Company report

Industrials
Construction & Engineering
Equity – India

HSBC Global Research

Jaiprakash Associates (JPA)

Overweight (V)

Target price (INR)	97.00
Share price (INR)	76.95
Potential return (%)	26.1

Note: Potential return equals the percentage difference between the current share price and the target price

Mar	2011 a	2012 e	2013 e
HSBC EPS	6.55	5.77	7.93
HSBC PE	11.8	13.3	9.7

Performance	1M	3M	12M
Absolute (%)	1.2	44.5	-13.1
Relative^ (%)	4.9	31.2	-2.9

Note: (V) = volatile (please see disclosure appendix)

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Initiate OW(V): Getting back in shape

- **Multiple positives as expressway, new power and cement plants start operations, driving 27% EPS CAGR over FY12e-14e**
- **We anticipate that JPA can successfully bring down leverage over the next two years – a big share price catalyst**
- **Initiate with OW(V) and TP of INR97. Key downside risk is re-investment in new capacity**

Multiple positives on the horizon; we estimate a 27% EPS CAGR over FY12e-14e. JPA's ambitious six-lane 165km Yamuna expressway project is likely to start operation in April 2012, while its 5MTPA cement plant in south India will start firing from Q1 FY13. The company recently commissioned its 1,000MW hydro project and will commission its 500MW thermal project during Q2 FY13 and its 1,320MW thermal project by end Q2 FY14. We estimate that these new projects will drive a consolidated EPS CAGR of 27% over FY12-14. We are 20-45% above consensus on FY12e-14e earnings.

Deleveraging should lower earnings and valuation volatility – a big price catalyst. We highlight JPA's strong core operating performance (FY12e-14e EBITDA CAGR of 29%) and tapering capex which, in our view, will compliment its deleveraging drive over the next 12-18 months. The stock has also performed well over the past three months, as improved market sentiment has lowered concerns about fund-raising at low prices, and we anticipate further room for appreciation. We anticipate that standalone net debt/equity will fall to 1.6x by FY14e (2.3x in FY12e) and consolidated net debt/equity to 2.5x in FY14e (3.3x in FY12e), lowering earnings and valuation volatility.

Initiate with OW(V) and TP of INR97. Our target price values JPA at an implied multiple of 12.3x FY13e consolidated EPS while it is trading at 13.3x currently and its three-year average has been 18.6x. JPA's real estate and construction business contributes c46% of the value while its cement business contributes c35% and the power business contributes c20%. Any signs of re-investment in new capacity are key downside risks.

Figure A1: JPA snapshot (consolidated earnings)

	Sales (INRbn)	EBITDA margin	HSBC PAT (INRbn)	HSBC EPS (INR)	Y-o-y	Rel to Cons	PE (x)	PB (x)	EV/EBITDA (x)	ROE
FY11	112.6	42.1%	13.9	6.5	1,406.7%	–	11.8	1.5	11.3	14.4%
FY12e	144.1	37.8%	12.3	5.8	-11.8%	19%	13.3	1.4	11.9	10.9%
FY13e	191.6	41.5%	16.9	7.9	37.3%	31%	9.7	1.2	8.5	13.2%
FY14e	214.4	42.4%	19.8	9.3	17.7%	45%	8.2	1.0	7.7	13.1%

Source: Company data, HSBC estimates

^Index	Bombay Stock Exchange Index
Index level	17,122
RIC	JAIA.BO
Bloomberg	JPA IN

Source: HSBC

Enterprise value (INRm)	648,859
Free float (%)	53
Market cap (USDm)	3,222
Market cap (INRm)	163,629

Source: HSBC

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JPA financials at a glance

Figure B1: JPA financial snapshot

(INRm)	FY09	FY10	FY11	FY12e	FY13e	FY14e
Income statement – consolidated						
--Cement	21,802	35,196	50,187	66,787	86,198	96,101
--Real estate	8,001	350	14,979	12,141	14,613	8,354
--JP Infratech	0	6,407	27,787	27,545	35,817	40,310
--JP Power ventures	7,717	7,782	8,552	15,537	29,699	43,630
--Construction	8,260	13,186	8,502	13,040	15,703	15,982
--Hospitality	1,530	1,512	1,763	1,946	2,043	2,186
--Others	682	823	824	7,129	7,487	7,866
Total sales	**47,992**	**65,256**	**112,593**	**144,124**	**191,560**	**214,429**
y-o-y	14%	36%	73%	28%	33%	12%
EBITDA	**17,894**	**21,917**	**47,397**	**54,521**	**79,539**	**90,853**
y-o-y	6%	22%	116%	15%	46%	14%
EBITDA margin	37%	34%	42%	38%	42%	42%
Depreciation	3,326	4,722	6,464	10,800	15,495	19,530
EBIT	**14,568**	**17,195**	**40,934**	**43,721**	**64,045**	**71,323**
EBIT margin	30%	26%	36%	30%	33%	33%
Interest	7,062	12,864	18,747	27,360	39,294	39,292
Other income	1,951	15,736	8,690	6,777	10,803	19,729
PBT	9,457	20,068	30,877	23,138	35,554	51,761
Reported PAT	**4,203**	**11,192**	**17,928**	**12,280**	**21,108**	**31,658**
Exceptional	0	-10,268	-4,003	0	-4,243	-11,812
HSBC PAT	**4,203**	**924**	**13,926**	**12,280**	**16,865**	**19,845**
y-o-y	-38%	-78%	1407%	-12%	37%	18%
HSBC PAT margin	***9%***	***1%***	***12%***	***9%***	***9%***	***9%***
HSBC EPS	2.0	0.4	6.5	5.8	7.9	9.3
ROE	7%	1%	14%	11%	13%	13%
ROCE	4%	5%	6%	5%	8%	9%
Gross debt to equity	2.6	3.7	3.2	3.3	2.9	2.5
Net debt to equity	2.1	2.8	2.7	3.2	2.9	2.5
Balance sheet figures (consolidated)						
Shareholders' funds	65,963	85,403	107,791	118,081	137,200	166,868
Minority interest	7,153	10,064	29,076	32,299	37,155	42,941
Net debt	153,987	267,859	376,264	484,931	508,119	523,680
Net working capital (ex-cash)	28,325	53,317	76,321	89,264	105,666	114,048
Cash flow analysis (consolidated)						
Operating Income (after working cap changes)	6,400	-11,325	14,107	33,942	52,907	68,154
Capex	-67,986	-119,417	-116,450	-119,148	-46,256	-62,162
Free cash flow	-61,587	-130,742	-102,344	-85,205	6,651	5,992
Select standalone figures						
Sales	**57,926**	**100,889**	**129,650**	**131,145**	**135,176**	**137,156**
EBITDA margin	**29%**	**23%**	**22%**	**25%**	**25%**	**24%**
Interest	5,043	10,558	13,942	17,855	18,714	16,222
EBIT	13,955	18,553	22,810	24,457	25,512	23,099
PAT	8,970	17,084	11,678	7,266	11,367	18,982
HSBC PAT	**8,970**	**6,816**	**7,675**	**7,266**	**7,124**	**7,170**
y-o-y	47%	-24%	13%	-5%	-2%	1%
Net debt	101,976	140,295	192,451	224,213	217,771	198,486
Net debt to equity (x)	1.5	1.7	2.0	2.3	2.0	1.6
Operating Income (after working cap changes)	7,528	-2,751	8,966	17,569	25,829	26,565
Capex	-42,783	-30,665	-44,071	-30,311	-5,036	-5,117
Free cash flow	-35,255	-33,416	-35,105	-12,742	20,793	21,449

Source: Company data, HSBC estimates

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Investment summary

- Multiple catalysts, with launch of expressway and 5MTPA cement by 1Q FY13e and 1,320MW power plant by 2H FY14e
- Concerns over high leverage overdone; we anticipate net debt/equity to fall to 2.5x by FY14e from a peak of 3.2x in FY12e
- Outlook positive with EPS growing at 27% CAGR

Benefiting from capex push

JPA has incurred USD9.2bn in capex over the past five years (from FY07-12e versus USD3bn planned for the next three years (FY12e-15e). The strong capex has made JPA the third-largest cement player in India (36MTPA), the biggest real estate developer in the National Capital region (695m sq ft) and one of the key private sector power generation players (5.5GW planned) with the largest private hydro power capacity (1.7GW operational).

Stream of new growth catalysts

We expect revenue to grow at a 22% CAGR over FY12e-14e driven by both capacities currently under construction or likely to be commissioned in the next 12-18 months. One key driver is its ambitious six-lane 165km Yamuna expressway project, which should start operations from Q1 FY13. In addition, it will add another 5MTPA of cement capacity via the opening of the Balaji plant in Andhra Pradesh in Q1 FY13 and another 2.6MTPA in North India over H1 FY13, taking it total operational capacity to 35.6MTPA. Lastly, on the power generation side, the 1,000MW Karcham Wangtoo hydro project is set to make a full-year contribution from FY13, while the 500MW Bina thermal plant will be commissioned by end Q2 FY13 and its 1,320MW Nigrie thermal project by H1 FY14.

Deleveraging play

Like most infrastructure conglomerates, JPA has funded a major portion of its capex using debt. We expect its consolidated debt to reach a peak of c3.3x by FY12e from 1.6x in FY08. The surge in leverage, especially in the past three years, is expect to result a 12% fall in earnings in FY12e and is the main reason why its shares have underperformed the Sensex by 13% in the past 2 years and by 8% in the past 12 months.

However, we anticipate the situation changing in the next 12 months, as JPA reduces leverage through improved operating cash flows and potential fund-raising from selling a stake in Jaypee Infratech (JPIN) and JPA's treasury shares worth cUSD330m (see the announcement, dated 14 March, on the Bombay Stock Exchange website for details). We anticipate net debt equity will trend down to 2.5x in FY14e and 2.1x by FY15e. This could further fall down to 1.9x if the company reduces its stake in Jaypee Infratech much more than the regulatory required 75% and securitize cash flows or dilute stake in JPVL to make good the funding gap of USD150-200m over the next two to three years. Any signs of debt reduction, in our view, could trigger a rerating of the stock.

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EPS to rebound swiftly in FY13

JPA's FY12 earnings are likely to get impacted by increased interest costs on peaking leverage and weak pricing in the cement division during H1 FY12. While we anticipate earnings will fall by 12% to INR12.3bn in FY12, we see a sharp earnings rebound in FY13 and FY14 (27% CAGR) led by a strong 22% CAGR in sales and 29% CAGR in EBITDA in the same period.

Initiate OW(V), TP of INR97

JPA shares have rallied smartly in the past two months along with many other leveraged plays on expectations of monetary easing. However, it has still underperformed the Sensex by 12% over six months and 12% over two years. With multiple operational catalysts on the horizon driving an earnings rebound and anticipation of deleveraging gathering momentum, we expect the stock to re-rate further. Our target price pegs JPA at an implied PE of 12.3x on FY13e EPS, while it is currently trading at 13.3x, and its three-year average is 18.6x. Real estate and construction business contributes 46% to our valuation, while cement contributes c35% and power c20%.

Figure C1: JPA valuation snapshot

	(INRbn)	(INR/share)	Share
Cement (net of debt)	88.7	42	35.0%
Construction E&C	34.5	16	13.6%
Jaypee greens	42.8	20	16.9%
Jaypee Hotels	3.7	2	1.5%
Jaypee Infratech	33.7	16	13.3%
JPVL	49.9	23	19.7%
Gross value	**253.2**	**119**	**100.0%**
Less: Parent net debt (ex-Cement, incls treasury shares)	(46.4)	(22)	
Net value	**206.7**	**97**	
Price target		**97**	

Source: Company data, HSBC estimates

Key risks to our view

Unforeseen capacity expansion. With leverage set to rise to 3.1x in FY12e, any further capacity expansion (other than for power) could stretch the company's balance sheet, raising earnings risk and equity dilution risk.

Re-starting Ganga expressway. Work on the INR300bn expressway has been stalled due to land acquisition issues in Uttar Pradesh state. The company has already invested INR4.3bn in the project (INR2.7bn as equity). A revival of this project would suggest substantial equity commitments over a three-year period, leading to a significant delay free cash flow generation.

Delays in commissioning power plants. JPA's listed power subsidiary JPVL intends to expand its operative capacity from 1.7GW now to 5.5GW by FY16. While the group has a superior record of execution and on-time project delivery, any delays could lead to higher project costs and lower viability.

Weak cement prices could hurt deleveraging process. JPA's standalone business is heavily dependant on the cement sector, which contributes c50% to standalone EBITDA. Stable cement prices are critical for the company to help service its interest and debt repayment obligations. A lower than INR780-800/tonne EBITDA on its cement sales could hurt earnings and valuations.

Weak Noida and Greater Noida property markets. JPA has a leading c15-20% market share in the Noida and Greater Noida region. Any weakness in demand in these markets could hurt JP Infratech's cash flow generation, as the real estate business subsidizes its expressway and sports infrastructure (F1 and Cricket stadium) operations.

Company profile

JPA is Jaypee Group's flagship business. As an infrastructure-focused conglomerate, it manages cement, construction and hospitality businesses, and is the holding company for the Group's power business, listed subsidiary JPVL (5.2GW). It is the third-largest cement producer in India. Its other listed subsidiary, Jaypee Infratech, is the largest real estate developer (695m sq ft and 165km expressway) in the National Capital Region. JPA via another majority-owned subsidiary has also developed a Formula 1 race track in Greater Noida and is authorised to host the F1 race in India.

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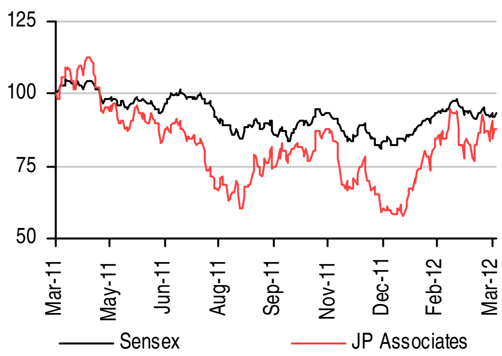
Valuations

- Strong earnings growth and multiple catalysts on the horizon
- Initiate with OW(V) rating and target price of INR97
- Our target price implies a 12.3x FY13 PE and 1.5x FY13 PB

Stock has underperformed Sensex in past 12 months

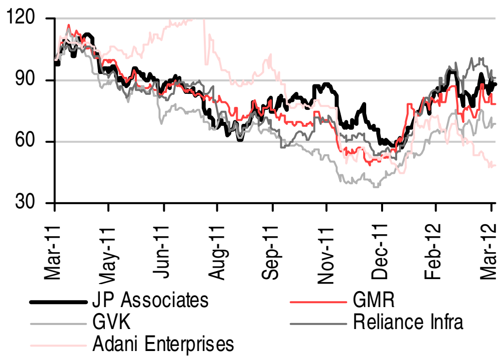
Business cyclicality, political uncertainty and concerns on high leverage have dogged JPA's stock performance in the past 18 months. Over the past 12 months, the stock has returned -10% and underperformed the BSE Sensex by 6%. The stock though has performed well relative to its conglomerate peers with only Reliance Infrastructure performing 5% better than JPA. Overall, we believe the negatives for JPA are fast receding, while share price catalysts are appearing on the horizon.

