in secured debt (land and equity as collateral), and Rs9.6bn from real estate inflows. JIL has paid 98% of the total land cost and has received 81% of the land required for the expressway (5,060 acres) and 61% for real estate development (6,175 acres).

Key Risks

JIL has high dependence on promoter Jaiprakash Associates Limited (JAL; a prominent infrastructure company with market capitalization of US\$6.1bn) for financial support and project implementation. In addition, conflicts of interest may arise between the two companies, since JAL, as the majority shareholder in JIL, has control on JIL's board of directors and has several competing projects.

Near term, JIL has a tight B/S (Mar-11 net gearing: 99%). Its expressway project has tough financial return characteristics, with high upfront investment and a long gestation period. Dependence on the economic and political outlook of Uttar Pradesh, a concentrated land bank, and possible regulatory changes are other risks.

Investment Positives

Backing from Strong Promoter Group: JAL

JAL is a prominent Indian infrastructure company with a market capitalization of approximately US\$6.1bn. It is the largest private hydropower group (700MW operational) and third largest cement group (14.7 MTPA operational). It completed hydro-electric plants generating 8,840 MW between 2002 and 2009, and has a proven record of executing large infrastructure and engineering projects. JIL is leveraging JAL's strong execution capability in planning and implementation of its expressway and real estate projects.

Strong Brand

Jaypee Greens (a brand owned by JAL and accessible for marketing JIL's real estate projects) has established itself as a strong brand in the real estate micro-market of NCR with 18,000 apartments sold in its residential projects in Noida and Greater Noida. The brand is supported by a marketing team of about 150 employees and a network of more than 200 brokers and sub-brokers.

Yamuna Expressway – Strong Competitive Position

The Yamuna Expressway will be a six-lane access-controlled expressway passing through a single state (vs. the main competition, NH-2, which is an open-access road and crosses three states), which should help cut down the travel time from Noida to Agra. It will also provide seamless connectivity to other important destinations like Mathura and Vrindavan.

Yamuna Expressway – Significant Progress Made

As of 31 March 2010, 81% of the land required for the expressway and interchanges has been acquired from the Yamuna Expressway Authority (YEA). JIL entered into a works contract with JAL in November 2007 for the implementation of the Yamuna Expressway. It has made substantial progress in the construction of the expressway, including completion of 100% of clearing and grubbing and 87% of earthwork (Exhibit 1). JIL aims to complete the expressway in 2011, ahead of the date required by the concession, April 2013, which includes a three-year extension due to delays in land acquisition by YEA.

Exhibit 1

JIL: Execution of Expressway

Activity	Total Quantity	Quantity Completed as of March 31, 2010	Percentage Completed as of Mar. 31, 2010 (%)
Clearing & Grubbing (hectares)	1,735	1,735	100%
Earthwork in Embankment incl. Fly Ash (thousand cubic meters)	40,173	34,837	87%
Structural Concrete			
Culverts (thousand cubic meters)	78	71	91%
Vehicular Underpasses/Cart Track Underpasses (thousand cubic meters)	254	158	62%
Minor Bridges (thousand cubic meters)	173	135	78%
Interchanges (thousand cubic meters)	395	183	46%
Pavement Quality Concrete (thousand cubic meters)	2,477	521	21%

Source: Jaypee Infratech Ltd Red Herring Prospectus – April 2010, Morgan Stanley Research

Exhibit 2

JIL: Deployment of Funds (as of Feb-2010)

	Project Cost	Funds Deployed	% Deployed
	Rs million	Rs million	
Cost of Land – Expressway & Development	26,190	25,564	98%
Road Construction Cost	53,000	29,959	57%
Preliminary & Preoperative Costs	2,400	1,571	65%
Provision for Contingencies	2,300	0	0%
Interest during Construction	13,500	5,407	40%
Total	97,390	62,501	64%

Source: Jaypee Infratech Ltd Red Herring Prospectus – April 2010, Morgan Stanley Research

Real Estate Land Bank – Largely Paid for and Low Cost

JIL has paid roughly 98% of its total land cost (including the expressway, Exhibit 2). It has taken possession of 3,745 acres of real estate development land out of 6,175 acres planned. Of the real estate land-bank, 55% is situated within NCR and was acquired at an average rate of Rs2.67mn per acre.

Real Estate Development – Differentiated Positioning: Integrated Townships

The availability of mostly contiguous land parcels of 1,235 acres gives JIL the flexibility to offer an “integrated township” product with considerable flexibility of land usage. The company will develop these land parcels for mixed usage, including residential, commercial, institutional (e.g., schools and hospitals), and recreational facilities – a differentiated offering that would be difficult for other developers to match.

July 1, 2010
Jaypee Infratech Limited

Large Portion of Yamuna Expressway Funding in Place

The company has entered into financing arrangements with various lenders for a total of Rs72bn, of which it intends to draw down Rs60bn (Rs57.2bn in loans outstanding as of March 2010) and has issued equity of about Rs20bn along with Rs16.5bn raised through the IPO, compared with the estimated overall project outlay of Rs97bn. As of Feb-2010, the company has already deployed Rs62.5bn for the Yamuna Expressway project (Exhibit 2).

Complementary Business Model

The Yamuna Expressway and peripheral real estate have a complementary relationship, with the expressway improving connectivity and thus increasing the value of the adjoining real estate; in turn, heightened residential/commercial activity facilitates greater traffic volume for the expressway.

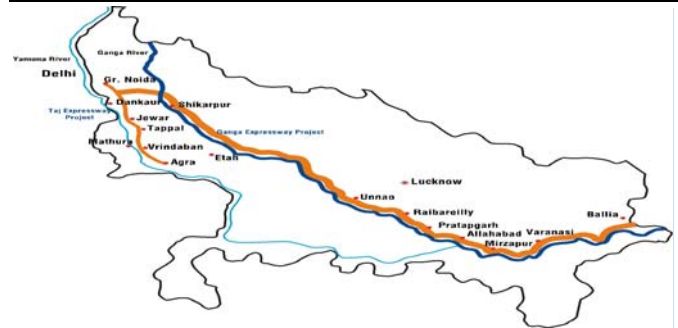
Upcoming Infrastructure Development in the Vicinity

Nearby projects should help the economic development of the region and generate demand for both real estate and the Yamuna Expressway. These include the already completed Delhi Metro extension up to Noida, the proposed International Airport at Jewar (between the third and fourth real estate land

parcels along the Expressway), the planned Ganga Expressway (Exhibit 3), development of the Sports City (with Formula-1 track) near the second land parcel.

Exhibit 3

Jaypee Group: Ganga Expressway Project



- 1,047 Km expressway
- 35 year concession period
- Rights of development of an estimated 30,000 acres of land along the Expressway
- 3.3 Bn. Sq. Feet Built-up Area

Source: Company data, Morgan Stanley Research
Note: Route shown from Gr. Noida to Agra is part of the Yamuna Expressway

Company Description

JIL, part of Jaypee Group, was incorporated in April 2007 as a special purpose company to implement the concession for the Yamuna Expressway. The concessionaire has the right to build, operate, and collect tolls for the Yamuna Expressway for a period of 36 years. The concessionaire also has the right to develop 25 million sq.m. of land at five locations along the Yamuna Expressway.

India Property

Industry View: In-Line

Momentum in economic growth in India is playing into a gradual recovery in the physical property market. We believe that the companies have good preparedness to benefit from this. Balance sheet risks have moderated after the re-capitalization in C09. However, an interest rate up-cycle, supply of paper, and adverse global macro are the headwinds.

Investment Concerns

Dependence on and Potential Conflict of Interest with JAL

JAL, or its affiliates/subsidiaries, will play a substantial role in assisting JIL in the capacity of promoter (majority shareholder), board constituent, and equity financier, as well as in project execution and marketing. Given JAL's extensive involvement in JIL, there is a risk that the benefits accruing to JAL could be disproportionate to and at the expense of JIL's interests, eventually resulting in lower cash flows and less value creation for JIL. The following are some of the areas in which JAL's interests could conflict with those of JIL:

1. **Promoter of JIL:** As the majority shareholder of JIL, JAL will continue to control JIL and will have the power to elect and remove JIL's directors. Consequently, JAL can determine the outcome of most proposals for corporate action requiring approval from JIL's board of directors, such as capital expenditure, dividend policy, transactions with JAL and its subsidiaries, or the assertion of claims against these companies, etc.
2. **Project costing:** JIL is highly dependent on JAL for implementing expressway and real estate projects. JAL is the key supplier of building materials (such as stone and cement) for JIL's projects. In addition, JIL relies on JAL for project planning, engineering services, selection and engagement of contractors/consultants, and sales and marketing. The level of construction and development expenses that JAL charges JIL might lower project returns for JIL.
3. **Competing projects:** JAL has plans for certain expressway and real estate projects that could directly compete with JIL's projects in the future. These projects include the Himalayan Expressway (extension of the Zirakpur-Parwanoo section of NH-22 to four lanes), the Ganga Expressway (1,047 km-long, eight-lane expressway connecting Greater Noida and Ghazipur-Ballia) and related real estate development, and a 2,500-acre Sports City (in District Gautam Budha Nagar, UP). There is no non-compete agreement in place between JAL, other Jaypee Group companies, and JIL.

Near Term, High Gearing

In view of the upfront capex requirement for the expressway, we estimate 99% net gearing for JIL in F11. We expect reduction in debt beyond F12 once the capex for expressway is over and the real estate business scales up (launches from multiple sites).

High Upfront Investment and Long Gestation Period for Returns

Yamuna Expressway is a long gestation project with high upfront investment (Rs97bn including land cost for the real estate business). In comparison, the cash flow generation will begin only after project completion (2011, according to the company) and YEA issuing a certificate of completion; and yields will be limited, likely well below the cost of capital in the initial phase. Due to these financial characteristics, JIL's investment carries high risk, in our view.