Figure D1: JPA stock performance relative to BSE Sensex



Source: Bloomberg, HSBC Research

Figure D2: JPA stock relative to other Conglomerates



Source: Bloomberg, HSBC Research

Initiate with OW and TP of INR97

We initiate coverage of JPA with an OW(V) and a target price of INR97. Our positive stance on JPA is driven by (1) the stock's underperformance (6% relative to the Sensex) over the past 12 months; (2) growing visibility on deleveraging in FY12e-14e as net debt to equity falls from 3.2x in FY12e to 2.5x by FY14e; (3) 37% EPS CAGR in FY12e-14e; (4) business up-cycle expectations for FY12e-15e; and (5) lower political risk overhang after the completion of recent Uttar Pradesh state elections.

Our INR97 target price is based on a sum-of-the-parts (SOTP) approach. The assigned value implies the stock could trade at a 12.3x FY13e PE and 10.4x FY14e PE on our consolidated earnings estimates. We use SOTP because of its holding company structure, with each business unit having different valuation dynamics.

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Figure D3: JPA valuation composition table

	Valuation	JAL's stake	JAL Value		Contribution	Valuation methodology
	INRbn	%	INRbn	INR/ share	(%)	
Cement (net of debt)	89	100.0%	89	42	35.0%	FY13 EV/ Tonne of USD140
Construction E&C	34	100.0%	34	16	13.6%	4x FY13 EV/ EBITDA
Jaypee greens	43	100.0%	43	20	16.9%	DCF value less 30% NAV discount
Jaypee Hotels	4	100.0%	4	2	1.5%	10x FY13 EV/ EBITDA
Jaypee Infratech	45	75.0%	34	16	13.3%	CMP less 20% Hold Co discount
JP Power Ventures	73	67.9%	50	23	19.7%	DCF value less 20% Hold Co discount
Gross value	**288**	**87.9%**	**253**	**119**	**100.0%**	
Less: Parent net debt (ex-Cement)	(46)	100.0%	(46)	(22)		Treasury adjusted at CMP of INR80
Net value	**242**	**85.6%**	**207**	**97**		
Price target				**97**		

Source: Company data, HSBC estimates

Real estate (46%) and cement (35%) business drive valuations

Infrastructure assets (real estate and expressway) contributes 46% of JPA's target price. Cement is the second biggest contributor to the company's value at 35%, while power contributes c20% (see our initiation report for JPVL for more details on the power business).

Target price implies at par valuation with peer group

India infrastructure conglomerates/asset owners tend to be varied in their business components and how much those components contribute to valuation. Nonetheless, as most conglomerates exhibit leverage issues, we think EV/EBITDA is a suitable approach for a peer group comparison. JPA is trading at an 8.7x FY13e EV/EBITDA, on par with the peer group average (also 8.7x).

We value cement business at USD140/t v/s peers at USD162/t

Separately we have compared our target valuation for JPA's cement business with its cement peers. Our target value of USD140/t is 13% lower than its peer average at USD162/t and closer to the lower end of the valuation range of USD175-153/t, though closer to the replacement cost. We believe a discount to peers is justified given JPA's high leverage and marginally lower capacity utilization as it expands capacity.

Real estate business: trading cheaply on perceived concentration risk

Jaypee Infratech is currently the largest real estate developer in the National Capital Region (NCR) and also owns operating rights to the 165km Yamuna expressway. We have valued the stock at market price (JPIN, not rated, CMP INR48). Based on HSBC estimates, JPIN is trading at a 1.0x FY13e PB against a 1.3x average for peers. The c20% discount to sector average seems justified given the concentration risk on JPIN's land bank within the cities of Noida and Greater Noida.

Power business: growth demands premium

JPVL is currently trading at a 15.0x FY13 PE and 2.3x FY13 PB. Our target price of INR50 for JPVL implies the stock will trade at a 2.7x FY13 PB. We believe JPVL will trade at a marginal premium to peers despite its near-term funding gap owing to its strong growth outlook (earnings to grow at a c50% CAGR over FY12e-14e against peer group CAGR of 17%).

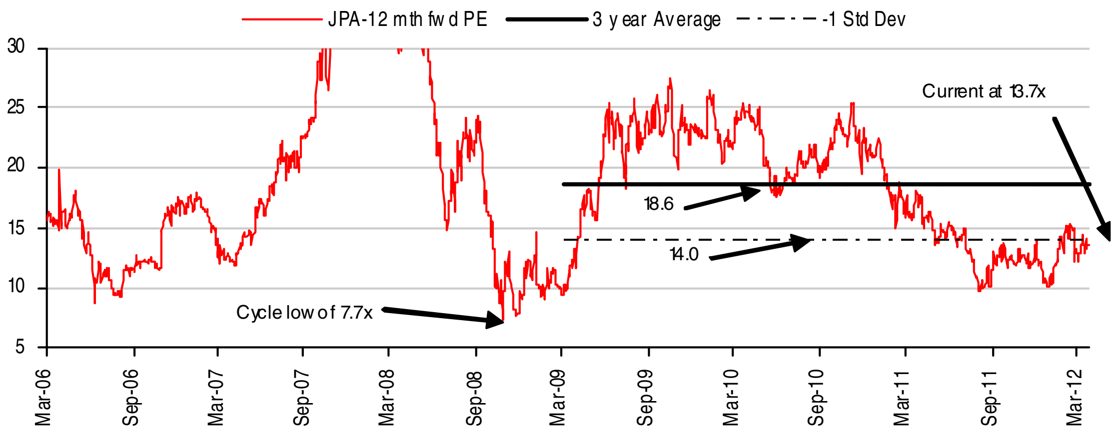
Construction business valued at 4x FY13e EV/EBITDA

JPA's construction business has historically come from in-house projects. However, with major in-house infrastructure projects complete, external revenue should increase share to c40% (c22% in FY12e) in the next few years, while we project overall revenue growth will fall at a negative 13% CAGR during FY12-14. We expect this reversal of growth to be reflected in a lower valuation multiple. In line this, we value the construction business at a 4.0x one-year forward FY13e EV/EBITDA against peers' 5.0x.

Rating rationale

Under our research model, the Neutral rating band for volatile Indian equities equals the local hurdle rate of 11%, plus or minus 10ppt, which translates into a potential return band of 1-21%. Our target price of INR97 implies a potential return of 26% (excluding forecast dividend yield), which is above this band; we therefore initiate coverage with an Overweight (V) rating on JPA stock. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Figure D4: JPA PE (x) trading history using Bloomberg consensus



Source: Company data, Bloomberg

Figure D5: JPA peer group comparison by

Company	Ticker	Share price INR	Rating	Market cap (USDbn)	EPS CAGR (%) FY12e-14e	PE (x) FY11	PE (x) FY12	PE (x) FY13	Price to book (x) FY11	Price to book (x) FY12	Price to book (x) FY13	EV/EBITDA (x) FY11	EV/EBITDA (x) FY12	EV/EBITDA (x) FY13
Large Infrastructure / asset owners														
JP Associates	**JPA IN**	**76.9**	**Overweight (V)**	**3.2**	**37.0%**	**11.8**	**13.3**	**9.7**	**1.5**	**1.4**	**1.2**	**11.3**	**11.9**	**8.5**
Larsen & Toubro	LT IN	1303.2	Overweight	16.0	15.8%	20.1	18.5	15.7	3.6	3.2	2.8	12.7	11.2	9.4
Adani Enterprises Ltd	ADE IN	284.3	Not Rated	6.2	37.8%	15.3	10.7	8.0	1.5	1.5	1.3	16.7	9.9	6.0
Reliance Infrastructure Ltd	RELI IN	574.7	Not Rated	3.0	9.9%	9.8	9.1	7.9	0.7	0.6	0.6	16.4	11.1	8.7
GMR Infrastructure Ltd	GMRI IN	29.7	Not Rated	2.3	NA	288.3	NA	74.8	1.4	1.2	1.1	21.3	18.5	11.6
IRB Infrastructure Ltd	IRB IN	177.7	Overweight (V)	1.2	NA	13.1	11.0	9.6	2.4	2.1	1.9	8.3	7.6	7.5
IL&FS Transportation Netw	ILFT IN	184.3	Overweight	0.7	5.4%	8.3	7.4	7.0	1.5	1.3	1.1	7.2	8.5	9.3
GVK Power & Infrastructure Ltd	GVKP IN	17.7	Not Rated	0.6	37.8%	15.4	19.2	17.9	0.8	0.7	0.7	16.8	13.4	9.6
Weighted average (ex-JPA)					**20.4%**	**17.4**	**15.4**	**12.8**	**2.6**	**2.3**	**2.0**	**14.3**	**11.3**	**8.7**
Real Estate														
Jaypee Infratech	JPIN IN	48.0	Not rated	1.4	2.0%	4.6	5.9	6.2	1.4	1.2	1.0	5.7	9.3	6.2
DLF	DLFU IN	197.7	Overweight (V)	6.7	48.2%	20.5	25.6	17.0	1.3	1.2	1.2	14.9	14.3	11.9
Oberoi Realty Ltd	OBER IN	263.4	Underweight (V)	1.7	26.1%	16.7	16.2	12.8	2.6	2.3	1.9	12.4	10.9	8.4
Unitech	UT IN	28.8	Underweight (V)	1.5	39.9%	13.3	19.2	12.6	0.7	0.6	0.6	12.3	16.3	11.1
Godrej Properties	GPL IN	626.7	Underweight	0.9	41.3%	33.5	36.5	29.0	4.8	4.4	4.0	26.5	28.5	23.2
HDIL	HDIL IN	87.4	Underweight (V)	0.7	49.9%	4.4	6.4	4.0	0.4	0.4	0.3	4.7	5.6	3.8
Indiabulls Real Estate	IBREL IN	64.0	Neutral (V)	0.6	-4.3%	16.1	14.5	12.1	0.3	0.3	0.3	5.2	2.5	2.1
Anant Raj Industries Ltd	ARCP IN	57.5	Overweight (V)	0.3	49.9%	10.1	9.5	5.6	0.5	0.4	0.4	9.9	9.6	5.0
Weighted average (ex-JPA)					**41.4%**	**18.6**	**22.2**	**15.5**	**1.5**	**1.4**	**1.3**	**13.9**	**13.9**	**11.0**
Cement									**USD EV/t**					
JP Associates (Cement division)	Not listed	NA	NA						140	140	140			
Ultratech Cement	UTCEM IN	1494.6	Neutral	8.2	24.8%	23.8	22.2	18.5	164	160	157	12.7	10.9	9.5
Ambuja Cements Ltd	ACEM IN	166.6	Underweight	5.1	NA	20.5	19.5	15.1	182	173	151	11.9	10.2	7.7
ACC	ACC IN	1324.3	Underweight	5.0	NA	19.2	20.9	15.7	165	150	128	13.2	10.8	7.8
Shree Cements	SRCM IN	3041.3	Neutral	2.1	46.5%	43.9	57.7	44.5	163	158	146	11.9	10.7	8.8
Weighted average (ex-JPA)					**29.3%**	**23.9**	**24.9**	**19.7**	**168**	**161**	**147**	**12.6**	**10.7**	**8.5**
Power														
JP Power Ventures Ltd.	JPVL IN	39.5	Overweight	2.07	79.6%	51.6	27.1	13.5	2.8	2.6	2.1	31.4	17.0	10.9
NTPC	NTPC IN	164.0	Neutral	27.0	12.1%	15.4	15.3	14.0	2.0	1.8	1.7	11.2	11.6	10.7
Tata Power	TPWR IN	96.2	Neutral (V)	4.6	7.7%	13.1	11.0	9.3	1.7	1.5	1.3	9.6	7.3	6.0
Reliance Infrastructure	RELI IN	581.7	Neutral	3.1	NA	9.8	8.4	7.2	0.8	0.7	0.7	7.1	5.5	4.2
Adani Power Limited	ADANI IN	68.2	Underweight	3.0	51.0%	28.9	20.5	9.2	2.4	2.1	1.7	31.7	20.1	9.6
Lanco Infratech	LANCI IN	18.8	Neutral (V)	0.9	71.3%	10.1	17.1	11.1	1.0	0.9	0.9	9.5	10.4	7.5
Weighted average (ex-JPA)					**16.3%**	**15.6**	**14.7**	**12.5**	**1.9**	**1.7**	**1.6**	**12.2**	**11.3**	**9.5**
E&C														
Nagarjuna Construction	NJCC IN	47.5	Overweight (V)	0.2	50.6%	6.3	17.9	11.4	0.5	0.5	0.5	7.1	8.4	6.9
Simplex Infrastructure	SINF IN	225.5	Neutral (V)	0.2	35.1%	8.5	11.9	8.4	1.0	1.0	0.9	6.2	5.7	4.8
IVRCL Infrastructure	IVRC IN	61.3	Neutral (V)	0.3	51.5%	8.8	22.2	14.6	0.8	0.8	0.8	7.5	9.1	7.5
Hindustan Construction	HCC IN	25.0	Neutral (V)	0.3	NA	17.5	NA	NA	1.0	1.1	1.1	10.4	11.3	9.6
Weighted average (ex-JPA)					**46.6%**	**10.6**	**18.0**	**11.8**	**0.8**	**0.8**	**0.8**	**8.0**	**8.9**	**7.4**

Source: Company data, HSBC estimates; priced at 28 March 2012

HSBC

Deleveraging reduces earnings volatility

- With expansion across most business units coming to an end, we expect cash flows to start improving
- We estimate earnings to rebound with a 27% CAGR for FY13-14 after a dismal FY12, when earnings are expected to fall 12%
- Management is showing intent to cut leverage. We expect net debt equity to peak at 3.3x in FY12 and fall to 2.5x by FY14

Robust operating performance

We expect JPA to deliver a strong operating performance, with a 22% revenue CAGR and a 29% EBITDA CAGR over FY12-14. This is primarily driven by multiple projects getting commissioned during this period along with improving capacity utilization.

We expect the power business's sales contribution to expand from c11% in FY12e to 20% by FY14, growing at a 67% CAGR as its recently launched 1GW Karcham Wangtoo Hydro power project starts contributing for the full year from FY13 and its 500MW Bina Phase 1 thermal power project starts operations by H2 FY13. Power segment

Figure E1: JPA sales mix trend

Income statement – consolidated	FY10	FY11	FY12e	FY13e	FY14e	FY12e-14e CAGR
--Cement	35.2	50.2	66.8	86.2	96.1	20.0%
--Real estate	0.3	15.0	12.1	14.6	8.4	-17.1%
--JPIN	6.4	27.8	27.5	35.8	40.3	21.0%
--JPVL	7.8	8.6	15.5	29.7	43.6	67.6%
--Construction	13.2	8.5	13.0	15.7	16.0	10.7%
--Hospitality	1.5	1.8	1.9	2.0	2.2	6.0%
--Others	0.8	0.8	7.1	7.5	7.9	5.0%
Total sales	**65.3**	**112.6**	**144.1**	**191.6**	**214.4**	**22.0%**
--Cement	54%	45%	46%	45%	45%	
--Real estate	1%	13%	8%	8%	4%	
--JPIN	10%	25%	19%	19%	19%	
--JPVL	12%	8%	11%	16%	20%	
--Construction	20%	8%	9%	8%	7%	
--Hospitality	2%	2%	1%	1%	1%	
--Others	1%	1%	5%	4%	4%	
EBITDA	**21.9**	**47.4**	**54.5**	**79.5**	**90.9**	**29.1%**
EBITDA margin	34%	42%	38%	42%	42%	

Source: Company data, HSBC estimates

growth could remain strong during FY15 as well as its 1320MW Nigrie thermal power project comes on stream in H1 FY15.

JPA will complete its capacity expansion in the cement sector, raising capacity from 28.3MTPA now to 35.9MTPA during H1 FY12 (5MTPA Balaji cement plant in Andhra Pradesh operational from Q1 FY13). Increased capacity along with improving capacity utilization and a 6% price CAGR will drive a 20% revenue CAGR for the cement division during FY12-14.

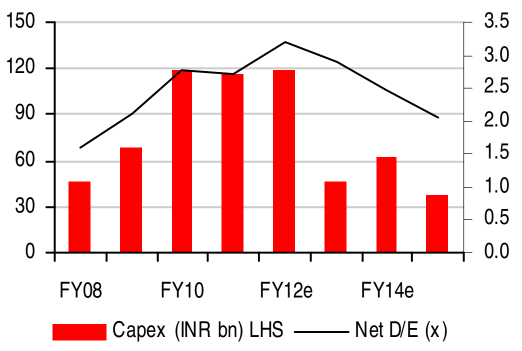
JPA's much anticipated 165km 6-lane Yamuna expressway is likely to become operational by April FY12. JPA has also sold INR216bn of real estate inventory since FY08, while it has collected a respectable INR121bn and recognized only INR100bn till date. We estimate revenue from expressway operations and the real estate business to grow at a 19% CAGR during FY12-14, presenting 26% of sales by FY14 (compared with 28% in FY12).

Deleveraging on its way

We expect leverage to fall meaningfully in the next 2 years

JPA has incurred a total capex of USD9.2bn over the past 5 years (FY07-12) against USD3bn projected in FY12-15. Such a huge capacity build-out across multiple sectors has seen the company become the third-largest cement player in India (36MTPA), the biggest real estate developer in the National Capital Region (695m sq ft) and one of the key private sector power generation players (9.2GW planned) with the largest private hydro power capacity (1.7GW operational). The majority of capex, especially in the power and cement business, was funded using debt. This results in net debt to equity increasing to an estimated c3.1x in FY12e, versus 1.6x in FY08).

Figure E2: JPA capex and leverage trend



Source: Company data, HSBC estimates

JPA's current expansion plans suggest incremental capex over FY12-14 will drop off in the next two to three years. The company has almost completed its cement capacity expansion (over by H1 FY13), while the Yamuna expressway is scheduled to become operational in Q1 FY13. This leaves primarily power business capex in the next two to three years, as it looks to bring its thermal power projects on stream. We estimate JPVL will contribute c80-90% of total capex over FY12-14.

Figure E3: JPA capex mix trend

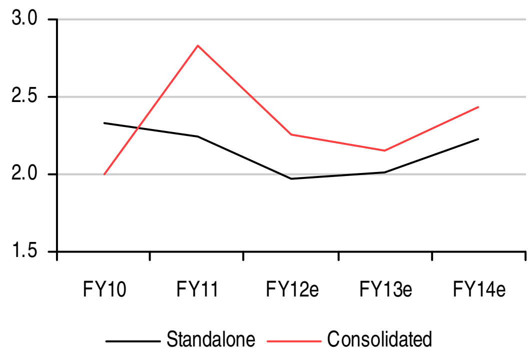
(INRbn)	FY09	FY10	FY11	FY12e	FY13e	FY14e
Standalone	42.8	30.7	44.1	30.3	5.0	5.1
--Cement	30.2	24.6	30.5	20.0	2.0	2.0
JPVL	2.7	18.8	43.5	38.4	36.4	56.1
JPIN	15.6	26.6	22.0	33.1	5.5	2.2
Others	6.9	43.4	6.8	17.4	(0.7)	(1.2)
Total	**68.0**	**119.4**	**116.5**	**119.1**	**46.3**	**62.2**
--Cement	63%	26%	38%	25%	11%	8%
Standalone	44%	21%	26%	17%	4%	3%
JPVL	4%	16%	37%	32%	79%	90%
JPIN	23%	22%	19%	28%	12%	3%
Others	10%	36%	6%	15%	-2%	-2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data, HSBC estimates

Operational cash flows sufficient to support debt servicing

Despite high balance sheet leverage, we do not foresee JPA having debt servicing issues. We estimate consolidated EBITDA to grow at a strong 29% CAGR over FY12-14. While the higher interest cost outflow subsequent to JPA expensing it through income statement owing to project completion (earlier capitalized) will pull down the adjusted EBITDA to net interest ratio down to 2.2x in FY13e (2.3x FY12e), we estimate the ratio to inch up back to 2.4x by FY14. While at the standalone level, we expect EBITDA to remain flat over FY12-14, we expect a combination of fundraising and stable cash flows to keep the adjusted EBITDA to net interest ratio flat at 2.0x during FY13 (2.0x in FY12e) while improving to 2.2x by FY14e.

Figure E4: JPA's adjusted EBITDA/net interest trend



Source: Company data, HSBC estimates

Note: EBITDA includes other income, but excludes asset sale income

Managing standalone and JPVL debt

JPA standalone. At the standalone level, JPA has two key issues which need immediate attention over the next 12 months, namely, (1) refinancing risk on its convertibles and (2) reducing leverage to improve free cash flows. However, bottoming macro growth and current market conditions are favourable. Below we highlight why these risks could turn into a substantial valuation upside.

Refinancing risk. Refinancing risk comes from a USD355m zero coupon bond maturing in September 2012. At the conversion price of INR185, the bonds are deeply out of the money and hence repayment seems the likely option. At a 48% conversion premium, JPA's total liability stands at USD522m. While JPA has chosen to refinance the bonds using domestic debt, the debt swap could be very costly given the domestic interest rates of 10-12%. JPA had a cash balance of USD370m (September 2011), suggesting a funding gap of USD152m.

JPA in our view has three options to meet the shortfall:

- **USD c111m through reduction of its equity stake in Jaypee Infratech (JPIN).** JPA currently holds 83.2% stake in JPIN, while the mandated norms for listed companies require a minimum 25% public holding. JPA can raise INR5.4bn (cUSD111m) through an 8% stake sale. Management has suggested that the company is willing to sell a larger share (10-12%) which will also allow JPIN to cut its own debt down as well. JPIN management has already taken board approval for raising funds over the next 12 months.
- **USD309m from treasury share sales.** JPA through various trusts owns c189m JPA treasury shares. At the current valuation of INR80 per share, these shares are valued at INR15.1bn (USD309m).
- **Refinancing using local debt.** This, in our view, is the option of last resort, as current domestic debt cost is hovering at 10-12%.

Figure E5: JPA FCCB repayment options analysis

	INRm	USDm
Cash on balance sheet (Sep-11)	18,149	370
JPIN stake sale	5,438	111
Treasury share sales	15,144	309
Total	**38,731**	**790**
O/S FCCB	17,346	354
Including conversion premium	**25,620**	**523**

Source: Company data, HSBC estimates

Long-term deleveraging: Cement stake sale

As reported in the media (e.g. *The Economic Times,* 16 November 2011; *moneycontrol.com,* 7 November 2011), JPA has carved out a separate subsidiary to hold its cement plants in South India

(5MTPA) and West India (4.8MTPA plants), with a combined capacity of c10MTPA. The company has indicated that the subsidiary also has option value for an additional 3MTPA capacity in South India. JPA said it intends to wrap up the stake sale by September 2012 and indicated it is in advanced talks with a few potential buyers.

Our cement analyst thinks no major cement player, domestic or international, would be keen to buy JPA's cement assets, as it is a marginal player in both the West and South India markets. However, a similar stake sale (21%) by Dalmia Cements during FY11 to KKR raises hopes that JPA could monetize its assets. Such a monetization would act as a huge boost to JPA's deleveraging plans and valuations alike. With the share prices of cement stocks firming up over the past 3 months, valuations have ranged between USD140-190/ton. Below we highlight the potential equity infusion from a stake sale, assuming INR45bn in debt is held by the cement subsidiary.

Figure E6: JPA Cement stake sales analysis

	USD/ ton				
@50% stake sale	120	140	160	180	200
INRbn	6.3	11.1	15.9	20.7	25.5
USDm	129	227	325	423	521
Upside (per share)	3.0	5.2	7.5	9.7	12.0
% of CMP INR80	3.7%	6.5%	9.4%	12.2%	15.0%

Source: Company data, HSBC estimates

JPVL funding gap

JPVL's operating capacity is likely to rise from 1.7GW currently to 2.9GW by FY14 and 5.5GW by FY16. With only 3 projects currently operational, JPVL currently has an equity funding gap of USD150-200m during FY13. While the company seems confident on meeting this gap through cash flow securitization of its recently operational Karcham Wangtoo project, we estimate the company will need to dilute equity twice over the next three years. The first dilution could come during FY13 for USD50m and the second dilution via the conversion of its FCCB (USD250m) during FY15. We estimate these fundraisings will bring down net debt to equity for JPVL from 4.1x in FY12 (peak leverage in our view) to 2.4x by FY15 and finally to 1.2x by FY17 when all its projects become operational.

Figure E7: JPVL funds management analysis

(INRbn)	FY11	FY12e	FY13e	FY14e	FY15e	FY16e	FY17e
Operational Capacity (GW)	0.7	1.7	2.2	2.9	4.8	5.5	5.5
Cash flows	3	5	14	18	24	29	36
Capex	(44)	(39)	(36)	(56)	(32)	(15)	0
FCF	(41)	(33)	(22)	(38)	(8)	14	36
Equity raising			2		8		
Net D/E (x)	3.43	4.02	3.67	3.62	2.40	1.77	1.19

Source: Company data, HSBC estimates

Earnings to rebound from FY13 after a dismal FY12

27% EPS CAGR over FY12-14

Weak cement realizations during H1 FY12 and rising interest expense are expected to lead to a 12% decline in FY12 earnings. However, with FY12 almost behind us, earnings are set to rebound sharply during FY13 and FY14 led primarily by a 22% sales CAGR and a 29% EBITDA CAGR. Falling leverage, in our view, will also lower earnings volatility. Standalone core earnings growth, however, could remain flat over FY12-14e, as the share of construction business generated by in-house construction projects falls from 85% in FY12 to c50%.

We are c19-45% above consensus, but this may be misleading

Our consolidated earnings estimates are sharply above consensus, but the comparison may be misleading for the following reasons:

- Consensus earnings estimates deviate in the range of +/- 40% from the mean.
- The data set of earnings forecasts compiled by Bloomberg from few participants is the same for standalone and consolidated figures, which makes comparison redundant.

We do not see any such issues with our estimates for standalone JPA. However, note there are only three to five analysts covering JPVL and JPIN, making the building of consensus difficult.

Figure E8: HSBC estimates relative to comparison

	FY12e	FY13e	FY14e
HSBC Consolidated PAT	12.3	16.9	19.8
Relative to consensus	19%	31%	45%
HSBC Standalone PAT	7.3	7.1	7.2
Relative to consensus	-2%	-24%	-38%
HSBC JPVL PAT	3.3	6.8	10.9
Relative to consensus	-28%	-7%	38%
HSBC JPIN PAT	11.3	10.6	11.3
Relative to consensus	4%	-5%	-7%

Source: Bloomberg, HSBC estimates

HSBC

Businesses going strong

- Business momentum in the real estate segment has been surprisingly strong; launch of expressway will improve cash flows
- Cement capacity expansion done; key cash generator
- Superior execution record improves visibility on power capacity expansion. No coal issues as current capacity is entirely hydro

Real estate: key value driver

Real estate business operated through three entities

JPA Group is one of the biggest real estate developers in the National Capital Region (NCR) with a development potential of c695m sq ft (c477m in NCR). A major portion of this is being developed through its 80%-owned subsidiary Jaypee Infratech (JPIN IN, market cap of USD1.4bn, not rated), while 133m sq ft is developed through its unlisted subsidiary Jaypee Sports International and the remaining 32m sq ft through the flagship company JPA.

Figure F1: JPA real estate development

(m sq ft)	Total Development	Within NCR
JPA – Greater Noida	8	8
JPA – Noida	24	24
Jaypee Infratech	530	311
Jaypee Sports International	133	133
Total	**695**	**477**

Source: Company data, HSBC estimates

Contracted sales continue to impress

At the consolidated level, JPA has managed to sell c59m sq ft over the past 5 years, with a total contracted sales value of INR217bn. This is higher than for any other North India developer during the same time period. Despite three years of strong

Figure F2: JPA real estate sales trend

	Up to FY09	FY10	FY11	FY12 (Up to Jan12)	Cumulative
JPIN					
Area sold	1.0	20.3	12.38	8.0	41.7
Contracted sales	**3,162**	**59,920**	**40,950**	**32,480**	**134,769**
Average price (psf)	3,325	2,952	3,308	4,040	3,234
JPA					
Area sold	6.9	1.3	4.2	0.75	13.1
Contracted sales	**37,887**	**6,809**	**19,590**	**5,970**	**70,256**
Average price (psf)	5,491	5,238	4,687	7,960	5,351
JSIL					
Area sold	-	-	3.6	0.6	4.2
Contracted sales	**-**	**-**	**8,612**	**2,500**	**11,112**
Average price (psf)	-	-	2,392	4,464	2,671
Total					
Area sold	7.9	21.6	20.2	9.3	59.0
Contracted sales	**41,049**	**66,729**	**69,152**	**40,950**	**217,880**
Average price (psf)	5,229	3,089	3,430	4,380	3,695

Source: Company data, HSBC estimates

performance, the company still recorded contracted sales (selling price × area sold) of cINR41bn from January to April 2012 within the Noida and Greater Noida region, which we think is impressive. Although JPA's market share of c20% over the past three years seems unsustainable and would likely come down in the next few years, quality development and marquee projects will allow JPA to command a premium within the local markets it operates, eg DLF and Unitech in Gurgaon, Hiranandani and Oberoi in Mumbai, Sobha and Prestige in Bangalore all command a 15-25% premium over second-tier developers.

Sceptics concerned about broker-led sales model

Advances collected though say different story

The general view among investors is that the majority of JPA's sales volumes have been acquired through broker sales – hence the risk that such customers do not pay up in the event of weak market conditions remains high. While this could be true, we highlight JPA's strong customer advances collection. The company has already collected c52-65% of total contracted sales value, contrary to market perception that the booking of cash from investors' sales will be delayed.

Figure F3: Customer advances collection trend

	JPA	JPIN	JSIL
Up to FY11			
Customer advances collected	37	49	4
as % of sales value	58%	47%	46%
Up to Jan 2012 (FY12)			
Customer advances collected	46	70	6
as % of sales value	65%	52%	53%

Source: Company data

Economic activity needs to pick up

Noida and Greater Noida do not have enough economic activity to justify the strong residential inventory build-up plans of developers. While we highlight that the residential / commercial sales volume ratio in both regions combined is very high at 37x (for other second-tier cities it is 5-12x), a large share of the working population find employment opportunities in Delhi and in manufacturing activities around Greater Noida. Pent up demand for better quality housing from the working class population and huge investor interest owing to improving infrastructure has been one of the key drivers of demand so far.