Land (Key Value Driver) Acquisition Risk

Land is JIL's most important asset, and is critical for both the Yamuna Expressway (5060 acres) and related real estate development (6175 acres). Pursuant to the concession agreement, JIL's entire land requirement will be leased from YEA.

This makes JIL vulnerable to any delay or problem in relation to the acquisition of the remaining land by YEA, which may consequently delay the implementation of the Yamuna Expressway Project. Some of the land acquired by JIL from YEA remains subject to litigation (some of this could be frivolous, as per the general practice in the India property sector, Exhibit 4), and JIL would be required to bear additional costs in case a judicial authority increases the compensation payable to the landowner.

Exhibit 4

JIL: Land under Dispute

	# Cases	Land under Dispute *	Total Land Requirement	Land under Dispute *
		(acres)	(acres)	%
Expressway	12	69	4,042	2%
Real Estate	58	2,045	6,175	33%

Source: Company DRHP (December 2009), Morgan Stanley Research,

* Limited to land already acquired by JIL

Note: Apart from the above, there are 1,004 pending cases/show-cause notices/summons filed against promoter JAL.

July 1, 2010

Jaypee Infratech Limited

Exhibit 5

JIL: Status of Land Acquisition

	Land already leased	Land not yet leased	Total land to be leased from YEA
Expressway	3,897	145	4,042
Interchanges	183	835	1,018
Total Expressway	4,080	980	5,060
Noida	1,211	24	1,235
Jaganpur	1,195	40	1,235
Mirzapur	1,031	204	1,235
Tappal	0	1,235	1,235
Agra	309	926	1,235
Total Real Estate	3,745	2,430	6,175

Source: Jaypee Infratech Ltd Red Herring Prospectus – April 2010, Morgan Stanley Research

Demand Tied to Uttar Pradesh's Economic Outlook

Both of JIL's cash flow drivers– the Yamuna Expressway and the five parcels for real estate development – are located in the northern state of Uttar Pradesh. This makes the monetization of these projects dependent on the economic development of this state. Local issues, such as changes in government, local

regulations/policies, the pace of industrialization and agriculture growth, will have a strong influence on the success of JIL's projects.

Risk of Lower Traffic Volume on Expressway

The success of the Yamuna Expressway could be hurt by lower-than-expected traffic density. Various factors could affect traffic density, including the take-up of real estate development along the expressway, the ability to cleave out traffic from existing roads like NH-2, increases in fuel prices, and changes in government policies with respect to toll rates.

Large Land Parcels – Absorption Risk

Each of JIL's five land parcels for real estate development along the expressway measures 1,235 acres. While the large size of the land parcel gives JIL the flexibility for mixed-use development and a competitive advantage, it also implies a long development cycle, since each of the five micro markets will likely have limited real estate demand per annum.

Key Debate: Are Noida Market Volumes Sustainable? Perhaps Not

Market view: No clear direction. Volumes may be sustainable, as Noida is an important satellite city in NCR and pricing has been disciplined. Or they may not be, as they appear high on an absolute basis.

Our view: Volumes will likely slow down. For the last three quarters, new launches and presale trends in Noida appear too high compared with its own history, neighboring Gurgaon, comparable Bangalore, and pan-India (top seven metros). Moreover, Noida developers are now raising prices, which could blunt new sales offtake.

Noida in the NCR Context

We detail NCR's quarterly data for the residential market in Exhibits 10-14, as sourced from JLL REIS. In particular, Noida has reported significantly higher new launch and new sales numbers in the last three quarters – an average of 17.5k units and 9.9k units, respectively.

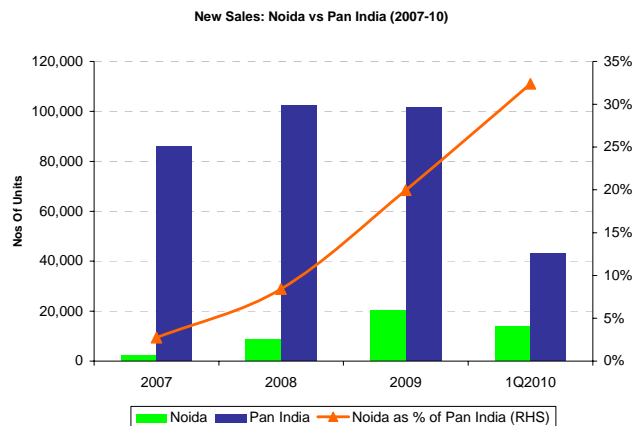
Compared with Gurgaon (another neighboring suburban satellite city to NCR), Noida reported 3.5x new sales (14k units), 6x new launches (30k units), and 2.2x unsold stock (33k units). Intuitively, we believe that all numbers for Noida should be lower (or comparable if adjusted for pricing) than for Gurgaon, given that its stock of commercial properties (proxy on size of local economy) is less than one-third of Gurgaon.

Noida in Pan-India/Bangalore Context

We have compared the new sales in Noida with the pan-India (top seven metros) data over the last three years (Exhibit 6). Noida's share of pan-India sales has risen from 3% in C07 to 32% in 1Q10, which appears quite high given the size of the Noida micro market.

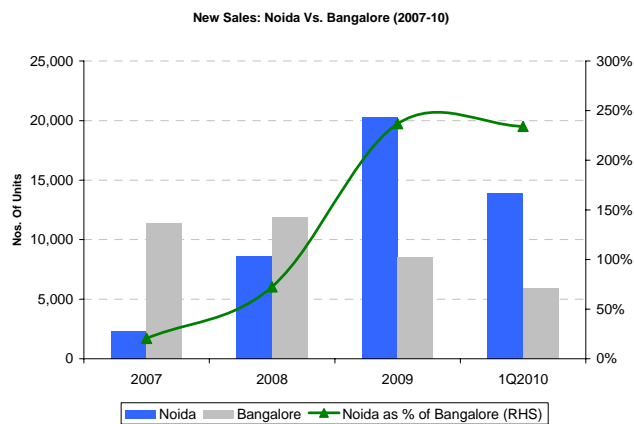
To adjust for the current disciplined pricing (Rs2800-3300 psf) in Noida, we have compared the new sales data with Bangalore market (where the prices continue to be relatively muted). Noida's new sales (as a % of Bangalore's new sales) have shot up from 21% in 2007 to 234% in 1Q10 (Exhibit 7). While 2007 data may not adequately capture the recent momentum in the economic activity in Noida, 2009 and 1Q10 data still appears quite high.

Exhibit 6
New Sales: Noida vs. Pan India (top 7 Metros)



Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Exhibit 7
New Sales: Noida vs. Bangalore



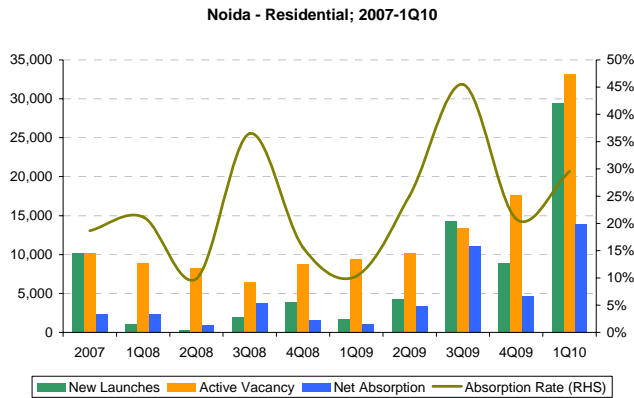
Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Noida Relative to Its Own History

We detail the last three years of data (2007-2009) of new sales and new launches in Noida in Exhibit 8. We also include Noida's share in the NCR market for new sales over the last three-year period. To compare, roughly 2.3k units, 8.6k units, and 20.3k units (three-year average of 10.4k units) were sold in Noida in C07, C08, and C09; In contrast, it sold 13.9k units in 1Q10, which does not appear likely to be sustained, in our view.

Exhibit 8

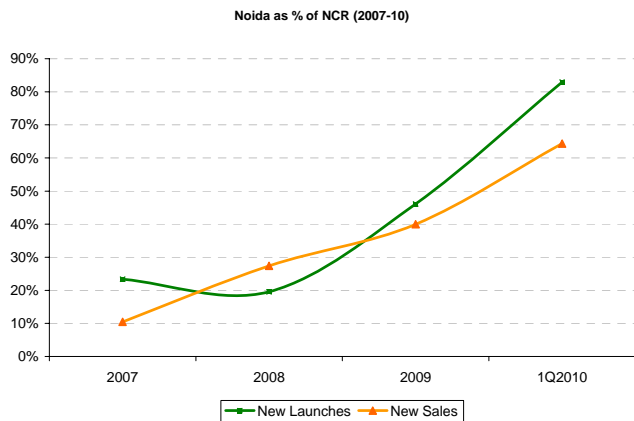
Noida Residential Supply and Absorption



Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Exhibit 9

Noida: New Launches & New Sales as % of NCR



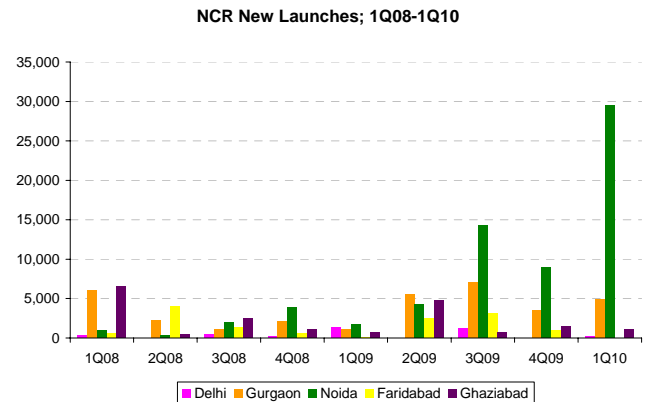
Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Noida Pricing and Competitive Landscape

Noida-based developers have, hitherto, maintained good pricing discipline, due to which a large number of projects are priced around Rs2800-3300 psf. However, in the last couple of months, we discern a 5-15% increase in prices. This includes Kensington Park, Kasa Isles projects by Jaypee, and Lotus Boulevard, Lotus Panache project by 3C. Given the high fragmentation in the Noida market (Jaypee, 3C, Amrapali, Unitech, Supertech, Eldeco, Antariksh, Mahagun, etc.), we believe that price increases will likely hurt volumes.

Exhibit 10

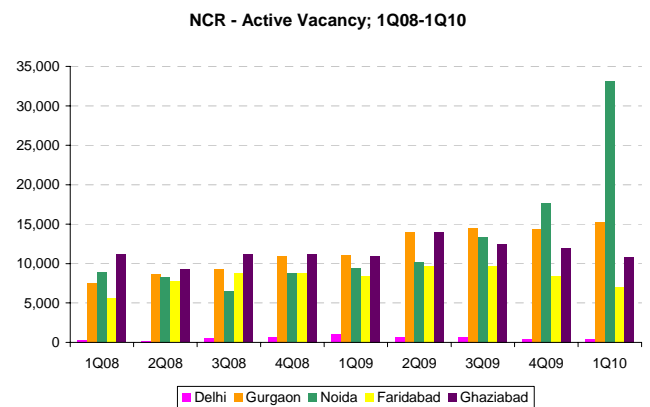
NCR New Launches by Sub-Market



Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Exhibit 11

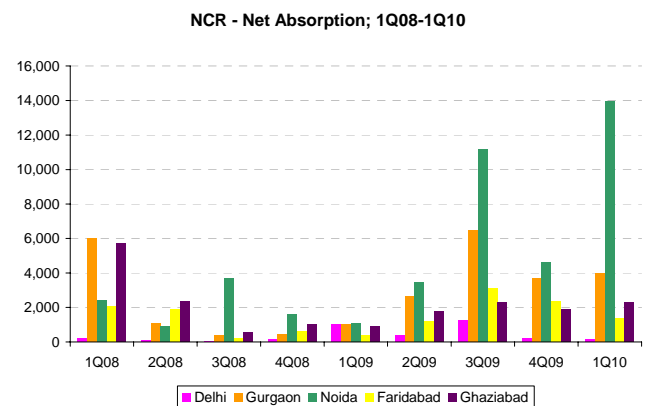
NCR Active Vacancy by Sub-Market



Source: JLLM REIS 1Q10 data, Morgan Stanley Research

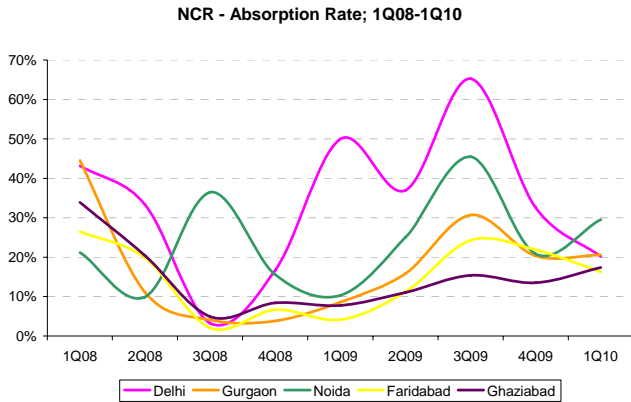
Exhibit 12

NCR Net Absorption/New Sales by Sub-Market



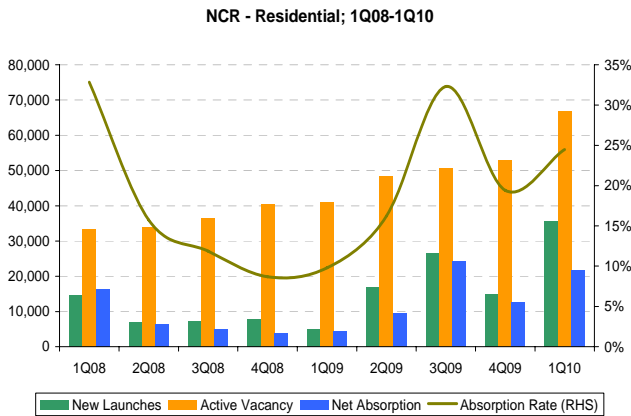
Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Exhibit 13
NCR Absorption Rate by Sub-Market



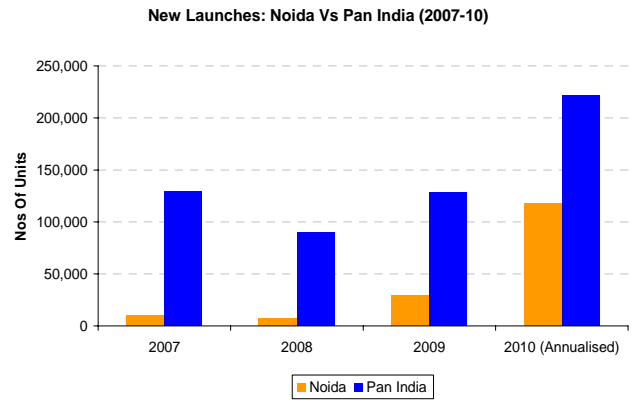
Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Exhibit 14
NCR Residential Supply and Absorption



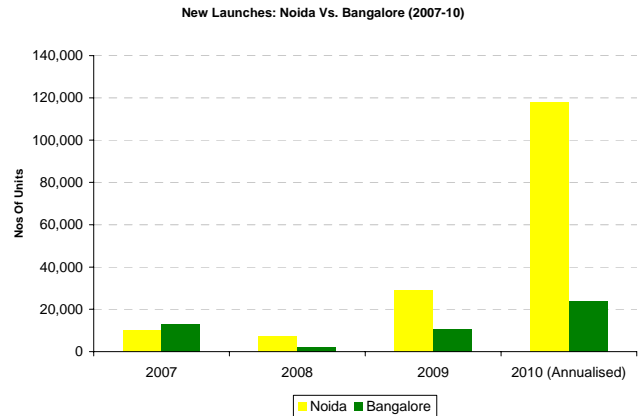
Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Exhibit 15
New Launches: Noida vs. Pan-India



Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Exhibit 16
New Launches: Noida vs. Bangalore



Source: JLLM REIS 1Q10 data, Morgan Stanley Research

Fairly Valued; Price Target Rs85

Sum-of-the-Parts Valuation – Real Estate + Expressway

To arrive at JIL's price target, we use sum-of-the-parts (SOTP) methodology, valuing the real estate and expressway separately, and then subtract liabilities.

Expressway Valuation – DCF Basis

We value JIL's 190 km expressway using DCF. The key assumptions – toll rates, traffic volumes, etc. – are detailed in Exhibits 17-19.

We assume completion of the expressway in 4Q11. Based on our assumptions (Exhibits 17-19), we estimate Rs3.9bn as the toll collections in the first full year of operation, F12. Our Mar-11 NPV of the expressway (based on 36 years of DCF) works out to Rs44bn. We have netted out the debt separately from the summation of the real estate and expressway value (Exhibit 22).

Exhibit 17

JIL: YE Toll Rate Assumptions

Vehicle Type	Toll Rates (in the first full year of operation)	
	Rs./ km/ vehicle	
Car/Jeep/LMV	0.84	
LCV/Mini Bus	1.36	
Bus	2.88	
Truck	2.88	
MAV (3-6)	4.51	
MAV (7+)	5.51	

Source: Morgan Stanley Research

Exhibit 18

JIL: Vehicular Volume Assumptions for Expressway

Region	Distance	Traffic Volume*
	in km	# vehicles
Noida - 0km (Grt. Noida)	25	55,000
0 - 36.18 km	36	25,000
36.18 - 48.2 km	12	20,000
48.2 - 110.0 km	62	20,000
110.0 - 153.45 km	43	25,000
153.45 - 165.54 km	12	30,000
	191	175,000

Source: Morgan Stanley Research

* Volumes in the First full Year of Operation

Exhibit 19

YE: Expressway NPV Calculation

Start Year	FY12
End Year	FY47
Start Year Toll Collection (Rs. mn)	3,887
Discount Rate (%)	14%
Tax Rate (%)	17%
NPV	43,686

Source: Morgan Stanley Research

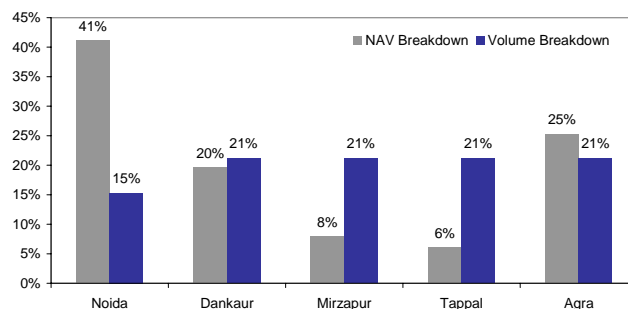
Real Estate Valuation – NAV Basis

We value JIL's land bank of 530 msf spread across five land parcels on NAV. We detail the key assumptions – pricing, execution time, construction cost, etc. – in Exhibit 23.

We arrive at Rs144bn (Rs104 per share) in NAV value for JIL's land bank. Given the prominent location of the Noida land parcel, it has the highest share (41%) in the overall real estate value. NAV split by location and usage are given in Exhibits 20 and 21.

Exhibit 20

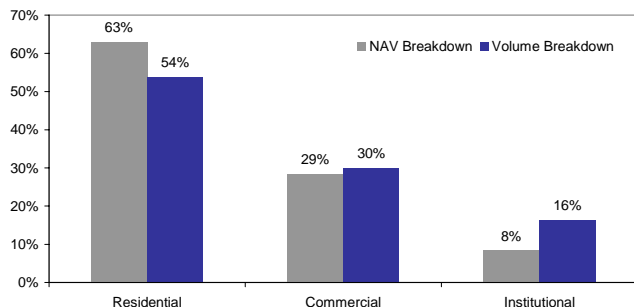
JIL: Real Estate NAV/Volume Breakdown by Land Parcel



Source: Morgan Stanley Research

Exhibit 21

JIL: Real Estate NAV/Volume Breakdown by End-Use



Source: Morgan Stanley Research

NAV Calculation (Exhibit 22)

Post tax discounted cash flows

- Market value (discounted sales) estimation:** First, we developed an execution schedule for each land parcel based on our estimate of market demand. Then we arrived at the sales realization based on our estimate of JIL's selling price (approximately the current market price). We have assumed 5% p.a. inflation in selling prices for the entire land bank development period, consistent with our sector-wide assumption. We then discount this back to the present value to arrive at the market value.
- Discounted construction cost:** We estimate the construction cost for each project based on current market rates. We have assumed 5% pa inflation in construction cost for the entire land bank development period, consistent with our sector-wide assumption. We then discount this back to the present value to arrive at the construction cost.