We forecast modest expectations over FY12-14

Figure F4: JPA real estate summary

	FY10	FY11	FY12e	FY13e	FY14e
Area sold (m sq ft)					
JPA	1.3	4.2	1.0	1.3	2.0
JPIN	20.3	12.4	9.5	8.0	11.0
JSIL		3.6	0.6	0.8	1.0
Total	**21.6**	**20.2**	**11.0**	**10.1**	**14.0**
Contracted value (INRm)					
JPA	6,809	19,590	7,200	9,785	16,179
JPIN	59,920	40,950	38,600	30,660	35,214
JSIL		8,612	2,500	3,520	4,400
Total	**66,729**	**69,152**	**48,300**	**40,445**	**51,393**
ASP (INR psf)					
JPA	5,238	4,687	7,800	8,000	7,500
JPIN	2,952	3,308	4,063	3,833	3,201
JSIL		3,430	4,380	4,400	4,400
Total	**3,089**	**3,430**	**4,387**	**4,024**	**3,671**
Consolidated (INRm)					
Sales	12,918	44,839	44,460	52,747	50,135
EBITDA margin	66.0%	59.9%	52.9%	57.8%	55.4%
Standalone (INRm)					
Sales	6,511	17,052	12,141	14,613	8,354
EBITDA margin	40.0%	51.2%	55.0%	58.2%	54.2%

Source: Company data, HSBC estimates

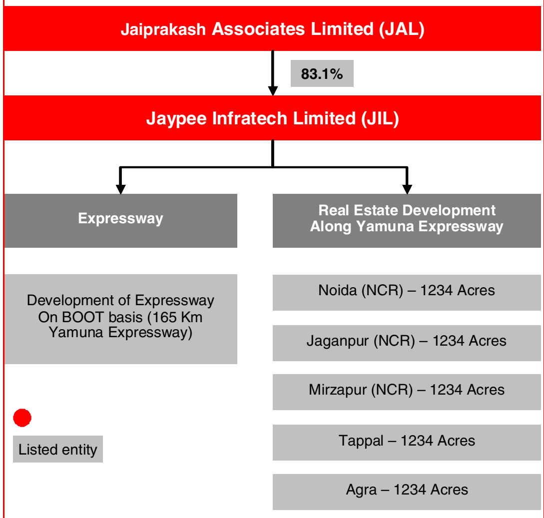
However, sustained volume growth for JPA and other developers in the Noida and Greater Noida region will depend on increased employment opportunities following in the footsteps of Gurgaon. This will be critical over the next 3-5 years as the majority of inventory sold over FY09-11 (bumper volume years) will be ready for delivery over FY13-14.

JPIN (real estate and expressway)

Through JPIN (83.1% owned by JPA), JPA offers investors a play on road development and real estate in a single entity. JPIN has a concession agreement with the Uttar Pradesh State Government to:

- Build-Own-Operate-Transfer (BOOT) a 165km Yamuna Expressway connecting Greater Noida to Agra for 36 years.
- The right to toll the existing 23.8km Noida – Greater Noida expressway for a similar tenure, which has been transferred by the state Government as an interest free loan to JPIN.
- The right to develop 5 land parcels (1235 acres each) as integrated townships with a total development scale of c530m sq ft (6,175 acres). c60% of the real estate opportunity is part of the National Capital Region (NCR).

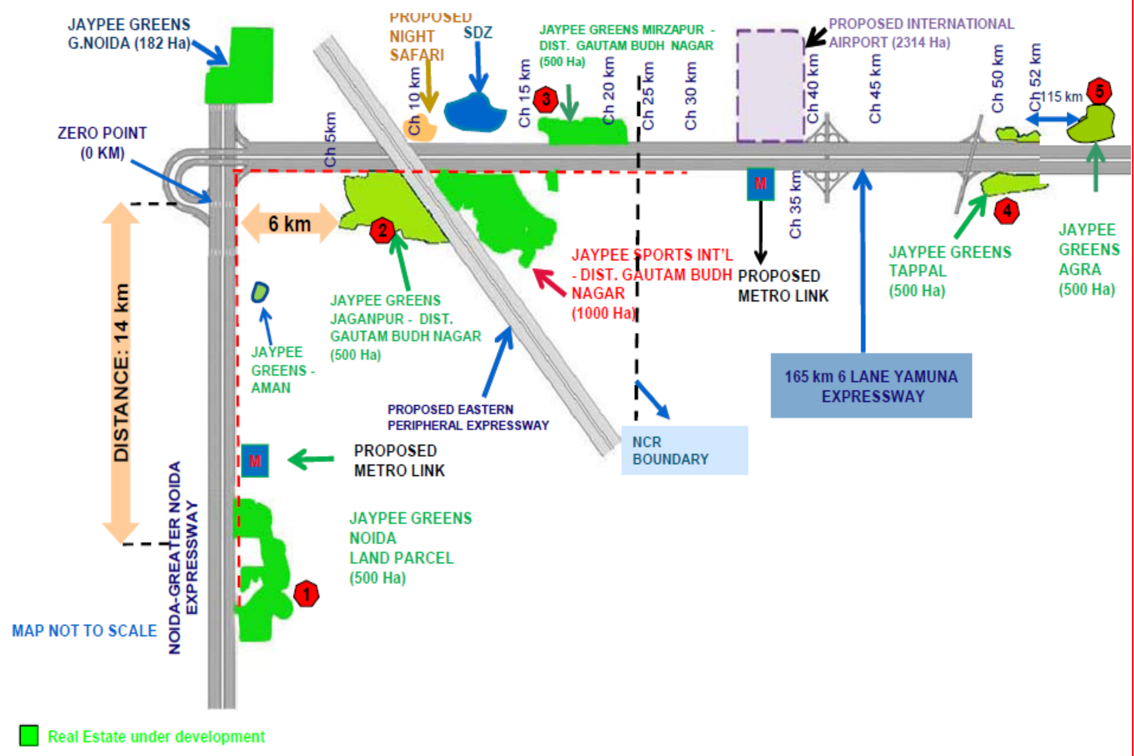
Figure F6: JPIN holding structure



Source: Company data

JPIN is funding the INR133bn (USD2.7bn) expressway project with an equity commitment of INR28bn and INR70bn through long-term debt. The INR36bn viability gap has been funded by monetizing the real estate land parcels.

Figure F5: Yamuna expressway project schematic along with land parcel locations



Source: Company data

Figure F7: Yamuna expressway project funding structure

	(INRbn)	Share
Equity	28	21%
Funds from real estate	36	27%
Total equity	63	47%
Debt	70	53%
Total project cost	133	100%

Source: Company data, HSBC estimates

Work on the INR133bn (USD2.7bn) Yamuna expressway was 88% complete as of January 2012 and our recent site visits indicate the company is working on the toll plazas and traffic controls. The project is likely to become operational by Q1 FY13. While the project was delayed due to land acquisition issues during FY10-11 (cost increased by 36% from the earlier planned INR97.4bn), it has still been completed 12 months ahead of the appointed schedule, reflecting highly on JPA's execution abilities.

Key assumptions for the expressway

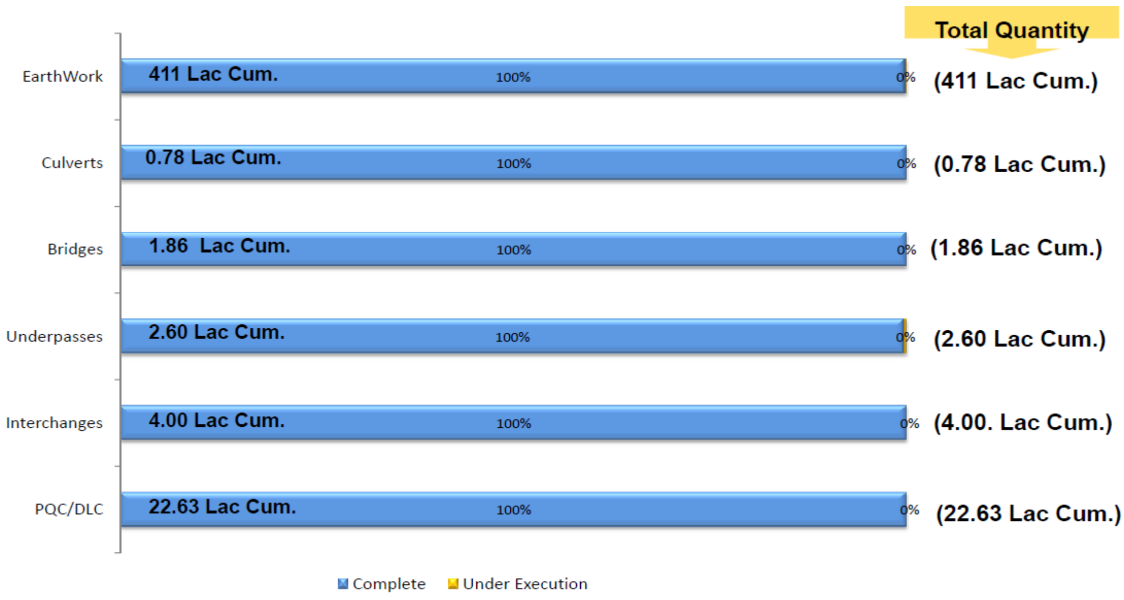
Since the Yamuna expressway is a green-field project parallel road to the existing Delhi Agra highway on NH2, it is difficult to make initial traffic assumptions for the first few years. Hence, we have relied upon traffic estimates of connecting/adjacent roads to guide our traffic estimate. The Delhi Noida Drive (DND) toll way operated by the Noida Toll Bridge Company Limited (NTBCL) has witnessed traffic of c110K vehicles annually, while the connecting 23.8KM Noida-Greater Noida highway has been clocking c65,000-75,000K vehicles annually, while the existing Delhi Agra highway has been witnessing traffic of 40,000-45,000 vehicles. We assume the

Figure F9: JPA expressway traffic assumptions

	Daily traffic
Delhi Agra Highway (NH2)	42,000-45,000
Noida Greater Noida highway	65,000-75,000
Noida Toll bridge (Delhi – Noida)	110,000

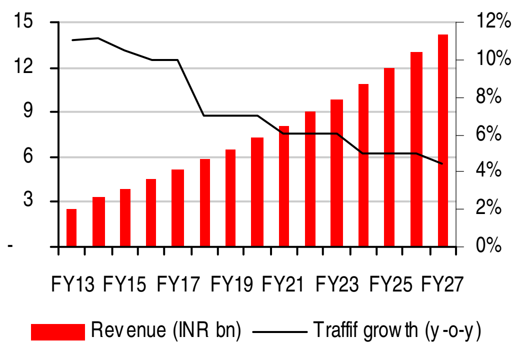
Source: NHAI, Industry estimates, NTBCL, HSBC estimates

Figure F8: Yamuna expressway progress chart as of January 2012



Source: Company data; 1 lac = 100,000

Figure F10: YEA revenue and traffic growth trend estimate



Source: HSBC estimates

JPIN earnings growth will remain flat as expressway begins operations

Road sector assets typically report losses during the first two to three years of operations as they start booking interest costs, which were hitherto capitalized during the construction period. With the Yamuna expressway opening in Q1 FY13, JPIN's road business will report losses as well, though offset by its real estate business. Hence, despite a strong top-line CAGR of 23%, we estimate JPIN's earnings growth will be sluggish at a 3% CAGR over FY12-14. Nevertheless, we expect JPIN to start generating free cash flow from FY14, which will help improve gearing and also allow the company to pay consistent dividends to parent JPA.

Figure F11: JPIN summary income statement

(INRm)	FY10	FY11	FY12e	FY13e	FY14e
--Real Estate	*6,407*	*27,787*	*27,545*	*33,360*	*37,008*
--Toll	*0*	*0*	*0*	*2,457*	*3,302*
Total sales	**6,407**	**27,787**	**27,545**	**35,817**	**40,310**
EBITDA	5,921	18,134	13,839	20,839	22,572
EBITDA margin	**92.4%**	**65.3%**	**50.2%**	**58.2%**	**56.0%**
EBIT	5,759	18,048	13,731	19,983	21,506
PBT	5,874	18,146	14,159	13,238	14,183
HSBC PAT	**4,875**	**14,351**	**11,327**	**10,590**	**11,346**
HSBC PAT margin	76.1%	51.6%	41.1%	29.6%	28.1%
y-o-y	82.8%	194.4%	-21.1%	-6.5%	7.1%

Source: Company data, HSBC estimates

Figure F12: JPIN summary balance sheet statement

(INRm)	FY10	FY11	FY12e	FY13e	FY14e
Shareholders' funds	19,929	47,629	56,519	64,266	72,362
Total debt	42,691	54,581	69,960	72,760	74,792
Total liabilities	**62,619**	**102,211**	**126,479**	**137,026**	**147,155**
Net fixed assets	52,115	74,068	107,027	111,677	112,778
Current assets (ex-cash)	27,317	49,678	50,309	51,075	51,548
Current liabilities	20,123	31,304	38,354	34,300	32,891
Net working Capital (ex-cash)	7,194	18,375	11,955	16,775	18,656
Cash	17,830	18,508	7,497	8,574	15,721
Total assets	**77,139**	**110,951**	**126,479**	**137,026**	**147,155**
Net debt/equity	*1.25*	*0.76*	*1.11*	*1.00*	*0.82*
ROE	*30.1%*	*42.5%*	*21.8%*	*17.5%*	*16.6%*
ROCE	*12.7%*	*17.3%*	*9.6%*	*12.1%*	*12.1%*

Source: Company data, HSBC estimates

Figure F13: JPIN summary cash flow statement

(INRm)	FY10	FY11	FY12e	FY13e	FY14e
Operating cash	1,232	2,869	17,427	13,371	17,854
---Road asset	-	-	1,794	2,411	2,841
--Real Estate	1,232	2,869	15,633	10,961	15,013
Capex	-26,560	-22,039	-33,069	-5,505	-2,167
--Interest	-8	-101	-300	-7,195	-8,004
--debt repayment	42,691	11,891	15,379	2,800	2,032

Source: Company data, HSBC estimates

Power (JPVL): key revenue driver

3.8GW capacity adds over FY12-17

JPA has housed its power assets in its listed subsidiary Jaypee Power Ventures Private Limited (JPVL). JPVL is currently the largest private sector hydro power player with an operational capacity of 1,700 MW (its 1,000MW Karcham Wangto project became operational in FY12). We expect JPVL to add another 1,160MW of coal based capacities during FY12-14 at Bina and Nigrie. Overall we expect JPVL capacity to reach 5.5GW of operational capacity by FY17e, which is c3.2x its existing capacity over next five years refer (Figure G1 following).

Figure G1. JPVL's capacity addition and generation growth

Year	Capacity (MW)	Addition (MW)	Growth y/y	Generation (MU)	Growth y/y
FY10	700	0	0%	3,284	-1%
FY11	700	0	0%	3,490	6%
FY12e	1,700	1,000	143%	5,896	69%
FY13e	2,200	500	29%	9,608	63%
FY14e	2,860	660	30%	13,952	45%
FY15e	4,840	1,980	69%	26,853	92%
FY16e	5,500	660	14%	34,896	30%
FY17e	5,500	0	0%	35,879	3%

Source: Company data, HSBC estimates

We foresee multiple positives for the power business

1 **Strong execution capability.** JPA, which provides engineering, procurement and construction (EPC) services is a leader in the construction of multi-purpose river valley and hydropower projects. It has executed three out of five hydropower projects contracted (on an EPC basis) in India till March 2009, completing some ahead of schedule.