Less overhead and taxes: This is adjusted for overheads (at 5% of sales) and tax for each year for the duration of the land bank development. These numbers are discounted back to March 2011.

Balance sheet adjustments: We have made adjustments for balance sheet items. Finally, we net off net debt to arrive at the final net asset value.

Discount rate: We assume a 14% discount rate for JIL. Our underlying assumptions include a 7.5% risk-free rate, a 5.5% equity risk premium, a 1.3 beta, and a 12.5% cost of debt.

Using this methodology, we arrive at a March 2011 NAV for JIL of Rs147bn (US\$3.2bn), which translates into NAV of Rs106 per share (Exhibit 22).

Price Target – Rs85 per share (Exhibit 22)

We arrive at our March 2011 NAV of Rs147bn by adding real estate value and expressway value and deducting related liabilities. We ascribe a 20% discount to our March 2011 NAV to arrive at our price target of Rs85 per share.

We argue for a 20% discount to NAV in view of –

- JIL's good brand name and strong execution track record, versus:
- Its concentrated land bank (530 msf at five locations), which could limit the pace of commercialization and may take a long time to fully develop.
- Lack of imminent commercialization prospects for at least two (Mirzapur and Tappal) out of five land parcels, given their remote locations. Dependence on three land parcels (one of which will compete with Sports City) in the medium term implies a higher risk profile for cash flows.
- High capex for the expressway, implying near-term high gearing.
- Limited visibility to expand its land bank.

Exhibit 22

JIL: PT Calculation

JIL PT computation	Rs. Million
Expressway Value	43,686
Real Estate Value	143,951
Total	187,636
Less: Balance Sheet Adjustment	40,315
Net Asset Value	147,321
Net Asset Value, Rs per share	106
Discount %	20%
Price Target (in Rs/share)	85

Source: Morgan Stanley Research

Exhibit 23

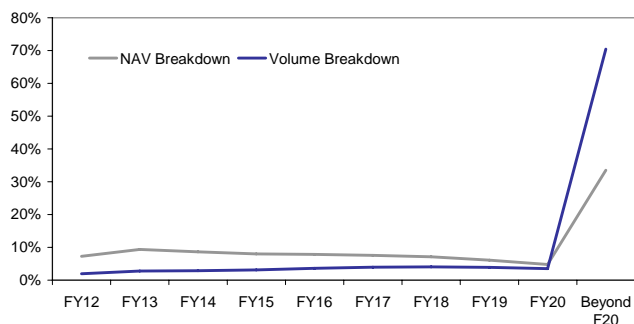
JIL: Real Estate NAV Breakdown

Location	End-use	SA <i>msf</i>	Presale start	Presale end	ASP <i>Rs. Psf</i>	Const Cost <i>Rs. Psf</i>	NAV <i>Rs. mn</i>
Noida	Residential	61	FY10	FY18	3,300	1,600	42,979
Noida	Commercial	10	FY12	FY17	3,600	1,700	9,330
Noida	Institutional	10	FY11	FY18	1,800	400	6,872
Jaganpur	Residential	56	FY11	FY31	2,600	1,400	14,907
Jaganpur	Commercial	37	FY12	FY31	2,800	1,500	11,282
Jaganpur	Institutional	19	FY14	FY31	800	350	2,083
Mirzapur	Residential	56	FY15	FY40	2,100	1,300	5,838
Mirzapur	Commercial	37	FY15	FY40	2,500	1,500	4,569
Mirzapur	Institutional	19	FY15	FY39	600	300	980
Tappal	Residential	56	FY15	FY40	1,800	1,200	4,494
Tappal	Commercial	37	FY15	FY40	2,200	1,400	3,668
Tappal	Institutional	19	FY16	FY39	500	250	552
Agra	Residential	56	FY11	FY30	2,800	1,400	22,604
Agra	Commercial	37	FY12	FY30	3,000	1,600	12,182
Agra	Institutional	19	FY14	FY30	700	350	1,612
TOTAL		530					143,951

Source: Morgan Stanley Research

Exhibit 24

JIL: Real Estate NAV/Volume Contribution over Time



Source: Morgan Stanley Research

Exhibit 25

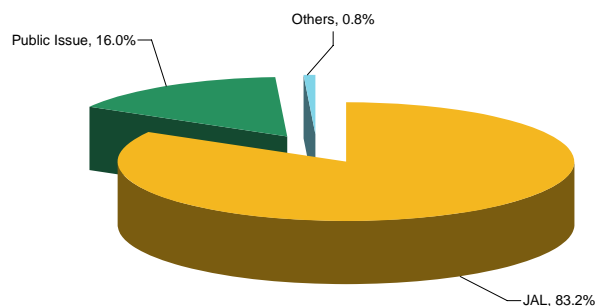
JIL: Real Estate Presale Estimates (in msf)

Parcel	FY11e	FY12e	FY13e
Noida	9	8	8
Jaganpur	2	3	3
Mirzapur	0	0	0
Tappal	0	0	0
Agra	3	3	4
Total	14	14	15

Source: Morgan Stanley Research estimates

Exhibit 26

JIL: Shareholding Pattern (post IPO)



Source: Morgan Stanley Research

Exhibit 27

JIL: Real Estate NAV Sensitivity to Price Inflation

Disc. Rate (%)	Price Inflation p.a. for the entire development cycle				
	3	4	5	6	7
12	-28	-7	17	44	74
13	-31	-13	8	31	58
14	-35	-18	0	21	44
15	-38	-23	-7	12	32
16	-41	-28	-13	3	22

Source: Morgan Stanley Research

Exhibit 28

JIL: Real Estate NAV Sensitivity to Cost Inflation

Disc. Rate (%)	Cost Inflation p.a. for the entire development cycle				
	3%	4%	5%	6%	7%
12%	43%	31%	17%	1%	-18%
13%	31%	20%	8%	-6%	-22%
14%	21%	11%	0%	-12%	-26%
15%	11%	3%	-7%	-18%	-30%
16%	3%	-4%	-13%	-23%	-34%

Source: Morgan Stanley Research

Exhibit 29

Real Estate Valuation Parameters: Indian Companies

Prices as of 30/06/2010 India Companies	Price (Rs)	Mkt Cap (Rs. mn.)	EPS			P/E			P/B			NAV/Share	% (Dis)/Prem NAV
			F2009	F2010E	F2011E	F2009	F2010E	F2011E	F2009	F2010E	F2011E		
DLF#	288	489,188	26.3	10.6	15.6	6.4	27.3	18.5	1.2	2.0	1.8	359	-19.7%
Unitech#	75	177,914	7.4	3.6	4.6	4.7	20.5	16.2	1.1	1.7	1.6		
Indiabulls Real Estate Ltd. #	158	63,252		(0.4)	2.7		NM	59.5		0.7	0.7	250	-36.9%
Housing Development & Infrastructure Ltd.	250	86,443	17.4	20.2	33.8	4.7	12.3	7.4	0.6	1.2	1.0		
Puravankara Projects Ltd.	106	22,516	6.8	6.9	8.0	5.9	15.3	13.1	0.6	1.2	1.3		
Peninsula Land	73	20,465	10.5	10.9	10.4	2.1	6.7	7.1	0.6	1.3	1.1		
Sobha Developers Ltd.#	289	28,301	14.8	13.9	17.1	5.3	20.7	16.9	0.5	1.6	1.5	445	-35.1%
Parsvnath Developers Ltd.#	125	24,769	7.0	7.0	18.8	5.9	17.9	6.7	0.3	1.2	1.0	134	-6.6%
Mahindra Lifespace Developers	460	18,753	18.9	25.2	32.9	7.0	18.2	14.0	0.6	1.7	1.5		
Ansal Properties	78	9,610	6.1	8.4	10.4	4.1	9.3	7.5	0.3	0.7	0.6		
Jaypee Infratech Ltd #	90	125,172		4.0	7.0		23.0	12.8		5.6	2.7	106	-15.1%
AIM Listed companies		(GBp) (£mn)											
Unitech Corporate Parks*	26	94											
Hirco PLC*	134	103											
Ishaan*	65	94											

Source: Company data, Morgan Stanley Research

*Prices in Pence as on June 30, 2010, Mkt cap in £mn,

= Morgan Stanley Research estimates; all others are FactSet Consensus; E= estimates,