2 **Coal shortage related risk is low as majority of capacity is hydro power.** Unlike its peers, JPVL capacity mix remains favourable over next two to three years with hydro capacity estimated to account for 35% of total capacity by FY15 (100% in FY12, 77% in FY13 and 59% in FY14). Also 1.3GW or 42% of the 3.1GW of coal based capacity projected to be operational by FY15 is supported by captive coal mines, limiting fuel availability risk and fuel price risk.

3 **Power purchasing agreements in place for 74% of capacity until FY16 and fuel cost escalation pass-through.** For the capacity expected to be operational by FY16, c74% has been tied up through PPAs. Importantly for its coal-based capacity Bara with coal linkage, the company can pass through higher fuel costs to the extent of PPA signed. Figure G2 provides details of annual sales mix and Figure G3 provides project details for contracted capacity.

Figure G2: JPVL project-wise details of capacity contracted – PPA in place for 74% of capacity expected by FY16 and with cost escalation pass-through to consumers

Project name	Total capacity (MW)	Type	Capacity contracted (MW)	% tied up	Customer / State	Details	Tariff	Comments
Baspa-II	300	Hydro	300	100%	HPSEB, Himachal Pradesh	Free Power – 12% (all through the concession period) PPA – 100% of the saleable power to HPSEB	cost plus return	
Vishnuprayag	400	Hydro	400	100%	UPPCL, Uttarakhand	Free Power – 12% (all through the concession period) PPA – 100% of the saleable power to UPPCL	cost plus return	
Karcham Wangtoo*	1,000	Hydro	736	74%	NA	Free power – 12% (first 12 years) & 18% (after 12 years) PPA – 70% of saleable power most probably to PTC Merchant Power – 30% of balance saleable power	Assumed at min cost plus return	Contract with PTC cancelled and in dispute.
Bina Power – Phase I	500	Domestic coal	350	70%	Madhya Pradesh	GoMP-70% (including 5% at variable cost) Merchant Power – 30%	cost plus return	Linkage based. Inc in coal cost due to imports/e-auction will be a pass-through.
Jaypee Nigrie	1,320	Captive coal	495	38%	Madhya Pradesh	GoMP-37.5% (including 7.5% at variable cost) Merchant Power – 50%	cost plus return	Captive coal, limited risk of availability and cost increase.
Bara – Phase I	1,980	Domestic coal	1,782	90%	Uttar Pradesh	1980 MW Phase-I : GoUP – 90%, Merchant Power – 10%	INR 3.02 per unit, fuel cost escalable	Linkage based. Inc in coal cost due to imports/e-auction will be a pass-through.
Total	**5,500**		**4,063**	**74%**				

Source: Company, HSBC estimates

HSBC

Figure G3: JPVL's year wise sales mix until Fy16 (capacity in MW)

Year	Contracted & Free capacity	% contracted	Open capacity	Total capacity
Hydro				
FY10	700	100%	0	700
FY11	700	100%	0	700
FY12e	820	48%	880	1,700
FY13e	820	48%	880	1,700
FY14e	1,436	84%	264	1,700
FY15e	1,436	84%	264	1,700
FY16e	1,436	84%	264	1,700
Coal				
FY10	0	na	0	0
FY11	0	na	0	0
FY12e	0	na	0	0
FY13e	350	70%	150	500
FY14e	598	52%	563	1,160
FY15e	2,033	65%	1,107	3,140
FY16e	2,627	69%	1,173	3,800
Total				
FY10	700	100%	0	700
FY11	700	100%	0	700
FY12e	820	48%	880	1,700
FY13e	1,170	53%	1,030	2,200
FY14e	2,034	71%	827	2,860
FY15e	3,469	72%	1,371	4,840
FY16e	4,063	74%	1,437	5,500

Source: Company, HSBC estimates

We expect JPVL to post 81% earnings CAGR over FY12-14

We expect JPVL's volume to grow at a 57% CAGR from 5.1bn units in FY12 to 12.6bn units by FY14, driving our 67% sales CAGR over FY12-14. This assumes capacity increase from 1.7GW to 2.9GW in FY14 and an average plant load factor of 56-63% during the same period. We expect JPVL to deliver robust 81% earnings CAGR over FY12-14.

We do see risk of equity dilution given a very high debt equity ratio of c4.0x. We expect JPVL to dilute equity, c2% in FY13, and raise about INR2bn to fund the shortfall in its total equity requirement of INR11-12bn for FY13. Nevertheless, this will not hurt its growth outlook.

The company also has outstanding Foreign Currency Convertible Bonds (FCCB) of USD200m due in FY15 with a conversion price of INR85.8139 per share (at USD/INR of 46.14). A lower share price would require JPVL to refinance these bonds during February 2015 when they mature.

Figure G4: JPVL consolidated – summary of key assumptions for our earnings estimate

Assumption (INRm)	FY10	FY11	FY12e	FY13e	FY14e	CAGR (FY13-14e)
Installed Capacity (MW)	**700**	**700**	**1,700**	**2,200**	**2,860**	**29.7%**
Average PLF (%)		57%	56%	56%	63%	
Generation (MU)	**3,284**	**3,490**	**5,896**	**9,608**	**13,952**	**53.8%**
Sales (MU)	**2,856**	**3,049**	**5,131**	**8,519**	**12,585**	**56.6%**
ASP (INR per unit)	2.42	2.42	3.03	3.31	3.33	4.9%
Fuel cost (INR per unit)	na	na	na	1.66	1.25	
Fixed cost (INR per unit)	0.29	0.27	0.28	0.30	0.26	
Dep (INR per unit)	0.36	0.31	0.41	0.46	0.44	
Interest (INR per unit)	0.83	1.47	1.71	1.42	1.10	
Net profit (INR per unit)	0.86	0.57	0.65	0.80	0.87	
Revenue	**6,907**	**7,369**	**15,537**	**29,699**	**43,630**	**67.6%**
Inc y/y	132.8%	6.7%	110.8%	91.2%	46.9%	
EBITDA	**6,085**	**6,560**	**14,091**	**23,683**	**33,239**	**53.6%**
Inc y/y	122.7%	7.8%	114.8%	68.1%	40.4%	
Margins %	88.1%	89.0%	90.7%	79.7%	76.2%	
Depreciation	-1,026	-949	-2,109	-3,884	-5,546	
Interest	-2,364	-4,484	-8,763	-12,135	-13,816	
Net profit	**2,447**	**1,746**	**3,320**	**6,793**	**10,918**	**81.4%**
Inc y/y	66.2%	-28.6%	90.1%	104.6%	60.7%	
Margins %	35.4%	23.7%	21.4%	22.9%	25.0%	
EPS	**1.2**	**0.8**	**1.5**	**2.9**	**4.7**	**79.6%**

Source: Company, HSBC estimates

Figure G5: JPVL summary balance sheet statement

Balance sheet	FY10	FY11	FY12e	FY13e	FY14e
Shareholders' equity	33,681	31,804	34,925	43,477	54,283
Minority interest	585	650	650	751	872
Gross debt	68,115	133,459	160,431	179,029	214,031
Total liabilities	**102,380**	**165,913**	**195,927**	**223,536**	**269,693**
Net fixed assets	42,278	32,112	101,462	135,054	169,944
CWIP	23,924	117,313	84,491	83,377	98,987
Current assets	9,206	3,869	3,869	3,869	3,869
Current liabilities	(2,748)	(5,348)	(7,229)	(12,032)	(15,587)
Total assets	**102,380**	**165,913**	**195,927**	**223,536**	**269,693**
Net debt to equity	2.2	4.4	5.1	4.7	4.7
ROE	7.0%	3.9%	6.6%	9.5%	10.8%
ROCE	7.0%	3.9%	6.6%	9.5%	10.8%

Source: Company data, HSBC estimates

Figure G6: JPVL summary cash flow statement

Cash flow	FY10	FY11	FY12e	FY13e	FY14e
Operating cash	(1,974)	2,665	5,456	14,342	18,401
Capex	(18,776)	(43,500)	(38,678)	(36,426)	(56,110)
FCF	(20,750)	(40,835)	(33,222)	(22,084)	(37,709)
Invt in subs/assoc	(4,000)	0	0	0	0
Change in debt	47,816	36,581	26,972	18,598	35,002
Share issue	260	65	0	2,000	0
Others	(1)	(10)	0	0	0
Net cash flow	22,895	(4,199)	(6,250)	(1,486)	(2,707)

Source: Company data, HSBC estimates

Cement: capacity expansion to be complete by H1 FY13

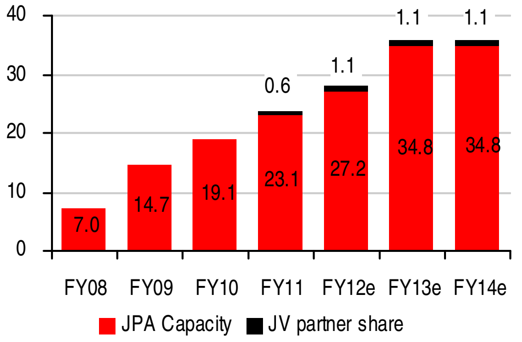
JPA has successfully increased its cement capacity from 9MT in FY08 to c28.2MT in FY12 and is expected to complete its expansion to 35.9MT by H1 FY13 (2.1MT in the Bokaro JV commissioned in Q4 FY12 and 2.5MT in Central Zone across 2 different locations likely to be commission by H1 FY13). The company is now the third-largest player in the Indian market and is the market leader in the Central region with c50% share. At the same time JPA's c10MT combined capacity in the West and South India makes it a marginal player in these regions.

Healthy combination of increased utilization and stable pricing

JPA is likely to commission its final few plants during Q1 FY13 increasing its total capacity to c35.9 MT against its current operative capacity of 28MT. Completion of its capacity expansion should drive a 21% CAGR in cement revenues over FY12-14. We factor a 5% price CAGR and 16% volume CAGR over FY12-14. Volume growth is led primarily by expectations of marginal improvement in cement demand as macro growth picks up during H2 FY13 allowing a better capacity utilization (up from 58% in FY11 to c70% in FY14).

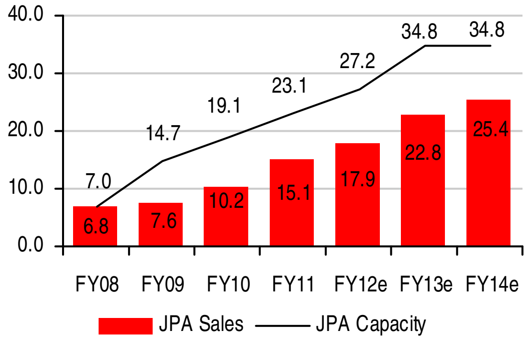
We expect EBITDA to grow at a faster pace (21% CAGR over FY12-14) as capacity utilization across its plants inches up after completed expansion. JPA's cost structure still fares well, as it will have a captive power capacity of 672MW by FY13 (currently at 312MW). The company also has 1) sales tax and electricity duty exemption and income tax exemption on several plants. JPA's captive power capacity and coal (as

Figure H1: JPA Cement capacity addition trend



Source: Company data, HSBC estimates

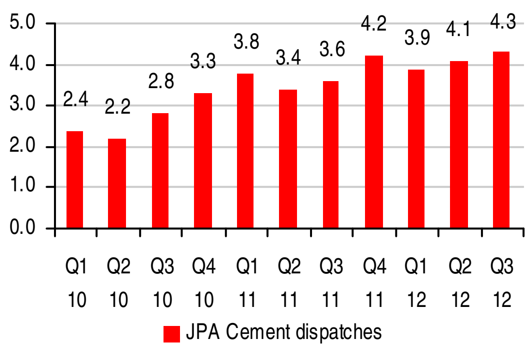
Figure H2: JPA Cement capacity and sales trend



Source: Company data, HSBC estimates

and when available post FY14e from its captive coal blocks) along with duty exemptions (cINR75-90 per ton) for JPA should help offset higher transportation cost (greater reliance on road transport).

Figure H3: JPA cement dispatches (MT)



Source: Company data

Figure H4: JPA Cement capacity addition trend

Zone	Name of plant	FY11	FY12e	FY13e	Total
Central	Rewa Complex	7.0			15.6
Zone	UPCP	3.0			
	Sidhi	2.0			
	JP Super Dalla			1.1	
	Sikanderabad (G)	1.0			
	Churk (G)			1.5	
North	Baga	1.5			6.2
Zone	Bagheri(G)	2.0			
	Panipat(G)	1.5			
	Roorkee (G)	1.2			
West	JGCP – I & II	2.4			4.8
Zone	Wanakbori(G) – I & II	2.4			
East	Bhilai JV	2.2			4.3
Zone	Bokaro JV(G)		2.1		
South Zone	Balaji			5.0	5.0
Total		26.2	2.1	7.6	35.9

Source: Company data, HSBC estimates

Plans to divest stake to help deleveraging efforts

JPA plans to hive off its interest in West and South zone capacities (c10 MT) into a 100% wholly owned subsidiary JCCL with the intention to bring in a strategic investor for up to a 50% stake. Our cement analyst thinks no major cement player, domestic or international, would be interested in

Figure H5: JPA cement earnings model

	FY10	FY11	FY12e	FY13e	FY14e	FY12e-14e CAGR
Capacity (MT)						
Total Capacity	19.1	23.7	28.3	35.9	35.9	13%
JPA share	19.1	23.1	27.2	34.8	34.8	13%
JV partner share	0.0	0.6	1.1	1.1	1.1	0%
Volumes (MT)						
Standalone	9.8	15.0	19.9	24.5	25.9	14%
Consolidated	10.6	15.7	19.7	24.5	25.9	15%
Utilization (MT)						
Standalone	48%	62%	70%	69%	71%	
Consolidated	53%	64%	68%	67%	71%	
Sales						
Standalone	35,404	48,521	57,552	77,291	83,525	20%
Consolidated	39,217	56,213	75,210	98,399	109,704	21%
Consolidated Selling price (per Ton)	3,607	3,342	3,362	3,525	3,704	5%
y-o-y	15.1%	-7.3%	0.6%	4.8%	5.1%	
EBITDA						
Standalone	13,637	12,865	11,568	16,544	19,142	29%
Consolidated	13,683	12,696	13,926	18,820	22,553	27%
y-o-y	65.2%	-7.2%	9.7%	35.1%	19.8%	
EBITDA (per Ton)	1,402	845	741	825	923	12%

Source: Company data, HSBC estimates

buying JPA's cement assets, as it is a marginal player in both the West and South markets.

However, Dalmia Cements stake sale (c21%) during FY11 to private equity investor KKR raises hopes that JPA can monetize its assets. The monetization could act as a huge boost to JPA's deleveraging plans and thus valuation. With the share prices of cement companies firming up over the past 3 months, valuations have ranged between USD140-190/ton. Below we highlight the potential equity infusion from a stake sale, assuming INR45bn of debt held by the cement subsidiary.

Figure H6: JPA Cement stake sales analysis

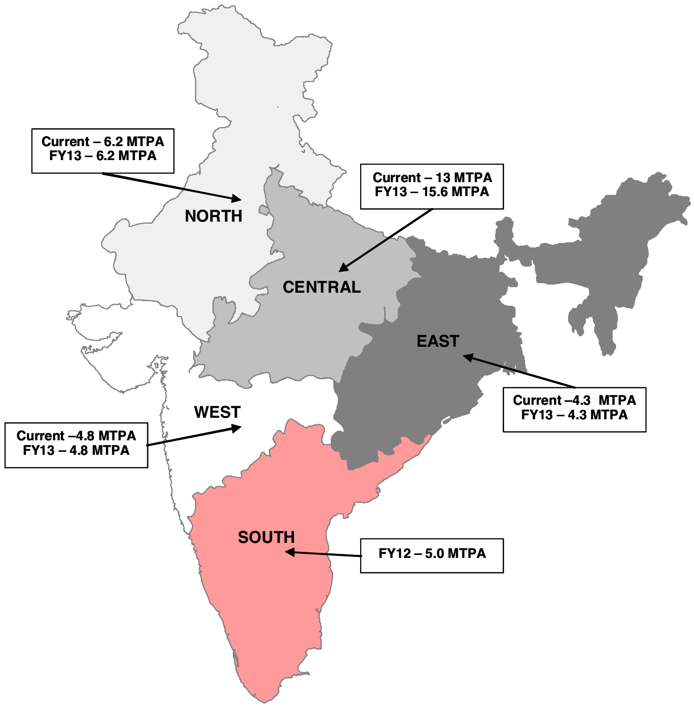
	USD/ ton				
@50% stake sale	120	140	160	180	200
INRbn	6.3	11.1	15.9	20.7	25.5
USDm	129	227	325	423	521
Upside (per share)	3.0	5.2	7.5	9.7	12.0
% of CMP INR80	3.7%	6.5%	9.4%	12.2%	15.0%

Source: Company data, HSBC estimates

E&C: experienced infra construction arm

JPA, which started out as a hydro power EPC player has so far executed c9.8GW of power projects. It has also developed the 165km 6-lane Yamuna expressway and has c50m of real estate development under development making it one of the big E&C companies in the country. However a major portion of this has come from its in-house projects (1.7 GW power and entire Yamuna expressway and real estate). External business formed a mere 3% of the total order book (INR1,014bn ex Ganga expressway) and contributed c14% of the total construction revenues (INR60.5bn) at the standalone level for JPA during FY11.

Figure H7: Geographical spread of JPA's cement capacity



Source: Company data, HSBC estimates

We think the situation is unlikely to change dramatically over FY12-14. However, with its key internal projects like Karcham Wantoo and Yamuna expressway complete, we expect consolidated revenues from its E&C business to decline by a mere 11% CAGR over FY12-14, while EBITDA stays flat, as the share of high margin hydro projects shrinks

Figure H8: JPA E&C revenues and order book trend

	FY10	FY11	FY12e	FY13e	FY14e	FY15e	FY12e-14e CAGR
Consolidated							
Gross E&C sales	53,512	60,475	57,444	39,166	41,029	35,750	-15.5%
Less: Inter-segment sales	40,326	51,973	44,404	23,463	25,047	21,446	-24.9%
Net E&C sales	**13,186**	**8,502**	**13,040**	**15,703**	**15,982**	**14,304**	**10.7%**
y-o-y	58.2%	-34.6%	50.2%	20.4%	1.8%	-10.5%	
EBITDA	**4,643**	**4,933**	**3,260**	**3,141**	**3,196**	**2,861**	**-1.0%**
EBITDA margin	35.2%	58.0%	25.0%	20.0%	20.0%	20.0%	
Standalone							
Net E&C sales	**55,891**	**60,527**	**57,444**	**39,166**	**41,029**	**35,750**	**-15.5%**
y-o-y	90.9%	8.3%	-5.1%	-31.8%	4.8%	-12.9%	
EBITDA	**12,789**	**10,416**	**13,499**	**8,617**	**8,206**	**6,435**	**-22.0%**
EBITDA margin	22.9%	17.2%	23.5%	22.0%	20.0%	18.0%	
Order book	**FY10**	**FY11**	**FY12e**	**FY13e**	**FY14e**	**FY15e**	
Existing external orders	*22,690*	*20,150*	*38,341*	*24,138*	*11,136*	*3,332*	
New orders	-	-	-	*7,600*	*13,600*	*16,400*	
External Orders ----A	**22,690**	**20,150**	**38,341**	**31,738**	**24,736**	**19,732**	
JV Orders ---------B	**6,380**	**5,890**	**4,620**	**3,520**	**2,540**	**1,240**	
Active orders- Internal	*847,320*	*846,550*	*802,146*	*778,683*	*753,636*	*732,190*	
Inactive orders- Internal	*440,000*	*440,000*	*440,000*	*440,000*	*440,000*	*440,000*	
Internal Orders --------C	**1,287,320**	**1,286,550**	**1,242,146**	**1,218,683**	**1,193,636**	**1,172,190**	
Total reported OB-----(A+B+C)	**1,316,390**	**1,312,590**	**1,285,107**	**1,253,940**	**1,220,912**	**1,193,162**	
Total reported OB (ex-inactive orders)	***876,390***	***872,590***	***845,107***	***813,940***	***780,912***	***753,162***	

Source: Company data, HSBC estimates

Company profile

Jaiprakash Associates Ltd (JAL) is the flagship company of the Jaypee Group which is one of India's largest diversified infrastructure development conglomerates. Promoted by Jaiprakash Gaur, the company is expanding its footprint from the well established EPC and cement business to power generation, expressway development and real estate and sports infrastructure projects.

JPA holding structure

The parent company houses the cement (35.9 MTPA), construction (primarily in house), part of the real estate business and hospitality (877 rooms). Of the 695m sq ft of real estate development in NCR, c8m sq ft at Greater Noida and 24.3m sq ft at Noida is being developed at the standalone level, while c530m sq ft is being developed through listed subsidiary Jaypee Infratech (83.1% holding) and c133m sq ft through its subsidiary Jaypee Sports International (90.5% holding).

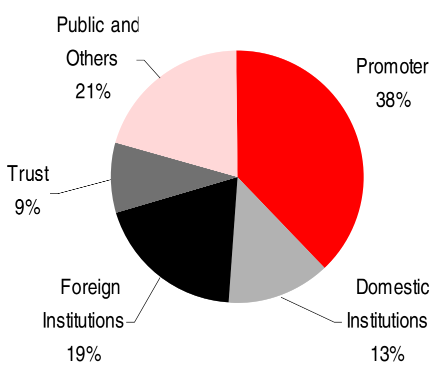
JPA's infrastructure assets business is operated through its listed subsidiary Jaypee Infratech Ltd. The Group is constructing the 165km-long, six-lane Yamuna Expressway project from Noida to Agra. It is also developing c6175 acres (c530m sq ft) spread along the Yamuna Expressway.

JPA operates its power business through listed subsidiary JPVL (67.3% holding). JPVL was formed in late 2009 by merging the erstwhile JP Hydro (holding company for 300MW Baspa hydro project and JPVL (80.6% owned by JPA, which owned all other power projects). Later JPVL approved the amalgamation of Karcham Wangtoo and Bina currently bringing its JPA's stake in JPVl down to 67.3%.

Formula One venture

The Buddh International Circuit is India's first Formula 1 track and marks Jaypee Group's foray into sports infrastructure. The circuit is located in Greater Noida and was the venue for the first Formula One Indian Grand Prix in October 2011. The project was built at an estimated cost of INR10bn, with a length of c5.14km and is spread over an area of 874 acres. The seating capacity is initially expected to be 110,000 with provisions to increase it to 200,000 subsequently. The F1 race track is part of the 2,500 acres Jaypee Greens Sports City owned by JPA's majority owned subsidiary "Jaypee Sports International Ltd (JSIL)". The project also includes a 100,000-seat cricket stadium, 18-hole golf course, 25,000-seat hockey stadium and a sports academy.

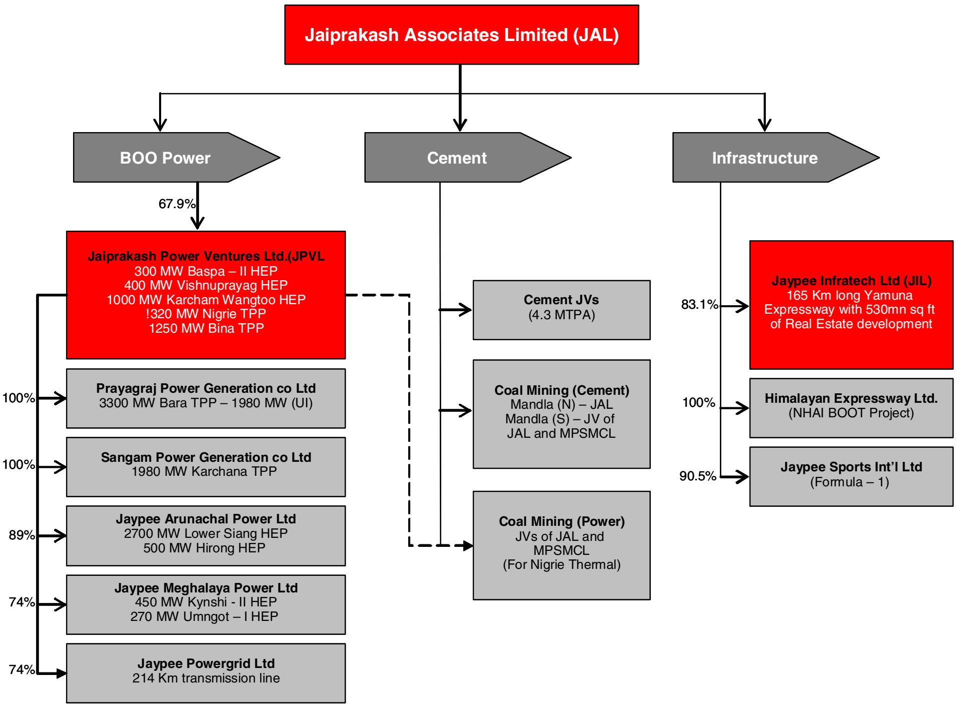
Figure I1: Shareholding pattern December 2011



Source: Company data

HSBC

Figure I2: JPA holding structure



Note: Red boxes indicate listed subsidiaries
Source: Company data

HSBC

Consolidated financials

Income statement

Figure J1: JPA Income statement (INRm)

Year to March	FY08	FY09	FY10	FY11	FY12e	FY13e	FY14e
Operating Income	**42,012**	**47,992**	**65,256**	**112,593**	**144,124**	**191,560**	**214,429**
y-o-y growth	6.8%	14.2%	36.0%	72.5%	28.0%	32.9%	11.9%
Total Expenditure	25,053	30,098	43,338	65,196	89,603	112,021	123,575
% of Sales	59.6%	62.7%	66.4%	57.9%	62.2%	58.5%	57.6%
EBITDA	**16,959**	**17,894**	**21,917**	**47,397**	**54,521**	**79,539**	**90,853**
y-o-y growth	29.1%	5.5%	22.5%	116.3%	15.0%	45.9%	14.2%
EBITDA margin	40.4%	37.3%	33.6%	42.1%	37.8%	41.5%	42.4%
Depreciation	3,188	3,326	4,722	6,464	10,800	15,495	19,530
EBIT	**13,770**	**14,568**	**17,195**	**40,934**	**43,721**	**64,045**	**71,323**
y-o-y growth	30.6%	5.8%	18.0%	138.0%	6.8%	46.5%	11.4%
EBIT margin	32.8%	30.4%	26.4%	36.4%	30.3%	33.4%	33.3%
Net Interest expense	5,579	7,062	12,864	18,747	27,360	39,294	39,292
Other Income	2,739	1,951	15,736	8,690	6,777	10,803	19,729
Profit before tax	**10,931**	**9,457**	**20,068**	**30,877**	**23,138**	**35,554**	**51,761**
y-o-y growth	47.6%	-13.5%	112.2%	53.9%	-25.1%	53.7%	45.6%
PBT margin	26.0%	19.7%	30.8%	27.4%	16.1%	18.6%	24.1%
Taxes	2,961	4,331	8,250	10,287	7,636	10,231	14,317
Tax rate	27.1%	45.8%	41.1%	33.3%	33.0%	28.8%	27.7%
Reported PAT	**7,970**	**5,126**	**11,818**	**20,590**	**15,503**	**25,323**	**37,444**
y-o-y growth	62%	-36%	131%	74%	-25%	63%	48%
margin	19.0%	10.7%	18.1%	18.3%	10.8%	13.2%	17.5%
Adjustments/ Extraordinary	0	0	(10,268)	(4,003)	0	(4,243)	(11,812)
HSBC PAT	**6,768**	**4,203**	**924**	**13,926**	**12,280**	**16,865**	**19,845**
y-o-y growth	67.1%	-37.9%	-78.0%	1,406.7%	-11.8%	37.3%	17.7%

Source: Company data, HSBC estimates

HSBC

Figure J2: JPA balance sheet details (INRm)

As on Mar	FY08	FY09	FY10	FY11	FY12e	FY13e	FY14e
Share capital	2,343	2,368	4,249	4,253	4,253	4,253	4,253
Reserves & surplus	47,429	63,595	81,153	103,538	113,829	132,947	162,615
Net worth	**49,772**	**65,963**	**85,403**	**107,791**	**118,081**	**137,200**	**166,868**
Minority interest	7,025	7,153	10,064	29,076	32,299	37,155	42,941
Secured loans	77,967	134,373	261,608	352,480	411,358	416,826	433,035
Unsecured loans	36,905	58,829	91,103	91,970	92,000	92,000	92,000
Total debt	**114,872**	**193,202**	**352,711**	**444,450**	**503,358**	**508,826**	**525,035**
Deferred revenue	961	1,587	2,340	3,130	3,130	3,130	3,130
Deferred payment liability	5,995	6,896	9,231	12,150	12,150	12,150	12,150
Total liabilities	**178,624**	**274,801**	**459,748**	**596,598**	**669,018**	**698,461**	**750,124**
Use of funds							
Gross block	88,223	122,516	184,868	199,355	319,912	498,993	558,465
Depreciation	-18,835	-22,564	-28,469	-34,935	-45,735	-61,229	-80,759
Net block	**69,388**	**99,951**	**156,400**	**164,420**	**274,178**	**437,764**	**477,706**
Lease adjustment	0	0	0	0	0	0	0
Capital WIP	62,250	96,347	154,593	256,559	255,150	122,324	125,015
Net fixed assets	**131,638**	**196,298**	**310,993**	**420,980**	**529,327**	**560,088**	**602,721**
Net intangible assets	0	0	0	0	0	0	0
Investments	1,203	10,964	10,586	31,111	32,000	32,000	32,000
Inventories	8,089	10,816	14,159	16,689	85,882	89,346	92,069
Projects under development	6,271	11,387	38,070	54,311	0	0	0
Debtors	7,717	7,628	14,517	26,712	32,173	34,953	38,767
Cash & cash equivalent (including current investments)	24,622	39,214	84,852	68,186	18,427	707	1,355
Other current assets	1,722	1,205	1,611	1,302	1,974	2,624	2,937
Loans and advances	25,864	38,158	45,698	60,887	71,075	89,220	96,934
Total current assets	**74,284**	**108,408**	**198,906**	**228,086**	**209,530**	**216,850**	**232,062**
Current liabilities	23,687	34,358	51,665	68,619	82,887	85,286	88,460
Provisions	4,814	6,511	9,072	14,960	18,953	25,192	28,199
Total current liabilities	**28,501**	**40,869**	**60,737**	**83,579**	**101,840**	**110,478**	**116,658**
Net current assets	45,783	67,539	138,169	144,507	107,690	106,372	115,403
Total assets	**178,624**	**274,801**	**459,748**	**596,598**	**669,018**	**698,461**	**750,124**