** DLF, Jaypee Infratech, IBREL and Sobha NAV are for Mar '11

Exhibit 30

Real Estate Valuation Parameters: Regional Companies

6/30/2010 Company	Share Price	Mkt Cap US\$M	P/E		P/B		RoE		Net D/E	Int. Cov	NAV/ share	Disc to NAV	Fwd NAV	Disc to fwd NAV
			2010E	2011E	2010E	2011E	2010E	2011E	2010	2010				
China Property Stocks														
China Vanke	6.78	11,173	11.3	10.1	1.7	1.5	18%	17%	0.4	12.8	11.0	-38%	11.3	-40%
COLI.	14.68	15,412	15.3	14.0	2.5	2.2	19%	18%	0.4	30.1	-		NA	
Country Garden	2.09	4,392	10.0	10.2	1.3	1.2	14%	13%	0.6	5.3	4.0	-48%	4.3	-52%
Guangzhou R&F	9.99	4,135	7.2	7.5	1.4	1.2	23%	19%	1.2	10.9	23.0	-56%	23.2	-57%
China Resources Land	14.80	9,576	17.0	16.2	2.0	1.8	12%	12%	0.6	19.6	-		NA	
Agile Property	8.09	3,892	7.9	8.2	1.6	1.4	23%	19%	0.8	51.0	18.2	-55%	19.5	-58%
Shanghai Forte Land	2.06	669	3.4	5.7	0.6	0.6	23%	11%	0.9	26.8	6.1	-66%	6.2	-67%
China Aoyuan	1.15	407	12.4	9.4	0.5	0.5	4%	5%	0.7	17.8	4.3	-73%	4.4	-74%
HK Property Stocks														
SHK Properties	107.40	35,376	18.7	15.7	1.2	1.1	7%	8%	0.2	25.2	134.4	-20%	141.74	-24%
Sino Land	14.04	8,774	21.3	23.4	1.1	1.1	5%	5%	0.2	25.4	18.5	-24%	20.6	-32%
Hysan Development	22.20	2,963	22.5	23.0	0.7	0.7	3%	3%	0.1	9.5	37.7	-41%	39.5	-44%
Great Eagle Holdings	19.96	1,533	11.5	11.1	0.6	0.6	6%	6%	(0.3)	6.3	33.0	-39%	34.7	-43%

Source: Company data, Morgan Stanley Research; E = Morgan Stanley Research estimates

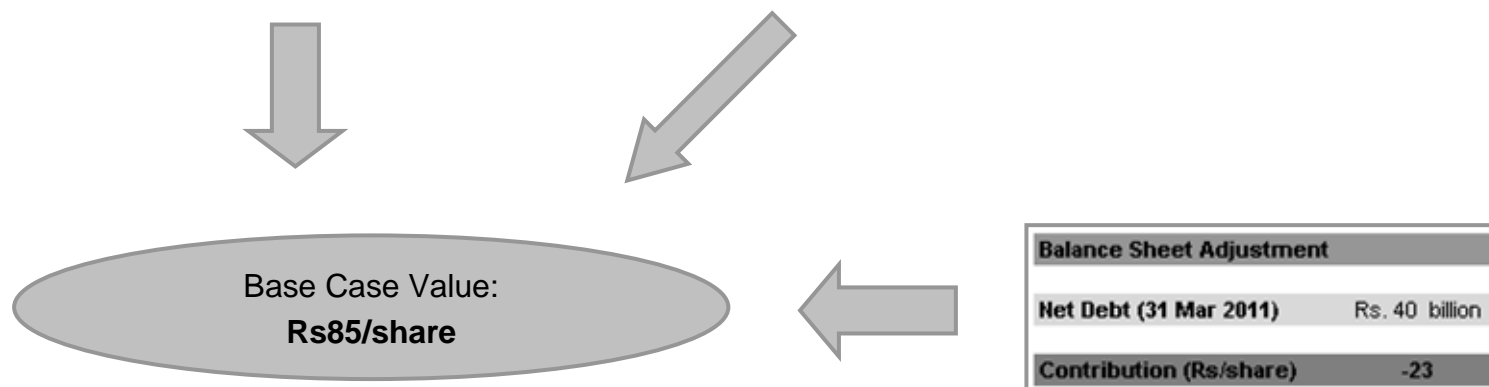
Risk-Reward Section

JIL Base Case Rs85: Continuing momentum in presales & on-track completion of expressway

JIL Base-Case Assumptions (with 20% discount to NAV)

Expressway	
Vehicles / day *	
Noida- 0km (Grt. Noida)	55,000
0 - 36.18 km	25,000
36.18 - 48.2 km	20,000
48.2 - 110.0 km	20,000
110.0 - 153.45 km	25,000
153.45 - 165.54 km	30,000
Start Year	FY12
End Year	FY47
Base Tarrif (Rs/km)	Rs. 0.84 (car) - 5.51 (MAV)
Traffic Growth	6.0% p.a.
Tarrif Growth	2.4% p.a.
Contribution (Rs/share)	25

Real Estate						
Location	End-use	SA (530 msf)	Pre-sale start	Pre-sale end	ASP (Rs/sf)	Const Cost (Rs/sf)
Noida	Residential	61	FY10	FY18	3,300	1,600
	Commercial	10	FY12	FY17	3,600	1,700
	Institutional	10	FY11	FY18	1,800	400
Jaganpur	Residential	56	FY11	FY31	2,600	1,400
	Commercial	37	FY12	FY31	2,800	1,500
	Institutional	19	FY14	FY31	800	350
Mirzapur	Residential	56	FY15	FY40	2,100	1,300
	Commercial	37	FY15	FY40	2,500	1,500
	Institutional	19	FY15	FY39	600	300
Tappal	Residential	56	FY15	FY40	1,800	1,200
	Commercial	37	FY15	FY40	2,200	1,400
	Institutional	19	FY16	FY39	500	250
Agra	Residential	56	FY11	FY30	2,800	1,400
	Commercial	37	FY12	FY30	3,000	1,600
	Institutional	19	FY14	FY30	700	350
Rs/share		83				



Source: Company data, Morgan Stanley Research

* Vehicles / day in the first full year of operation of the expressway

JIL Bull Case Rs128: Higher property demand & traffic volumes, and Noida Airport

JIL Bull Case Assumptions (with 20% discount to NAV)

50% higher expressway traffic volume vs. base-case estimates

Region	Vehicles / day *	Vehicles / day
	Base Case	Bull Case
Noida- 0km (Grt. Noida)	55,000	82500
0 - 36.18 km	25,000	37500
36.18 - 48.2 km	20,000	30000
48.2 - 110.0 km	20,000	30000
110.0 - 153.45 km	25,000	37500
153.45 - 165.54 km	30,000	45000
Contribution (Rs/share)		8

Incremental execution of another 1msf p.a. (over our base case) for real estate development across each of the five land parcels

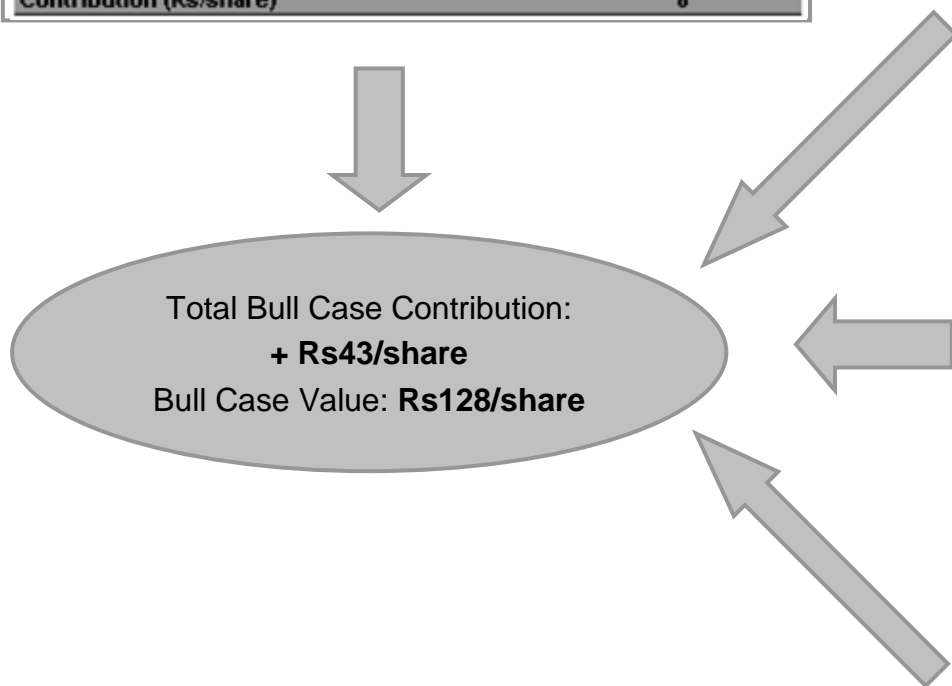
Parcel	Tenure (yrs)	Tenure (yrs)
	Base Case	Bull Case
Noida	10	9
Jaganpur	23	19
Mirzapur	28	22
Tappal	28	22
Agra	22	18
Contribution (Rs/share)		11

Higher-than-expected price & cost inflation

Parcel	Price / Cost Inflation	Price / Cost Inflation
	Base Case	Bull Case
Noida	5%	7%
Jaganpur	5%	7%
Mirzapur	5%	7%
Tappal	5%	7%
Agra	5%	7%
Rs/share		15

Approval of the proposed Taj International Airport, leading to price escalation in neighboring parcels and a rise in traffic volume

Bull v/s Base	
Parcel	Price Increase
Jaganpur	20%
Mirzapur	40%
Tappal	20%
Expressway	Volume Increase
Traffic	20%
Contribution (Rs/share)	10



Source: Company data, Morgan Stanley Research
 * Vehicles / day in the first full year of operation of the expressway

JIL Bear Case Rs52: Sluggish property demand and low traffic volumes

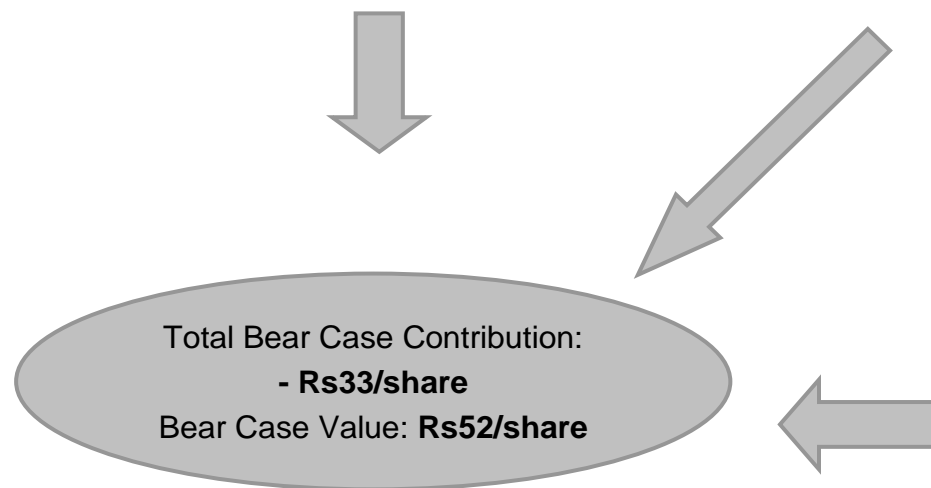
JIL Bear Case Assumptions (with 20% discount to NAV)