Source: Company data, HSBC estimates

Figure J3: JPA cash flow statement (INRm)

Cash flow Statement	FY08	FY09	FY10	FY11	FY12e	FY13e	FY14e
Profit before tax	10,931	9,457	20,068	30,877	23,138	35,554	51,761
Tax Paid	(2,961)	(4,331)	(8,250)	(10,287)	(7,636)	(10,231)	(14,317)
Add: D&A	3,188	3,326	4,722	6,464	10,800	15,495	19,530
Add: Interest	5,579	7,062	12,864	18,747	27,360	39,294	39,292
Add: Deferred revenue	0	0	0	0	0	0	0
Add: Def tax liability	0	0	0	0	0	0	0
Less: Other Income	(2,739)	(1,951)	(15,736)	(8,690)	(6,777)	(10,803)	(19,729)
Chg in Inventories	(1,055)	(2,727)	(3,343)	(2,530)	(69,193)	(3,465)	(2,722)
Chg in Projects under dev	(1,267)	(5,116)	(26,683)	(16,241)	54,311	0	0
Chg in Debtors	(301)	89	(6,888)	(12,195)	(5,462)	(2,780)	(3,814)
Change in Loans & Advances	(13,949)	(12,293)	(7,541)	(15,188)	(10,188)	(18,145)	(7,714)
Chg in other CA	(301)	517	(405)	308	(672)	(650)	(313)
Chg in CL	8,914	10,671	17,307	16,954	14,268	2,399	3,173
Chg in Provisions	763	1,698	2,561	5,888	3,993	6,238	3,007
Change in Working capital	(7,196)	(7,163)	(24,993)	(23,004)	(12,943)	(16,402)	(8,382)
Cash flow from Operations	**6,801**	**6,400**	**(11,325)**	**14,107**	**33,942**	**52,907**	**68,154**
Post earnings Adjustments	(1,202)	(923)	(627)	(2,662)	(3,223)	(4,215)	(5,786)
Capex	(46,683)	(67,986)	(119,417)	(116,450)	(119,148)	(46,256)	(62,162)
Change in Investments/Assets	(1,126)	(9,761)	378	(20,525)	(889)	0	0
Other Income	2,739	1,951	5,469	4,688	6,777	6,560	7,917
Others	0	0	0	0	0	0	0
Cash flow from Investing	**(46,272)**	**(76,719)**	**(114,197)**	**(134,950)**	**(116,482)**	**(43,911)**	**(60,032)**
Change in Debt	34,036	78,330	159,509	91,739	58,907	5,468	16,209
Change in Equity	2,586	153	4,792	19,016	3,223	4,856	5,786
Change in Reserves	14,908	13,391	18,858	10,436	(0)	4,243	11,812
Dividend and Dividend Tax	(1,341)	(1,427)	(2,224)	(1,977)	(1,990)	(1,990)	(1,990)
Change in DTL	1,252	1,528	3,088	3,709	(0)	0	0
Add: Deferred revenue	0	0	0	0	0	0	0
Interest cost	(5,579)	(7,062)	(12,864)	(18,747)	(27,360)	(39,294)	(39,292)
Cash flow from Financing	**45,862**	**84,912**	**171,160**	**104,177**	**32,780**	**(26,716)**	**(7,474)**
Increase/(Decrease) in Cash	6,392	14,593	45,638	(16,666)	(49,759)	(17,720)	649
Opening Cash Balance	18,230	24,622	39,214	84,852	68,186	18,427	707
Closing Cash Balance	24,622	39,214	84,852	68,186	18,427	707	1,355

Source: Company data, HSBC estimates

HSBC

Figure J4: Key ratios

Year to March	FY08	FY09	FY10	FY11	FY12e	FY13e	FY14e
Per-share figures (INR)							
HSBC Earnings per share (EPS)	3.2	2.0	0.4	6.5	5.8	7.9	9.3
Cash EPS	4.7	3.5	2.7	9.6	10.9	15.2	18.5
Dividend per share	1.0	0.9	0.9	0.8	0.8	0.8	0.8
Book Value per share	23.4	31.0	40.2	50.7	55.5	64.5	78.5
Growth ratios (%)							
Revenue	14.6%	45.4%	74.2%	28.5%	1.2%	3.1%	1.5%
EBITDA	29.1%	5.5%	22.5%	116.3%	15.0%	45.9%	14.2%
EBIT	30.6%	5.8%	18.0%	138.0%	6.8%	46.5%	11.4%
PBT	47.6%	-13.5%	112.2%	53.9%	-25.1%	53.7%	45.6%
HSBC net profit	67.1%	-37.9%	-78.0%	1406.7%	-11.8%	37.3%	17.7%
Reported net profit	61.6%	-35.7%	130.6%	74.2%	-24.7%	63.3%	47.9%
Return ratios (%)							
Return on invested capital (ROIC)	7.9%	4.2%	3.5%	6.4%	5.3%	7.1%	7.5%
Return on equity (ROE)	17.1%	7.3%	1.2%	14.4%	10.9%	13.2%	13.1%
Return on capital employed (ROCE)	8.4%	4.1%	5.4%	6.4%	5.5%	8.0%	9.3%
Gearing ratios (x)							
Gross debt to equity	2.0	2.6	3.7	3.2	3.3	2.9	2.5
Net debt to equity	1.6	2.1	2.8	2.7	3.2	2.9	2.5
Liquidity ratios (x)							
Current ratio	3.1	3.2	3.8	3.3	2.5	2.5	2.6
Quick ratio	2.8	2.8	3.6	3.1	1.5	1.5	1.6
Interest cover	2.5	2.1	1.5	2.5	1.8	1.7	1.9
Working capital (days)	184	215	298	247	231	201	194

Source: Company data, HSBC estimates

Financials & valuation

Financial statements (consolidated)

Year to	03/2011a	03/2012e	03/2013e	03/2014e
Profit & loss summary (INRm)				
Revenue	112,593	144,124	191,560	214,429
EBITDA	47,397	54,521	79,539	90,853
Depreciation & amortisation	-6,464	-10,800	-15,495	-19,530
Operating profit/EBIT	40,934	43,721	64,045	71,323
Net interest	-16,655	-24,585	-37,131	-37,237
PBT	30,877	23,138	35,554	51,761
HSBC PBT	30,877	23,138	35,554	51,761
Taxation	-10,287	-7,636	-10,231	-14,317
Net profit	17,937	12,280	21,108	31,658
HSBC net profit	13,926	12,280	16,865	19,845
Cash flow summary (INRm)				
Cash flow from operations	14,107	33,942	52,907	68,154
Capex	-116,450	-119,148	-46,256	-62,162
Cash flow from investment	-39,501	-57,575	-38,442	-43,823
Dividends	-1,977	-1,990	-1,990	-1,990
Change in net debt	108,405	108,667	23,188	15,560
FCF equity	-118,998	-109,790	-30,480	-31,245
Balance sheet summary (INRm)				
Intangible fixed assets	0	0	0	0
Tangible fixed assets	420,980	529,327	560,088	602,721
Current assets	228,086	209,530	216,850	232,062
Cash & others	68,186	18,427	707	1,355
Total assets	680,177	770,858	808,938	866,783
Operating liabilities	86,709	104,970	113,608	119,788
Gross debt	444,450	503,358	508,826	525,035
Net debt	376,264	484,931	508,119	523,680
Shareholders funds	107,791	118,081	137,200	166,868
Invested capital	494,170	615,461	662,624	713,639

Ratio, growth and per share analysis

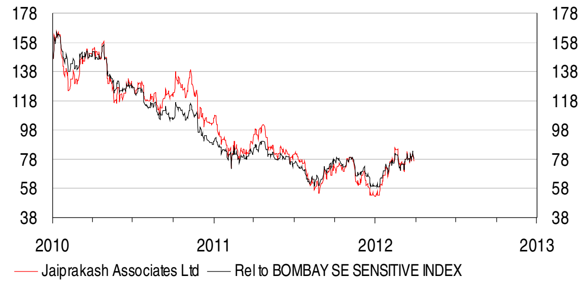
Year to	03/2011a	03/2012e	03/2013e	03/2014e
Y-o-y % change				
Revenue	72.5	28.0	32.9	11.9
EBITDA	116.3	15.0	45.9	14.2
Operating profit	138.0	6.8	46.5	11.4
PBT	53.9	-25.1	53.7	45.6
HSBC EPS	1406.7	-11.8	37.3	17.7
Ratios (%)				
Revenue/IC (x)	0.3	0.3	0.3	0.3
ROIC	6.4	5.3	7.1	7.5
ROE	14.4	10.9	13.2	13.1
ROA	5.5	4.7	6.7	7.9
EBITDA margin	42.1	37.8	41.5	42.4
Operating profit margin	36.4	30.3	33.4	33.3
EBITDA/net interest (x)	2.8	2.2	2.1	2.4
Net debt/equity	274.9	322.5	291.4	249.6
Net debt/EBITDA (x)	7.9	8.9	6.4	5.8
CF from operations/net debt	3.7	7.0	10.4	13.0
Per share data (INR)				
EPS reported (diluted)	8.44	5.77	9.93	14.89
HSBC EPS (diluted)	6.55	5.77	7.93	9.33
DPS	0.80	0.80	0.80	0.80
Book value	50.69	55.53	64.52	78.47

Valuation data

Year to	03/2011a	03/2012e	03/2013e	03/2014e
EV/sales	4.8	4.5	3.5	3.3
EV/EBITDA	11.3	11.9	8.5	7.7
EV/IC	1.1	1.1	1.0	1.0
PE*	11.8	13.3	9.7	8.2
PB	1.5	1.4	1.2	1.0
FCF yield (%)	-73.6	-67.0	-18.1	-17.9
Dividend yield (%)	1.0	1.0	1.0	1.0

*Based on HSBC EPS (diluted)

Price relative



Source: HSBC

Note: Priced at close of 28 March 2012

Cement industry overview

We expect 10% demand growth during FY13

Leading players registered positive dispatch volumes in January and February 2012; volumes rose at rates ranging from 4% y-o-y for Ambuja Cement to as high as 14% y-o-y for Ultratech Cement. This positive volume pickup (without any upside surprise in demand from organised real estate or infrastructure construction) implies rural housing demand remains strong. Five state elections during the Q3 have also helped add to cement volume growth, especially in North India.

We expect cement demand to grow c10% in FY13 on a low base and improving demand from housing and infrastructure construction. While expectations of significant monetary policy easing have been tempered, we expect infrastructure spending to pick up as the general elections in India in 2014 draw closer.

Production discipline getting stronger but cost push is mightier

Cement companies continued to demonstrate strong production discipline in their 3QFY12. We expect production discipline to help keep cement prices firm before seasonal weakness during the monsoons in 2QFY14. However we see scope for margin improvement, as soaring costs continue to keep pressure high.

Regional view

Western region – outperforming

Western region comprising of two states (namely Gujarat and Maharashtra) constitutes c23% of total cement consumption. The West has led cement consumption growth with 16% y-o-y demand growth during the first 9 months of FY12. As the western region is the largest contributor to national GDP, we see demand there remaining strong. Gujarat should witness an encouraging upturn in consumption as it prepares for elections during FY13e.

South – clouded with concerns

More than 50% of pan India oversupply is concentrated in the southern region and has been posting a continued decline in cement consumption. In the first nine months of FY12, cement demand has declined c4% y-o-y. The consumption decline has been acute in Andhra Pradesh (13% y-o-y), while Kerala and Tamilnadu which had elections during FY12 have remained largely flat. We expect the South to suffer most as we do not see any demand growth drivers. In the first nine months of FY12, the pan-India cement industry grew 6% y-o-y, but 9% y-o-y excluding the South.

North India region– election driven demand

North India registered c10% growth during 9M FY12 on the back of elections in three states. While demand could taper off as the election effect wanes, we expect pricing and demand to remain strong in Punjab and Rajasthan.

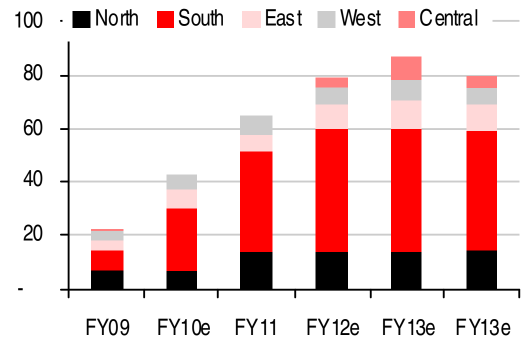
Central – moderate growth

We anticipate the strong growth witnessed in the Central region (6% y-o-y for 9M FY12) and c8% for Uttar Pradesh state to moderate post elections.

East – Low on expectations

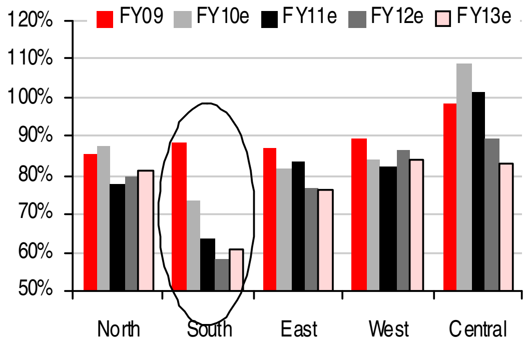
Despite sound economic growth in Bihar, cement consumption declined 6% y-o-y during 9M FY12. On the other hand Orrisa and West Bengal delivered growth of 13% and 7%, respectively. We forecast a modest 5% FY13e growth for East.

Figure K1: Indian cement: Excess capacity regional breakup



Source: CMA, HSBC.

Figure K2: Indian cement: utilisation rates across regions



Source: CMA, HSBC.