50% lower traffic volume on the expressway vs. base-case estimates

Region	Vehicles / day *	Vehicles / day
	Base Case	Bear Case
Noida- 0km (Grt. Noida)	55,000	27,500
0 - 36.18 km	25,000	12,500
36.18 - 48.2 km	20,000	10,000
48.2 - 110.0 km	20,000	10,000
110.0 - 153.45 km	25,000	12,500
153.45 - 165.54 km	30,000	15,000
Contribution (Rs/share)		-8

Fall in execution of 1msf p.a. (from our base case) for real estate development across each of the five land parcels

Parcel	Tenure (yrs)	Tenure (yrs)
	Base Case	Bear Case
Noida	10	12
Jaganpur	23	29
Mirzapur	28	37
Tappal	28	37
Agra	22	27
Contribution (Rs/share)		-12



Slump in Noida sales. Rate of pre-sales drop to 4msf p.a. from FY12, expanding the construction period from 10 to 21 years

Noida Parcel		
Pre-sales p.a.		4 msf (FY12 onwards)
Construc Tenure (yrs)	<i>Bear Case</i>	21
Construc Tenure (yrs)	<i>Base Case</i>	10
Contribution (Rs/share)		-13

Source: Company data, Morgan Stanley Research

* Vehicles / day in the first full year of operation of the expressway

July 1, 2010

Jaypee Infratech Limited

Financial Statements

First full year of expressway operation

Exhibit 31

JIL: Balance Sheet

Rs Million	2,008	2,009	2010	2011E	2012E	2013E
Net Worth						
Share capital	9,650	9,660	12,260	13,880	13,880	13,880
Reserves	-114	2,794	7,669	32,335	41,784	54,418
	9,536	12,454	19,929	46,215	55,664	68,298
Loan Funds						
Secured loans	2,000	18,675	57,210	57,210	57,210	57,210
Total Liabilities	11,536	31,129	77,139	103,425	112,874	125,508
Net Debt	1,920	16,766	39,380	40,315	38,735	24,877
Net debt to Equity (%)	20	135	198	87	70	36
Fixed Assets						
Gross Block	305	588		800	82,819	82,819
Less: Accumulated depreciation	95	235	397	559	2,779	4,999
Net Block	209	353		241	80,040	77,820
Capital Work In Progress (including capital advances)	8,988	22,907	52,115	70,908	-	-
Total	10,218	25,716	52,115	71,149	80,040	77,820
Cash and Bank Balances	80	1,909	17,830	16,895	18,475	32,333
Current Assets						
Project Under Development	3,009	5,478	19,093	20,593	21,993	20,593
Sundry Debtors	0	0	1,026	1,026	1,026	1,026
Loans and Advances	3,462	2,976	6,869	7,555	7,933	8,330
	6,491	8,493	27,317	29,504	31,282	30,278
Current liabilities and provisions						
Current liabilities	5,253	4,616	18,746	12,746	15,546	13,546
Provisions	1	373	1,377	1,377	1,377	1,377
	5,253	4,989	20,123	14,123	16,923	14,923
Net Current Assets	1,238	3,504	7,194	15,381	14,359	15,355
Total Assets	11,536	31,129	77,139	103,425	112,874	125,508

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

Expressway completion

Real estate business scale-up

Exhibit 32

JIL: Income Statement

Rs Million	2008	2009	2010	2011E	2012E	2013E
Income						
Sale and Income from operations	-	5,545	6,407	21,579	33,973	46,572
Real Estate Income				22,246	31,016	43,663
Expressway Income				-	3,887	4,219
Expenditure	16	2,387	493	9,656	14,544	23,885
Cost of Sales	-	1,722	367	9,116	13,864	22,954
Administrative Expense	10	571	57	539	679	931
Operating Profits	(16)	3,159	5,913	11,923	19,429	22,687
Other Income	8	17	122	-	-	-
Interest and finance charges	-	-	-	-	5,825	5,246
Depreciation / amortisation	85	140	162	162	2,220	2,220
Profit before Tax	(113)	3,036	5,874	11,761	11,384	15,221
Provision for tax	1	369	998	1,999	1,935	2,587
Effective Tax Rate %	-0.7	12.1	17.0	17.0	17.0	17.0
PAT	(114)	2,667	4,875	9,762	9,449	12,634

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

First full year of toll collection

Exhibit 33

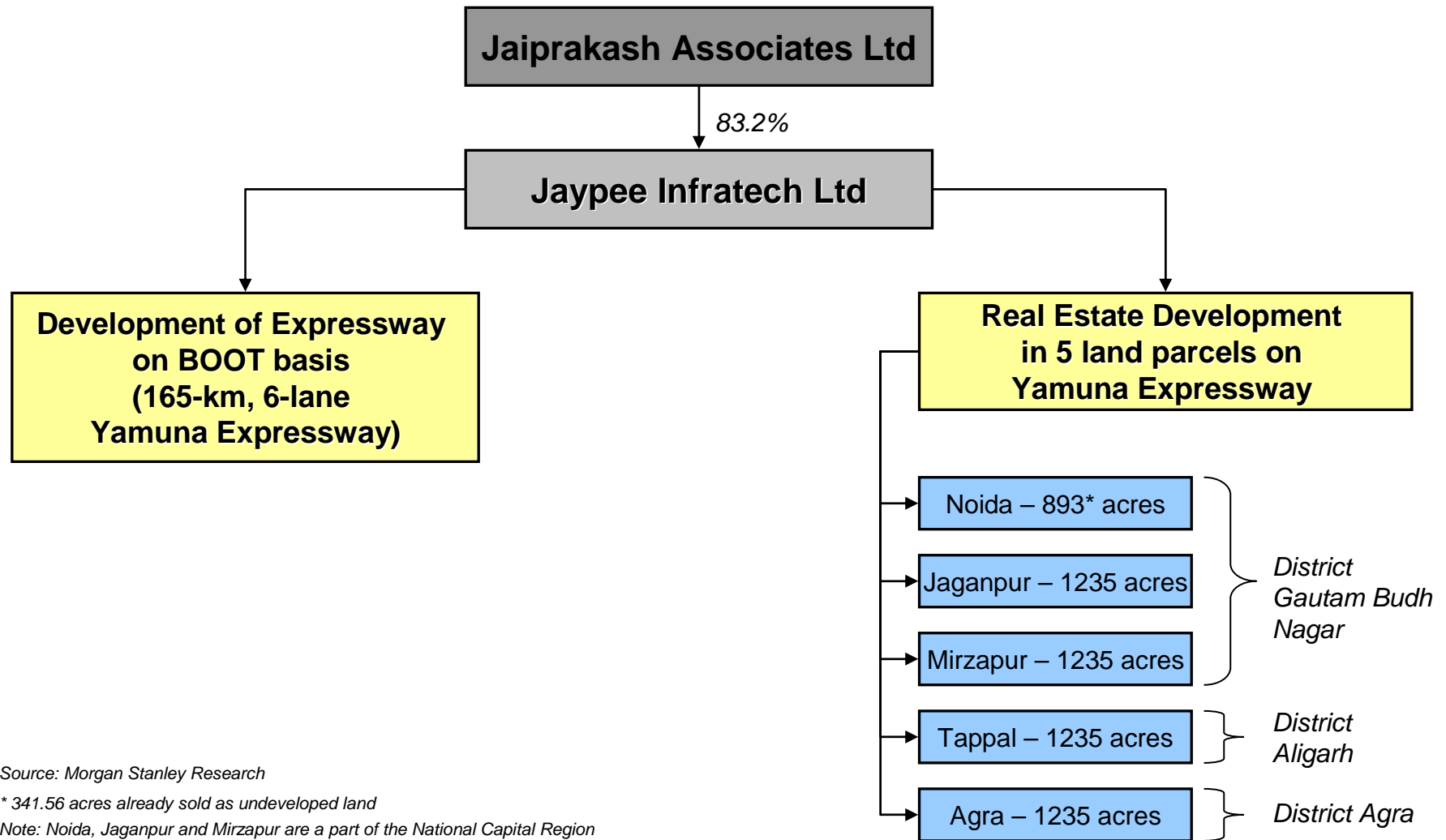
JIL: Cash Flow Statement

Rs Million	2008	2009	2010	2011E	2012E	2013E
Cash flow from operating activities:						
Net Profits		2,667	4,875	9,762	9,449	12,634
add depreciation		140	162	162	2,220	2,220
add working capital required		-2,266	-3,690	-8,187	1,022	-997
Net cash from operations		541	1,347	1,737	12,691	13,858
Cash flow from investing activities						
Fixed asset investments		15,637	26,561	19,196	11,111	0
Cash flow from financing activities						
Issuance of equity		250	2,600	16,524	0	0
(Increase)/decrease in net debt		-14,846	-22,614	-935	1,580	13,858
Opening net debt		1,920	16,766	39,380	40,315	38,735
Closing net debt	1,920	16,766	39,380	40,315	38,735	24,877

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

Business Description

Jaypee Infratech Limited (JIL)



Source: Morgan Stanley Research

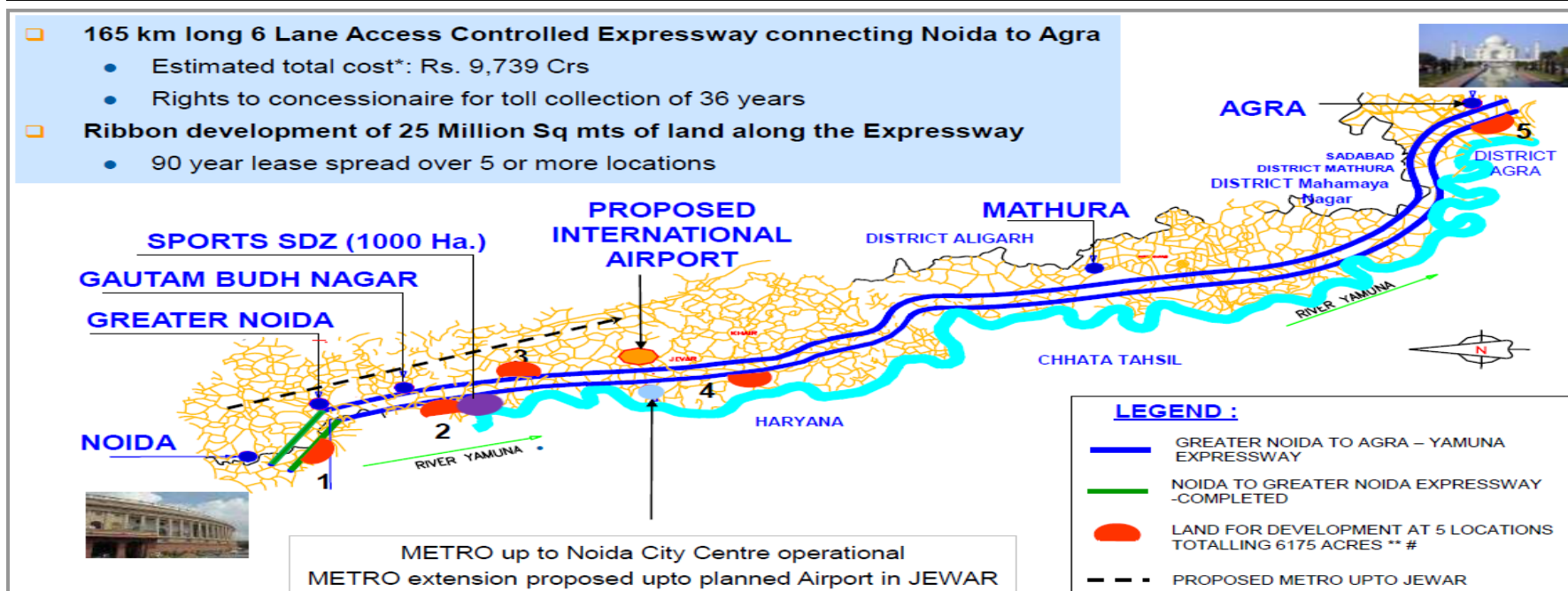
* 341.56 acres already sold as undeveloped land

Note: Noida, Jaganpur and Mirzapur are a part of the National Capital Region

The Concession Agreement – Key Provisions

1. **Scope of work** – Concessionaire to arrange financing, design, engineer, construct, maintain and operate the Yamuna Expressway and collect appropriate fees from vehicles and persons for using the Yamuna Expressway for a concession period of 36 years from the commercial operation date of the Yamuna Expressway.
2. **Commercial operation date** – Latest by April 2013 (concession period to be reduced by the period of delay, if delay is solely caused by concessionaire).
3. **Phases of development** – Expressway to be developed in three phases connecting Greater Noida and Agra (Noida-Greater Noida Expressway already operational).
4. **Entitlements to concessionaire** – (i) Exclusive right, license, and authority to operate the Yamuna Expressway, (ii) collection of fees from the users of the Yamuna Expressway during the concession period, (iii) right of development for 25 million sqm of land along the Yamuna Expressway at five or more locations, of which one will be in Noida.
5. **Concession for the Noida - Greater Noida Expressway** – The concessionaire has also been given the right to collect and retain fees from the existing Noida-GN expressway during the concession period. The capital cost of the Noida-GN Expressway shall be treated as an interest-free loan to the concessionaire and is required to be repaid to YEA in 15 equal yearly installments starting from the 11th year of the concession period.
6. **Land for the Yamuna Expressway** shall be acquired by the GoUP and will be leased to the concessionaire for the concession period. The concessionaire is required to pay the actual land acquisition cost and an annual lease rental of Rs100 per hectare, to GoUP.
7. **Land for development** shall be leased for 90 years from the date of the transfer, and the lease shall be renewed by YEA without any additional cost. The concessionaire is entitled to achieve a FAR of 1.5 (raised to 2.09 as per Company RHP dated April 2010). The sole premium for the land shall be the actual compensation paid to the landowners by YEA plus annual lease rental of Rs100 per hectare.
8. **Competing road facilities** – The GoUP shall not permit any other expressway or road between Noida and Agra without mutual agreement with the concessionaire. In case the competing road facility is provided and it is found by the company that it is adversely affecting the revenues of the company, then the concession period shall be increased to compensate for the loss.

Yamuna Expressway – Overview



Yamuna Expressway

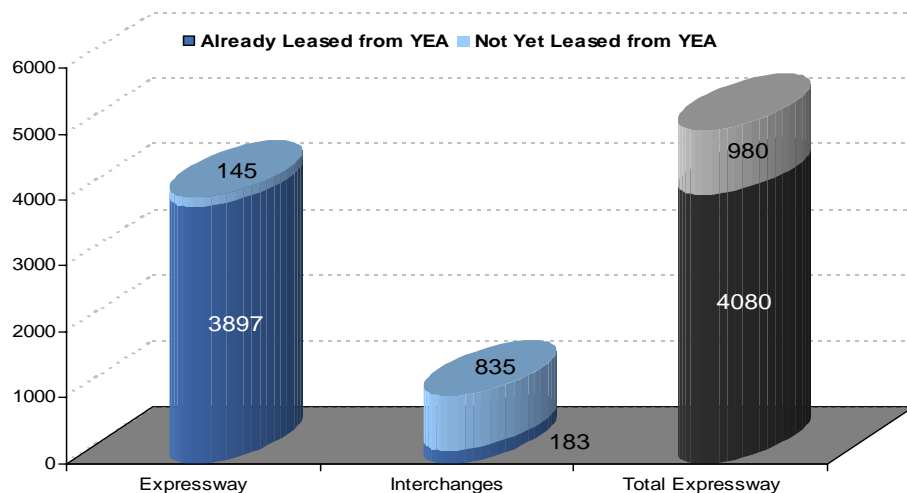
Section	District	Length (km)	Area (acres)
Greater Noida – Planned International Airport	Gautam Budh Nagar	41	997
Planned International Airport – Tappal	Aligarh	18	457
Tappal – Nohjhil	Mathura	84	2,044
Nohjhil – Raya	Mahamaya Nagar	5	114
Raya – Etmadpur	Agra	18	431
TOTAL		165.5	4,042

Source: Jaypee Infratech Red Herring Prospectus, Morgan Stanley Research

- 165-km, 6-lane (extendible to eight), access-controlled expressway connecting Greater Noida and Agra. (The Co. will also have the right to collect toll on the already operational Noida-GN expressway).
- Comprising five sections with six interchanges enabling connectivity to other cities like Mathura and Vrindavan.
- Expected to reduce travel time from Delhi to Agra thanks to six-lane carriageway, access control, and single-state alignment.
- Paved with cement concrete (rather than bitumen-based pavement) to enhance durability and reduce future maintenance needs.
- Peripheral developments include: extension of the Delhi Metro up to Noida, the proposed International Airport at Jewar, planned 1,047-km Ganga Expressway starting in Greater Noida, development of the Sports Development Zone.

Progress on Yamuna Expressway (as of March 31, 2010)

Land Acquisition for Expressway (in acres)



- JIL has acquired 4,080 acres of land (81%) for the expressway.
- 100% of clearing/grubbing and 87% of earthwork is complete.
- Design and engineering services contract signed with Jaypee Venture Private Limited (JVPL) in August 2003 (Rs527 million paid as of February 2010).
- JIL entered into a works contract with JAL in November 2007 (Rs27 billion paid as of February 2010).

Execution of Expressway

Activity	Total Quantity	Quantity Completed as of October 31, 2009	% Completed as of October 31, 2009	Quantity Completed as of March 31, 2010	% Completed as of March 31, 2010
Clearing & Grubbing (hectares)	1,735	1,652	95%	1,735	100%
Earthwork in Embankment (thousand cubic meters)	40,173	26,423	66%	34,837	87%
Structural Concrete					
Culverts (thousand cubic meters)	78	47	60%	71	91%
Vehicular Underpasses/CartTrack Underpasses (thousand cu.m)	254	80	31%	158	62%
Minor Bridges (thousand cubic meters)	173	81	47%	135	78%
Interchanges (thousand cubic meters)	395	102	26%	183	46%
Pavement Quality Concrete/Dry Lean Concrete (thousand cu.m)	2,477	NA	NA	521	21%

Source: Jaypee Infratech Red Herring Prospectus, Morgan Stanley Research

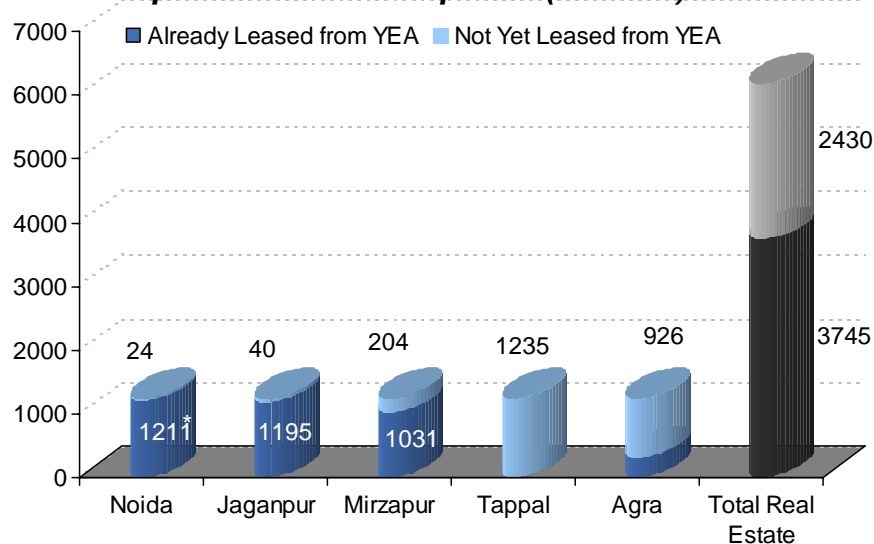
Yamuna Expressway – Real Estate Development