Figure K3: Cement consumption – in key states

	Cement consumption 2008	2009	2010	2011	2012	Y/Y 2010	2011	2012	% consumption 2012	Rank on basis of consumption	Per capita consumption (kg / person) 2011
Uttaranchal	2.54	2.42	2.69	2.86	3.09	12%	6%	8%	1.4%	18	282.23
Haryana	6.96	7.24	8.18	8.10	9.17	13%	-1%	13%	4.2%	11	319.56
Punjab	6.60	6.24	7.42	9.12	10.49	19%	23%	15%	4.8%	10	329.33
Rajasthan	10.33	10.98	11.08	11.46	12.88	1%	3%	12%	5.8%	5	167.03
Himachal Pradesh	1.89	1.92	2.29	2.40	2.22	19%	5%	-7%	1.0%	20	350.16
Chandigarh	0.42	0.43	0.51	0.30	0.26	19%	-43%	-13%	0.1%	25	280.18
Delhi	3.52	4.76	5.28	4.54	4.75	11%	-14%	5%	2.2%	15	271.12
Jammu & Kashmir	1.26	1.08	1.22	1.03	1.01	13%	-15%	-3%	0.5%	21	82.39
North	33.52	35.09	38.67	39.81	43.87	10%	3%	10%			
Andhra Pradesh	14.74	17.96	17.42	14.29	12.42	-2%	-18%	-13%	5.6%	7	168.72
Tamil Nadu	14.46	15.86	16.64	17.14	17.11	5%	3%	0%	7.8%	4	237.61
Karnataka	11.80	11.51	12.06	12.70	12.47	8%	5%	-2%	5.7%	6	207.67
Kerala	7.13	7.89	8.13	8.01	8.26	4%	-1%	3%	3.8%	12	239.96
Pondicherry	0.42	0.43	0.46	0.43	0.39	8%	-7%	-9%	0.2%	24	347.43
Andaman & Nicobar	0.11	0.10	0.10	0.11	0.08	-7%	15%	-30%	0.0%	26	290.03
Goa	0.49	0.50	0.47	0.53	0.58	-6%	13%	9%	0.3%	22	365.00
South	49.16	54.25	55.28	53.21	51.32	2%	-4%	-4%			
Assam	1.08	1.65	1.95	2.44	2.59	18%	25%	6%	1.2%	19	78.36
Meghalaya	1.24	0.83	0.84	0.71	0.52	2%	-16%	-27%	0.2%	23	239.63
Bihar	4.54	5.10	7.17	7.96	7.47	41%	11%	-6%	3.4%	14	76.67
Jharkhand	2.68	3.11	3.88	4.23	3.80	25%	9%	-10%	1.7%	17	128.32
Orissa	4.72	5.47	6.39	6.75	7.65	17%	6%	13%	3.5%	13	160.97
West Bengal	7.29	7.65	9.39	10.98	11.71	23%	17%	7%	5.3%	9	120.19
Chhatisgarh	3.81	4.16	4.36	4.41	4.63	5%	1%	5%	2.1%	16	172.81
East	25.35	27.97	33.98	37.49	38.38	22%	10%	2%			
Gujarat	11.67	12.09	14.12	16.05	19.21	17%	14%	20%	8.7%	3	265.84
Maharashtra	20.56	21.88	23.61	26.43	30.18	8%	12%	14%	13.7%	1	235.20
West	32.23	33.96	37.72	42.48	49.39	11%	13%	16%			
Uttar Pradesh	16	18	22	23.44	25.38	25%	5%	8%	11.5%	2	117.45
Madhya Pradesh	7	8	9	11.30	11.96	13%	19%	6%	5.4%	8	155.67
Central	24	26	32	34.74	37.34	21%	10%	7%			

Source:

Noida / Greater Noida real estate market

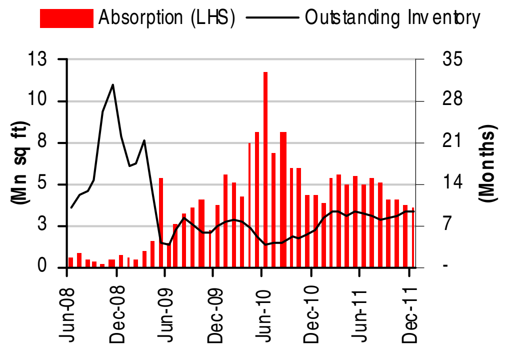
Noida/ Gr Noida residential

The Noida /Greater Noida region has emerged as one of the most affordable and self sustained areas for real estate developments in the National Capital Region (NCR) over the past 4-5 years. The region can boast of good infrastructure, close proximity to Delhi and affordable housing, which has led to a big jump in new residential launches. The region has seen a huge jump in absorption levels and new launches over the past three years as can be seen below (Figure L1). Part of this increase in demand is due to the new supply created by the JP group companies.

The group has so far launched c50m sq ft and c14m sq ft of residential developments in Noida and Greater Noida, respectively, and has witnessed steady absorption due to its competitive pricing strategy. However, as can be seen in the chart in Figure L3 and L4 on page 42, despite being one of the biggest land holders in the region, JPA still commands a c20% share in Noida and Greater Noida.

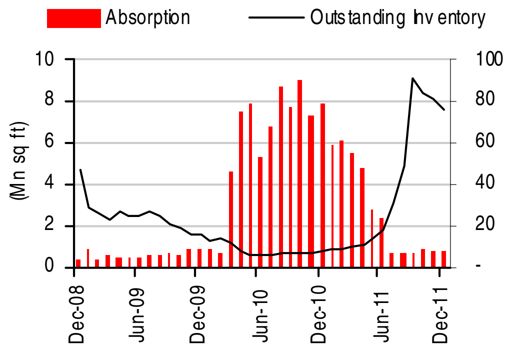
The last few months though have seen a drastic drop in volumes especially in Greater Noida due to the farmer protests surrounding land acquisition in the Noida extension/expressway micro-market, which had seen a flurry of new launches over the last two years. A key reason for the strong growth in the Noida/ Greater Noida region has been the availability of affordable housing around a large city like Delhi and already established Delhi-Noida- Greater Noida road link. Further advances in infrastructure initiatives like the Yamuna

Figure L1: Noida absorption and outstanding inventory trend



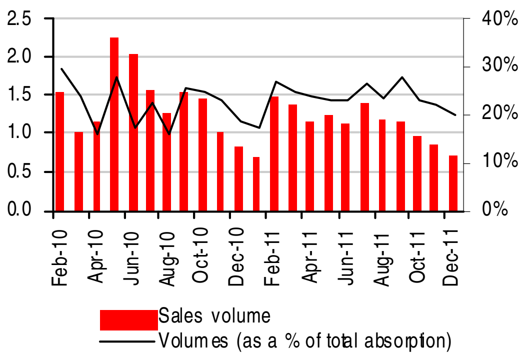
Source: HSBC Research, PE Analytics

Figure L2: Greater Noida absorption and outstanding inventory trend



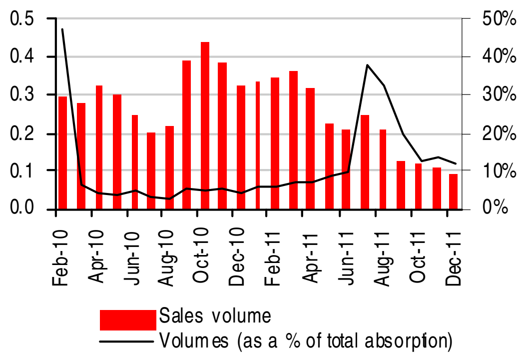
Source: HSBC Research, PE Analytics

Figure L3: JP sales volumes trend in Noida



Source: HSBC Research, PE Analytics

Figure L4: JP sales volumes trend in Greater Noida



Source: HSBC Research, PE Analytics

Expressway and the recent F1 track are bound to create more interest in the region. Commercial activities, however, needs to pick up, in comparison with other NCR areas, like Gurgaon. A closer look at the residential to commercial absorption ratio suggests Noida and Greater Noida fall well behind other major second-tier cities; the majority of the population find employment opportunities in the local manufacturing and services sector in neighbouring New Delhi. With the majority of deliveries likely over FY12-15, promise will need to be backed by improved absorption of commercial space and increased manufacturing activity.

Residential market outlook

Monetary easing in 2H CY12 to trigger sector revival

Of the top nine Indian cities, only two cities have reported strong volume growth YTD (Bangalore: up 24% and Chennai: up 7%), while the other cities have performed poorly (Mumbai down 40% and Kolkata down 13%). Inventories across Mumbai (30 months) and Hyderabad (34 months) are higher than during the last downcycle. A common thread across the poor performing cities has been the low level of new project launches, while Bangalore and Gurgaon have been able to maintain healthy volume growth on a higher base, as new project launches have kept property price growth in check. We remain gloomy on our outlook for Mumbai due to a lack of new launches and developers' reluctance to cut prices in a hurry, which will affect volumes. We are more optimistic over Gurgaon and Bangalore as we continue to see sustainable demand going forward (as shown in Figure L5 below).

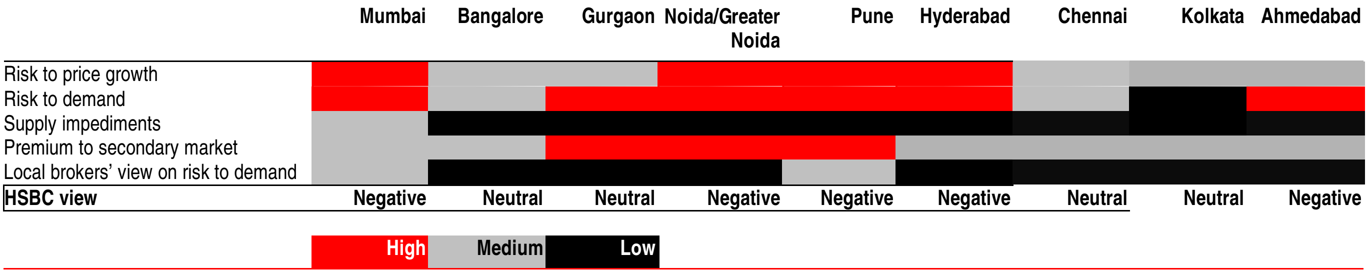
Figure L5: Residential real estate performance and expectations

	Jan volume		Jan pricing		Residential view HSBC CY12e	
	YTD	Y-o-Y	YTD	Y-o-Y	Vols	Pricing
Mumbai	-40%	-63%	12%	8%	▶	▼
Bangalore	24%	-8%	7%	4%	▲	▶
Gurgaon	-3%	-42%	11%	-2%	▲	▲
Noida & Gr. Noida	-59%	-68%	12%	18%	▶	▶
Pune	-11%	-46%	11%	12%	▶	▶
Hyderabad	-28%	-32%	5%	5%	▼	▼
Chennai	7%	-41%	10%	10%	▶	▲
Kolkata	-13%	-16%	11%	13%	▶	▶
Ahmedabad	-1%	-58%	13%	6%	▼	▼

Source: PropEquity, HSBC Research

Our economist expects the RBI to start easing its monetary stance in 2H CY12, as the economy bottoms out in 2Q CY12. An accommodative monetary policy stance to revive macro growth would, in our view, act as a lead indicator for the property sector revival. We think the best way to play an early recovery phase is through property companies constrained by tight balance sheet liquidity. A better refinancing environment will allow such companies to reduce execution risk and launch new projects. Also, a low interest rate environment will encourage sales as it increases affordability and end buyer interest.

Figure L6: City attractiveness mapping



Source: HSBC estimates

JPA standalone financials

Figure M1: JPA standalone financials

Standalone Income statement	FY08	FY09	FY10	FY11	FY12e	FY13e	FY14e
Operating Income	**39,851**	**57,926**	**100,889**	**129,650**	**131,145**	**135,176**	**137,156**
Total Expenditure	28,881	40,881	77,776	100,762	98,907	100,822	104,571
EBITDA	**10,970**	**17,045**	**23,114**	**28,888**	**32,238**	**34,354**	**32,585**
Depreciation	2,033	3,090	4,561	6,078	7,782	8,842	9,485
EBIT	**8,937**	**13,955**	**18,553**	**22,810**	**24,457**	**25,512**	**23,099**
Net Interest expense	3,391	5,043	10,558	13,942	17,855	18,714	16,222
Other Income	2,888	3,598	15,822	8,677	4,325	9,353	19,049
Profit before tax	**8,434**	**12,510**	**23,817**	**17,545**	**10,926**	**16,152**	**25,926**
Tax	2,337	3,540	6,733	5,867	3,660	4,785	6,944
Reported PAT	6,097	8,970	17,084	11,678	7,266	11,367	18,982
Adjustments/ Extraordinary	0	0	(10,268)	(4,003)	0	(4,243)	(11,812)
HSBC PAT	**6,097**	**8,970**	**6,816**	**7,675**	**7,266**	**7,124**	**7,170**
Per share ratios							
Earnings per share (EPS)	5.2	6.4	8.0	5.5	3.4	5.3	8.9
Dividend per share (DPS)	1.0	0.9	0.9	0.8	0.8	0.8	0.8
Book Value per share (BVPS)	39.2	47.8	40.0	44.2	46.7	51.1	59.1
Growth ratios							
Sales	14.6%	45.4%	74.2%	28.5%	1.2%	3.1%	1.5%
EBITDA	16.4%	55.4%	35.6%	25.0%	11.6%	6.6%	-5.2%
EBIT	14.6%	56.2%	32.9%	22.9%	7.2%	4.3%	-9.5%
PBT	36.0%	48.3%	90.4%	-26.3%	-37.7%	47.8%	60.5%
Reported PAT	46.9%	47.1%	90.5%	-31.6%	-37.8%	56.4%	67.0%
HSBC PAT	46.9%	47.1%	-24.0%	12.6%	-5.3%	-2.0%	0.6%
HSBC EPS (reported)	46.9%	47.1%	-24.0%	12.6%	-5.3%	-2.0%	0.6%
Margins							
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Expenditure	72.5%	70.6%	77.1%	77.7%	75.4%	74.6%	76.2%
EBITDA	6.4%	5.9%	6.6%	4.6%	0.0%	0.0%	0.0%
EBIT	9.3%	7.2%	6.8%	8.3%	0.0%	0.0%	0.0%
PBT	56.8%	57.5%	63.7%	64.9%	75.4%	74.6%	76.2%
Reported PAT	27.5%	29.4%	22.9%	22.3%	24.6%	25.4%	23.8%
HSBC PAT	22.4%	24.1%	18.4%	17.6%	18.6%	18.9%	16.8%
Tax rate	21.2%	21.6%	23.6%	13.5%	8.3%	11.9%	18.9%
Key ratios							
Return on invested capital (ROIC)	7.7%	7.6%	7.4%	6.5%	6.1%	6.7%	6.5%
Return on equity (ROE)	16.3%	15.9%	22.5%	13.0%	7.5%	10.9%	16.2%
Net debt to equity	1.4	1.5	1.7	2.0	2.3	2.0	1.6
Brief cash flow summary							
Operating cash flow	10,120	5,231	1,853	12,076	17,569	25,829	26,565
Cash flow from investing	(42,570)	(37,127)	(29,491)	(49,192)	(29,486)	1,317	10,932
--Capex	(30,701)	(33,271)	(30,847)	(46,830)	(30,311)	(5,036)	(5,117)
--Investment in subs	(14,461)	(8,906)	(11,674)	(9,417)	(3,500)	(3,000)	(3,000)
Cash flow from financing	36,307	42,590	37,344	22,950	858	(35,704)	(38,213)
Net change in cash	3,857	10,932	9,706	(14,167)	(11,058)	(8,558)	(715)
Cash at the beginning of the year	14,298	18,155	29,086	38,792	24,625	13,567	5,009
Cash at the end of the year	18,155	29,086	38,792	24,625	13,567	5,009	4,294
Brief balance sheet							
Net worth	45,980	66,980	85,007	93,974	99,249	108,626	125,618
Debt	83,056	131,062	179,087	217,076	237,780	222,780	202,780
Net fixed assets	79,305	118,999	145,103	183,096	205,625	201,819	197,450
Investments	32,248	44,652	55,763	64,838	68,338	71,338	74,338
Net working Capital	23,079	41,288	72,461	75,057	75,007	70,190	68,551

Source: Company data, HSBC estimates

Notes

Notes

Disclosure appendix

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