Land Bank for Real Estate Development

Locations	Acres	Developable Area (FAR: 2.09) (msf)
Noida	893*	81
Jaganpur	1235	112
Mirzapur	1235	112
Tappal	1235	112
Agra	1235	112
Total	5833	530

* Balance 341.56 acres already sold as undeveloped land

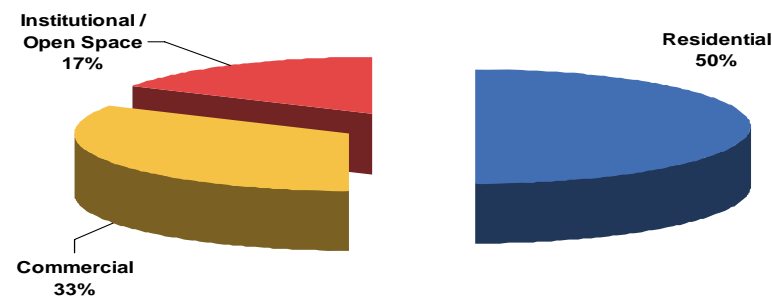
Land Acquisition for Development (in acres)



* Includes 341.56 acres already sold as undeveloped land
 Note: Acquisition status as on March 31, 2010

Source: Jaypee Infratech Red Herring Prospectus, Morgan Stanley Research

End-use Mix



- The concession gives JIL the right to develop 6,175 acres at five locations along the expressway.
- The five parcels include 1) Noida, 2) Jaganpur, 3) Mirzapur, 4) Tappal, and 5) Agra.
- Total developable land bank across 5 parcels is 5,833 acres (excl. 342 acres already sold in the Noida parcel) or 530 msf (FAR = 2.09).
- End-use breakdown is 50% residential, 33% commercial, and the balance for institutional development / open space.
- JIL has acquired 3,745 acres of land (61%) for real estate development as of March 2010.
- JIL entered into an agreement with JAL in May 2009 for concept planning, construction, sales and marketing services for the real estate development in Noida (Rs5.92bn paid as of February 2010).

Development of Noida Parcel (as of March 31, 2010)

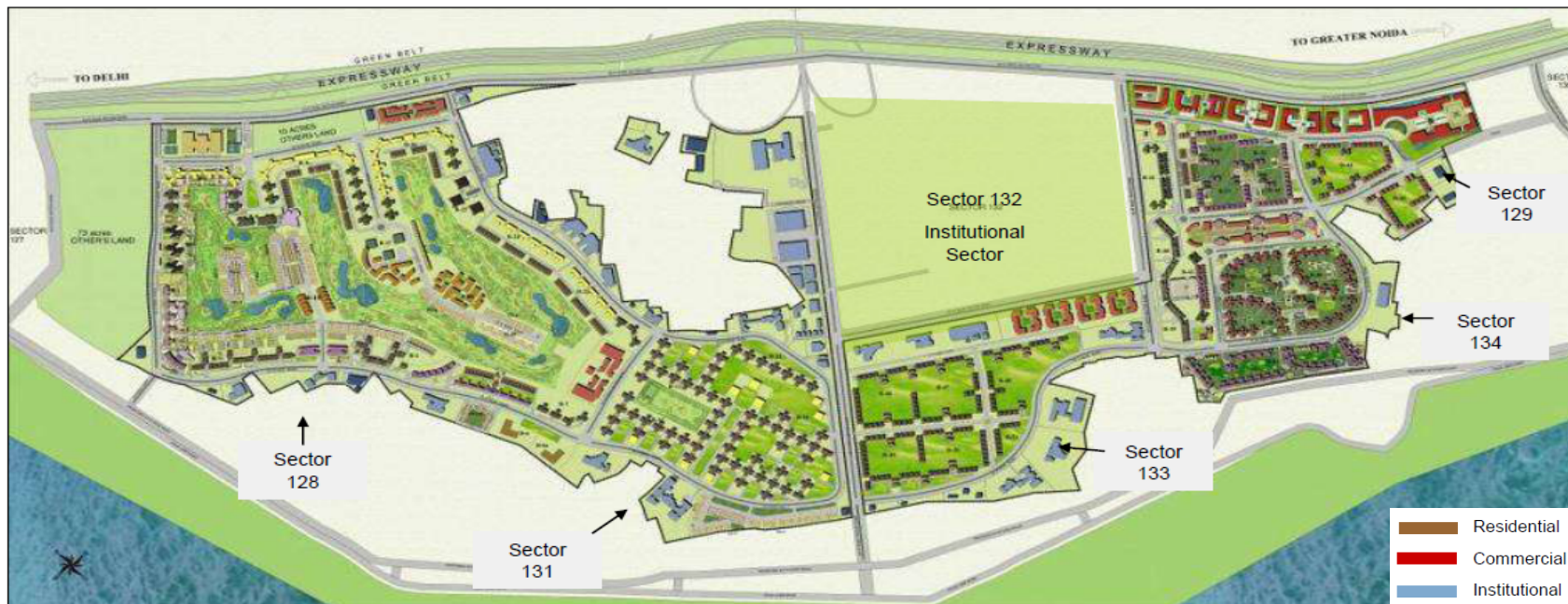
Project	Type	Launch Date	Planned Area	% Pre-sold	Area Pre-sold	Avg Price*	Exp. Completion
			<i>msf</i>	<i>as of 31 Mar 2010</i>	<i>msf</i>	<i>Rs. psf</i>	
Klassic	Residential Apts	Nov-08	4.1	84%	3.5	3,436	2012
Aman	Residential Apts	May-09	3.6	100%	3.6	2,383	2012
Kosmos	Residential Apts	Jul-09	7.2	93%	6.7	3,274	2012
Kensington Park	Residential Apts	Feb-10	2.4	51%	1.2	3,089	2013
Kensington Park	Residential Plots	Jan-10	4.0	82%	3.2	2,748	2011
Kensington Park	Commercial Plots	Dec-09	3.1	100%	3.1	2,623	2011
Total			24.3	88%	21.3		

Source: Jaypee Infratech Red Herring Prospectus, Morgan Stanley Research

* For residential and commercial plots, avg. price realized on potential developable area based on FAR of 1.5.

Note: In addition to the above projects, 342 acres of the Noida Land Parcel were sold as undeveloped land; 8.2 acres were leased to Jaiprakash Sewa Sansthan (JSS) for a 10-year period (JSS operates Jaypee Institute of Information Technology University, or JIITU, at this site).

Jaypee Greens Noida Master Plan



Source: Morgan Stanley Research

Project Financing

Project Cost		
<i>All figures in Rs. Mn</i>		
Description	Total	Incurred till Feb 2010
Cost of land – Expressway & Development	26,190	25,564
Road construction cost	53,000	29,959
Preliminary & preoperative cost	2,400	1,571
Provision for contingencies	2,300	-
Interest during construction	13,500	5,407
Total	97,390	62,501

Funding		
<i>All figures in Rs. Mn</i>		
Description	Total	Incurred till Feb 2010
Equity from Promoters and Others	12,500	12,500
IPO proceeds	15,000	-
Accruals from real estate development incl. advances & sales of land	9,890	9,557
Debt	60,000	40,444
Total	97,390	62,501

Source: Jaypee Infratech Red Herring Prospectus, Morgan Stanley Research

JIL: Chronology of Events

- Jan 2003** • JAL awarded the concession for the Yamuna Expressway project.
- Aug 2003** • Design and engineering services contract signed with JVPL
- Apr 2007** • Incorporation of Jaypee Infratech Ltd (JIL)
- Oct 2007** • All JAL's rights and obligations under the concession agreement transferred to JIL
- Nov 2007** • JIL entered into a works contract with JAL for the implementation of the Yamuna Expressway
- Dec 2007** • Construction began on the Yamuna Expressway
- Nov 2008** • Launch of Jaypee Greens Klassic
- Apr 2009** • Schedule for completion of the Yamuna Expressway extended up to April 2013
- May 2009** • JIL entered into an agreement with JAL for providing concept planning, construction, S&M services for development of real estate at Noida; launch of Jaypee Greens Aman
- Jun 2009** • Leased approximately eight acres in Noida to Jaiprakash Sewa Sansthan (JSS)
- Jul 2009** • Launch of Jaypee Greens Kosmos
- Feb 2010** • Launch of Jaypee Greens Kensington Park
- May 2010** • Listing of JIL on BSE and NSE, Launch of Jaypee Greens Kasa Isles

Source: Jaypee Infratech Red Herring Prospectus, Morgan Stanley Research



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Not-Rated/Hold	14	1%	4	0%	29%
Underweight/Sell	348	14%	94	11%	27%
Total	2,562		851		

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July 1, 2010

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Industry Coverage:India Property

Company (Ticker)	Rating (as of)	Price* (06/30/2010)
Sameer Baisiwala, CFA		
Jaypee Infratech Limited (JYPE.BO)	E (07/01/2010)	Rs90
Indiabulls Real Estate Limited (INRL.BO)	O (07/01/2010)	Rs157.7
DLF Limited (DLF.BO)	O (05/17/2010)	Rs288.2
Parsvnath Developers Limited (PARV.BO)	U (06/09/2008)	Rs124.75
Sobha Developers Ltd. (SOBH.BO)	O (05/25/2010)	Rs288.6
Unitech Corporate Parks Plc (UCP.L)	++	26p
Unitech Limited (UNTE.BO)	++	Rs74.55

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* Historical prices are not split adjusted.